

Values Based Banking

Myrna Hewitt
EVP Marketing and Community
Affinity Credit Union

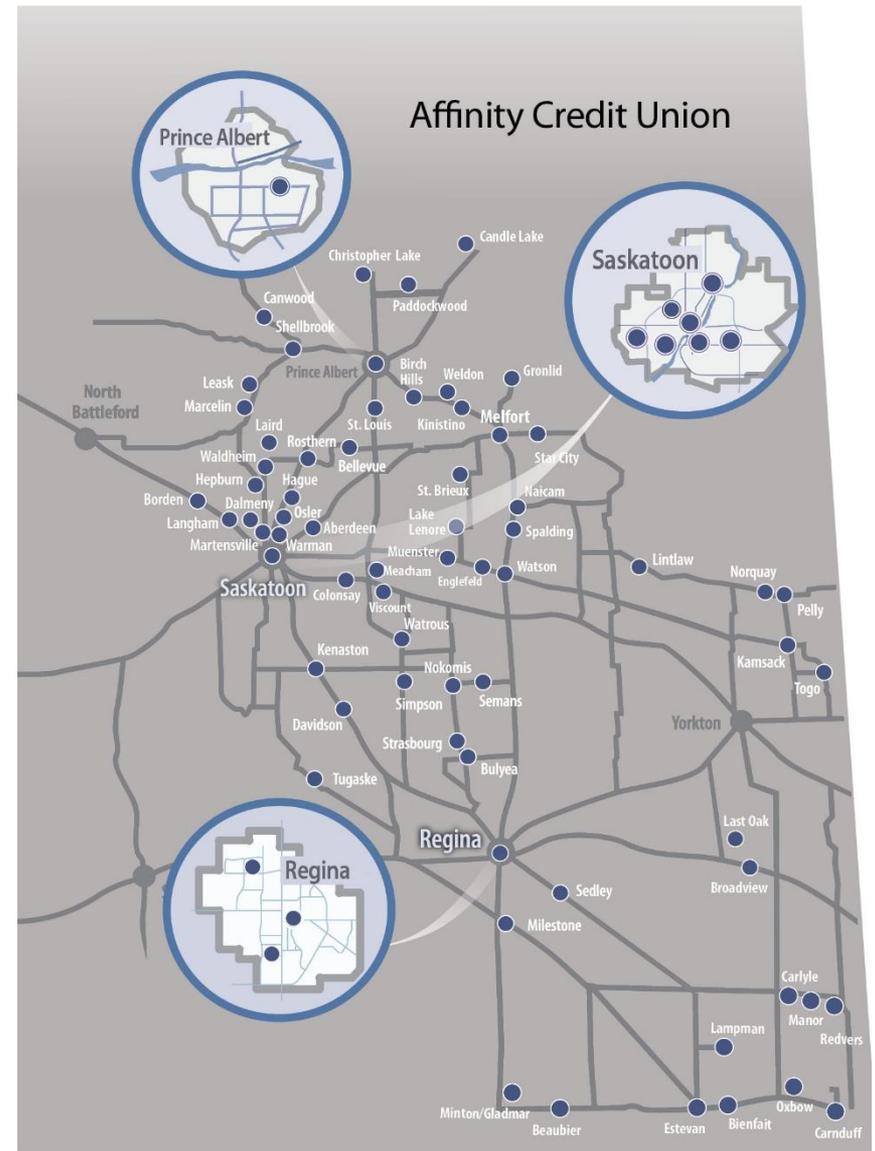


Outline

1. Sustainable Banking
2. GABV Comparative Study Results
3. Affinity Community Investment
4. Affinity Governance

Affinity CU

- 76 locations
- 9 insurance agencies
- 900+ employees
- 130,000+ members
- \$4.9b in managed assets
- 8th largest credit union in Canada
- 9 First Nations Partners



Global Alliance

GLOBAL
ALLIANCE
FOR BANKING
ON VALUES

- 25 of the world's leading sustainable banks
- A shared commitment to finding global solutions to international problems
- Working to improve quality of the world's banking system
- Working to improve the quality of life for under-served
- Affinity CU joined in 2012



Sustainable Banking

- **3 requirements**
 - Regulated financial institution
 - Mission is beyond profit (sustainability)
 - Transparent reporting

Sustainable Banking Principles

1. Triple bottom Line
2. Grounded in community; real economy
3. Long-term client relationships
4. Self-sustaining; resilient
5. Transparent and inclusive governance
6. Principles embedded in culture

GABV Comparative Study

- Comparing sustainable bank performance with the largest banks in the world
- Public policy and banking regulation are increasingly focused on improving the quality of the banking system overall and the real economy in particular
- Many banks oppose these changes

GABV Comparative Study

- What support does a bank provide to the real economy?
- How resilient is a bank in the face of economic challenges?
- What return does a bank provide to society, clients and investors?
- What growth does a bank achieve to expand its impact?

