Global Alliance for Banking on Values

Strong, Straightforward and Sustainable Banking

Financial Capital and Impact Metrics of Values Based Banking

Full Report

March 2012

GLOBAL ALLIANCE FOR BANKING ON VALUES

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GLOBAL ALLIANCE FOR BANKING ON VALUES

www.gabv.org

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Strong, Straightforward and Sustainable Banking

A Report on Financial Capital and Impact Metrics of Values Based Banking

Executive Summary

Over the past year, intense and wide-ranging debate has arisen on the heels of the global financial crisis. In recent months, the critique has turned to capitalism itself, with media headlines posing questions such as 'Crisis in Capitalism?' and 'What's wrong with capitalism?' Criticism has targeted the international financial system, questioning the role and activities of banks in particular.

Questions have focused on how banks have generated their returns and, even more closely, on how they have shared their returns with various stakeholders including customers, investors, employees (especially senior management), and wider society more generally. While the debate continues to draw attention a group of banks has for some time been answering many of these challenges by delivering strong, straightforward and sustainable banking services.

Sustainable banks have consistently delivered products, services and social, environmental and financial returns to support the real economy[1]. These banks demonstrate decades of responsible banking and a consistent commitment to productive economic activity. They have increased their activity during the present recession, expanding their lending to small and growing businesses in particular. Committed to providing a broad range of banking services to the real economy over the long-term, they highlight the powerful role of sustainable banks as stewards of successful, equitable capitalism.

Many of these sustainable banks have been in business for a few decades, others for far longer. Their models of providing long-term, patient but sustainably profitable banking services have been at the heart of some of the world's most successful economies, especially in the small and growing business sectors. The vital role that these banks play in true economic development is increasingly recognized in the debate over how to restructure local and global finance.

The evidence of their success suggests a renewed emphasis in public policy, and by investors, on sustainable banks, could provide the long-term path for responsible banking. Such responsible banking is necessary to support a more just, environmentally sound, and sustainable economy.

Starting in May 2011, the Global Alliance for Banking on Values (GABV)[2], a network of front-running sustainable banks, undertook a project to examine the financial capital dynamics and impact metrics systems of sustainable banks. This project[3], although focused on GABV members, also included non-members with similar business models to GABV members. The project compared the financial profiles of these sustainable banks[4] with Global Systemically Important Financial Institutions (GSIFIs) as defined by the Financial Stability Board[5].

1. 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.
2. For more information: www.gabv.org/. In completing the project, the GABV engaged ShoreBank International Ltd. (SBI) a global advisory firm specializing in financial inclusion and capital mobilization (www.shorebankinternational.com).
3. Project description provided in Appendix 2.
4. Full list of sustainable bank project participants can be found in Appendix 3.
5. For more information: www.financialstabilityboard.org/. Full list of GSIFIs found in Appendix 6.

In addition to gathering substantial information and conducting in-depth interviews with the sustainable banks, the project surveyed potential sources of financial capital to support the growth of these institutions. The project reviewed current and emerging approaches to impact metrics reporting.

The project provides a framework for developing an investment approach to provide patient capital to sustainable banks whose performance can be measured on the basis of development, environmental and financial metrics.

Key Findings

Key conclusions with relevance for both investors and public policy include:

- A clear statement of the Principles of Sustainable Banking was needed, and has been developed, to highlight characteristics distinguishing sustainable banks from other financial institutions
- The historic and prospective financial performance and support to the real economy of sustainable banks compares favorably with GSIFIs
- Measuring non-financial returns of banks in a meaningful way presents a major challenge and will require significant multi-stakeholder efforts to resolve
- Sustainable banks will need to raise capital externally if growth trends continue
- There may be potential innovative approaches for finding new sources of patient financial capital for sustainable banks.

The project highlighted the need for a concise definition of sustainable banking. The GABV has endorsed the following Principles of Sustainable Banking:

Principles of Sustainable Banking

- Triple bottom line approach at the heart of the business model;
- Grounded in communities, serving the real economy and enabling new business models to meet the needs of both;
- Long-term relationships with clients and a direct understanding of their economic activities and the risks involved;
- Long-term, self-sustaining, and resilient to outside disruptions;
- Transparent and inclusive governance;
- All of these principles embedded in the culture of the bank.

The financial profiles of Sustainable Banks and GSIFIs from 2007 to 2010 illustrated clear differences between the two groups.[6]

These differences include:

- Sustainable banks had a significantly greater exposure to customers in both deposits and loans
- Sustainable banks had relatively higher and better quality capital although the differentiation declined over time
- Sustainable banks had better Returns on Assets with comparable Returns on Equity
- Sustainable banks had significantly higher levels of growth in loans and deposits.

The research from this project has consequences for both public policy and investors. The focus of sustainable banks on customer lending and deposit taking is directly relevant to public policy makers and regulators given their implicit and explicit support to maintain the critical functioning of the banking system to support the general economy throughout the world.

From an investor perspective the historic assumption that sustainable banks have not provided financial returns comparable with other banks is not supported by the data in the years reviewed. Furthermore, the comparative financial and social value proposition of sustainable banks is expected to be even more

6. Full detailed comparisons can be found in Appendix 7.

compelling on a forward-looking basis, especially given the context of developments within financial services industry regulation.

This analysis needs to extend beyond the years most impacted by the financial crisis as well as to include explicit consideration of volatility of returns. In addition, the analysis would benefit from further expansion of the number of banks covered in both groups. It needs to be extended to provide a forward-looking perspective on returns, especially given the changing regulatory and business model environment. Further research is needed to examine financial profile and return differences resulting from geographic and business model variations within both the sustainable bank and the GSIFI universes. Nevertheless, the initial analysis provides constructive guidance for assessing the performance of sustainable banks.

Standardized and robust non-financial and financial metrics, to demonstrate the impact of these banks on people and the environment, need further development to inform investment decisions and review the performance of sustainable banks. A priority is improving the metrics framework, building on industry developments to date including IRIS[7]. Specifically, efforts to address measuring real impact on improving society and the environment will need to develop across three dimensions:

- Substantial improvement in the current state of measurement and public disclosure by banks;
- Shifting the focus of investors and others from historic Triple Bottom Line metrics to deeper and more meaningful measures of impact;
- Developing a practical approach for measuring sustainability driven by multi-stakeholder perspectives.

There is clear evidence in reviewing the financial performance, position, and future prospects of sustainable banks that capital in excess of resources generated internally will be required to support the autonomous growth of these institutions. This growth is especially strong compared to the GSIFIs as it appears that the GSIFIs have been reducing their balance sheets to improve their capital levels. It may be possible to develop sources of capital for providing efficient and patient financial capital to support the growth of sustainable banks. These potential sources of capital should receive:

- An attractive value proposition to investors interested in supporting a return to sustainable finance
- Stable and adequate financial returns
- Measurable non-financial returns linked to the Principles of Sustainable Banking, while
- Protecting and enhancing the mission of the investees.

As a result of this effort, the following next steps have been identified:

- Further analysis on the financial and non-financial returns and profiles of sustainable banks, GSIFIs and other financial institutions
- Further development of a robust and stakeholder driven metrics framework
- Further work on development of potential sources and structures of patient capital for investing in sustainable banks.

Given the GABV commitment to extending the reach of sustainable banking to meet the needs of the real economy, it is anticipated that the GABV will move forward on addressing these issues in the near future.

7. See http://iris.thegiin.org/

Principles of Sustainable Banking

Early in the development of the financial capital track, and in light of the requirement to secure investment capital outside of the GABV, it became clear that it would be necessary to develop a set of principles, by means of which sustainable banks could be defined, identified and monitored.

These principles were drafted by the project team and refined in discussions with the GABV Financial Capital and Impact Metrics Advisory Group; the GABV Steering Committee and several market players (including potential investors) between June and November 2011. The Principles of Sustainable Banking[8] were approved by the GABV Steering Committee on 22 November 2011.

The principles have the following key characteristics and objectives:

- They are practitioner-based and pro-active; that is, they arise from direct experience of the GABV members rather than seeking to respond to regulatory or other constraints;
- They represent an interconnected set of principles that must be executed in their entirety by a banking institution;
- They seek to cover cultural as well as operational aspects of sustainable financing; and
- They should in time be able to be monitored by means of financial and non-financial metrics established through a multi-stakeholder development process.

The summary principles are:

- Triple bottom line approach at the heart of the business model;
- Grounded in communities, serving the real economy and enabling new business models to meet the needs of both;
- Long-term relationships with clients and a direct understanding of their economic activities and the risks involved;
- Long-term, self-sustaining, and resilient to outside disruptions;
- Transparent and inclusive governance;
- All of these principles embedded in the culture of the bank.

These principles are further detailed as follows:

Principle 1: Triple bottom line approach at the heart of the business model

Sustainable 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 sustainable banking but is not a stand-alone objective. Importantly, sustainable 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

Sustainable banks serve the communities in which they work. They meet the financial needs of these geographic and sector-based communities by financing sustainable enterprise in productive economies.

Principle 3: Long-term relationships with clients and a direct understanding of their economic activities and the risks involved

Sustainable banks establish strong relationships with their clients and are directly involved in understanding and analysing their economic activities and assisting them to become more sustainable 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.

8. Separately presented in Appendix 1.

Principle 4: Long-term, self-sustaining, and resilient to outside disruptions

Sustainable 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

Sustainable 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.

Sustainable 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 sustainable business models. These banks also have specific reporting frameworks to demonstrate their financial and non-financial impact.

The applicability and implementation of these six Principles of Sustainable Banking by a financial institution need to be analyzed and assessed as a whole. While many banks will claim adherence to one or more of the principles, effective sustainable banks will be able to demonstrate adherence to all six.

The GABV believes that these principles address fundamental issues of sound practice in banking and are thus relevant not just to sustainable banks but rather should ultimately become universally accepted principles of banking which meet the true needs of society, the real economy and communities.

Demand for Capital

Summary of Research and Interviews with Project Participants

Interviews were conducted with several financial institutions identified as being sustainable banks either by their membership in the GABV or through analysis[9]. These interviews were used to validate the financial information for each bank as well as seek additional insight into the financial performance and capital structure and capital needs of the participants[10].

Key themes from these interviews include the following:

1. In general all participants had strategies of maintaining capital well in excess of regulatory minimums to ensure their ability to meet future client needs. Furthermore local regulators generally communicated to the participants an expectation that capital would be higher than the minimums publicly communicated by the regulator;
2. Most participants raised capital on a regular basis from either existing shareholders or clients. Capital raising and liquidity for shares were generally internally provided rather than through capital markets. Liquidity and share issuance were generally based on share book value or an equivalent approach;
3. The participants in general faced challenges in generating sufficient capital from earnings to fund growth. This challenge existed even though a substantial proportion of earnings is retained;
4. There was significant growth in capital requirements resulting from high levels of growth in business. Growth came from both general economic growth (especially in economically developing locations) and growth in market share (especially in more mature economies);
5. Nearly all participants had a variety of protective measures to ensure continued pursuit of their sustainable mission. These protective measures varied considerably depending on geography, legal structure, and ownership. There were often limits on voting rights of shares;

9. Complete list of participants found in Appendix 5.
10. Interview protocols found in Appendix 4.

6. The impact of Basel 3 on most banks was neutral although a very few were facing the need to make alterations in their capital structure to ensure certain elements would be classified as Tier 1 capital. A greater impact was expected on earnings due to the liquidity provisions of Basel 3;
7. Several of the participants had legal organizational structures (co-operative, credit union, etc.) that could create challenges in structuring investments that would provide Tier 1 capital;
8. The value and returns on the shares of nearly all participants were driven by book value of the shares that grew with retained earnings rather than market price changes. For the most part dividends or other forms of income distribution to owners were paid. In a few cases payments to equity owners were included as part of the income statement rather than as an after-tax dividend.

Comparison of Financial Performance with Large Banks

A comparison of the select historic financial performance of the project participants with the GSIFIs as identified by the Financial Stability Board[11] was made. It should be noted that performance in this period was impacted by the financial crisis, especially for the GSIFIs. Further analysis is needed to better understand both the impact of the crisis on results and the future prospects for both mainstream and sustainable banks in a substantially changed business and regulatory environment.

For the sustainable banks standard averages were utilized as well as a weighted average using USD total assets as the weighting factor. Given the vast difference in size among the sustainable banks, it was considered more insightful to provide both a standard average and a weighted average. For the GSIFIs publicly available financial and non-financial information primarily from their annual reports or other public filings was used to develop the analysis. For these banks a standard average was calculated for a variety of comparison ratios.

Summary of Financial Profile Research

Key conclusions[12] from the analysis illustrate:

1. Sustainable Banks have a significantly higher proportion of their assets invested in lending than GSIFIs.
2. Sustainable Banks fund a much larger portion of their total balance sheet with customer deposits than GSIFIs.
3. Sustainable Banks have much higher levels of equity to total assets with slightly higher levels of BIS 1 capital ratios (especially in recent years) than GSIFIs.
4. Sustainable Banks have generally better or comparable Return on Assets and Returns on Equity over the time period covered. The returns of Sustainable Banks are also less volatile than those of GSIFIs.
5. Sustainable Banks have significantly higher growth in loans and deposits leading to higher growth in assets and income than GSIFIs.

Sustainable Banks have a significantly higher proportion of their assets invested in lending than GSIFIs

Total Loans / Total Assets					
	2010	2009	2008	2007	Average
Sustainable Bank Average	69.61%	67.58%	71.00%	69.79%	69.50%
Sustainable Bank Weighted Average	72.71%	71.46%	69.50%	70.42%	71.02%
GSIFIs Average	37.25%	37.59%	36.45%	38.61%	37.80%

11. For more information: www.financialstabilityboard.org/. Full list of GSIFIs found in Appendix 6.
12. Detailed financial comparisons available in Appendix 7.

There is a striking difference between sustainable banks with over 70% of their balance sheets invested in lending to clients and GSIFIs with consistently just over 35% of their balance sheets invested in client lending. Therefore, it could be initially concluded that sustainable banks are much more active in supporting the real economy through client lending.

It is possible that a portion of the balance sheets of GSIFIs not classified as direct client lending provide credit to the real economy through securitization structures or other forms of credit. Further research into this possibility as well as more detailed research into the type of lending in both sustainable banks and GSIFIs is needed to provide more in-depth understanding of the extension of credit to the real economy. This research should consider loan sizes relative to the economic structure of a country as well as exposure to real economy sectors.

Sustainable Banks fund a much larger portion of their total balance sheet with customer deposits than GSIFIs

Total Deposits / Total Assets					
	2010	2009	2008	2007	Average
Sustainable Bank Average	70.66%	69.83%	67.36%	67.80%	68.91%
Sustainable Bank Weighted Average	72.53%	70.12%	65.76%	65.96%	68.59%
GSIFIs Average	40.73%	40.35%	38.12%	41.24%	40.43%

Consistent with the focus on traditional real economy lending, sustainable banks also show a traditional reliance on deposits from clients to fund their balance sheets. In contrast GSIFIs have a limited (around 40%) reliance on client deposits to fund their balance sheets. It would appear that GSIFIs are therefore much more reliant on market funding with greater liquidity risk likely than that facing sustainable banks. For many of the sustainable banks, especially in Europe, there has been very significant growth in client deposits. This growth appears to be a result of clients choosing to move banking relationships to sustainable banks.

As with the lending analysis, this overall conclusion needs further research to better understand the liquidity and funding risk assumed by GSIFIs. Further insight into the impact of governmental support for bank liabilities (historically focused on deposit guarantee programs but often extended during the financial crisis to all banking liabilities) would be a further area of research.

Sustainable Banks have much higher levels of equity to total assets with slightly higher levels of BIS 1 capital ratios (especially in recent years) than GSIFIs

Equity / Assets					
	2010	2009	2008	2007	Average
Sustainable Bank Average	8.92%	9.45%	9.21%	9.62%	9.30%
Sustainable Bank Weighted Average	8.89%	8.90%	8.37%	7.75%	8.48%
GSIFIs Average	5.72%	5.35%	4.52%	4.94%	5.11%

BIS 1 Ratio					
	2010	2009	2008	2007	Average
Sustainable Bank Average	15.80%	16.42%	12.78%	12.07%	14.27%
Sustainable Bank Weighted Average	13.61%	13.82%	13.45%	12.35%	13.31%
GSIFIs Average	12.41%	11.17%	8.16%	6.88%	9.65%

The quality of capital of sustainable banks is generally of a higher quality than GSIFIs as it is primarily in the form of equity capital. There has been an increase in the relative level of equity capital for GSIFIs, most likely resulting from regulatory and investor pressures emerging from the financial crisis. As a result, the gap between sustainable and GSIFIs regarding the level of equity supporting their respective balance sheets has shrunk. However, sustainable banks still have on average a 65% higher relative level of equity to assets.

Relative to BIS 1 Ratios there is more limited difference between the two groups, especially in the more recent years. The GSIFIs show a continuous increase in this level from relatively low levels in 2007. As with equity levels, it would appear that there has been regulatory and investor pressure to increase capital levels.

The sustainable bank weighted average is impacted by three large institutions (Credit Cooperatif, Ecobank and VanCity). Further analysis of the capital structures for these three institutions, especially as it relates to their respective local regulatory frameworks, would help provide deeper understanding of their capital positions.

Sustainable Banks have generally better or comparable Return on Assets and Returns on Equity over the time period covered. The returns of Sustainable Banks are also less volatile than those of GSIFIs

Return on Assets					
	2010	2009	2008	2007	Average
Sustainable Bank Average	0.61%	0.21%	0.49%	n/a	0.44%
Sustainable Bank Weighted Average	0.69%	0.45%	0.59%	n/a	0.58%
GSIFIs Average	0.46%	0.14%	0.08%	0.65%	0.33%

Return on Equity					
	2010	2009	2008	2007	Average
Sustainable Bank Average	7.75%	5.31%	8.71%	n/a	7.26%
Sustainable Bank Weighted Average	8.20%	5.86%	7.18%	n/a	7.07%
GSIFIs Average	9.68%	2.17%	-1.53%	13.91%	6.06%

Relative to returns sustainable banks exhibit significantly better returns over the period reviewed. These better returns are especially strong when considering Return on Assets whilst the Returns on Equity are more comparable. This difference in relative advantage on returns would be driven in part by the higher equity leverage of GSIFIs that leads to higher Returns on Equity for them.

Further research over a longer time period is needed due to the impact of the financial crisis on mainstream banking returns. It is expected that in the ten years preceding the period covered GSIFIs would have significantly better Returns on Equity on both a relative and absolute basis.

A March 2010 McKinsey study looked at equity returns for larger European and US banks over a significant period of time. The results showed a major increase in Returns on Equity in the ten-year period ending around 2007. It is unclear if these returns were real and sustainable or the result of short-term earnings based on taking long-term risks with losses realized later.[13]

In addition to the McKinsey work the Federal Deposit Insurance Corporation (FDIC) has published a long-term study[14] of the returns of all US banks for which they provide insurance. This study looked at Returns on Assets and Returns on Equity from 1934 to 2003. That time frame does not include the impact of the financial crisis on returns. However, it provides potential insight into the likely returns achievable by banks over many economic cycles. As with the McKinsey study, the FDIC report shows a long term stable Return on Equity and Return on Assets with a sharp upturn beginning around 1998.

