



Global Alliance for  
Banking on Values

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

Research on Performance through Yearend 2019

February 2021



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At the start of the global health crisis in March 2020, historian Yuval Noah Harari wrote: “The decisions people and governments take in the next few weeks will probably shape the world for years to come.”<sup>1</sup> This statement is especially pertinent to the banking sector; their financial intermediation decisions were historically influencing inequality in wealth, access and use of technology, and exposure to climate-related disasters.<sup>2</sup>

As the world experiences what some consider the worst recession since the second world war<sup>3</sup>, several governments continue efforts to re-orient capital flows, mainstream sustainability in risk management, and foster transparency and long-term.<sup>4</sup> The good news is many are listening, some unexpectedly as indicated by nuanced and important criticism of Milton Friedman’s view that “a corporation’s only social responsibility [is] to increase its profits”.<sup>5</sup> Luigi Zingales’s essay in particular offers a useful perspective on the limit to societal value creation of a focus on maximizing shareholder value.<sup>6</sup>

Also, more financial institutions recognize that climate change is real and demands urgent action.<sup>7</sup> The world must change direction in order not to exceed the goal of limiting global warming to well below 2°C as defined by the Paris Agreement.<sup>8</sup> For a chance to succeed climate-related risk and opportunities must be better understood (and managed) by investors and financial institutions<sup>9</sup>, as well as regulators. Among others a report published by Finance Watch provides concrete recommendations about how banking prudential regulation can tackle the link between financial instability and climate change.<sup>10</sup>

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<sup>1</sup> Harari, Y. N. (2020), [“The world after coronavirus”](#), *Financial Times*, March 20.

<sup>2</sup> The decision criteria and risk models informing financial intermediation decisions by banks have significant impacts on society. If assets available today are worth more than those in the future, what Mark Carney has referred to as the ‘tragedy of the horizon’, environmental degradation is one likely outcome (GRI Commentary, [“Financing the climate change triple jump: how to align capital with a 1.5C world”](#), 6 November 2018).

<sup>3</sup> International Monetary Fund, [World Economic Outlook Update](#), January 2021.

<sup>4</sup> For example, the European Commission adopted a renewed [Sustainable Finance Strategy](#) on 6 July 2021 that sets out initiatives to support the transition to a sustainable economy in the EU, and to work closely with international partners to build a sustainable financial system.

<sup>5</sup> Milton Friedman, [“A Friedman doctrine – The Social Responsibility of Business is to Increase its Profits”](#), *The New York Times*, 13 September 1979.

<sup>6</sup> Luigi Zingales, Jana Kasperkevic and Asher Schechter (eds), *Milton Friedman 50 Years Later*, Stigler Center: Chicago, US, 17 November 2020.

<sup>7</sup> A 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, see [Shaping the climate action journey for financial institutions – Navigating through the cluster of climate initiatives](#).

<sup>8</sup> See [Report of the Conference of the Parties on its twenty-first session](#), held in Paris from 30 November to 13 December 2015.

<sup>9</sup> [“Ignoring climate risk is more costly than grappling with it”](#), Huw van Steenis, *Financial Times*, 8 January 2020.

<sup>10</sup> Thierry Philipponnat, [Breaking the climate-finance doom loop](#), Finance Watch, 8 June 2020.

The [Global Alliance for Banking on Values](#) (GABV) sees other encouraging developments in the sector; the more established including UNEP FI's Principles of Responsible Banking with its 214 signatories<sup>11</sup> and the UN-convened Net Zero Asset Owners Alliance committed to transition investment portfolios to net-zero Greenhouse Gas (GHG) emissions by 2050.<sup>12,13</sup> Others are in progress, including the World Benchmarking Alliance's Financial System Benchmark<sup>14</sup> and the ISO Technical Committee 322 on Sustainable Finance.<sup>15</sup>

Values-based banks and banking cooperatives (VBBs) practice banking with a holistic focus on the real economy<sup>16</sup> and have consistently 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, members of the GABV, who operate in numerous markets, serve diverse needs, use distinct business models but share a common strategic foundation: the [Principles of Values-based Banking \(Appendix 1\)](#). They address the very real banking needs, especially access to credit, of enterprises and individuals within their communities.

