Real Economy – Real Returns:
The Business Case for Values-based Banking

Research on Performance through Yearend 2018
January 2020
Real Economy – Real Returns: The Business Case for Values-based Banking

More than ten years have passed since the collapse of Lehman Brothers signified the start of the financial crisis. The impact of that crisis and the real and/or perceived lack of consequences for those responsible for the crisis continue to reverberate through our society. Increased consequences from climate change as well as financial inequality and exclusion make even more compelling the need for a financial system that supports individuals and enterprises addressing core issues facing society. Societal and environmental challenges and opportunities renew the call for a radical rethinking of our economic models by a variety of studies well summarised in commentaries by Martin Wolf in the Financial Times¹ and David Brooks in the New York Times².

Since the financial crisis, a group of values-based banks and banking cooperatives (VBBs) have demonstrated that a holistic focus on the real economy³ with a dedication to supporting economic, social and environmental impact delivers steady financial returns. These entities, all members of the Global Alliance for Banking on Values (GABV), operate in numerous markets, serve diverse needs, use distinct business models but share a common strategic foundation: the Principles of Values-based Banking (Appendix 1).

VBBs have constantly shown that serving the real economy delivers better and more stable financial returns than those shown by the largest banks in the world. These VBBs address the very real banking needs, especially access to credit, of enterprises and individuals within their communities. The success of this banking approach is verified by independent research.⁴

The societal, environmental and financial benefits of ‘doing good’ are not limited to VBBs. On 4 December 2019 the GABV, the European Investment Bank and Deloitte released co-sponsored research indicating that for the largest 100 commercial banks by market capitalisation as of September 2018, strong performance on sustainable materiality issues lead to better financial performance relative to returns to investors.⁵ The oft-stated claim that a focus on societal and environmental objectives lowers shareholder returns is not borne by evidence.

¹ “We must rethink the purpose of the corporation,” Martin Wolf, Financial Times, 11 December 2018.
³ The real economy relates to economic activities that generate goods and services as opposed to a financial economy that is concerned exclusively with activities in the financial markets.
The GABV envisions a world where finance is at the service of people and planet. It sees promising developments in the sector and beyond, including UNEP FI’s Principles of Responsible Banking with 130 signatories from 49 countries acknowledging the need of a framework to help align the banking industry with societal goals6, and the US Business Roundtable encouraging companies to consider environmental and societal wellbeing alongside the pursuit of profits7. With the world heading to exceed the goal of limiting global warming to well below 2°C as defined by the Paris Agreement8, recognition that climate-related risk and opportunities must be better understood (and managed) by investors and financial institutions is of particular importance.9 A recent review of climate initiatives by the Partnership for Carbon Accounting Financials highlights extensive opportunities for financial institutions to scale their efforts in this critical area.10

While these initiatives point to positive developments, especially with the commitment to identify, assess and improve the impact on people and environment resulting from banking activities, and to align portfolios to Paris Agreement targets, greater focus on the real economy would be an improvement as would be clear best practices and standards, which values-based banks provide.

This need for standards is particularly pressing in today’s complex and increasingly overcrowded sustainability space. A development likely to create confusion not only for financial institutions complying with increased reporting and engagement but also for the same stakeholders these initiatives are design to inform and be accountable to. In light of new frameworks to report corporate metrics on SDGs-related objectives11 and others in the pipeline coordination and cooperation across the sector is a ‘must’ and VBBs can show how.

The recognition that banks are accountable to society for the societal and environmental impacts of their financial intermediation reflects a growing interest in values-based banking by a broader group of banks.12 There is also evidence of the support for values-based banking by regulators in developing markets such as...
Nigeria, Malaysia, Peru and elsewhere.\textsuperscript{13} Of specific interest is the Value-based Intermediation strategy paper by Bank Negara, the central bank of Malaysia.\textsuperscript{14}

Since 2012 the GABV has published research comparing the results of VBBs with the largest banks in the world, the Global Systemically Important Banks (GSIBs)\textsuperscript{15,16}. This research originally looked at financial results through year-end 2010 and is now updated through year-end 2018. It is striking that with the crisis now several years behind us, the conclusions fundamentally remain the same.

Why isn't all banking done this way?

