



build something beautiful. |  beneficial state bank

2018 Beneficial Banking Impact Report

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Benefitting the Public Good

Dear Stakeholders,

Welcome to Beneficial State Bank's 2018 Impact Report. Since 2007, we have provided fair and transparent banking services to help people and organizations align their money with their values. We are pleased to provide detailed information on our ownership and profit-sharing, our lending practices, our products and services, and our corporate practices and principles. Whether used to scrutinize how well we are aligned with your values or to benchmark other financial institutions for the same, we offer the data as transparently as we possibly can and welcome your feedback.

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

Our ownership: Our ownership structure ensures that profits are distributed to our communities, instead of aggregated in the hands of the few. All current owners and potential investors of Beneficial State Bank must be and are nonprofit organizations that commit to reinvesting profits -- when received as dividends -- back into the over-burdened communities we serve and the environment upon which we all depend. Rather than generating more wealth for private shareholders, we want the bank's success to contribute to shared-wealth that supports these ends.

Our approach and outcomes of our lending: Beneficial State Bank is focused on ensuring that our lending practice and the outcomes it produces are conscious, measured, and broadcast to our stakeholders. At least seventy-five percent of our loans produce affordable housing, renewable energy, or are to companies run by women and people of color, or support other socially just and environmentally sustainable activities. The other twenty-five percent must not undermine our triple-bottom-line. Our ideal is that our lending produces benefit to all and harm to none.

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

Thank you for your business and support!



Best,

Kat Taylor

Kat Taylor
CEO, Co-Founder



◀ Beneficial State staff celebrating pride month at Oakland's Pride Parade



Kat Taylor speaking at Global Climate Action Summit on the role banks play in relation to equity and climate change



◀ Our Clean Vehicle Assistance Program team celebrating a successful launch and press conference

Our Theory of Change: Bank and Foundation

Our Vision

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

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

results in the long-term prosperity of responsible consumers

contributes to the sustainability of the environmental commons

is fair to the person with the least bargaining power

promotes financial system stability

Our Mission

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

Our Theory of Change

We will achieve this vision by:

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



Our Vision in Practice

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

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

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

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

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

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

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



Our Milestones Growing a Beneficial Bank

The idea of starting a bank derived from a fundamental belief that changing the banking system for good is a powerful way to realize equitable economic prosperity. In mid-2018 we reached \$1 billion in assets! Here we take a moment to reflect on our milestones.

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

2005



January

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

December

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

2008

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

global alliance
for banking
on values



April

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

December

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

2010

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

2007

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

June

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

September

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



2009

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

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

2012

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

September

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

November

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





Albina Community Bank

Part of the Beneficial State Family



May

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

December

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

2013

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



April

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

June

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

2015

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



December

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

2017

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

2014

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

July

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



beneficial state bank

2016

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

January

Launch impact website: beneficialstate.org/impact

June

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



2018

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

February

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

June

Reached \$1 billion in assets!

October

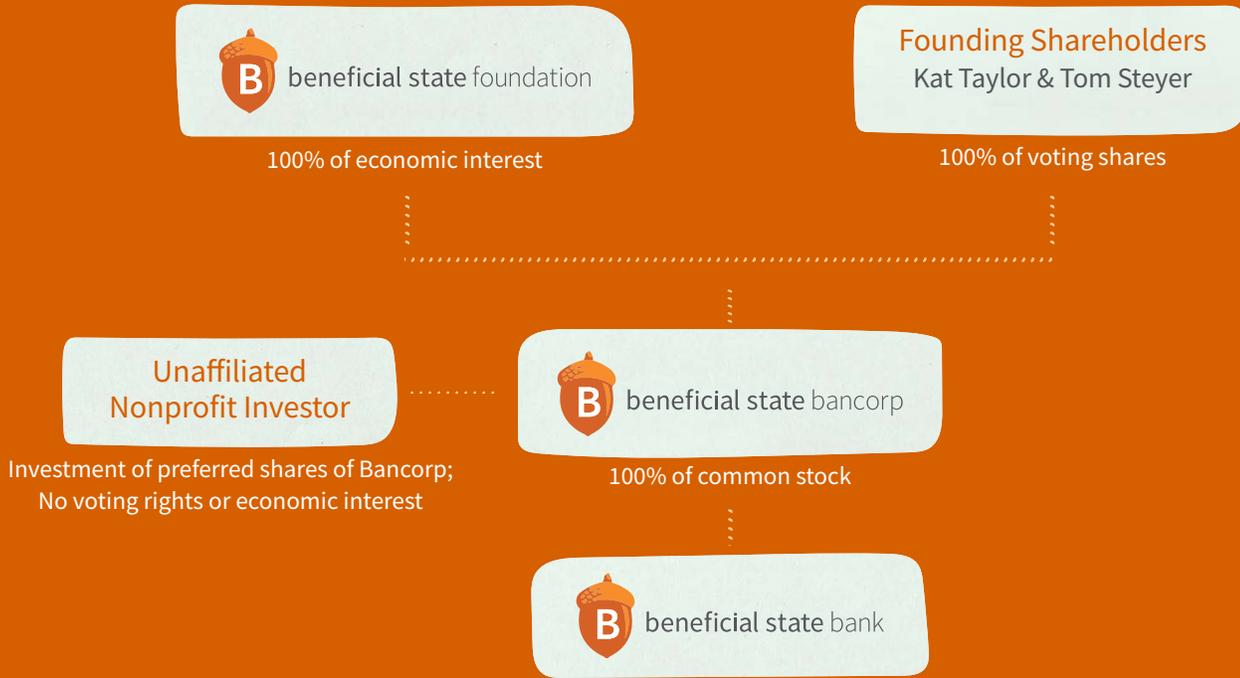
Beneficial State Bancorp, Beneficial State Bank’s holding company, reincorporates as a Public Benefit Corporation.