Study Methodology

- Publically available financial data from 2003 – 2012
- Examined results in 3 ways:
 - 2003 – 2007
 - 2008 – 2012
 - Over the ten year period

GABV Measures

- Based on study results and GABV member meetings, a GABV scorecard was developed
- Members will report on these measures to each other and to their stakeholders
- Likely to be used in the future as GABV membership criteria

Scorecard Factors

- **Eight quantitative factors:**
 1. Bank Resiliency through Earnings
 - return on equity
 2. Bank Resiliency through Capital Strength
 - equity/balance sheet assets
 3. Bank Resiliency through Asset Quality
 - loans past 90 days and impaired assets/balanced sheet assets

Scorecard Factors

4. Bank Resiliency through Client Driven Liquidity
 - client deposits/balance sheet assets

5. Assets Committed to the Real Economy
 - real economy assets/total assets

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Real Economy = economic activity generating goods and services

Financial economy = concerned exclusively with activity in the financial markets

Scorecard Factors

6. Revenue derived from the Real Economy
 - real economy revenue/total revenue
7. Direct Exposure to Clients
 - directly sources and serviced clients/ total clients
8. Assets Committed to Triple Bottom Line
 - triple bottom line assets/total assets
 - Loans/other assets originated to meet needs of people, planet and/or prosperity,

Scorecard Elements

- **Six qualitative elements:**
 1. Board commitment to sustainable banking (SB)
 2. Management commitment and leadership to SB
 3. SB performance is tracked and reported

Scorecard Elements

4. SB initiatives embedded throughout the organization
5. Organizational structure integrates SB in daily activities
6. SB embedded in incentive, compensation and performance structures

Scorecard Background

- GABV members developed this scorecard together
- Members then submitted data for discussion at a member meeting in March
- Lots of discussion on what to (and what not to) include in triple bottom line assets calculation

Affinity CU Measures

4. Client Deposits as a percentage of Total Assets
 - 90.9% in 2013
5. Real Economy Assets as a percentage of Total Assets
 - 86.6% in 2013
6. Real Economy Revenues as a % of Total Assets
 - 64/9%
7. Direct Exposure to Clients
 - 100%

GABV Study Results

- Compared sustainable banks (SB) with globally systemically important financial institutions (GSIFI) over a 10 year period
- Pre-crisis (2003 to 2007), post-crisis (2008 to 2012) and over the 10 year cycle
- SBs assets devoted to lending are nearly double that of the GSIFIs (75.9% versus 40.1, from 2003 to 2012)

GABV Comparative Study

Loans to Total Assets

	Post-crisis - 2008 to 2012	Pre-Crisis - 2003 to 2007	Over the Cycle - 2003 to 2012
Sustainable Banks	77.4%	74.5%	75.9%
GSFIs	39.3%	41.0%	40.1%

[Affinity CU – 86.6% in 2013]

GABV Comparative Study

Deposits to Total Assets			
	Post-crisis - 2008 to 2012	Pre-Crisis - 2003 to 2007	Over the Cycle - 2003 to 2012
Sustainable Banks	75.3%	74.5%	73.1%
GSFIs	42.8%	43.0%	42.9%

[Affinity CU – 90.9% in 2013]

GABV Comparative Study

Return on Assets			
	Post-crisis - 2008 to 2012	Pre-Crisis - 2003 to 2007	Over the Cycle - 2003 to 2012
Sustainable Banks	0.53%	0.59%	0.56%
GSFIs	0.37%	0.78%	0.57%

[Affinity CU – 90.9% in 2013]

GABV Comparative Study

- SBs had much higher growth in loans, deposits and total income compared to GSIFIs over the 10 year cycle
- GSIFIs has strong growth before the crisis but slowed considerably post crisis
- Therefore, SBs show a much more consistent growth pattern than GSIFIs
- SBs maintained stronger capital positions relative to the larger GSIFIs when measured by the Equity/Total Assets (7.2% vs 5.5%) [Affinity – 7.8% in 2013]

What have we learned?

