

Telling the Story: Impacts of Reporting Banks and the Mission-Oriented Banking Sector

April 28, 2015

Agenda

- 1. Introduction to NCIF and our research efforts**
- 2. Turning Data into Action**
 - a. Advancing social performance metrics
 - b. Annual data collection process
- 3. BankImpact Dashboards: Third-Party Analysis for Banks**
- 4. Top Findings From this Year's Report**
- 5. How can Audience Members get Involved**
- 6. Highlighting Reporting Banks**

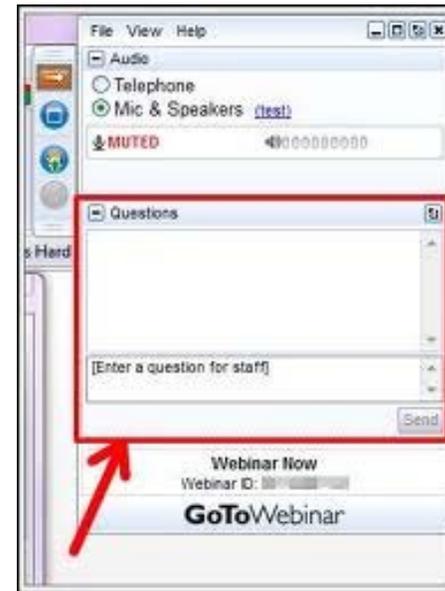
Introductions and Logistics

Emily Siple
Director of Impact

Farah Ansari
Senior Analyst, Impact and
Financial Analysis

We welcome your questions
Type questions at any time. We
will answer them at the end of
the webinar

We will also be doing some polls,
be prepared to participate!



QUICKPOLL

Which most accurately explains your role within the mission-oriented banking sector?

Please select one:

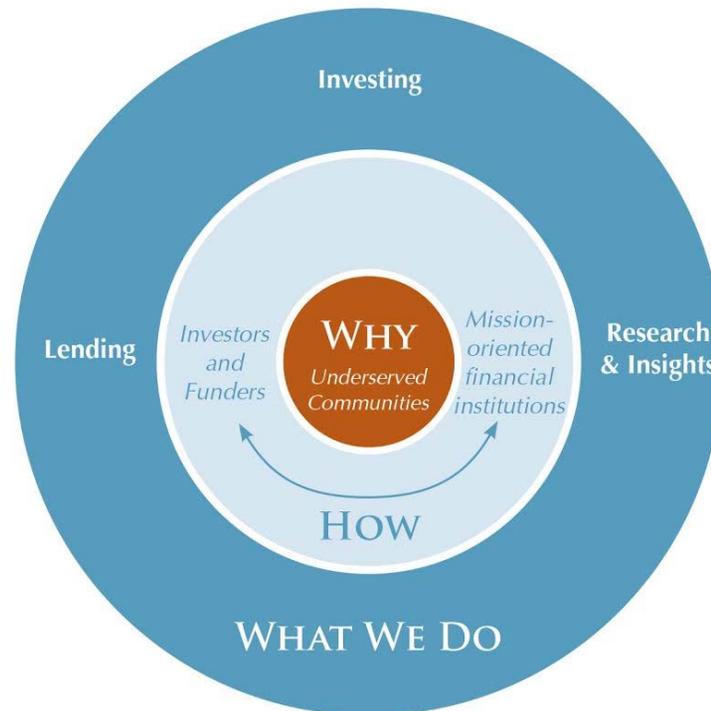
- Banker
- Investor
- Consultant
- Regulator
- Interested researcher or public policy practitioner

Submit

Introduction to NCIF

NCIF operates three business lines to support mission-oriented financial institutions:

- Investing – supporting institutions with equity and deposit investments
- Facilitating lending – channeling funds into LMI communities through New Markets Tax Credits lending
- Providing research and insights – turning data into information and action



Supporting mission-oriented banks

TURNING DATA INTO ACTION

Turning Data into Action



NCIF's Data Resources

Investors

NCIF offers investment opportunities that deliver **social, environmental, and financial returns** through the power of mission-oriented financial institutions and information to inform decision making.