Our Ownership Structure

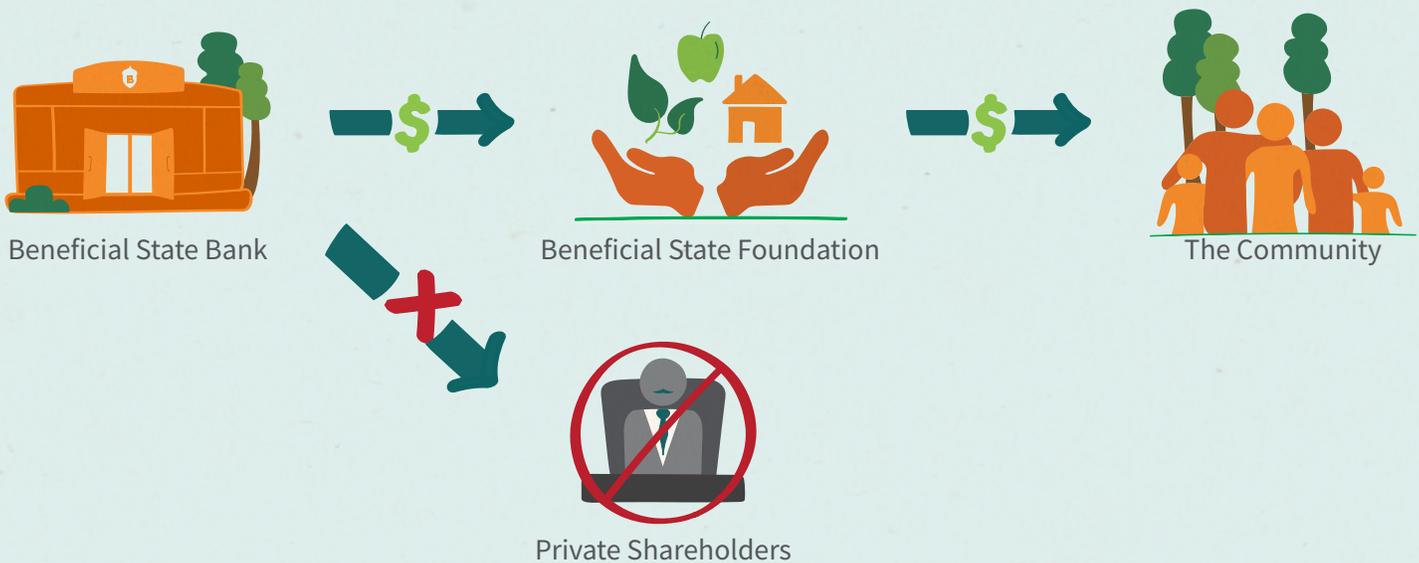
All of the economic interest of Beneficial State Bancorp and Beneficial State Bank must be and is owned by nonprofit organizations, with \$0 going to profit-maximizing shareholders. At present, the primary owner is Beneficial State Foundation, a nonprofit charity governed in the public interest which reinvests all distributed bank profits back into the communities we serve.

For more details of our ownership structure, visit our impact website at: beneficialstate.org/impact



How We Ensure Positive Impact

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



Impact through Nonprofit Ownership

Beneficial State Foundation: Nonprofit Shareholder

In our role as Beneficial State Bank's nonprofit economic shareholder, we at Beneficial State Foundation seek to transform the banking industry from an extractive, predatory model into one that serves the public interest and does no harm. Our work is organized into two major areas of engagement: as a banking systems change agent and as a bank owner, investor, and practitioner.

Banking Systems Change Agent

Policy Advocacy

Working in coalition, we advocate for an equitable and triple-bottom-line banking regulatory and policy agenda.

Field Building

We partner with equitable banking advocates and campaigners to build their capacity, convene and connect the field, and promote solutions to the public.

Bank Owner, Investor, and Practitioner

Impact Measurement

We develop impact measurement tools and practices, engage in standards-setting with partners, and translate what we learn to the broader banking industry.

Industry Relations

We engage directly with banks and industry associations to develop, adopt, and spread equitable and triple-bottom-line bank standards, practices, and behaviors.

Leadership Development

We develop the next generation of leaders advancing equitable banking and social finance through our summer fellowship program.

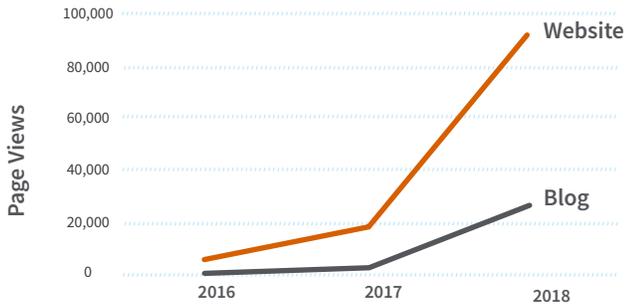
Clean Vehicle Assistance (CVA) Program

We administer the CVA Program in partnership with Beneficial State Bank to make clean vehicles more accessible and affordable.

Catalyzing Banking Systems Change through the Foundation's Digital Engagement

Beneficial State Foundation contributes to the growing field of equitable banking through our website, blog, and social media channels. On these powerful platforms, we connect, educate, and mobilize bankers, advocates, and policymakers to demand change. Our digital engagement growth, tracked since 2016, is all organic, meaning we don't use paid promotion.

Organic Website and Blog Traffic



2018 Most Popular Blog Posts

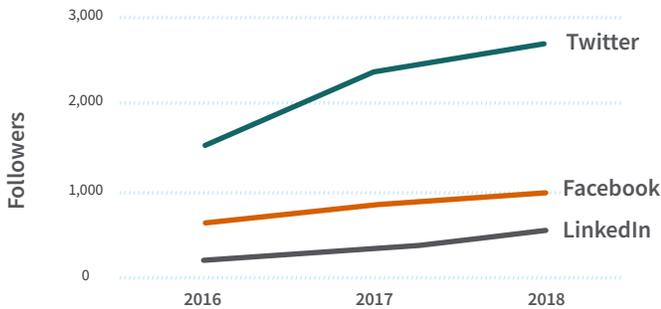
Wells Fargo's \$1 billion fine is not enough to change corporate behaviors ~ Kat Taylor, CEO and Founder of Beneficial State Bank

Launch of the Clean Vehicle Assistance Program

Remembering Aaron Brown, Oregon's first African American judge, and his fight to protect human rights

Employee ownership solution to "silver tsunami"

Organic Social Media Follower Growth



Who Are Our Followers?



What Do We Share on Twitter?

Beneficial State Fdn @BeneficialSTFdn

A win for shifting the flow of capital into underserved communities! As a proud bank holding company of a #CDFI that exists to meet the banking needs of our communities, we joined w/ allies to advocate for \$250 million for the #CDFIFund! #FinancialJustice #CDFIInvest #Equity twitter.com/CDBankers/stat...

CDBA @CDBankers
The Senate has just passed the FY 2019 FSGG appropriations bill. This includes \$250 million for the @CDFIFund, emphasizing CDFI support in underserved communities

2 12:33 PM - Aug 1, 2018

Beneficial State Fdn @BeneficialSTFdn

When you decide which bank to use, you make an economic vote.

How so? 🤔

Your deposits fund your bank's lending practice. Moving your money out of #banks that finance #fossilfuel projects is one way to show solidarity for issues like climate justice & Indigenous rights. #Divest



Beneficial State Fdn @BeneficialSTFdn

"We should not tolerate corporate actors who are harming the planet or people in any way. We have to change the banking system for good! Nothing else will suffice." @BeneficialState CEO Kat Taylor at #COCAP18 #COCAP #BeneficialBanking



Joining with Partners and Allies for Change

Beneficial State Foundation works in tandem with Beneficial State Bank to grow the movement of individuals and organizations moving their money to better banks and demanding structural changes to the banking system.