The societal, environmental and financial benefits of 'doing good' are not limited to VBBs. Research co-sponsored by the GABV, the European Investment Bank and Deloitte indicates that for the largest 100 commercial banks by market capitalisation, as of September 2018, strong performance on sustainable materiality issues leads to better financial performance relative to returns to investors.<sup>17</sup> Claims that a focus on social and environmental objectives lowers shareholder returns is not borne out by the evidence.

Despite the growing consensus that banks should deliver positive social and environmental impact, differences in opinion persist about the pace of change and its scope.<sup>18</sup> However, that banks are accountable to society for the societal and environmental impacts of their financial intermediation is now

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<sup>11</sup> "What are the Principles for Responsible Banking designed to achieve"? [UNEP FI Principles for Responsible Banking](#). Details on the approach can be found in the [Implementation Manual](#) for the Principles of Responsible Banking relative to Principle 2.

<sup>12</sup> The 33 institutional investors represent \$5.1 trillion assets under management. See, <https://www.unepfi.org/net-zero-alliance/>.

<sup>13</sup> Key market actors are also sending clear signals on climate action. Recently, Blackrock, the world's largest asset manager, indicated what it will expect companies to do regarding climate risk and the potential consequences of unmet expectations. See, Moral Money, "[BlackRock gives companies detailed climate targets](#)", *Financial Times*, 17 February 2021.

<sup>14</sup> The Financial System Benchmark will rank the 400 most influential financial institutions on their contribution to the achievement of the Sustainable Development Goals. See Scoping Report at <https://www.worldbenchmarkingalliance.org/financial-system-benchmark/>.

<sup>15</sup> The scope of this Technical Committee is standardization in the field of sustainable finance. For more information, see <https://www.iso.org/committee/7203746.html>.

<sup>16</sup> 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.

<sup>17</sup> [Do sustainable banks outperform? Driving value creation through ESG practices](#), kks advisors, co-sponsored by the European Investment Bank, the Global Alliance for Banking on Values and Deloitte, 4 December 2019.

<sup>18</sup> The European Commission announced a delay in implementing a key requirement for funds to provide information on the ESG risks in their portfolio (Siobhan Riding "[EU bows to pressure on anti-greenwashing rules deadline](#)", *Financial Times*, 7 October 2020), and reduced the number of metrics that investment managers must report (Moral Money, "[EU gives asset managers more wiggle room in new climate disclosure regulation](#)", *Financial Times*, 17 February 2021).

widely accepted and has prompted growing interest in values-based banking by a broader group of banks.<sup>19</sup> There is also evidence of support for values-based banking by regulators in developing markets.<sup>20</sup>

Although the full impact of the global health pandemic on the financial sector will not be known until 2022, at the earliest, a survey of 42 VBBs conducted in early Fall 2020 provides a helpful, albeit early indication of the direction of travel. This is particularly true in light of the disconnect observed between the performance of stock markets and the real economy<sup>21</sup> and makes it even more critical to intentionally revitalise inclusive and sustainable real economic activity.<sup>22</sup> Three take-aways in particular reflect the Principles of Values-based Banking in practice: (1) VBBs recognized and acted on the real opportunities to accelerate their digital offer to ensure continued support to clients; (2) VBBs reported relatively high participation in government support schemes; and (3) VBBs observed signs of resilience with respect to profitability, asset quality and non-performing loans.

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).<sup>23,24</sup> This research originally looked at financial results through year-end 2010 and is now updated through year-end 2019. It is striking that 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.<sup>25</sup> Over time this recognition should result in the growth of VBBs as well as increased

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<sup>19</sup> GABV banks regularly inform a growing body of work on sustainability and impact in banking. Under VALoRE, a project sponsored by the Open Society Foundation, the GABV is collecting best practices in social impact to disseminate for the work of the Platform on Sustainable Finance on the Social Taxonomy. For more information, please contact GABV's Metric and Research team at [adriana.kocornik@gabv.org](mailto:adriana.kocornik@gabv.org).

