

## Wamu Retail Chief's Quick Exit Surprises the Street

By Kevin Dobbs



Robert Voth, Partner

Washington Mutual Inc. has touted its retail banking arm as an engine for growth while it downsizes its troubled mortgage business, so its disclosure Monday that it had abruptly replaced the executive who ran the retail unit took some analysts by surprise.

The \$320 billion-asset thrift company said in a terse regulatory filing Monday that it had replaced James B. Corcoran as president of retail banking. Stephen J. Rotella, the company's president, will run the retail bank while Wamu searches for a permanent successor, it said.

The company made no comment Monday. Some analysts said the move could signal that Wamu is increasingly intent on showing it can reverse the performance that has dragged it into the red the past two quarters. Investors, meanwhile, noted that the change did not come in the company's seniormost ranks, where unhappy shareholders have clamored for change for months.

Analysts said Monday that it appeared Wamu had forced out Mr. Corcoran. Some questioned the move. "Retail was not the part of the business that was broken," Gary Gordon, an analyst at Portales Partners LLC, said in an interview Monday. "It's actually the business that's been doing the best, so I really have no idea why they made this move. I didn't see it coming. I don't know if there were just personal issues behind this or what."

Kerry K. Killinger, Wamu's chief executive officer, has touted the company's more than 2,100 retail branches as the key to his turnaround plan. In announcing first-quarter results this year, Mr. Killinger celebrated the fact that Wamu had added more than 250,000 checking accounts on a net basis during the quarter and was on pace to meet its goal of adding 1 million this year.

The growth in retail, Mr. Killinger said at a conference in May, is paramount as Wamu rapidly downsizes its national mortgage lending business, an arm of the company that was crippled by slumping housing markets in California and Florida. Wamu, which reported a \$1.1 billion first-quarter loss, closed its stand-alone home loan offices during the second quarter and shed about 3,000 mortgage jobs. In addition to the mortgage cuts, Wamu said last month that it would lay off another 1,200 employees this year, or about 2.6% of its work force, across a range of departments.

Given Mr. Killinger's upbeat assessment of the retail arm, analyst Richard X. Bove at Ladenburg Thalmann & Co. Inc. said he was puzzled that Wamu had parted company with the head of an area it considers a strength.

Mr. Bove said that Wamu's retail growth probably has been slowed somewhat by the general gloom surrounding the company's performance. But he said that was to be expected so that Mr. Corcoran's departure may have come after disagreement on how to drive retail growth or possibly as a signal that Wamu is desperate for new ideas from the outside.

"The fact that they feel they need to do this just might be a very important sign of how difficult things are" at Wamu, Mr. Bove said in an interview Monday.

Mr. Corcoran, who joined Wamu as its head of retail banking in May 2006, previously was the managing director of retail distribution at Halifax Bank in Scotland. He reported to Mr. Rotella. American Banker could not reach Mr. Corcoran Monday.

## CTPartners

Your Executive Search Partner:  
Committed to Performance, Quality, & Results™

## AMERICAN BANKER: Wamu Retail Chief's Quick Exit Surprises the Street (Continued)

Investors, meanwhile, dismissed Mr. Corcoran's departure as a minor move at a time when they say more sweeping leadership changes are needed. Some investors, disgruntled that Wamu's bad mortgage bets forced it in April to raise \$7 billion in capital that diluted current stakeholders' shares, want to see new faces in Mr. Killinger's and Mr. Rotella's offices.

"It's hard to imagine" Wamu can return to profitability "with the same leadership that got them into this mess in the first place," Stephen Lerner, director of the Service Employees International Union's private-equity project, said in an interview Monday. The union, which owns Wamu shares, led a revolt this spring that culminated in Wamu's board stripping Mr. Killinger of his chairman title. "It wouldn't surprise me if you saw others step down, too, but they'll be minor moves if Killinger and his top management are still in place," Mr. Lerner said.

Wamu shares are down about 85% from their 52-week high, and analysts who cover the company expect it to post losses every quarter this year. But Mr. Killinger has said several times during the second quarter that he's determined to lead the company back to profitability next year. He has said that, once housing markets start to recover and Wamu's troubled mortgage portfolio unwinds, its strong retail operation will put it in position to gather deposits and bolster cross-selling efforts to expand a range of businesses.

Now Mr. Killinger must hire an executive to lead the charge on retail, and analysts and recruiters cautioned that making this choice will not be simple.

*Because Wamu faces an uphill climb to profitability, Robert F. Voth, a partner at the executive recruiting firm CTPartners, said in an interview Monday, it probably will be difficult to find top talent to take the job.*

*But Mr. Voth also said, not naming names, that there are strong candidates waiting in the wings for a top retail banking post. So if Wamu can confidently present the position as a long-term opportunity for a rising star to prove himself or herself at a company genuinely poised for a turnaround, he said, it could land a talented candidate.*

*"The question is, at the end of the day, once candidates do their long-term and short-term due diligence on near- and long-term potential, how many will want this job? That's tough to answer," Mr. Voth said. "On the other hand, this is a top job at the biggest thrift in the country. Retail is their sacred cow right now. They must find someone to not only maintain but optimize their franchise."*

*Added Mr. Voth. "I think most qualified candidates will at least hear Washington Mutual out, will listen to find out what potential the job has."*

Wamu's shares rose 2.7% on Monday.