



build something beautiful. |



beneficial state bank

# Impact Report

10 years of Beneficial Banking



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## Benefitting the Public Good

### Dear Stakeholders,

Welcome to Beneficial State Bank's 2017 Impact Report. For ten years, we have provided fair and transparent banking services to help people and organizations align their money with their values. We are pleased to provide detailed information on our ownership and profit-sharing, our lending practices, our products and services, and our corporate practices and principles. Whether used to scrutinize how well we are aligned with your values or to benchmark other financial institutions for the same, we offer the data as transparently as we possibly can and welcome your feedback.

In our view, the banking system is quasi-public because it depends upon your deposits, relies on FDIC insurance (which is ultimately backed by American taxpayers), and drives societal, not just economic, outcomes. Therefore, we must align our ownership, lending practice, and corporate practices in the public interest. We designed a triple-bottom-line bank that produces social justice and environmental wellbeing, while demonstrating financial sustainability, to chart the course toward a better banking system.

**Our ownership:** We are doing business in a new way to ensure profits are distributed to our communities, instead of aggregating in the hands of the few. All of the economic rights of Beneficial State Bank are owned by a nonprofit, Beneficial State Foundation, whose bylaws mandate that profits the foundation receives as dividends must be reinvested into the under-resourced communities we serve and the environment upon which we all depend.

**Our approach and outcomes of our lending:** Beneficial State Bank is focused on ensuring that our lending practice and the outcomes it produces are conscious, measured, and broadcast to our stakeholders. Loans should not undermine our triple bottom line and ideally they produce benefit to all and harm to none. Seventy-five per cent or more of our loan dollars support a new economy that is fully inclusive, racially- and gender-just, and environmentally restorative.

**Our corporate practices and principles:** A changemaking bank like Beneficial State must lead by example in its radical transparency. In fact, we advocate for all banks to let us know how they treat employees, the extent of their environmental footprint, and what they are willing to stand up for in broader society. This alignment is to make sure you can bank with your values, reclaim your agency and accountability over your money, and be part of a larger collective building something beautiful for everyone. Thank you for your business and support!



best,

*Kat Taylor*

Kat Taylor  
CEO, Co-Founder



◀ Maritessa Bravo Ares, California Director of Community Engagement, invites community members to attend Fighting for Equity, our event with Mother Jones.



Beneficial State staff gather for a zero-waste potluck in the Oakland branch.▲

Celebrating the international Banking on Values Day in the Sacramento branch. ▼



Download a digital copy of this report ▶  
[beneficialstate.org/impact/report](http://beneficialstate.org/impact/report)





## Our Theory of Change: Bank and Foundation

### Our Vision

A new economy that is fully inclusive, racially- and gender-just and environmentally regenerative... powered by a banking industry that:

provides access to financial services for all our communities, particularly the traditionally underserved

results in the long-term prosperity of responsible consumers

contributes to the sustainability of the environmental commons

is fair to the person with the least bargaining power

promotes financial system stability

### Our Mission

To change the banking system for good, build prosperity in our communities, and restore the environmental commons through beneficial banking.

### Our Theory of Change

We will achieve this vision by:

1. Proving that it is possible to offer a new Beneficial Banking model that delivers social justice and environmental wellbeing, avoids creating harm, and remains financially sustainable.
2. Spreading this Beneficial Banking model so that people and organizations are inspired to move their deposits, invest in, and work only for values-based banks.
3. Providing a playbook for other banks to align their activities with the beneficial banking values of their multiple stakeholders and join in changing the banking system for good.





## Our Vision in Practice

There are three key design features that ensure that our vision is put into practice every day:

An ownership model that mandates social and environmental impact and seeks to optimize, not maximize, profit

All of the owners of Beneficial State Bank's economic interest must always be nonprofit organizations that reinvest all distributed bank profits back into the communities we serve. The primary owner is Beneficial State Foundation, a nonprofit charity governed in the public interest. We have no individual shareholders who can insist that we maximize profit at the expense of people and planet.

A lending practice designed to provide benefit to all, harm to none

At least 75% of our loans go to changemakers – customers healing their communities and the natural world – and none of our loans are put to use against a better future.

A practice of transparency that raises the bar for accountability and authenticity

The majority of our impact data is reported to and reviewed by several industry organizations, our sustainability report is third-party audited, and we are participating in a project to pioneer a values-based banking peer review process – all because we're committed to living our values of social and environmental responsibility. We measure where your deposit dollars go and how they make a difference in your community.





# 10-Year Reflection Growing a Beneficial Bank

The idea of starting a bank derived from a fundamental belief that changing the banking system for good is a powerful way to realize equitable economic prosperity. In 2017, we marked our 10-year anniversary. Here we take a moment to reflect on our milestones.

Martin Eakes, founder and president of the Self-Help Credit Union, reveals corruption in mortgage lending that foretells the financial crisis.

2005



January

Celebrate our launch with 1,400 community members at the newly re-opened Fox Theatre in Oakland to thank them for support.

December

Housing bubble bursts, big banks stop lending, and economy goes into free fall.

2008

Assets: \$49MM  
Equity: \$15MM

global alliance  
for banking  
on values



April

Already a CDFI committing over 60% of loans to underserved communities, we join the Global Alliance for Banking on Values (GABV).

December

Merge with ShoreBank Pacific (subsidiary of ShoreBank Corporation), expand our footprint to Oregon and Washington, and change our name to One PacificCoast Bank.

2010

Assets: \$295MM  
Equity: \$33MM

2007

Assets: \$29MM  
Equity: \$19MM

June

OneCalifornia Bank founded to produce social justice, environmental well-being and economic sustainability.

September

First branch opens in downtown Oakland, a potential "Model City" for the 21st century, according to then-Mayor Ron Dellums.



2009

Assets: \$99MM  
Equity: \$13MM

The FDIC and the American taxpayers step in to save some of the largest banks, insurance companies and auto makers.

2012

Assets: \$282MM  
Equity: \$32MM

September

Gain B Corporation certification and join B Lab community of practice.

November

Become carbon neutral through conservation and purchase of carbon credits; move on to measure and reduce GHG emission, landfill, and water footprint each year.







Albina Community Bank

Part of the Beneficial State Family



**May**

Host the 7th Annual Oakland Indie Awards attracting over 1,700 people in support of Oakland's local economy and artist community.

**December**

Invest in and become partial owner of Albina Community Bank, originally founded to serve Portland's African American community, and remain dedicated to serving Portland, particularly underserved residents.

2013

Assets: \$313MM  
Equity: \$33MM



**April**

Open branch in Santa Rosa and add Multifamily Lending Division to address the continuing housing crises of lack of affordability and increasing displacement.

**June**

Launch values-driven credit card for pre-prime customers in partnership with fintech company LCard Services, a subsidiary of LendUp.

2015

Assets: \$464MM  
Equity: \$52MM



**December**

Purchase remaining shares of Albina Community Bank and agree to dedicate bank property to Framework Project, the first tall wood high rise building in the US.

All branches green certified in communities where certification is available.

2017

Assets: \$759MM  
Equity: \$81MM

2014

Assets: \$366MM  
Equity: \$42MM

**July**

Rebrand and rename to Beneficial State Bank to reflect our elevated mission to change the banking system for good.



beneficial state bank

2016

Assets: \$653MM  
Equity: \$77MM

**January**

Launch impact website: [beneficialstate.org/impact](http://beneficialstate.org/impact)

**June**

Merge with Pan American Bank and Finance & Thrift, adding five branches in California's Central Valley and two in Los Angeles while expanding our product offerings to include consumer and auto loans.



2018

Assets: \$1,034MM  
Equity: \$107MM

**February**

Merge with Albina Community Bank, growing to 17 branches throughout the three West Coast states with 273 colleagues.

**June**

Reached \$1 billion in assets!





## Impact through Nonprofit Ownership

### Beneficial State Foundation: Nonprofit Shareholder

The majority owner of the economic interest of Beneficial State Bank is Beneficial State Foundation, and all potential owners must be nonprofit organizations which collectively reinvest any distributed bank profits back into the communities we serve to promote thriving people, a prosperous economy for all, and a healthy planet. Beneficial State Foundation has the following areas of focus:

#### Prioritizing Mission and Strengthening our Bank's Impact

Measure and publish the impact of your deposit dollars transparently, robustly and verifiably, continuously holding to higher standards.

Prioritize people and planet along with profit, instead of providing pressure to maximize profits at their expense.

#### Changing the Banking System for Good

Set triple-bottom-line banking standards through research, development, innovation, and collaboration.

