

# 2020 BANK BOARD DIVERSITY: POLICY BRIEF

De'Zhon Grace & Rawan Elhalaby | December 2020



# TABLE OF CONTENTS

Introduction	2
Banks & the Widening Racial Wealth Gap	3
Why Diverse Bank Boards Matter	4
Methodology	5
Findings	6
Policy Recommendations to Increase Bank Board Diversity	10
Acknowledgements	12
Endnotes	13
References	14



## INTRODUCTION

Communities of color have historically been and continue to be excluded from powerful positions in government, corporations and financial institutions. For three decades, The Greenlining Institute has advocated for racial inclusion in spaces of power, including corporate boards of directors. These institutions broker power and negotiate racial equity, ultimately deciding who gets access to capital, what resources a child inherits, who can own a home and who can start a business. The COVID-19 pandemic has compounded inequities in communities of color:

Black and Brown communities have disproportionately suffered, with deaths at a rate at least two times higher than other racial groups. Forty-one percent of Black business owners are experiencing significant decreases in revenue, and job losses are higher for all communities of color.<sup>1</sup> The compounding inequities exacerbated by COVID-19 remind us that representation in decision-making positions matters, as we again examine the executive boards of California's top financial institutions.



## BANKS & THE WIDENING RACIAL WEALTH GAP

The median wealth of Black households is two percent of the median wealth of White households. The median White household has \$147,000 in assets, while a Black household has just over \$3,500. The median Latino household has nearly \$6,600 in assets.<sup>2</sup>

Institutionalized racism is the main driver of income and wealth inequality, systematically denying communities of color access to resources and power.<sup>3</sup> Financial institutions in particular are complicit in a long history of extractive and exclusionary policies that denied people of color access to affordable capital and deprived households of opportunities to build the wealth and security needed to weather financial emergencies, like the COVID-19 pandemic, and to be able to pass assets down to future generations. These policies have been driven by bank leadership that has been historically White, male and wealthy.

In early 2020, the House Committee on Financial Services Subcommittee on Diversity and Inclusion surveyed 44 of the largest banks in the U.S. and found that across all employment and leadership levels, staff and board members remain mostly White and male.<sup>4</sup> Executive boards fail to mirror the nation's demographics and as such, significantly lack women and people of color. This hampers banks' ability to equitably serve the community and their consumers.

In 2020, the CEO of Wells Fargo claimed that there was a limited pool of Black talent to recruit from for positions in the bank.<sup>5</sup> His comment highlights an implicit bias that has left communities of color out of job opportunities and career growth in the financial sector.<sup>6</sup> Women of color in the financial sector are especially less likely to be promoted than their male peers or be in leadership positions, contributing to growing disparities in income and wealth for women of color as a whole.<sup>7</sup>



## WHY DIVERSE BANK BOARDS MATTER

Increased diversity and inclusion in the executive boards of financial institutions is not enough to make financial services and access to capital available to women and people of color. However, boards set the culture at banks. Greenlining's Diversity, Equity and Inclusion Framework<sup>8</sup> shows that when companies intentionally create diverse, equitable and inclusive work environments, they help to correct income disparities that then inform broader economic conditions in marginalized communities. For financial institutions especially, leadership and senior management should reflect the communities they serve in order to create inclusive decision-making bodies and promote a system of shared prosperity that ensures accessible capital and financial services.

Banks doing business in California should reflect a state population of more than 64% people of color. In order to fight redlining and promote economic

development in communities of color, boards need to reflect the diversity of the population they serve and consider equity when recruiting board members.

Additionally, research shows that companies in the top quartile for ethnic diversity are 30% more likely to have financial returns above their industry's national average.<sup>9</sup> And companies with greater gender diversity are 15% more likely to achieve the same. Diverse businesses outperform homogenous companies, keep top talent, maintain employee satisfaction, improve customer relationships, and create a cycle of increasing returns.

This report builds upon our previous years' analysis<sup>10</sup> of bank boards of the top banks in California by racial diversity, gender diversity and the presence of women of color.



## METHODOLOGY

Greenlining analyzed the 15 largest depository banks doing business in California by deposit size to determine the share of board members of color, using the information publicly available in proxy statements, websites and investor reports. In addition, we shared this information in advance with all banks included in this brief and revised our figures based on any feedback provided.

In order to keep our analysis uniform we aggregated Black, Latino, Asian and Native American board members, tallied the results, and ranked the financial institutions based on the overall percentage of people of color on their boards. We separately conducted a similar analysis for gender.

Because of shifts in market share, the 2020 list of top 15 banks differs somewhat from the 2019 list. For banks that ranked in the top 15 both years, we compared their 2020 diversity with last year's and noted any improvements or backsliding.