The data are clear: the business case for values-based banking is compelling. So why aren't all banks and banking cooperatives adopting this model? The reasons are many, ranging from: inertia and the power of the status quo, including existing personal incentive structures; a lack of courage and innovation by banking executives and shareholders in changing course; and limited awareness of the data provided by this and the other reports cited.

However, there is rapidly growing recognition of the need for change in how banks and banking cooperatives behave and operate.\textsuperscript{17} Over time this recognition should result in the growth of VBBs as well as increased focus on this approach by other banks and banking cooperatives within the overall financial ecosystem. There are increasing signs that investors are beginning to seek more stable returns from their investments in banks and banking cooperatives, where they can also verify that their capital is being used to support real economy activity creating value for society.\textsuperscript{18}

\textsuperscript{13} International Finance Corporation Sustainable Banking Guidance (http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+Sustainability/Partnerships/Sustainable+Banking+Network/SB+Guidance+from+SBN+Members/).

\textsuperscript{14} “Value-based Intermediation: Strengthening the Roles and Impact of Islamic Finance,” Bank Negara, 12 March 2018.

\textsuperscript{15} Learn more at the Financial Stability website (www.financialstabilityboard.org)

\textsuperscript{16} Listing of VBBs and GSIB Peer Groups can be found in Appendix 2.


Research Approach

The GABV research comparing the results of VBBs with GSIBs focuses on the following key questions:

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

This report provides the ninth update of that research and incorporates financial results through the end of 2018. The GABV research is based on publicly available financial information.

What is most striking is the consistency of conclusions over the years strongly supporting the business case for investing in and banking with VBBs that serve the real economy, and the business case for banking institutions that operate in accordance with the Principles of Values-based Banking.

Results – Financial Perspective

What support does a bank provide to the real economy?

Publicly available financial information does not currently provide a fully clear distinction between bank activities in the real economy in contrast to the financial economy. Furthermore, there is limited disclosure of non-balance sheet activities that are relevant. Therefore, this research uses lending and deposit information as a proxy for the distinction between the real and the financial economy activities of banking institutions. This assumption is believed to be appropriate but one where further research would be helpful although limited by publicly available data.

The degree to which a banking institution finances the real economy is evident from the portion of assets on its balance sheet devoted to lending (Table 1). As a group, the difference between VBBs and GSIBs is striking. For VBBs the level of lending is approximately double that of GSIBs. Moreover, it remains core to their activity with over 70% of their balance sheets devoted to lending compared to over 40% of the balance sheets of GSIBs in 2018. Even after the financial crisis of 2008, the GSIBs continued to have a substantial portion of their balance sheets focused on the financial economy, considered by many external observers to be a cause of the financial crisis.19

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19 Risks associated with large exposures to the financial economy remain undervalued.
Table 1 – Loans to Total Assets

<table>
<thead>
<tr>
<th>Loans / Total Assets</th>
<th>2018</th>
<th>2013</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>VBBs</td>
<td>74.6%</td>
<td>66.7%</td>
<td>70.5%</td>
</tr>
<tr>
<td>GSIBs</td>
<td>43.7%</td>
<td>40.9%</td>
<td>38.5%</td>
</tr>
</tbody>
</table>

In addition to the focus on lending, VBBs rely much more on client deposits to fund their balance sheets in comparison with GSIBs, although deposits are on the rise for some GSIBs looking for more stable returns\(^{20}\) (Table 2). This reliance on deposit taking is another example of VBBs’ focus on the real needs of individuals and enterprises and the real economy. Furthermore, this reliance by VBBs on customer deposits reduces the liquidity risk of their funding strategies while returning to the roots of banking that intermediates between clients with excess money and those in need of money for productive investments.

Table 2 – Deposits to Total Assets

<table>
<thead>
<tr>
<th>Deposits/Assets</th>
<th>2018</th>
<th>2013</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>VBBs</td>
<td>76.2%</td>
<td>76.3%</td>
<td>72.9%</td>
</tr>
<tr>
<td>GSIBs</td>
<td>57.7%</td>
<td>51.3%</td>
<td>45.7%</td>
</tr>
</tbody>
</table>

How resilient is a bank in the face of economic challenges?

The capital comparisons (Chart 1) between VBBs and GSIBs over the years have reflected growing regulatory pressure on all banks and banking cooperatives but especially GSIBs to increase capital. The shifts in capital comparisons since 2008 provide evidence that this regulatory pressure has improved the resiliency of the overall banking system in case of another financial crisis.