Advocate for banking transparency, standards, and regulations through policy change, strategic communications, and field building.

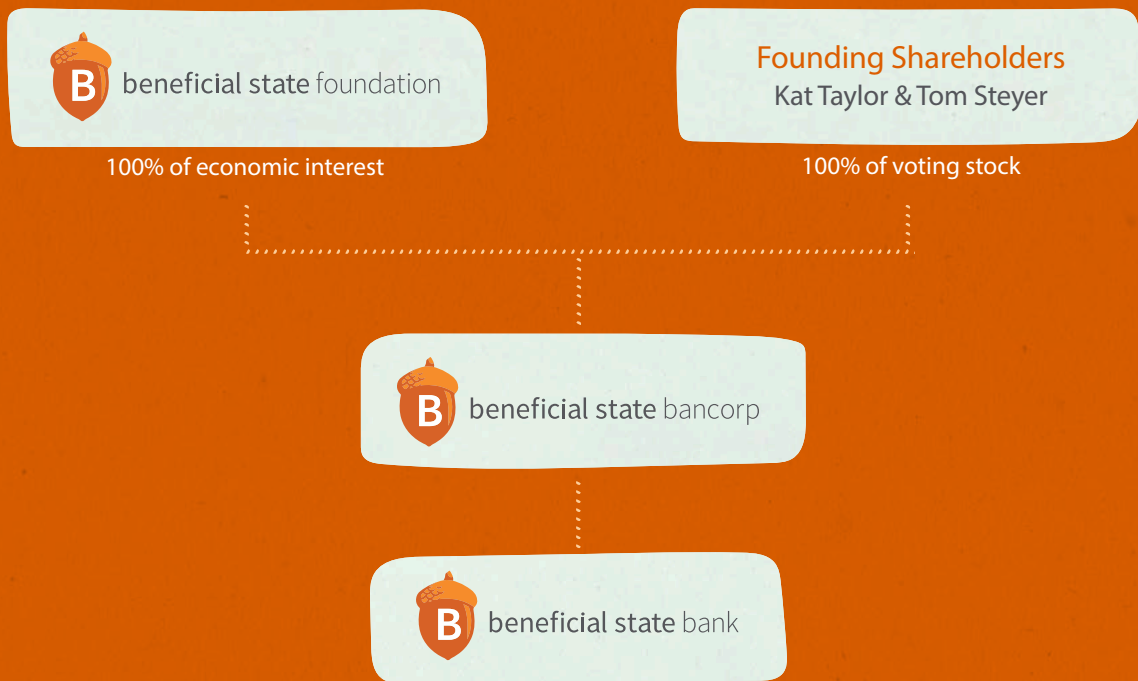
Advance the just transition to a new economy by supporting local economic development through deep community engagement.

Create a pipeline of next generation socially-minded leaders and banking professionals through our fellowship program.

To build a just new economy, we must reduce concentration of wealth and power by supporting diverse and distributed ownership.



# Our Ownership Structure

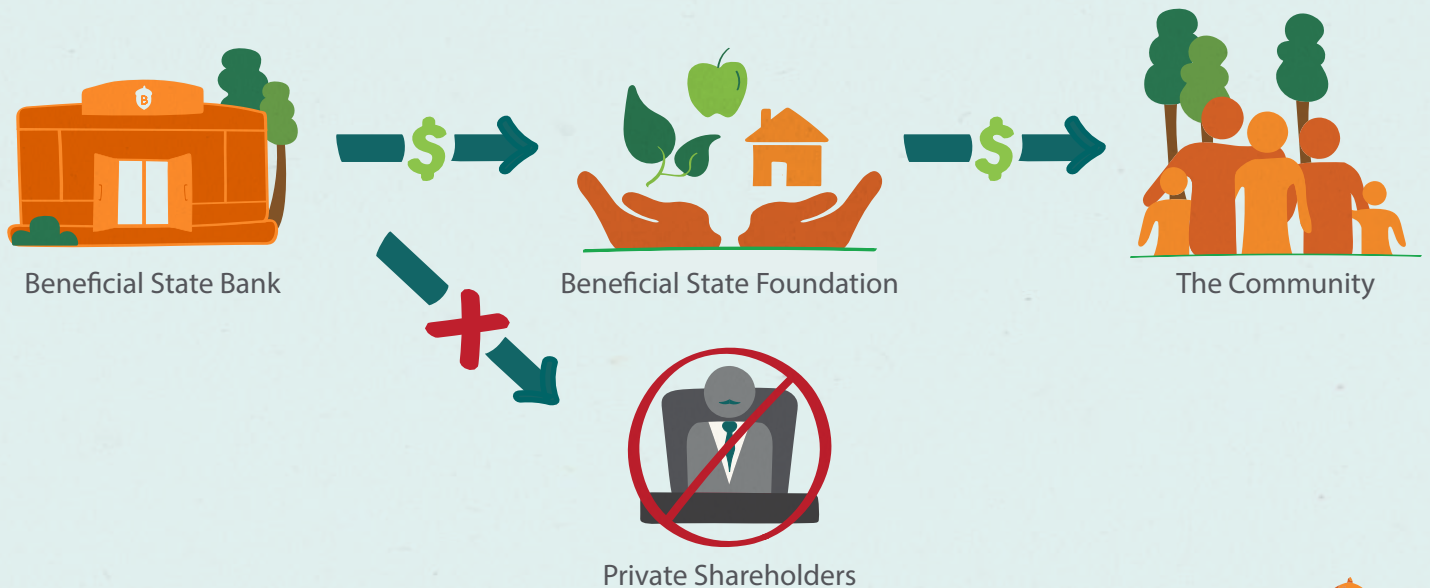


Albina Community Bank and Beneficial State Bank fully merged in February 2018 to become one bank.

Economic interest must always be 100% in the hands of nonprofit organizations. This may expand beyond Beneficial State Foundation to include other nonprofits over time.

## How We Ensure Positive Impact

100% of Distributed Profits Must Get Redistributed to the Community, Never to Private Shareholders.





Radical Transparency Spotlight

## Why Did We Intentionally Drop Our Own Impact Score?

Our colleagues are deeply committed to making real impact. They're never afraid to question the status quo by re-evaluating what we consider "mission." Alongside partners like the Global Alliance for Banking on Values, we are constantly exploring how our metrics can be made stricter to ensure the highest level of integrity and transparency.

In 2016, our mission loan count dropped below our 75% mission target. Why? Because we actually toughened several of our metrics definitions. So while the reduction may appear negative, it tells an uplifting story about how deeply committed we are to making real impact.

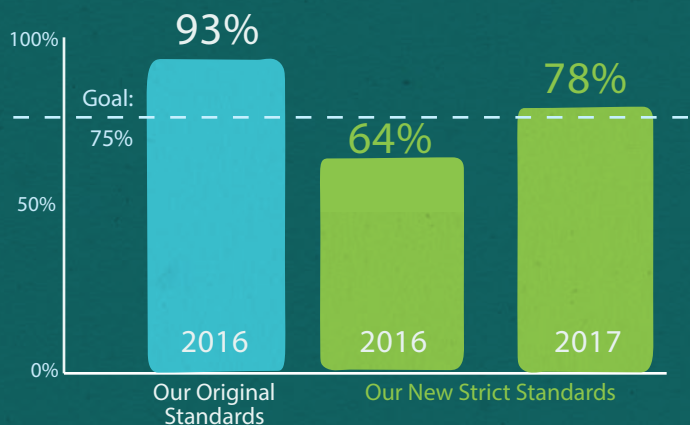
A key measurement change we made was to shift our use of the conventional LMI indicator, which refers to Low and Moderate Income communities. LMI lending is defined by number or dollar amount of loans to LMI-designated neighborhoods, per federal data. While this definition may seem like a valuable indicator, it is not always accurate. In fact, it can be counterproductive because not every business in an LMI-designated area helps or hires from that same community.

We stopped using the federal definition and determined that to count a loan in a mission category, the borrower must be engaged in a truly mission-driven activity; it's not enough for the borrower to only be located in an LMI community.

Within a year of raising our standards, we were able to increase mission lending by 14 percentage points, up to 78%!

—Erin Kilmer Neel,

Chief Impact Officer & Deputy Director, Beneficial State Foundation



Spotlight



### Voter Registration Initiative

My Vote, My Future / Mi Voto, Mi Futuro

We converted our branch in Fresno, CA to a polling place for Election Day 2016, making voting more accessible to residents in the area. Our civic engagement initiative registered people to vote and provided voter education and citizenship application resources in eight of our branches across California.