It would appear that the Returns on Assets achieved by sustainable banks is consistent with the long-term sustainable Returns on Assets for US banks. If the McKinsey conclusion is accepted regarding the unusually high level of banking returns in the period prior to the recent financial crisis, it could be that sustainable banks are also providing sustainable and reasonable returns. Clearly, additional research in the area of returns is needed but it would not be unreasonable to conclude that over a longer time period financial returns from sustainable banks are not significantly lower than from GSIFIs.

Areas for further research regarding financial returns include:
The balance between financial returns and volatility of financial returns over longer business cycles
The returns over a longer time period of bank business models focused on supporting real economy activity in local communities,
The impact of regulatory and market changes on future returns
In addition the financial returns for sustainable banks needs to be considered in tandem with measurable social and development returns.

Sustainable Banks have significantly higher growth in loans and deposits leading to higher growth in assets and income than GSIFIs

2007 - 2010 Growth Rates (Local currency)

	Loan Growth	Deposit Growth	Asset Growth	Net Income Growth
Sustainable Bank Average	80.52%	87.74%	77.60%	64.62%
Sustainable Bank Weighted Average	50.06%	51.12%	40.79%	64.37%
GSIFIs Average	21.38%	27.28%	23.14%	-6.72%

There are striking differences between the growth of sustainable banks and GSIFIs over the period covered. It is believed that GSIFIs undertook asset shrinkage as a strategic decision related to the impact of the financial crisis. At the same time there was growth in client lending and deposits for these banks although at lower levels than sustainable banks.

13. Results are summarized in Exhibit 1 of that report which is available at: http://www.mckinsey.com/clientservice/Financial_Services/Capabilities/~/media/Reports/Financial_Services/The_next_normal_Banking_after_the_crisis.ashx
14. The key conclusions can be seen in Figures 9 and 10 of that report available at: http://www.fdic.gov/bank/analytical/banking/2006jan/article2/

For sustainable banks growth was seen in all categories including net income. The interviews with sustainable banks highlighted these sources of growth to include:

- In developing countries overall strong market economic growth combined with growth in the formal economy that uses banking services led to growth in banking loans, deposits, and assets;
- In economically developed countries there was a shift of clients, especially depositors, from GSIFIs to sustainable banks leading to growth levels in excess of the overall growth of the local economies and banking assets.

Relative to growth, additional research on GSIFIs is also needed due to the involvement of several of them in major acquisitions. Some acquisitions arose from the financial crisis (JPMorgan with Washington Mutual and Bear Stearns, Bank of America with Merrill Lynch, Lloyds with Bank of Scotland) while others arose from general corporate acquisitions (RBS with ABN AMRO, Bank of America with LaSalle Bank). In-depth review of the impact of acquisitions was beyond the scope of this project but could provide useful insight into the impact of banking consolidation on lending to the real economy.

Finally, there is the issue of financial returns for investors in GSIFIs and sustainable banks. For GSIFIs the primary driver of financial returns is the change in market price of shares combined with dividends paid. The 2010 JPMorgan annual report (p. 53) provided a comparison of total financial returns achieved by investors in JPMorgan shares with returns of the S&P 500 index and the S&P Financial index.

Using stock market performance an investor in the S&P Financial Index would have had a significant loss over the 2007-2010 period with an initial investment of $100 declining to $56.96. The returns for JPMorgan were positive over the same period. Further research is required to compare returns of sustainable banks over this period. Sustainable banks generally provide returns through dividends paid plus growth in book value. Assuming a relatively constant annual Return on Equity of 7% as seen above, these banks could be expected to have increased an investment of $100 to approximately $140 on a compound basis over this time period. This level of return compares very favorably with the S&P Financial index and is also above the more positive returns achieved by JPMorgan.[15]

Clearly additional research would be helpful in comparing the financial performance as well as the impact on the real economy of sustainable banks and GSIFIs. However, it would appear from the research completed to date that sustainable banks provide reasonable financial returns comparable with GSIFIs whilst having a lower risk profile relative to funding and capital and providing greater support for the real economy.

15. Source: JPMorgan 2010 Annual Report (p. 53) available at: http://investor.shareholder.com/jpmorganchase/annual.cfm

Impact Metrics Framework

Interview Results

For reviewing approaches to measuring impact there was considerable effort in gathering information from the sustainable banks participating in the project. This effort was focused on reviewing existing initiatives in the banks to provide insight into their non-financial returns. In addition a relationship was developed with Zahir Dossa, a PhD student at MIT whose dissertation relates to issues regarding the measurement of corporate sustainability.[16] Interviews regarding impact metrics were conducted with most of the project participants. These interviews were with identified individuals actively working on metrics within each institution. The interview followed a set protocol.[17]

Key themes emerging from these interviews include:

1. All of the banks are developing or improving an approach for measuring the impact of their banking activities in addition to traditional financial measures used to report results. No bank considered its current reporting in this area to be sufficient although some banks had relatively in depth reporting.
2. In general the banks were using some variation on a Triple Bottom Line approach with frequent referral to People, Planet, and Profit as the dimensions used. In some cases the environmental dimension was a recent addition to the approach, especially for banks that had been more focused on poverty alleviation issues.
3. A number of the banks work with the Global Reporting Initiative[18] to help provide structure to their reporting. One bank was working with GIIRS[19]. In general all banks were looking for guidance as to reporting approaches and methodologies. There was a lack of satisfaction regarding the value of these initiatives in measuring sustainability.
4. Although metrics were considered important, all banks also used qualitative approaches, frequently referred to as 'storytelling,' as part of their efforts. As with quantitative metrics, there was a consistent desire to find structural ways of improving qualitative reporting.
5. The banks recognized the importance of securing information from clients to measure the real impact of their banking activities. This necessity was seen as a real challenge requiring potentially new technology to be realized. Significant efforts in securing engagement of both clients and relationship managers of the banks were expected.
6. There was general concern regarding the use of the term Impact Metrics. It was believed possible to develop metrics as well as qualitative reporting that would provide insight into positive impacts on society and the environment but actually measuring those impacts was considered to be not possible at this point.
7. Developing a common framework for quantitative and qualitative reporting was seen as a positive way forward but there was concern regarding the applicability of a common framework across banks with multiple business models and geographies.
8. There was a consistent willingness to be part of a collaborative effort to develop a common framework. For smaller banks this approach was considered essential given limited resources available to develop reporting.

In addition there was a review of the substantial study undertaken by BRAC Bank[20]. This research effort had been presented to the 2011 general meeting of the GABV. This work was focused on the longer term impact of credit extensions by BRAC Bank on the sustainability of their SME borrowing clients. The work from this study is in the process of being updated.

16. Dissertation proposal included as Appendix 9..
17. Interview protocols included in Appendix 4.
18. https://www.globalreporting.org/
19. http://giirs.org/
20. Full study is copyright protected and with the permission of BRAC Bank is included as Appendix 8.

The overall conclusion of the BRAC study was positive regarding the impact of BRAC's lending on the sustainability of its clients. It is anticipated that this effort will provide a good basis for further development of metrics regarding the impact on SME clients of bank lending. Determining how best to apply and replicate this study with other sustainable banks, as well as banks in general, is one of the challenges that will need to be undertaken.

Academic Research

By collaborating with an academic study, this project has the advantage of being able to ground its results in theory as well as practice. Without repeating the details from Dossa's dissertation proposal, there are several conclusions from that proposal that link to the results of the interviews in determining how to further the work in the area of reporting on sustainability.

Key issues emerging from the academic research include:

1. Sustainability measurement frameworks must be re-conceptualized according to stakeholder conceptualizations of sustainability in order to accurately and fully capture sustainability of an organization. A stakeholder based framework will:
   a. Be more informative; and
   b. Hold managers accountable to stakeholders.
2. Major implications of this reconceptualization are:
   a. Sustainable organizations can move towards a stakeholder-informed conceptualization of sustainability to better inform stakeholders; and
   b. Organizations practicing techniques such as 'greenwashing' will be exposed by sustainable organizations utilizing stakeholder-informed conceptualizations of sustainability.
3. In addition to a gap in the literature on sustainable banking, there is a lack of frameworks specifically available for sustainable banks to measure and report their impact in a meaningful and relevant way.
4. Especially challenging for banks is the impact on sustainability of their clients' activities rather than only their direct activities. (e.g. the carbon footprint of the clients of a bank is highly likely to be more meaningful than the limited carbon footprint of the bank only.)
5. Developing a framework has the difficulty of passing the 'large bank test'. This test involves comparing the sustainability metrics being developed to the sustainability indicators released by large banks to determine if the sustainable bank in question stands out as more sustainable.

To address these issues among others, a research process has been developed for execution in 2012 by Dossa[21]. It will begin with a structured set of interviews with stakeholders of Triodos Bank. The results of these interviews will be used to develop a questionnaire for use with a larger number of stakeholders at Triodos and five other sustainable banks.

Recommended Approach on Impact Metrics

Relative to the starting point for this project, it is clear that addressing Impact Metrics issues continues to be very important but cannot be satisfied given the current level of qualitative and quantitative reporting by sustainable banks. The work of BRAC Bank provides a useful approach but will require considerable effort to roll out with other banks. Furthermore, academic research highlights the challenge in developing reporting frameworks that measure real stakeholder views on sustainability.

As a result, the project has identified a very real 'tri-lemma' to be resolved by finding a way forward through the differences between:

- The current state of measurement capabilities within GABV members, prospects, and other banks operating under the Principles of Sustainable Banking,
- The current market focus on TBL and IRIS as accepted standards, and
- The desired approach for sustainability driven by a stakeholder perspective.

To progress resolution of this tri-lemma it has been recommended that GABV establish a network of metrics

21. Details of this research proposal are found in Appendix 10.

experts from member banks and other banks with expertise in measuring sustainability to work on these issues. These efforts will be coordinated with external entities and initiatives (expected to be linked to GIIN's IRIS efforts) as well as with the ongoing academic research being undertaken by both BRAC Bank and Dossa.

Potential Sources of Capital for Sustainable Banking

Objectives for New Sources of Capital

In addition to its general project involvement, ShoreBank International Ltd. (SBI)[22] was engaged to gather information from the market on the availability of capital for investment in sustainable banking. Based on feedback to preliminary ideas presented to the GABV annual meeting in March 2011, and on its capital markets experience, key objectives for raising new capital were established as follows:

- To provide Tier 1 and Tier 2 equity to GABV members and like-minded financial institutions globally ('like-minded' was later refined to mean accepting the Principles of Sustainable Banking set out above);
- To be managed independently of GABV;
- To be permanent (as opposed to having a private equity-type limited duration fund structure);
- Ideally to permit investment by retail as well as institutional investors.

Further objectives that were considered important included:

- Transparency in governance;
- Opportunity for investors to participate in governance;
- Flexibility for entry and exit, including some form of liquidity provision, to the degree possible;
- Permanence;
- Independence from GABV;
- While ensuring mission preservation for banks receiving capital.

Interview Process: Attractiveness of Investing in Sustainable Banking

Based on the identified objectives, SBI conducted a series of face-to-face and telephone interviews with a select group of parties deemed to have an interest or expertise in sustainable banking. These included prospective investors (including some GABV members), development finance institutions, social investment market participants, trade associations of sustainable financial institutions, legal experts and other institutions and individuals with relevant expertise These meetings were conducted between June and December 2011.

The purpose of these interviews was:

- To test the overall concept of investing in sustainable banks;
- To test whether the Sustainable Banking principles and other investment criteria created a set of investees sufficiently differentiated from mainstream financial institutions, and if so, what characteristics most strikingly defined this differentiation for potential investors;
- To test various legal and regulatory issues, especially from the point of view of potential institutional investors in key markets such as the US and continental Europe.

It is important to note that these interviews were designed to discuss the potential for investor interest in investing in sustainable banking generally. Where interviews were held with parties that could be potential investors, it was not a part or any purpose of the interviews to seek, discuss or solicit such investment. The conclusions of this report are based on general perceptions and conclusions drawn from the interviews and not on specific data requested on possible investment requirements from the individual interviewees.

With respect to the second objective above, some basic differentiators for sustainable banks were provided, as below. These differentiators were based on data from GABV member banks as a proxy for the sector generally. This data will be updated based on the final research of this project as well as ongoing research following from this project.

22. ShoreBank International Ltd. (SBI) is a global advisory firm specializing in financial inclusion and capital mobilization. For more information about SBI, please visit: shorebankinternational.com.

As the interviews were undertaken prior to the completion of the financial analysis research, initial key indicators were developed regarding sustainable banking performance focused on existing GABV members. The subsequent completion of the research confirmed that the initial key indicators provided a valid view of sustainable banking financial results.

Second, the engagement of the GABV member banks in the real economy was also highlighted in interviews by reference to their primary lending activities. These were categorized as below:

- Financial services (credit and savings products) to SMEs and microfinance in emerging markets – various sectors typically unbanked;
- Agriculture – rural and agro-finance, organic farming and food production;
- Green related - energy efficiency, clean technology, green consumer products, alternative energy, renewable energy;
- Affordable housing – sustainable/eco home and office construction, social housing, housing microfinance;
- Educational/cultural activities – schools and kindergartens, theaters and museums;
- Other – healthcare, women-owned enterprises, excluded populations (e.g. youth, ethnic minorities, etc.).

These lending categories need further refinement as well as development of more standardized and detailed reporting on types of lending as well as outcomes of that lending.

Investment criteria discussed in the interviews were the following:

- Regulated financial institution (but not necessarily classified as a bank) – investees could include co-operatives, credit unions, micro-finance institutions and other forms of regulated financial institutions as well as private banks;
- Long-term commitment to and demonstration in ongoing performance of the Principles of Sustainable Banking;
- Track record of at least 3 years;
- Need for capital grounded in growth and not only regulatory needs;
- Member or receptive to membership in the GABV or a business model consistent with the Principles of Sustainable Banking;
- All geographic areas would be considered.

During the interviews the potential for investing in sustainable banking was framed using the following rationale:

1. For investors:
    a. Efficiency of a collective approach – due diligence, monitoring, governance, taxation, accounting etc.;
    b. Flexibility – intermediary entities, secondary market feature;
    c. Diversification – exposure to a range of models, geographies, underlying clients;
    d. Impact – access to proven, sustainable financial institutions with significant outreach in their markets.
2. For investees:
    a. Enabling prudent growth – in product delivery (current and new); migration of customers from traditional banks; general expansion of sustainable banking industry to address critical needs;
    b. Mission alignment – mission-aligned, patient capital;
    c. Changing environment – increasing regulatory capital requirements, M&A activity as sectors such microfinance mature;
    d. Efficiency – capital raising, reporting etc.

Interview Results: Attractiveness of Investing in Sustainable Banking

Generally speaking, feedback on the concept was positive, and in many instances very positive. The following main themes emerged:

1. There was generally strongly favorable reaction to the availability of investment in financial institutions seen to be clearly having positive impact in their local communities while remaining sustainable even in the harshest of environments. Such an investment was seen as a highly beneficial addition to options for investments in the financial institution sector, and indeed in the impact investing sector.
2. The Principles of Sustainable Banking were felt to be useful, well constructed and differentiating. (Substantial feedback was obtained from early interviews on draft versions of the principles and this feedback was incorporated in the final version.)
3. As well as the Principles of Sustainable Banking, the metrics differentiators (ratios, nature of client activity, etc.) were felt to be clear and strong – but nevertheless capable of further refinement and enhancement.
4. As the current financial crisis continued and even worsened during the course of the interviews, there appeared to be more understanding of the true (and desirable) level of returns to be obtained from all types of financial institutions.
5. Exposure to a diversified range of sustainable banking models (private banks, co-ops and credit unions) was seen as a good thing, although it was noted that investment methodologies where there is no conventional market equity may lead to structuring challenges.
6. In one case (a development finance institution), there was a misunderstanding that the investment potential was designed to provide recapitalization (i.e. rebuilding of capital due to equity erosion). It would thus be important to ensure that the equity-for-growth message was clear in any potential capital raising effort.

Potential Investors for Sustainable Banking

The following categories of investors would appear to be suitable for providing new sources of capital for sustainable banking. Some may require ring-fencing arrangements within any investment in order to cope in particular with geography restrictions on investments for certain potential investors:

- Large institutional investors such as pension funds and insurance companies, for which the long-term nature of the investments and a steady and relatively low-risk return profile should be attractive;
- Larger sustainable financial institutions, for which, apart from the investment per se, the investment provides the opportunity to assist the growth of like-minded financial institutions;
- Development financial institutions with an interest in deepening financial markets in the developing world in particular, and for which other impact agendas are addressed by the nature of sustainable banks' engagements with their local communities;
- Foundations with similar interests; and
- High net worth individuals, both as an investment per se and for personal agenda reasons.

Next Steps

In the process of the project it became clear that there would be a series of follow-up actions required. In addition to the general dissemination of this report and its use in further the broader societal discussion on the role of banking, there were three specific areas for additional work:

- Further analysis on the financial and non-financial returns and profiles of sustainable banks, GSIFIs and other financial institutions;
- Further development of a robust and stakeholder driven metrics framework; and
- Further work on development of potential sources and structures of patient capital for investing in sustainable banks.

It is anticipated that the GABV will discuss these areas and develop concrete plans for addressing each of them.

Expanded Analysis of Financial Returns

Further analysis on the financial returns and profiles of sustainable banks and GSIFIs will require considerable effort. Ideally this effort would be executed in conjunction with independent and respected organizations, ideally of an academic nature, to provide an objective review of the conclusions. This effort would include:

- More banks to be included as sustainable banks as well as extending beyond the GSIFIs to other banks;
- Historic data to include years before the financial crisis;
- Information to provide greater insight into financial performance and profiles of each type of bank;
- More details on the exposure to and support of the real economy; and
- Extension of the analysis to include future return prospects as impacted by changes in the business and regulatory environment.

Development of a Metrics Framework

The development of a robust metrics framework is considered a critical but also very challenging need. This work would require mobilizing and organizing multiple stakeholders as well as multiple sustainable banks. Ideally it would combine academic analysis with practitioner experience. It is believed that this effort will move forward on two coordinated fronts:

- Creation of a metrics experts network among GABV members and like-minded entities, both banks and other stakeholders, to develop practical improvements to existing processes, establish base line common reporting, and provide feedback on new methods
- Completion of academic research to develop a stakeholder driven metrics relative to sustainable banking

Potential Development of a Capital Raising Program

A concentrated effort to develop and execute a program to raise capital for investing in sustainable banking is proposed. This effort would build on the project work and would have, the GABV, as sponsor, engage a team comprised of members of the GABV and its secretariat and SBI to pursue and further develop the concept to determine if such a capital raising effort is feasible. If so, the team would develop a specific offer, including relevant offering materials as required by various legal jurisdictions, for discussion with investors.

Conclusions

This project has provided a substantial step forward in looking at how banking can be strong, straightforward and sustainable while serving the real economy.

- The Principles of Sustainable Banking developed in this work provide a clear basis for distinguishing sustainable banks from other banks that may claim to be sustainable.
- Review of the financial performance of sustainable banks relative to GSIFIs has led to new insights into the relative attractiveness of investing in sustainable banks.
- A process for improving the metrics relative to non-financial performance has been developed although the challenge is greater than expected prior to the project beginning.
- Finally there appears to be real potential to expand investing in sustainable banking.

Moving forward on these issues provides a very meaningful opportunity for the GABV and others committed to a financial system that supports the real and sustainable economy.