Community Development Bankers Association (CDBA)

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



B Lab

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



Global Alliance for Banking on Values (GABV)

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



NEW ECONOMY COALITION

New Economy Coalition

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

Spotlight



B Corp Campaign Vote Every Day. Vote B Corp

We helped launch B Corp's "Vote Every Day" Campaign to share how everyone has the power every day to vote with our dollars. By supporting B Corps, people can vote their values with the purchases they make, where they work, and the companies they do business with.

Spotlight



United Nations Sustainable Development Goals (SDGs)

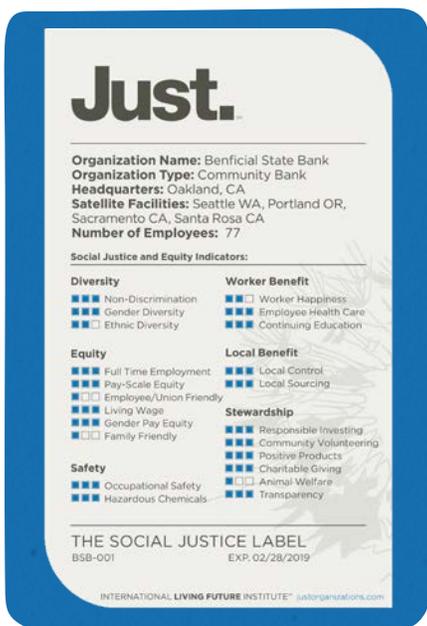
The SDGs consist of 17 interrelated goals that form the blueprint to a sustainable future. These goals work to improve health and education, reduce inequality, spur economic growth, and tackle climate change. Our values and lending practices align with the SDGs and we are committed to continue advancing our contribution to achieve these goals.

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



Radical Transparency

When radical transparency is the norm, people gain access to information and wake up to their agency in the banking system. At Beneficial State, we share our shortfalls just as much as our successes and lead by example as we demand greater accountability in the banking system. Through third-party audits from federal, state, and county agencies, as well as industry-based impact evaluators, we illustrate our commitment to accountability to all our stakeholders.



Jan 2019 CRA rating:
Outstanding
 based on data from
 2016 to 2018

B Corp certified,
 ranked 6th in the world
 with a score of 176

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

100%
 carbon neutral
 organization

Certified Community Development
 Financial Institution (CDFI) since 2009

We strive to **green**
certify all our bank
 locations.

Spotlight

Mission Principles Committee

At Beneficial State, we are always learning. We seek new information from stakeholders, activists, and social impact banking peers to improve our due diligence process. Our mission principles committee is comprised of Beneficial State Bank and Foundation staff, from a variety of departments who work together to learn, set, and implement mission guidelines, principles, and policies. These mission elements are incorporated into the bank and foundation's products and services, procurement with vendors and suppliers, operations, and corporate practices. Our mission principles are also used to guide other internal committees, such as product, credit, pricing, and management. This committee ensures that what we do is aligned with our Beneficial State values, as well as the standards of our banking partners and allies for change.



Radical Transparency Spotlight

Why Did We Intentionally Drop Our Own Impact Score?

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

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

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

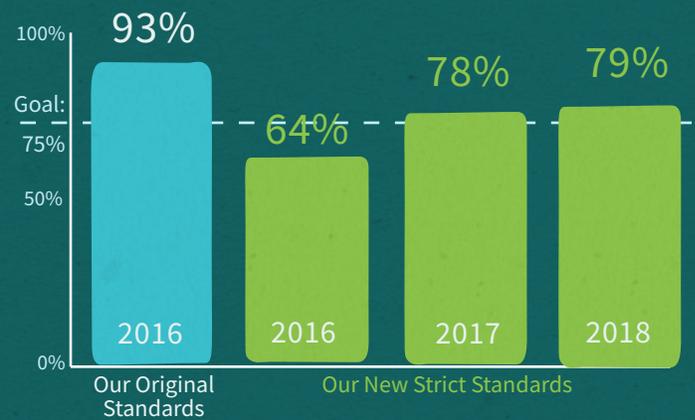
We stopped using the federal definition and determined that in

order to count a loan in a mission category, the borrower must be engaged in a truly mission-driven activity; it's not enough for the borrower to only be located in an LMI community.

Since raising our standards two years ago, we have increased our mission lending by 15 percentage points, up to 79%!

—Erin Kilmer Neel,

Executive Director + Chief Impact Officer, Beneficial State Foundation



Spotlight



Partnership for Carbon Accounting Financials (PCAF)

We joined 28 other GABV members to work with PCAF in standardizing the carbon accounting methodology in the financial industry. PCAF is the first global initiative that pushes financial institutions to calculate greenhouse gas emissions of their loans and investment portfolios. This open-source, free access methodology allows all banks and investors to utilize carbon accounting to reduce climate impact, align business strategies with the Paris Climate Agreement, and ultimately make carbon accounting a norm in the financial sector.

Spotlight



Fellowship Program

Lauren Glasby, 2018 Fellow

Diversity, Equity & Inclusion Research

"I was fortunate enough to work on diversity, equity, and inclusion, a topic I'm very passionate about, with Beneficial State Foundation as part of their incredible fellowship program. We must be aware of this history, the systems that fuel racial inequalities, and the actions we can take to create equitable change. Beneficial State Bank and Foundation are working to address structural barriers by providing access to financial services for all communities, especially traditionally under-served people"

Impact Through Loans & Deposits

Our Approach

Depositors as Crowdfunders

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

27,600
deposit accounts

\$806 million
in deposits

Product Design that Optimizes for Impact

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

Pass cost savings to clients

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

Design product terms that favor the customer

Many high-cost banking products are ripe for disruption, so we develop products with more customer-favoring and transparent terms that help people save money or get out of debt. We don't just

adhere to industry norms; we are seeking to reinvent them.

Offer fair and transparent pricing

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

Spotlight

Individual Development Accounts (IDAs)

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

In 2018, Beneficial State Bank and CASA of Oregon jointly supported *(as of December 31, 2018)*:

513
IDA savers

\$500
average savings

\$256,444
total saved in 2018



Changemaker Banking Relationships

Benefit to All

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

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

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

Harm to None

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

Our Approach: Who is a Changemaker?