Banks

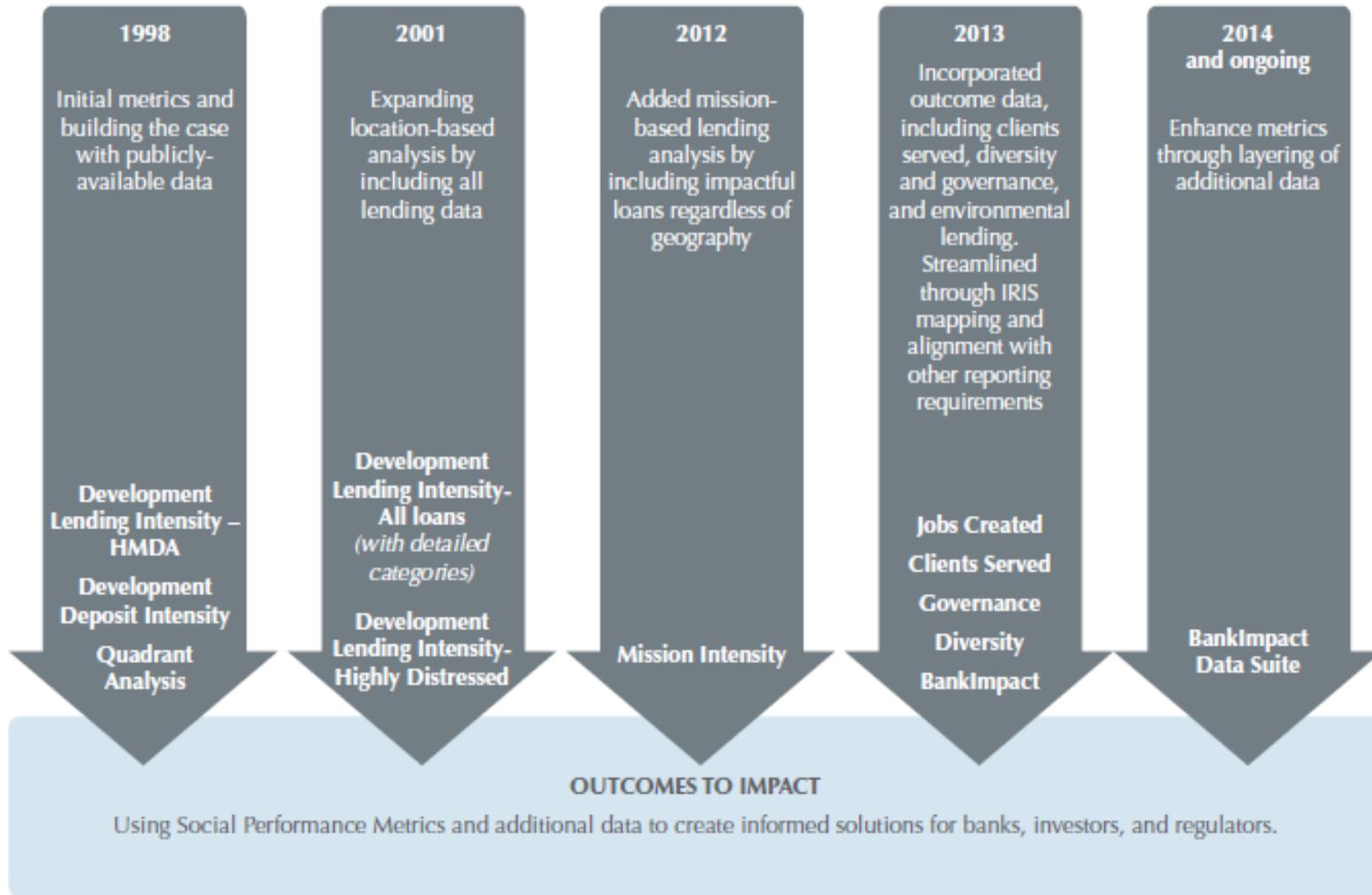
Institutions in the **NCIF Network** gain access to capital, visibility, business opportunities, metrics, and innovative solutions. Data can help benchmark and inform internal decisions.

Regulators/
Researchers

NCIF's **innovative thought leadership** positions us to advance and support the mission-oriented financial industry.

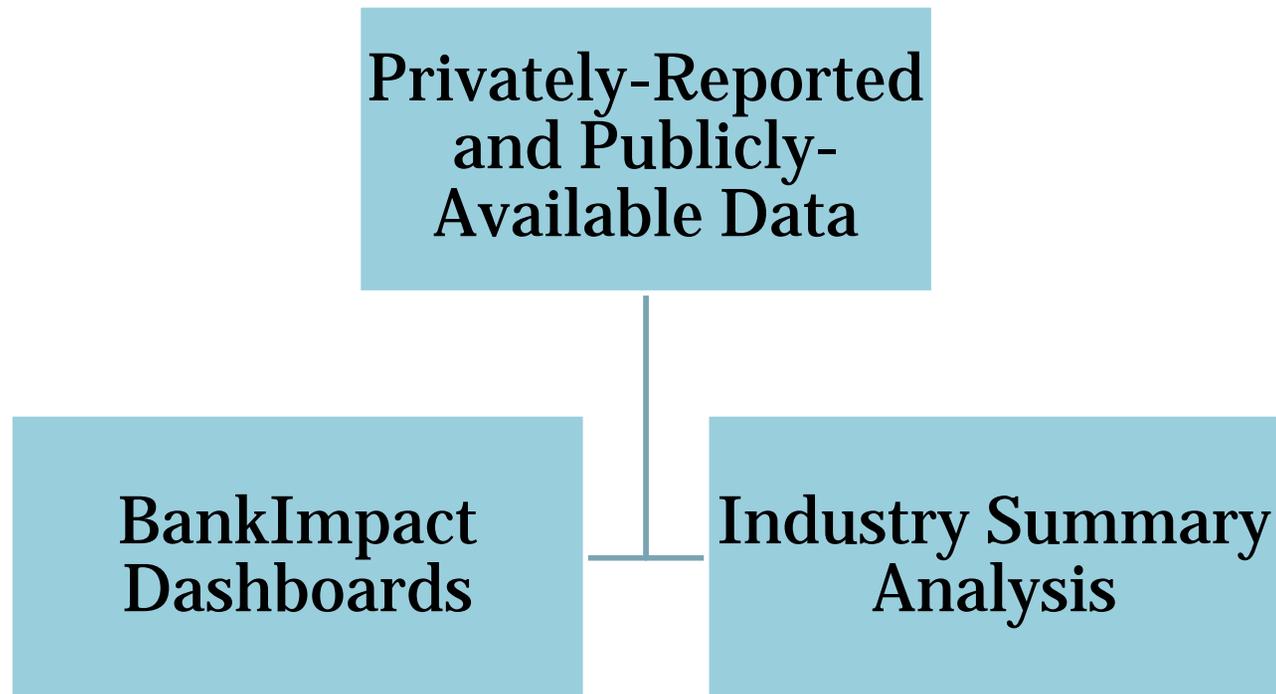
BankImpact Database – Custom Analysis – Publications – Dashboards

Advancing Social Performance Metrics



Annual Data Collection Process

NCIF annually collects data from Network banks to inform its analysis of individual banks as well as to create industry level analysis. This year collected information from 24 banks.

