The Banker Awards 2015

GLOBAL
Wells Fargo

The notion of what constitutes the world’s best bank has changed over the years. In the pre-financial crisis era, such accolades were usually reserved for lenders that had a substantial physical presence both in their domestic market and, crucially, abroad.

With the identity crisis that followed, most of those largely international banks have retreated back to their home markets. So financing the world’s economy is left to strong regional or national banks, and their ability to serve clients across the world even without heavy local operations. Prudent risk management, relationships with strong international correspondents and solid balance sheets are therefore key to international success in contemporary banking.

And they are obvious characteristics of Wells Fargo, whose success has been confirmed by yet another year of record income. The world’s fifth most profitable bank, it closed 2014 with pre-tax profits of just under $34bn. It also scored a profits-on-capital ratio of 21.88%, according to The Banker Database, and a return on assets of 2.01%. This figure is almost 10.5% larger than the previous year.

Wells Fargo’s Tier 1 capital is the eighth largest in the world and continues to expand, supporting the bank’s growth. In particular, capital levels increased, even as the lender returned more equity to shareholders – a total of $12.5bn was returned through dividends and net share repurchases in 2014, up 74% from a year earlier.

The Banker is impressed by Wells Fargo’s diversified and balanced sources of revenue, in terms of the combination of spread income and fee income, which helped it achieve its strong results. The bank sustained its results even in periods of low economic growth. Its equal focus on growth and risk management was also noticeable, as were its significant investments, and efforts to contain cyber threats and operational and credit risks.

Headquartered in San Francisco, Wells Fargo has come a long way from the stage-coach company founded in 1852, from where it traces its origins as well as its logo. Domestically, Wells Fargo has built a strong and stable deposit and loan business. Its diversified model helped grow profitability during the protracted low-interest-rate environment and the current patchy economic recovery of the US.

Abroad, Wells Fargo’s solid balance sheet and long-term commitment to clients have supported its international business. The bank’s transaction banking services are well known in South America, where it has strong relationships with local lenders. Furthermore, it has expanded its presence in commercial real estate in the US, the UK and Canada, thanks to the purchase of GE Capital Real Estate’s assets, alongside investment firm Blackstone. Its remittances service reaches communities in Latin America and the Caribbean as well as Asia, thanks to partnerships with lenders in China, India, the Philippines and Vietnam.

“The low-interest-rate environment continues to be a challenge for us and our financial industry peers, although we benefit from our diversified model,” says chief executive John Stumpf. “[Last year] we saw strong growth in areas like deposits and loans, what we consider to be the core building blocks of long-term shareholder value creation. We will continue to put our customers at the centre of everything we do. To improve the customer experience, we are developing and introducing new technologies that make it easier to bank with us and reduce risk. Another continuing focus is driving diversity and inclusion throughout our organisation, so that we reflect the communities and customers we serve.”

John Stumpf, chief executive, Wells Fargo