Appendix 1

The Global Alliance for Banking on Values (GABV) was founded in 2009 as an independent network for banks using finance to deliver sustainable development for unserved people, communities and the environment. In 2010 the organization set a goal of touching one billion lives with sustainable banking by 2020. Presently there are 14 GABV members with a combined asset base in excess of USD 29 billion and over 7 million clients. The GABV principles of sustainable finance and sustainable banking are intended to describe fundamental pillars of sustainable banking:

Summary

1. Triple bottom line approach at the heart of the business model
2. Grounded in communities, serving the real economy and enabling new business models to meet the needs of both
3. Long-term relationships with clients and a direct understanding of their economic activities and the risks involved
4. Long-term, self-sustaining, and resilient to outside disruptions
5. Transparent and inclusive governance
6. All of these principles embedded in the culture of the bank

Amplified principles/guidelines

Principle 1. Triple bottom line approach at the heart of the business model.
Sustainable 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 sustainable banking but is not a stand-alone objective. Importantly, sustainable 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.
Sustainable banks serve the communities in which they work. They meet the financial needs of these geographic and sector-based communities by financing sustainable enterprise in productive economies.

Principle 3. Long-term relationships with clients and a direct understanding of their economic activities and the risks involved.
Sustainable banks establish strong relationships with their clients and are directly involved in understanding and analysing their economic activities and assisting them to become more sustainable 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.
Sustainable 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.
Sustainable 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.
Sustainable 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 sustainable business models. These banks also have specific reporting frameworks to demonstrate their financial and non-financial impact.

For more information, visit www.gabv.org or email james.niven@gabv.org

Appendix 2
Project Description

(Redacted for Budget Details), March 2011

Summary of Funding Request

GABV is seeking funding for a project that would:

- Test the hypothesis that a fund to provide Tier1 and Tier 2 capital would
  - enable banks with business models consistent with GABV values ('Values Based Banks') to expand their ability to reach clients addressing economic and social development in an environmentally sustainable manner,
  - maintain and expand the mission and impact of these Value Based Banks, and
  - demonstrate that these benefits would not otherwise be achieved without additional capital;

- Establish clear criteria and a measurement framework for potential investees (Values Based Banks) relative to
  - current economic, social and/or environmental impact, and
  - future economic, social and/or environmental impact of the expansion resulting from increased Tier 1 and/or Tier 2 capital;

- Communicate the results of research on the hypothesis and measurement framework to the general public supporting broad educational efforts regarding the ability of Values Based Banks to positively impact economic and social development in an environmentally sustainable manner.

Under the GABV leadership and oversight this project would:

- Conduct market research to quantify how much additional Tier 1 and/or Tier 2 capital will be productively used by Values Based Banks benefitting their ultimate clients if the fund were to launch,
- Conduct market research to establish the criteria for the specific types of Values Based Banks that will have access to the fund,
- Conduct market research to determine the nature and number of investors who will provide capital through the fund,
- Conduct market, legal and regulatory research to determine the nature and structure of an investment fund focused on providing Tier 1 and/or Tier 2 capital to Values Based Banks,
- Conduct market research on how to quantify and report on the ultimate economic, social and/or environmental benefits to clients resulting from better access to capital for Values Based Banks to:
  - Determine the impact metrics to be tracked by banks that access the fund,
  - Determine the mechanism and its implementation plan by which such impact metrics will be tracked and reported by the banks and/or their ultimate clients,

- Publish the findings from the market research described above and work with a charitable organization to disseminate these findings (including most likely the convening of a broad-based stakeholder workshop among other means).

The Global Alliance for Banking on Values (GABV) is requesting funding for this project building on preliminary efforts used to lead a discussion at the recent general meeting of the GABV in Peru. Expansion of financial capital and developing common impact metrics are two action tracks underway to support the achievement of the GABV goal to touch 1 billion lives with sustainable banking by 2020. Although the larger more established members of the GABV are generally able to raise sufficient capital to support growth, there is a need to raise capital to support the growth of Values Based Banks in new markets or where there are larger organic and inorganic growth opportunities. Funding will be used to engage ShoreBank International Ltd. ('SBI') as capital mobilization specialist and sustainable banking expert

and other external contractors with financial capital raising capabilities and impact metrics expertise in sustainable banking as well as support the internal efforts of the GABV for work with current and prospective members.

GABV Charter and Goal

The GABV was founded in 2009 as a result of a meeting convened by Triodos Bank in Zeist, The Netherlands. This initial meeting brought together a group of banks with expertise and focus in using finance to build a more sustainable future for the environment and un-served peoples and sectors. Over the course of 2009 the charter for the GABV was developed and agreed with the following key elements:

Who are GABV members?

- Innovative banking institutions whose primary focus is on:
- Delivering social finance products and basic financial services while
- Financing community based development initiatives and social entrepreneurs thereby
- Fostering sustainable and environmentally sound enterprises and fulfilling human development potential including poverty alleviation while
- Generating a triple bottom line for People, Planet and Profit.

What are GABV shared values?

Although each GABV member is unique, they share the values of:

- Using money as a tool for enhancing the quality of life through human, social, cultural and environmental development,
- Responsibility for the long term impact of our efforts on our interdependent environment and communities, and
- Transparency, trust, clarity, and inclusiveness in delivering our products and services.

What is the GABV joint mission?

As a global alliance GABV members will work together to:

- Deliver joint ventures to drive sustainable social and environmental change,
- Provide thought leadership and advocacy for social innovation in the financial sector, and
- Combine and share strengths, capabilities and resources to improve each of our competitive positions.

The principles of this charter are the primary drivers of business decisions for GABV members as they seek to provide financial services in an economically and environmentally sustainable manner. It is the application of these principles in daily business practices that is Values Based Banking as defined by the GABV.

For the vast majority of banking institutions the driver of business decisions is primarily or exclusively profitability of the services provided, even if by-products of those decisions enhance sustainable economic, individual and community development. For the GABV members Values Based Banking means starting with the identification of the human need to be met and then determining how to meet that need on a profitable basis. It is this difference in primary motivation (human needs rather than profitability) that defines the unique value proposition of the GABV's Values Based Banking model.

At its second general meeting in Dhaka, Bangladesh in March 2010, the Global Alliance for Banking on Values (GABV) members pledged to impact one billion lives with Values Based Banking by 2020. This impact can be realized through a banking client relationship with a bank with a business model driven by GABV principles. This impact is also realized by the employees and/or family members of each client.

GABV members adopted a five-prong strategy to achieve this target impact. The five action tracks are:
1. Network expansion to include new members and supporting partners,
2. Financial capital expansion to support growth of banking activities,
3. Human capital development to expand sustainable banking expertise,
4. Standardization and implementation of impact metrics, and
5. Ongoing thought leadership on sustainable banking issues.

Within these five action tracks the GABV by 2015 will achieve the following interim goals:
1. Grow its membership from 10 to between 50 to 100 banks,
2. Raise at least $500 million in incremental equity capital for Values Based Banking,
3. Develop knowledge resources to strengthen member banks' capabilities and commitment to sustainable finance,
4. Measure and report the impact of its member banks' efforts, and
5. Engage in public education on the importance and impact of sustainable banking practices.

GABV Membership and Governance

Presently there are 13 GABV members with a combined asset base in excess of USD 26 billion. The GABV is in the process of expanding its membership to other financial institutions with eligible business models. Four new members joined the GABV in 2010. A current list of members is attached (Appendix A). Additional information on current members and links to their web-sites can be found at: www.gabv.org.

GABV membership is open to all regulated financial institutions that have business models consistent with GABV principles. The Steering Committee reviews potential candidates using the criteria of regulatory financial institution status, core business values, independence and stability of governance, executive commitment, financial model sustainability, and commitment to impact expansion. In addition to members, the Steering Committee selectively invites other organizations active in supporting sustainable banking to become GABV Supporting Partners.

A critical element for the GABV is the active participation of the CEOs of its members. The GABV provides a forum for these CEOs to discuss specific issues facing banks with business models based on Values Based Banking principles. It provides these CEOs with the opportunity to discuss with their peers alternatives for addressing various challenges. In addition the GABV is creating a broader network for bankers working in Values Based Banking.

The GABV is governed by a Steering Committee chaired by Peter Blom (Triodos Bank) and including Fazle Abed (BRAC Bank), Luis Felipe Derteano (Mibanco), and Thomas Jorberg (GLS Bank) and Tamara Vrooman (Vancity). The Steering Committee is selected by the members at their annual general meeting held in March of each year. The GABV is registered as a Dutch non-profit foundation.

The daily activities of the GABV are conducted by a limited secretariat function housed in the offices of Triodos Bank with 3 part-time staff members (David Korslund as Senior Advisor, James Niven as Program Manager, and Autumn Arnold as Administrative Support). Currently the activities of the secretariat are funded through membership fees and extra contributions from members. A medium term business plan for the GABV and its support functions is being developed.

Rationale for Expanding Values Based Banking

Expanding Values Based Banking would address many of the underlying causes of the current financial crisis. Values Based Banking provides an alternative to the conventional banking model that focuses on short-term reported financial profitability. The alternative Values Based Banking model should lead to enhanced public confidence and reduced complexity in the financial system. This model provides financial and other forms of support to meet the needs of the real economy and the development of human and community potential.

Financial services provide the ability to leverage capital investment to achieve more impact by triple bottom line initiatives. Each unit of capital invested in a financial institution can generally be used to provide 8 to 10 units of financing for sustainable development projects. The impact of the use of financial services can be seen through what has already been delivered by the members of the GABV (see Appendix B for case studies).

The GABV financial institutions are critical in meeting the financial requirements of small and medium sized enterprises (SMEs). Small and medium sized enterprises (SMEs) are a key driver of economic development in developing countries, contributing to GDP growth and as a significant source of employment generation. Limited access to credit has historically greatly stunted the growth potential of SMEs, bringing increasing focus on banks that serve this market. Businesses that can generate new jobs are the best hope for poverty alleviation. Sustained economic growth requires companies that can make large investments and can exploit the economies of scale that make employees more productive and wealthier.

It is also clear to the GABV that the Impact Metrics for Values Based Banking is a critical success factor to be addressed. The Impact Metrics review has been led by BRAC Bank with a full membership discussion held at the general meeting in March 2011 in Lima, Peru. Ongoing efforts in this area will be coordinated with a PhD student at MIT developing a thesis in this area. This effort is coordinated across GABV members of which many are already working on Impact Metrics. This work will also be coordinated with external initiatives, such as IRIS within the Global Impacting Investing Network, to maximize consistency and minimize duplication.

Funding Request Details

Raising significant financial capital to support the growth of Values Based Banking institutions will increase the supply of credit for efforts to address poverty alleviation and environmental improvement. Since its formation, GABV members have raised well in excess of $250 million in additional equity capital to support the growth of Values Based banks. It is estimated that this capital has increased credit availability by $2 billion and should allow the investee banks to reach additional clients. To achieve its goal of impacting 1 billion lives by 2020, the GABV has set as an interim goal by 2015 to raise at least $500 million in incremental equity capital above the amounts expected to be raised through earnings retention and other existing forms of capital raising. Part of the outcome of this proposed project is a more detailed estimate of the amount of incremental capital required to deliver the 2020 GABV goal.

Currently the GABV members raise equity capital to support growth primarily through retention of earnings and individual equity raising activities. The growth in demand for Values Based banking requires a scaling of these individual efforts to support current and new activities. The demand for capital is further increased by regulatory changes raising the level of required capital for all financial institutions. Finally the goal of significantly expanding Values Based Banking as part of the solution to addressing critical needs of society will require financial capital.

In general the need for incremental capital can be classified by the nature of the economy as follows:

- In all economies new external capital will be required for banks with Values Based Banking models to be started or converted from traditional banking models,
- In developing economies the need for external capital is likely to be very high to support growth or green fields activities for banks with Values Based Banking models, and
- In developed economies the need for external capital for banks with Values Based Banking models may be high if:
  - Capital generation is not sufficient to manage growth as clients choose to move from traditional banks to those with Values Based Banking models, and/or
  - Capital is required to realize opportunities for non-organic growth due to market disruptions impacting the financial services sector.

Raising the capital required to support the growth of financial institutions focused on Values Based Banking will require a multi-year, multi-disciplinary effort. As has occurred with microfinance, it is anticipated that it will be necessary to develop Values Based Banking as a separate asset class (or sub-class of Impact Investing) to attract institutional investors. Investments must be structured to comply with the various legal requirements and jurisdictions of Values Based Banking entities as well as to provide protections to ensure that institutional mission is not compromised by investor requirements. Standardization of impact measurement and calibration of financial and development returns will also be required to attract investors and support evaluation of prospective investments as well as to document GABV progress in achieving its goal of touching 1 billion lives with Values Based Banking.

Substantial initial investment is required to develop a detailed capital mobilization program. This investment is greater than can be supported solely by the resources of the GABV at its current membership level. To date the funding for establishing the GABV has come from member dues and additional support from members. The overall costs through yearend 2010 are estimated at EUR 250,000. This proposal requests funding to more fully assess member capital and other requirements and to develop proof of concept for the financial capital plan of the GABV and expansion of the GABV's outreach. This effort is expected to take about four months to develop, with 10% of the funds to be used to support the GABV's efforts in work with existing and prospective members to ensure the plan is grounded in practitioner realities. Funding will support hiring SBI and other specialists as external experts in capital planning and mobilization.

Project Oversight and Management

The Steering Committee of the GABV will oversee this project and be responsible for delivery of the results. The Steering Committee will receive monthly progress reports to monitor progress against deliverables. It is expected that the project will be finalised by end of August 2011 at the latest. Final results, including any recommendations, are expected to be approved by the GABV Steering Committee at its September in person meeting and shared with all relevant stakeholders including those organizations providing funding for this project. Appropriate public distribution of these results is anticipated by the end of 2011.

Daily management of the project will be a combined effort of the GABV Secretariat through David Korslund and SBI under the leadership of Laurie Spengler (biographies of both attached as Exhibit D). GABV has selected SBI, a leading international advisory firm with strong credentials in the impact investing industry, as the primary implementation advisor under the project. Through its financial transactions practice group, SBI brings particular expertise in the supply and demand-side mapping of capital raising activities as well as in capital structuring and the development of investment criteria that effectively bridge impact investor appetite with specific impact investment opportunities. In addition to consultation with GABV members, SBI will seek tap a variety of external sources, including investors, legal and regulatory experts. A more detailed budget and work plan is attached as Appendix E.

Appendix A: GABV Members as of March 25 2011

Bank	Country	Asset Size 20 (in USD million)	Year Founded
ABS Bank	Switzerland	$1,377	1990
BancaEtica	Italy	$973	1999
Banco Sol	Bolivia	$495	1992
BRAC Bank	Bangladesh	$1,366	2001
Cultura Bank	Norway	$66	1997
GLS Bank	Germany	$1,949	1974
Merkur Bank	Denmark	$290	1982
Mibanco	Peru	$1,279	1988
New Resource Bank	California, USA	$159	2006
One California Bank	California, USA	$99	2007
Triodos Bank N.V.	The Netherlands	$4,311	1980
Vancity Credit Union	British Columbia, Canada	$13,273	1946
XacBank	Mongolia	$223	2001

Appendix B: Case Studies from GABV Members

The Global Alliance for Banking on Values was formed in March 2009 by banks with business models with a core focus on Values Based Banking delivering a triple bottom line for People, Planet, and Profit. The following are examples from some of our members illustrating how they practice this business model with clients on a daily basis.

BRAC Bank (Bangladesh)

- Provided a loan to expand a poultry business through adding more chickens and to expand into fish-feed production removing a supplier from the value chain thereby reducing price fluctuation and provided a loan to expand a poultry business through adding more availability of the feed as business risks. As a result the business owner now has a medium-sized poultry farm, a fishery and a fish feed supply business
- Offers ELDORADO, a state-of-the-art, online, real-time remittance distribution system that enables recipients to withdraw money from any branch of the member banks. ELDORADO provides banks a common technological platform to share foreign remittances so that everyone can withdraw money remitted through Western Union in any corner of the country.
- Provided financing to the sole proprietor of Asia Garments, a manufacturing concern founded in 1996, producing a variety of garments throughout the year and sweaters for winter. In 2003 it had one shop and the loans have helped it to significantly expand its business.

GLS Bank (Germany)

- The deposits of its approximately 86,000 customers are invested exclusively in companies and projects whose performance meets set social, ecological and economic criteria. Loans are offered to companies such as independent schools and kindergartens, organic farms and food-stores, cultural projects, health institutions and others. Founded in 1974 GLS Bank today finances more than 8,600 innovative businesses and regularly publishes details of all new loans in its customer magazine 'Bankspiegel.'
- Was appointed by the German Federal Government to establish and expand microlending in Germany because of its expertise. The first nationwide German Microlending Funds has a volume of €100 million

and was issued in 2010. Through cooperation with Microfinance institutes GLS Bank grants credits up to € 20.000 for small businesses.
- In cooperation with two independent partners, GLS Bank offers clients a 'Stop Climate Change' certification to decrease CO_2 emissions. This entails a process that consists of analyzing the client's current CO_2 emissions performance, developing and implementing a concept to improve it, and offsetting unavoidable CO_2 emissions through investments in climate-protection projects.

Merkur Bank (Denmark)

- Has financed more than 2,000 companies, institutions and projects including Thise Dairy, an organic dairy situated in the northern part of Denmark. Today Thise Dairy is the second largest dairy in Denmark and the largest organic dairy in the country. Thise Dairy is the biggest employer in its region providing 120 jobs and in addition has 85 organic farmers as suppliers. In addition Thise Dairy exports organic goods to Sweden, Germany, the Netherlands and France.

Mibanco (Peru)

- Provides a wide range of training programs to help micro business owners maximize their capability to run their businesses. As another part of its inclusion mission, Mibanco continues its twelve-year-old trend of expansion, especially to rural areas, and currently has over 110 branches throughout the country.
- Provides 'Miamigo' for reaching traditionally excluded clients, Mibanco selects its 'best' clients, based on their credit history with the bank and the state of their business (whether or not it is growing and profitable), and invites them to be part of the 'Miamigo' program. It then trains these clients on how to refer the bank to their friends, and when they do so, Mibanco's advisory consultants take over the evaluation and service of the new client, and the referring client receives a free credit (there are three credit ranges, based on the amount of the loan the referred client is awarded).
- Offers extensive training internally and externally for women. Mibanco is carrying out a project called 'Strengthening Peruvian Entrepreneurs' Abilities through Training, Access to Capital and Access to Networks,' in collaboration with Goldman Sachs, the Australian Agency for International Development (AUSAID), Thunderbird, and the Inter-American Development Bank (IDB). The primary objective is to train 100,000 women in 4 years, forming networks between the participants as a support component.
- Another important step Mibanco has taken is the adoption of a policy that prescribes screening of all clients against IFC Performance Standards. This policy steers the bank's lending portfolio, and the documentation of the risk assessment of clients of the entire portfolio against IFC Performance Standards is independently reviewed. In 2007, the first 42 Mibanco employees were trained by the FMO in the application of these norms when awarding credit, incorporating rules that include the IFC Exclusion List, environmental policies, and criteria for evaluating client businesses.

