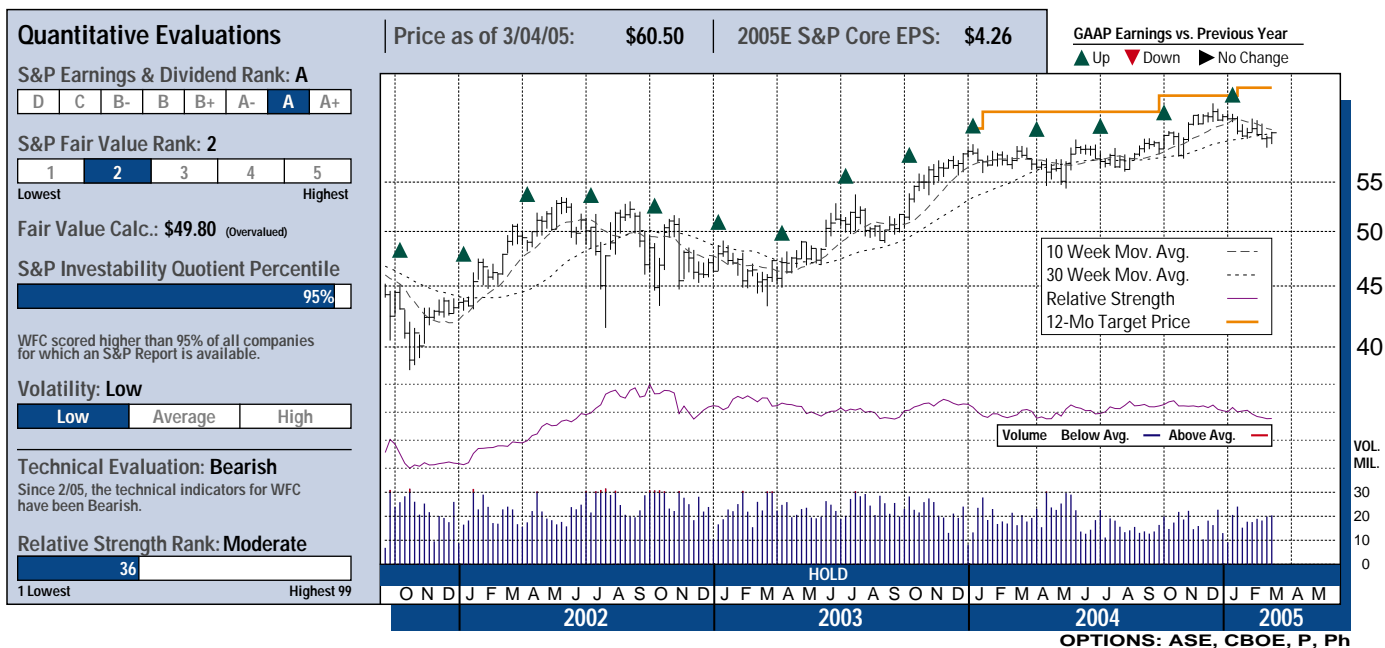


Recommendation: **HOLD** ★★☆☆☆ 12-Month Target Price: **\$66.00**  
(as of January 18, 2005)

WFC has an approximate 0.90% weighting in the S&P 500

**Sector:** Financials  
**Sub-Industry:** Diversified Banks  
**Peer Group:** Midwest/West Major Regionals

**Summary:** This San Francisco-based bank holding company provides banking, insurance, investment, mortgage and consumer finance services throughout North America.



Analyst commentary prepared by Evan M. Momios, CFA /MF/JWP

**Highlights** January 19, 2005

- We think that WFC's strong sales culture, proven ability to cross-sell its diverse product mix to its customer base, high credit quality standards, and exposure to attractive growth regions should support its ability to achieve above-average revenue and earnings growth for the longer term. However, we believe slower mortgage business growth will keep revenue and earnings growth below historical levels and below our long term growth projection in 2005.
- We estimate 2005 total loan growth of 9%, after 14% growth reported in 2004, on significantly lower residential mortgage originations, partly offset by stronger commercial loans. We believe WFC's large mortgage servicing portfolio should offset some of the expected decline in mortgage origination fees and loan sale gains. We see an average net interest margin of 4.98% in 2005, up from 4.88% reported in 2004.
- We project EPS of \$4.55 for 2005, up 11% from \$4.09 in 2004, followed by \$5.10 in 2006, in line with our long-term EPS growth estimate.