When measured by Equity/Total Assets VBBs have stronger capital positions although the gap with the GSIBs has reduced significantly from 2008 from almost 2% to slightly over 1%. As noted in prior research, higher levels of equity held by VBBs did not reduce their appetite to lend, challenging claims by some larger banking institutions that higher equity requirements lead to less lending.

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Risk-based capital measures show significantly stronger levels of capital by GSIBs since 2008.\textsuperscript{21} One driver of this change is likely to be pressure from regulators to increase capitalisation to reduce systemic risk.\textsuperscript{22} The GSIBs have remained since 2015 above 14\% whilst the VBBs since 2014 have remained consistently above 12\%.

**Chart 1 – Capital Comparisons**

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity / Total Assets</th>
<th>Tier 1 Capital Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VBBs</td>
<td>GSIBs</td>
</tr>
<tr>
<td>2008</td>
<td>8.6%</td>
<td>5.1%</td>
</tr>
<tr>
<td>2013</td>
<td>7.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>2018</td>
<td>8.6%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

\textsuperscript{21} Due to changes in capital regulation over the full time period, Tier 1 Ratios and RWAs/Total Assets Ratios are not fully comparable for the period of analysis.

In looking at Tier 1 Capital Ratios it is important to consider the impact of Risk Weighted Assets (RWA) which are used in the denominator of the ratio. The Tier 1 Capital ratios for GSIBs are significantly impacted by the relatively low level of RWAs compared to total assets, as calculated by their internal risk models. There is an ongoing discussion, led by regulators and supported by regulatory research, as to whether these calculated levels of RWAs fully capture the risks for which capital is required. Therefore, the strength of the Equity/Total Assets ratios of VBBs positions them well for challenging economic conditions in contrast to GSIBs with lower levels of equity to total assets.

It should be noted that the capital positions for both GSIBs and VBBs as well as other measures of resiliency are an area for which focused research could provide further insights. Better understanding of the drivers of the changes in these ratios over time as well as sources of differences across banks would provide useful insight into the overall resiliency of the banking system.

What returns does a bank provide to society, clients and investors?

VBBs have historically stable Returns on Assets (ROA) with limited volatility as measured by the standard deviation of these returns (Chart 2). Furthermore, the ROA for the VBBs is higher when compared to the GSIBs whilst having comparable volatility. The volatility is somewhat greater over the 10-year period reflecting the impact on returns in the period immediately after the financial crisis when nearly all banks and banking cooperatives faced challenges to their results. Of interest is that VBBs continued to have higher

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24 Initial work by Theresa Schafer points to the value of such inquiries but also to a range of difficulties isolating the core drivers of the observed stability of VBBs and its evolution relative to GSIBs (see The Stability of Values-Based Banks, Master Thesis – Master of Arts in Banking and Finance, University of St Gallen, unpublished).
ROAs and comparable volatility with respect to GSIBs over the last five years showing that returns are not negatively impacted by a focus on values-based banking rather than on maximising financial returns.

Relative to Returns on Equity (ROE) VBBs have lower performance only over the 10-year period analysed but with lower volatility in both the 5-year and 10-year time periods. ROE is impacted by the level of equity capital, which is lower at the GSIBs thus implying greater risk and enhancing their ROE. On balance it appears that banking focused on meeting societal needs can provide acceptable returns to investors in bank equity instruments.

**CHART 2 – ROA and ROE Comparisons**

![Chart showing ROA and ROE comparisons over 2008-2018 for VBBs and GSIBs](chart2)
### Return on Assets

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Average</td>
<td>St. Dev.</td>
</tr>
<tr>
<td>VBBs</td>
<td>0.65%</td>
<td>0.18%</td>
</tr>
<tr>
<td>GSIBs</td>
<td>0.57%</td>
<td>0.18%</td>
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### Return on Equity

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>St. Dev.</td>
</tr>
<tr>
<td>VBBs</td>
<td>8.3%</td>
<td>1.9%</td>
</tr>
<tr>
<td>GSIBs</td>
<td>8.0%</td>
<td>2.8%</td>
</tr>
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</table>

**What growth does a bank achieve to expand its impact?**

The issue of growth (Table 3) further demonstrates marked differences between the two groups. VBBs have had much higher growth in Loans, Deposits, Assets, Equity and Total Revenue compared to GSIBs over the periods analysed. One element driving higher growth for VBBs is their relatively smaller scale. Another element is that VBBs with a strong and long term client focus tend to have higher client loyalty and lower client attrition supporting growth. Another element is that in some markets clients are consciously choosing to move banking activities to VBBs finding products and services that uniquely meet their previously unserved or underserved needs. Further research on the sources of growth for both groups could be informative.

