Wells Fargo CEO’s first year: 10 highlights, lowlights and what's still on the to-do list

Wells Fargo CEO Charlie Scharf had an active first year on the job, but has even bigger plans for the year ahead

By Mark Calvey – Senior Reporter, San Francisco Business Times - Oct 1, 2020

Tapped a year ago to turn around the scandal-plagued bank, Wells Fargo CEO Charlie Scharf — who was hired Sept. 27, 2019, and took the reins on Oct. 21. — will mark his first year on the job this month.

His hiring marked the first time in years that the insular Wells Fargo (NYSE: WFC) went outside the bank for its top leader, signaling that the bank — and its regulators — wanted to see major changes. The company is still seeking to recover from the fake accounts scandal in which credit and deposit accounts were opened without customer authorization. That scandal came to light in 2016, underscoring how long it's taking Wells Fargo to recover its once-sterling reputation.

Scharf has spent much of his first year trying to get his arms around Wells Fargo's operations as he seeks to rebuild the bank and restore its reputation. He's moved quickly, with some missteps on the way. Here's a look at 10 things that marked Scharf's first year — and some that will extend into his second and beyond:

1) Scharf revealed he is aiming to cut a whopping $10 billion, or almost 20%, of the bank's annual expense base.

That's no small feat.

The ambitious cost-cutting plan will be dramatic. Expense reductions of that size will likely lead to thousands of layoffs, big cuts in vendor spending and shedding more real estate in the bank's operations.

But there are no details yet. That's what everyone from Wall Street to Main Street is waiting for.

2) He brought in outsiders to rebuild the bank's senior leadership team, especially from his former employer: JPMorgan Chase. Scharf has hired at least five men from Chase, where Scharf was once a lieutenant to Chase Chairman and CEO Jamie Dimon. The Wells chief executive even hired Dimon's son-in-law, Conor Tolkin, to conduct planning and administrative support for Scharf, Bloomberg News reported earlier this year.

In July, he also tapped a new CFO, Mike Santomassimo, who will start the role this fall. Santomassimo was at New York-based BNY Mellon for four years, including two-and-a-half years as CFO. He also held top roles at New York's JPMorgan Chase, where he worked for 11 years. He will remain based in New York.

3) The chief executive apologized in September for saying in a candid memo on race and diversity and again at an internal meeting that there's a lack of available diverse candidates in banking.

"I apologize for making an insensitive comment reflecting my own unconscious bias," Scharf told employees last month.

U.S. Rep. Alexandria Ocasio-Cortez, D-N.Y., offered her own assessment: "Perhaps it's the CEO of Wells Fargo who lacks the talent to recruit Black workers."

4) Wells Fargo is shuttering branches as more customers rely on mobile banking, but many more might go the way of the Pony Express. The bank is permanently shuttering branches in North Carolina and elsewhere, not counting locations that have temporarily closed due to Covid-

The historic Wells Fargo Crocker Office at 1 Montgomery St. in San Francisco will close on Nov. 22, 2019.

5) Wells could unveil a new hometown for the bank that has been based in San Francisco since its founding in 1852.

“It would almost be malfeasance if Wells Fargo executives did not consider leaving California,” John Boyd Jr., principal at site-selection-consultant The Boyd Cos., told me in April. Increasingly, companies are viewing a headquarters relocation as a way to buttress an image makeover, he said. Top destinations if the Wells headquarters leaves San Francisco: Charlotte, the North Carolina city that is the bank’s largest employment center; or New York, where Scharf and several members of the senior management team are based.