<sup>20</sup> International Finance Corporation [Sustainable Banking Guidance](#). Central Bank of Nigeria [Principles of Sustainable Banking](#).

<sup>21</sup> Deniz Igan, Divya Kirti, and Soledad Martinez Peria, "[The Disconnect between Financial Markets and the Real Economy](#)", Special Notes Series on Covid-19, International Monetary Fund, 26 August 2020.

<sup>22</sup> The 2020 Social Progress Index anticipates a delay in achieving the Sustainable Development Goals to 2082, over 50 years after the 2030 target date, and another decade more as a result of the Covid-19 pandemic. See Social Progress Imperative, "[Announcing the 2020 Social Progress Index](#)", 10 September 2020.

<sup>23</sup> Learn more at the Financial Stability website ([www.financialstabilityboard.org](http://www.financialstabilityboard.org)).

<sup>24</sup> Listing of VBBs and GSIB Peer Groups can be found in Appendix 2.

<sup>25</sup> John Kay (2015), *Other People's Money: The Real Business of Finance*, Public Affairs, New York.

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.<sup>26</sup>

## 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 tenth update of that research and incorporates financial results through the end of 2019. 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.

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<sup>26</sup> Certainly in the banking sector (*Do sustainable banks outperform? Driving value creation through ESG practices*, kks advisors, co-sponsored by the European Investment Bank, the Global Alliance for Banking on Values and Deloitte, 4 December 2019), but also in other sectors (“Corporate Sustainability: First Evidence on Materiality” by Mozaffar Khan, George Serafeim, and Aaron Yoon in *The Accounting Review* 91 (6): 1697-1724. An earlier version of the paper is available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2575912](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2575912).)

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 slightly over 70% of their balance sheets devoted to lending compared to slightly over 40% of the balance sheets of GSIBs in 2019. 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.<sup>27</sup>

**Table 1 – Loans to Total Assets**

<b>Loans / Total Assets</b>	<b>2019</b>	<b>2014</b>	<b>2009</b>
VBBs	72.1%	71.5%	71.3%
GSIBs	42.1%	39.9%	40.3%

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 (Table 2).<sup>28</sup> The increase in deposit funding might also be the result of excess liquidity in the system rather than a strategic choice by GSIBs.<sup>29</sup> This will be likely even more so in 2020 and 2021 as the liquidity from aggressive monetary, fiscal and financial sector policies to prevent worse outcomes from Covid-19<sup>30</sup> flows through the system.

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**

<b>Deposits/Assets</b>	<b>2019</b>	<b>2014</b>	<b>2009</b>
VBBs	81.2%	78.0%	75.4%
GSIBs	53.1%	50.5%	47.0%

<sup>27</sup> Risks associated with large exposures to the financial economy remain undervalued.

<sup>28</sup> [“Why Goldman Sachs is playing catch-up with JPMorgan”](#), *Financial Times*, 16 January 2020.

<sup>29</sup> For others, the increase in deposit funding reflects GSIBs' search for a cheap alternative to finance their international investment banking operations. See, Stephen Morris, [“Banks set for clash with UK regulator over ringfencing rules”](#), *Financial Times*, 8 February 2021.

<sup>30</sup> International Monetary Fund, *World Economic Outlook Update*, January 2021.