1) Support Diverse and Distributed Ownership

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

2) Mission-driven Core Products & Services

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

3) Mission-driven Ownership Structures

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

4) Mission-driven Corporate Practices

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



to Oil, Coal, Natural Gas Extraction or Production
to Private Prisons
to Predatory Payday Lenders

Impact Through Loans & Deposits

Commercial Banking

Mission-Driven Business and Nonprofit Loans

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

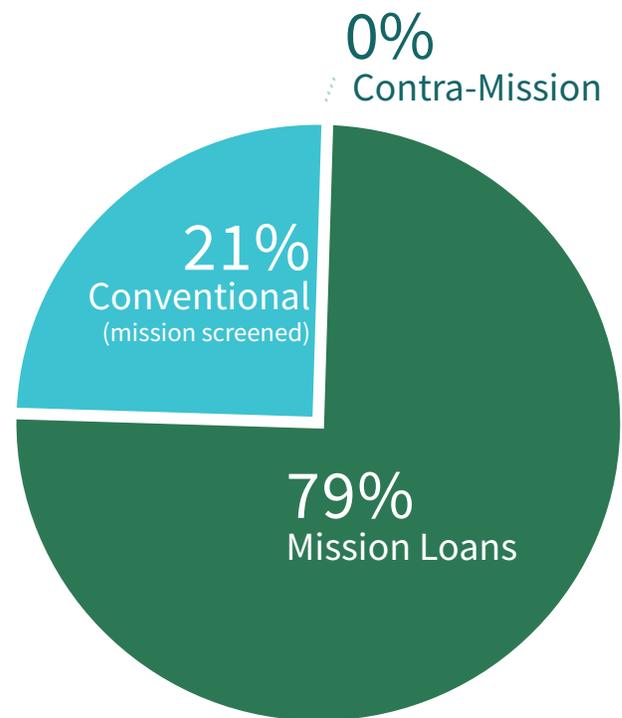
Business & Nonprofit Loans as of December 31, 2018

992
loans

827
borrowers

\$780 million
total outstanding
loan commitments

Mission Loan Commitments (Commercial & Consumer Combined)



Share Your Beautiful Profile: a Changemaker Spotlight

Nona Lim

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



Loans in Mission Categories

December 31, 2018 | \$ Million in Loan Commitments (MM)

Note: Some loans serve multiple mission categories



\$70MM

Economic, Business
& Job Development



\$20MM
Healthy Food



\$9.3MM
Social Justice



\$108MM
Environmental
Sustainability



\$56MM
Beneficial
Financial Services



\$116MM
Affordable Housing



\$34MM
Education & Youth
Development



\$55MM
Arts, Culture &
Community Building



\$44MM
Other Mission Business
or Nonprofit



\$61MM
Making, Manufacturing
& Production



\$65MM
Health & Wellbeing
(Non-Food)

Commercial Banking Cont.

Loans Supporting Mission Business Structures

B Corps & Benefit Corporations	\$8,618,460
Co-ops & Co-op Developers	\$1,603,059
Businesses with Employee Stock Ownership Plans (ESOPs)	\$13,485,628

Share Your Beautiful Profile: a Changemaker Spotlight

North River Boats

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

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

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



North River Boats supports the local economy by:

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

Watch the Video:
beneficialstate.com/northriverboats



Nonprofit Lending

All data as of December 31, 2018

\$172MM

in loans to

152

borrowers

22%

of our total
loan dollars

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

Affordable Housing

\$116MM

Total loans

5,615

Total deed-restricted affordable units
supported to date

8,529

Total affordable units supported to date

Renewable Energy

\$37MM

Total loans

500MM

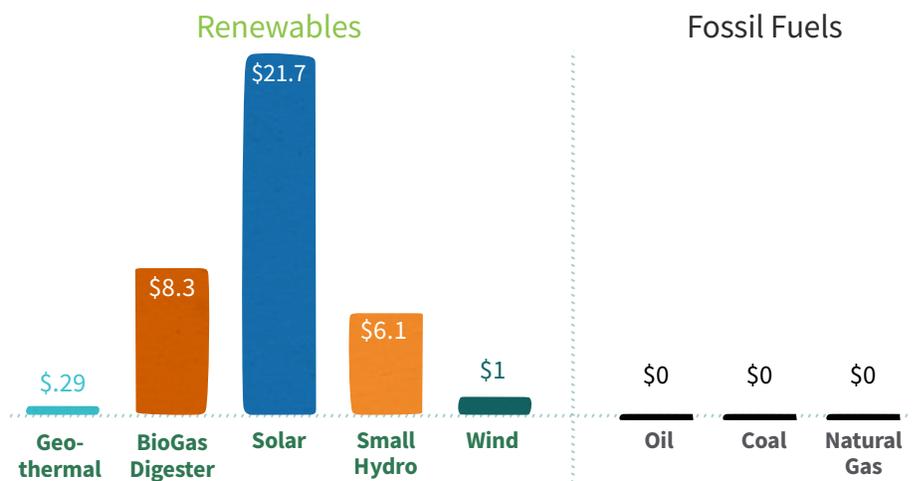
Total kwh
Renewable energy
produced to date

343,753 mT

CO2 Offset

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

Loans to Energy Projects to Date
(\$ Millions)



Impact Through Loans & Deposits

Consumer Lending

Fair & Transparent Consumer Lending

Pre-Prime Auto Lending

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

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

In mid-2018, we implemented an improved underwriting model. This model takes both the customer's credit score and contents of their file into account, allowing us to better serve pre-prime customers by offering them rates and terms that set them up for success (rather than defaults).

Whether it's our new approval process, loan terms, interest rates, car dealer agreements, or collections process, we are constantly striving toward improvement and greater mission alignment to help borrowers in an industry rife with predatory practices.

Auto Lending Highlights

as of December 31, 2018

8,914
borrowers

\$80MM
total loans
outstanding

602
average credit score*

*of borrowers with credit scores; 433 of our borrowers did not have a credit history when they got their auto loan

\$9,027
average
loan size

Radical Transparency Spotlight

Working on a Beneficial Credit Culture

Keelia Murphy, Socially-Responsible Credit Cards Product Research Fellow



Over the years, credit card usage has increased tremendously and so have exploitative and deceptive credit card practices. We have been working on developing the best way to provide

access to credit and debt that builds resiliency but avoid debt traps such as payday loans.

Keelia Murphy, one of our summer fellows, conducted extensive research on the credit card industry landscape and provided recommendations for creating a values-driven and mission-aligned consumer credit card program at Beneficial State. Her research contributed toward our continued efforts to develop a credit card that is not only good for the consumer, but also good for the community and the world.