**Table 3 – Growth**

<table>
<thead>
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<tbody>
<tr>
<td>VBBs</td>
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</tr>
<tr>
<td>GSIBs</td>
<td>3.5%</td>
<td>4.3%</td>
</tr>
</tbody>
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European Challenges

Over the past few years our research has looked in more depth at the European market (Chart 3 and Appendix 4). There are 14 VBBs and 14 GSIBs based in Europe. Comparing these two groups operating with similar market conditions further highlights the strength of the values-based banking model. As shown in Chart 3, VBBs in Europe registered significantly higher levels of finance for the real economy, stronger levels of equity capital, and better levels of Return on Assets with lower volatility. They also delivered significantly stronger levels of growth over the period of analysis especially post-2008 when the crisis became evident.

The challenges facing European GSIBs and their ability to meet the needs of the European real economy is further illustrated by comparison with US GSIBs. Such comparisons are complicated by differences in accounting rules, especially relating to the balance sheet impact of derivative portfolios as detailed in the Federal Deposit Insurance Corporation Global Capital Index calculated as of yearend 2017. This analysis showed that on a comparable IFRS basis, US GSIBs would have just over 17% higher assets than reported under US GAAP. Nevertheless, the US GSIBs show both strong capital and earnings making them formidable competitors for the European GSIBs as well as potential sources of strength to the US economy.

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27 Full comparison details of European VBBs and European and US GSIBs (Appendix 3).
CHART 3 – European Comparison Graphs

**Loans to Total Assets**

- European VBBs
- European GSIBs
- US GSIBs

**Deposits to Total Assets**

- European VBBs
- European GSIBs
- US GSIBs

**Equity to Total Assets**

- European VBBs
- European GSIBs
- US GSIBs
Research Opportunities

The GABV research has over the years shown that financial returns have not been reduced through a focus on the real economy and banking models driven by supporting individuals and enterprises creating societal value. As noted above, the overall positive returns of sustainability focused banks have been demonstrated in a recently published study.29 The results for the banking sector are also observable in other sectors.30

Additional research into capital and resiliency as well as sources of growth would further understanding of the differences between VBBs and GSIBs. These topics are beyond the current research resources but provide areas for future expansion of this research.

Another area of inquiry is a better understanding as to how a focus on the real economy and societal and environmental sustainability have an impact both on financial performance and our capacity to transition to a low carbon economy.

Better data will contribute to the success of research efforts. The GABV’s Climate Change Commitment and the Partnership for Carbon Accounting Financials represent a step in this direction.31

Conclusions

VBBs continue to demonstrate steady financial returns and growth with a strong focus on the real economy built on solid capital positions. These entities support the intermediation of money to individuals and enterprises that deliver economic, social and environmental impact. They operate in numerous markets, serving diverse needs, using distinct business models but are united by a set of common guidelines, the Principles of Values-based Banking. Detailed information on their work can be found here and here.

Principle 1. Triple bottom line approach at the heart of the business model. Values-based banks integrate this approach by focusing simultaneously on people, planet and prosperity. Products and services are designed and developed to meet the needs of people and safeguard the environment. Generating reasonable profit is recognized as an essential requirement of values-based banking but is not a stand-alone objective. Importantly, values-based banks embrace an intentional approach to triple-bottom-line business – they don’t just avoid doing harm, they actively use finance to do good.

Principle 2. Grounded in communities, serving the real economy and enabling new business models to meet the needs of both. Values-based banks serve the communities in which they work. They meet the financial needs of these geographic and sector-based communities by financing enterprises and individuals in productive and sustainable economies.

Principle 3. Long-term relationships with clients and a direct understanding of their economic activities and the risks involved. Values-based banks establish strong relationships with their clients and are directly involved in understanding and analysing their economic activities and assisting them to become more values-based themselves. Proper risk analysis is used at product origination so that indirect risk management tools are neither adopted as a substitute for fundamental analysis nor traded for their own sake.

