Dear Beneficial State Community,

We hope all of you are doing as well as can be—physically, emotionally, and financially—after this difficult year.

We started Beneficial State on the eve of the 2008 financial crisis, a disaster that reconfirmed the need for a more responsible banking industry. Now, the COVID-19 pandemic has amplified that need by highlighting the inequities that too many face—particularly BIPOC, women, and LGBTQIA+ communities—because of the structural flaws in our economic, democratic, and social systems.

Since our inception, Beneficial State has demonstrated that a triple-bottom-line model can generate positive outcomes for racial and social justice, environmental sustainability, and financial stability. **We are more committed than ever to stopping the harm imposed by many banks, and practicing and promoting a better way of banking—“banking for good.”**

During a year of shared vulnerability, we also experienced shared humanity. There has been a collective awakening particularly by white Americans, to systemic racism and activism as people rise up to demand change, realizing that we are strongest when we unite to help each other, instead of sowing division. We recognized our ignorance, often born of history told untruthfully, and acknowledged that we must use our resources to fight against injustice, racism, misogyny, and fear. More of us than ever are seeing that the actions we take, including where we bank, are interwoven with the social, economic, and ecological challenges we share.

Those challenges were on full display when COVID-19 hit and banks were tasked with making Paycheck Protection Program loans. Beneficial State Bank went into all-hands-on-deck and whatever-it-takes mode to support as many as we could. We felt it was our responsibility to our community to do everything in our power to get those dollars into the hands of those who needed them most.

As a result, our team originated the equivalent of more than seven years of loan volume in just a few weeks, supporting hundreds of women- and minority-owned businesses and nonprofits, most with fewer than 20 employees and many with no prior relationship with Beneficial State Bank. The year 2020 marked a time of great evolution for the bank itself as well. Our co-founder, Kat Taylor, transitioned from CEO to board chair, turning over the reins to a fantastic executive team led by CEO Randell Leach. We also took steps to make our organizations, Beneficial State Bank and Foundation, more centered around worker rights, anti-racism, and being environmentally regenerative. In a hard but vital move, we restructured to be stronger and more effective, as well as oriented toward a digitally enabled future that will allow us to expand access to beneficial banking. While we’re proud to have helped during this moment, we acknowledge that addressing the root causes of our economy’s disproportionate negative fallout on communities of color, and rebuilding a just post-pandemic economy, will not happen overnight. We will continue developing better and more equitable access to financial products, and seeking to change the banking industry for good, because we believe everyone deserves a fair shot at financial empowerment. Our charge is to reach more people and provide greater service to people and the planet.

It’s clear that the banking industry needs higher expectations and more rigorous standards in order to support a better world for all, and we will remain vigilant in holding the banking system accountable. **Beneficial State Bank and Foundation are honored to be a part of a new vision of banking where banking for good is the prevailing reality.**

Kat Taylor
Board Chair, Co-Founder, Beneficial State Bank

Randell Leach
Chief Executive Officer, Beneficial State Bank

Erin Kilmer Neel
Executive Director and Chief Impact Officer, Beneficial State Foundation
We practice better banking and cultivate it throughout society.
Beneficial banking is...

- Investing in and serving our local community.  
- Contributing to environmental sustainability.  
- Inclusive, fair, and equitable.  
- Nurturing our people.  
- Promoting responsible and transparent practices.

This impact report reflects the collective impact of Beneficial State Bank and Beneficial State Foundation.
Investing in and Serving Our Local Community

What if the banking industry nourished our communities instead of extracting from them? We are changing the banking system for good, and that means operating with purpose. But how do we determine what (and who) we invest in?

We invest in organizations that contribute to community well-being, and focus on serving people from historically marginalized communities. This includes nonprofits, B Corporations, small locally-owned businesses, and individuals who lack access to fair credit. In short, we exist for those who want to be sure that their money is doing good in the world and for those who need help. Among our business and nonprofit borrowers, we focus on organizations that:

**Sector**
Operate in a mission-aligned sector such as: Healthy Food, Arts and Culture, Affordable Housing, or Social Justice.

**Practices**
Have mission-aligned practices such as earning mission-based certifications and labels (B Corp, CDFI, Green Certified), paying all workers a living wage, designing products that specifically benefit underserved groups, intentionally hiring and retaining employees with historic or current barriers to employment, and purchasing locally.

**Structure**
Have a mission-aligned governance structure such as cooperatives, nonprofits, and benefit corporations.

**Ownership**
Are owned, led, or governed by people of color, women, LGBTQIA+ people, formerly incarcerated people, differently-abled people, and others from underrepresented communities.

We strive to serve borrowers and depositors with low or no credit, first-time borrowers, and those who are targeted by predatory lenders. We work closely with them to ensure we meet their needs and provide support, including financial education sessions and resources, so that they are set up for success today and into the future.

We are guided by a simple aspiration: benefit to all, harm to none. That means no predatory lending; no investments in fossil fuels, private prisons, or weapons; and not granting loans to borrowers who we know are not ready to take on more debt.

Our products and services are designed to optimize social and environmental impact first. Are we perfect? Of course not. We can’t always achieve the outcomes we intend but we can commit to learning when our efforts fall short by keeping our ears open to our communities’ needs. Until they reach their full potential, we haven’t reached ours. To us, all banks should operate this way.

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T A K E  A  S T A N D

for a just economy
& for a country
where BIPOC communities thrive.
$971 million in mission loan commitments

December 2020

- $275MM affordable housing
- $108MM health + wellbeing
- $135MM environmental sustainability
- $70MM manufacturing + production
- $67MM economic + business + job development
- $51MM beneficial financial services
- $77MM arts + culture + community building
- $40MM healthy food
- $61MM education + youth development
- $119MM fair auto loans
- $45MM social justice
- $56MM other mission sectors + practices

Some loans serve multiple mission categories.
Key Mission-Driven Lending Areas

We strive to ensure that 75% or more of our loan dollars directly serve our mission of supporting a more socially just and environmentally sustainable world, and that none of our lending contradicts this mission.

