Blyth Fund

Date: 11-27-00
Proposal: Add Wells Fargo Bank (WFC) to the Watchlist
Current Price: 44 5/16
Analysts: Warren Wu, Kapilanandan Viswanathan, Mamta Mehta
Profile: Wells Fargo & Company is a diversified financial services company that, through its subsidiaries, provides retail, commercial and corporate banking services through banks located in Arizona, California, Colorado, Idaho, Illinois, Indiana, Iowa, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin and Wyoming. Additional financial services are provided to customers by subsidiaries engaged in various businesses, principally wholesale banking, mortgage banking, consumer finance, equipment leasing, agricultural finance, commercial finance, securities brokerage and investment banking, insurance agency services, computer and data processing services, trust services, mortgage-backed securities servicing and venture capital investment.

The numbers:

	WFC	BAC
P/E (00)	17.51	8.08
Market Cap	$74.1 bln	$63.98 bln
Shares Outstanding	1.71 bln	1.63 bln
Sales	$16.3 bln	$41.7 bln
Dividend	0.96	2.24
Dividend Yield	2.22	5.81
Profit Margin	25.10%	19.30%
Cash per share	$8.57	$14.96
ROA	1.82%	1.23%

News from the 3Q report:
Net income was $1.07 billion (64 cents), up from $962 million a year ago (11 percent increase). Revenue jumped to $5 billion, an increase of 14 percent.
The company reported strength in its community banking business, where profits rose 15 percent.
Bad loans totaled $267 million, up 11%. However, they only constituted .78 percent of average total loans, down from .85 percent a year ago.

Comparison between Bank of America (BAC) and Wells Fargo (WFC):
Bank of America is a major bank with assets of $672 billion, while Wells Fargo is considered a "super regional" with assets of $241 billion.
Wells Fargo has a strong loan portfolio and is consistently conservative with its bad loan provisions. It set aside 11.16% of net income for this provision, while Bank of America only set aside 9.47%. BAC has taken a beating recently as the company has reported

rising totals for bad loans (will more than double in the fourth quarter). The company will also take a $100 million charge-off in its consumer portfolio alone.
Bank of America's revenues have been flat, and its EPS has only grown as a result of a substantial stock buyback (100 million shares over the last 12 months). In fact, the company is looking at negative EPS growth over the next two quarters (vs. 12.7% for WFC).
BAC has lower profit margins and Return on Assets (industry average of 1.57%).
BAC has struggled to impress investors since its 1998 merger with Nations Bank, while WFC has been integrating Norwest (1998) and First Interstate Bank (1996). In the meantime, WFC has also purchased smaller regional banks in high growth areas (Utah, Nevada, etc.)

Misc. Information:
Warren Buffett owns a 3.6% stake in the company. It is one of his favorite investments; he purchased his stake about a decade ago for $349 million and it is now worth $2.4 billion.
The company has been an innovator in the industry (online banking, smaller "financial service stores" in supermarkets). It hopes to continue this trend by selling more services to each customer.