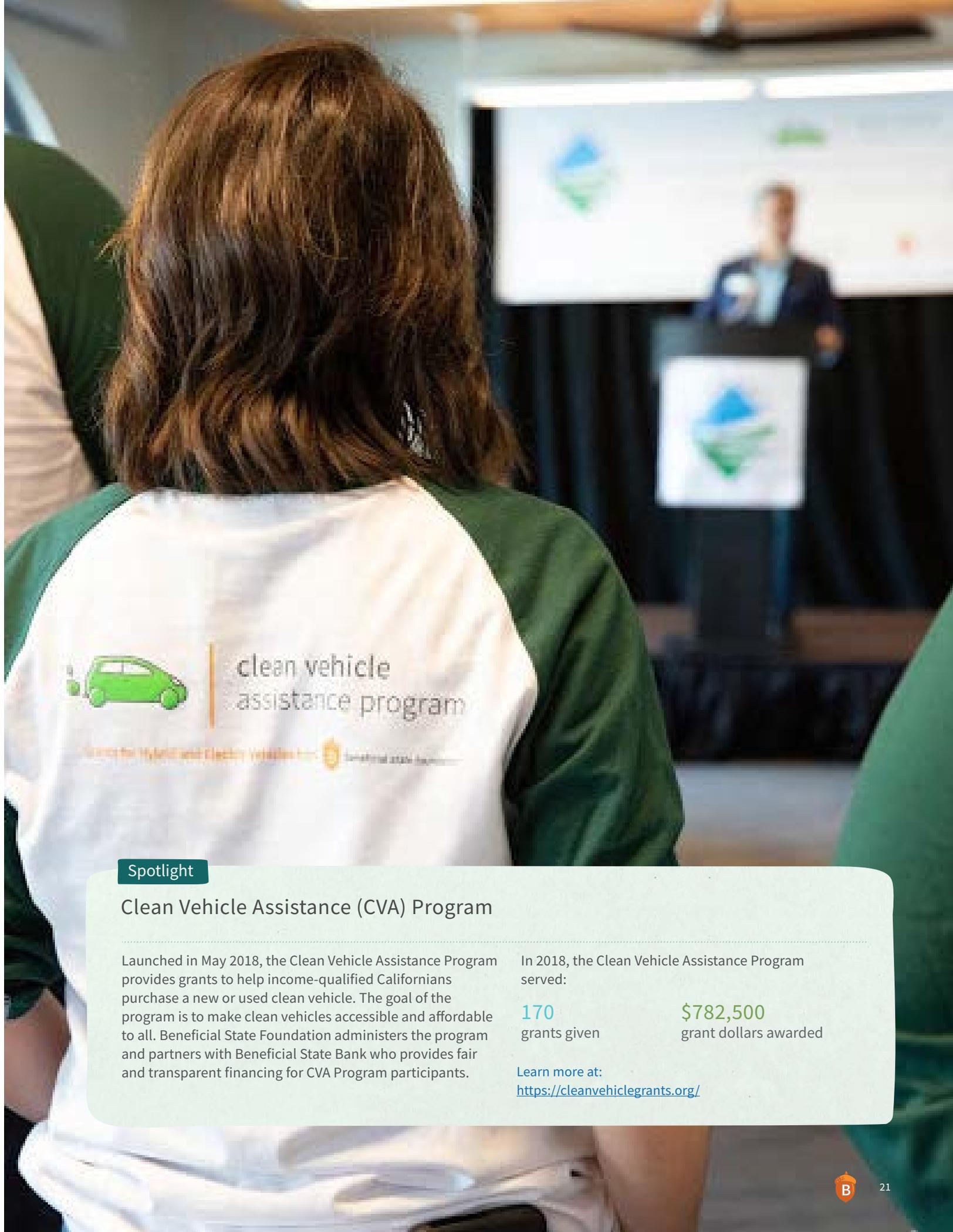
*Pre-Prime Definition!

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

Community-Driven Auto Lending

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





Spotlight

Clean Vehicle Assistance (CVA) Program

Launched in May 2018, the Clean Vehicle Assistance Program provides grants to help income-qualified Californians purchase a new or used clean vehicle. The goal of the program is to make clean vehicles accessible and affordable to all. Beneficial State Foundation administers the program and partners with Beneficial State Bank who provides fair and transparent financing for CVA Program participants.

In 2018, the Clean Vehicle Assistance Program served:

170
grants given

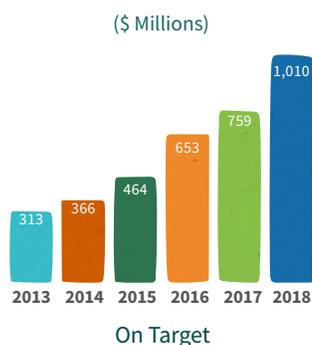
\$782,500
grant dollars awarded

Learn more at:
<https://cleanvehiclegrants.org/>

Sustainable Financials

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

Total Assets | How Big Is Our Bank?



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

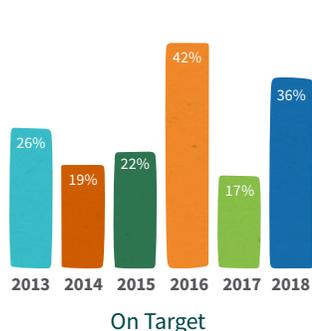
Why This is Important Larger asset sizes can bring scale efficiencies, making provision of products and services less expensive per customer. At Beneficial State, loans are one of the primary ways we create social impact. As we get larger and make more mission loans, we create a more positive social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

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

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

Peers/Standards Community Development Bankers Association (CDBA) Banks 2018 Average Assets: \$573MM
Average of four largest U.S. banks: \$1.8 Trillion (more than 1780 times larger than our bank)

Loan Growth - Originations | Earning Revenue



What This Means The percent of new loan growth from the previous year (dollar value of loans booked during the year), including new loans made, loans purchased, or loans added to the portfolio through a merger or acquisition minus any loans that have been paid down, paid off, sold or gone bad.

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

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

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

Peers/Standards CDBA Banks 2018: 7.32%

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



What This Means Total revenue from loans, fees, and other sources, minus expenses (not including taxes). Primarily reflects income from operations.

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

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

Our Goal Our target is to generate income to support our organic growth. Our adjusted, pre-tax income fell in 2017 due to extraordinary expenses including the adoption of the new federal tax code and prior business acquisitions.

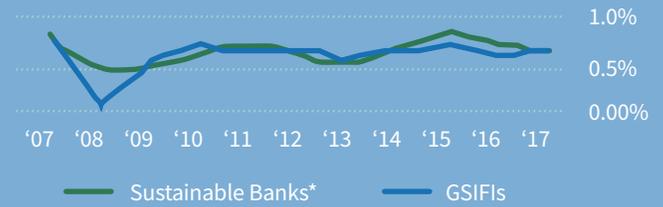
Peers/Standards No standard number for comparison because income varies with asset size.