**Investment Rationale/Risk** January 19, 2005

- The shares were up about 6% in 2004, compared to a 9% increase for the S&P 500. Based on the stock's valuation versus peers, and what we consider a mixed operating outlook, we expect the shares to be average performers in the year ahead and we would remain on the sidelines.
- Risks to our recommendation and target price include a severe economic downturn in combination with higher short-term interest rates that could result in an inverted yield curve; litigation and regulatory risks; and a serious geopolitical event that could affect equity markets.
- The stock's average P/E multiple was 16X and 14X in the past five years and three years, respectively. Our 12-month target price of \$66 reflects our view that the stock, trading at about 14.5X our 2005 EPS estimate, is in fair value range and has limited upside potential. We would hold the stock, which has a dividend yield of 3.1%.

**Key Stock Statistics**

S&P Oper. EPS 2005E	4.55	52-week Range	\$64.04-54.32
P/E on S&P Oper. EPS 2005E	13.3	12 Month P/E	14.8
S&P Oper. EPS 2006E	5.10	Beta	0.32
Yield (%)	3.2%	Shareholders	96,634
Dividend Rate/Share	1.92	Market Cap (B)	\$102.4
Shares Outstanding (M)	1691.9		

Value of \$10,000 invested five years ago: **\$ 20,441**

**Dividend Data** Dividends have been paid since 1939

Amount (\$)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
0.450	Apr. 27	May. 05	May. 07	Jun. 01 '04
0.480	Jul. 27	Aug. 04	Aug. 06	Sep. 01 '04
0.480	Oct. 25	Nov. 03	Nov. 05	Dec. 01 '04
0.480	Jan. 25	Feb. 02	Feb. 04	Mar. 01 '05

**Revenues/Earnings Data** Fiscal year ending December 31

Revenues (Million \$)	2004	2003	2002	2001	2000	1999
1Q	7,955	7,561	6,982	7,295	6,421	5,215
2Q	8,269	7,637	7,005	5,361	6,678	5,310
3Q	8,305	8,170	7,044	7,099	6,925	5,450
4Q	9,347	8,257	7,443	7,137	7,545	5,820
Yr.	33,876	31,800	28,473	26,891	27,568	21,795

Earnings Per Share (\$)	2004	2003	2002	2001	2000	1999
1Q	1.03	0.88	0.80	0.67	0.61	0.53
2Q	1.00	0.90	0.82	-0.05	0.61	0.55
3Q	1.02	0.92	0.84	0.67	0.47	0.57
4Q	1.04	0.95	0.86	0.69	0.65	0.58
Yr.	4.09	3.65	3.32	1.97	2.33	2.23

Next earnings report expected: mid-April Source: S&P, Company Reports  
EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Recommendation: **HOLD** ★★☆☆☆ 12-Month Target Price: **\$66.00** (as of January 18, 2005)**Business Summary** January 19, 2005

Tracing its roots to a business founded by Henry Wells and William Fargo in 1852, Wells Fargo is now the fifth largest U.S. bank holding company, with about \$388 billion in assets. The company provides banking, insurance, investments, mortgage and consumer finance through about 5,900 financial services stores across North America. The company's strategy is focused on cross selling financial products to its client base. At the end of 2003, WFC estimated that each of its current customers had an average of more than four products. The company's goal is eight products per customer, which WFC sees as half of estimated potential demand.

Operations are divided into three lines of business. Community banking (70% of net income in 2003) offers diversified financial products and services to individual consumers and small businesses, as well as investment management and other services to retail customers and high net worth individuals, insurance and securities brokerage. Lending products include residential mortgages, lines of credit, equipment and transportation loans, and equity lines. Wholesale banking (23%) serves businesses with over \$10 million in annual sales with commercial loans and lines of credit, asset-based lending, equipment leasing, international trade facilities, foreign exchange services, treasury management, investment management, institutional fixed income and equity sales. Wells Fargo financial (7%) consists of consumer finance and auto finance operations, including direct install-

ment loans to individuals and the purchase of sales finance contracts from retail merchants.