Spotlight



### Fellowship Program

Grace Lihn, 2017 Fellow, Cooperative Models & Financing

"This fellowship opened my eyes to the complexities of banking and finance. I learned how difficult it has been for employee-owned cooperatives to obtain business loans from many traditional banks – but that this doesn't have to be the case. My fellowship proved that a bank can work with unique structures like co-ops, ultimately allowing more people to work in places where they are valued and empowered to make business decisions collectively."







Spotlight

## Oakland Indie Awards

Quintessentially Oakland, for 11 years, the Oakland Indie Awards has brought together small business owners, entrepreneurs, artists, activists, musicians, service providers, and community members to celebrate the positive social, economic and political impact of our local independent businesses and artists.

“When I started my businesses in Oakland in 1999, one had to be a member of a private club to have networking like this. The Indie Awards is truly an event for people to meet and network and showcase their artistry, ingenuity, and social justice outreach and efforts.”

—April Quinn, Oakland indie business owner

	2017	Cumulative
# of nominations	453	6,933
# of winners	10	106
# of attendees	1,500	13,050



# Impact Through Loans & Deposits

## Our Approach

### Depositors as Crowdfunders

We celebrate depositors as the original and most important “crowdfunders” because they provide the funding to make loans possible. Through our mission-driven lending practice, our depositors know their money is helping to build the fully inclusive, environmentally regenerative, and racially- and gender-just world we all want to see.

**7,101**  
deposit accounts

**\$519 million**  
in deposits

### Product Design that Optimizes for Mission

We design our products to help people minimize their costs and maximize their savings.

#### Pass cost savings to clients

Because we aim to optimize savings for our customers, not maximize bank profits, we charge what we must for economic viability. (Our measure of financial sustainability is 6-10% Return on Equity—not more.) We use technology and green practices to further minimize our costs and pass those savings on to our clients.

#### Design product terms that favor the customer

Many high-cost banking products are ripe for disruption, so we develop products with more customer-favoring and transparent terms that help

people save money or get out of debt. We don’t just adhere to industry norms; we are seeking to reinvent them.

#### Offer fair and transparent pricing

Our goal is to charge reasonable prices for every product, instead of hiding fees and ultimately overcharging customers. For example, we do our best to minimize overdraft fees by attempting to alert customers and by processing daily debits from small to large—to avoid triggering multiple overdrafts in succession.

### Spotlight

#### Individual Development Accounts (IDAs)

IDAs are special-purpose savings accounts that are matched by federal, state or charitable organizations to help low-income individuals accelerate their savings efforts, realize their life-changing savings goals, and encourage people to save more.

In 2017, Beneficial State Bank and CASA of Oregon jointly served (as of December 31, 2017):

<b>148</b>	<b>\$625</b>	<b>\$92,518</b>
IDA borrowers	average savings	total saved in 2017



# Loans to Changemakers

## Benefit to All

Loans are the primary way we make the change we want to see.

The connection between consumer deposits and the loans that banks make has been obscured over time. The most power any individual or organization exerts in banking is through the lending practice their deposits enable. We recognize agency (a depositor's choice) and accountability (our responsibility to depositors) in each banking decision and strive for a lending practice that is aligned with and brings pride to our depositors, while being safe, sound, and compliant.

We strive to ensure that at least 75% of our loan dollars support a more socially-just and environmentally-sustainable world. The remainder of our loans cannot work against this mission.

## Harm to None

We believe banks must be as equally committed to avoiding harm as they are to benefitting communities. It's not enough to do good; we must also do our best to avoid the bad. If we help to build 500 affordable housing units while supporting fracking that pollutes well water near these homes, we will have unraveled our good work. So we don't.

## Our Approach: Who is a Changemaker?

### 1) Support Diverse and Distributed Ownership

Businesses and nonprofits that are owned by people from underserved and historically oppressed groups can help build wealth and power for these individuals and communities.

### 2) Mission-driven Core Products & Services

Nonprofits and businesses whose core products or services are intended to improve the lives of people and communities and/or support environmental sustainability. We've articulated several key mission product and service sectors, as shown in the mission chart in this section.

### 3) Mission-driven Ownership Structures

Nonprofit organizations, worker-owned cooperatives, benefit corporations, Social Purpose corporations, and similar business models that prioritize people and planet.

### 4) Mission-driven Corporate Practices

We seek borrowers that purposefully support people and planet through their corporate practices, such as the provision of living wages and benefits, well-being opportunities for staff, sustainability practices and policies, and community service programs. These practices are often recognized through certifications and labels such as B Corp, Green Business, JUST, LEED, and others.

\$0

to Oil, Coal, Natural Gas Extraction or Production  
to Private Prisons  
to Predatory Payday Lenders  
to Profit-Maximizing Shareholders



# Impact Through Loans & Deposits

## Commercial Lending

### Mission-Driven Business and Nonprofit Loans

We target our commercial loans to businesses and nonprofits that are delivering meaningful social justice and environmental outcomes.

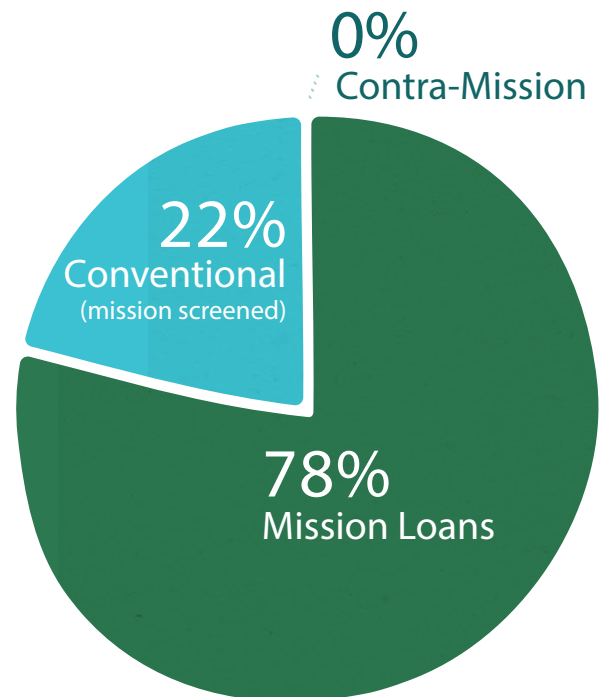
### Business & Nonprofit Loans as of December 31, 2017

636  
loans

462  
borrowers

\$551 million  
total outstanding  
loan commitments

### Mission Loan Commitments (Commercial & Consumer Combined)



### Share Your Beautiful Profile: a Changemaker Spotlight

#### Nona Lim

Nona Lim is a woman-owned food manufacturer in Oakland making soups and noodles using the freshest local and organic ingredients. We are proud to support Nona Lim—a small business that pays a living wage, hires veterans and formerly-incarcerated individuals, and purchases ingredients and products from local farms and other locally-owned businesses.

Watch the Video: [beneficialstate.com/nonalim](https://beneficialstate.com/nonalim)



# Loans in Mission Categories

December 31, 2017 | \$ Million in Loan Commitments (MM)



\$50MM

Economic, Business & Job Development



\$23MM  
Healthy Food



\$5.4MM  
Social Justice



\$76MM  
Environmental Sustainability



\$35MM  
Beneficial Financial Services



\$84MM  
Affordable Mission Housing



\$26MM  
Education & Youth Development



\$35MM  
Arts, Culture & Community Building



\$6.4MM  
Other Mission Business or Nonprofit



\$36MM  
Health & Wellbeing (Non-Food)



\$27MM  
Making, Manufacturing & Production



## Commercial Lending Cont.

### Loans Supporting Mission Business Structures

B Corps & Benefit Corporations	\$3,845,000
Co-ops & Co-op Developers	\$1,321,794
Businesses with Employee Stock Ownership Plans (ESOPs)	\$12,341,721

### Share Your Beautiful Profile: a Changemaker Spotlight

#### North River Boats

With a mission to build the best aluminum boats in the industry, North River Boats is one of a few healthy growing businesses in Douglas County, OR, an area particularly hard hit by the decline of logging and the Great Recession.