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

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

RoA



* including Beneficial State Bank

From Real Economy—Real Returns: A Continuing Business Case for Sustainability-focused Banking
 GABV 2018 Research Report:
<http://www.gabv.org/wp-content/uploads/2018-GABV-Research-Report-Final.pdf>

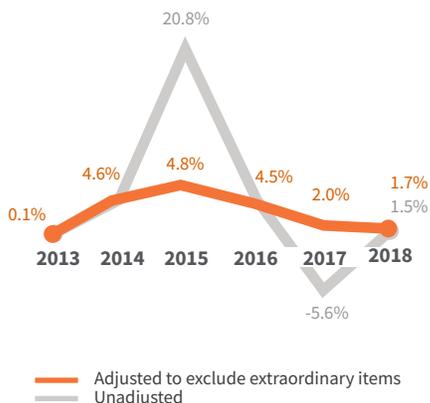


Erin and Jared Oakes, Starvation Alley, Beneficial State Bank Client

Beneficial State Financials

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

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



What This Means ROE reflects profits generated on investors' funds (equity). The orange line shows ROE excluding extraordinary income and expenses. The gray line shows ROE as reported without adjustment.

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

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

Our Goal 6-10%. We have fallen short of this goal, primarily due to investments in technology, business acquisitions, as well as one-time events, such as the adoption of new federal tax code and a system conversion. Likewise, we first became tax-paying in 2015, creating a large one-time tax adjustment based on historical activity, which drove the larger ROE that year.

Peers/Standards CDBA Banks 2018: 9.25%

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

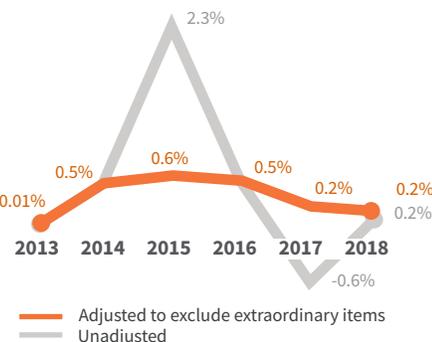
What This Means This reflects how efficiently a bank generates profit from its assets. The orange line shows ROA excluding extraordinary income and expenses. The gray line shows ROA as reported without adjustment.

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

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

Our Goal 0.7 - 1.15%. We have fallen short of this goal, primarily due to investments in technology, business acquisitions, as well as one-time events, such as the new federal tax code and a system conversion. Likewise, we first became tax-paying in 2015, creating a large one-time tax adjustment based on historical activity, which drove the large ROA that year.

Peers/Standards CDBA Banks 2018: 0.96%



Equity to Total Assets | Bank Strength and Resilience

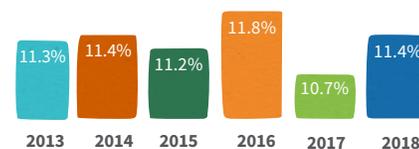
What This Means This displays how much of the bank's total assets are provided by owners/investors (equity) vs. its other primary funding (deposits and loans). The equity is kept in case of an emergency, to cover losses and unexpected events, keeping depositor dollars safe. Banks need to operate in a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

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

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

Our Goal 10%

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



Consistently Above Requirements



Net Interest Margin (NIM) | How We Deploy Our Deposits for Lending Activities

What This Means

Net Interest Margin mainly shows the differential between the rates paid to customers for deposits and what is made from borrowers for loans and on other interest earning assets.

Why This is Important

Net interest margin is generally the largest source of revenue and is used to cover operating costs and credit losses.

Mission Relevance

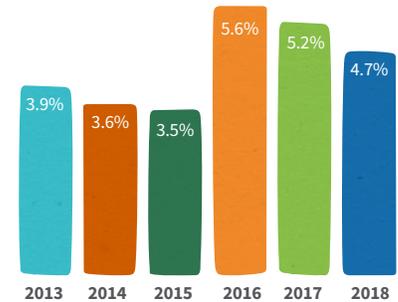
We strive to provide equitable rates to both depositors and borrowers in order to make an adequate return to sustainably operate the bank and fulfill our obligations and mission, but not to profit excessively. Starting mid-2016, our NIM began increasing due to a merger and acquiring a sub-prime auto lending portfolio. The portfolio had significantly higher interest rates than the rest of our loan portfolio. This is not to make huge profits, but rather to account for increased loss rates and per loan origination and servicing costs.

Our Goal

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

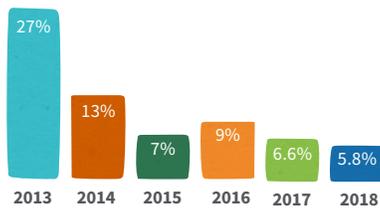
Peers/Standards

CDBA Banks: 4.05%



Good

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



Very Good

What This Means

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

Why This is Important

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

Mission Relevance

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

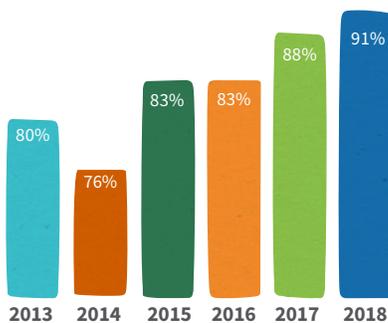
Our Goal

2018 plan: 6-10%

Peers/Standards

CDBA Banks 2018: 14.12%

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



Consistently Above Target

What This Means

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

Why This is Important

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

Mission Relevance

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

Our Goal

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

Peers/Standards

GABV standard: 75%



Beneficial Principles & Practices

We recognize it is culture that drives results. Our role is not only to support great businesses and nonprofits in the work that they are doing, but also to “walk the walk” by adopting prominent sustainable and socially responsible internal business practices.

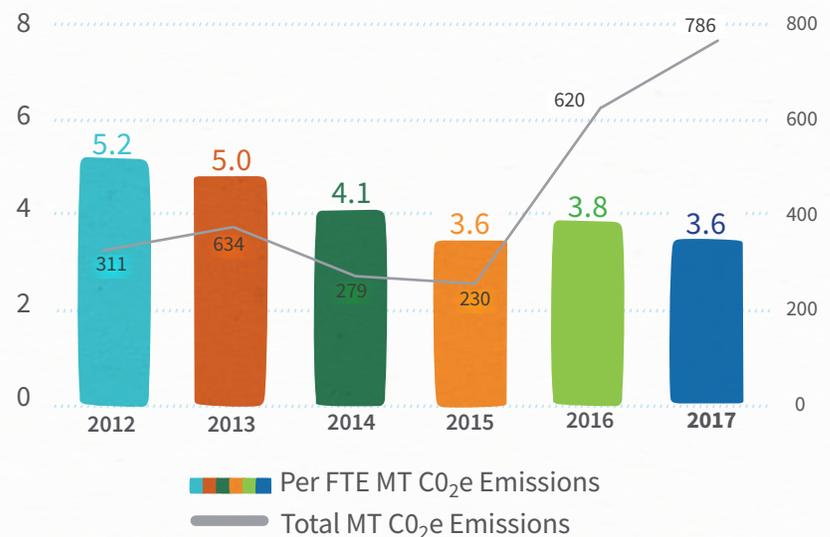
Measuring & Decreasing our Carbon Footprint

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

In 2016, Beneficial State Bank merged with Pan American Bank and we gained 8 new branches and our full-time equivalent (FTE) staff increased from 65 to 165, over 250%. This growth increased our total carbon emissions but our emissions per FTE between 2016 and 2017 have decreased from 3.8 to 3.6 MT CO₂e.