In 2003, average earning assets, from which interest income is derived, amounted to \$318.2 billion and mainly consisted of loans, including mortgages, and leases (86%) and investment securities (10%). Average sources of funds included interest-bearing deposits (43%), noninterest-bearing deposits (20%), short-term borrowings (8%), long-term debt (14%), shareholders' equity (8%) and other (7%).

At the end of 2003, nonperforming assets, consisting mainly of nonaccrual loans, foreclosed assets and other real estate owned, were \$1.67 billion (0.43% of assets), down from \$1.69 billion (0.48%) a year earlier. The allowance for loan losses, which is set aside for possible loan defaults, was \$3.89 billion (1.54% of loans), versus \$3.82 billion (1.98%) a year earlier. Net chargeoffs, or the amount of loans actually written off as uncollectible, were \$1.72 billion (0.81% of average loans) in 2003, versus \$1.68 billion (0.96%) in 2002.

Acquisitions in 2003 included certain assets of Syracuse, NY-based Telmark, LLC (\$660 million in assets); Seattle, WA-based Pacific Northwest Bancorp (\$3.3 billion); Grand Junction, CO-based Two Rivers Corp. (\$74 million); and 14 smaller acquisitions of asset management, commercial real estate brokerage, bankruptcy and insurance brokerage businesses with total assets of \$136 million.

**Company Financials** Fiscal Year ending December 31**Per Share Data (\$)**

(Year Ended December 31)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Tangible Bk. Val.	NA	14.07	12.22	9.80	9.18	7.91	6.77	9.01	7.97	7.10
Earnings	4.09	3.65	3.32	1.97	2.33	2.23	1.17	1.75	1.54	1.38
S&P Core Earnings	NA	3.56	3.13	1.68	NA	NA	NA	NA	NA	NA
Dividends	1.86	1.50	1.10	1.00	0.90	0.79	0.70	0.61	0.53	0.45
Payout Ratio	45%	41%	33%	51%	39%	35%	60%	35%	34%	33%
Prices - High	64.04	59.18	53.44	54.81	56.37	49.93	43.87	39.50	23.43	17.37
- Low	54.32	43.27	43.30	38.25	31.37	32.18	27.50	21.37	15.25	11.31
P/E Ratio - High	16	16	16	28	24	22	37	23	15	13
- Low	13	12	13	19	13	14	24	12	10	8

**Income Statement Analysis (Million \$)**

Net Int. Inc.	NA	16,007	14,855	12,460	10,865	9,355	8,990	4,033	3,701	3,269
Tax Equiv. Adj.	NA	NA	NA	NA	65.0	64.0	59.0	44.5	32.2	34.0
Non Int. Inc.	NA	12,323	9,348	7,227	9,565	6,653	6,427	2,924	2,612	1,901
Loan Loss Prov.	NA	1,722	1,733	1,780	1,329	1,045	1,545	525	395	312
Exp./Op. Revs.	NA	60.7%	52.2%	65.5%	57.7%	60.9%	68.4%	63.5%	64.5%	65.3%
Pretax Inc.	NA	9,477	8,854	5,479	6,549	5,948	3,293	2,050	1,782	1,423
Eff. Tax Rate	NA	34.6%	35.5%	37.5%	38.5%	37.0%	40.8%	34.1%	35.2%	32.8%
Net Inc.	NA	6,202	5,710	3,423	4,026	3,747	1,950	1,351	1,154	956
% Net Int. Marg.	NA	5.08	5.57	5.36	5.35	5.66	5.79	5.74	5.63	5.58
S&P Core Earnings	NA	6,055	5,374	2,894	NA	NA	NA	NA	NA	NA

