

RANKING BANKING®

# BEST BOARDS

## Summary Analysis

**F**or Pasadena, California-based East West Bancorp, diversity in the boardroom helps the \$61 billion bank align itself with the needs of its customer base. The country's second-largest minority depository institution (MDI) has an extensive history serving Asian American and other minorities in the U.S.; it also operates in China. (The largest MDI, San Juan, Puerto Rico-based Popular, also appears in the 2022 RankingBanking study.) East West's eight-member board includes three women and six members representing diverse ethnic and racial backgrounds.

That diversity enriches deliberations, says board member Molly Campbell.

"We have so many broad perspectives in the room," says Campbell, an infrastructure advisor with the U.S. Treasury; she's also an African American woman. "We're not all in agreement all the time, [but] we're comfortable with expressing our opinions and making the bank that much better."

Corporate stakeholders increasingly view diversity as a smart business decision that boosts performance — and they're prodding companies to improve. The Securities and Exchange Commission approved in August 2021 rules that require Nasdaq-listed boards to disclose diversity statistics beginning in 2022. By 2025, larger boards without at least two diverse board members will have to explain why. Corporations are also feeling pressure from institutional investors, and the passage of gender diversity requirements in California and Washington.

"[Board members] have to be willing to challenge management's decisions," says Crowe LLP Partner Kara Baldwin. Diversity "makes you think through things in a different way."

"Boards are not there to be management's rubber stamp. ... They're there to lend their expertise, ask good questions, and be engaged and knowledgeable."

Rick Childs / partner, Crowe LLP

East West Bancorp topped our ranking of the best boards, due to its diverse, skilled board and strong governance practices. It outperformed two of the largest banks in the country — U.S. Bancorp and JPMorgan Chase & Co., which placed second and third, respectively.

Given their role in oversight, strategy and risk management, strong boards are critical to driving performance at the best banks. To determine the top boards, Bank Director considered the diversity of their composition, based on gender and total diversity (the percentage of women, professionals from different ethnic and racial backgrounds, and members of the LGBTQ community, where disclosed). We also looked at board-level skills and expertise: technology, cybersecurity and digital; legal; accounting, audit and finance; and risk and regulatory compliance. To gauge whether board pay matched performance, we compared median compensation in 2020 to each bank's return on average equity as of December 2020. The Governance QualityScore and Board Pillar Score, developed by Institutional Shareholder Services to assess governance risk, were incorporated where available. All these elements were ranked and averaged, with the factors relevant to board composition — diversity and skills — receiving a double weight in calculating a final score. Finally, companies that disclose strong corporate governance practices — board evaluations or policies such as annual elections, term limits or mandatory retirement ages that can encourage new points of view — received bonus scores.

U.S. Bancorp's board ranked second due to its diverse board and governance practices. Annual evaluations and individual self evaluations explore topics such as board oversight, including strategic planning and risk management; information received by directors; the effectiveness of meetings; board composition and structure; and areas for improvement.

Most of the top 10 boards disclosed that they conduct an annual evaluation of their performance. Comparing this to the industry more broadly, Bank Director's 2021 Governance Best Practices Survey found that 43% annually assess their performance.

#### MOST GENDER-DIVERSE BOARD

U.S. Bancorp  
46% Women

#### HIGHEST-PAID BOARD, PER DIRECTOR

JPMorgan Chase & Co.  
\$411K

JPMorgan Chase, at third, scored well for diversity as well as skills in accounting, audit and finance, and risk and regulations. At fourth, SVB Financial Group touted the best ISS scores of the group. In line with its strategic goals to serve the "innovation economy," the board features a high level of technology expertise.

The composition of fifth-ranked First Horizon Corp.'s board changed significantly upon its acquisition of IBERIABANK Corp. in July 2020 — eight of its 17 directors formerly served on the IBERIA board. The newly configured board of the Memphis, Tennessee-based bank rated well for its expertise, including technology. Both First Horizon and JPMorgan Chase have a retirement age of 72 years.

Half of the top 10 boards have a mandatory retirement age of 72 or 75. These policies can be controversial as they may force out an engaged, skilled director. But it's vital that boards have practices such as individual evaluations, term limits or annual elections that allow them to create space on the board for new skills and perspectives so they can effectively fulfill their fiduciary duty to shareholders.

"Boards are not there to be management's rubber stamp," says Rick Childs, a partner at Crowe. "They're there to lend their expertise, ask good questions, and be engaged and knowledgeable."

## How They Ranked: Best Boards



		TICKER	SCORE	MEDIAN TOTAL DIRECTOR COMPENSATION (2020)	% WOMEN ON THE BOARD
1	East West Bancorp	EWBC	<b>9.38</b>	\$228,500	37.5%
2	U.S. Bancorp	USB	<b>10.38</b>	\$249,651	46.2%
3	JPMorgan Chase & Co.	JPM	<b>10.63</b>	\$411,250	40.0%
4	SVB Financial Group	SIVB	<b>11.19</b>	\$243,469	33.3%
5	First Horizon Corp.	FHN	<b>11.38</b>	\$188,298	23.5%
6	Synchrony Financial	SYF	<b>11.44</b>	\$242,061	33.3%
7	UMB Financial Corp.	UMBF	<b>11.79</b>	\$114,992	25.0%
8	HomeStreet	HMST	<b>11.81</b>	\$84,250	22.2%
9	Bank of America Corp.	BAC	<b>12.00</b>	\$350,473	37.5%
10	Popular	BPOP	<b>12.31</b>	\$221,314	33.3%

SOURCE: S&P Global Market Intelligence, Yahoo! Finance, bank websites, proxy statements and other public information

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**Molly Campbell** / director, East West Bancorp