Client Feature: Accion Opportunity Fund

Accion Opportunity Fund is committed to breaking down barriers to financial inclusion. Its financial support system lifts up entrepreneurs by offering fairly priced loans through Opportunity Fund, its nonprofit lending arm, as well as educational resources, coaching, and support networks in English and Spanish. The fund has invested $516 million into the hands of small business owners, of whom 78% are low-to-moderate income individuals and 95% are people of color.

Beneficial State Bank is proud to partner with Accion through the purchase of more than 1,500 loans from Opportunity Fund’s trucking portfolio, supporting the economic mobility and financial health of thousands of truck drivers, their families, and their communities as well as mitigating the environmental impact of long-haul trucking, as drivers upgrade their trucks to meet greener emission standards.

To learn more, visit: aofund.org

Here are a few of the sectors we focus on as we bring beneficial banking services across the West Coast:

Small Business

Small businesses play a big role in creating resilient economies with diverse and distributed ownership. They are the fabric and economic lifeblood of our communities, defining the character of a place, providing essential goods and services, investing in the long-term growth of their communities, and representing one of the largest sectors of employment (as well as providing better-paying jobs). While there is still much work to be done to direct capital to businesses owned by women and people of color (POC), small business ownership offers an opportunity for people from underrepresented communities to create their own livelihoods and build wealth. Yet despite their integral role, small businesses face a myriad of obstacles to secure financing, such as larger banks strategically directing their dollars to higher-return loans to larger businesses. At Beneficial State, we recognize the value of small businesses and are committed to supporting them. We are continuing to develop our small business lending, working closely with our customers to understand their needs and provide products that help them meet their goals. It is our responsibility as a financial institution to help break down barriers that financial institutions and society have erected, so that small businesses have greater access to capital that supports them and their growth.

As of December 2020:

- $162 million in loans to small businesses (27% of all commercial lending)
- $33 million in loans to women-owned businesses
- $24 million in loans to BIPOC-owned businesses

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1 Small business defined as loan sizes equal to or less than $1 million to privately owned company, including sole proprietorship, and not including nonprofits or commercial real estate entities.

2 Main Street Over Wall Street: Small Businesses Create Better Jobs, ZipRecruiter
Nonprofits

Nonprofits are essential for cultivating community. They create cultural capital through arts and education, provide essential social services that supplement publicly funded services, fill the gaps left by private industries, safeguard government accountability, foster civic engagement, and organize social movements to demand social justice. Yet despite all the ways they benefit society and the economy, nonprofits have a very difficult time getting the funding they need to operate. Many banks and smaller lenders don’t provide them loans or only provide higher-cost loans. We recognize the community impact of nonprofits so we take the time to work closely with our nonprofit clients to understand their business structure, financial needs, and the unique challenges that set them apart from traditional for-profit companies. This includes ensuring that our underwriting reflects the realities of nonprofit finances and offering them specialized services and products, such as discounted rates on some lending products or interest-bearing checking accounts.

Additionally, our staff goes the extra mile to connect our clients with entities, communities, and other clients who provide support to nonprofits through services including technical assistance, strategic consulting, grant programs, and access to capital. Nonprofits are incredible agents of change and we are proud to not only financially support them but partner with them. See how we’ve partnered with 501 Commons to tackle social and environmental problems.

As of December 2020:

$274 million in loans to nonprofits  
564 total loans  
28% of our total loan dollars

Affordable Housing

Housing is a human right. California, Oregon, and Washington face some of the worst housing affordability and houselessness in the country—made all the more apparent during the massive employment crisis during the pandemic. As a bank, we have the ability and responsibility to help find and fund solutions for affordable housing access and preserve these rights for everyone. We provide loans to individuals and nonprofits who purchase or manage affordable multifamily rental housing. This includes participating in housing loan programs with organizations such as Washington Community Reinvestment Association (WCRA), Housing Trust Silicon Valley (HTSV), and Home Forward. By doing so, we are investing in the preservation and maintenance of affordable housing stock for many years to come. Additionally, we are intentional about avoiding the harmful practices common to this sector. In recognition of the harm that large rent increases inflict, we are in the process of developing new lending practices to increase focus on legally restricted affordable housing (which limits tenants restricted to a maximum income level) and market rate multifamily that is considered affordable. Everyone deserves the right to access safe, quality housing, and we are using our resources as a bank to sustain and grow units with affordable rents.

As of December 2020:

$275 million in loans to mission-aligned affordable housing  
7,708 total deed restricted affordable units supported

Demanding a Halt to Utility Shutoffs

Throughout the COVID-19 pandemic, many families who were impacted by the widespread loss of wages and jobs, also lost access to essential utility services. We joined more than 575 other advocacy groups to put out a call for governors, mayors, utility regulators, and boards, to halt electricity and water shut-offs due to nonpayment. Read the full letter here.
Auto Lending

Getting a car loan can be confusing and expensive. The auto financing industry is rife with hidden fees, predatory loan terms, and downright cruel collections practices. To capture more profit, car dealers often mark up their loan rate (also known as “price gouging”) and sell the high interest loan to conventional lenders. This practice of marking up interest rates often occurs unfairly, especially for low-income and credit-challenged individuals. At Beneficial State, we are seeking to change this industry from within by serving as an alternative financing option – one that is fair and transparent. We want to empower buyers to get the vehicle they need with a healthy loan. We do so by providing ethical and transparent financing options, loan terms, interest rates, and collections processes. Additionally, our loans refinancing serves to enable qualified individuals who currently have higher cost loans with other lenders to receive lower interest rates or reduce their repayment amount.

As of December 2020:

- $119 million in auto loans
- $16,930 average loan
- 11,000 borrowers
- 636 average credit score
- 1,181 refinance borrowers
- 11 percentage points difference in average interest rate after refinancing

CHECK OUT THE CLEAN VEHICLE ASSISTANCE (CVA) PROGRAM!

Beneficial State Bank is the preferred lender of the CVA Program. We offer fair, transparent, and affordable financing for qualified clean vehicle grant participants!

Learn more about the program on page 35 or visit cleanvehiclegrants.org.