Triodos Bank NV (The Netherlands)

- Finances companies, institutions and projects that add cultural value and benefit people and the environment, with the support of depositors and investors who want to encourage socially responsible business and a sustainable society. More specifically it identifies sustainable sectors where the Bank can help projects to innovate and businesses to emerge and develop. It then selects projects that will bring real and meaningful benefits for the wider community - for which creating cultural, social and environmental added value is as important as meeting commercial and financial targets.
- Has financed innovative energy and climate projects since the Chernobyl disaster in the mid-1980s. By the end of 2009, Triodos Bank and its climate and energy funds under management were financing over 275 projects across Europe. Together they have a generating capacity of over 1000 MW. This includes 175 wind farms, 85 solar plant and various biomass (15) and small hydro (19) projects, producing approximately 2.25 billion kWh per annum, or the equivalent of the electricity consumption of around 630,000 European households. This green power avoids CO_2 emissions of over 800,000 tonnes per year.

Appendix C: Sample Detailed Questions to be Addressed by Project

Demand for Capital

- What are the capital requirements for Values Based Banks to:
  - Address changing regulatory capital requirements?
  - Provide capital for growth in business activities?
  - Start up new Values Based Banks?
- What are the forms of capital required to support growth?
  - Equity - common, preferred
  - Debt - senior, securitized, subordinated, convertible
- What are the long term financial projections for Values Based Banks with a focus on asset/loan growth, earnings, capital generation, and capital returns?
- What are the legal and organizational structures for Values Based Banks impacting their capital structures?
  - How will capital investments and financial and social impact results be monitored post investment?

Supply of Capital

- Who are the potential investors of capital for Values Based Banks?
- How can Values Based Banking be developed as a specific asset class for investors? What are the risk/return characteristics across geographies for this asset class?
- What are the target financial returns for various investors across various forms of capital?
- What are the target social impact returns for various investors across various forms of capital?
- What are the forms of capital acceptable to various investor types?
- Equity - common, preferred
- Debt - senior, securitized, subordinated, convertible
- What are investor preferences relative to individual Values Based Banks investments or collective investments across multiple Values Based Banks?
- What are the legal restrictions imposed on various types of investors impacting the potential types of investments?

Investment Criteria Framework

- How are the business models and management processes for the users of capital evaluated for consistency with mission values and robustness of delivery?
- How can peer reviews be developed and implemented to provide shared understanding of best practice in both mission delivery and management?
- How are the motivations and long term goals of providers of capital evaluated to ensure long term commitment to mission goals?
- How are the business model/management evaluation and the investment decision processes linked? How are these processes independent?
- How are financial and mission returns measured and evaluated to ensure a balanced delivery of both goals? How are investors' balanced goals for these returns evaluated?

Impact Metrics Framework

- How do Values Based Banks measure and report over time the social impact of their efforts on individuals and communities?
- How are these measures determined by type of beneficiary (e.g. income/wealth, educational level, gender, etc.)?
- How are these measures determined by impact on beneficiary (e.g. job creation, wealth enhancement, health improvement, educational achievement, etc.)?
- How should social impact metrics be incorporated into the investment and post-investment review processes both for individual investments and on an aggregate basis?
- How should the results of the Impact Metrics framework be publicly disseminated and used as a basis for lessons learned?

Investment Structures

- How can potential conflicts relative to restrictions on capital issuers and capital suppliers be structurally resolved?
- How can Values Based Banks ensure protection of mission focus?
- How can a collective investment structure be developed and managed?
- How can start-up Values Based Banks be supported through investment structuring?
- What cross-border tax issues may arise and how can they be appropriately addressed?
- What amounts of investments can be efficiently deployed? Are there alternative investment approaches for smaller capital needs?

Appendix D: Biographies of Key Participants

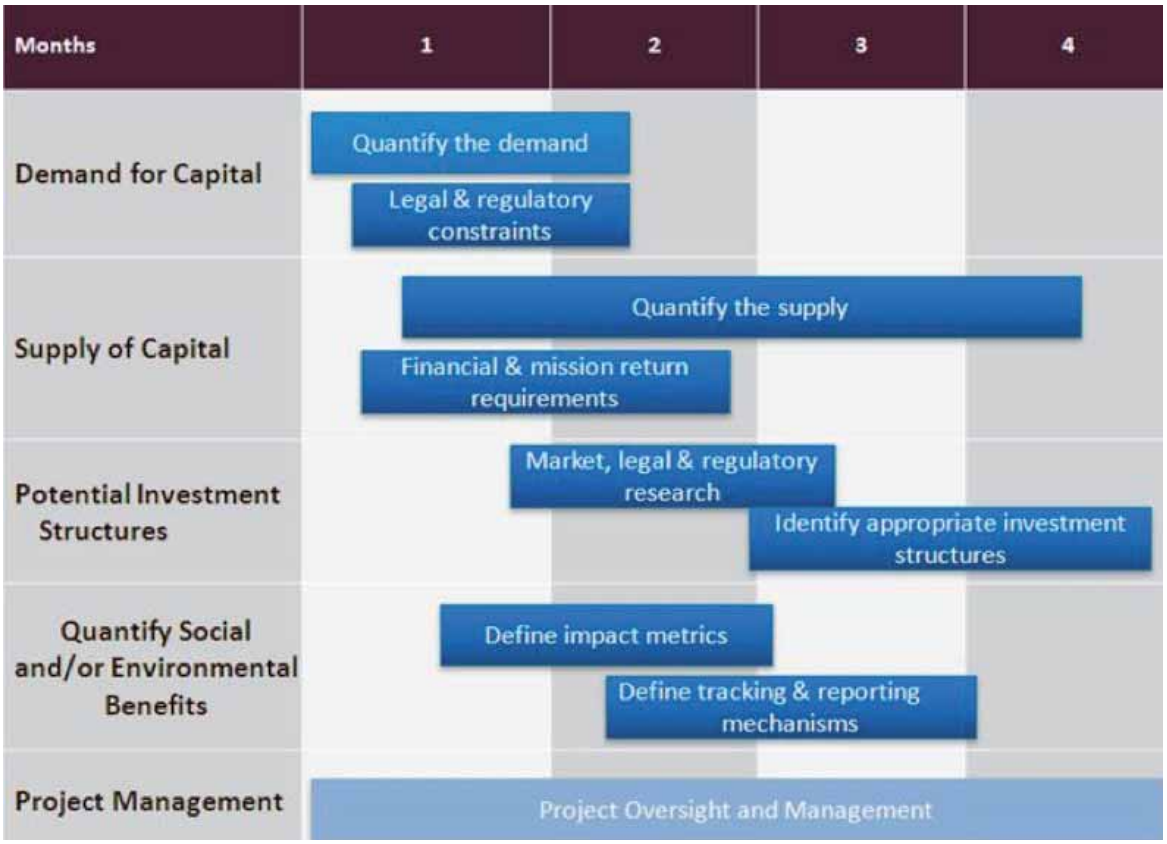
Laurie Spengler

Laurie J. Spengler is President and CEO of ShoreBank International Ltd. (SBI), a company dedicated to expanding access to capital, information and services to create a more inclusive global financial system. Having founded and managed a business solutions and legal services firm in Central Europe for 15 years, Ms. Spengler brings an entrepreneurial perspective and an understanding of the challenges and opportunities of working in transitional economies. Ms. Spengler has over 25 years of experience as a strategy and transaction services professional, with significant experience in capital raising, M&A, and private equity transactions. Over the past decade, she has developed a particular focus on effective capital structures and capital sources for double and triple-bottom line organizations as well as small and growing businesses. Among these activities, she led the BRAC Africa Loan Fund transaction team and continues to oversee SBI's growing financial transactions practice. Ms. Spengler actively represents the company within the broader development finance and impact investment community; she is a frequent presenter and speaker at industry convenings. Previously, Ms. Spengler worked as an attorney with the New York, Brussels and Prague offices of White & Case. Ms. Spengler has a JD from Harvard University and an undergraduate degree from Stanford University. She is a member of the Council on Foreign Relations.

David Korslund

David Korslund has filled a number of senior and strategic roles in banking and financial services since 1976. He began his career at ShoreBank in Chicago while completing his MBA at The University of Chicago. From 1983 until early 2009 he worked with ABN AMRO Bank in both the United States and The Netherlands. He held a variety of senior positions including responsibility for the business planning and performance management for all ABN AMRO businesses throughout the world while providing strategic decision support to ABN AMRO's Managing Board. Since leaving ABN AMRO in early 2009 he has been actively involved as Senior Advisor to the Global Alliance for Banking on Values, a consortium of socially progressive and innovative banks focused on delivering sustainable economic development and environmental improvement throughout the world.

Appendix E: Work Plan



Appendix 3
Participant List

GABV Members

1. ABS Bank, Switzerland
2. Banca Etica, Italy
3. BancoSol, Bolivia
4. Bank Integral, El Salvador
5. BRAC Bank, Bangladesh
6. Cultura Bank, Norway
7. GLS Bank, Germany
8. Merkur Bank, Denmark
9. Mibanco, Peru
10. New Resource Bank, California, USA
11. One Pacific Coast Bank, California, USA
12. Triodos Bank, The Netherlands
13. Vancity, British Columbia, Canada
14. Xac Bank, Mongolia

Other Participants

1. Credit Cooperatif, France
2. Ecobank, Togo
3. Sunrise Community Banks, Minnesota, USA

Appendix 4
Interview Protocols

Interview Questions for Users of Financial Capital

Thank you for agreeing to participate in the interview to gather information for the GABV action track on raising Financial Capital. Our initial discussion will cover the financial and non-financial factual details being developed based on publicly available information. Then we plan to go over other issues to ensure we have a complete picture of your bank relative to financial capital and returns from your business model.

Our interview will cover the following points:

1. Review of current information – summary provided in advance
   - Financial
   - Non-financial

2. History of capital raising – 5 to 10 years

3. Assessment of current capital position and future capital needs
   - Current capital targets and actuals
   - Impact of Basel 3 and other regulatory changes
   - Expected organic growth
   - Potential for inorganic growth

4. Financial and Social Returns
   - Target financial returns and comparison to actuals (w/ long term historic view and factual support)
     - Asset/loan growth
     - Deposit growth
     - Earnings growth and retention
     - Financial RoE
     - Asset quality and portfolio performance ratios
   - Target social returns
     - Measurement details and comparison to actuals
     - Products/services delivering social returns

5. Capital structure and legal restrictions
   - Equity – Common and Preferred (or other forms)
   - Debt – Senior, securitized, subordinated, convertible

6. Legal organization structure

7. Other issues

Interview questions regarding impact metrics

Defining and categorizing sustainability

One definition of sustainable impact is proactively improving upon society, the environment, and the economy. A sample categorization is the triple-bottom line: people, planet, and profit. Another is ESG: environmental, social, and governance.

- How does your company define and categorize sustainability?

Measuring impact

While measuring the impact of a sustainable bank is a complex task that often requires many metrics, it is more feasible to measure, track, and communicate a few powerful metrics.

- What are the key performance indicators for your bank?
- How could you make these indicators better?

Qualitative and/or quantitative impact measures

Although quantitative data can be very compelling, there is also evidence that story telling capturing qualitative data can also be a powerful tool.

- How easy and effective are each of these to implement in your bank and why?

Client sustainable impact

We have discovered that to truly understand the impact of a sustainable bank, it is important to measure the impact of the clients it serves.

- What is the feasibility for your bank to gather this data?
- How do you think you could leverage client impacts for the impact metrics of your bank?

Impact measurement for stakeholders

Our research on sustainable impact frameworks has informed us that the majority of metrics and benchmarks are designed with institutional investors in mind.
Towards what target stakeholders are your current metrics directed?

- What stakeholders would you like to be able to better address?

Reporting and communicating impact

Some sustainable banks use Google maps and other tools to provide full transparency of where their money goes.

- What do you think would be the most effective way to report and communicate your impact to your stakeholders?
- Is use of Google maps feasible at your bank and would you consider using it? Are there any other tools or methodologies you think would be effective?

Developing a shared framework

We would like to have a common framework across all the banks, while still allowing flexibility in having different banks measure specific impact more pertinent to their niche/mission.

- What are the benefits/disadvantages with a joint GABV approach to developing impact metrics for sustainable banks?
- What is your ability to provide support to a joint effort?

Appendix 5
Participant overview

Alternative Bank Schweiz (ABS)

Switzerland

http://www.abs.ch/en/

Bank History and Summary Strategy

Alternative Bank Schweiz (ABS) was initiated from the environmental, social and development movement in the end of the 1980´s. It obtained the authorization of the Federal Banking Commission and assembled the required share capital by 1990. In that same year, the head office was opened. Among other non-conventional products, the Innovation Fund Association was set up by the bank in 1996 to support projects which were unable to obtain financing from traditional banks. An analytical tool developed by ABS, the 'ABS property rating', was launched in 2003 to assess sustainability of buildings. In 2005, an external authority was established to verify the bank´s ethical standards. Four offices (two branches and two information offices) have been opened in different Swiss regions. Alternative Bank Switzerland is today's bank for a better tomorrow. It is a bank that informs clients of the projects that their money supports. Alternative Bank Switzerland publishes all the loans it grants, showing the name, purpose and amount. Alternative Bank Switzerland invests in, and finances, sustainable projects and businesses. It does not insist on maximizing profit. Instead, it places a rational emphasis on sustainability and ethical principles.

Organizational Structure and Locations

ABS has its headquarters in Olten with offices in Zurich and Lausanne (for French speaking Switzerland) and an information office in Geneva. A range of traditional accounts and basic services for making payments are offered. ABS issues loans, principally in the areas of:

- Social or ecological housing
- Organic agriculture
- Renewable energies
- Small and medium-size companies

Investment advice and sale of a selection of sustainable investment funds are also available.

Management and Board

ABS is directed by President of the Board, Eric Nussbaumer, along with the senior management team consisting of Martin Rohner (CEO) Edy Walker and Etienne Bonvin.

Products and Services

ABS´s products and services are aligned with its client requirements concerning savings, investments, financial security, company financing, real estate and monetary transactions. Loans are issued principally in the area of social or ecological housing (also for private individuals), organic agriculture, renewable energy, as well as SME's. ABS offers investment advice and ethical/sustainable investment funds. The bank focuses on the development of innovative products and services that support sustainable economic actions, to amplify ABS´s profile and to provide possibilities which do not exist in the traditional market.

Ownership

ABS is a joint stock corporation in which each shareholder can only obtain a maximum of three percent of the total voting rights. ABS shares are not admitted to official quotation and are not publicly traded; however ABS does facilitate trade between sellers and buyers. The general management has the ability to award company shares to ABS employees based on performance. The total number of shareholders is 4,455.

Major ownership positions in % (over 5%)		
	2010	2009
There are no major ownership positions, because each shareholder can only obtain a maximum of 3% of the total voting rights/total shares	n/a	n/a

Financial Summary

ABS Bank				
Reporting Currency:	EUR,000			
USD Exchange Rate End of Year	1.04	1.09	1.08	1.39
USD Exchange Rate Average	0.9405	1.0378	1.0848	1.1472
Reporting Currency	2010	2009	2008	2007
Total Assets	1,008,465	920,548	836,564	767,292
Total Loans	753,317	678,449	643,877	588,202
Total Deposits	935,609	848,564	766,868	701,422
Total Equity	60,503	58,127	57,178	48,677
Equity/Total Asset	6.00%	6.31%	6.83%	6.34%
BIS 1 Ratio	11.14%	12.39%	13.32%	11.12%
Total Loans/Total Assets	74.70%	73.70%	76.97%	76.66%
Total Deposits/Total Assets	92.78%	92.18%	91.67%	91.42%
Total Loans/Total Deposits	80.52%	79.95%	83.96%	83.86%
Total Revenue	15,966	16,107	17,835	16,749
Total Non-interest Expense	13,844	16,318	14,462	14,475
Net Income (after extraordinary)	481	78	977	857
Overhead Ratio	86.7%	101.3%	81.1%	86.4%
Return on Assets	0.04%	-0.01%	0.30%	n/a
Return on Equity	0.70%	-0.16%	4.47%	n/a
Co-workers (FTE)	80	78	79	71
USD Conversion	2010	2009	2008	2007
Total Assets	1,072,265	887,018	771,169	668,839
Total Loans	800,975	653,737	593,544	512,728
Total Deposits	994,799	817,656	706,921	611,420
Total Equity	64,331	56,010	52,708	42,431
Total Revenue	16,976	15,520	16,441	14,600,131
Total Non-interest Expense	13,274	15,037	13,365	10,377,739
Net Income (after extraordinary)	461	72	903	614,217

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Banca Etica

Italy

http://www.bancaetica.it

Bank History and Summary Strategy

BancaEtica is the first institution based around ethical finance in Italy. The bank's solid roots are to be found in the world of the third sector organisations, of voluntary work and of international cooperation.

The first experience of ethically oriented finance in Italy is represented by the MAG co-operative societies (self-management mutual associations): their traditional aim is to raise savings among their members and to finance 'socially oriented projects'. In the 1990s the MAGs had to review their organisation, as a consequence of new legal rules. This forced them to seriously consider the possibility of incorporating the first 'ethically oriented' bank in Italy. In order to create such a bank, many social co-operative societies and voluntary organizations had to be involved. In December 1994, the entire MAG movement and 21 non-profit organizations founded 'L'Associazione Verso la BancaEtica' (The Association TowardsBancaEtica). In June 1995, it was reorganized into a co-operative company, with the purpose of gathering 6.5 million Euro, the amount needed to incorporate a popular bank. Following an important fund raising campaign in December 1998, the Italian Central Bank authorized BancaPopolareEtica to start operating as a bank and thus to begin its financing activity. On the 8th of March 1999, BancaEtica opened its first branch office in Padova.

Organizational Structure and Locations

BancaEtica is a cooperative bank and has its headquarters in Padua. It has a presence throughout the country with 16 branches and a network of financial advisors, called 'itinerant bankers', who give access to populations who are not close to a physical branch. BancaEtica operates nationally, in accordance with the purpose of cooperation and solidarity, as required by Italian law. This legal form provides strong participation of the partners in the bank's capital, the spread of members across the country, and a democratic decision-making process. Regardless of the number of shares, all during the voting shareholders have the same right to vote according to the principle 'one person, one vote'.

Management and Board

Banca Etica is run by a Shareholder's assembly which includes a board of directors and an arbitrators committee. It is the sovereign body of the Bank which deliberates in ordinary and extraordinary sessions. Moreover, the Assembly is to be considered as a place where people, who have ethical finance at heart and who strongly believe in its principles, can meet and exchange experiences and opinions.

Products and Services

Banca Etica offers all the main banking products and services and distinguishing itself by ethical practices and applications of these standard products. The branch network is complemented by other parties that share its values. Among these were trust, and some banks guarantee consortia partners, through special agreements, guarantee the placement of the Ethical Bank deposit products. The main products and services offered are within these main areas: the collection of savings accounts, investments, cards and other services, receipts and payments, and foreign operations.

Ownership

The real capital of the Bank is represented by its shareholders. The life of the Bank depends on its members; BancaEtica considers its shareholders as the human resource they represent, and not only as the financing that they helped to raise. Today, the Bank counts on 69 local shareholder groups, which represent the meeting point where shareholders participate in the bank's social and cultural activity. Every shareholder group brings together all the shareholders of a territory.
At December 31st 2011 Banca Etica has a share capital of 35.096.092,50 €; the shareholders are a total of 30.831 individuals and 5.584 legal entities.