**Balance Sheet & Other Fin. Data (Million \$)**

Money Mkt. Assets	NA	2,745	3,174	2,530	1,598	1,554	1,517	1,501	2,701	777
Inv. Securities	NA	32,953	27,947	40,308	38,655	38,518	31,997	18,731	16,959	16,004
Com'l Loans	NA	48,729	47,292	47,547	60,541	46,538	41,830	12,878	12,125	11,234
Other Loans	NA	204,344	149,342	124,952	10,583	72,926	66,164	31,757	29,029	36,455
Total Assets	NA	387,798	349,259	307,569	272,426	218,102	202,475	88,540	80,175	72,134
Demand Deposits	NA	74,387	74,094	65,362	55,096	42,916	43,732	16,253	14,296	11,624
Time Deposits	NA	173,140	142,822	121,904	114,463	89,792	90,056	39,204	35,834	30,405
LT Debt	NA	63,642	50,205	38,530	32,981	24,160	19,709	12,767	13,082	13,677
Common Equity	NA	34,255	30,107	26,996	26,103	21,860	20,296	6,755	5,875	5,010
% Ret. on Assets	NA	1.7	1.7	1.2	1.6	1.8	1.0	1.6	1.5	1.4
% Ret. on Equity	NA	19.3	20.0	12.8	16.2	17.6	14.2	21.2	20.0	21.9
% Loan Loss Resv.	NA	1.3	1.5	1.8	2.1	2.5	2.9	2.9	2.6	2.0
% Loans/Deposits	NA	117.0	117.3	110.9	104.7	93.8	79.0	76.7	78.6	109.5
% Equity to Assets	NA	8.7	8.7	9.2	9.7	10.0	10.2	7.4	7.5	6.3

Data as orig. reptd.; bef. results of disc ops. and/or spec. items. Data for 1997 and prior years based on Norwest Corp. before merger with Wells Fargo. Per share data adj. for stk. divs. as of ex-div. date. Bold denotes primary EPS. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office: 420 Montgomery Street, San Francisco, CA 94163.

Telephone: 800-333-0343.

Website: <http://www.wellsfargo.com>

Chrmn, Pres &amp; CEO: R.M. Kovacevich.

EVP &amp; CFO: H.I. Atkins.

EVP &amp; General Counsel: J.M. Strother.

Investor Contact: B. Strickland 415-396-0523.

Dir: J. A. Blanchard III, S. E. Engel, E. Hernandez, Jr., R. L. Joss, R. C.

King, R. M. Kovacevich, R. D. McCormick, C. H. Milligan, B. F. Mon-

toya, P. J. Quigley, D. B. Rice, J. M. Runstad, S. W. Sanger, S. G.

Swenson, M. W. Wright.

Founded: in 1929.

Domicile: Delaware.

Employees: 127,500.

S&amp;P Analyst: Evan M. Momios, CFA/IMF/JWP

Recommendation: **HOLD** ★★☆☆☆ 12-Month Target Price: **\$66.00** (as of January 18, 2005)

**Sub-Industry Outlook**

Year to date through January 31, 2005, the S&P Diversified Banks Index dropped 0.7%, versus a 2.5% decline for the S&P 1500. Our investment outlook for diversified bank stocks is positive. We believe earnings of larger banks will stay strong in 2005, based on our expectations of improving economic conditions. In our view, cost-cutting initiatives, improved credit quality, stable equity markets, and an eventual recovery of corporate loan demand should temper the impact of a projected softening of residential loan growth and the absence of sizeable loan loss reserve releases.

Fourth-quarter results continued to reflect strong credit quality, although loan loss reserve releases in general were not as sizeable as those reported in the third quarter. Operating expenses remained under control. As we had expected, revenues from market-sensitive businesses rebounded strongly from depressed third-quarter levels, in line with better capital market conditions in the quarter. On February 2, the Federal Reserve raised the Fed Funds rate by 25 basis points, to 2.50%. We expect the Fed to follow a strategy of measured tightening. We do not expect this to threaten industry profitability over the next 12 months.

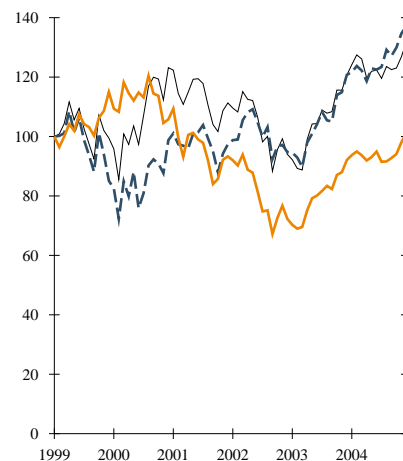
In general, we believe commercial loan demand has been strengthening in small businesses and middle markets in recent quarters. We see this as likely to extend to the large corporate market in 2005. Loan demand from large corporate clients has remained below long-term trends in recent years, as corporations relied mainly on internally generated capital and on proceeds from debt issuance to finance their needs. Based on our expectations of increased business spending, continued favorable long-term interest rates, and improved corporate credit quality, we think that large corporate loan demand will recover in coming quarters.