PAYMENT ACCOMMODATIONS

There are times, such as a change of jobs, unforeseen medical expenses, or even having a new baby, that might cause a borrower to miss a payment even though this was never their intent. Since on-time payments are the biggest factor affecting a credit score, missing a payment can make it harder to access credit in the future. Our Skip-a-Pay and Payment Improvement Courtesy for Loans (PICL or “pickle”) accommodations are payment deferral options that were designed to help qualified borrowers weather hard financial times and minimize damage to their credit score.
Depositors as Crowdfunders

At Beneficial State, we celebrate our depositors as the original and most important “crowdfunders.”

Banks use depositors’ money to make loans, but our current financial system often does not act in the public interest when it comes to using that money. By banking with us, our depositors know that they are banking where their values are and that their money is being invested in impactful loans in their communities.

Use our deposit calculator to find out where your deposits at Beneficial State Bank go.

Additionally, we offer interest-bearing business checking accounts with low monthly service charges (or none at all with a minimum balance) for certified B Corporations, nonprofits, community development financial institutions (CDFIs), and environmental changemakers. It is our way of supporting mission-aligned businesses and organizations who are changing the world for the better.

As of December 2020:

- **17,753** deposit accounts
- **$1.1 billion** in deposits
- **1,173** nonprofit deposit accounts (20% of all commercial depositors)

**Supporting Access to Civil Legal Services for Those Who Need It Most**

Interest on Lawyer Trust Accounts (IOLTAs) are a type of account where the interest earned is distributed to provide core legal services to especially vulnerable people, such as assisting victims of domestic violence or helping persons with disabilities obtain housing.

As of December 2020:

- **73 IOLTA accounts**
- **$3.6 million** saved in IOLTA accounts

**Individual Development Accounts (IDAs)**

IDAs are special-purpose savings accounts that help people build financial stability by having federal, state, and/or charitable organizations match the funds in the account, helping low-income individuals save more. We believe that incentivized savings programs like IDAs are an effective way for low-income individuals to accelerate their savings and realize their life-changing goals.

As of December 2020:

- **578 IDA savers**
- **$216,000 saved in total**
- **$375 in average savings**
Paycheck Protection Program

In 2020, a significant portion of our lending was through the Paycheck Protection Program (PPP). Thousands of small businesses and nonprofit organizations were hit hard by the pandemic, forcing staff to lose their livelihoods and doors to permanently close. When Congress passed the PPP, we were eager to help deliver much-needed economic relief to small businesses and nonprofits in California, Oregon, and Washington.

In a matter of days, we implemented a new loan processing platform so that applications could be digitally completed and sent to the Small Business Administration (SBA) in bulk. Additionally, we dedicated half of our commercial and business banking staff to assist and process the massive volume of PPP applications. Our staff worked around the clock and through weekends with existing and new clients.

We are proud of the 1,300-plus PPP loans we completed for small businesses and nonprofits, with large numbers going to businesses and nonprofits led by women and people of color. However, we recognize that this is not enough. Many micro-businesses and those owned by women and people of color still face enormous barriers in accessing and qualifying for PPP. As we continue working to provide access to these essential funds, we have also called for more equitable rollouts that would serve the most vulnerable businesses, especially those operated by women and people of color.

We outperformed community banks of our size* by making nearly $200 million in PPP loans.

- 1,367 PPP Loans
- $147,000 Average PPP Loan Amount
- 43% Nonprofits
- 21% Women-Owned
- 10% BIPOC-Owned
- 18,285 Employees Supported
- $190 million Beneficial State Bank PPP Loan Amount
- $130 million Peer Bank PPP Loan Amount

*Assets between $1-5 Billion as of June 30. Data provided by the SBA.

We can emerge from COVID-19 with a more just economy. Here’s how.
Throughout the COVID-19 pandemic, we have called on Congress to:

- Extend and increase unemployment benefits.
- Sustain economic impact payments (e.g. stimulus checks).
- Immediately and automatically forgive PPP loans of $500,000 or less to eliminate the onerous forgiveness process for small businesses struggling to survive and allow them to focus on running their businesses.
- Allocate funding to the Treasury Department’s Community Development Financial Institution (CDFI) Fund, as CDFIs have proven to have a stronger commitment to underserved communities than traditional banks and can help the most vulnerable businesses.

It is our job to focus on listening to our customers and to provide an equitable and fair solution.

Stacey Krynsky
Vice President Client and Treasury Manager, Beneficial State Bank

Cat Town is an Oakland-based nonprofit that is transforming cat rescue, focusing on cats that the traditional rescue model often rejects as unadoptable. It finds homes for shy, senior, and under-socialized cats through its Adoption Center and foster program. Cat Town has shown more than 60 rescue shelters across the country how to replicate its approach, and is committed to removing the stigma around these cats through public outreach. It recently celebrated its tenth anniversary, and has supported more than 2,850 cats in that time.

To learn more, visit: cattownoakland.org

As members of the UN Environment Programme Finance Initiative (UNEP FI), we collaborate with other banks to set responsible banking standards and targets on a global level. In response to the COVID-19 pandemic, we stepped up to support affected people and communities. Check out the UNEP FI’s video on how signatory banks are creating change and stepping up for society in times of crisis.
Financial First Responders

To Our Customers
Like many others, we saw our customers and their communities hurting physically and financially during the COVID-19 pandemic. Amidst the chaos and strain of a medical and financial crisis, our team worked tirelessly to resolve, adapt, and answer the calls for help from clients in need of financial relief. In addition to our hard work processing PPP loans, we offered numerous payment deferral accommodations for customers experiencing payment difficulties, and waived fees for many products and services. We expanded the flexibility of our regular auto lending payment accommodations options, Skip-a-Pay and Payment Improvement Courtesy for Loans (PICL), so that more struggling borrowers could utilize them and avoid damaging their credit scores.

291 accounts used COVID PICL
(March–December 2020)

5,981 accounts utilized COVID Skip-a-Pay
(March–December 2020)

$527,000 in waived fees
(March–November 2020)

No initiation of new repossessions or litigations on past-due auto loans
(March–September 2020)

To Our Community
As the COVID-19 pandemic continued to impact the most vulnerable in our communities, like many organizations doing justice work, we did our part to provide pandemic relief. Beneficial State Foundation’s COVID-19 Response Fund provided micro-grants to employee-identified organizations and initiatives that were experiencing financial uncertainty, prioritizing those that focused on supporting communities disproportionately impacted by COVID-19. All funds were unrestricted and ranged from $500 to $5,000 per organization or initiative. Organizations like the ones we supported are making real change in our communities and we are committed to supporting them in whatever ways we can during this pandemic and beyond.