Given the available data, this analysis focused on the banks with the largest deposit market share in California, which includes banks that have a limited branch presence in the state. This study is also limited by data reporting that may not account for individuals who identify as gender nonconforming and may choose not to identify themselves as such to these institutions.



## FINDINGS

### Bank Boards are Still Not Diverse

While California's top banks have made some strides in increasing board diversity over the years, progress largely stalled this year. There still remains a pressing need to include more people of color, especially women of color. In most cases where we were able to compare 2020 figures with 2019, diversity remained the same or decreased.

- **Racial Diversity:** East West Bank ranked highest, with people of color making up 63% of the board (five of eight board members).
- **Gender Diversity:** Citibank ranked highest, with women making up 44% of the board (seven of 16 board members).
- **Women of Color:** East West Bank ranked highest, with women of color making up 25% of their board (two of 8 board members).

## Board Diversity by Race

Table 1: California's Top 15 Banks Ranked by Racial Diversity of Executive Board

Bank	Racial Diversity Ranking	CA Deposit Size Ranking	Percent of People of Color 2020	Board Size 2020	Percent of People of Color 2019
East West Bank	1	12	63%	8	n/a
MUFG Union Bank	2	4	38%	13	46%
CIT Bank	3	10	33%	12	33%
Comerica Bank	4	12	27%	11	n/a
Wells Fargo Bank	5	2	25%	12	25%
U.S. Bank	6	9	23%	13	29%
First Republic Bank	7	5	20%	10	18%
Zions Bancorporation	8	15	18%	11	n/a
Bank of America	9	1	18%	17	18%
Pacific Western Bank	10	14	15%	13	n/a
Citibank	11	6	13%	16	40%
Bank of the West	12	8	12%	17	75%
JPMorgan Chase Bank	13	3	10%	10	18%
City National Bank	14	11	9%	11	n/a
Silicon Valley Bank	15	7	0%	11	0%
<b>Average</b>			<b>22%</b>		<b>30%</b>

\*Banks not included in our 2019 report are noted as "n/a".

We ranked banks based on the percentage of people of color on their boards, and compared the 10 that were present in Greenlining's 2019 board diversity report to their previous ranking. East West Bank ranked highest at 63% with five of their eight board members identifying as people of color. Silicon Valley Bank again ranked lowest, with zero of 11 board members identifying as people of color. On average, California's top bank boards contain only 21% people of color.



## Board Diversity by Gender

Table 2: California's Top 15 Banks Ranked by Gender Diversity of Executive Board

Bank	Racial Diversity Ranking	CA Deposit Size Ranking	Percent of Women 2020	Board Size 2020	Percent of Women 2019
Citibank	1	6	44%	16	20%
First Republic Bank	2	5	40%	10	36%
U.S. Bank	3	9	38%	13	35%
East West Bank	4	12	38%	8	18%
Bank of America	5	1	35%	17	35%
CIT Bank	6	10	33%	12	33%
JPMorgan Chase Bank	7	3	33%	10	18%
Comerica Bank	8	12	30%	11	n/a
Silicon Valley Bank	9	7	27%	11	27%
Wells Fargo Bank	10	2	27%	12	33%
MUFG Union Bank	11	4	23%	13	23%
Bank of the West	12	8	18%	17	25%
Zions Bancorporation	13	15	18%	11	n/a
Pacific Western Bank	14	14	15%	13	n/a
City National Bank	15	11	9%	11	n/a
<b>Average</b>			<b>29%</b>		<b>29%</b>

\*Banks not included in our 2019 report are noted as "n/a".

We ranked banks based on the percentage of women on their boards and compared the 10 that were present in Greenlining's 2019 board diversity report to their previous ranking. The highest grade went to Citibank at 44% with seven of 16 board members identifying as women. The lowest grade went to City National Bank at 9% with just one of their 11 board members identifying as women.

## Board Diversity by Race & Gender

Table 3: California's Top 15 Banks Ranked by Women of Color Representation on Executive Board

Bank	Racial Diversity Ranking	CA Deposit Size Ranking	Percent of Women of Color 2020	Board Size 2020
East West Bank	1	12	25%	8
First Republic Bank	2	5	20%	10
Wells Fargo Bank	3	2	17%	12
CIT Bank	3	10	17%	12
JPMorgan Chase Bank	5	3	10%	10
Comerica Bank	6	12	9%	11
Zions Bancorporation	6	15	9%	11
U.S. Bank	8	9	8%	13
Pacific Western Bank	8	14	8%	13
Bank of the West	10	8	6%	17
Bank of America	10	1	6%	17
Citibank	10	6	6%	16
City National Bank	11	11	0%	11
MUFG Union Bank	11	4	0%	13
Silicon Valley Bank	11	7	0%	11
<b>Average</b>			<b>9%</b>	

\*This is the first year we analyzed the percentage of women of color on bank executive boards, so we are unable to show the change from 2019 to 2020.