For the longer term, our outlook is tempered by our view of the limits of the growth potential of revenues. Lending is a mature business, and we think it is difficult for this area to grow much faster than the pace of the broader economy. We continue to favor banks with diversified revenue mixes, both by product set and geographically, as we believe they should have an easier time in posting EPS growth in a range of economic environments.

--Evan M. Momios, CFA

**Stock Performance**

**GICS Sector:** Financials  
**Sub-Industry:** Diversified Banks  
Based on S&P 1500 Indexes  
Month-end Price Performance as of 02/28/05



Sub-Industry      Sector      S&P 1500

Note: All Sector & Sub-Industry Information is based on the Global Industry Classification Standard (GICS)

**Sub-Industry: Diversified Banks** \*Peer Group: Midwest/West Major Regionals

Peer Group	Stock Symbol	Recent Stock Price	P/E Ratio	12-Mo. Trailing EPS	30-day Price Chg(%)	1-year Price Chg.(%)	Beta	Yield (%)	Quality Ranking	Stk. Mkt. Cap. (Mil. \$)	Ret. on Equity (%)	Pretax Margin (%)	LTD to Cap. (%)
<b>Wells Fargo</b>	<b>WFC</b>	<b>60.50</b>	<b>15</b>	<b>4.09</b>	<b>0%</b>	<b>4%</b>	<b>0.32</b>	<b>3.2</b>	<b>A</b>	<b>102,358</b>	<b>19.3</b>	<b>NM</b>	<b>9.7</b>
Comerica Inc.	CMA	58.09	13	4.36	0%	1%	0.59	3.8	A	9,908	13.1	NM	NA
U.S. Bancorp	USB	29.65	14	2.18	-3%	2%	0.88	4.0	B+	55,079	19.7	NM	NA

NA-Not Available NM-Not Meaningful NR-Not Rated \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Recommendation: **HOLD** ★★☆☆☆ 12-Month Target Price: **\$66.00** (as of January 18, 2005)**S&P Analyst Research Notes and other Company News****January 18, 2005**

04:36 pm EST... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF WELLS FARGO (WFC 61.46\*\*\*): WFC posts Q4 EPS of \$1.04 vs. \$0.95, \$0.01 below our estimate. Results reflect strong loan and deposit growth, plus solid credit quality. In '05, we expect WFC's relentless focus on cross-selling to mitigate the negative impact of significantly lower mortgage originations industrywide. We are keeping our '05 EPS estimate at \$4.55. We are raising our 12-month target price by \$1 to \$66. We continue to view WFC as a well-managed banking franchise but we think its shares are in a fair-value range, and in our opinion, offer limited capital appreciation potential. /E.Momios-CFA

**January 18, 2005**

NEW YORK (Standard & Poor's)--Jan 18, 2005, Wells Fargo & Co., announced 4Q EPS \$1.04 vs. \$0.95 and annual EPS \$4.09 vs. \$3.65.

**October 19, 2004**

Posts \$1.02 vs. \$0.92 Q3 EPS on flat revenue, 11% growth in other business other than Wells Fargo Home Mtge.

**October 19, 2004**

10:08 am EDT... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF WELLS FARGO (WFC 59.53\*\*\*): WFC reports Q3 EPS of \$1.02 vs. \$0.92. This was \$0.04 below our estimate, mostly reflecting reduced mortgage banking revenue. The quarter's positives, in our view, include wider net interest margin, strong loan growth, and solid credit quality. We believe WFC will grow revenue faster than the industry in the year ahead, but based on the stock's premium valuation compared with peers we expect limited upside. We are lowering our '04 EPS estimate by \$0.07 to \$4.10, and we are keeping '05's at \$4.55. Our 12-month target price remains \$65, or about 14.3X our '05 EPS estimate. /E. Momios-CFA

**October 19, 2004**

NEW YORK (Standard & Poor's)--Oct 19, 2004, Wells Fargo & Co., announced 3Q EPS \$1.02 vs. \$0.92 and 9 mos. EPS \$3.05 vs. \$2.70.