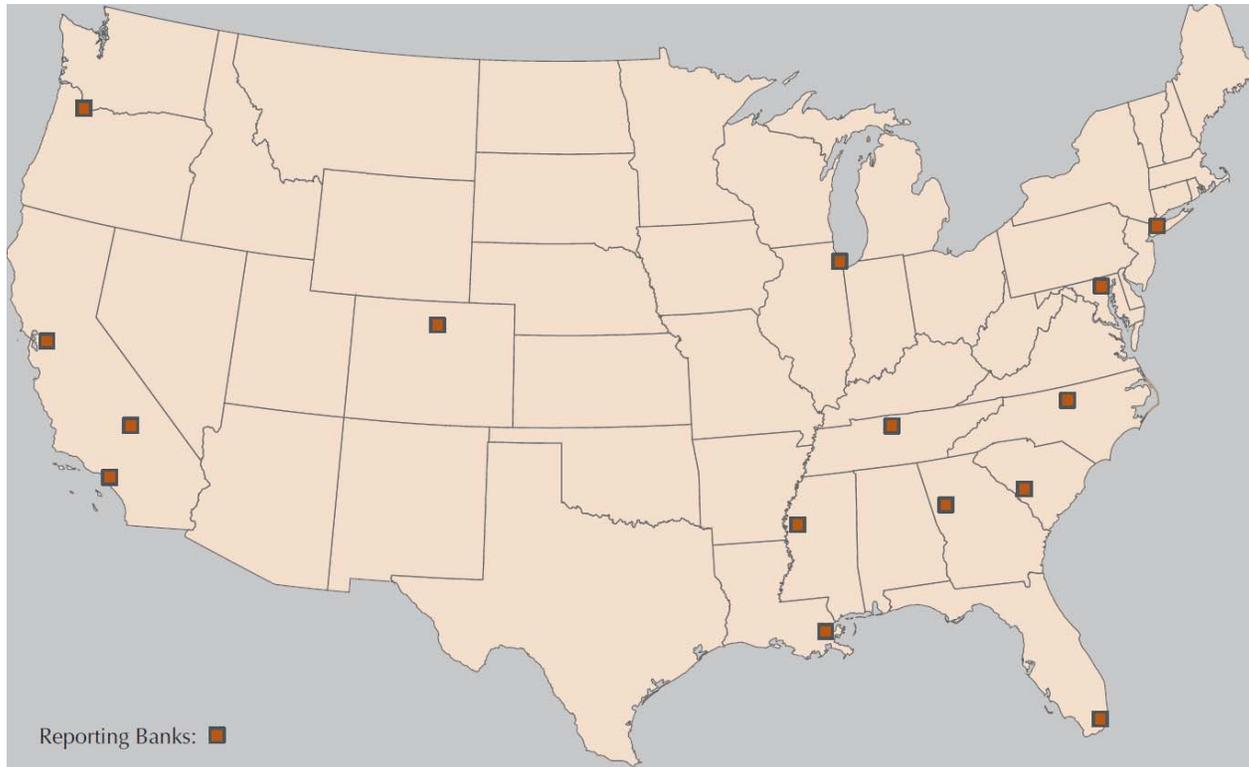


Third-party analysis for banks:

BANKIMPACT DASHBOARDS

Reporting Banks

Albina Community Bank ▪ Beneficial State Bank ▪ Broadway Federal Bank, FSB ▪ Carver FSB ▪ Citizens Savings Bank & Trust Co. ▪ Citizens Trust Bank ▪ City First Bank of D.C., N.A. ▪ City National Bank of New Jersey ▪ Community Bank of the Bay ▪ Continental National Bank ▪ Finance and Thrift Company ▪ First American International Bank ▪ First Eagle Bank ▪ Guaranty Bank & Trust Co. ▪ Illinois-Service Federal Savings & Loan Assoc. ▪ Industrial Bank ▪ Liberty Bank & Trust Co. ▪ Mechanics and Farmers Bank ▪ Mission National Bank ▪ Native American Bank, N.A. ▪ Security Federal Bank ▪ Spring Bank ▪ The Harbor Bank of Maryland ▪ Urban Partnership Bank



Benefits to Reporting Bank

By participating in the BankImpact Dashboard process, reporting banks receive a range of benefits:

- Reduced burden of reporting:
 - To streamline data collection and reporting, survey is aligned with the global standard in impact metrics, the IRIS system
 - To reduce redundancies, survey compliments the CDFI CIIS reporting
- Third-party analysis of social performance
- Year over year comparisons
- Peer group comparisons
- Become part of the NCIF Network