Thanks to a loan from Beneficial State Bank that supported equipment purchases, working capital, and real estate, North River Boats can:

- › Ensure that all employees are paid a living wage or above
- › Offer employee health benefits that exceed government requirements
- › Provide apprenticeships and job training
- › Offer a new Employee Stock Ownership Plan (ESOP) that allows employees to participate in the success of the company



North River Boats supports the local economy by:

- › Actively employing residents of the neighborhood
- › Buying supplies from neighborhood businesses
- › Volunteering for neighborhood organizations, schools or projects
- › Donating money or in-kind products or services to the neighborhood

Watch the Video:  
[beneficialstate.com/northriverboats](https://beneficialstate.com/northriverboats)



## Nonprofit Lending

All data as of December 31, 2017

**\$130MM**

in loans to

**98**

borrowers

**24%**

of our total  
loan dollars

Our commitment to supporting nonprofits continues to grow. "As advocates for environmental sustainability, economic opportunity and social justice, we want to see the endeavors of nonprofits succeed," said Matt Anderson, Beneficial State's new director of nonprofit banking. "Our expertise and services are built around the unique capital and cash management needs of nonprofits that consider fund sources, programming and services, and growth goals."

## Affordable Housing

**\$84MM**

Total loans

**3,700**

Total deed-restricted affordable units  
supported to date

**2,200**

Total naturally-occurring affordable units  
supported to date

## Renewable Energy

**\$40MM**

Total loans

**404MM**

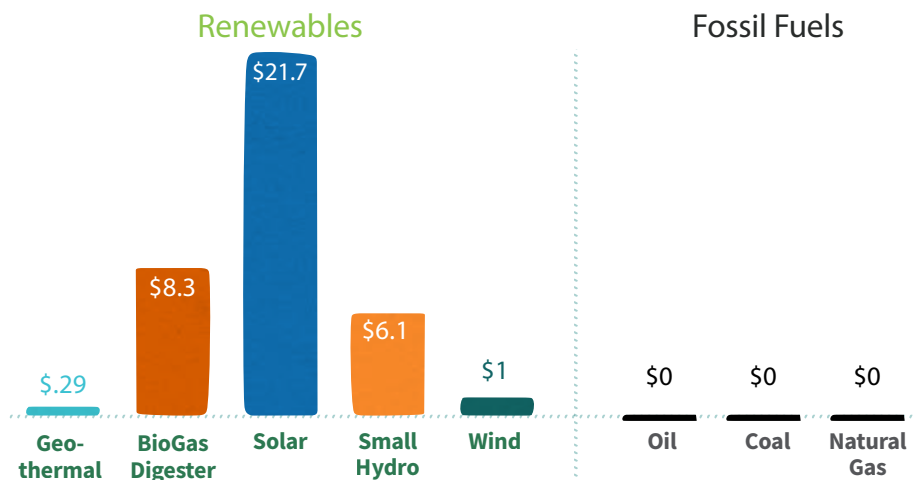
Total kwh  
Renewable energy  
produced to date

**278,000 mT**

CO2 Offset

Equivalent to covering all of  
Seattle, Portland, San Francisco,  
and Oakland with forest for a  
year!

Loans to Energy Projects to Date  
(\$ Millions)





## Impact Through Loans & Deposits

## Consumer Lending

### Fair & Transparent Consumer Lending

#### Pre-Prime Auto Lending

Beneficial State Bank merged with Pan American Bank in August 2016 and welcomed in a team of experts in pre-prime\* consumer lending.

We are an alternative for people who have low or no credit scores and who are typically targeted by predatory lending practices. While it is challenging to compete with lenders who put their own and the car dealer's profit above fair and transparent service to the customer, we don't compromise our mission to always prioritize people and planet as well as profit.

Our loan terms, interest rates, car dealer agreements, and collections process are built to set the customer up for success in an industry rife with predatory practices. Whether it's in our multi-factor algorithm that determines approvals based on a range of characteristics, not only a borrower's credit score, or in how we've built a network of dealerships that have committed to a unique set of fair practices, we are constantly striving toward improvement to help borrowers and lower costs.

### Auto Lending Highlights

as of December 31, 2017

9,105  
borrowers

\$75MM  
total loans  
outstanding

578  
average credit score\*

\*of borrowers with credit scores; 1,200 of our borrowers did not have a credit history when they got their auto loan

\$8,213  
average  
loan size

#### Radical Transparency Spotlight

#### Working on Alternatives to Predatory Lending

Over the years, we have worked to figure out the best way to provide pre-prime individuals with fair and helpful alternatives to predatory loan products like payday loans. 2017 was the third year of our partnership with LendUp Card Services to provide credit cards with small credit lines of \$300 to \$1000 to pre-prime individuals.

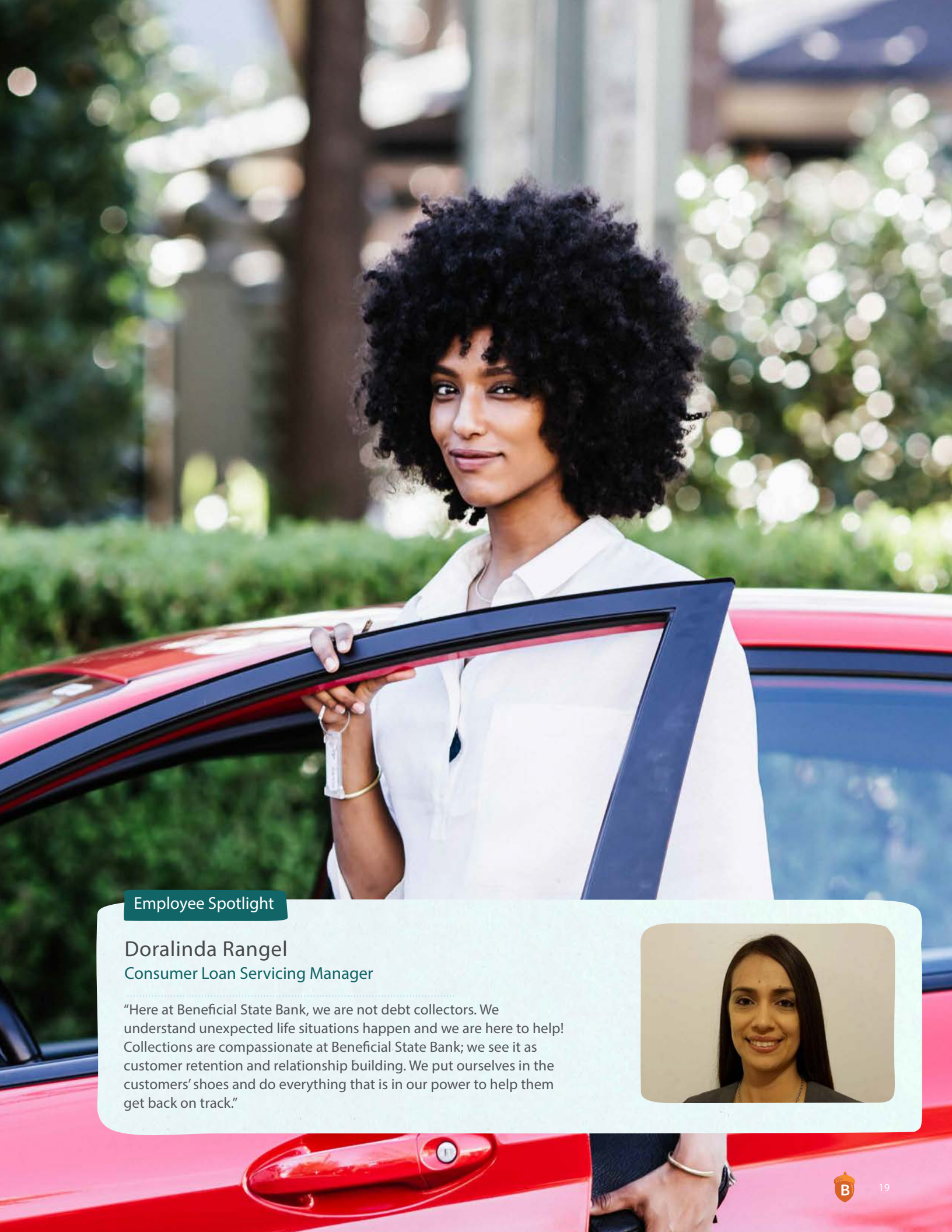
The majority of these cardholders have tended to make minimum payments and keep high balances on their cards, and therefore are not improving their credit as we'd hoped to see. Based on these learnings, we are changing the product and providing supplementary resources to cardholders to help them increase their credit scores and enhance their own financial resiliency in order to weather life's turbulence.

#### \*Pre-Prime Definition!

Mainstream financial actors describe individuals with low credit status as "sub-prime" but we prefer "pre-prime" because we think of this status as awaiting one's full and fair opportunity to participate in the banking system.