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

Greenhouse Emissions per Full-Time Employee (FTE) Continue to Decrease 2012-2017



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

Spotlight

Green Team Employee-led Culture Committee

Members consisting of staff and leadership work together in our Green Team to drive our internal sustainability efforts. The Green Team has a mission to 1) reduce our consumption of energy, natural resources, and materials; and 2) reduce contributions to greenhouse gas emissions, air and water pollution, and landfills.

Key accomplishments to date include: Green Business Certification, Earth Day celebrations, and organization wide-waste audit and reduction campaigns.



Planting seeds was one of the many activities during a week long celebration of Earth Day!

Community Support: 2018 Highlights

\$6,363 in donations made as part of the employee donation match benefit

\$316,700 in sponsorships across **210** entities

3,252 volunteer hours supported by our paid volunteer hour benefit

Beneficial Employment

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

All employees have **FULL BENEFITS**

87% Retention rate

32 hours of paid volunteer time/calendar year

\$250 charitable donation employee match

1:9* CEO - median salary ratio, compared to top 10 U.S. bank avg. of **1:265**

*Ratio calculated with compensation from highest-paid executive. Our CEO does not draw compensation from the bank.

Spotlight

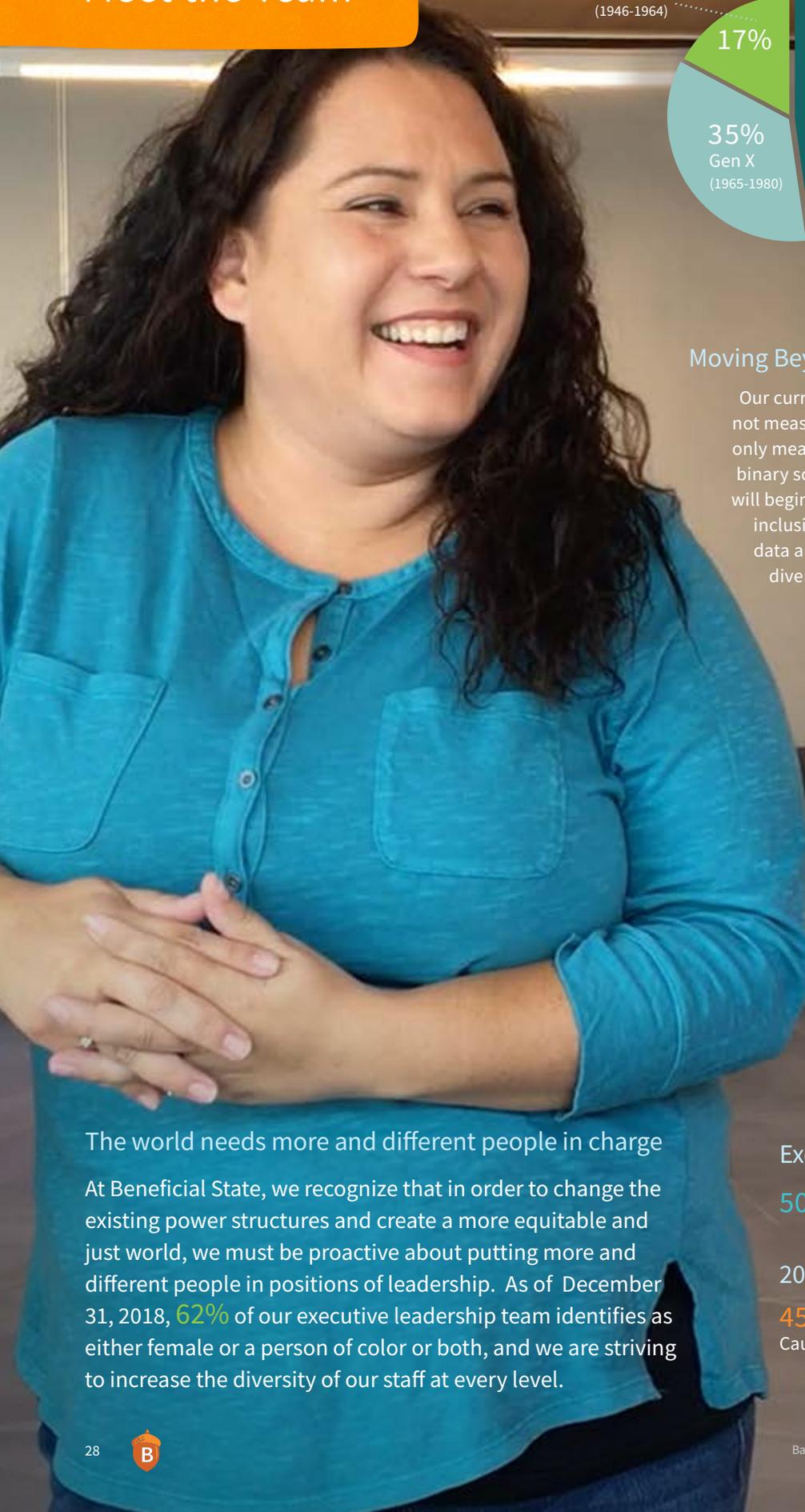
Diversity, Equity, and Inclusion Committee Employee-led Culture Committee

In 2017, we launched our Diversity, Equity, and Inclusion Committee to proactively embrace diversity and promote equity and social justice within our organization and in our society at large. The committee developed objectives and common language to lay the groundwork for organization-wide trainings, communications, workshops on systemic oppression, and much more.