The BankImpact Dashboards

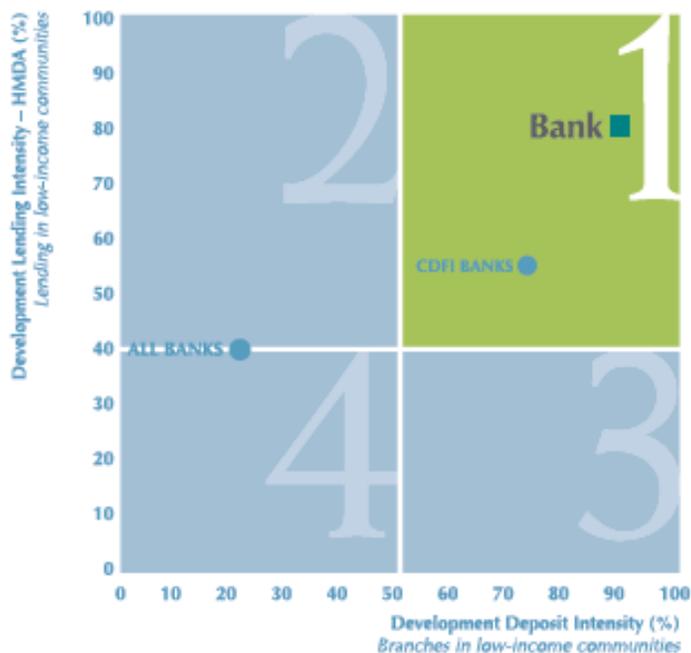
The BankImpact Dashboards and the analysis presented within can be used by banks in a range of ways including:

- Internally, to guide internal understanding of impacts
- With potential investors, as a third-party documentation of the products and services and social impact
- With regulators, to expand the understanding of the mission-oriented banks
- With community members, to promote the important role of the bank in the community

The Dashboards come with a range of features including:

- NCIF social performance metrics and analysis of lending and non-lending activity, credit and noncredit products and services, financial information, geographic distribution.
- Print ready format, including extractable graphics
- Appeals to a range of audiences for banks to distribute

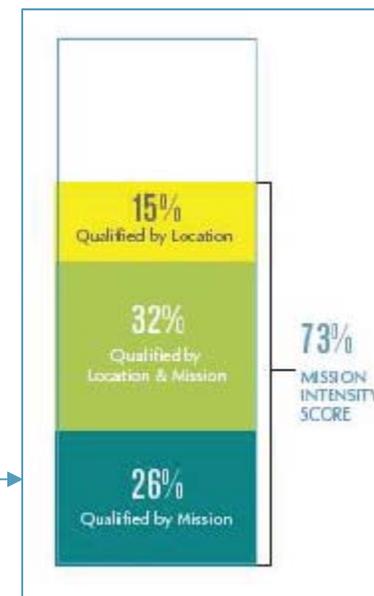
A Look Inside the BankImpact Dashboards



Quadrant 1 Bank 1

■ **TOP 10% BANK.** Less than 10% of all banks achieve a Quadrant 1 ranking for social performance.

Mission Intensity:
Comprehensive impact of lending activity



Quadrant Analysis: Represents overall concentration in LMI areas w/peer group comparison

Development Lending Intensity (DLI): Concentration of lending in LMI areas by loan category

	Median score of reporting banks
DLI-All Loans	63.6%
DLI-Housing*	56.1%
DLI-CRE	61.5%
DLI-Small Business	59.3%
DLI-Agriculture	99.5%
DLI-Consumer	63.7%

A Look Inside the BankImpact Dashboards

Number of Lending Clients	79
Number of Depository Clients	17,160
Number of Deposit Accounts	23,050
Deposit Account Less Than 1K	8,434

Analysis of clients, staff and governance



Longitudinal Analysis

MARKET NEED	Many of the neighborhoods UPB serves are largely African American; in Detroit and Chicago they are nearly 90% African American and Latino, and in Cleveland, they are more than 60% African American and Latino. These communities have struggled and were hit especially hard by the recession. In some areas unemployment has spiked well above 20%, property values have dropped as much as 60% and annual household income hovers around \$40,000 to \$50,000 for a family of four. More than half of the nearly 2.8 million people within the bank's urban communities have little or no experience with traditional banking, instead relying on currency exchanges or payday lenders, often overpaying for the convenience of those services.
<i>Provides banking opportunities in low-income, underbanked communities</i>	
NON-FINANCIAL PRODUCTS AND SERVICES	Throughout the year, the bank participates in a wide variety of community events, like Money Smart Week (a national financial education awareness campaign sponsored by the Federal Reserve Bank of Chicago) and Bank on Chicago (sponsored by the Chicago City Treasurer's Office) which addresses the needs of the un- and underbanked. In addition, in conjunction with leading nonprofit technical assistance service providers, UPB offers a free seminar and resource fair for nonprofit organizations that focuses on how to increase their efficiency, lower operating costs, and ensure sustainability.
<i>Participates in community events and provides training opportunities</i>	

Narratives to tell the unique story of the bank

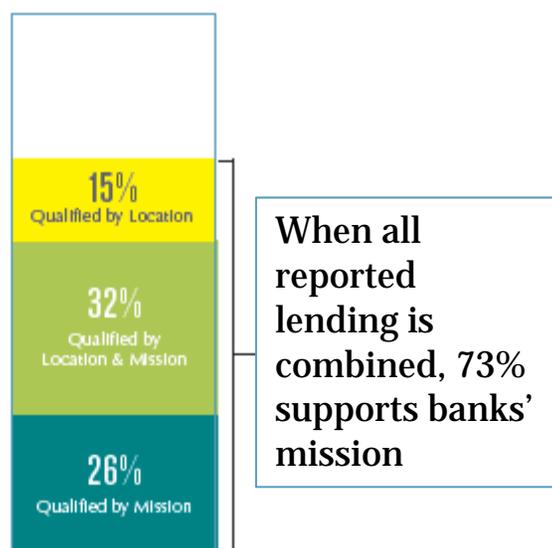
The Impact of Reporting Banks and Mission-Oriented Financial
Institutions

TOP FINDINGS

1) Extend credit to underserved communities & groups

The **Mission Intensity metric** captures the comprehensive impacts of a bank's lending, including loans qualified by location and support of a bank's mission. Mission intensity captures the subset of the population and groups served by banks.