#### Community-Driven Auto Lending

We launched two innovative pilot programs in February 2017 for traditionally underserved individuals that provide fair and transparent access to auto financing. The First Time Buyers program serves individuals who have no credit history and the AB-60 Program serves individuals who hold AB-60 issued driver's licenses, which can be obtained without proof of legal residence.



### Employee Spotlight

**Doralinda Rangel**  
Consumer Loan Servicing Manager

"Here at Beneficial State Bank, we are not debt collectors. We understand unexpected life situations happen and we are here to help! Collections are compassionate at Beneficial State Bank; we see it as customer retention and relationship building. We put ourselves in the customers' shoes and do everything that is in our power to help them get back on track."



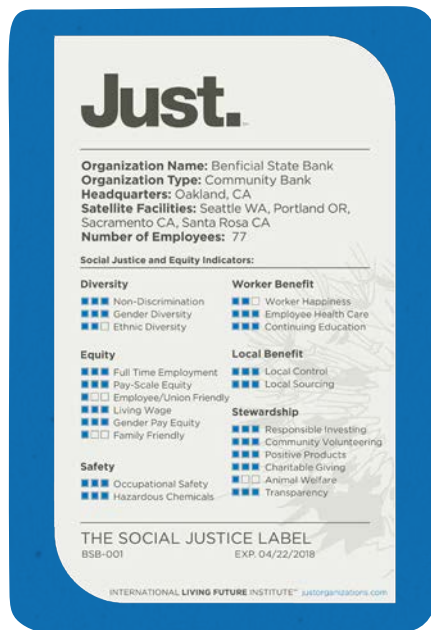


# Beneficial Practices & Principles

## Radical Transparency

When radical transparency is the norm, people gain access to information and wake up to their agency in the banking system. At Beneficial State, we share our shortfalls just as much as our successes and lead by example as we demand greater accountability in the banking system.

Through third-party audits from federal, state and county agencies, as well as industry-based impact evaluators, we illustrate our commitment to accountability to all of our stakeholders.



2017 CRA rating:  
**Satisfactory**

B Corp recertified in 2017,  
ranked 3rd in the world  
with a score of 176

Global Alliance For Banking  
on Values (GABV) Member,  
adhering to GABV Principles  
of Sustainable Banking

**100%** of  
Branch Locations  
Green Certified,  
where certification  
available.

Certified Community Development  
Financial Institution (CDFI) since 2009

## Community Support: 2017 Highlights

**\$4,650** in donations  
made as part of the  
employee donation  
match benefit

**\$460,650**  
in sponsorships across  
**185** entities

**1,071** volunteer  
hours supported by  
our paid volunteer  
hour benefit

## Good Employer

All employees make a minimum of **150%** of living wage or **\$15/hour**, whichever is higher

**80%** Retention rate

**95%** Employee favorability

**1:6** CEO - median salary ratio, compared to top 20 U.S. bank avg. of **1:204**

All employees have full benefits

### Spotlight

## Diversity, Equity, and Inclusion Committee

This year we launched a Diversity, Equity and Inclusion Committee to proactively embrace diversity and promote equity and social justice within our organization and in our society at large.

The group of 33 members, both staff and leadership, developed objectives and common language to lay the groundwork for organization-wide trainings, communications, workshops on systemic oppression, and much more, setting us up for important work ahead.

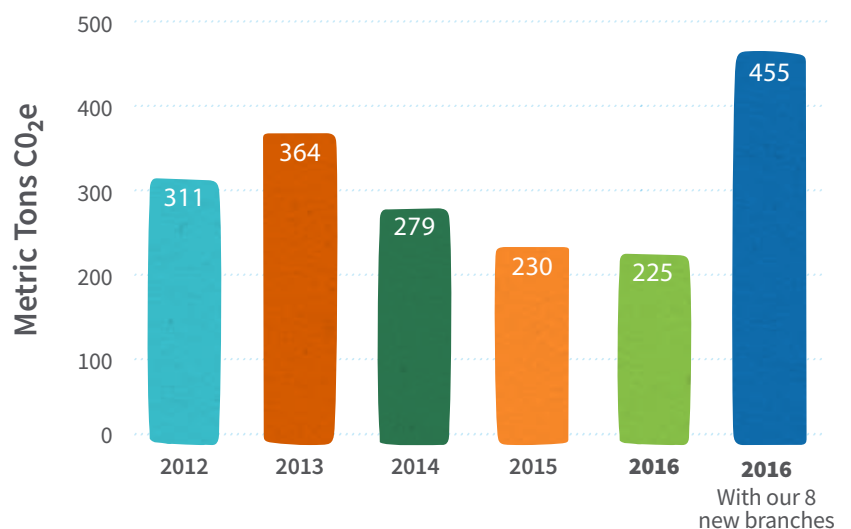
## Environmental Stewardship

We track our greenhouse gas emissions, set reduction targets, and implement policies and procedures to reach these goals.

In 2016, Beneficial State Bank merged with Pan American Bank and we gained 8 new branches and our full-time equivalent (FTE) staff increased from 65 to 165, over 250%. This growth increased our carbon footprint but we remain committed to our goal to become a carbon neutral business.

Every year, we purchase offsets for our GHG emissions with the goal of being carbon-neutral.

## Total Greenhouse Gas Emissions 2012–2016 (mtCO<sub>2</sub>e)



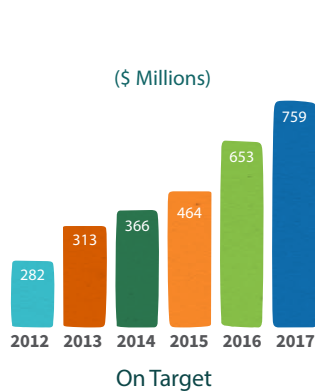
\* Our GHG data is always one year behind because we collect and analyze the previous year's data.



# Sustainable Financials

We believe that a bank should seek stability over volatility, be safe and sound, and provide fair returns to investors after ensuring fair pricing to customers, fair wages to employees, and socially and environmentally responsible procurement and practices. When we grow through mergers, we adhere to our [Mission Merger Principles](#). We seek to optimize for mission rather than maximize for profit.

## Total Assets | How Big Is Our Bank?



**What This Means** This is the most common way to describe how big a bank is. Our assets are primarily comprised of the loans to small businesses, nonprofits, and consumers discussed on prior pages, accounting for just over 73%. The bank's balance sheet also includes cash, securities, and real estate.

**Why This is Important** Larger asset sizes can bring scale efficiencies, making provision of products and services less expensive per customer. At Beneficial State, loans are one of the primary ways we create social impact. As we get larger and make more mission loans, we create more positive social impact.

**Mission Relevance** Very large banks have a harder time really knowing their customers and providing appropriate oversight and control. The biggest banks in the U.S. also have a large influence over the financial system, leaving our economy vulnerable to the actions of a few banks.

**Our Goal** Our goal is to build our assets to \$5 billion over time to achieve economies of scale, but never to grow so large that we are unmanageable or disconnected from our communities and customers.

**Peers/Standards** Community Development Bankers Association (CDBA) Banks 2017 Average Assets: \$426MM  
Average of four largest U.S. banks: \$1.7 Trillion (more than 2200 times larger than our bank)

## Loan Growth - Originations | Earning Revenue



**What This Means** The percent of new loan growth from the previous year (dollar value of loans booked during the year), and can include new loans made, loans purchased, or loans added to the portfolio through a merger or acquisition. This number shows gross loan growth. Net loan growth reflects this growth less loans that have been paid down, sold off, or have gone bad.

**Why This is Important** When compared to peers, loan growth can be an indicator of acceptance in the market. Doing better than the market can suggest that more borrowers are interested in the bank, possibly due to better service, terms or mission.

**Mission Relevance** Loan growth doesn't necessarily correlate with mission one way or another. However, very fast growth might suggest riskier behaviors or a large volume of loan purchases in which there is little to no relationship with the actual borrowers.

**Our Goal** Our target has consistently been double digits, which we've met, but we don't think it is natural to expect straight line growth in perpetuity. We focus more on building the right size to serve our markets.

**Peers/Standards** CDBA Banks 2017: 8.73%

## Income (Adjusted, Pre-Tax) | Managing Our Costs



**What This Means** Total revenue from loans, fees, and other sources, minus expenses (not including taxes), and adjusted to primarily reflect income from operations.

**Why This is Important** Income reveals whether the bank is sustainably covering operating expenses.

**Mission Relevance** We don't maximize our income to provide large profits to individual private shareholders. We use our income to either grow the bank and expand our mission, or to support our nonprofit owners, who, in turn support our communities.