Financial Summary

Banca Popolare Etica				
Reporting Currency:	EUR ,000			
USD Exchange Rate End of Year	0.75	0.68	0.71	0.73
USD Exchange Rate Average	0.75	0.68	0.71	0.68
Reporting Currency	2010	2009	2008	2007
Total Assets	747,104	673,983	611,995	525,694
Total Loans	436,571	351,421	279,960	238,514
Total Deposits	437,494	382,362	304,116	256,742
Total Equity	35,811	32,498	26,204	25,287
Equity/Total Asset	4.79%	4.82%	4.28%	4.81%
BIS 1 Ratio	8.52%	8.69%	8.38%	8.92%
Total Loans/Total Assets	58.44%	52.14%	45.75%	45.37%
Total Deposits/Total Assets	58.56%	56.73%	49.69%	48.84%
Total Loans/Total Deposits	99.79%	91.91%	92.06%	92.90%
Total Revenue	19,158	18,498	19,515	19,104
Total Non-interest Expense	17,739	16,604	16,579	12,930
Net Income (after extraordinary)	1,032	29	1,285	3,352
Overhead Ratio	92.6%	89.8%	85.0%	67.7%
Return on Assets	-0.07%	0.00%	0.23%	n/a
Return on Equity	-1.48%	0.10%	4.99%	n/a
Co-workers (FTE)	210	201	195	167
USD Conversion	2010	2009	2008	2007
Total Assets	1,000	987	856	774
Total Loans	585	515	392	351
Total Deposits	586	560	426	378
Total Equity	48	48	37	42
Total Revenue	26	27	27	28,136
Total Non-interest Expense	24	24	23	17,697
Net Income (after extraordinary)	1.4	0.04	1.8	4,588.5

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

BancoSol

Bolivia

http://www.bancosol.com.bo/en/

Bank History and Summary Strategy

BancoSol's roots date back to 1986, when ACCION and Bolivian business leaders established a nonprofit microlending entity called PRODEM. By 1988, PRODEM had grown so large that it was outstripping the capacity of the local banking system to supply it with lending capital. In 1992, PRODEM joined with ACCION International, Calmeadow Foundation, Bolivian banks and other investors to establish BancoSol, the first private commercial bank in the world dedicated exclusively to microenterprise.

Organizational Structure and Locations

BancoSol is a bank that offers opportunities to the lowest-income sectors for a better future, providing them high-quality, integrated financial services. After over eighteen years in business, BancoSol has disbursed more than USD 2 billion for more than 1.5 million micro enterprise projects. Currently, the Bank has more than 130,000 clients who account for a total loan portfolio of over USD 585 million. In addition, BancoSol has almost USD 537 million in deposits taken from over 485,000 clients. The Bank is present in all the cities of the country (La Paz, Cochabamba, Santa Cruz, Oruro, Tarija, Potosí, Sucre, Pando, and Trinidad) through a network of more than 100 branches.

Management and Board

BancoSol has a board of directors comprised of President - Enrique Osvaldo Ferraro S, vice president - Luis Felipe Derteano Marie, secretary - Fernando Campero Prudencio, members - Alfredo Llosa Barber, Juan Otero Steinhart Michael Schlein, Carlos Iturralde Ballivian, and trustees - Marco A. Paredes Perez and Sergio Capriles Tejada.

Products and Services

The products and services of BancoSol have been designed to fulfill the mission statement of the company, continually promoting access to financial and economic activity for people with limited resources who seek the opportunity to grow a business and in doing so to improve their quality of life. BancoSol strives to be a leader, a point of reference and an innovator in the microfinance field on the local and international markets, while still enhancing development, progress and quality of life of lower-income sectors. Products they offer include Microcredit loans for microenterprises; Loans for agriculture; Housing loans; Microcredit for other household needs/consumption; Voluntary savings; Fixed term deposits; Credit life insurance; Life insurance; Health insurance; Debit/credit card; Remittance services and other Non-Financial Services. In 2010, BancoSol reaffirmed its leadership in the provision of financial services by presenting clients with new channels through which to access the Bank, among them the Mobile Agency, which passes through suburban and semirural areas using cutting edge technology to remain permanently in touch with the Bank, with online information, offering the full range of products both in loans and depos1ts. In 2011 they intend to extend the coverage of this service to other regions of Bolivia.

Ownership

BancoSol shares are held by ACCION Investments in Microfinance, SPC, ACP Inversiones y Desarrollo, ACCION International, ACCION Gateway Fund LLC, Inversores Asociados SA, Finanzas Microempresariales (Fimisa), Corp, Fundacion Solidaridad y Desarrollo, and Productivo Sostenible (Soydes).

Financial Summary

BancoSol				
Reporting Currency: Bolivianos ,000				
USD Exchange Rate End of Year	6.94	6.88	7.10	7.63
USD Exchange Rate Average	6.94	6.89	6.92	7.44
Reporting Currency	2010	2009	2008	2007
Total Assets	4,256,684	3,518,525	2,785,375	2,071,511
Total Loans	3,088,156	2,477,848	2,082,181	1,597,407
Total Deposits	2,938,959	2,397,239	1,887,009	1,327,044
Total Equity	305,972	268,720	198,970	198,780
Equity/Total Asset	7.19%	7.64%	7.14%	9.60%
BIS 1 Ratio	6.88%	10.43%	9.21%	12.06%
Total Loans/Total Assets	72.55%	70.42%	74.75%	77.11%
Total Deposits/Total Assets	69.04%	68.13%	67.75%	64.06%
Total Loans/Total Deposits	105.08%	103.36%	110.34%	120.37%
Total Revenue	452,006	360,810	296,731	251,693
Total Non-interest Expense	284,439	222,697	204,441	158,077
Net Income (after extraordinary)	81,242	84,169	42,317	58,049
Overhead Ratio	62.9%	61.7%	68.9%	62.8%
Return on Assets	2.09%	2.67%	1.74%	n/a
Return on Equity	28.27%	35.99%	21.28%	n/a
Co-workers (FTE)	1,663	1,347	1,235	996
USD Conversion	2010	2009	2008	2007
Total Assets	613,355	510,338	402,342	278,508
Total Loans	444,979	359,395	300,767	214,766
Total Deposits	423,481	347,703	272,575	178,416
Total Equity	44,088	38,976	28,741	26,725
Total Revenue	65,131	52,333	42,862	34
Total Non-interest Expense	40,985	32,351	28,807	21
Net Income (after extraordinary)	11,706	12,227	5,963	8

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Bank History and Summary Strategy

The origins of SAC Apoyo Integral are found in the credit program started by a non-profit organization named FUSAI (Salvadoran Foundation for Integral Support). This program evolved favorably amongst excluded sectors of the local economy and eventually became the first Savings and Credit Society authorized by the SSF (El Salvador´s Financial System´s Superintendent). After ten years in the market, Integral is recognized as the fastest growing microfinance Institution in Central America.

Organizational Structure and Locations

Integral offers financial services through 25 branches located over all the territory of El Salvador. It serves more than 42,000 clients and has a loan portfolio of more than $75 million; it provides businesses growth opportunities and focuses on improving its client's quality of life, through initiatives such as free financial and environmental education, building technical assistance for home improvement loans; and other benefits such as micro health and life insurance. Integral distinguishes itself by offering its customers a personalized service through a force of credit counselors who know about the needs of its customers, guiding them to better manage their businesses more efficient, saving and investing with products tailored to their needs. Additionally Integral continues to enhance its technology platform hand with its organizational structure to compete with innovative products and, in turn, implement the short term, a network that includes more than 200 points of payment in different areas of El Salvador. As part of the contribution to the models of 'social inclusion of innovative prototypes and mass,' Integral is participating in workshops as a facilitator of experience in model management methodology offer improved housing solutions in partnership with institutions suppliers of building materials. The goal is massively successful model for Central America, recognized by UNIDO, FIODM, United Nations, whose value added is that the customer gets discounts on building materials and / or transportation, free constructive assistance (advice for building) and a credit to flexible terms.

Management and Board

Integral has a management team which includes Luis Antonio Castillo as Chairman, Bernhard J. Eikenberg as Vice Chairman, and Juan Pablo Meza as General Manager.

Products and Services

Integral offers personalized service through specialized loan service Officers who know and understand the needs of their clients, coaching them towards achieving more efficient business management. Integral continues to improve customer service, with innovative products and services through a network of more than 200 payment points located in different spots covering the whole country. As part of 'social inclusion and massive innovative prototypes,' Integral is sharing its experience in UNIDO, FIODM, United Nations network: the goal is the knowledge in model and methodology management of home improvement loans + free Technical building assistance + discounts in construction materials.

Ownership

Integral's shares are owned by Apoyo Integral Investment El Salvador, S. A. C. V, Apoyo Integral Investment Panama, S. A., ACP Group, Foundation Dueñas Herrera, and other individual shareholders.

Major ownership positions in % (over 5%)		
	2010	2009
Apoyo Integral Investment El Salvador, S. A. C. V	36.00%	
Apoyo Integral Investment Panama, S. A.	28.85%	
ACP Group	20.00%	
Foundation Dueñas Herrera	15.04%	

Financial Summary

Sociedad de Ahorro y Credito Apoyo Integral, S.A.				
Reporting Currency: reported in USD ,000				
USD Exchange Rate End of Year	1.000	1.000	1.000	1.000
USD Exchange Rate Average	1.000	1.000	1.000	1.000
Reporting Currency	2010	2009	2008	2007
Total Assets	85,135	66,525	64,169	48,078
Total Loans	70,973	55,861	54,972	41,662
Total Deposits	0	0	0	0
Total Equity	11,768	10,832	9,749	7,270
Equity/Total Asset	13.82%	16.28%	15.19%	15.12%
BIS 1 Ratio	68.80%	69.83%	12.57%	n/a
Total Loans/Total Assets	83.37%	83.97%	85.67%	86.66%
Total Deposits/Total Assets	n/a	n/a	n/a	n/a
Total Loans/Total Deposits	n/a	n/a	n/a	n/a
Total Revenue	13,599	12,623	11,919	8,696
Total Non-interest Expense	10,022	7,959	7,157	5,464
Net Income (after extraordinary)	945	210	1,558	1,270
Overhead Ratio	73.7%	63.0%	60.0%	62.8%
Return on Assets	1.25%	0.32%	2.78%	n/a
Return on Equity	8.36%	2.04%	18.31%	n/a
Co-workers (FTE)	401	316	312	267

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

BRAC Bank

Bangladesh

http://www.bracbank.com

Bank History and Summary Strategy

BRAC Bank is a leading private commercial bank in Bangladesh. Its headquarters are based in the Bangladeshi capital, Dhaka. BRAC Bank was established under the Banking Act of 1991 and incorporated as a public company limited by shares on May 20, 1999 under the Company Act of 1994. BRAC Bank began operations in 2001 in order to cater primarily to small and medium enterprises. BRAC Bank is affiliated with BRAC, the world's largest non-governmental development organization. BRAC Bank currently maintains 466 different offices across the country.

Organizational Structure and Locations

BRAC Bank started its journey in 2001 and in just 10 years proved to be country's fastest growing bank. Today, the bank has 81 Branches, 22 SME Service Centers, 48 SME/Krishi Branches, more than 290 ATMs and 315 stand alone SME Unit offices across the country. It has disbursed over BDT 14,500 crore of SME loan and has over 1,200,000 individual customers who access online banking facilities. Its services cut across all strata of clientele - corporate, retail or SME, with their main areas of concentration being:

- SME Banking
- Retail Banking
- Wholesale Banking
- Probashi Banking
- E-Banking

Management and Board

BRAC Bank has a board of directors made up of the Chairman - Mr. Muhammad A. (Rumee) Ali, Directors - Mr. Shib Narayan Kairy, Mr. Quazi Mohammad Shariful Ala, Ms. Nihad Kabir, Dr. Hafiz G. A. Siddiqi, and Ms. Tamara Hasan Abed, and Managing Director and CEO - Mr. Syed Mahbubur Rahman.

Products and Services

BRAC Bank Limited provides various commercial banking services in Bangladesh and internationally. It offers retail, corporate, small and medium enterprises (SME), and Probashi banking products and services. The company's retail banking products and services comprise various deposit products, including savings accounts, current accounts, and term deposits; and loan products, such as salary, quick, auto, home, and secured loans/overdraft; credit card, debit card, and prepaid cards; online banking services; ATM services; and locker services. Its corporate loan products and services consists of overdraft, term loans, lease finance, loans against trust receipt, work order finance, project finance, and medium enterprise loans; bank guarantees; syndicated debt facilities; trade finance products, including letters of credit and guarantee; corporate cash management services; and custodial services, as well as providing finance to emerging businesses and purchasing bills. The company's SME products comprise various deposit products, such as current accounts; and loan products, including business equity loans, trade finance and suppliers finance. Its Probashi banking products and services include current accounts, savings accounts, fixed deposits and bonds.

Ownership

BRAC Bank shares are held in the forms of common stock, preferred shares and publicly issued shares. Its shareholding structure is divided amongst BRAC, the International Finance Corporation, ShoreCap International and general shareholders.

Major ownership positions in % (over 5%)		
	2010	2009
BRAC	43.77%	37.18%
International Finance Corporation (IFC)	5.36%	5.83%
ShoreCap International Ltd.	0.86%	6.99%

Financial Summary

BRAC Bank				
Reporting Currency: Taka ,000				
USD Exchange Rate End of Year	68.35	67.68	67.33	67.11
USD Exchange Rate Average	69.178	68.1391	68.1428	67.096
Reporting Currency	2010	2009	2008	2007
Total Assets	119,150,087	94,581,304	72,441,893	46,382,595
Total Loans	84,058,705	64,084,359	52,665,236	32,446,123
Total Deposits	88,157,907	75,219,615	58,006,887	37,368,408
Total Equity	9,411,886	8,150,954	5,437,525	3,072,028
Equity/Total Asset	7.90%	8.62%	7.51%	6.62%
BIS 1 Ratio	7.43%	9.12%	10.05%	8.33%
Total Loans/Total Assets	70.55%	67.76%	72.70%	69.95%
Total Deposits/Total Assets	73.99%	79.53%	80.07%	80.57%
Total Loans/Total Deposits	95.35%	85.20%	90.79%	86.83%
Total Revenue	9,539,934	7,264,162	6,036,184	3,546,247
Total Non-interest Expense	4,796,643	4,012,291	3,278,875	1,600,754
Net Income (after extraordinary)	1,664,355	874,871	568,761	618,336
Overhead Ratio	50.3%	55.2%	54.3%	45.1%
Return on Assets	1.56%	1.05%	0.96%	n/a
Return on Equity	18.95%	12.88%	13.37%	n/a
Co-workers (FTE)	7,151	5,907	5,073	3,672
USD Conversion	2010	2009	2008	2007
Total Assets	1,722,370	1,388,062	1,063,089	691,287
Total Loans	1,215,107	940,493	772,866	483,578
Total Deposits	1,274,363	1,103,913	851,255	556,939
Total Equity	136,053	119,622	79,796	45,786
Total Revenue	137,904	106,608	88,581	52,853
Total Non-interest Expense	70,178	59,287	48,698	23,851
Net Income (after extraordinary)	24,350	12,927	8,447	9,213

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Crédit Coopératif

France

http://www.credit-cooperatif.coop

Bank History and Summary Strategy

The origins of Crédit Coopératif go back to the late 19th century when a group of co-operators decided to set up their own bank. Since then, it has regularly developed its activities, customer base and network while remaining true to its vocation of a cooperative for legal entities and opened to individuals clients. It is a banker for the Social Economy : co-operatives, mutual organisations, small businesses, trade associations and work committees, public interest organisations and socially-responsible companies in social housing, healthcare, care and services for vulnerable people, environment, culture, education and research, microfinance institutions, etc. It's a pioneer of solidarity-based finance. Credit Coopératif as it now exists is, the result of the 2003 merger between the Crédit Coopératif bank, the successor to the cooperative bank set up by workers' production associations in 1893, and the 'Caisse Centrale de Crédit Coopératif', established in 1938 to finance investments by producer and consumer cooperatives. These establishments set up links in 1970 to form a complete banking group with a national network that meets all of the banking requirements of their members, most of whom are corporate bodies. The Group has also seen development through external acquisitions between 1994 and 1998. In 2003, Crédit Coopératif joined the banking group 'Groupe Banque Populaire', assuming the status of a 'Société Anonyme Coopérative de Banque Populaire à capital variable' (a cooperative variable capital popular bank with limited public liability), with an agreement that guarantees its management independence, its identity and its brand. This agreement has been transferred to 'BPCE', the central body created in 2009 out of the merger of the central bodies of the Caisses d'Épargne and the Banques Populaires. Within the terms of the french 'Monetary and Financial Code', BPCE is Crédit Coopératif's central body. It ensures its liquidity and solvency, and Crédit Coopératif also shares its rating.

Organizational Structure and Locations

Crédit Coopératif's ambition is 'to provide increasingly useful services to enhance its customer members' and staff's joint and different powers of action'. To achieve this, it draws on its status as a cooperative bank, involving its members in the decision making process (following what's written in the status of the bank) and being accountable to them in its capacity as a bank that is transparent and sincere and that listens to its customers who are for some of them its members. The bank's economic and social model is based on a well-discussed distribution of value between members, customers, employees, social projects and collectives for the development of the human economy, either directly or through the Crédit Coopératif Foundation.

Management and Board

The Board of Directors is composed of 18 directors (15 legal entities and 3 people: Mr. Jean-Louis Bancel, president, Mr Jean-Claude Detilleux, deputy vice-president, and Ms. Chantal Chomel as representative of individual customers). The legal entity directors mainly represent the members' movements and trade federations.

Products and Services

The Crédit Coopératif Group offers its customers all of the services that they need on a daily basis or when faced with the challenge of a large-scale project. This means they have access to the type of service that other institutions reserve for large companies. Crédit Coopératif accompanies them in a spirit of partnership and co-production in order to propose day-to-day banking services to its customers, legal entities and private individuals. Available products and services include: accounts, methods of payment, cash-flow management, processing of international transactions, insurance, savings and investments. Wherever possible, the proposed products include a socially responsible version. They facilitate access to credit and finance using cooperative solutions, finance socially responsible investors and lenders by means of refinancing, guarantee, provision of equity capital, and deposit-taking business based on socially responsible products.

Ownership

Crédit Coopératif is a cooperative bank – the core of its capital (80%) is provided by its customers, who hold all of the voting rights at the General Meeting. It is one of the parent companies within Groupe BPCE, which is a decentralized cooperative group. Natixis is a shareholder holding 20% of capital, without voting rights. Crédit Coopératif owns different shareholdings and equity stakes in banks, financial institutions and cooperatives mostly in France that target the Social Economy.