- Banks reporting a multitude of mission-relevant lending to be captured in the metric, as seen below
- **81%** of the median bank's lending supported their mission
- Many of the individual loans were doubly qualified, either by location and mission or by meeting more than one mission category for the bank. This demonstrates a commitment to extending credit to the underserved.



Types of loans made in support of mission	# of Banks
Loans for projects benefiting LMI individuals	17
Loans to support community development	18
Loans to minority-owned businesses	16
Loans to women-owned businesses	14
Loans to low-income borrowers	18
Environmental lending	4
Loans to nonprofit borrowers	15
Faith-based lending	11
Loans to minority borrowers	18
Other	3

2) Provide a range of credit offerings in LMI areas

Through the loan level analysis provided to us by the banks, we can take a deeper look at lending activity and loan concentrations in LMI areas across loan types, providing insight on why and where credit is extended.

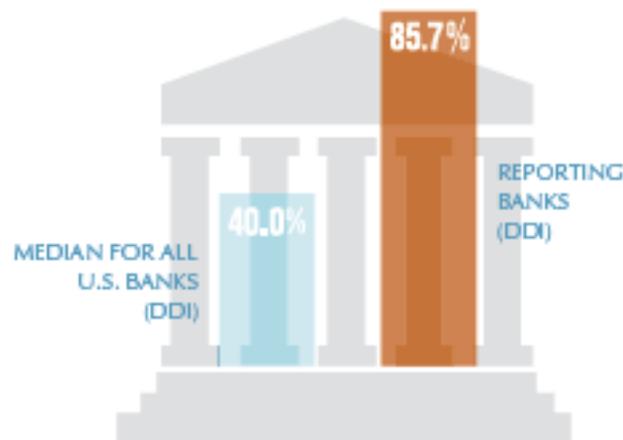
- NCIF calculates the % of lending in qualified census tracts as our **Development Lending Intensity Metric (DLI)**. The median bank had a DLI score of 63.6%
- Housing loans make up the largest portion by dollar amount followed by CRE loans. By number of loans, Consumer loans make up the largest portion

Loan category	% in qualified areas (DLI)
All Loans	63.6%
Housing	56.1%
CRE	61.5%
Small business	59.3%
Agriculture	99.5%
Consumer	63.7%

3) Serve as anchor institutions in LMI communities

NCIF considers branch location to be an important marker of a bank's relationship with its community. Banks offer a range of products and services in their communities and proximity to a branch location helps to access them. Branches also allows banks to establish local connections, serving as economic contributors and community stakeholders.

- 85.7% of the median bank's branches were located in LMI areas, showing a high concentration of presence in these communities. **This is NCIF's Development Deposit Intensity (DDI) Metric.**
- Partnerships with other location institutions, funding of economic and community development projects
- Banks are also direct employers. In 2013, banks reporting employing 1,819 individuals with 150 new positions.

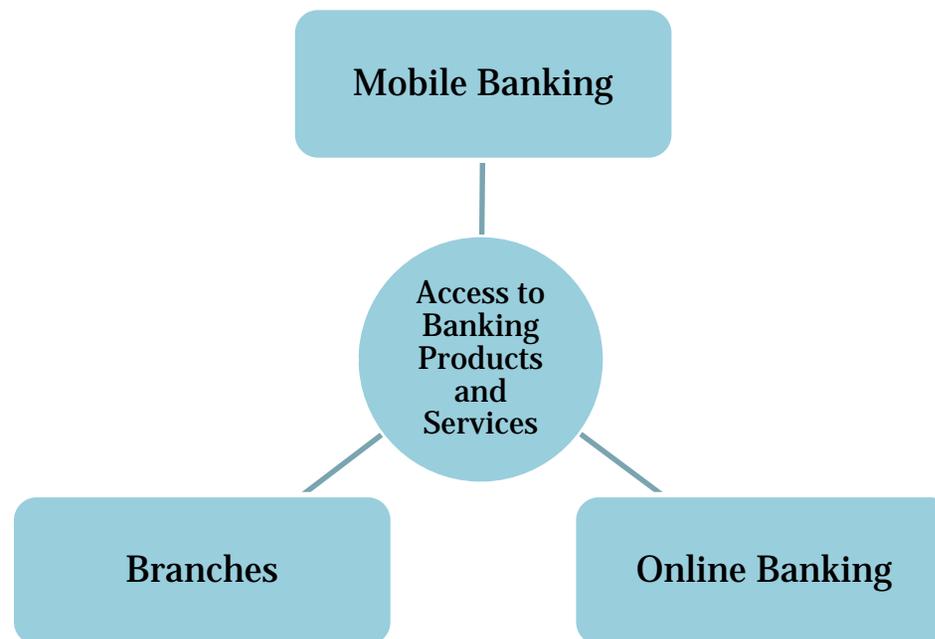




4) Meet clients where they are

With more and more technological options to augment existing banking services, banks are thinking beyond bricks and mortar and offering options for customers to access their accounts on the go.

- 9 banks reported offering mobile banking, serving 9,700 people
- 20 also provide online banking with nearly 45,000 individuals accessing the services annually.