$100,200 in direct support funds

3 Legal processes continued for cases already pending in the court system and recoveries from pre-existing wage garnishments were still received during that period.
Public Banking Movement
As we continue to advocate for all banks to be more equitable, we simultaneously support bold solutions like public banks that have strong community governance and accountability, as well as strict social, racial, and environmental justice guidelines.

In 2020, Beneficial State Foundation contributed to both national public banking legislation as well as California-centered policy to increase public banking options in the state. At Beneficial State, we strongly believe that as long as deposit dollars and tax dollars from the community support the banking system, a bank’s true purpose must be to serve the public interest. Public banks, owned by public entities such as a city or state, operate with such purpose and will leverage public dollars to serve the needs of the community.

The potential around taking private ownership out of banking, even just a little bit, is huge considering that we are depositors and we deposit $15 trillion in the commercial banking industry, and we get what? Redlined? Fraud? Coal? Fossil fuels? All of these things that are driving us toward catastrophe.

Emma Guttman-Slater
2020 Director of Policy Advocacy and Field Building
Beneficial State Foundation, from Vox

A Stronger CRA for Consumer Rights and Financial Inclusion
The Community Reinvestment Act (CRA) is a critical regulatory tool to ensure all banks do what is required of them to address the local credit needs of the communities they serve. We see this as a minimum standard.

In 2020, banking regulators – the Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC) – proposed changes to the CRA that would have major negative impacts on low- and moderate income (LMI) communities, and communities of color – the very communities CRA was created to support. Working with our partners and equity advocates, we submitted comments on the proposed changes to CRA, pushing back against those changes and urging regulators to apply a racial equity lens to CRA, to prioritize communities of color per the intent of the law, to maintain emphasis on community context and input, and to meaningfully penalize banks when they cause harm.

READ MORE
OCC going alone with CRA rulemaking is cruel and inappropriate
Contributing to Environmental Sustainability

We are in a climate emergency. The planet we rely on and its resources are being destroyed by extractive industries. With 19 of the last 20 years being the hottest on record since 1980, the Earth is warming at an unprecedented rate. The calamitous wildfires and extreme weather events of 2020 and the enduring and inequitable harm they have brought to our communities are further evidence that slowing climate change is not optional; it is imperative. If we as a global community do not act, the impacts of global climate change will ultimately destroy our home.

READ MORE

Wildfires make the case for investing in environmental and social justice
Lending for the Environment and Renewable Energy

Our *benefit to all, harm to none* aspiration applies not only to our borrowers but extends to our physical environment. At Beneficial State, we believe that banks and investors collectively have immense power to guide the resources we use.

We refuse to fund the production of extractive and dirty energy sources like coal, oil, and gas.

We use our lending power to fund clean, renewable energy and the environmental sustainability sector more broadly. These clients include environmental advocates, eco-friendly producers, conservation groups, environmental education programs, and others.

As of December 2020:

- **$135 million** in loans to the environmental sustainability sector
- **$42 million** in loans to the renewable energy sector
- **645 MWh** of energy produced (megawatt hours)

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**Renewable Energy Lending**

- **$42 million** in loans to energy projects
- **645 MWh** of energy produced

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**BANKING ON CLIMATE CHANGE REPORTS**

We endorsed the Banking on Climate Change 2020 and 2021 reports that revealed banks to be the largest fossil fuel funders – to the tune of $1.9 trillion – since the 2016 Paris Agreement. These reports are critical in informing our advocacy to end destructive finance and cut ties between the fossil fuel and banking industries.
Carbon Accounting for Banks with PCAF

While retiring carbon offsets and being carbon neutral in our operations are important for slowing climate change, they are not enough. Banks are contributing large amounts of carbon emissions indirectly through billions of dollars invested in coal, oil, and gas financing. These industries are producing carbon emissions and banks need to be held accountable. The first step is measuring their emissions.

From 2019 through 2020, we contributed to the Partnership for Carbon Accounting Financials (PCAF) to develop a methodology to measure the carbon footprint of bank financing activities. Using PCAF’s methodology, we are measuring and disclosing the carbon footprint of all our loans so that we can begin setting targets to reduce our own portfolio’s emissions with the goal of achieving net zero in the future. This is also in accordance with our commitment to the UNEP FI’s Collective Commitment to Climate Action (CCCA). As we continue to hold ourselves accountable, we are calling on all banks to do the same.

Using the PCAF methodology, the financed emissions of our loan portfolio as of December 2019 totaled 60,273 tons of carbon dioxide equivalent (CO2e).

**Collected Commitment to Climate Action**

Through the CCCA, an initiative of the United Nations Principles for Responsible Banking (UN PRB), of which we are a signatory and endorser, we are measuring and disclosing emissions produced through our lending.

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**EARTH SERVICES TEAM**

Doing more good for the environment has been central to Beneficial State’s mission for over a decade and in 2019 we formed a team to do just that. The Earth Services Team’s objective is to accelerate our environmental lending and expand our reach with organizations and businesses addressing critical environmental issues through building relationships, community partnerships, and collaborations, as well as conducting market research to identify new products.

Over the past year, the team has specifically focused on solar power, providing loans for both installation and new solar development. Since Spring 2020, we have worked to purchase consumer renewable energy loans from other specialty lenders (indirect lending) to help expand their services. Through indirect lending, the solar lenders we are working with are better able to manage their liquidity, credit, and other risks, allowing them to scale and expand their solar financing for more communities. Through new products and partnerships like these, our team will continue growing our renewable energy portfolio while providing lending solutions for mission-aligned nonprofit organizations focused on environmental sustainability and climate action initiatives.
The Intersection of Finance, Climate, and Equity

Loans from conventional financial institutions make much ecological destruction possible. Our collective survival requires an end to the financing of fossil fuels. While rising greenhouse gases and temperatures are affecting people all around the world, communities that have been historically marginalized have experienced significantly higher and more adverse health and environmental effects. The flow of money must be redirected to a new financial system, one that does not pour money into environmental racism and industries that harm our planet.

