



ISSUE BRIEF

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Lack of Diversity on Boards of Directors at Largest Banks

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“Only two major banks have Asian Americans on their boards, most have no Latinos and few have more than a token African American.”

- David Lizárraga, Chairman of the US Hispanic Chamber of Commerce

Background

For the fourth consecutive year, Greenlining is issuing its major bank board of directors diversity study. One-third of our nation's population and one-third of banks' potential customers are minorities. With the exception of Citigroup, no major bank is close to reflecting the diversity of the American population.

In June of 2006, the General Accountability Office (GAO) completed a study demonstrating that the banking industry had inadequate diversity. In May of this year, CalPERS and CalSTERS, two of the three largest public pension funds in the nation, made it clear that their future investment policies and proxy voting policies will strongly take into account the diversity of boards. (This was backed and strongly supported by California's Controller John Chiang and State Treasurer Bill Lockyer.)

Given no other variables, it is a good practice, consistent with safety and soundness, for a bank's board of directors to reflect the diversity of the populations it serves and hopes to serve. In the United States there's an estimated 110 million minorities (approximately 35% of population) and it is estimated that by 2050 more than 50% of the nation's population will be minorities. In

California, the world's 7th largest economy, this occurred seven years ago and approximately 57% of the State's population are minorities.

Ranking the Major Banks

As the chart demonstrates, only Citigroup's board reflects the diversity of our nation. Six of its fifteen members (40%) are minorities, including at least one person from each of the three major minority groups. Of the other banks surveyed, only one other, Wells Fargo, had at least one board member from each of the three major minority groups.

Bank of America, our nation's largest bank, fails to reflect our nation's diversity and has just 12% minorities on its board and has no Asian Americans. J.P Morgan Chase, Wachovia and U.S. Bancorp have even worse records. None of the three have any Latinos or Asian Americans on their boards. That this has occurred despite the fact that there are 47 million Latinos and 15 million Asian Americans in the nation, and both populations are rapidly growing, is surprising.

Recommendations

Greenlining's recommends the following:

1. The Federal Reserve Chairman and the Comptroller of the Currency should jointly call for a study as to why banks cannot fully reflect the diversity of the

populations they serve, and in the interim, urge all major financial institutions, on the grounds of safety and soundness, to diversify their boards of directors;

2. The new administration, along with the new Congress, should hold hearings on the GAO study and the importance of diversity at the board of directors and upper management levels.
3. CalPERS and CalSTERS should determine their future investment policies and proxy advisory votes based upon whether a financial institution reflects at its board of directors level, the diversity of the communities it can and should be serving. And in egregious cases where, for example, major financial institutions have no Latinos or Asian Americans, contact management in advance of any proxy votes.
4. Major banks preempt all of the above by voluntarily embracing the Citigroup standard of 40% minorities on their board of directors, including at least one minority from all of the major minority populations

In the long run, Greenlining believes that board of director diversity could indirectly yet effectively address the lack of diversity at senior management levels at virtually all banks.

Breakdown by Race and Ethnicity of Boards of Directors at Largest Banks in the United States Listed According to Asset Size

	BANK	African Americans	Latino Americans	Asian Americans	Total Members	Total Minority Members	Percent Minority	Grade
1.	Citigroup	3	2	1	15	6	40%	A
2.	Bank of America	1	1	0	17	2	12%	D
3.	JP Morgan Chase	1	0	0	12	1	8%	F
4.	Wachovia	1	0	0	17	1	6%	F
5.	Wells Fargo	1	1	1	16	3	19%	C+
6.	US Bancorp	1	0	0	13	1	8%	F
7.	Washington Mutual	1	1	0	13	2	15%	C
8.	Bank of New York	1	0	0	13	1	8%	F
9.	SunTrust	3	0	0	17	3	18%	C-
10.	Capitol One Financial	1	0	0	9	1	11%	F
11.	National City	1	0	0	12	1	8%	F
12.	State Street	1	0	0	16	1	6%	F
13.	Regions Financial	0	2	0	21	2	10%	D
14.	PNC Financial	2	0	0	18	2	11%	D
15.	BB&T	3	0	0	20	3	15%	C-
16.	Fifth Third Corporation	2	0	0	15	2	13%	D
17.	KeyCorp	1	2	0	13	3	23%	C+
18.	Metlife	1	0	0	14	1	7%	F
19.	Countrywide	1	1	0	11	2	18%	C
	Aggregate	26	10	2	282	38	13.5%	
	Race/Total Ratio	9.2%	3.5%	0.7%				

**Grading:

A Bank received an "A" if it had 35% or above minority representation and had representatives from all three major minority groups.

A Bank received a "C+" if it had representatives from all 3 major minority groups OR had 20% minority representation from at least two minority groups

A Bank received a "F" if the institution had no Asian Americans, and either no Latinos or no African Americans. If they fit these conditions but had at least 2 minorities they received a "D"



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Notes:

Twenty banks were part of the study but one, World Savings, was acquired by Wachovia. World Savings had a far better record at its board of directors level (33% were minority including an Asian American, Latino, and African American.)

Five of the financial institutions, most of whom had cooperated in prior studies, refused despite up to six requests to voluntarily provide information. Their results are therefore based on 2007 data and/or other sources for updated information. The five uncooperative are Regions, National City, Bank of New York, Met Life and States Street.

One of the very surprising results is that despite Latinos being the largest minority in the country with a trillion dollar a year market potential, the vast majority of major financial intuitions have no Latinos on their board of directors (only seven of the nineteen.) Only two banks had Asian Americans and with the exception of Regions Financial, all banks had at least one African American. However with five exceptions, these banks had just one "token" African American.