

8C STRICTLY BUSINESS

Three big U.S. banks post record profits

By Jonathan Stempel
REUTERS

NEW YORK — Three of the largest U.S. banks — Wells Fargo & Co., Bank One Corp. and U.S. Bancorp — on Tuesday reported quarterly profits that rose to record highs on growth in consumer banking and credit cards and fewer bad loans.

Low interest rates are fueling borrowing at the banks, and the year-long stock market rally is helping to boost mutual fund and other asset management fees. These fac-

tors help offset declines in mortgage banking.

"The consumer is pretty healthy," said Steve Wharton, a portfolio manager at Loomis Sayles & Co., whose \$57 billion of assets includes the banks' shares. "There is a fair amount of fee revenue momentum coming from deposits, trusts, investment management and credit cards. There is also strong improvement in credit quality, especially commercial credit."

In early afternoon trading, Wells Fargo shares rose 22

cents to \$56.13, Bank One shares fell 6 cents to \$51.50, and U.S. Bancorp shares rose 5 cents to \$26.04.

Wells Fargo

San Francisco-based Wells Fargo, the No. 5 bank, said net income rose 18 percent to \$1.77 billion, or \$1.03 per share, from \$1.49 billion, or 88 cents per share, a year earlier.

Analysts polled by Reuters Research on average had forecast profit of 97 cents per share. Revenue rose 7 percent to \$7.15 billion, while

expenses rose just 2 percent.

Chief Executive Dick Kovacevich said Wells Fargo has posted record earnings for 11 straight quarters. "We're well positioned for even more growth," he added.

Retail banking profit rose 10 percent to \$1.17 billion, wholesale banking profit rose 29 percent to \$448 million and profit from Wells Fargo Financial rose 33 percent to \$136 million. The bank has benefited from "cross-selling," or finding ways to offer customers a

variety of products.

"The consumer has been pretty strong all along," said Howard Atkins, Wells Fargo's chief financial officer, in an interview. "Deposit growth remains very robust ... and checking accounts (balances) were up 12 percent.... The employment picture is looking better across our region, so people are feeling more comfortable spending."

Bank One

Chicago-based Bank One, the No. 6 bank, said net income rose 51 percent to

\$1.23 billion, or \$1.09 a share, from \$818 million, or 71 cents, a year earlier.

Excluding one-time items totaling \$247 million after taxes, Bank One said profit was 87 cents a share. On that basis, analysts had forecast profit of 81 cents per share. Revenue rose 16 percent to \$4.57 billion.

"Momentum in retail was evident in continued increases in accounts, deposits and loan production," Chief Executive Jamie Dimon said. "(Credit) cards reported

See THREE/7C

BEYOND FINANCIAL SERVICE



PHOTO/CALVIN FERGUSON

Bertram Scott, TIAA-CREF's executive vice president of product management, is responsible for creating strategies and planning for the financial services company.

TIAA-CREF executive builds leadership, roots

By Paula Young
FOR THE CHARLOTTE POST

Bertram Scott didn't know what to expect when he moved to Charlotte last year.

As an executive vice president of the product management area with Teachers Insurance and Annuity Association — College Retirement Equities Fund, Scott was used to living in larger, metropolitan cities. But when TIAA-CREF opened an office in the University

Research Park area, Scott was one of two senior level executives assigned to there.

Seven months later, Scott says he's still trying to fit in. "Charlotte is a very inviting, warm, friendly town," he said. "It's a great place to raise a family."

Charlotte is also a great place for corporations to make a business home. TIAA-CREF, which is headquartered in New York, expanded here for cost savings. A financial services firm, TIAA-CREF com-

petes directly with Vanguard and Fidelity and indirectly with Wachovia and Bank of America. The company provides an array of financial services to customers such as investments, pensions, mutual funds, educational savings, etc. Although the company was founded to serve faculty and staff of higher education; five years ago the company began serving the general marketplace. Three million clients later, Scott says opening the

See SCOTT/7C

Call Ken! Barbie sales hit skids

By Angela Moore
REUTERS

NEW YORK — Mattel Inc. on Tuesday reported a big drop in first-quarter earnings instead of the increase Wall Street had expected, stung by higher transportation costs, a weak dollar and slumping sales of Barbie dolls.

The world's No. 1 toy maker, which also makes Matchbox cars and Hokey Pokey Elmo, said net income fell to \$9.0 million, or 2 cents a share, from the prior year's \$32.8 million, or 7 cents a share.

Analysts, on average, had expected it to earn 9 cents per share, according to Reuters Research, a unit of Reuters Plc.