"The most rewarding part of this job is connecting with our participants and listening to their unique stories. Knowing that the Clean Vehicle Assistance Program has helped so many people access a reliable and clean vehicle to get to work or doctor’s appointments has been a glimmer of positivity in the midst of a trying year for everyone."

Michelle Barron
CVA Program Associate, Outreach Lead, Beneficial State Foundation

Clean Vehicle Assistance Program

We know that environmental and social well-being are intertwined. For example, certain environmentally friendly products in the supermarket may be out of reach for low-income families. At Beneficial State, we’re constantly looking for solutions that yield benefits for both people and the planet. So when the California Air Resources Board announced the opportunity to partner with them to increase access to electric and hybrid vehicles for income-qualified Californians, we jumped at the chance. Since 2018, Beneficial State Foundation has administered the Clean Vehicle Assistance Program (CVA Program), providing grants and fair loans to income-qualified Californians, particularly from low-income and BIPOC-communities that experience significantly more adverse health impacts from pollution. Through a combination of clean vehicle grants, charging station grants, and fair auto loan options, we are proud to help people thrive while advancing environmental and social justice at the same time.

As of December 2020:

1,479 grants awarded
$7 million in grants
338 Disadvantaged Community (DAC) grantees
(23% of total grants)
$37,000 average income of recipient
As our coalition works to end fossil fuel finance, we know the movement is about so much more, namely where climate, racial justice, and finance meet. Beneficial State Foundation brings that holistic perspective. Together, we are thought partners to advance and evaluate what type of reinvestment banks should be doing that meet Stop the Money Pipeline’s justice and equity mandate.

Amy Gray
Co-Coordinator, Stop the Money Pipeline
Measuring and Decreasing Our Own Carbon Footprint

Our commitment to sustainability involves both the clients we work with as well as our own impact. We are doing our part by adopting sustainable and socially responsible business practices. We track our greenhouse gas (GHG) emissions, and implement policies and procedures that improve sustainability.

Every year, we engage with EcoShift Consulting to measure our greenhouse gas emissions, which includes both direct emissions (the bank’s energy usage) and indirect emissions (employee commutes, business travel, purchased paper). We use this information to become carbon-neutral by purchasing and retiring carbon offsets to neutralize the GHG emissions we produce. While decreasing the limited supply of available carbon allowances that other entities can obtain (carbon retirement) is an important tool, we recognize that it is not the sole solution to improving our sustainability.

In 2020, we retired and offset 647 metric tons of carbon dioxide equivalent (MT CO₂e) emissions through Carbon Lighthouse and through Forterra’s Carbon Capture Program.

In 2016, we merged with Pan American Bank and grew in branches and staff, causing an increase to our total carbon emissions. However, our greenhouse gas emissions per full-time employee (FTE) have continued to decrease since.

MOVING TO THE BULLITT CENTER
One of the Greenest Commercial Buildings in the World

In 2020, we opened a new cashless branch in Seattle’s Bullitt Center. The Bullitt Center embodies our approach to environmental sustainability and commitment to a greener future for everyone. Powered by 100% onsite renewable energy and with water needs supplied by captured rainwater, the building was designed to drive change by showing that a high-performance green building is possible. The Bullitt Foundation, the organization behind the building and a proud Beneficial State client, works to protect and restore the environment by promoting responsible human activities and sustainable communities.
Inclusive, Fair, and Equitable

Financing to BIPOC communities has long been denied through discriminatory practices like redlining. Although laws are now in place to protect against these lending practices, generational inequality and injustice continue to persist. According to the U.S. Federal Reserve, White families’ median net worth is almost 10 times higher than that of Black households.

We are committed to creating equal opportunities for low-income families, Black families, Brown families, and all communities of color to access fair loans.
Financial Security for Immigrant Communities

We work to build a fair, inclusive, and prosperous economy for all and that means empowering and providing financial security for all our customers, including immigrant communities. Our team is committed to increasing access to fair and transparent financing. Some of our efforts include:

Expanding Our Credit Selection Process: All immigrants face the challenge of not having a US credit history. In 2020, we began leveraging Vantage Scores, a credit model that utilizes wider forms of debt repayments, as an alternative to FICO scores. This approach increased the credit data available for more applicants, especially for immigrants, and thus helped us better serve our customers.

Increasing Access to Credit: We lend to customers with Individual Taxpayer Identification Numbers (ITINs), which are “valid for work only,” and California’s AB 60 driver’s licenses, which can be obtained without proof of legal residence.

Offering Multi-Language Financial Wellness Workshops: This year, we offered virtual financial wellness workshops in English and Spanish to expand our support for individuals facing financial hardships due to the COVID-19 pandemic.
Socially Responsible Credit Cards

Over the years, credit card usage has increased tremendously and so have exploitative and deceptive credit card practices. We are developing ways to provide access to credit that build resilience but avoid debt traps caused by products like payday loans. This past year, we piloted our commercial, small business, and consumer credit cards that offer access to credit with low fees, competitive rates, and intentional practices. For the time being, we are starting small and building out our infrastructure, all to enable us to grow in realizing our greater mission.

LEARN MORE OR APPLY FOR OUR CONSUMER CREDIT CARD PILOT PROGRAM

Secured Credit Cards and Graduation Strategy for Individuals with Limited Credit

Individuals with limited or no credit experience have great difficulty accessing credit, often leaving them no choice but to use predatory payday lenders. In 2019, we began offering Commercial and Small Business secured and unsecured credit cards. In 2020, we expanded our product offerings by piloting secured credit cards for consumers. With a consumer secured credit card, the credit limit is secured against a cash deposit provided by the customer. It is still an extension of credit from Beneficial State Bank, and thus the bank will report balances and payment data to the credit bureaus, with a goal of helping our customers improve their credit. In this way, our customers have the opportunity to build credit and potentially obtain an unsecured credit card that does not require collateral.