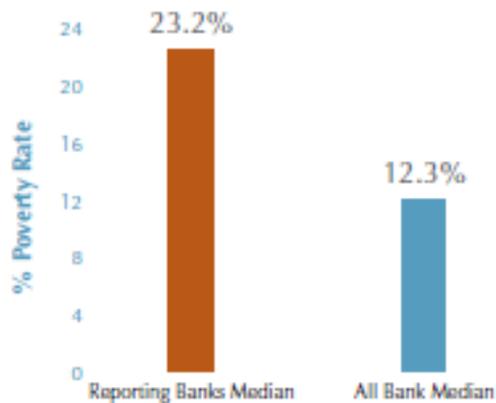


5) Target distressed communities

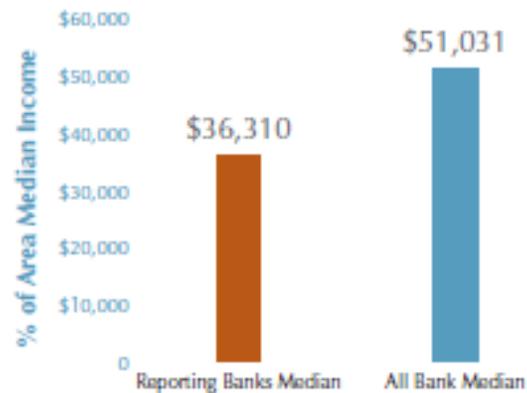
By looking at the communities in which they are located, we can get a sense of the potential client base for reporting banks and an appreciation that reporting banks and other mission-oriented banks are targeting areas that are more economically distressed than most banks.

- An analysis of the underlying economic characteristics of where bank branches are located compared to all banks show that they are operating in areas of higher distress than most banks
- Operating in areas with poverty rates as high as 70.6% and unemployment as high as 23.2%

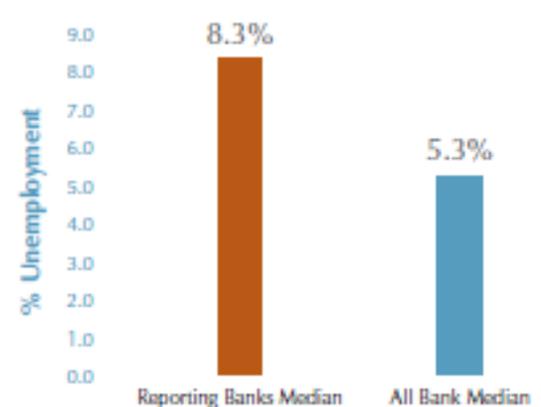
Poverty Rates in Reporting Bank Census Tracts



Median Income in Reporting Bank Census Tracts



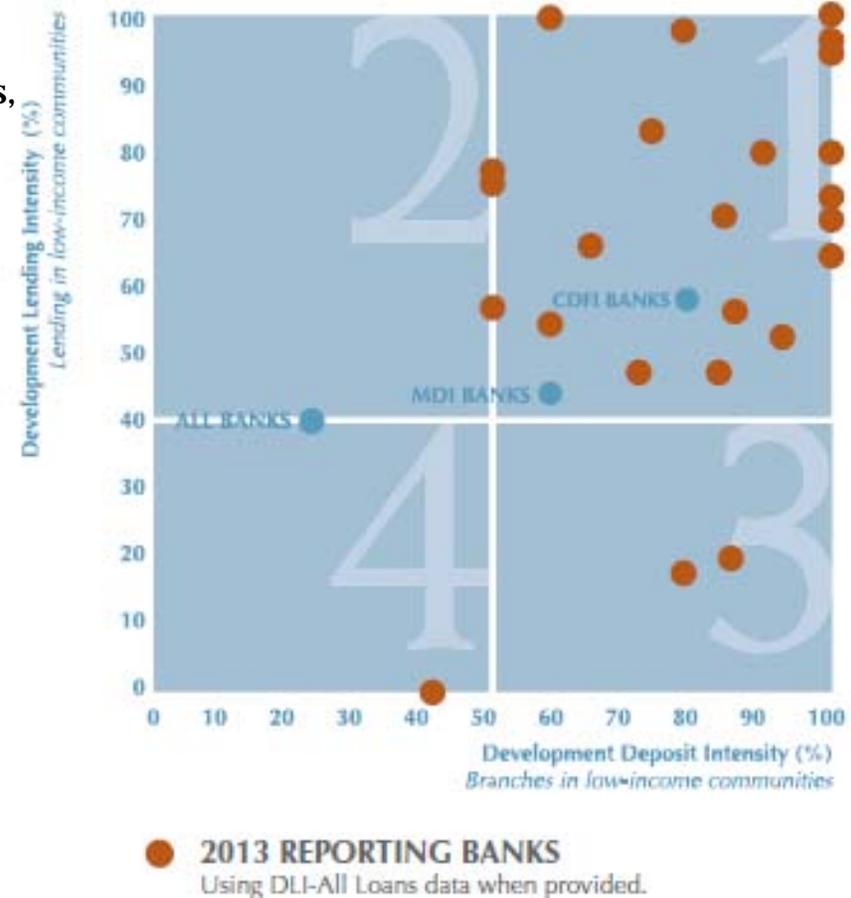
Unemployment Rates in Reporting Bank Census Tracts



6) Outperform the All Bank Peer Group in Social Performance

We can combine DDI and DLI to get an overall representation of a bank's concentration in LMI areas