Principle 4. Long-term, self-sustaining, and resilient to outside disruptions. Values-based banks adopt a long-term perspective to make sure they can maintain their operations and be resilient in the face of external disruptions. At the same time, they recognize that no bank, or its clients, is entirely immune to such disruptions.

Principle 5. Transparent and inclusive governance. Values-based banks maintain a high degree of transparency and inclusiveness in governance and reporting. In this context, inclusiveness means an active relationship with a bank’s extended stakeholder community, and not only its shareholders or management.
**Principle 6. All of these principles embedded in the culture of the bank.**

Values-based banks seek to embed these principles in the culture of their institutions so that they are routinely used in decision-making at all levels. Recognizing that the process of embedding these values requires deliberate effort, these banks develop human resources policies that reflect their values-based approach (including innovative incentive and evaluation systems for staff), and develop stakeholder-oriented practices to encourage values-based business models. These banks also have specific reporting frameworks to demonstrate their financial and non-financial impact.
Appendix 2 – Listing of Peer Groups as of 31 December 2018

Global Systemically Important Banks (GSIBs)

1. Agricultural Bank of China
2. Bank of America
3. Bank of China
4. Bank of New York Mellon
5. Barclays
6. BNP Paribas
7. China Construction Bank
8. Citigroup
9. Credit Suisse
10. Deutsche Bank
11. Goldman Sachs
12. Group Crédit Agricole
13. HSBC
14. Industrial and Commercial Bank of China
15. ING Bank
16. JP Morgan Chase
17. Mitsubishi UFJ FG
18. Mizuho FG
19. Morgan Stanley
20. Nordea
21. Royal Bank of Scotland
22. Royal Bank of Canada
23. Santander
24. Société Générale
25. Standard Chartered
26. State Street
27. Sumitomo Mitsui FG
28. UBS
29. Unicredit Group
30. Wells Fargo
31. Groupe BPCE

Group BPCE was added in comparison with the list for 2017 yearend.

Values-based Banks and Banking Cooperatives (VBBs)

1. Alternative Bank Schweiz
2. Amalgamated Bank New York
3. Banca Popolare Etica
4. Banco Ademi
5. Banco Mundo Mujer
6. Banco Popular de Honduras
7. Banco Solidario
8. Bancompartir
9. BancoFie
10. BancoSol
11. Banfondesa
12. Bank Australia
13. Bank Muamalat
14. Bank of Palestine
15. Beneficial State Bank
16. BRAC Bank
17. Caisse d’Économie Solidaire Desjardins
18. Caja Arequipa
19. CARD Bank
20. Centenary Bank
21. City First Bank
22. Clearwater Credit Union (prev. Missoula Federal Credit Union)
23. Cooperativa Abaco
24. Cooperative Bank of Karditsa
25. Cultura Bank
26. Dai-Ichi Kangyo Credit Cooperative
27. Ecology Building Society
28. Ekobanken
29. ESAF Small Finance Bank
30. First Microfinance Bank Afghanistan
31. First Microfinance Bank Tajikistan
32. Freie Gemeinschaft Bank Schweiz
33. GLS Bank
34. Group Crédit Coopératif
35. Kindred Credit Union
36. Lapo Microfinance Bank
37. Magnet Bank
38. Merkur Cooperative Bank
39. National Cooperative Bank
40. NMB Bank Limited
41. Opportunity Bank Serbia
42. SAC Apoyo Integral
43. Southern Bancorp
44. Sunrise Community Banks
45. Triodos Bank
46. Umweltbank
47. Vancity
48. Verity Credit Union
49. Vermont State Employees Credit Union
50. Vision Banco
51. XacBank

* These banks and banking cooperatives did not have financial history for the full period covered for a variety of reasons including conversion to banks from micro-finance organisations as well as being de novo banks. The data for these banks were included in the analysis for all available years.