In February 2021, we also launched a graduation strategy for our consumer secured cards. Through this approach, we will review payment behavior as well as credit bureau data every twelve months and reward borrowers who have made timely payments and improved their credit scores. Depending on the borrower’s situation, this can be in the form of waiving the annual fee, adjustment of APR depending on the customer’s credit score, or even a transition to an unsecured credit card at the Bank’s discretion.
Co-Learning and Innovating with Industry Leaders for Racial Justice

As a racial reckoning laid bare the need for leaders across all industries to examine their practices, we continued our work to develop programs, curricula, and presentations for and with other financial industry leaders to innovate for racial justice.

In 2020, we asked how business credit underwriting standards and practices could be re-imagined to increase funding to minority business owners impacted by long-standing systemic inequities and barriers, particularly Black and Latinx communities. Convening bankers, consumer advocates and leaders in the community development banking sector, this work has set the stage for the “Underwriting for Racial Justice” national working group which we officially launched in 2021.

Beyond the national working group, we have engaged with other banking associations and organizations to present and learn from each other how to best advance racial justice. Additional steps we took in 2020 include:

We hosted multiple webinars such as “Making Finance Work for Racial, Gender, and Economic Justice” and “How Public Banks Can Address the Racial Wealth Gap” with mission-aligned bankers and leading experts to advance racial equity and bring fairness to our financial system.

We worked with the Community Development Bankers Association (CDBA) to deliver educational programming to help its members work toward racial equity in the banking industry.

We partnered with the National Community Reinvestment Coalition (NCRC) to develop racial equity standards for bank products, services, and personnel. One of the two resulting reports, Racial and Ethnic Representation and Investment (RERI) framework outlines benchmarks for racial and ethnic representation at all job levels in the banking industry and is crucial to building support and advocacy for racial equity in banking.

The collaboration between NCRC and Beneficial State Foundation on the RERI framework envisions a future devoid of racial economic inequality with a racially equitable financial services industry. Together with our allied partners, we are strengthening the movement and dialogue for racial and ethnic representation.

Dedrick Asante-Muhammad
Chief of Membership, Policy and Equity
National Community Reinvestment Coalition
Black Lives Matter

We aim to empower communities of color and alleviate the financial hardships suffered disproportionately by these communities, especially Black communities, because of centuries of systemic racism.

When protests against police brutality and racism erupted across the country in 2020, we wanted to ensure that all of our stakeholders knew where we stood. As long as deplorable violence, social inequity, and economic injustice continue, so will our commitment. We will continue to call on all financial institutions to divest from the prison industrial complex, and to instead invest in communities of color. Let’s continue to do our part in the struggle against systemic racism.

A National Movement

The Black Resilience Fund, an emergency fund created by our nonprofit client Brown Hope, stepped up to help Black Portland residents in critical, tactical ways during the pandemic. They raised over $2 million for Portland’s Black communities to provide aid for urgent financial needs such as buying groceries to keep families fed, getting rides to work when public transit shut down, paying utility bills to keep homes lit and heated, and paying rent to avoid eviction. We believe that their successful strategies can be leveraged to help and heal other Black communities nationally. So we partnered with them to host A National Movement for Resilience, a webinar for allies to learn best practices for establishing a Resilience Fund in their own cities and communities.

In a statement of solidarity on the heels of George Floyd’s death on May 25th, Beneficial State’s homepages were updated to honor and spotlight Black community members killed by police officers. This graphic consists of a non-comprehensive list of those killed by police officers in the U.S. since Eric Garner’s death in July, 2015. Data source: NPR.

Eric Garner • John Crawford III • Michael Brown • Ezell Ford Dante Parker • Michelle Cusseaux • Laquan McDonald Tanisha Anderson • Akai Gurley • Tamir Rice • Romain Brisbon Jerome Reid • George Mann • Matthew Ajibade • Frank Smart Natasha Mckenna • Tony Robinson • Anthony Hill • Mya Hall Phillip White • Eric Harris • Walter Scott • William Chapman II Alekia Christian • Brendon Glenn • Victor Manuel Larosa Jonathan Sanders • Freddie Blue • Joseph Mann Salvado Ellswood • Sandra Bland • Albert Joseph Davis Darrius Stewart • Billy Ray Davis • Samuel Dubose Michael Sabbie • Brian Keith Day • Christian Taylor Troy Robinson • Asshams Pharoah Manley • Felix Kumi Keith Harrison McLeod • Junior Prosper • Lamontez Jones Paterson Brown • Dominic Hutchinson • Anthony Ashford Alonzo Smith • Tyrone Crawford • India Kager • LaVante Biggs Michael Lee Marshall • Jamar Clark • Richard Perkins Nathaniel Harris Pickett • Benni Lee Tignor • Miguel Espinal Michael Noel • Kevin Matthews • Bettie Jones Quintonio Legrier • Keith Childress Jr. • Janet Wilson Randy Nelson • Antronie Scott • Wendell Celestine David Joseph • Calin Roquemore • Dyzhawn Perkins Christopher Davis • Marco Loud • Peter Gaines Torrey Robinson • Darius Robinson • Kevin Hicks Mary Trujillo • Demarcus Semer • Willie Tillman Terrill Thomas • Sylville Smith • Alton Sterling Philando Castile • Terence Crutcher • Paul O’Neal Alteria Woods • Jordan Edwards • Aaron Bailey • Ronell Foster • Stephon Clark • Antwon Rose II • Botham Jean Pamela Turner • Dominique Clayton • Atatiana Jefferson Christopher Whitley • Christopher McCorvey Eric Reason • Michael Lorenzo Dean • Brenonna Taylor

George Floyd

48 INCLUSIVE, FAIR, AND EQUITABLE

READ: NEUTRALITY AND SILENCE ARE COMPLICIT

READ: WE STAND IN SOLIDARITY WITH BLACK COMMUNITIES
Nurturing Our People

At Beneficial State, we want to build an economy that works for everyone, and that starts with our own team. Just as they are committed to strengthening our communities, we are committed to setting high standards for ourselves. That includes paying living wages, offering comprehensive benefits, and empowering staff to advocate for what they’d like to see.