When banks were ranked based on the percentage of women of color on their boards, the highest grade went to East West Bank at 25%, with two of 8 board members identifying as women of color. The lowest grade was shared by MUFG Union Bank, Silicon Valley and City National Bank, all of which had zero women of color on their boards.



# POLICY RECOMMENDATIONS TO INCREASE BANK BOARD DIVERSITY

In previous reports, we have outlined strategies banks can take to diversify their executive boards. In our experience working with banks to implement greater diversity, equity and inclusion, we have found that most put the greatest effort into internal programming, such as cultural competency training for staff and executives and employee resource groups. While these efforts can play an important role in creating a culture of inclusion, they are not sufficient for increasing the racial and gender diversity of bank leadership or for distributing decision-making power equitably.

We urge Congress and financial regulatory agencies to hold banks accountable to maintaining diversity and inclusion practices, particularly in maintaining diverse executive boards. Banks who gave testimony to the House Committee on Financial Services noted several challenges in developing diverse and inclusive

boards that point to the need for greater oversight and technical assistance by Congress and financial regulatory agencies.<sup>11</sup> The recommendations introduced by the committee earlier this year offered an important starting point for legislators and agencies to consider.

The banks highlighted in this report have an opportunity to lead the way among private corporations in California and elevate equity considerations when filling their executive boards and the senior management roles that influence those boards. Now more than ever, we need bank leadership to reflect our diverse country. Without the representation of communities of color, banks will fail to have the cultural competency needed to actualize equity. Instead, we will continue to see compounding inequities that threaten the livelihood and prosperity of our families and children of color.

### **Data Transparency: Hold banks publicly accountable to diversity and inclusion.**

- Require banks, non-bank lenders and financial technology firms to publicly disclose data on the diversity of their staff and executive boards, disaggregated by race and ethnicity. This data should be released annually, in a consistent manner across all institutions, and be easily accessible by the public on their websites.
- Require banks, non-bank lenders and financial technology firms to publicly disclose what internal efforts they have undertaken to increase diversity and inclusion, and what challenges or obstacles they have encountered.

### **Diversity, Equity and Inclusion Programs: Undo unconscious bias and proactively recruit women and people of color.**

- Require the development of trauma-informed practices and unconscious bias training for all positions of power and influence, beginning with executive boards and senior management.
- Require the development and implementation of mentorship programs for current bank staff of color and women, as well as aspiring students of color (including students from HBCUs and other schools with a large percentage of students of color) to cultivate necessary skills and requirements for placement on executive boards.

### **Racial and Gender Diversity Goals: Develop standards for banks to strive for.**

- Recommend a minimum of 30% of executive boards be made up of people of color, increasing the minimum threshold each year.
- Recommend a minimum of 30% of executive boards be made up of women, increasing the minimum threshold each year.
- Require a minimum of one candidate of color up for consideration when recruiting to fill a vacant executive board position.

### **State Community Reinvestment Act: Advance corporate responsibility in California.**

- Require all large banks, non-bank lenders and financial technology firms doing business in California to be subject to community reinvestment requirements, including board and management diversity and targeted philanthropy to low-income communities of color.

# ACKNOWLEDGEMENTS

## The Greenlining Institute

Founded in 1993, The Greenlining Institute envisions a nation where communities of color thrive and race is never a barrier to economic opportunity. Because people of color will be the majority of our population by 2044, America will prosper only if communities of color prosper. Greenlining advances economic opportunity and empowerment for people of color through advocacy, community and coalition building, research and leadership development. We work on a variety of major policy issues because economic opportunity doesn't operate in a vacuum. Rather than seeing these issues as being in separate silos, Greenlining views them as interconnected threads in a web of opportunity.

## Economic Equity

The Greenlining Institute's Economic Equity program works to overcome the lingering effects of redlining, close the racial wealth gap, and ensure that our financial system works for all.

## Authors

**De'Zhon Grace**, Economic Equity Program Coordinator at The Greenlining Institute

As Economic Equity Program Coordinator, De'Zhon Grace engages with community-based organizations, constituents and local and state legislation to actualize racial equity. His publications include [Pay For Student Athletes is a Racial Justice Issue](#) in the San Francisco Chronicle, and [Racial Inequality](#), published by Capitol Weekly, done in collaboration with Black Cultural Zone and Black Women Organized for Political Action and focusing on policy recommendations in response to COVID-19's disparate impact on the Black community. He assists the Economic Equity Team's efforts to hold banks accountable using the Community Reinvestment Act.