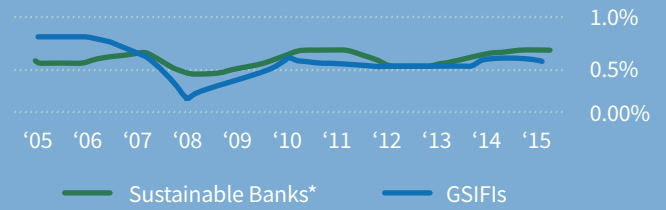
**Our Goal** Our target is to generate income to support our organic growth.

**Peers/Standards** Not a standard number for comparison.

## Sustainability-Focused Banks Across the Globe Offer More Stable and Better Returns Than Large Profit-Maximizing Banks

“SFBs [Sustainability-Focused Banks] have historically stable Returns on Assets (ROA), although prior to the crisis at levels below those reported by GSIFIs [Global Systemically Important Financial Institutions]. However, the SFBs provided resilient financial returns better than GSIFIs over the last ten years, with lower levels of volatility. As noted in earlier reports this result challenges the prevailing assumptions of many investors that SFBs would deliver lower returns than larger banks that have a focus on maximising financial returns.”

RoA



\* including Beneficial State Bank

From Real Economy—Real Returns: A Continuing Business Case for Sustainability-focused Banking

GABV 2016 Research Report:

<http://www.gabv.org/wp-content/uploads/2016-Research-Report-final.pdf>



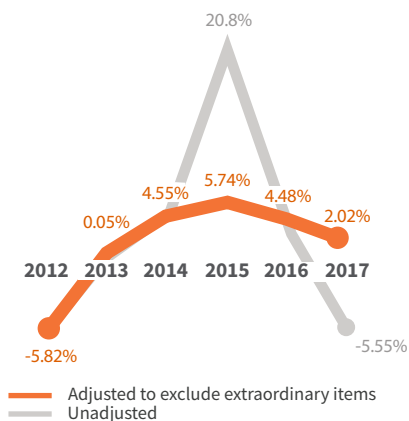
Farmer's Jared and Jantsook and Jared Oakes, Starvation Alley, Beneficial State Bank Client Photo Credits



# Beneficial State Financials

## What They Mean, How We're Doing, and How They Reflect Our Mission

### Return on Equity (ROE) | Profit Generated on Investors' Funds



Below Original Plan Due to Several Factors in 2017

**What This Means**

ROE reflects profits generated on investors' funds (equity). The orange line shows ROE excluding extraordinary income and expenses. The gray line shows ROE as reported without adjustment. The largest differences for BSB are due to taxes and non-recurring acquisition- and IT-related charges.

**Why This is Important**

People who invest in banks are generally expecting to maximize economic growth and return for their investment; ROE reveals their annual return. Every bank has both recurring core earnings as well as non-recurring income and expenses that need to be analyzed to get the true picture of a bank's profits from year to year.

**Mission Relevance**

Our target for returns is currently 6-10% ROE. Having a target cap on returns is almost unheard of, because banks usually try to maximize returns for investors and attract more of them. Our target helps to ensure our safety, soundness and resilience, and our ability to fund growth. It ensures that the bank can optimize for social, environmental, and financial outcomes, not solely maximize financial returns and externalize costs. Our nonprofit ownership and BCorp alignment allow us to set these targets.

**Our Goal**

ROE of 6-10%. We have fallen short of this goal, particularly in 2016 and 2017 due to investments in technology, business acquisitions, and in 2017, adoption of the new federal tax code. Expected 2017 ROE was 2.98%. Without these extraordinary expenses, our ROE was 2.02%. With these expenses, it was -5.55%. Likewise, we first became tax-paying in 2015, creating a large one-time tax adjustment based on historic activity, which drove the large ROE that year.

**Peers/Standards**

CDBA Banks: 7.34%

### Return on Assets (ROA) | Profitability Relative to Total Amount of Money We Manage

**What This Means**

This reflects how efficiently a bank generates profit from its assets. The orange line shows ROA excluding extraordinary income and expenses. The gray line shows ROA as reported without adjustment.

**Why This is Important**

Positive return is essential to support loan and deposit growth from operations. ROA does not capture the level of risk taken on those assets, so changes in the asset mix in the short run or changes in the amount of fee revenue may also cause changes in this ratio.

**Mission Relevance**

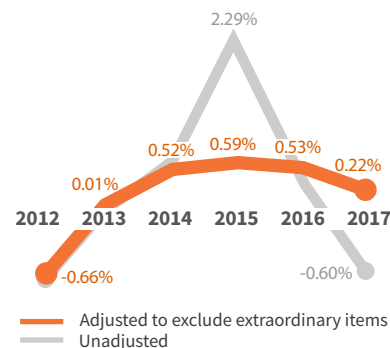
Our target ROA is 0.7 - 1.15%. Achievement of a return in this range ensures our safety, soundness and resilience, and our ability to fund ongoing pursuit of our mission. As with ROE, a target range ensures that the bank can optimize for social and environmental outcomes rather than maximize returns.

**Our Goal**

0.7 - 1.15%. We have fallen short of this goal, particularly in 2016 and 2017 due to investments in technology, business acquisitions, and adoption of the new federal tax code passed in Dec 2017.

**Peers/Standards**

CDBA Banks 2017: 0.78%



Below Original Plan Due to Several Factors in 2017

### Equity to Total Assets | Bank Strength and Resilience

**What This Means**

How much of the bank's total assets are provided by owners/investors (equity) vs. its other primary funding (deposits and loans). The equity is kept in case of an emergency, to cover losses and unexpected events, keeping depositor dollars safe. Banks need to operate in a safe and sound manner, avoid excessive risk, and maintain strong equity levels.

**Why This is Important**

Shows how strong and resilient the bank is. Higher equity numbers mean more ability to cover unexpected losses.

**Mission Relevance**

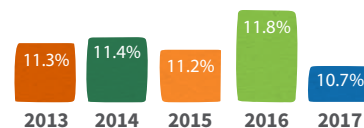
Values-based bank investors should provide their equity dollars with an expectation of social and environmental returns, and modest, not extractive financial returns. Resilience provides investors with confidence that returns can be consistently maintained.

**Our Goal**

10%

**Peers/Standards**

Banks are required to be well capitalized -- have a good amount of equity. Banks similar in size to Beneficial State tend to have a ratio of around 10%. GABV also recommends this to be 8% or higher for banks globally.



Consistently Above Requirements



## Net Interest Margin (NIM) | Efficiency of Use of Funds

### What This Means

Net Interest Margin mainly shows the differential between the rates charged to customers for loans and securities and the rates paid to customers for deposits.

### Why This is Important

A larger number means the bank has more more money to pay for its cost of doing business.

### Mission Relevance

As mentioned above, we strive to provide fair rates to both depositors and borrowers, making enough to operate the bank and meet our obligations, but not to profit excessively. Our NIM increased in 2016 and 2017 due to higher interest rates in our pre-prime auto lending. Interest rates and NIMs for these loans were not high with the goal of making huge profits, but rather to account for high costs and high risks. However, these costs and loan losses meant that this loan program resulted in a loss in 2017, despite a higher NIM.

### Our Goal

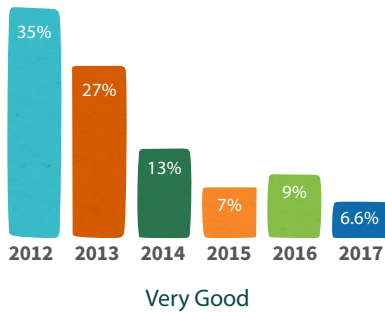
No set goal; varies depending on many factors each year.

### Peers/Standards

CDBA Banks: 4.05%



## Texas Ratio | How Many of Our Borrowers Are Having Trouble Paying Us Back?



### What This Means

Texas Ratio helps to explain what portion of a bank's assets are not performing as expected, generally loans to borrowers that are struggling to repay their loans, plus foreclosed assets. This number illustrates what percentage of a bank's assets are in this category, with bad assets over capital. A lower Texas ratio is better.

### Why This is Important

Numbers higher than the market generally means that a bank is at a higher risk of losing money. The average Texas Ratio of banks that failed in the most recent crisis (2005-2011) was 134%.

### Mission Relevance

Mission-driven banks have strong customer relationships and a deep understanding of their activities and the sectors they work in. This can help identify issues early and makes working through challenges with clients easier when problems do occur. Even kind-hearted lenders need their loans repaid.