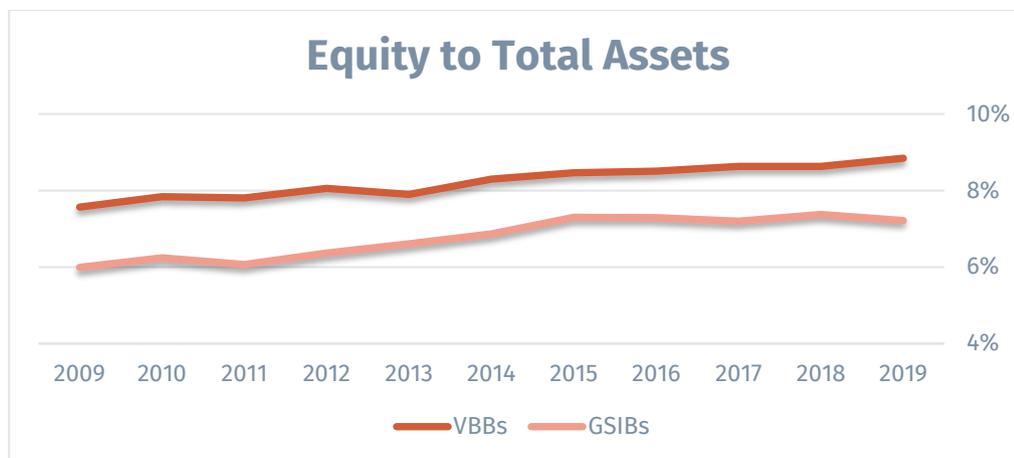
## How resilient is a bank in the face of economic challenges?

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 2009 provide evidence that this regulatory pressure has improved the resiliency of the overall banking system in case of another financial crisis. Since 2015, the capital level of GSIBs has levelled at around 7%.

When measured by Equity/Total Assets VBBs have stronger capital positions although the gap with GSIBs since 2009 has consistently remained above 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.

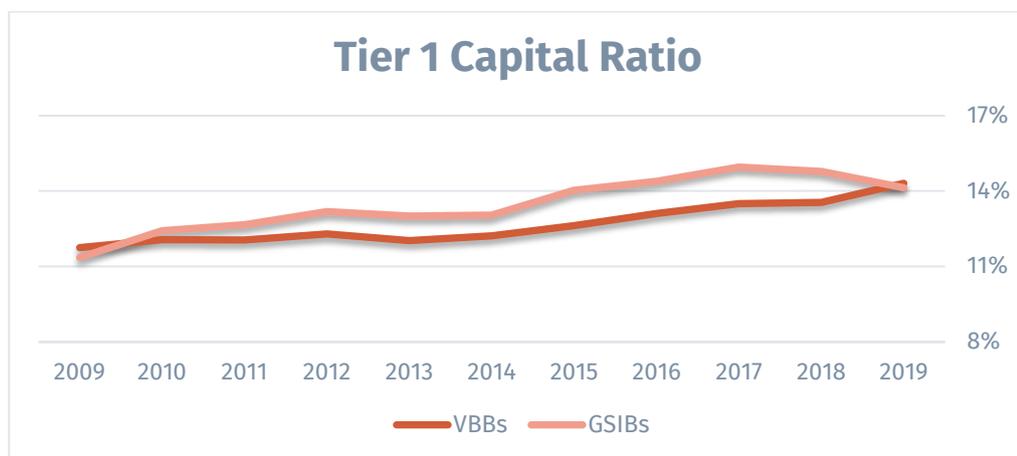
Risk-based capital measures show stronger levels of capital by GSIBs since 2010.<sup>31</sup> One driver of this change is likely to be pressure from regulators to increase capitalisation to reduce systemic risk.<sup>32</sup> The GSIBs have remained since 2011 above 13% whilst the VBBs have remained consistently above 11% throughout the period.

**Chart 1 – Capital Comparisons**



<sup>31</sup> 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.

<sup>32</sup> “Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement”, Basel Committee on Banking Supervision, July 2013. (<https://www.bis.org/publ/bcbs255.pdf>). On 22 January 2020, the European Banking Authority announced a review of its EU-wide stress test approach with the launch of a public consultation on possible future changes (<https://eba.europa.eu/eba-consults-future-eu-wide-stress-test-framework>).



Equity / Total Assets	2019	2014	2009
VBBs	8.8%	8.3%	7.6%
GSIBs	7.2%	6.9%	5.0%

Tier 1 Ratio	2019	2014	2009
VBBs	14.3%	12.2%	11.8%
GSIBs	14.1%	13.0%	11.4%

RWA / Total Assets	2019	2014	2009
VBBs	57.9%	61.9%	58.2%
GSIBs	41.6%	42.8%	40.8%

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.<sup>33</sup> 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.

Over the 10-year period banks have strengthened their capital significantly, an indication of a healthier banking system.