**July 20, 2004**

DOWN 0.16 to 58.29... Posts \$1.00 vs. \$0.90 Q2 EPS on 7% revenue rise, 6% higher net interest income.

**July 20, 2004**

12:59 pm EDT... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF WELLS FARGO (WFC 57.91\*\*\*): WFC reports Q2 EPS of \$1.00 vs. \$0.90, \$0.02 below our estimate. Balance sheet repositioning actions taken during the quarter reduced reported EPS by \$0.14, but, in our view, are likely to benefit long-term profitability. We continue to view WFC as an industry leader with a hard-to-replicate sales-oriented culture, but we think revenue growth in '04 will remain below longer-term trends. We are keeping our respective '04 and '05 EPS estimates at \$4.15 and \$4.50, and our 12-month target price at \$63, implying no P/E multiple expansion over the next 12 months. /E. Momios-CFA

**July 20, 2004**

NEW YORK (Standard & Poor's)--Jul 20, 2004, Wells Fargo & Co., announced 2Q EPS \$1.00 vs. \$0.90 and 6 mos. EPS \$2.03 vs. \$1.78.

**May 26, 2004**

05:40 pm EDT... S&P MAINTAINS HOLD OPINION ON SHARES OF WELLS FARGO (WFC 59.12\*\*\*): WFC agrees to acquire \$34B in mutual fund and institutional account assets from Strong Financial, terms undisclosed. We believe the deal will broaden WFC's investment product offerings and should contribute to its strategy of increasing sales of products per customer. We think the structure of the deal as a purchase of investment assets, following Strong's recent settlement with regulators, should mitigate concerns of legal risk. We are keeping our '04 and '05 EPS estimates at \$4.15 and \$4.50 and our 12-month target price at \$63, applying WFC's current P/E to our '05 estimate. /E. Momios-CFA

**May 26, 2004**

DOWN 0.03 to 58.72... Agrees to acquire \$34 billion in assets under management from Strong Financial Corp., purchase incl. \$27B in mutual fund assets, \$7B in institutional investment accounts... Terms not disclosed.

**May 26, 2004**

10:22 am EDT... S&P MAINTAINS HOLD OPINION ON SHARES OF WELLS FARGO (WFC 58.54\*\*\*): WFC agrees to acquire \$34B in mutual fund and institutional account assets from Strong Financial, terms undisclosed. We believe the deal broadens WFC's investment product offerings and should contribute to its strategy of increasing sales of products per customer. We think the structure of the deal as a purchase of investment assets, following Strong's recent settlement with regulators, should mitigate concerns of legal risk. We are keeping our '04 and '05 EPS estimates at \$4.15 and \$4.50 and our 12-month target price at \$63, applying WFC's current P/E to our '04 estimate. /E. Momios-CFA

**April 20, 2004**

01:14 pm EDT... S&P REITERATES HOLD OPINION ON SHARES OF WELLS FARGO (WFC 56.03\*\*\*): WFC reports Q1 EPS of \$1.03 vs. \$0.88, above our estimate of \$0.96. Revenue growth from non-mortgage businesses, expense control, and improved loan credit quality aided results. We are raising our '04 EPS estimate to \$4.15 from \$4.05 on today's results, but keeping '05's at \$4.50. We are also maintaining our 12-month target price at \$61, or about 13.6X our '05 EPS estimate, compared with 12.5X for the median peer. We believe the premium valuation is fair, given WFC's long-term record of revenue and EPS growth and our view of its leading position in high-growth regional markets. /E. Momios-CFA

**April 20, 2004**

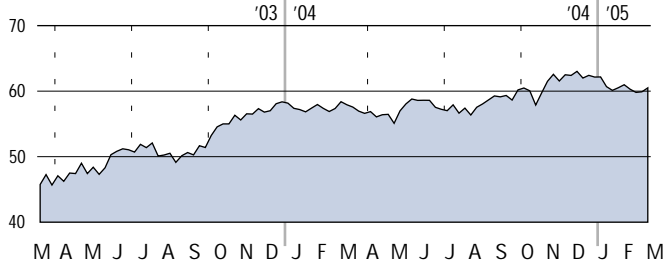
NEW YORK (Standard & Poor's)--Apr 20, 2004, Wells Fargo & Co., announced 1Q EPS \$1.03 vs. \$0.88.