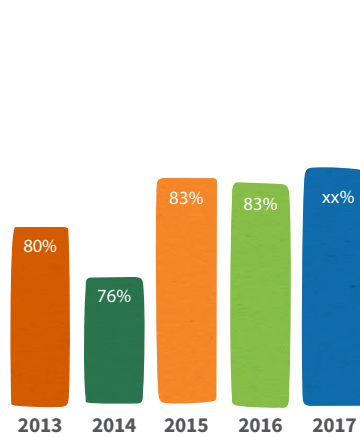
### Our Goal

2017 plan: 6-10%

### Peers/Standards

CDBA Banks 2017: 14%

## Real Economy Revenues | Are We Mainly Funding New Real Activities vs. Buying & Selling Money?



### What This Means

GABV uses the term "Real Economy" to differentiate from the "financial economy". A loan made to a person or an entity that provides products or services in the community is called a real economy transaction. When a bank purchases a loan or a bundle of loans, that is considered a financial economy transaction – it is the purchase of money.

### Why This is Important

Values-based banks are strongly and directly connected to financing the real economy because that's where they can have a positive impact on people's lives and safeguard the environment. As such, Beneficial State does not engage in speculation, investment banking, trading or trying to extract synthetic value from the economy.

### Mission Relevance

Real economy assets in a values-based bank should be relatively high. Financial economy assets should be relatively low because their impact on people's lives is, at best, indirect. This does not mean that no financial economy transactions are mission-aligned. With indirect lending, we support other mission-aligned and specialty lenders that share our values and contribute to the greater good. For example, a nonprofit lender may have an expertise in making a particular kind of mission-impactful loans, like day care facilities. In order for that nonprofit to have more money on hand to make more of these loans, we may purchase some of their loans. That's a financial economy transaction because we're purchasing loans, but it's a mission-aligned activity: helping that nonprofit make more mission loans, and the loans we purchased are – in and of themselves – mission-aligned.

### Our Goal

We haven't set a goal for this metric, but our Real Economy Revenues have averaged 80% over the past 4 years in which they've been measured, and has been increasing as we've reduced the amount of loan purchases compared to what we originated ourselves.

### Peers/Standards

GABV standard: 75%



## Strengthening the Movement to Change the Banking System for Good

Beneficial State Foundation helps to grow the movement of individuals and organizations moving their money to better banks and demanding structural changes to the banking system. The foundation works in tandem with Beneficial State Bank, which provides the movement with a bank model that demonstrates financial profitability, social responsibility, and environmental restoration. Highlights from the foundation's system change work in 2017 include:

**130+ speaking engagements** on Beneficial Banking

**8,100+ people** reached by community engagement team through events

**1,000+ social media posts** promoting economic equity and banking systems change

**26x higher engagement** rate per post on Twitter than the nonprofit average

**30-50% organic\* social media growth** on average, across foundation social media channels

\*growth without paid promotion; this is comparable to brands with heavy paid promotion at 42%

### Joining with Partners and Allies For Change:



#### Community Development Bankers Association (CDBA)

The national trade association of community development bankers and a champion of the industry, educating policy makers, regulators, and legislators on the importance of community development banks.



#### B Lab

The nonprofit organization B Lab has developed the B Corp certification for businesses that meet rigorous standards of social and environmental performance, accountability, and transparency.



#### Global Alliance for Banking on Values (GABV)

A network of values-based banks using finance to deliver sustainable economic, social, and environmental development.



#### NEW ECONOMY COALITION

#### New Economy Coalition

A network of organizations creating deep change in our economy and politics – placing power in the hands of people and uprooting legacies of harm – so that a fundamentally new system can take root.

We will not be satisfied just running a successful bank; we must collectively change the entire banking system for the benefit of our entire society.





Portland Community Engagement Officer Kate Rood marches in the 2017 Women's March.

## Join Us!

### Spotlight

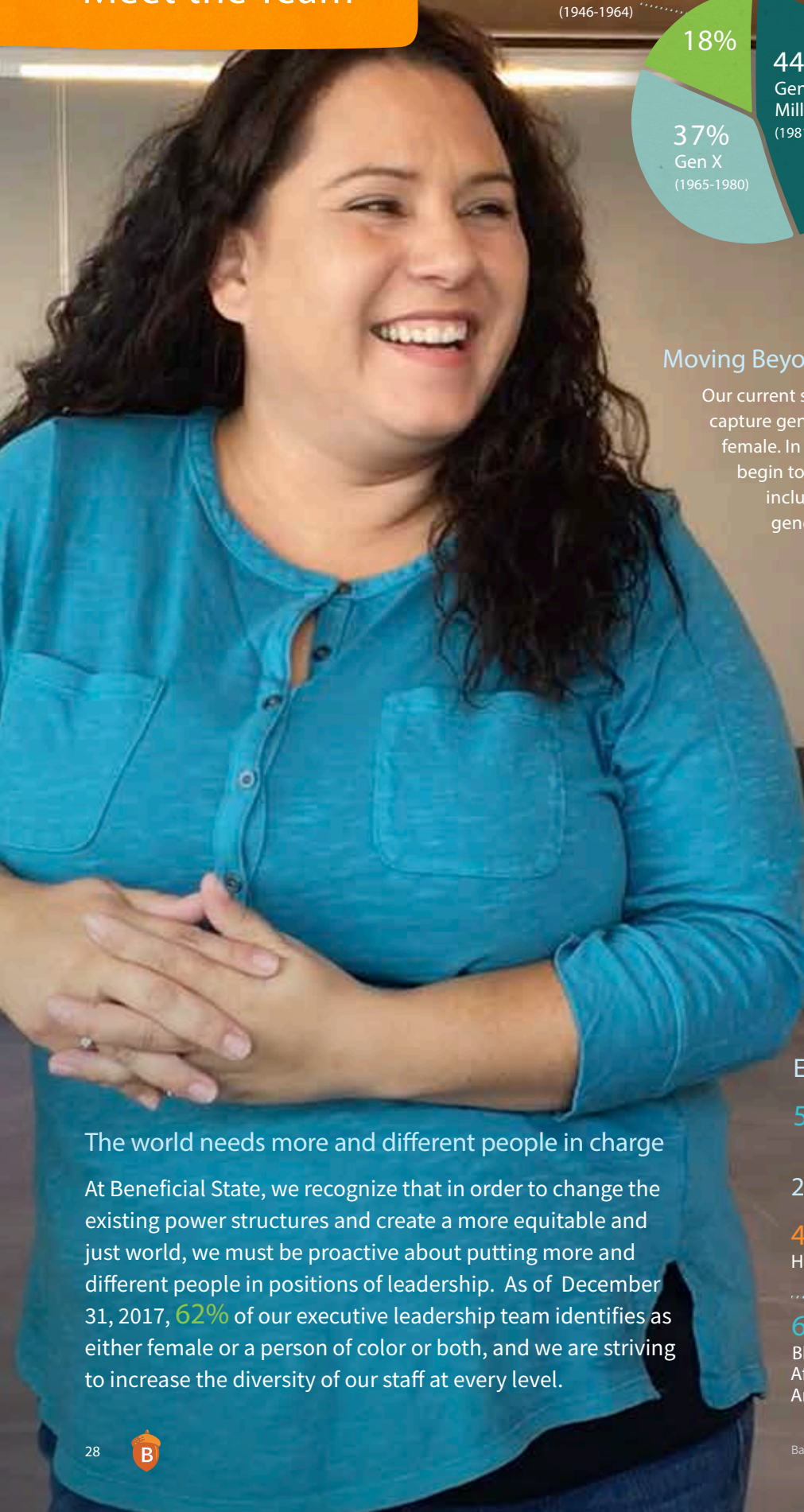
#### Move Your Money Toolkit

In 2016, building on the momentum of the Defund the Dakota Access Pipeline movement, we created a Move Your Money Toolkit to help people find good banks. We encourage everyone to join the groundswell of people moving their money to banks and credit unions that invest their deposit dollars in affordable housing and clean energy, not pipelines and prisons.

In 2017, 85 individuals **moved \$2.5 million** to Beneficial State Bank, because they wanted to #DefundDAPL.

