



beneficial state foundation

"Building Better Banks" Case Study Series: Beneficial State Bank

Beneficial State Foundation's mission is to change the banking system for good. These case studies highlight some of the exceptional work banks and credit unions are doing in the areas of Diversity, Equity, & Inclusion, Environmental Stewardship, Good Governance & Leadership, and Alternative Credit Underwriting & Services. We hope that spotlighting mission-driven business and banking practices will inspire bankers to bring similar approaches to their workplaces. Imagination precedes accomplishment, and being a good bank is profitable. This case study spotlights the exceptional Good Governance & Leadership work that Beneficial State Bank prioritizes.

Industry Challenge for Good Governance & Leadership:

Banks and credit unions typically maintain rigid hierarchies that limit employee empowerment, collective bargaining, and the promotion of under-represented communities. Consequently, financial institutions prioritize profit maximization and neglect community reinvestment. Instead, banks need to empower unions, invest in future generations, pay living wages, and take new approaches to corporate governance. Let's take a look at how Beneficial State Bank is striving to build a better bank.



ABOUT BENEFICIAL STATE BANK

"We at Beneficial State commit to working each day toward our vision for an equitable and tolerant world – one that is fully inclusive, racially and gender just, and environmentally restorative. Our commitment to justice, one of the core values that guides our organization, remains strong as we build a fair, inclusive, and prosperous economy for all."

2019 Impact Report

LOCATIONS & FINANCIALS

Beneficial State Bank is headquartered in Oakland, CA, and operates nine branches in its California, Oregon, and Washington footprint.

- Assets: \$1.04 B (2019)
- Assets Growth Rate (YTD): N/A
- Net Income: \$2.27 M (Q4 2020)
- Return on Equity: 2.2% (2019)
- Return on Assets: 0.2% (2019)
- Net Interest Margin: 4.3% (2019)
- Loan/Deposit: 87.9% (Q4 2020)
- Capital Ratio: 15.28% (Q4 2019)
- Efficiency Ratio: 93.27% (2020)
- Texas Ratio: 5.8% (2018)

MIGHTY DEPOSITS

Mighty Deposits is a comparison tool to help people better understand where their money goes after it is deposited at their bank or credit union.

For every \$100 a customer deposits at Beneficial State Bank, an estimated \$72 is reinvested in the community. This is 60% higher than the industry average. Sustainability, Low-income Communities and/or Communities of Color, Small businesses, and Housing are the top four likely places a depositor's money would go when deposited at Beneficial State Bank.



IMPACT HIGHLIGHTS



52% of Executive Team Identifies as Either Female or a Person of Color or Both.



\$0 in Loans to Oil, Coal, Natural Gas, Private Prisons, or Predatory Payday Lenders.



66% Women in the Workforce.



53% People of Color in the Workforce.



Global Alliance for Banking on Values Member.



BCORP 2019 Best for the World: Overall Honoree.

"Standing up and changing the status quo is hard, but you can't be neutral on a moving train, especially when that train is taking humanity to a scary place. We believe we can change the course of that train."

-Excerpt from Beneficial State's 2019 Impact Report



GOOD GOVERNANCE & LEADERSHIP SPOTLIGHT



(Courtesy of Beneficial State Bank)

Beneficial State's Fellowship Program

Beneficial State creates a pipeline of young leaders through an eight-week summer program that provides exposure to socially responsible, community banking. Fellows work with the bank and the foundation to learn about the contours of sustainable finance. Fellows work on targeted projects addressing the bank and foundation's needs and present their recommendations to the executive team.

Engaging young professionals in career development is crucial to shaping the next generation of leaders and equity-oriented bankers. We invite readers to consider providing high school students with leadership workshops, hosting a [CORO Fellow of Public Affairs](#), or getting involved with [Junior Achievement](#). Please contact Beneficial State Foundation's Industry Relations Team for more ideas.

Employment at Beneficial State

Good governance does not start and end at the C-suite. What is important is how an employer treats all employees. At Beneficial State Bank and Foundation,

- All employees make 150% of their local living wage, or \$15, whichever is higher.
- All employees receive full benefits, and there is a 78% retention rate.
- There is a 1:9 CEO - median salary ratio cap. The top 10 U.S. bank avg. is 1:265.

Your financial institution can also take steps to improve employee pay. The [MIT Living Wage Calculator](#) estimates the wages people need to cover the county-specific needs of a family. This tool can help guide incremental wage increases at your bank to improve employee satisfaction and retention.



GOOD GOVERNANCE & LEADERSHIP SPOTLIGHT

Beneficial State Bank's Non-Profit Ownership Structure and Prioritization of Community Reinvestment

About

All of the economic interests of Beneficial State Bancorp and Beneficial State Bank are owned by nonprofit organizations, with \$0 going to profit-maximizing shareholders. The primary shareholder of the bank is Beneficial State Foundation. This ownership model pushes the envelope for social and environmental impact banking as 100% of all distributed profits will be reinvested in the community. To date, the bank has not been profitable since it has instead prioritized reinvesting in its employees by providing the benefits mentioned on the previous page.

Short-Term Strategies to Prioritize Community Reinvestment

Shifting your organization's ownership structure is a big ask. We have included some alternatives to consider bringing to your bank:

- Start/expand a paid employee volunteering program to include a local financial literacy project. The [FDIC Money Smart](#) program is one great option.
- Expand your community partnerships and grant programs to target businesses working on local social and environmental impact initiatives.

Long-Term Strategies to Prioritize Community Reinvestment

- Articulate the importance of environmental, social, and governance goals (ESGs) to shareholders through quarterly/annual emails and begin including ESG baselines and goals in yearly reports. This may help educate key shareholders and make a gradual shift to prioritize impact more acceptable.
- Create either a community advisory board or ensure your financial institution's board reflects the community it serves. Providing local experts with a platform to guide the bank's decisions will keep you in tune with community needs. Local Chambers of Commerce are great resources for identifying advisors.

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

-Excerpt from Beneficial State's 2019 Impact Report



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Thank you for your engagement with this case study on Beneficial State Bank.

This is part of a series of case studies on financial institutions, published by Beneficial State Foundation.

For information about how Beneficial State Foundation can support your bank's corporate social responsibility strategy, **[please click here to contact us.](#)**