Financial Summary

Crédit Coopératif				
Reporting Currency: reported in USD,000				
USD Exchange Rate End of Year	1.000	1.000	1.000	1.000
USD Exchange Rate Average	1.000	1.000	1.000	1.000
Reporting Currency	2010	2009	2008	2007
Total Assets	12,218,789	11,580,502	11,699,084	11,306,773
Total Loans	9,910,082	9,246,806	8,486,532	7,371,359
Total Deposits	6,368,348	5,916,431	5,370,543	5,347,735
Total Equity	1,303,961	1,169,888	1,031,651	1,088,479
Equity/Total Asset	10.67%	10.10%	8.82%	9.63%
BIS 1 Ratio	11.89%	11.27%	10.90%	12.18%
Total Loans/Total Assets	81.11%	79.85%	72.54%	65.19%
Total Deposits/Total Assets	52.12%	51.09%	45.91%	47.30%
Total Loans/Total Deposits	155.61%	156.29%	158.02%	137.84%
Total Revenue	398,071	374,824	381,566	345,700
Total Non-interest Expense	292,373	279,884	258,838	246,800
Net Income (after extraordinary)	40,526	24,661	26,735	92,435
Overhead Ratio	73.4%	74.7%	67.8%	71.4%
Return on Assets	0.34%	0.21%	0.23%	0.82%
Return on Equity	3.28%	2.24%	2.52%	9.85%
Co-workers (FTE)	2,004	1,968	1,905	1,810
USD Conversion	2010	2009	2008	2007
Total Assets	16,360,871	16,955,347	16,371,514	16,652,096
Total Loans	13,269,529	13,538,515	11,875,919	10,856,199
Total Deposits	8,527,172	8,662,417	7,515,453	7,875,898
Total Equity	1,745,994	1,712,867	1,443,676	1,603,062
Total Revenue	533,014	548,791	533,957	509,131
Total Non-interest Expense	391,485	409,786	362,214	337,805
Net Income (after extraordinary)	54,264	36,107	37,413	126,519

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Cultura Bank

Norway

http://www.cultura.no

Bank History and Summary Strategy

Cultura's roots date back to an initiative in 1982 by a group seeking to establish an ethical bank. In 1986, 'Cultura Lånesamvirke' (Cultura Savings and Loan Cooperative) was founded, and in 1996, Cultura was granted a full banking license as a savings bank. The bank adheres to the following main principles in its activities: (i) In addition to the ordinary evaluation of security and project economy, the bank also applies ethical environmental and social criteria as a basis for granting loans. (ii) With consent from the borrowers the bank publishes a list of the loan projects, so the depositors can see what their money is used for. (iii) To create greater public awareness of the proper role of money and the economy, the bank is using considerable resources on research and information activities. Although the bank has a specific mission to finance projects with a social and ethical quality it also aims to produce a steady and reasonable return to investors in its equity certificates.

Organizational Structure and Locations

Cultura Bank (legal name Cultura Sparebank) is a Norwegian savings bank, incorporated in 1996 and located in Oslo. It is regulated by the Financial Supervisory Authority of Norway and is a member of the deposit insurance fund covering deposits from individuals for and amount up to NOK 2 million.

Management and Governing Bodies

Cultura Bank has a board of non executive directors with seven members. Chairwoman is Kari Schage and vice chairman is Arne Øgaard. The Board of trustees, which is the bank's highest governing body (equal to the general assembly in a joint stock company), has 12 members elected from owners of equity certificates (3), the bank's customers (5), the employees (3) and the local municipality (City of Oslo) (1). Chief executive officer is Lars Hektoen

Products and Services

Cultura Bank offers a range of basic banking products e.g. current accounts with overdraft facilities, loans for working capital as well as investments loans. The bank offers payment services including cards and internet banking to private and corporate customers. Organic agriculture is one important loan area, including manufacturing and distribution of natural food. Another large group is education where the bank finances primary and secondary schools as well as university level institutions. Medicine and healthcare is a third large area in the loan portfolio. Cultural activities like free theatre groups and several artists should also be mentioned as well as artisans and various small, local businesses. The bank also offers housing loans with an emphasis on ecological building.

Ownership

A savings bank's capital consists of the bank's own funds, split into the original savings bank capital (granted as a gift) and withheld earnings. To increase the equity base, the bank can issue equity certificates. For Cultura Bank this is the largest and most important source of equity capital for the bank, making up about 94% of the total. It should, however, be noted that the composition of the governing bodies is not proportional to the capital issued in this way. The Equity Certificates are registered in the Norwegian Central Securities Depository but are not noted on the Oslo Stock Exchange.

There are no owners of shares with a position greater than 5%.

Financial Summary

Cultura Bank				
Reporting Currency: Norvegian Krone ,000				
USD Exchange Rate End of Year	6.04	6.28	5.64	5.86
USD Exchange Rate Average	5.8967	5.8065	7.032	5.4037
Reporting Currency	2010	2009	2008	2007
Total Assets	424,320	379,494	370,416	302,749
Total Loans	290,682	270,483	253,583	211,788
Total Deposits	370,453	332,786	314,527	258,170
Total Equity	50,847	43,529	42,865	40,676
Equity/Total Asset	11.98%	11.47%	11.57%	13.44%
BIS 1 Ratio	17.41%	16.06%	17.42%	19,87%
Total Loans/Total Assets	68.51%	71.27%	68.46%	69.95%
Total Deposits/Total Assets	87.31%	87.69%	84.91%	85.28%
Total Loans/Total Deposits	78.47%	81.28%	80.62%	82.03%
Total Revenue	19,123	17,810	18,552	14,390
Total Non-interest Expense	17,704	15,503	13,941	12,002
Net Income (after extraordinary)	520	1,181	1,946	1,504
Overhead Ratio	92.6%	87.0%	75.1%	83.4%
Return on Assets	0.13%	0.31%	0.58%	n/a
Return on Equity	1.10%	2.73%	4.66%	n/a
Co-workers (FTE)	16	17	16	15
USD Conversion	2010	2009	2008	2007
Total Assets	71,959	65,357	52,676	56,026
Total Loans	49,296	46,583	36,061	39,193
Total Deposits	62,824	57,313	44,728	47,777
Total Equity	8,623	7,497	6,096	7,527
Total Revenue	3,243	3,067	2,638	2,663
Total Non-interest Expense	2,931	2,467	2,473	2,049
Net Income (after extraordinary)	86	188	345	257

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

EcoBank

Africa

http://www.ecobank.com

Bank History and Summary Strategy

ETI, a public limited liability company, was established as a bank holding company in 1985 under a private sector initiative spearheaded by the Federation of West African Chambers of Commerce and Industry with the support of ECOWAS. In the early 1980's the banking industry in West Africa was dominated by foreign and state-owned banks. There were hardly any commercial banks in West Africa owned and managed by the African private sector. ETI was founded with the objective of filling this vacuum. The Federation of West African Chambers of Commerce promoted and initiated a project for the creation of a private regional banking institution in West Africa. In 1984, Eco-promotions S.A. was incorporated. Its founding shareholders raised the seed capital for the feasibility studies and the promotional activities leading to the creation of ETI.

Organizational Structure and Locations

Incorporated in Lomé, Togo, Ecobank Transnational Incorporated (ETI) is the parent company of the Ecobank Group, which is present in more countries in Africa than any other bank in the world. Ecobank currently operates in Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Brazzaville), Congo (Democratic Republic), Côte d'Ivoire, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Malawi, Mali, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Tanzania, Togo, Uganda, Zambia and Zimbabwe. The Group also has an affiliate in Paris and representative offices in Dubai, Johannesburg, London and Luanda. ETI is listed on the stock exchanges in Lagos, Accra and the West African Economic and Monetary Union (UEMOA) – the BRVM. The Group has over 23 000 employees from 35 different countries in over 1,100 branches. For more information, please visit: http://www.ecobank.com.

Management and Board

EcoBank has an Executive Management group made up of Arnold Ekpe as Group Chief Executive Officer, Patrick Akinwuntan as Group Executive and Head Domestic Bank, Dele Babade as Group Executive and Head Ecobank Capital, Laurence do Rego as Group Executive Director and Head Finance and Risk, Albert Essien as Deputy Group Chief Executive Officer and Head Corporate Bank, Eddy Ogbogu as Group Executive, Head Operations and Technology, and Evelyne Tall as Deputy Group Chief Executive Officer, Group Chief Operating Officer.

Products and Services

Ecobank is a full service bank providing wholesale, retail, investment and transactional banking services to governments, financial institutions, multinationals, local companies, SMEs and individuals. As a group, their strategy is to build scale through organic growth and acquisitions; to grow businesses in existing markets and expand into new markets, product and customer segments and, deliver improved efficiency through operational and product excellence and superior customer service. To achieve this, they have established "One Bank everywhere You Go": Ecobank operates as "One Bank" with common brand, standards, policies and processes, which means they offer a consistent and reliable service across its network of over 1,100 branches and offices.

Ownership

Ecobank is a public limited liability company. As of December 15 2011 Ecobank's shares were held by more than 580,000 private and institutional shareholders throughout the world with total shares outstanding of 12,402,055,557. Among Ecobank's largest shareholders are Stanbic Nominees Nigeria Trading Account (13.04%) The Asset Management Corporation of Nigeria (11.10%) International Finance Corp (9.5%), , and Social Security and National Insurance Trust (7.22%). Ecobank began trading simultaneously on the GSE,

BRVM, and NSE on 11 September 2006. The objective of Ecobank is to optimize shareholders' return on investment, mainly through an increase in the value of shares and payment of dividends. Dividends are payable in cash and/or as bonus-shares. Cash dividends payable are derived from yearly profits or from retained earnings accrued profits, while bonus shares are payable from the same sources as well as other reserves that are non-statutory in nature.

Financial Summary

Ecobank				
Reporting Currency: reported in USD ,000				
USD Exchange Rate End of Year	1.000	1.000	1.000	1.000
USD Exchange Rate Average	1.000	1.000	1.000	1.000
Reporting Currency	2010	2009	2008	2007
Total Assets	10,466,871	9,006,523	8,306,186	6,550,224
Total Loans	5,264,184	4,766,197	3,754,206	3,117,036
Total Deposits	7,924,585	6,472,459	5,798,895	4,714,327
Total Equity	1,292,610	1,235,565	1,157,622	651,760
Equity/Total Asset	12.35%	13.72%	13.94%	9.95%
BIS 1 Ratio	20.21%	21.02%	22.27%	15.48%
Total Loans/Total Assets	50.29%	52.92%	45.20%	47.59%
Total Deposits/Total Assets	75.71%	71.86%	69.81%	71.97%
Total Loans/Total Deposits	66.43%	73.64%	64.74%	66.12%
Total Revenue	899,643	873,318	826,124	543,988
Total Non-interest Expense	639,833	641,954	560,357	337,249
Net Income (after extraordinary)	131,819	64,600	111,140	138,936
Overhead Ratio	70.3%	72.7%	67.0%	61.7%
Return on Assets	1.35%	0.75%	1.50%	n/a
Return on Equity	10.43%	5.40%	12.28%	n/a
Co-workers (FTE)	n/a	n/a	n/a	n/a

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

GLS Bank

Germany

http://www.gls.de

Bank History and Summary Strategy

The GLS Bank is the first socio-ecological universal bank in the world. The starting points of GLS Bank's work are human basic needs and the conviction that money is there for people. GLS Bank attaches great importance to a trusting and appreciative relationship with both employees and customers to offer a triple profit due to the concept: humane, forward-looking and economic. This means the improvement of people's livelihood, increased development potential for future generations as well as an adequate economic return.

The bank was founded in 1974 and originally focused on ecologic, social and cultural projects, such as schools, Demeter farms and communal living projects. Over time, the focus has widened and other sectors were introduced, such as renewable energy projects after the accident at Tschernobyl in 1986. In 1989, the first wind energy fund was established by the bank and in 2003 GLS Bank took over the activities of Ökobank, an ethically and ecologically oriented bank in Germany. Nowadays, following the financial crisis the demand for sustainable banking products has risen, hence, resulting in high growth of GLS Bank. It operates in 7 branch offices in Germany since it took over the activities of IntegraBank in 2008. According to the last Annual Report available (2010) the bank had a yearly increase of 23% in its loan portfolio and 40% in its customer deposits.

Organizational Structure and Locations

The Bank focuses on cultural, social and ecological projects which try to tackle challenges in our society by developing creative solutions. Loans are offered to projects like independent schools and kindergartens, organic farms, institutions using therapeutic pedagogy, nursing homes, projects for the unemployed, health-food stores and communal living projects, as well as sustainable businesses. Transparency is one of the key aims of the GLS: details of all initiatives that receive loans are published in its magazine 'Bankspiegel', together with information on the development of the bank itself.

Management and Board

GLS Bank has a management team comprised of the executive board with Thomas Jorberg and Andreas Neukirch and the supervisory board with Paul Mackay (chairman), Axel Janitzki (deputy charman), Konstanze Frischen, Irene Reifenhäuser, Rolf Kerler, Dr. Beatrix Tappeser, Ulrich Walter and Prof. Götz W. Werner.

Products and Services

GLS Bank offers its customers the usual range of financial products: Current Accounts, Savings Accounts, Savings Certificates, Investment funds, etc. What distinguishes GLS is not only the fact that it invests their saver's money responsibly but also that the savers can choose the area in which their money will be invested. Moreover, when customers choose reduced interest payments for their savings, the bank is able to grant loans to charitable projects with an interest rate that only covers the basic loan administration costs for the bank.

Ownership

GLS is a Cooperative bank. It's current equity holders are divided in two: the capital share of the cooperative's voting members and long-term silent participants without right to vote. GLS is a member of the Federal Association of Cooperative Banks.

Major ownership positions in % (over 5%)		
	2010	2009
	n/a	n/a

Financial Summary

GLS Bank				
Reporting Currency: Euro ,000				
USD Exchange Rate End of Year	0.747	0.683	0.715	0.731
USD Exchange Rate Average	0.747	0.683	0.715	0.679
Reporting Currency	2010	2009	2008	2007
Total Assets	1,846,385	1,350,714	1,013,356	795,581
Total Loans	1,408,433	1,062,999	847,280	647,697
Total Deposits	1,586,242	1,134,590	824,591	653,937
Total Equity	86,741	67,508	54,498	45,464
Equity/Total Asset	4.70%	5.00%	5.38%	5.71%
BIS 1 Ratio	10.44%	9.85%	8.75%	7.95%
Total Loans/Total Assets	76.28%	78.70%	83.61%	81.41%
Total Deposits/Total Assets	85.91%	84.00%	81.37%	82.20%
Total Loans/Total Deposits	88.79%	93.69%	102.75%	99.05%
Total Revenue	39,284	30,227	21,284	16,766
Total Non-interest Expense	26,216	20,257	17,476	13,756
Net Income (after extraordinary)	6,352	3,616	1,013	651
Overhead Ratio	66.7%	67.0%	82.1%	82.0%
Return on Assets	0.40%	0.31%	0.11%	n/a
Return on Equity	8.32%	5.93%	2.03%	n/a
Co-workers (FTE)	301	227	189	180
USD Conversion	2010	2009	2008	2007
Total Assets	2,472,297	1,977,619	1,418,074	1,171,695
Total Loans	1,885,882	1,556,367	1,185,670	953,898
Total Deposits	2,123,967	1,661,186	1,153,919	963,088
Total Equity	116,146	98,840	76,264	66,957
Total Revenue	52,601	44,257	29,784	24,692
Total Non-interest Expense	35,103	29,659	24,456	18,828
Net Income (after extraordinary)	8,505	5,295	1,418	891

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Merkur Bank

Denmark

www.merkur.dk

Bank History and Summary Strategy

The first steps towards the founding of Merkur Cooperative Bank were taken in 1982 with the forming of a credit and loan association. In 1985, Merkur merged with another independent initiative to form the Co-op Bank, and received a banking license. Merkur is an ethical bank committed to social justice within a sustainable economy. It promotes projects with both social and environmental objectives.

Organizational Structure and Locations

Merkur opened its first office in Aalborg in 1985. In 1992 it established a branch in Copenhagen (which became head office in 2004) and is nowadays present in the four major cities of Denmark. In addition, Merkur has limited activities in North Germany and in Finland. Approximately 65% of its combined loans and guarantees finance projects in the following three areas:

- **Environmental** Organic farming and biodynamic farming, renewable energy, sustainable production and business, and environmentally progressive building and construction.
- **Social** Sustainable, social housing and ownership, alternative energy forms and resource saving arrangements, facilities for the handicapped and the socially disadvantaged.
- **Cultural** Independent schools and kindergartens, community and cultural centres, theatres and music venues.

Management and Board

Merkur Bank has a management board with CEO - Lars Pehrson and CFO/COO - Asbjørn Andersen. In addition, Caroline Panum is Head of Human Resource and Client Relations, and is in close cooperation with the Board of Management, and each branch has its own Branch Manager. The Bank has a board of non-executive directors of 9 persons, of which 6 are elected among shareholders and 3 among co-workers.

Products and Services

Merkur´s main objective is to give and facilitate financial advice and financing to profit making enterprises within sustainable production and not-for-profit institutions and associations within cultural and social fields. Therefore, the main part of Merkur Cooperative Bank´s combined loan finance projects are in the environmental, social and cultural sectors. As a secondary activity, Merkur approves loans and arranges mortgages for private customers. Merkur also provides other financial services, including savings and current accounts (available with Visa and/or debit cards), payment services, webbank, and pensioner's and children's savings accounts, as well as a full range of financial services for business customers. Furthermore, Merkur places great emphasis upon transparency in banking. In 2009, Merkur established a separate entity, Merkur Development Loans Ltd, cooperation with a Danish state investment fund, IFU. The aim is to give loans to SMEs and cooperatives in developing countries in order to promote sustainability and provide financing on fair conditions.

Ownership

Merkur is a financial institute organized as a co-operative and is primarily owned by its members. Merkur's co-operative capital corresponds with shares in a normal bank and is drawn from individuals, organizations, institutions and others who purchase a share of the capital. As of December 2010, Merkur's nearly 3,400 members control capital of around 180 million kroner. All members have access to the annual general meeting (AGM) where each member has a vote. At the AGM, members also elect a board of representatives, which in turn elects and appoints the board of directors.

Major ownership positions in % (over 5%)		
	2010	2009
	n/a	n/a

Financial Summary

Merkur Bank				
Reporting Currency: Danish Krone ,000				
USD Exchange Rate End of Year	5.621	5.354	5.093	5.440
USD Exchange Rate Average	5.619	5.191	5.277	5.065
Reporting Currency	2010	2009	2008	2007
Total Assets	1,702,106	1,496,459	1,167,789	990,572
Total Loans	1,091,726	998,698	897,148	722,674
Total Deposits	1,386,894	1,170,454	879,401	770,344
Total Equity	179,444	162,881	153,527	136,789
Equity/Total Asset	10.54%	10.88%	13.15%	13.81%
BIS 1 Ratio	13.47%	13.15%	14.90%	11.95%
Total Loans/Total Assets	64.14%	66.74%	76.82%	72.96%
Total Deposits/Total Assets	81.48%	78.21%	75.30%	77.77%
Total Loans/Total Deposits	78.72%	85.33%	102.02%	93.81%
Total Revenue	82,331	70,171	54,230	46,070
Total Non-interest Expense	62,445	53,467	43,018	34,637
Net Income (after extraordinary)	568	2,853	5,233	8,270
Overhead Ratio	75.8%	76.2%	79.3%	75.2%
Return on Assets	0.04%	0.21%	0.48%	n/a
Return on Equity	0.33%	1.80%	3.61%	n/a
Co-workers (FTE)	68	58	50	42
USD Conversion	2010	2009	2008	2007
Total Assets	302,920	288,296	221,298	195,591
Total Loans	194,292	192,401	170,011	142,694
Total Deposits	246,822	225,491	166,648	152,107
Total Equity	31,935	31,379	29,094	27,009
Total Revenue	14,652	13,519	10,277	9,097
Total Non-interest Expense	11,110	9,986	8,446	6,367
Net Income (after extraordinary)	101	533	1,027	1,520

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Mibanco

Peru

http://www.mibanco.com.pe

Bank History and Summary Strategy

Mibanco was created in 1998 by taking over the financial operations of the NGO 'Acción Comunitaria del Perú' (ACP) which had been working for the Peruvian micro-entrepreneurs since over 33 years. (Source: MIX database). MIBANCO Banco de la Microempresa SA is a Peru-based financial institution primarily engaged in the banking sector. The Bank's services and products include consumer and commercial loans, mortgages, current and savings accounts, fixed-term deposits, credit cards and other banking operations processing services mainly to individuals and small- and medium-sized enterprises (SMEs). The Bank operates a network of more than 100 branches located in the regions of Amazonas, Ancash, Arequipa, Ayacucho, Cajamarca, Cusco, Huanuco, Ica, Junin, La Libertad, Lambayeque, Lima, Loreto, Madre de Dios, Moquegua, Pasco, Piura, Puno, San Martin, Tacna, Tumbes and Ucayali. As of December 31, 2010, the Bank's majority shareholder was Grupo ACP Inversiones y Desarrollo SA, with 60.07% of its interests.