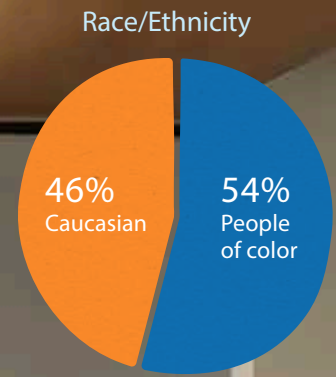
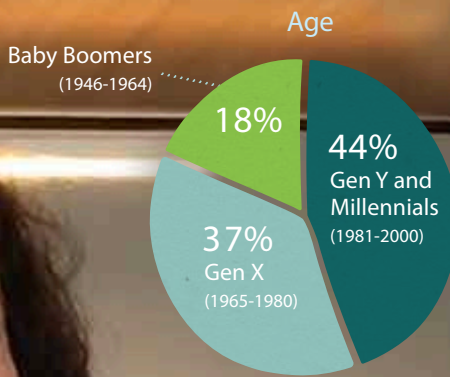


# Meet the Team



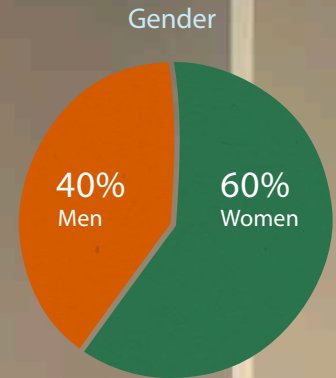
The world needs more and different people in charge

At Beneficial State, we recognize that in order to change the existing power structures and create a more equitable and just world, we must be proactive about putting more and different people in positions of leadership. As of December 31, 2017, **62%** of our executive leadership team identifies as either female or a person of color or both, and we are striving to increase the diversity of our staff at every level.



## Moving Beyond Binary

Our current statistics only capture gender by male/female. In 2018, we will begin to gather more inclusive and true gender identities of our staff.



Amanda Wingfield, Operations Clerk in Porterville, California.

## Executive Leadership

**52%** Female     **28%** Person of Color

## 2017 New Hires

<b>44%</b> Hispanic or Latinx	<b>38%</b> Caucasian	<b>10%</b> Asian
<b>6%</b> Black or African American	<b>2%</b> Two or more races	<b>1%</b> American Indian or Alaskan Native

We define “all” stakeholders more broadly than most corporations to include customers, employees, communities, partners, all of earth’s flora and fauna, and of course, our nonprofit shareholders... All of which we represent by putting our values into action.

We asked our leadership team:

## What is your mission?



**Kat Taylor**

Founder & CEO

I want to be part of ending the racial caste system in our country and ensuring that everyone participates fully in an advanced polity where social justice and environmental wellbeing are permanently forged together.



**Madison Le**

Chief of Staff & EVP,  
Consumer Banking Services

My passion is to bring to life not just the “what,” but the “why” for our organization, so that our collective purpose creates a bank that fights for social and environmental justice and inspires each of us to build something beautiful.



**Randell Leach**

President &  
Chief Operating Officer

Helping people achieve their business, sustainability, and social impact goals by applying innovative financial solutions.



**Salvador Menjivar**

Executive Director

Beneficial State Foundation

I am passionate about financial equity and creating opportunities for all. I am an ardent supporter of providing affordable housing for all and see homelessness as the highest expression of income inequality in our country.



**Dan Skaff**

Vice Chairman

Beneficial State Bancorp

My wife Michelle and I seek a world where human dignity, kindness and tolerance prevail, and an economy with people at its center, not profits—my daily hope is to give more than we take.

## In Loving Memory



**Dick Fletcher**

Our beloved colleague Dick Fletcher, Chief Lending Officer for Beneficial State Bank in California, passed away on July 4, 2018. Dick’s friendship, leadership, and mentorship will be greatly missed not only by our Beneficial State team, but also by countless clients from his long career in banking, from the community boards upon which he served over his lifetime, and by other thought leaders with whom he worked to forge a better way forward for all. We treasure the conversations we had with Dick, full of laughter and honesty – and of course, his quick wit.

Dick, we love you and we miss you!!



## Looking Ahead to the Next Decade

### Dear Stakeholders,

At Beneficial State Bank, we started with the goal of harnessing the power of finance as a force for good. We added a group of entrepreneurs committed to a values-driven business model, created a revolutionary ownership and governance structure, and fueled it with a contribution of capital in the public interest.

Since 2007, we have built our capacity, proving that a triple-bottom-line business model is not only essential, but an advantage—now enshrined in our B Corp certification. We have expanded our product set and added colleagues who are deeply committed to changing the way banks do business. Today at \$1 billion in assets, we are more than 240 people strong and we are as passionate as ever about making a difference.

We are thankful for our partners along the way who have trusted us throughout this journey, and who provide us with valuable feedback if we fall short on our delivery. We have gained thousands of clients who share our values. Just as important is what hasn't changed: our values of trust, empowerment, and justice and our dedication to innovation, customer service excellency, accountability, and wellness.

We remain realists who see both the risks and opportunities of changes in our economy, technology, and political landscape. That landscape has changed, but the business of banking is still built with three key ingredients: people, systems, and money. Our focus is on building a regional community development bank with enough scale and reach to efficiently provide services that deliver enduring value for our clients.

We will continue to design mission-differentiated products to benefit disenfranchised communities, not exploit them for profit. We will maintain our commitment to be more than a financial intermediary, recognizing that we are also a social intermediary that connects people and businesses. We will increasingly invest in technology to serve a broader range of clients. Our markets, value proposition, and financial management will determine our natural size—we will adapt to our ecosystem, not seek to control it.

We are on a mission to change the banking system for good, from the inside, and to do that we need partners like you. Thank you for being part of our journey!

Sincerely,



A handwritten signature in black ink that reads "Randell Leach".

Randell Leach  
President &  
Chief Operating Officer



A handwritten signature in black ink that reads "Madison Le".

Madison Le  
Chief of Staff  
EVP, Consumer  
Banking Services

”

We believe that banks should compete for your deposits on the basis of their positive impact, not just on the interest they pay.

—Kat Taylor & Tom Steyer, Co-Founders

“

## Beneficial Banking Products

### Businesses & Nonprofits

- ◆ Loans & Lines of Credit
- ◆ Checking, Saving & Investing Accounts
- ◆ Credit Cards
- ◆ Merchant Services
- ◆ Business Online Banking: Including ACH, Positive Pay, Remote Deposit Capture & Wire Transfers

### Individuals

- ◆ Auto Loans
- ◆ Checking, Saving & Investing Accounts
- ◆ Online & Mobile Banking
- ◆ Bill Payment Services
- ◆ Credit Cards





## California

### Oakland | Headquarters

1438 Webster Street, Suite 100, Oakland, CA 94612  
Phone: 888.326.2265

### Bakersfield | Branch

3401 Pacheco Rd, Suite A, Bakersfield, CA 93313-3107  
Phone: 661.323.2707

### East Los Angeles | Branch

3626 East First St, Los Angeles, CA 90063  
Phone: 323.264.3310

### Fresno | Branch

170 W Shaw Avenue, Fresno, CA 93704-2817  
Phone: 559.271.4733

### Modesto | Branch

4623 McHenry Ave, Suite C, Modesto, CA 95356-9521  
Phone: 209.667.9226

### North Hollywood | Branch

13131 Sherman Way, North Hollywood, CA 91605-4646  
Phone: 818.853.8100

### Porterville | Branch

268 N Main Street, Porterville, CA 93257-3728  
Phone: 559.784.1780

### Sacramento | Branch

980 9th Street, Suite 2080, Sacramento, CA 95814  
Phone: 888.326.2265

### Santa Rosa | Branch

1309 College Ave, Suite 200, Santa Rosa, CA 95404  
Phone: 888.326.2265

### Visalia | Branch

4025 West Caldwell Avenue, Suite E, Visalia, CA 93277  
(full service)  
419 W Murray Avenue, Visalia, CA 93291-4970  
(limited service, by appt only)  
Phone: 559.734.5866

## Oregon

### Portland | Downtown Branch

1101 SW Washington St., Portland, OR 97205  
Phone: 888.326.2265

### Portland | MLK Branch

2002 NE MLK Jr. Blvd., Portland, OR 97212  
Phone: 503.287.7537

### Portland | St. Johns Branch

8040 N. Lombard St., Portland, OR 97203  
Phone: 503.285.9966

### Portland | Social Impact Banking / Pearl Branch

320 NW 10th Ave., Portland, OR 97209  
Phone: 503.445.2150

### Portland | Rose City Branch

5636 NE Sandy Blvd., Portland, OR 97213  
Phone: 503.445.8700

### Portland | Beaumont Branch

4020B NE Fremont St., Portland, OR 97212  
Phone: 503.445.8720

## Washington

### Seattle | Branch

2720 Third Ave., Suite 1, Seattle, WA 98121  
Phone: 888.326.2265