^Banks included in in the European analysis

` Banks part of the US subset in the European analysis
Appendix 3 - Financial Comparisons

### All Peer Groups

<table>
<thead>
<tr>
<th></th>
<th>2018 VBBs</th>
<th>2018 GSIBs</th>
<th>2013 VBBs</th>
<th>2013 GSIBs</th>
<th>2008 VBBs</th>
<th>2008 GSIBs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real Economy</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans/Assets</td>
<td>74.6%</td>
<td>43.7%</td>
<td>66.7%</td>
<td>40.9%</td>
<td>70.5%</td>
<td>38.5%</td>
</tr>
<tr>
<td>Deposits/Assets</td>
<td>76.2%</td>
<td>57.7%</td>
<td>76.3%</td>
<td>51.3%</td>
<td>72.9%</td>
<td>45.7%</td>
</tr>
<tr>
<td><strong>Capital Strength</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Equity/Assets</td>
<td>8.6%</td>
<td>7.4%</td>
<td>7.9%</td>
<td>6.6%</td>
<td>6.9%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Tier 1 Ratio</td>
<td>13.5%</td>
<td>14.3%</td>
<td>11.8%</td>
<td>13.0%</td>
<td>11.3%</td>
<td>10.1%</td>
</tr>
<tr>
<td>RWAs/Total Assets</td>
<td>60.4%</td>
<td>41.8%</td>
<td>62.2%</td>
<td>42.8%</td>
<td>58.3%</td>
<td>42.2%</td>
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### Financial Returns and Volatility

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>VBBs</td>
<td>GSIBs</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>0.65%</td>
<td>0.57%</td>
</tr>
<tr>
<td>Return on Assets - Standard Deviation</td>
<td>0.18%</td>
<td>0.18%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>8.3%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Return on Equity - Standard Deviation</td>
<td>1.9%</td>
<td>2.8%</td>
</tr>
</tbody>
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### Compound Annual Growth Rates

<table>
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<tr>
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<tbody>
<tr>
<td></td>
<td>VBBs</td>
<td>GSIBs</td>
</tr>
<tr>
<td>Loans</td>
<td>9.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Deposits</td>
<td>7.5%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Assets</td>
<td>10.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Equity</td>
<td>9.8%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>7.9%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
## European Comparisons

### European Peers Comparisons

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th></th>
<th>2013</th>
<th></th>
<th>2008</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>European VBBs</td>
<td>European GSIBs</td>
<td>US VBBs</td>
<td>US GSIBs</td>
<td>European VBBs</td>
<td>European GSIBs</td>
</tr>
<tr>
<td>Loans/Assets</td>
<td>76.3%</td>
<td>47.6%</td>
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<td>40.7%</td>
</tr>
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</table>

### Capital Strength

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2013</th>
<th>2008</th>
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</thead>
<tbody>
<tr>
<td>Equity/Assets</td>
<td>8.4%</td>
<td>6.2%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Tier 1 Ratio</td>
<td>13.6%</td>
<td>15.2%</td>
<td>14.8%</td>
</tr>
<tr>
<td>RWAs/Total Assets</td>
<td>57.2%</td>
<td>32.4%</td>
<td>53.9%</td>
</tr>
</tbody>
</table>

### Financial Returns and Volatility

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>European VBBs</td>
<td>European GSIBs</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>0.35%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Return on Assets - Standard Deviation</td>
<td>0.09%</td>
<td>0.19%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>5.3%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Return on Equity - Standard Deviation</td>
<td>1.3%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

### Compound Annual Growth Rates

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>European VBBs</td>
<td>European GSIBs</td>
</tr>
<tr>
<td>Loans</td>
<td>9.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Deposits</td>
<td>5.8%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Assets</td>
<td>8.3%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Equity</td>
<td>9.2%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>4.4%</td>
<td>-1.4%</td>
</tr>
</tbody>
</table>
Acknowledgements

This report was undertaken by the Global Alliance for Banking on Values (GABV) and builds on a March 2012 report developed by the GABV with financial support from The Rockefeller Foundation. At that time studies were conducted with the assistance of and input from Enclude, an advisory firm dedicated to building an inclusive and prosperous global economy. This research was originally supported by extensive input and guidance from GABV members, from Laurie Spengler, President – Enclude and her colleague and former GABV intern, Radek Halamka on the research and its consequences for banking, and from Tom Cummings relative to the values-based banking approach. Input and challenges from David Korslund, formerly Senior Adviser to the GABV and original author, remain invaluable. The primary author of this updated report is Adriana Kocornik-Mina, Senior Manager for Metrics and Research (adriana.kocornik@gabv.org). Extensive data support was provided by Federica Masut (federica.masut@gabv.org), colleague at the GABV. All conclusions and any errors remain the responsibility of the author.