- 21 of the reporting banks are quadrant 1 banks, representing 87.5% of the banks
- Nationally, only approximately 11% of banks qualify as quadrant 1 banks, NCIF's highest social performance categorization
- The CDFI and MDI bank peer groups also outperform the all bank peer group



7) Tailor products to meet client and community needs

- To meet the needs of lower-income clients, we find that the reporting banks offer both depository and lending products at small dollar values:
 - 44% of deposit accounts held less than \$1,000
 - The average reported loan was \$119,356 while the median size was only \$10,522
 - The median small business loan was only \$50,000 and the average consumer loan was \$6,243
 - 9 banks reported providing alternative check cashing services
 - 15 offer products to help clients restore credit including deposit secured loans and secured credit cards



8) Deliver supporting service to ensure success

To help prepare clients for positive financial outcomes, reporting banks provide a range of technical assistance offerings including financial education, financial readiness training, and loan counseling.

- 13,380 individuals received additional support
- 230 organizations also received technical assistance
- Important in helping lower-income individuals become credit ready, banks may work with individuals for an extended period of time to prepare them for a loan. This represents an additional time investment by these banks

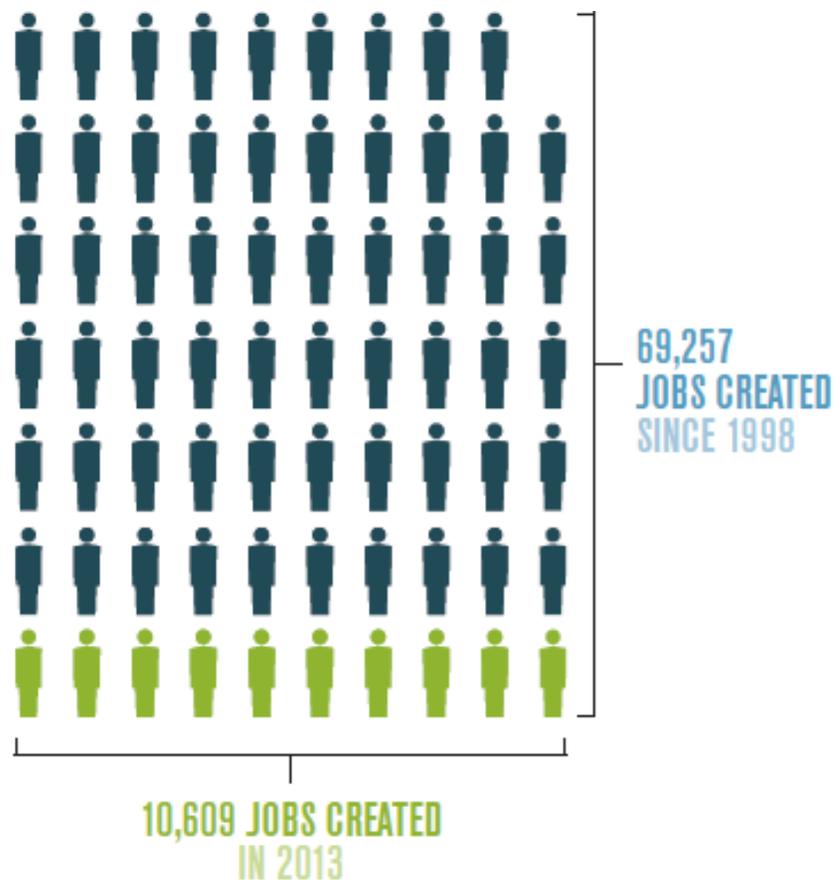
As part of the quantitative importation provided to NCIF, banks told us about their partnerships in their communities, including:

- VITA tax preparation
- Community outreach and school centered financial education
- Paired product offerings
- Service on boards and volunteer positions

9) Generate jobs in their communities

Banks can be important drivers of economic development by helping to create jobs in their communities through their lending activity to small businesses and other borrowers.

- Through bank reported and NCIF calculations, we estimate that reporting banks have created nearly 70,000 jobs since we started collecting information in 1998.
- 10,609 of those jobs were created in 2013 alone.
- 1,800 jobs in the branches



10) Engage in environmentally-responsible behavior



Banks are gaining in sophistication of including environmentally-responsible and green consideration into their operations and lending activity.

- In addition, banks originated 32 loans totaling \$37.9M in green and/or environmentally responsible lending.
- Loans include housing with green elements, buildings achieving sustainability certification, sustainable agriculture, and more.

	Percent of Banks
By tracking emissions and electricity use	8.7%
Through environmentally-responsible purchases	17.4%
Through locally sourcing purchases	17.4%
By pursuing green building certification	13.0%
Through written policies and procedures	21.7%



11) Enable additional development through leverage of funds

Because of their ability to turn investments into loans and other products and services, banks can leverage investments 8-10x annually

- In looking at DLI-Equity, we look at the amount of HMDA lending that is reinvested annually in communities and found that the median reporting bank turns around 23.4% of their equity value each year in LMI areas
- We can do a similar calculation for all of the lending reporting to us and find that 100% of equity is turned around into lending in LMI areas each year

Learn More

Interested in learning more about:

- How to become a reporting bank?
- How to identify potential investment opportunities among mission-oriented banks?
- How to take a deeper dive into the data?

Contact us today:

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Director of Impact

Farah Ansari
fansari@ncif.org
Senior Analyst, Impact and Financial Analysis

Thanks to our reporting banks

Reporting bank executives tell us why they participate in the BankImpact Dashboards...



...as part of our ongoing focus on low- to moderate-income and distressed communities to ensure they have access to affordable banking solutions.