Recommendation: **HOLD** ★★☆☆☆ 12-Month Target Price: **\$66.00** (as of January 18, 2005)

**Wall Street Consensus**

**Analysts' Recommendations**

**Stock Prices**



**Analysts' Opinion**

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	6	22	5	4
Buy/Hold	14	52	15	15
Hold	7	26	6	8
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>27</b>	<b>100</b>	<b>26</b>	<b>27</b>

**S&P-Adjusted Consensus Opinion: ACCUMULATE**

In order to reduce the bullish tendency of analysts, Standard & Poor's Quantitative Services Group created the S&P Average Relative Ranking, or SPARR. This system assigns a ranking based on a stock's consensus score relative to all issues for which consensus estimates are available.

**Companies Offering Coverage**

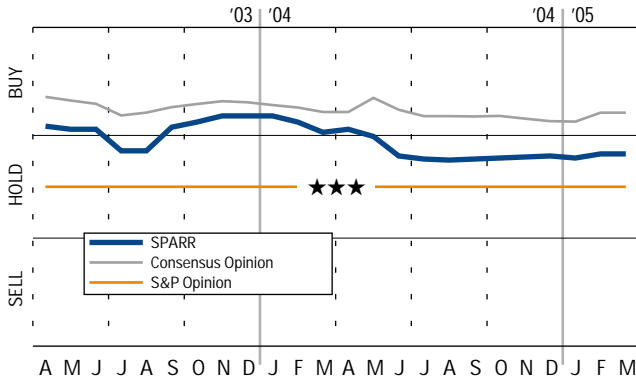
Over 20 firms follow this stock; not all firms are displayed

- |                               |                           |
|-------------------------------|---------------------------|
| AG Edwards & Sons             | Merrill Lynch Research    |
| Bear Stearns & Co             | Morgan Stanley & Company  |
| CIBC World Markets            | Piper Jaffray             |
| Credit Suisse First Boston    | Prudential Securities     |
| D A Davidson & Company        | Punk Ziegel Knoell        |
| Goldman Sachs & Co            | RBC Capital Markets (US)  |
| JP Morgan Securities          | Raymond James & Assoc Inc |
| Keefe Bruyette & Woods Inc    | Robert W Baird & Co       |
| Lehman Brothers Inc           | Smith Barney              |
| McDonald & Company Securities | UBS Warburg               |

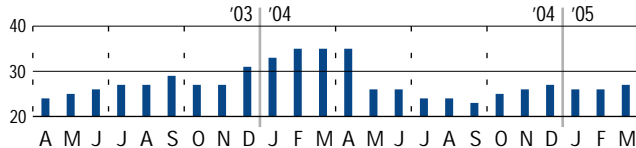
**Standard & Poor's STARS** (STock Appreciation Ranking System)

- |       |                    |  |
|-------|--------------------|--|
| ★★★★★ | <b>Strong Buy</b>  | Under our proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future capital appreciation potential versus the expected performance of the S&P 500 index, based on a 12-month time horizon. |
| ★★★★☆ | <b>Buy</b>         |  |
| ★★★☆☆ | <b>Hold</b>        |  |
| ★★☆☆☆ | <b>Sell</b>        |  |
| ★☆☆☆☆ | <b>Strong Sell</b> |  |

**Analysts' Opinions**

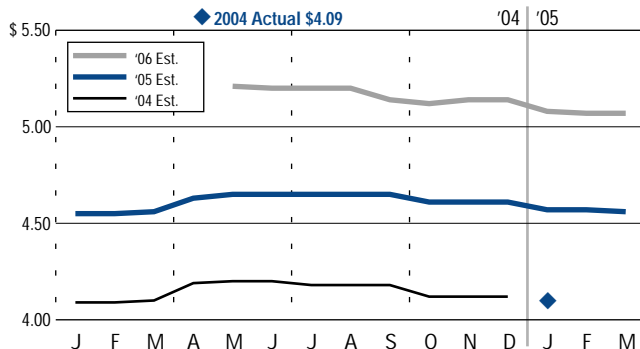


**Number of Analysts Following Stock**



**Analysts' Earnings Estimate**

**Annual Earnings Per Share**



**Current Analysts' Consensus Estimates**

Fiscal years	Avg.	High	Low	S&P Est.	No. of Est.	Est. P/E Ratio	Est. S&P 500 P/E Ratio
2005	4.56	4.65	4.49	4.55	27	13.3	16.4
2006	5.07	5.24	4.95	5.10	24	11.9	—
1Q'05	1.08	1.12	1.03		22		
1Q'04	1.03	Actual					