Our team members are fierce changemakers in the beneficial banking movement.

As they do their important work, we’re constantly working to better support them and to ensure that our team composition reflects the inclusiveness we strive to foster throughout Beneficial State’s efforts.
**Our Statement of Inclusion**

We acknowledge the extensive history of racism, injustice, and oppression in the United States. We acknowledge the systemic marginalization of Black people, Indigenous people and all people of color. We acknowledge that inequity is woven into the financial services industry. Just as it manifested in condemned historical practices such as redlining, it continues in many forms today.

As individuals and as an organization, we are dedicated to recognizing and continuously addressing how our biases show up. We intentionally work to foster a culture of inclusion where everyone is a valued member of our team and treated with empathy, respect, and dignity.

We commit to supporting today and each day to dismantle systemic racism. We commit to hearing feedback when our actions fall short of our intentions. And we firmly believe that in order to build more beautiful, we must demolish white supremacy.

We strive to ensure that those who work and bank with Beneficial State, no matter their identity, truly feel in their hearts the words they experience when they walk into our branches: YOU ARE WELCOME HERE.

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1As of January 2020 living wage levels
2Industry CEO–median salary ratio calculated by taking the simple average of all 20 top banks' ratios. Source: S&P Global

Francis Janes
Industry Relations and Partnerships Director, Pacific Northwest, Beneficial State Foundation
Supporting Our Staff Through the Pandemic

During the COVID-19 pandemic, our staff served as “financial first responders,” supporting our communities in time of need.

Like any first responder, we needed to ensure the safety of our staff so they could be there to help others. Just as other businesses did, we implemented measures to protect our staff, including taking health precautions, prohibiting travel, and working remotely. It has been imperative for us to maintain clear and open communication, provide resources, and support the overall well-being of our staff so that we can help each other, and as many others as we safely can.

Some of our efforts included:

- **Establishing a COVID-19 Emergency Leave Policy** allowing staff paid time off for any COVID-19 related issues in advance of any issued mandates.
- **Increasing the frequency of our Town Hall meetings** for staff to connect directly with the management team throughout the pandemic planning process.
- **Launching a new COVID-19 Pandemic Resource Group** that provides easy access to information and resources relating to operations, human resources, products and services, and employee wellness (i.e. mental health, remote work best practices, avoiding burnout).
- **Launching a “Social Justice and COVID-19” page** where staff can share and discuss COVID-19 articles or resources through a social justice lens.

Answering the calls for help is both rewarding and immensely challenging. Our staff’s drive throughout this crisis inspires us and we are humbled to support them as we faced unprecedented challenges. We are responding to this crisis together and will emerge stronger together.

SUPPORTING WORKER POWER FOR THE BANKING INDUSTRY

In March 2020, Bank employees voted to join the Communications Workers of America union, becoming the first successful unionization effort at a U.S. bank in over 40 years. Beneficial State is proud to set a strong example for the rest of the banking industry, which has little unionization and often pays workers very low wages. We value our employees and see unionization as an opportunity for our employees to organize and have a collective voice.

With this historic move to form a union, we’re seeing that commitment to community in action — and I’m proud to be a part of it. All workers should have a voice on the job to advocate for themselves, their colleagues, and their customers. It’s the right and fair thing to do.

Desiree Jackson
Assistant Vice President, Cash Management, Beneficial State Bank

BENEFICIAL STATE 2020 IMPACT REPORT
Black Employee Resource Group (ERG)

A small team at the Foundation launched a pilot program to develop Employee Resource Groups (ERGs) for Beneficial State. This was a key first step in a program designed so that affinity groups of team members can have safe spaces for connection and candid discussion.

Employees interested in designing and forming the ERG for Black-identifying employees worked with a diversity, equity, and inclusion consultant to launch this pilot program, which will help inform all employees who would like to create additional ERGs. This ERG program will allow staff to come together in the workplace, support one another, share opportunities for education and professional development, and create spaces that can be catalysts for organizational change.

Banking on Our Summer Fellows

To build the pipeline for the next generation of economic justice leaders, Beneficial State once again offered an intensive summer fellowship program.

In 2020, despite the challenges of COVID-19, we remain committed to providing valuable work and learning experience to students interested in beneficial banking, community economic development, and responsible financial services. We transitioned to a fully remote experience while preserving the core components of our fellowship program. Fellows completed key Bank and Foundation projects that are also designed to contribute to their educational and career development. The fellowship program was one of the many ways we exposed students to careers in socially responsible banking services and helped develop a larger pool of skilled, mission-aligned talent.

CHECK OUT OUR PRESENTATION FOR WESTERNS BANKERS ASSOCIATION

“Integrate DEI into your HR strategic priorities”

CHECK OUT A FELLOWSHIP PROJECT:
Building Better Banks case study series
Promoting Responsible and Transparent Practices

We believe that the banking system needs greater accountability, and that starts with transparency. At Beneficial State, we share our learnings along with our successes and lead by example, holding ourselves accountable to all our stakeholders. As we continue to expand our services and strategy, we are putting mission front and center to ensure we are growing responsibly and sustainably.

In 2020, we transformed our retail strategy and cost structure to strengthen our ability to deliver on our mission commitments long into the future. Our core identity, our ownership structure, and our mission-driven focus remain constant. Investing in this strategic transition will allow us to reach more unserved and underserved clients while expanding services to our mission-aligned clients and community partners. To support this strategic transition, we needed to reduce overhead and staffing. We made these decisions with a heavy heart, and out of necessity. Though all meaningful change comes with challenges, we are optimistic that the steps we are taking will build our performance, mission impact, and resilience for years to come.

Read the full letter from our CEO.
Financial Resilience

If our financial performance in 2020 demonstrates anything, it’s that we were able to persevere and adapt in an economic environment of unprecedented uncertainty.

As the pandemic and recession unfolded, we faced difficult questions: What magnitude of credit losses would we see as it became harder for our customers to make payments? As we deferred loan payments and waived penalties in an effort to support our customers in times of financial hardship, would our business be able to sustain itself? As interest rates plummeted, how would we have to adjust our costs of doing business?