1. Developing new ways to tell our story that appear to resonate with segments of our market place and differentiate from banks
2. Renewed commitment and energy for committing assets to triple bottom line activity – people, planet and prosperity
3. Interest in reporting sustainable banking practices

Building a Better World

- **Affinity's Community Development Strategy**
 - To foster healthy communities and productive economies – to make a difference!
 - To build a better world for everyone, every day.
 - Embraces value-based banking
 - Guided by four pillars:
 - Building community assets and facilities
 - Contributing to local economic and community enterprise development
 - Facilitating financial empowerment
 - Enhancing environmental sustainability



Building a Better World

- **Building community assets and facilities**
 - Re-investing members' deposits in local services, facilities and businesses that contribute to the health and economic stimulus of our communities

EGADZ – HeadStart on a Home – Station 20 West



Building a Better World

- **Contributing to local economic and community enterprise development**
 - Support social enterprises
 - Help organizations create jobs; enhance skills and deliver essential goods and services

**Farm in the Dell – Prairie Fresh Food Corporation
– Good Food Junction**



Building a Better World

- **Facilitating financial empowerment**
 - Enhance the financial well-being and economic self-reliance of disadvantaged populations
 - Invest in programs that:
 - Increase financial and literacy skills and well-being
 - Offer advice
 - Provide tools and information

Read Saskatoon – Workshops / Seminars – Individual Development Accounts



Building a Better World

- **Enhancing environmental sustainability**
 - Affinity partners with other like-minded organizations to support environmental sustainability
 - Goal is a world in which all needs can be met in sustainable ways
 - Sustainability requires healthy ecosystems, healthy livelihoods and healthy human communities.

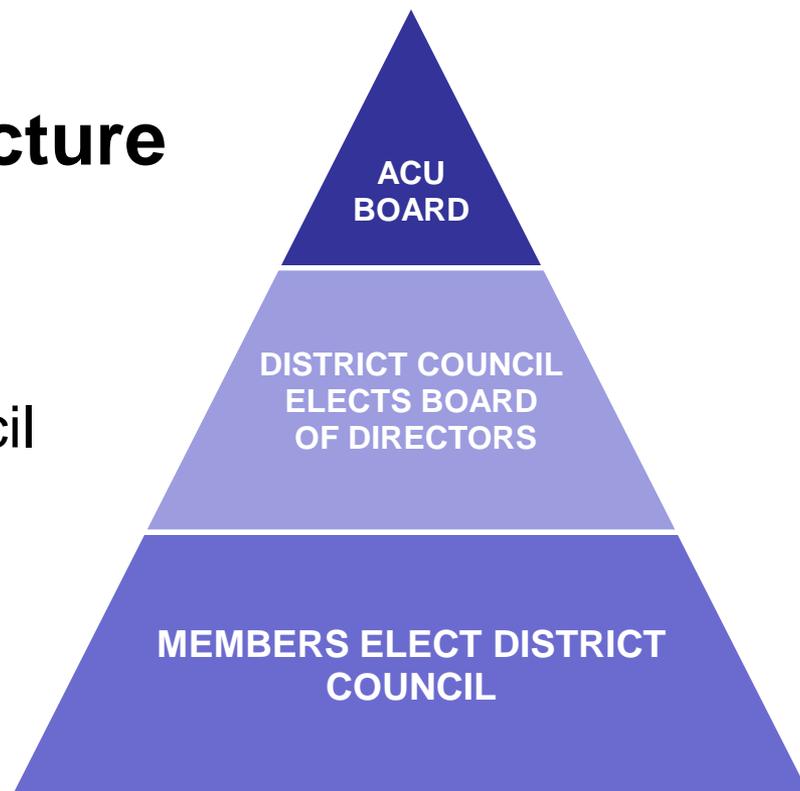
**Car Share Co-op – Wascana Centre' Authority– Saskatchewan Environmental Society
Energy Retrofit**



Together We Achieve More

- **Unique Governance structure**

- 11 district councils
- 106 elected district council delegates
- 1 First Nations district council (Provincial)
- 22 directors
- Staggered 3-year terms



Together We Achieve More

- **Delegate responsibilities**
 - Voice of the membership
 - Actively involved in strategic planning
 - Allocate community funding
 - Serve on board committees
 - Oversee nomination process
 - Provide guidance on potential mergers



Together We Achieve More

- **Governance benefits**

- Direct communication with members
- Large resource of potential directors
- Youth involvement (student delegates)
- Provincially: governance attractive to merger partners
- Nationally: unique governance among peers



???QUESTIONS???

!!! COMMENTS!!!

myrna.hewitt@affinitycu.ca