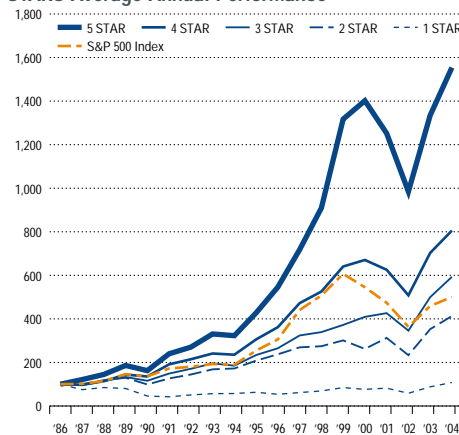
A company's earnings outlook plays a major part in any investment decision. S&P organizes the earnings estimates of over 2,300 Wall Street analysts, and provides you with their consensus of earnings over the next two years. The graph to the left shows you how these estimates have trended over the past 15 months.

Recommendation: **HOLD** ★★☆☆☆ 12-Month Target Price: **\$66.00** (as of January 18, 2005)

**Glossary**

**S&P Recommendation** - Since January 1, 1987, Standard & Poor's has ranked a universe of common stocks based on a given stock's potential for future performance. Under our proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future capital appreciation potential versus the expected performance of the S&P 500 index, based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

**STARS Average Annual Performance**



**S&P 12-Month Target Price** - The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

**Quantitative Evaluations** - In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

**S&P Earnings & Dividend (Quality) Rank** - S&P's appraisals of the growth and stability of earnings and dividends over the past 10 years for individual companies are indicated by the following quality ranks. Quality Rankings are not intended to predict stock movements.

- A+ Highest
- A High
- A- Above Average
- B+ Average
- NR Not Ranked
- B Lower
- B- Below Average
- C Lowest
- D In Reorganization

**S&P Fair Value Rank** - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process.

A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

**S&P Fair Value Calc.** - The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Earnings & Dividend Rankings). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

**Investability Quotient (IQ)** - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

**Standard & Poor's IQ Rationale:**  
Wells Fargo

	Raw Score	Max Value
Proprietary S&P Measures	74	115
Technical Indicators	35	40
Liquidity/Volatility Measures	16	20
Quantitative Measures	29	75
<b>IQ Total</b>	<b>154</b>	<b>250</b>

**Volatility** - Rates the volatility of the stock's price over the past year.

**Technical Evaluation** - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

**Relative Strength Rank** - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

**Global Industry Classification Standard (GICS)**

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 62 Industries, and 132 Sub-Industries.

**S&P Core Earnings** - Standard & Poor's Core Earnings is a uniform methodology for calculating operating earnings, and focuses on a company's after-tax earnings generated from its principal businesses. Included in the definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, writedowns of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

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For purposes of this report, 4 & 5 STARS are BUYS, 1 & 2 STARS are SELLS and 3 STARS are HOLDS. The BUY-HOLD-SELL ranking system used in this report is a consolidated version of our proprietary STARS ranking system defined below:

★★★★★ **5-STARS:** Total return is expected to outperform the total return of the S&P 500 Index by a wide margin, with shares rising in absolute price.

★★★★★ **4-STARS:** Total return is expected to outperform the total return of the S&P 500 Index, with shares rising in absolute price.

★★★★★ **3-STARS:** Total return is expected to closely approximate that of the total return of the S&P 500 Index, with shares generally rising in price.

★★★★★ **2-STARS:** Total return is expected to underperform the total return of the S&P 500 Index, and share price is not anticipated to show a gain.

★★★★★ **1-STAR:** Total return is expected to underperform the total return of the S&P 500 Index, with shares falling in absolute price.

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