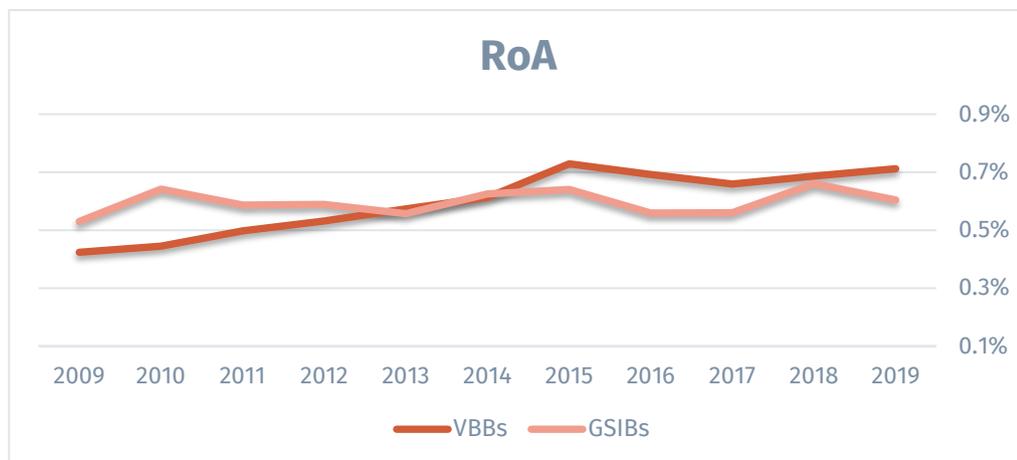
<sup>33</sup> [The Dog and the Frisbee](#); Andrew Haldane, Executive Director Financial Stability, Bank of England, delivered to the Federal Reserve Bank of Kansas City Economic Policy Symposium; Jackson Hole, Wyoming, 31 August 2012. [Back to Basics](#): A Better Alternative to Basel Capital Rules; Thomas M. Hoenig, Director, Federal Deposit Insurance Corporation, delivered to The American Banker Regulatory Symposium; Washington, D.C., 14 September 2012.

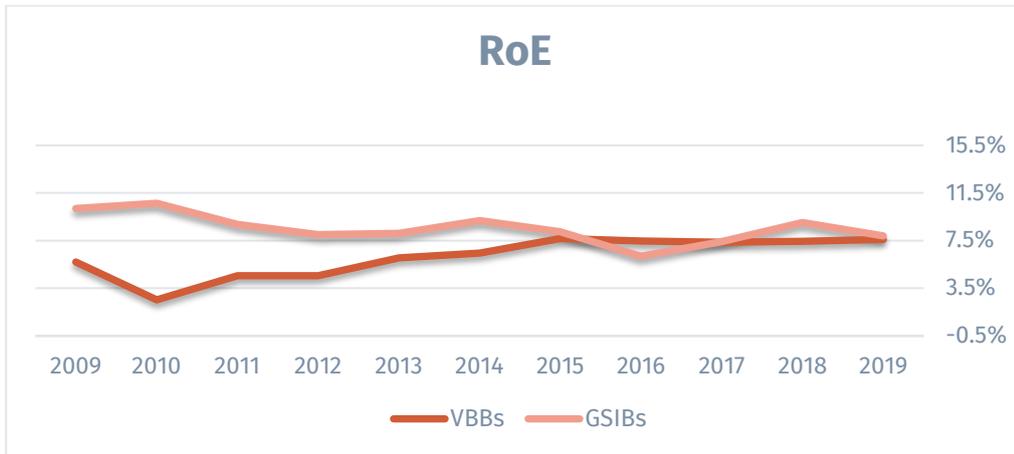
## What returns does a bank provide to society, clients and investors?