"It looks like things are going to get a little worse before they get better," Piper Jaffray analyst Tony Gikas said. "The product side of the story is going to improve but it's going to take place over the next 18 months. Investors need to be patient and long term."

Worldwide net sales rose 5 percent to \$780.9 million. But sales were boosted by 5 percentage points in the quarter due to the weak dollar and by 1.8 percentage point compared with the year earlier because of a change in how the company accounts for some close-out sales.

The Mattel brands unit, which includes Barbie and Matchbox, saw flat sales, as the weak dollar offset an 11 percent decline in U.S. sales. Worldwide sales of Barbie products fell 6 percent, the company said.

"It's disappointing from a margin standpoint, but it's clear their priorities are to grow the top line and it's going to take some money to do that," said Mark Foster, portfolio manager with Kirr Marbach Value Fund, which owns 323,000 Mattel shares. "We have a great deal of confidence in the management team. They'll get it turned around, but it's not a quick fix."

On a conference call with analysts, Chief Executive Robert Eckert said the company's main areas of focus would be turning around its fashion doll business and making further inroads in the electronic learning category.

Mattel has made efforts to improve Barbie sales, including a content-focused "worlds of Barbie" strategy, a "break up" of Barbie and long-time boyfriend Ken, and new Cali Girl,

See MATTEL/7C



PHOTOS/MATTEL

Despite new dolls that put Barbie in the superhero business (above) or queen of the Nile (below) Mattel's flagship toy is struggling in terms of sales.



More U.S. firms raising prices, hiring

REUTERS

More U.S. companies were able to raise prices in the first quarter and more reported increased hiring, a survey released on Tuesday showed.

"Employment continues on an upswing, driven by prospects of continued solid economic growth. This economy is definitely in a recovery mode," said Duncan Meldrum, president of the National Association for Business Economics, on the results of the group's latest quarterly industry survey.

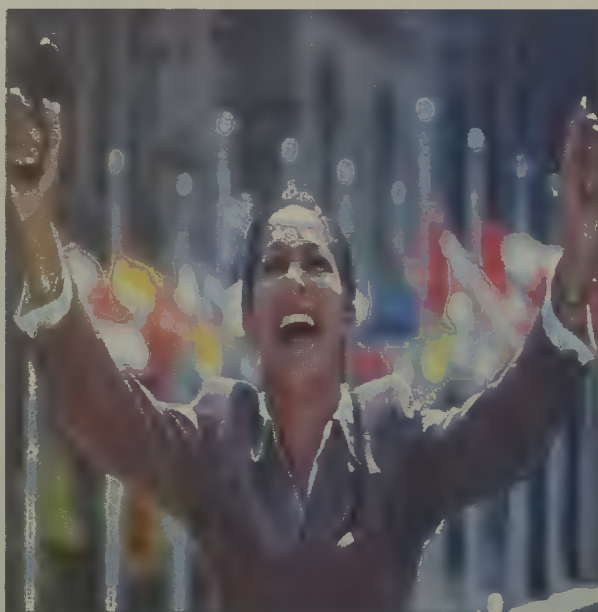
"One potential risk in this otherwise positive economic report is the threat of higher inflation — selling prices and materials costs moved noticeably higher during the last quarter, and NABE panelists expect price pressures to remain relatively high over the next three months."

The survey of 102 NABE members of business conditions in their firm or industry was conducted between April 1 and April 8.

About 32 percent reported selling prices were rising, up from 29 percent in a similar survey in January. The percentage of respondents saying prices charged were falling fell to 8 percent from 12 percent.

Over the next three months, 34 percent of respondents said they expect prices to rise at least a little bit, compared with only 9 percent who expect them to fall.

The employment picture also is expected to improve, according to survey respondents. About 21 percent said employment was rising, up from 18 percent seen in January.



Wachovia not interested in buying bank

By Paul Nowell
THE ASSOCIATED PRESS

Wachovia Corp. chief executive Ken Thompson delivered an upbeat assessment of his bank's performance and told shareholders at Wachovia's annual meeting on Tuesday that he will not be pressured into buying another large bank.

"Shareholder valuation has been under pressure since the announcement of two other large bank deals," he said, referring to Bank of America's \$47 billion merger with FleetBoston Financial Corp. and the planned merger of J.P. Morgan Chase & Co. and Bank One.

"We will not abandon our discipline," Thompson said. "There's no need to do a deal, and we would not burden our shareholders with a bad one."

The annual meeting drew about 300 shareholders to a downtown hotel.

Thompson expressed frustration with talk that

See WACHOVIA/7C