Cheryl Cebula, President and CEO
Albina Community Bank



...because we hold a commitment to strong third-party, auditable metrics to ensure our banking practice is driving toward a new economy that is fully inclusive, racially just, and environmentally sound; we can always improve — but only if we keep and challenge our benchmarks.

Kat Taylor, Co-Founder and Co-CEO
Beneficial State Bank



...to highlight the bank's commitment to our community. Our Mission Intensity of 90% shows that a majority of our loans support low- and moderate-income communities and our mission directly.

Wayne-Kent Bradshaw, President and CEO
Broadway Federal Bank, FSB



...to show that Carver Bank is committed to community focused banking services and dedicated to the economic viability of the communities we serve.

Michael Pugh, President, CEO
Carver FSB



...for recognition among the mission-oriented banking industry that we are a 'human-first' bank — in terms of metrics, we are happy to say that we are a Quadrant 1 Bank.

Deborah Cole, President and CEO
Citizens Savings Bank and Trust Co.



...to help confirm our ongoing commitment and strong legacy of meeting the needs of an entire community, especially those in underserved markets. Our priority is our promise to enhance the lives of our customers and communities by helping them achieve their financial dreams and goals. As a Quadrant 1 Bank we can comfortably say we do.

Cynthia Day, President and CEO
Citizens Trust Bank

Thanks to our reporting banks

Reporting bank executives tell us why they participate in the BankImpact Dashboards...



...to highlight, our continued commitment to strengthening the distressed communities in and around our nation's capital through affordable financial products and services."

Brian Argrett, President and CEO
City First Bank of D.C., N.A.



...to highlight that we have developed online and mobile banking capabilities, and introduced new products to help underserved and underbanked individuals in a range of ways.

Preston Pinkett III, Chairman and CEO
City National Bank of New Jersey



...to highlight that as a Quadrant 1 Bank, we are equally committed to high standards of social performance and to the more common financial measures of bank performance.

William Keller, President and CEO
Community Bank of the Bay



...to highlight the bank's dedication to individuals and businesses and assistance to their economic growth.

Guillermo Diaz-Rousselot, President & CEO
Continental National Bank



...to position our efforts at facilitating access to financial services using NCIF's metrics and analysis. With a Mission Intensity of 100 percent, we now know we are keeping those efforts in mind each day and with each loan.

Robert Hughes, President and CEO
Finance and Thrift Company



...to help show our long-standing commitment to Asian-American communities and contributions as a CDFI institution. Our Mission Intensity score of 99.7% clearly demonstrates our dedication to the communities in which we work."

Mark Ricca, President and CEO
First American International Bank

Thanks to our reporting banks

Reporting bank executives tell us why they participate in the BankImpact Dashboards...



...to tap into the benefits of being a part of the NCIF Network. The BankImpact Dashboard provides us the kind of material we want to share with our customers and our communities, which we proudly serve and in which we are personally invested.

Andy Salk, Vice-Chairman, President & CEO
First Eagle Bank



...to showcase our institution's impact in serving the credit and depository needs of the communities we serve — especially in rural Mississippi.

Huey Townsend, Chairman, President & CEO
Guaranty Bank and Trust Co.



...to have a trusted third party work with us, letting us know how our services and activities are responding to the needs of our valued customers.

Joseph Haskins, Jr., Chairman and CEO
The Harbor Bank of Maryland



...to measure how effectively we respond to our underserved and minority customers. A Mission Intensity of 100% lets us know that we continue to be thoughtful in our lending practices.

Norman Williams, Chairman and CEO
Illinois-Service Federal Savings and
Loan Association



...to better communicate the ways that we are making a difference in the lives of people and in the development of their communities. As a Quadrant 1 Bank, we know we are doing so.

B. Doyle Mitchell, Jr., President and CEO
Industrial Bank



...to demonstrate the bank's commitment to its communities through branches and lending activity.

Alden McDonald, Jr. President and CEO
Liberty Bank and Trust Co.

Thanks to our reporting banks

Reporting bank executives tell us why they participate in the BankImpact Dashboards...



...to quantify our level of dedication to community, which is why we are proud of our 87% Development Deposit Intensity.

James Sills III, President and CEO
Mechanics and Farmers Bank



...to better understand where we stand in relation to our ongoing mission to promote economic growth and stability in underserved communities. Scoring highly on external standards like NCIF's DLI, DDI, and Quadrant analysis makes us proud to present to others that we are a Quadrant 1 Bank.

Mukhtar Ali, President and CEO
Mission National Bank



...to demonstrate our unique ability to financially serve the Native American communities, which may have otherwise been unable to connect with the services of the mainstream banking system. We have a development lending intensity above 90% and a Mission Intensity of 100 percent.

Thomas Ogaard, President and CEO
Native American Bank. N.A.



...to put metrics behind our label of "community bank", and demonstrate that the majority of our loans are serving the community.

J. Chris Verenes, Chairman and CEO
Security Federal Bank



...to evaluate our success. Bank Impact is a great tool. It helps us achieve our goal to set a new standard in mission-based banking, and it helps us tell customers and stakeholders that their trust in us is well placed – that we walk the talk.

Eric Pallas, President
Spring Bank



...to benchmark our mission of supporting and building vibrant and stronger urban neighborhoods and communities. NCIF's metrics help demonstrate that we are on the ground in primarily LMI communities, working closely with our customers to help them realize and achieve their financial goals.

William Farrow III, President and CEO
Urban Partnership Bank