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 after the financial crisis when nearly all banks and banking cooperatives faced challenges to their results. In the 5-year period VBBs had higher ROAs and lower volatility with respect to GSIBs 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. In the 5-year period they exhibit both higher performance and lower volatility with respect to GSIBs. 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**





	Return on Assets	
	5y (2015-2019)	
	Average	St. Dev.
VBBs	0.73%	0.18%
GSIBs	0.60%	0.21%

	10y (2010-2019)	
	Average	St. Dev.
VBBs	0.65%	0.27%
GSIBs	0.61%	0.24%

	Return on Equity	
	5y (2015-2019)	
	Average	St. Dev.
VBBs	8.4%	2.1%
GSIBs	7.8%	2.9%

	10y (2010-2019)	
	Average	St. Dev.
VBBs	7.3%	4.2%
GSIBs	8.4%	3.7%

### 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 might be clients deciding to leave large banks that are less client-centred and/or choosing to move banking activities to VBBs.<sup>34</sup> Further research on the sources of growth for both groups could be informative.

<sup>34</sup> [Behavioural Science can help more consumers bank sustainably](#), G. Smith, ideas42.

**Table 3 – Growth**

	<b>5y (2015-2019)</b>	<b>10y (2010-2019)</b>
<b>Loans</b>		
VBBs	9.5%	13.5%
GSIBs	3.1%	4.5%
<b>Deposits</b>		
VBBs	7.4%	12.9%
GSIBs	2.6%	4.2%
<b>Assets</b>		
VBBs	9.9%	15.2%
GSIBs	1.5%	2.7%
<b>Equity</b>		
VBBs	9.7%	12.7%
GSIBs	2.7%	5.0%
<b>Total Revenue</b>		
VBBs	8.0%	9.0%
GSIBs	-0.1%	2.0%

## Research Opportunities

Over the years GABV research has shown that financial returns have not declined because of a focus on the real economy and banking models driven by supporting individuals and enterprises creating societal value.

The world we live in has changed in response to Covid-19. Its impact on livelihoods and real economic activity will be long-lasting. For example, the 2020 Social Progress Index now anticipates a delay in achieving the Sustainable Development Goals to 2082, over 50 years after the 2030 target date. The Covid-19 pandemic will cause further delay.<sup>35</sup> In this context, research into the economic consequences of the Covid-19 pandemic and the role of banking is important. It would also serve to further understand the differences between VBBs and GSIBs. The topic is beyond the scope of the current research but could be a subject for an extension of this research in the future.

<sup>35</sup> See Social Progress Imperative, "[Announcing the 2020 Social Progress Index](#)", 10 September 2020.

Additional, related research on social impact approaches of VBBs and GSIBs is also needed. The GABV, with financial support from the Open Society Foundation, currently collates VBBs' social impact best practices and impact indicators to help inform the work of the European Commission on the EU Taxonomy. VBBs' approaches to banking that delivers social impact are valuable to reshape the future of clients and communities for inclusion and sustainability.

Better data will contribute to the quality and relevance of future research efforts. The [Partnership for Carbon Accounting Financials](#), a methodology to assess and disclose the carbon emissions of financial institution's loans and investments, represents a step in this direction.<sup>36</sup> A better understanding of how VBBs and GSIBs are delivering on their commitment to assess and disclose the GHG emissions of loans and investment portfolios can stimulate action to align with the Paris Climate Goals. The GABV is working with students from the London School of Economics to gather best practices of VBBs implementing GHG accounting methodologies and, importantly, the strategic decisions that have followed carbon accounting. Decisions informed by better data and disclosure will help to shape the world for future generations, after all.