Growing up in a single-parent household, he witnessed the persistent challenges faced by low-income families and Black and Brown communities, especially Black

women, due to lack of access to substantial resources. He believes that Black and Brown communities have a shared struggle that encompasses both economics and spirituality and perceives this struggle to have persistently been the greatest obstacle in mastering self-sufficiency, prosperity and love of self. De'Zhon has dedicated his life to searching for a solution to this struggle, which would allow for a collective shift of focus away from basic survival towards a community that thrives.

**Rawan Elhalaby**, Senior Economic Equity Program Manager at The Greenlining Institute

Rawan Elhalaby is the Senior Economic Equity Program Manager at The Greenlining Institute, where she leads the organization's research efforts around Contributor bank accountability and financial inclusion. She is passionate about advancing equity for underserved communities through policy research, data analysis and advocacy. As the daughter of Palestinian, working

class refugees, Rawan is all too familiar with the obstacles that low-income and immigrant families face in achieving self-sufficiency in the United States. She has spent her career fighting barriers to economic opportunity: at the systems level at Greenlining, and at the individual level with refugees from Iraq, Somalia, Syria and Afghanistan at the International Rescue Committee in San Diego. She has also worked as a policy consultant to the Consumer Financial Protection Bureau, the County of San Diego, the Western Regional Advocacy Project and the Dellums Institute for Social Justice. Rawan holds a Master of Public Policy from UC Berkeley's Goldman School of Public Policy and a B.A. in Political Science from San Diego State University.

## Editorial

**Bruce Mirken**, Media Relations Director at The Greenlining Institute

## Design

**Ashley Johnson**, Digital Strategy Manager at The Greenlining Institute

**Nadia Kim**, Communication Coordinator at The Greenlining Institute

## Photography

Cover,  
Page 3, 6:  
Christina@wochintechchat.com

Page 2:  
Benjamin Child

Page 4:  
Mimi Thian

Page 5:  
Smartworks

Page 10:  
Bruce Mars

# REFERENCES

## Endnotes

1. Stanford Institute For Economic Policy Research. (2020, May). The Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses From April 2020 Current Population Survey <https://siepr.stanford.edu/sites/default/files/publications/20-022.pdf>
2. Institute for Policy Studies. (2019). Dream Deferred: How Enriching the 1% Widens the Racial Wealth Gap. [https://ips-dc.org/wp-content/uploads/2019/01/IPS\\_RWD-Report\\_FINAL-1.15.19.pdf](https://ips-dc.org/wp-content/uploads/2019/01/IPS_RWD-Report_FINAL-1.15.19.pdf)
3. Kline, A. (2020, July 13). How banks aim to close racial wealth gap: More minorities in leadership. American Banker. <https://www.americanbanker.com/news/how-banks-aim-to-close-racial-wealth-gap-more-minorities-in-leadership>
4. The Majority Staff of the Committee on Financial Services. (2020, February). Diversity and inclusion: Holding America's Large Banks Accountable. 116th Congress, Second Session <https://docs.house.gov/meetings/BA/BA13/20200212/110498/HHRG-116-BA13-20200212-SD003-U1.pdf>
5. Reuters. (2020, September 22). Wells Fargo CEO ruffles feathers with comments about diverse talent. NBC News. <https://www.nbcnews.com/news/nbcblk/wells-fargo-ceo-ruffles-feathers-comments-about-diverse-talent-n1240739>
6. United States Government Accountability Office. (2017, November). Trends in Management Representation of Minorities and Women and Diversity Practices, 2007-2015. <https://www.gao.gov/assets/690/688235.pdf>
7. Gore-Mann, D., & Elhalaby, R. (2020, February 13). Bank boards need more women of color. American Banker. <https://www.americanbanker.com/opinion/bank-boards-need-more-women-of-color>
8. The Greenlining Institute. (2018, March). Diversity, Equity and Inclusion Framework: Reclaiming Diversity, Equity and Inclusion for Racial Justice. <https://greenlining.org/publications/2018/diversity-inclusion-framework/>
9. McKinsey & Company. (2015, January). Why Diversity Matters. [https://www.mckinsey.com/~/\\_media/McKinsey Business%20Functions/Organization/Our%20Insights/Why%20diversity%20matters/Why%20diversity%20mattershxs.a](https://www.mckinsey.com/~/_media/McKinsey Business%20Functions/Organization/Our%20Insights/Why%20diversity%20matters/Why%20diversity%20mattershxs.a)
10. The Greenlining Institute. (2019, October). 2019 Bank Board Diversity Report. <https://greenlining.org/publications/2019/2019-bank-board-diversity/>
11. The Majority Staff of the Committee on Financial Services. (2020, February). Diversity and inclusion: Holding America's Large Banks Accountable. 116th Congress, Second Session <https://docs.house.gov/meetings/BA/BA13/20200212/110498/HHRG-116-BA13-20200212-SD003-U1.pdf>