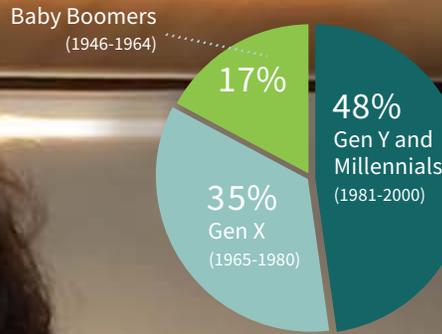
Key accomplishments to date include: inclusive welcome signs in branches; public statements and celebrations for PRIDE, World Refugee Day, Black History Month; organization-wide seminars on disability rights



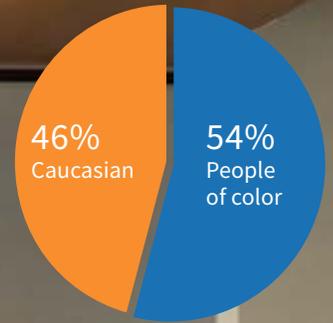
Meet the Team



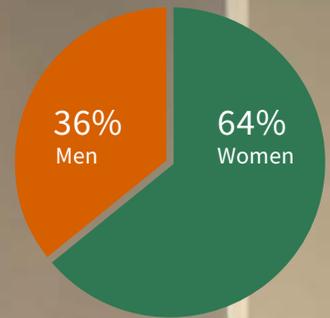
Age



Race/Ethnicity



Sex



Moving Beyond Binary

Our current statistics do not measure gender, and only measure sex using a binary scale. In 2020, we will begin to gather more inclusive and accurate data about the gender diversity of our staff.

Amanda Wingfield,
Operations Clerk in
Porterville, California.

The world needs more and different people in charge

At Beneficial State, we recognize that in order to change the existing power structures and create a more equitable and just world, we must be proactive about putting more and different people in positions of leadership. As of December 31, 2018, 62% of our executive leadership team identifies as either female or a person of color or both, and we are striving to increase the diversity of our staff at every level.

Executive Leadership

50% Female 25% Person of Color

2018 New Hires

45% Caucasian 44% Hispanic or Latinx 5% Asian 2% Black or African American



We asked our team:

What is your mission?



Cynthia Weaver | *Seattle, WA*

VP, Relationship Manager

I want everyone to whom I have any connection to come away from those interactions better for having known me. If

there is a way for me to bring out the good in every person or situation, then I can create a positive ripple that hopefully will spread beyond what I could ever imagine.



Annette Vasquez | *Visalia, CA*

Beneficial Banker

I love Beneficial State Bank for valuing our customers. I am able to build customer relationships and take the time to meet their

individual banking needs. My mission is to protect families from unfair lending practices and banking services through beneficial banking.

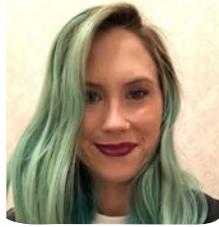


Symone Jackson | *Oakland, CA*

Beneficial State Foundation

Social Media and Digital Engagement Manager

I want to help build a world in which Black, Brown, Indigenous, and all other historically marginalized people can live and thrive with respect, dignity, and self-determination.



Lauren Dubé | *Oakland, CA*

AVP, Client and Treasury Associate

My role goes beyond being a banker. It is about taking action to cultivate a community that works together to fight climate change, challenge social and economic injustices, and celebrates each others' victories.



Christina McAlvey | *Portland, OR*

AVP, Business Banking Underwriter

I am passionate about helping our community pursue wellness and health so that everyone can appreciate their life. Lack of funds should never be a barrier to one's well-being and I value working with organizations fostering physical, mental, and emotional wellness.



Craig Hill | *Portland, OR*

VP, Client & Treasury Manager

I am here at Beneficial State explicitly because of our mission and what we're aiming to accomplish. Our planet and our communities can afford no less than businesses and individuals committing to real, actionable change in all of our actions, not just on the margins or by donations.

Meet our management team:

LYNN MARIE AUZENNE
SVP, Chief Marketing Officer

CEM BOLKAN
SVP, Chief Credit Officer

SUE CAMPO
EVP, Business Intelligence

ANNIE CLAYBAUGH
Beneficial State Foundation
VP, Director of Finance and Operations

JENNIFER FINGER
Beneficial State Bancorp
EVP, Strategy and Development

MIKE FRATARCANGELI
EVP, Chief Financial Officer

STEVE GOODRICH
EVP, Consumer and Micro-Commercial Lending

LAWRENCE HENRY JR
SVP, Head of Retail

MONIQUE JOHNSON
SVP, Director, Client and Treasury Management

RANDELL LEACH
President and Chief Operating Officer

ERIN KILMER NEEL
Beneficial State Foundation
Executive Director and Chief Impact Officer

KATE ROOD
Beneficial State Foundation
Organizational Development and Culture Director

TYSON SMITH
SVP, Chief Technology Officer

KAT TAYLOR
CEO & Co-Founder

JANN WALLACH
SVP, Compliance, BSA Officer

GRANT WORD
EVP, Director of Commercial and Business Banking



Looking Ahead to the Coming Years

Dear Stakeholders,

At Beneficial State Bank, we started with the goal of harnessing the power of finance as a force for good. We wanted to model what a bank could look like if it were truly invested in our communities. We are a group of entrepreneurs and social equity advocates committed to a values-driven business model, guided by a revolutionary ownership and governance structure, and fueled by contributions of capital in the public interest.

Since 2007, we have built our capacity, proving that a triple-bottom-line business model is not only essential, but an advantage—enshrined in our B Corp certification since 2012. Now in our twelfth year of operation, our focus is on building a regional community development bank with enough scale and reach to efficiently provide services that deliver enduring value for our clients.

We have expanded our product set and grown our team. Today at \$1 billion in assets, we are more than 240 people strong and we are as passionate as ever about making a difference. We have expanded our product set and added colleagues who are deeply committed to changing the way banks do business. Our extended product set is as mission-driven as always, following a first Do No Harm principle and seeking to serve marginalized communities rather than exploiting them for profit.

We will maintain our commitment to being more than a financial intermediary, recognizing that we are also a social intermediary that connects people and businesses. We will increasingly invest in technology to serve a broader range of clients. Our markets, value proposition, and financial management will determine our natural size — we will adapt to our ecosystem, not seek to control it.

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

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

Sincerely,



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

Randell Leach
President &
Chief Operating Officer



”

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

—Kat Taylor & Tom Steyer, Co-Founders

“

Beneficial Banking Products

Businesses & Nonprofits

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

Individuals

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





California

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

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

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

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

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

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

Santa Rosa | Branch
804 4th Street, Santa Rosa, CA 95404
Phone: 888.326.2265

Visalia | Branch
4025 West Caldwell Avenue, Suite E, Visalia, CA 93277
Phone: 559.734.5866

Oregon

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

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

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

Portland | Social Impact Banking / Pearl Branch
320 NW 10th Ave., Portland, OR 97209
Phone: 503.445.2150

Portland | Rose City Branch
5636 NE Sandy Blvd., Portland, OR 97213
Phone: 503.445.8700

Washington

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