Organizational Structure and Locations

Mibanco has network of over one hundred offices and branches strategically located throughout the country of Peru and offers a variety of services designed to support micro and small businesses. They also provide services such as housing loans, consumption microcredit, and savings, life insurance, and health insurance.

In 2010, Mibanco was leading in its market segment and was the financial institution with the greatest number of loans and microbusiness clients across Peru, according to information from the SBS (regulating agency). In December 2010, Mibanco's participation in the market was 15.48% in microbusiness loans, and 17.53% of microbusiness clients (Source: 2010 Annual Report).

Management and Board

Mibanco's board of directors is made up of the chairman - Óscar Rivera Rivera, the Vice Chairman - Luis Felipe Derteano Marie, the regular board members - Roberto Dañino Zapata, Alfredo Llosa Barber, Juan Otero Steinhart, Miguel Pinasco and Luis Ovalle Gates. (Source: 2010 Annual Report).

Products and Services

Products offered by Mibanco include microcredit loans for microenterprises; loans for agriculture; Housing loans; microcredit for other household needs/consumption; voluntary savings; fixed term deposits; credit life insurance; life insurance; health insurance; debit/credit card; remittance services and other non-financial services.

Ownership

Mibanco's stakeholders include its clients, investors, employees, shareholders and board of directors. Quarterly meetings are held by the shareholders and board of directors to evaluate economic, social and environmental performance. Clients are interviewed once a year to evaluate service quality. Investors participate in evaluation meetings and report on the success of undertaken commitments.

Major ownership positions in % (over 5%)		
	2010	2009
Grupo ACP Inversiones y Desarrollo	60.07%	60.07%
ACCION Investments in Microfinance	9.36%	9.36%
International Finance Corporation (IFC)	6.50%	6.50%
ACCION International	6.33%	6.33%
Stichting Hivos-Triodos Fonds	5.45%	5.45%
Stichting Triodos Döen	5.45%	5.45%

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Financial Summary

Mibanco				
Reporting Currency:			Peruvian Sol, 1000	
USD Exchange Rate End of Year	2.787	2.970	2.879	3.059
USD Exchange Rate Average	2.774	2.865	3.100	2.937
Reporting Currency	2010	2009	2008	2007
Total Assets	4,408,436	3,695,505	3,006,167	1,796,836
Total Loans	3,509,758	2,901,334	2,419,367	1,476,094
Total Deposits	3,147,311	2,493,679	1,844,789	954,887
Total Equity	390,131	322,506	254,720	197,236
Equity/Total Asset	8.85%	8.73%	8.47%	10.98%
BIS 1 Ratio	9.04%	8.56%	8.14%	8.87%
Total Loans/Total Assets	79.61%	78.51%	80.48%	82.15%
Total Deposits/Total Assets	71.39%	67.48%	61.37%	53.14%
Total Loans/Total Deposits	111.52%	116.35%	131.15%	154.58%
Total Revenue	826,621	707,330	487,412	338,958
Total Non-interest Expense	427,436	346,119	271,575	189,296
Net Income (after extraordinary)	97,143	97,089	85,005	61,158
Overhead Ratio	51.7%	48.9%	55.7%	55.8%
Return on Assets	2.40%	2.90%	3.54%	n/a
Return on Equity	27.26%	33.64%	37.62%	n/a
Co-workers (FTE)	3,548	2,690	2,784	2,175
USD Conversion	2010	2009	2008	2007
Total Assets	1,589,427	1,289,835	969,637	611,751
Total Loans	1,265,416	1,012,647	780,365	502,551
Total Deposits	1,134,739	870,364	595,036	325,101
Total Equity	140,659	112,564	82,160	67,151
Total Revenue	298,032	246,878	157,215	115,402
Total Non-interest Expense	153,368	116,527	94,333	61,888
Net Income (after extraordinary)	34,856	32,687	29,527	19,995

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

New Resource Bank

California, USA

www.newresourcebank.com

Bank History and Summary Strategy

A group of successful entrepreneurs, bankers and business leaders founded the bank in 2006 with a vision of bringing new resources to sustainable businesses and ultimately creating more sustainable communities. It was clearly an idea whose time had come: New Resource's initial stock offering was 60 percent oversubscribed, and the bank opened with 240 founding shareholders, including Triodos Bank and RSF Social Finance. A secondary offering in September 2008 brought in Generation Investment Management, a sustainability-focused firm co-founded by Al Gore and David Blood. In 2010, New Resource underscored its commitment to serving people, planet and profit by becoming a Certified B Corporation. B Corporations meet comprehensive social and environmental performance standards; New Resource was the first publicly traded company to sign on.

Organizational Structure and Locations

New Resource Bank's mission is to advance sustainability with everything we do – the loans we make, the way we operate, and our commitment to putting deposits to work for good. To us, banking isn't just a service – it's a way to create a better world. We manage the financial, environmental, and social impacts of our activities to promote the global well-being of future generations.

Management and Board

Executive management includes Vince Siciliano (President & CEO), Charmaine Detweiler (Chief Financial Officer), and Bill Peterson (Chief Credit Officer).

Products and Services

New Resource Bank offers a full range of financial services to:

- **Individuals:** Such as checking, money market and savings accounts (including Visa debit card), online banking, bill pay and the financing of residential solar installations and energy efficiency upgrades.
- **Businesses:** Such as corporate cash management, commercial credit lines, real estate loans, construction loans as well project finance. The bank also serves as advisor to its business clients. Many are entrepreneurial clients focusing on clean technology, energy efficiency and green consumer products.
- **Non-profit organizations:** Such as banking services and other strategic services. The bank offers a Community Rewards Program from which mission-aligned non-profit organizations can generate income from New Resource Bank donations that are funded by its client's exchange fee collected from debit-card activities. Thousands of dollars are generated each year in Community Rewards.

In addition to operating as a full-service community bank, New Resource provides innovative loans for green projects, including alternative energy, clean tech, organic food production, and sustainable home and office construction. The bank also offer services and provides knowledge to its community clients that could encourage more sustainable operations. For example, the bank has help facilitate an energy audit for a real estate lending client that will leads to the savings of money, energy and pollution.

Ownership

New Resource Bank is a California state-chartered institution and its shares are tradable on the Over-the-Counter Bulletin Board.

Major ownership positions in % (over 5%)		
	2010	2009
	n/a	n/a

Financial Summary

New Resource Bank				
Reporting Currency:	USD ,000			
USD Exchange Rate End of Year	1.000	1.000	1.000	1.000
USD Exchange Rate Average	1.000	1.000	1.000	1.000
Reporting Currency	2010	2009	2008	2007
Total Assets	154,880,314	159,475,088	165,666,233	116,263,186
Total Loans	101,966,781	91,968,199	109,444,540	61,081,126
Total Deposits	133,378,929	136,147,841	142,998,989	105,344,637
Total Equity	19,669,871	21,378,989	25,387,681	20,340,804
Equity/Total Asset	12.70%	13.41%	15.32%	17.50%
BIS 1 Ratio	16.13%	16.47%	18.10%	23.35%
Total Loans/Total Assets	65.84%	57.67%	66.06%	52.54%
Total Deposits/Total Assets	86.12%	85.37%	86.32%	90.61%
Total Loans/Total Deposits	76.45%	67.55%	76.54%	57.98%
Total Revenue	7,441,090	6,716,533	6,295,222	3,019,922
Total Non-interest Expense	8,292,779	9,613,544	7,984,009	5,340,248
Net Income (after extraordinary)	-2,051,689	-5,063,011	-10,549,787	-3,228,112
Overhead Ratio	111.4%	143.1%	126.8%	176.8%
Return on Assets	-1.31%	-3.11%	-7.48%	n/a
Return on Equity	-10.00%	-21.65%	-46.14%	n/a
Co-workers (FTE)	32	27	0	0
USD Conversion	2010	2009	2008	2007
Total Assets	154,880,314	162,473,865	179,465,728	116,263,186
Total Loans	101,966,781	94,966,976	123,244,035	61,081,126
Total Deposits	133,378,929	136,147,841	142,998,989	105,344,637
Total Equity	19,669,871	21,378,989	25,387,681	20,340,804
Total Revenue	7,441,090	6,716,533	6,295,222	3,019,922
Total Non-interest Expense	8,292,779	9,613,544	7,984,009	5,340,248
Net Income (after extraordinary)	-2,051,689	-5,063,011	-10,549,787	-3,228,112

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

One Pacificcoast Bank

Oakland, California

www.onepacificcoastbank.com

Bank History and Summary Strategy

A designated Community Development Financial Institution, One PacificCoast Bank (OPCB) hopes to become one of the premiere providers of triple-bottom-line banking on the West Coast. Bound by its mission to build prosperity in our communities through beneficial banking services delivered in an economically and environmentally sustainable manner, OPCB took its inspiration from the great socially-responsible banking pioneers of the world. OPCB offers a competitive suite of retail and commercial banking products and services, exceptional customer service, and the power of partnerships, especially that of its foundation, One PacificCoast Foundation (OPCF).

OPCB has made a foundational commitment to sustainability, both economic and environmental, and is cultivating a portfolio of clients that contribute to financial empowerment, community resources, and natural ecosystems. Born as a commercial bank, OPCB focuses its lending activities on affordable housing, clean energy, sustainable food, community development, and other constructive activities in the communities surrounding its four locations – Oakland CA, Ilwaco WA, Porland OR, and Seattle WA. In recognition of the opportunity and responsibility to serve retail markets in its midst, OPCB offers accessible transactional services, a friendly emergency loan as an alternative to pernicious payday loan products, and mission-aligned affinity credit cards.

Governance and Management

Founded originally as OneCalifornia Bank with the sponsorship of Tom Steyer and Kat Taylor, the bank grew under the leadership of a experienced bank board now represented by Robert Davenport, J. Hallam Dawson, Andrew B. Fremder, Richard B. Fried, C. James Saavedra, Daniel L. Skaff, Brenda B. Spriggs, Tom Steyer, Kat Taylor, and Robert Townsend. In 2011, the bank entered into an agreement with and subsequently merged with ShoreBank Pacific, a subsidiary of the great Shorebank, becoming OPCB. The OPCB Bancorp board adds the governance of John K. Delaney and James P. Steyer to the team. Current management of OPCB consists of Kat Taylor serving as CEO within the partnership of the Office of the Chair comprised of Dan Skaff, as President, and Hal Dawson and Jim Saavedra, as Vice Chairmen. OPCF, under the executive leadership of Salvador Menjivar, is governed by a board appointed by the Tides Foundation, Bridge Housing and the East Bay College Fund.

Organizational Structure and Ownership

Organized under the Federal Thrift Charter, OPCB is currently regulated by the Office of the Comptroller of the Currency, the OCC. At its inception, OPCBancorp issued two classes of stock such that all the voting rights were retained by Steyer and Taylor while the economic rights were given entirely to OPCF. OPCF is a supported organization public foundation mandated by its bylaws to support community economic development, social justice and environmental health. OPCF is a strong partner in research and development, thought leadership, and targeted grant-making in support of all of the bank's communities and concerns.

Products and Services

OPCB offers a wide range of loan and deposit products, including some tailored to mission driven customers, the un and underbanked, and institutional supporters. Current offerings run the gamut of personal and business checking accounts, on-line banking, business cash management, merchant services, and CDARs. Lending products include commercial and industrial loans, SBA small business loans, residential and commercial real estate loans, lines of credit and the PAL loan. OPCB targets its lending activities toward the sustainable sectors called out earlier and does not lend in contravention to its mission.

Ownership

Major ownership positions in % (over 5%)		
	2010	2009
	n/a	n/a

Financial Summary

One California Bank				
Reporting Currency: USD ,000				
USD Exchange Rate End of Year	1.000	1.000	1.000	1.000
USD Exchange Rate Average	1.000	1.000	1.000	1.000
Reporting Currency	2010	2009	2008	2007
Total Assets	294,228	99,333	n/a	n/a
Total Loans	155,629	45,581	n/a	n/a
Total Deposits	201,556	71,967	n/a	n/a
Total Equity	33,802	13,483	n/a	n/a
Equity/Total Asset	11.49%	13.57%	n/a	n/a
BIS 1 Ratio	n/a	n/a	n/a	n/a
Total Loans/Total Assets	52.89%	45.89%	n/a	n/a
Total Deposits/Total Assets	68.50%	72.45%	n/a	n/a
Total Loans/Total Deposits	77.21%	63.34%	n/a	n/a
Total Revenue	5,327	3,935	n/a	n/a
Total Non-interest Expense	6,379	5,223	n/a	n/a
Net Income (after extraordinary)	-2,282	-1,955	n/a	n/a
Overhead Ratio	119.8%	132.7%	n/a	n/a
Return on Assets	-1.16%	-3.94%	n/a	n/a
Return on Equity	-9.65%	-29.00%	n/a	n/a
Co-workers (FTE)	0	27	23	17
USD Conversion	2010	2009	2008	2007
Total Assets	294,228	99,332,568	n/a	n/a
Total Loans	155,629	45,580,521	n/a	n/a
Total Deposits	201,556	71,966,638	n/a	n/a
Total Equity	33,802	13,482,620	n/a	n/a
Total Revenue	5,327	3,934,815	n/a	n/a
Total Non-interest Expense	6,379	5,222,956	n/a	n/a
Net Income (after extraordinary)	-2,282	-1,955,011	n/a	n/a

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Sunrise Community Banks

United States of America

http://sunrisebanks.com/

Bank History and Summary Strategy

Sunrise Community Banks and its affiliate banks are certified Community Development Financial Institutions (CDFIs). Nationwide, there are only 89 banks with this unique designation that signifies Sunrise's commitment to community development. The U.S. Department of Treasury certifies financial institutions that demonstrate a primary mission of community development, serve a distressed target market, and remain accountable to that target market. Sunrise Community Banks is committed to providing financial services to inner city Minneapolis and Saint Paul neighborhoods. They support small business, affordable housing development, and the creation of vital community facilities.

Organizational Structure and Locations

Sunrise Community Banks is a family owned banking group comprised of three locally owned and managed banks; Franklin Bank, Park Midway Bank, and University Bank headquartered in Minneapolis and Saint Paul. These banks are true community banks dedicated to providing custom banking services to businesses, professionals, entrepreneurs and individuals. Each Bank plays an important role in the cultural, economic, and social structure of their respective community. Each Bank consistently provides its customers with personalized attention, high-quality service, fast and accurate responses, competitive pricing and a full product line. After becoming a certified B Corporation in 2010, Sunrise has supported green industry trade organizations, educated companies on climate change regulations, and helped clients find opportunities in emerging sustainable marketplaces. They also have a Socially Responsible Deposit Fund (SRDF) which gives mission-driven organizations, investors and individuals an opportunity to make a difference in their communities – and on their income statements – simply by opening a bank account and designating account balances to the SRDF.

Management and Board

Each bank holding company's board of directors and senior management are responsible for establishing and maintaining an effective system of internal control, including controls over the Consolidated Financial Statements for Bank Holding Companies. Sunrise Community Banks have a management team comprised of David Reiling, Chief Executive Officer, Nikki Foster, Chief Corporate Responsibility Officer, Nichol Beckstrand, Chief Operating Officer, Mike Porcello, Chief Credit Officer, Jim Conrad, President of University Bank, Frank Fuller, President of Franklin Bank, and Rick Beeson, President of Park Midway Bank.

Products and Services

In addition to traditional banking services for individuals and small businesses, Sunrise offers a socially responsible deposit fund, whose funds go towards affordable housing development, nonprofit lending, small business and community facilities like churches and daycare centers. A recent initiative demonstrates the bank's dedication to serving the special needs of the Twin Cities most vulnerable communities. During the last two decades, many Somalis fleeing civil war settled in the Twin Cities. The bank recently opened a micro-branch in the heart of the Somali community. B Lab evaluation process has helped Sunrise push itself to better serve its community.

Ownership

The family owned company, which is devoted to serving economically distressed neighborhoods, has 150 employees. It serves about 20,000 customers with total assets of over $800 million.

Financial Summary

Sunrise Community Banks				
Reporting Currency: USD ,000				
USD Exchange Rate End of Year	1.000	1.000	1.000	1.000
USD Exchange Rate Average	1.000	1.000	1.000	1.000
Reporting Currency	2010	2009	2008	2007
Total Assets	589,538	581,296	497,272	477,676
Total Loans	424,842	430,138	382,625	358,645
Total Deposits	477,777	477,257	389,182	396,332
Total Equity	32,536	31,666	29,459	30,915
Equity/Total Asset	5.52%	5.45%	5.92%	6.47%
BIS 1 Ratio	10.00%	9.26%	9.72%	10.06%
Total Loans/Total Assets	72.06%	74.00%	76.94%	75.08%
Total Deposits/Total Assets	81.04%	82.10%	78.26%	82.97%
Total Loans/Total Deposits	88.92%	90.13%	98.32%	90.49%
Total Revenue	28,251	26,597	25,162	26,909
Total Non-interest Expense	21,552	21,593	21,338	18,474
Net Income (after extraordinary)	1,706	1,607	1,291	6,074
Overhead Ratio	76.3%	81.2%	84.8%	68.7%
Return on Assets	0.29%	0.30%	0.26%	n/a
Return on Equity	5.31%	5.26%	4.28%	n/a
Co-workers (FTE)	147	137	145	149
USD Conversion	2010	2009	2008	2007
Total Assets	589,538	581,296	497,272	477,676
Total Loans	424,842	430,138	382,625	358,645
Total Deposits	477,777	477,257	389,182	396,332
Total Equity	32,536	31,666	29,459	30,915
Total Revenue	28,251	26,597	25,162	26,909
Total Non-interest Expense	21,552	21,593	21,338	18,474
Net Income (after extraordinary)	1,706	1,607	1,291	6,074

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Triodos Bank

Zeist, The Netherlands
www.triodos.com

Bank History and Summary Strategy

Founded in 1980, Triodos Bank is one of the world's leading sustainable banks with a mission to make money work for positive social, environmental and cultural change. Triodos Bank finances companies, institutions and projects that add cultural value and benefit people and the environment, with the support of depositors and investors who want to help build a sustainable society. Triodos Bank wants to achieve its mission as a sustainable bank in three ways: by acting as: 1) a sustainable service provider, 2) a product innovator and 3) a reference point for the wider sustainable banking movement. These three strategic goals are closely connected and are reflected in its activities and products.