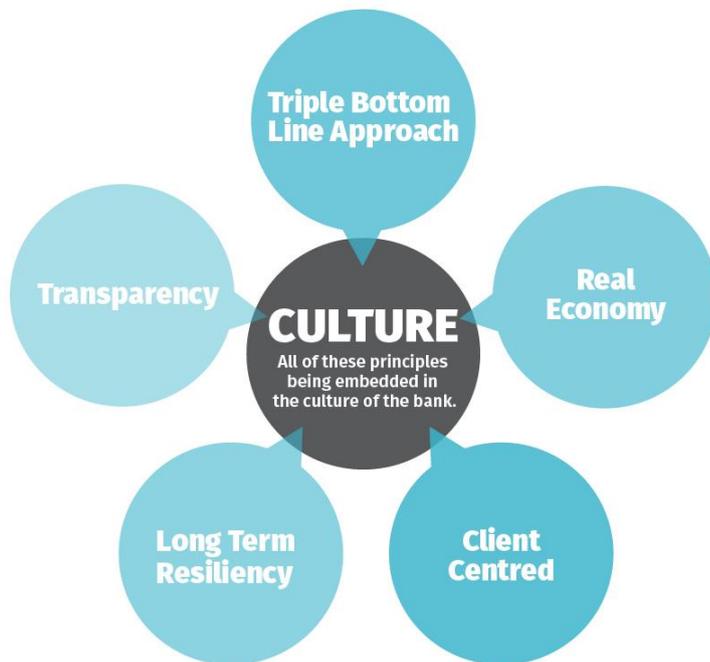
## Conclusions

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 positive economic, social and environmental impact. They operate in numerous markets, serving diverse needs, using different business models but are united by a set of common guidelines, the [Principles of Values-based Banking](#). The strength of VBBs lies in their commitment to serve their clients and communities. In a changing world VBBs continue to excel in this important work.

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<sup>36</sup> Global Banking Leaders Commit to Align their Carbon Footprint with Paris Agreement, 4 March 2019, available at [www.gabv.org/the-impact/carbon-accounting/climate-change-commitment](http://www.gabv.org/the-impact/carbon-accounting/climate-change-commitment), and Carbon accounting standard and data, Partnership for Carbon Accounting Financials, available at [carbonaccountingfinancials.com/global-carbon-accounting-standard](http://carbonaccountingfinancials.com/global-carbon-accounting-standard).

## Appendix 1 Principles of Values-based Banking



### **Principle 1. Social and environmental impact and sustainability are 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 do not 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 people.**

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 leadership and the culture of the member financial institution.**

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 2019

### Global Systemically Important Banks (GSIBs)

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

### Values-based Banks and Banking Cooperatives (VBBs)

- |   |  |   |
|---|--|---|
| 1. Alternative Bank Schweiz                 | 19. City First Bank  | 33. Grooming Microfinance*                |
| 2. Amalgamated Bank New York                | 20. Clearwater Credit Union (prev. Missoula Federal Credit Union)* | 34. Kindred Credit Union                  |
| 3. Banca Popolare Etica                     | 21. Cooperative Bank of Karditsa                                   | 35. Lead Bank                             |
| 4. Banco de Antigua                         | 22. Cultura Bank   | 36. MagNet Bank                           |
| 5. Banco Mundo Mujer                        | 23. Dai-Ichi Kangyo Credit Cooperative                             | 37. MegaBank                              |
| 6. Banco Popular de Honduras*               | 24. Decorah Bank   | 38. Merkur Cooperative Bank               |
| 7. Banco Solidario                          | 25. Ecology Building Society                                       | 39. Muktinath Bikas Bank                  |
| 8. BancoSol                                 | 26. Ekobanken  | 40. National Cooperative Bank             |
| 9. Banfondesa                               | 27. First Microfinance Bank Afghanistan                            | 41. NMB Bank Limited                      |
| 10. Bank Australia                          | 28. First Microfinance Bank Tajikistan                             | 42. Opportunity Bank Serbia               |
| 11. Bank Muamalat                           | 29. Freie Gemeinschaft Bank Schweiz                                | 43. Opportunity Ghana*                    |
| 12. Bank of Palestine                       | 30. FolkeSparekassen   | 44. Southern Bancorp                      |
| 13. Beneficial State Bank                   | 31. GLS Bank   | 45. Sunrise Community Banks               |
| 14. BRAC Bank                               | 32. Crédit Coopératif*   | 46. Triodos Bank                          |
| 15. Caisse d'Économie Solidaire Desjardins* |  | 47. Umweltbank                            |
| 16. CARD Bank                               |  | 48. Vancity                               |
| 17. Centenary Bank                          |  | 49. Verity Credit Union*                  |
| 18. Charity Bank                            |  | 50. Vermont State Employees Credit Union* |
|   |  | 51. Vision Banco                          |
|   |  | 52. 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. A few VBBs were not included due to more extensive missing data.

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