Stable Revenues During Times of Volatility
Throughout the worst of the pandemic, our team of financial first responders maintained diligent and compassionate customer service, delivered all our products, continued to service loans, and still brought in deposits. In doing so, we weathered the storm and maintained a reasonable Net Interest Margin of 4.08% (despite some compression, as was expected) and defaults that were not much different from prior years, as indicated by a Texas ratio of 7.8. Our liquidity was the best it had ever been, our capital ratios were strong, and our people power even stronger.

Investing Today for a Stronger Tomorrow
As a community development bank, our focus on mission-driven services and relationship-driven banking often results in higher operational costs, so our profits have always been modest. After two profitable years in 2018 and 2019 ($1.4 million and $2.6 million respectively), we experienced a net loss in 2020. This was largely due to two reasons: 1) the cost of our restructuring and 2) a decrease in expected cash flows from prior year acquisitions of two community banks (i.e., a non-cash impairment of all of the goodwill on the bank’s books, which many businesses in 2020 incurred). This was also a year when we heavily invested in technology platforms, enabling us to better serve and process not only PPP applications but all our future customers. The effects of these large costs are reflected in our return on equity (ROE) and return on assets (ROA) as well. While the past year has required these and other adaptations to operate under lockdown, our tireless team remains as committed as ever to our mission and to serving our communities in 2021 and beyond.

Key Financials

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets ($ Millions)</strong></td>
<td>$1,249</td>
<td>$1,037</td>
<td>$1,010</td>
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<tr>
<td><strong>Net Loan Growth</strong></td>
<td>34%</td>
<td>-2%</td>
<td>36%</td>
</tr>
<tr>
<td><strong>Income (Adjusted, Pre-Tax) ($ Millions)</strong></td>
<td>-$6.4</td>
<td>$2.6</td>
<td>$1.4</td>
</tr>
<tr>
<td><strong>Return on Equity (ROE)</strong></td>
<td>-5.4%</td>
<td>2.2%</td>
<td>1.5%</td>
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<tr>
<td><strong>Return on Assets (ROA)</strong></td>
<td>-0.6%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Equity to Total Assets</strong></td>
<td>9.4%</td>
<td>11.6%</td>
<td>11.4%</td>
</tr>
<tr>
<td><strong>Net Interest Margin (NIM)</strong></td>
<td>4.1%</td>
<td>4.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>Texas Ratio</strong></td>
<td>7.8%</td>
<td>6.2%</td>
<td>5.8%</td>
</tr>
<tr>
<td><strong>Real Economy Revenues</strong></td>
<td>79%</td>
<td>92%</td>
<td>91%</td>
</tr>
</tbody>
</table>

What do these data points mean and how do they reflect our mission?
Our Accountability

In addition to undergoing third-party examinations from federal and state agencies, we also actively engage with industry-based impact evaluators.

They are not only accountability luminaries but they’re also our partners in unleashing the power of business as a force for good.

B Corporation

Beneficial State Bank is one of only eight B Corp-certified banks in the US. Our B Impact Score reflects our commitment to being a business that works for social and environmental sustainability. It’s also the highest score among all B Corp banks!

We have been named “Best for the World” every year since 2013, including Best for Community and Best for Overall. At the end of 2020, we began the recertification process. Stay tuned for our new B score and results in 2021.

Since Beneficial State Bank became certified in 2012, they have actively engaged with the B Corp community by providing values-aligned banking products to other certified B Corps, encouraging employees to volunteer with B Locals, hosting B Corp events, and more. Companies like Beneficial State help us authentically grow by stepping up, certifying, and amplifying our community’s work.

View our B Impact Report to learn more about our impact score.

Ben Anderson
Chief Executive Officer, B Lab
Global Alliance for Banking on Values (GABV) Standards

As active members of this international network of values-based banks, we not only adhere to GABV Principles of Sustainable Banking, but also serve on its committees to participate in initiatives with our fellow members.

Benjamin State Bank has played a key role in the development of the Global Alliance for Banking on Values Scorecard, a tool that allows banks to self-assess, monitor, and communicate their progress in delivering values-based banking in service of people and planet. Beneficial State has generously contributed astute systems thinking and banking expertise to help raise the bar for banking globally.

Dr. Adriana Kocornik-Mina
Senior Manager of Metrics and Research, Global Alliance for Banking on Values

In 2020, Beneficial State Foundation laid the groundwork for Equitable Bank Standards, a roadmap for banks to maximize their social and environmental impact. Throughout the development of the standards, we sought and received feedback from subject matter experts in various fields spanning economic justice, academia, and finance. We’re pleased to share that the first version with over 175 standards will be publicly released soon. Sign up to be the first to know when we have updates or share your ideas and feedback here.

These standards serve to provide banks a clear roadmap to transition to a new era of banking—banking that is equitable, anti-racist, and nourishes our communities and planet.

Erin Kilmer Neel and Francis Janes
Aligning Money and Mission at Banks: What Nonprofits and Foundations Can Do

As a signatory and endorser of the UNPRB, we practice, uphold, and advance banking aligned in the public interest at a global level. As described on page 32, we also participate in UNPRB’s CCCA initiative to advance environmental stewardship.
We are Beneficial State. Together, we aspire to cultivate this new vision — beneficial banking — where the purpose of a bank is to serve all people and our planet in a way that yields racial equity, environmental well-being, and true community prosperity. At Beneficial State Bank, we safeguard this purpose through our ownership. By being a nonprofit-owned bank, we are held accountable not by private shareholders, but by the communities we serve.

2020 once again emphasized that we need a new economy that is built by and for people. It revealed just how interdependent we all are. We must acknowledge that an economy that isn’t working for all of us isn’t going to work at all.

Our impact is thanks to our $1.2 billion asset size, enabled by our changemaking depositors. But the banking industry is trusted with $15 trillion of our collective dollars. So we have to ask: what if all banks practiced beneficial banking? What social, environmental, and social justice issues would we be able to resolve?

At Beneficial State, we believe this is possible. We believe in a future where banks and financial institutions nourish our communities instead of extract from them.

Let’s create this brighter, more just future together!
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JOIN THE BENEFICIAL BANKING MOVEMENT