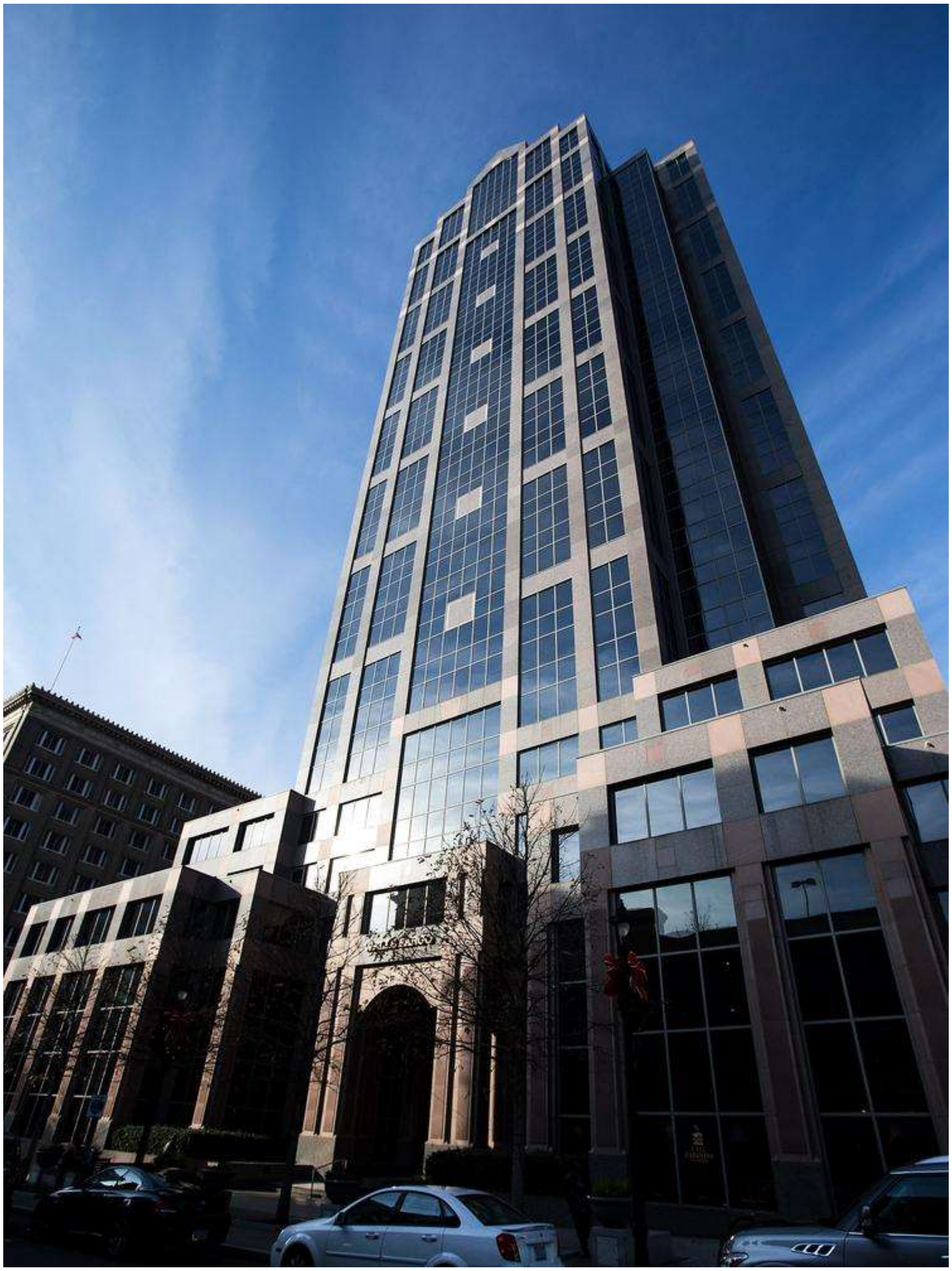
6) All of Wells Fargo's museums are rolling into history, except the one in San Francisco, which has long been a popular field-trip destination for students.

Some people dressed up in 1915 costume for a day at the Wells Fargo History Museum, which opened an exhibit on the 1915 Panama-Pacific International Exposition in San Francisco.

8) Wells Fargo's financial performance this year suffered as the bank stepped up loan-loss reserves amid the pandemic-induced downturn. Wells posted a second-quarter loss of $2.38 billion, primarily due to setting aside $8.4 billion in its loan-loss reserve. The bank posted first-quarter earnings of just $653 million, reflecting in part a $3.1 billion addition to loan-loss reserves.

9) Wall Street is taking a second look at Wells, whose shares have lost more than half their value this year. Dick Bove, an analyst with Odeon Capital Group, was one of the first to take notice, upgrading the bank to "buy" from a "hold" recommendation, the latter being a polite way analysts tell investors that better opportunities lie elsewhere. "Wells is just jumping off the page," Bove said in early September. "There's no way that Wells isn't going to turn around."

Other analysts have also hopped on the Wells Fargo stagecoach.



Wells Fargo Capital Center, Raleigh, N.C.

7) Wells Fargo stumbled in its debut of the Paycheck Protection Program, closing its loan window for the SBA relief program before many small business owners even realized it had opened. The bank ultimately became one of the nation's most active PPP lenders after regulators temporarily raised the $1.95 trillion asset cap they had imposed, allowing the bank to make PPP loans.

10) A growing chorus sees regulators removing Wells Fargo's asset cap sooner rather than later. Big investor and former bank analyst Tom Brown recently called for the asset cap to be lifted. Brown, who runs hedge fund Second Curve Capital and a banking newsletter, Bankstocks.com, said the asset cap should be removed because Wells has already paid $3 billion in fines and penalties, senior management has been overhauled and the economy is in recession. Baird analyst David George said: "We think Wells Fargo is closer to exiting the balance sheet cap."

Scharf has said the bank's top priority is to satisfy regulators' consent orders to have the cap removed. That's not too surprising. As one banker, not at Wells, once noted: Arguing with regulators has the same effect as hitting a pit bull over the head with a newspaper.