Organizational Structure and Locations

Triodos Bank has a network of offices in five European countries: the Netherlands, Belgium, the UK, Spain and Germany. Its activities are split between three core operating divisions

- Retail and Business Banking, delivered through a diversified network of European branches, responsible for around 77% of Triodos Bank's business income in 2010;
- Triodos Investment Management, the 100% owned subsidiary of Triodos Bank, makes up 21% of the bank's overall business income; and
- Triodos Private Banking, providing services to wealthier people and groups, the most recent division and to date available in the Netherlands and Belgium.

Management and Board

Triodos has an Executive Board consisting of Peter Blom (CEO), Pierre Aeby (CFO), and Michiel Jongeneel (COO), who are responsible for the daily management of the bank. There is also a Supervisory Board consisting of 8 members that monitors the bank's operations and advises the Executive Board.

Products and Services

Triodos Bank provides a full range of banking products including loans, deposits, and investment funds. Loans are made to businesses working in nature and the environment sectors, such as organic agriculture, wholesale, health food stores and renewable energy - social business, from housing associations to social economy projects – culture and society, including the arts and education – and North-South projects, such as fair trade and microfinance. Over 295,000 customers support the mission by providing the necessary finance through dedicated savings products and specific investment funds. They have access to payment services, debit and credit cards, internet banking, investment and private banking services as well as mortgages. In addition to balance sheet assets totaling €3.5 billion at the end of 2010, there were also €2.1 billion in funds under management.

Ownership

Triodos Bank shares are held in trust by the Foundation for the Administration of Triodos Bank Shares (SAAT). SAAT issues depository receipts (without voting right) for Triodos Bank shares to the public and institutions. The Board of SAAT is appointed by depository receipt holders with a limit on their voting rights to 1,000 votes maximum. 17,000 individuals hold an interest of 51% in the bank´s equity. Financial institutions and pension funds hold 49%. No institutions or individuals can hold more than 10% of the bank´s issued capital.

Major ownership positions in % (over 5%)		
	2010	2009
Delta Lloyd Levensverzekering NV	6.7	7.3
Stichting Grafische Bedrijfspensioenfondsen	5.1	5.4
Coöperatieve Centrale Raiffeisen-Boerenleenbank BA	4.8	5.3
Stichting Pensioenfonds ABP	4.7	5.1
Friesland Bank NV	4.6	5.1

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Financial Summary

Triodos Bank				
Reporting Currency: Euro ,000				
USD Exchange Rate End of Year	0.755	0.683	0.715	0.731
USD Exchange Rate Average	0.755	0.697	0.715	0.679
Reporting Currency	2010	2009	2008	2007
Total Assets	3,494,620	2,987,484	2,363,040	1,885,059
Total Loans	2,127,643	1,660,935	1,270,121	1,018,646
Total Deposits	3,038,676	2,584,617	2,076,679	1,616,822
Total Equity	362,116	314,238	204,151	200,229
Equity/Total Asset	10.36%	10.52%	8.64%	10.62%
BIS 1 Ratio	14.75%	16.48%	12.47%	16.13%
Total Loans/Total Assets	60.88%	55.60%	53.75%	54.04%
Total Deposits/Total Assets	86.95%	86.51%	87.88%	85.77%
Total Loans/Total Deposits	70.02%	64.26%	61.16%	63.00%
Total Revenue	102,702	87,036	73,737	59,213
Total Non-interest Expense	78,081	70,958	56,533	47,753
Net Income (after extraordinary)	11,509	9,475	10,140	8,955
Overhead Ratio	76.0%	81.5%	76.7%	80.6%
Return on Assets	0.36%	0.31%	0.48%	n/a
Return on Equity	3.40%	3.15%	5.02%	n/a
Co-workers (FTE)	636	577	477	397
USD Conversion	2010	2009	2008	2007
Total Assets	4,631,703	4,284,360	3,306,801	2,776,228
Total Loans	2,819,938	2,381,952	1,777,387	1,500,215
Total Deposits	4,027,404	3,706,607	2,906,072	2,381,181
Total Equity	479,942	450,650	285,686	294,888
Total Revenue	136,119	124,819	103,186	87,206
Total Non-interest Expense	103,473	103,742	79,111	65,361
Net Income (after extraordinary)	15,252	14,022	14,190	12,257

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Vancouver City Savings Credit Union

Canada

www.vancity.com

Overview

Vancity, the first Canadian member of the Global Alliance for Banking on Values, is Canada's largest community credit union with $14.5 billion in assets and members' equity of $770 million as at December 31st, 2010. In 2010, we had more than 417,000 members, and 59 branches in the province of British Columbia.
Through our Shared Success program, we give members and communities the equivalent of 30 percent of our net earnings annually. In 2010, this translated to a $24.9 million investment.

Our mission

Our mission is to be a democratic, ethical, and innovative provider of financial services to our members. Through strong financial performance, we serve as a catalyst for the self-reliance and economic well-being of our membership and community.

Our history

As a financial cooperative, our members are our owners, and since 1946 we've known our members make us who we are. We got our start by providing banking services to people in our community who weren't being served by existing financial institutions. In 2010, we celebrated our 65th anniversary as a financial co-operative.
We are proud of our many 'firsts' including being the first to write mortgages east of Main Street in Vancouver, which at the time was a working-class community that was considered a higher risk for loans. We were the first financial institution in Canada to underwrite mortgages to women without a male co-signer, and the first to become carbon neutral.

Our products and services

Banking at Vancity means members conduct their financial affairs in a welcoming environment, with a range of flexible accounts, deposit and lending products designed to help them achieve their goals. We believe banking with a conscience doesn't mean giving up product quality or value.
Management and board
Our 2,397 employees, including our executive team led by President and Chief Executive Officer Tamara Vrooman, are members. Our members democratically elect our nine-member Board of Directors, who are themselves members. Our Board Chair is Virginia Weiler.

Ownership

As a co-operative, Vancity's shareholder base is composed of its members, who are required to purchase a $5 membership share.

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Financial Summary

VanCity				
Reporting Currency: Canadian Dollars ,000				
USD Exchange Rate End of Year	1.030	1.141	1.066	1.074
USD Exchange Rate Average	1.000	1.049	1.222	0.981
Reporting Currency	2010	2009	2008	2007
Total Assets	14,468,165	14,410,528	14,531,733	14,106,527
Total Loans	12,120,893	11,335,284	12,255,961	12,583,832
Total Deposits	12,510,474	12,127,171	11,685,291	11,103,806
Total Equity	769,556	697,621	652,958	579,361
Equity/Total Asset	5.32%	4.84%	4.49%	4.11%
BIS 1 Ratio	13.07%	12.72%	12.41%	12.48%
Total Loans/Total Assets	83.72%	78.61%	84.35%	89.50%
Total Deposits/Total Assets	86.47%	84.15%	80.41%	78.71%
Total Loans/Total Deposits	83.78%	78.66%	84.34%	89.21%
Total Revenue	451,955	401,925	424,354	365,451
Total Non-interest Expense	319,526	318,923	333,271	308,144
Net Income (after extraordinary)	81,221	56,259	52,213	33,939
Overhead Ratio	70.7%	79.3%	78.5%	84.3%
Return on Assets	0.56%	0.39%	0.36%	n/a
Return on Equity	11.07%	8.33%	8.47%	n/a
Co-workers (FTE)	2,397	2,384	2,704	2,623
USD Conversion	2010	2009	2008	2007
Total Assets	14,469,612	13,736,086	11,891,762	14,379,742
Total Loans	12,122,105	10,804,770	10,029,428	12,827,556
Total Deposits	12,511,725	11,559,595	9,562,431	11,318,864
Total Equity	769,633	664,971	534,336	590,582
Total Revenue	452,000	383,114	347,262	372,529
Total Non-interest Expense	310,159	279,487	312,637	286,966
Net Income (after extraordinary)	78,840	49,302	48,980	31,606

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

XAC Bank

Mongolia

www.xacbank.mn

Bank History and Summary Strategy

XacBank was created as a result of the merger of two largest non-bank financial institutions (NBFI) in Mongolia, Goviin Ehlel (Gobi Start) LLC and XAC (Golden Fund for Development) LLC, on 1st of October 2001. Goviin Ehlel LCC was established by Mercy Corps in December 1999 with funding from USAID as a NBFI serving rural businesses. XAC LLC began in 1998 as part of the MicroStart Mongolia project under UNDP, shortly afterwards transformed into Mongolia's first NBFI by uniting the micro-financial service activities of six national NGOs. These NBFIs originally operated in different geographic regions and were serving different markets, Small and Medium enterprises loans vs. Micro business. However, both organizations had the same strategic goal of becoming nationwide banking institution, offering a wide range of financial services. All these factors became the foundation of the merger of these two independent institutions to form XacBank - the first commercial bank in Mongolia with a social mission.

Organizational Structure and Locations

By the end of its first year of operation in 2002, the Bank established its presence in each of the 21 aymags in the country. Since that time the Bank has continued to expand with new branch and extensions, franchise service Saving and Credit Cooperatives, branchless banking solutions, fulfilling its mission and strategy of providing the most accessible and transparent banking services aimed at the marginalized citizens in remote rural areas, including the nomadic herders. XAC Bank is contributing to the sustainable development of Mongolia that can come only from educated and skilled people and competitive and dynamic businesses concerned equally about Planet, People, and Profit.

Management and Board

XAC has senior management comprised of Bat-Ochir Dugersuren (CEO), Soronzonbold Lhagvasuren (First Deputy CEO), Tur-Od Lkhagvajav (Deputy CEO), Gerelmaa Yunden (Chief Credit Officer), and Delgerjargal Bayanjargal (Chief Financial Officer).

Products and Services

Xac Bank is continuously growing and becoming an innovative leader in offering a full range of innovative loan and deposit products with personalized customer service targeted at various segments of the market. At the end of 2009 XAC Bank first set up eco-products (green lending). They are working with FMO to promote energy efficiency and affordable housing finance. Their portfolio is heavily subsidized through various sources Agreed with ADB and MCC to increase funding. Green lending along with inclusive financing and carbon trading are perceived as a new niche that XAC Bank is stepping into. Their products and services include Microfinance efforts, financial literacy, Deposit, Loan, Financial Leasing, Money Transfer, E-Banking etc. The Bank will provide equitable access to transparent, reliable and responsive banking products and services to the Bank's clients, including its traditional Micro-entrepreneurs as well as Small and Medium businesses.

Ownership

XacBank is now wholly-owned by TenGer Financial Group (TenGer or TFG), and are the only Mongolian financial institution that is majority-owned by a broad base of globally recognized international investors. Each institutional investor contributes to the Bank's growth and development by providing financing options and investment advice as well as communication with investors, education, market research, technical assistance in corporate governance and risk management.

Major ownership positions in % (over 5%)		
	2010	2009
EBRD	10%	11.15%
ETI	25.1%	24.31%
The International Finance Corporation (IFC)	13.56%	11.81%
Mercy Corps	13.67%	15.78%
Open Society Forum (OSF)	2.88%	—
The Rotary Club of Ulaanbaatar	1.64%	—
BlueOrchard Private Equity Fund (PEF)	16.66%	—
Triodos-Doen Foundation	7.48%	14.98%
Fair Share Fund, Triodos Investment Management LLC	7.48%	—

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Financial Summary

XAC Bank				
Reporting Currency: Tugriks ,000				
USD Exchange Rate End of Year	1,351.870	1,441.300	1,165.060	1,169.740
USD Exchange Rate Average	1,227.700	1,429.430	1,245.850	1,170.030
Reporting Currency	2010	2009	2008	2007
Total Assets	468,583,475	319,898,223	207,969,663	143,427,645
Total Loans	320,723,318	195,248,857	149,639,706	101,197,164
Total Deposits	205,652,309	126,736,567	76,982,135	63,429,217
Total Equity	34,614,072	29,458,488	21,896,141	13,228,577
Equity/Total Asset	7.39%	9.21%	10.53%	9.22%
BIS 1 Ratio	13.66%	16.83%	15.49%	11.08%
Total Loans/Total Assets	68.45%	61.03%	71.95%	70.56%
Total Deposits/Total Assets	43.89%	39.62%	37.02%	44.22%
Total Loans/Total Deposits	155.95%	154.06%	194.38%	159.54%
Total Revenue	29,924,487	20,529,110	17,389,826	11,853,985
Total Non-interest Expense	20,015,687	15,892,926	12,279,305	8,204,746
Net Income (after extraordinary)	8,364,303	2,562,345	3,167,563	2,891,769
Overhead Ratio	66.9%	77.4%	70.6%	69.2%
Return on Assets	2.12%	0.97%	1.80%	n/a
Return on Equity	26.11%	9.98%	18.04%	n/a
Co-workers (FTE)	1,172	1,172	971	955
USD Conversion	2010	2009	2008	2007
Total Assets	381,676	223,794	166,930	122,585
Total Loans	261,239	136,592	120,111	86,491
Total Deposits	167,510	88,662	61,791	54,212
Total Equity	28,194	20,609	17,575	11,306
Total Revenue	24,374	14,362	13,958	10,131
Total Non-interest Expense	14,806	11,027	10,540	7,014
Net Income (after extraordinary)	6,187	1,778	2,719	2,472

Note: The information presented is based on the financial statements of the bank. It has been classified to be in a consistent format for this study but as a result there may be some differences with the financial information reported by the bank under its accounting rules. The conversion to USD has been done using rates available from http://www.oanda.com/currency/converter. Balance sheet items have been converted at the year-end rate and income statement items have been converted using the average rate for the full year.

Appendix 6
List of Global Systemically Important FIs (GSIFIs)

These banks are classified as Global Systemically Important Financial Institutions by the Financial Stability Board.

1. Bank of America
2. Bank of China
3. Bank of New York Mellon
4. Banque Populaire CdE
5. Barclays
6. BNP Paribas
7. Citigroup
8. Commerzbank
9. Credit Suisse
10. Deutsche Bank
11. Dexia
12. Goldman Sachs
13. Group Credit Agricole
14. HSBC
15. ING Bank
16. JP Morgan Chase
17. Lloyds Banking Group
18. Mitsubishi UFJFG
19. Mizuho
20. Morgan Stanley
21. Nordea
22. Royal Bank of Scotland
23. Santander
24. Société Générale
25. State Street
26. Sumitomo Mitsui FG
27. UBS
28. Unicredit
29. Wells Fargo

BANK OF AMERICA				
Reporting Currency:	USD mio			
USD Exchange Rate End of Year	1	1	1	1
USD Exchange Rate Average	1	1	1	1
Reporting Currency	2010	2009	2008	2007
Total Assets	2.439.602	2.443.068	1.843.985	1.602.073
Total Loans	958.331	948.805	910.871	776.154
Total Deposits	988.586	980.966	831.157	717.182
Total Equity	233.231	244.645	164.831	136.662
Equity/Total Asset	9,56%	10,01%	8,94%	8,53%
BIS 1 Ratio	11,24%	10,40%	9,15%	6,87%
Total Loans/Total Assets	39,28%	38,84%	49,40%	48,45%
Total Deposits/Total Assets	40,52%	40,15%	45,07%	44,77%
Total Loans/Total Deposits	96,94%	96,72%	109,59%	108,22%
Total Revenue	110.220	119.643	72.782	66.833
Total Non-interest Expense	68.888	63.992	40.594	37.114
Net Income (after extraordinary)	-3.595	-2.204	2.556	14.800
Overhead Ratio	62,5%	53,5%	55,8%	55,5%
Return on Assets	-0,15%	0,26%	0,22%	0,94%
Return on Equity	-1,50%	-1,08%	1,80%	11,08%
Co-workers (FTE)	288.000	284.000	243.000	N/a
USD Conversion	2010	2009	2008	2007
Total Assets	2.439.602	2.443.068	1.843.985	1.602.073
Total Loans	958.331	948.805	910.871	776.154
Total Deposits	988.586	980.966	831.157	717.182
Total Equity	233.231	244.645	164.831	136.662
Total Revenue	110.220	119.643	72.782	66.833
Total Non-interest Expense	68.888	63.992	40.594	37.114
Net Income (after extraordinary)	-3.595	-2.204	2.556	14.800

BANK OF CHINA				
Reporting Currency:	RMB Mio			
USD Exchange Rate End of Year	6,61	6,84	6,85	7,31
USD Exchange Rate Average	6,72	6,85	7,08	7,56
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	10.459.865	8.751.943	6.951.680	5.991.217
Total Loans	4.951.171	4.297.885	3.189.652	2.754.493
Total Deposits	6.546.663	5.824.279	5.102.111	4.400.111
Total Equity	610.276	487.172	489.887	450.657
Equity/Total Asset	5,83%	5,57%	7,05%	7,52%
BIS 1 Ratio	10.09%	9.07%	10.81%	10.67%
Total Loans/Total Assets	47,33%	49,11%	45,88%	45,98%
Total Deposits/Total Assets	62,59%	66,55%	73,39%	73,44%
Total Loans/Total Deposits	75,63%	73,79%	62,52%	62,60%
Total Revenue	281.249	236.791	232.661	186.778
Total Non-interest Expense	127.140	111.528	101.177	89.092
Net Income (after extraordinary)	109.691	85.349	65.573	62.036
Overhead Ratio	45,2%	47,1%	43,5%	47,7%
Return on Assets	1,14%	1,09%	1,01%	1,09%
Return on Equity	18,87%	16,48%	14,37%	13,85%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.581.950	1.280.059	1.014.250	819.119
Total Loans	748.815	628.609	465.370	376.594
Total Deposits	990.117	851.859	744.398	601.583
Total Equity	92.298	71.254	71.475	61.614
Total Revenue	41.836	34.590	32.877	24.714
Total Non-interest Expense	18.912	16.292	14.297	11.789
Net Income (after extraordinary)	16.317	12.468	9.266	8.209

BANK OF NY MELLON				
Reporting Currency:	USD mio			
USD Exchange Rate End of Year	1	1	1	1
USD Exchange Rate Average	1	1	1	1
Reporting Currency	2010	2009	2008	2007
Total Assets	247.259	212.224	237.512	197.656
Total Loans	37.808	36.186	42.979	50.604
Total Deposits	145.339	135.050	159.673	118.125
Total Equity	33.065	29.003	28.089	29.403
Equity/Total Asset	13,37%	13,67%	11,83%	14,88%
BIS 1 Ratio	13.4%	12.1%	13.2%	9.32%
Total Loans/Total Assets	15,29%	17,05%	18,10%	25,60%
Total Deposits/Total Assets	58,78%	63,64%	67,23%	59,76%
Total Loans/Total Deposits	26,01%	26,79%	26,92%	42,84%
Total Revenue	13.875	7.654	13.573	11.331
Total Non-interest Expense	10.170	9.530	11.523	8.116
Net Income (after extraordinary)	2.581	-1.083	-1.084	2.039
Overhead Ratio	73,3%	124,5%	84,9%	71,6%
Return on Assets	1,06%	-0,48%	0,67%	1,49%
Return on Equity	8,10%	-3,79%	5,00%	11,00%
Co-workers (FTE)	16.700	13.900	17.400	17.400
USD Conversion	2010	2009	2008	2007
Total Assets	247.259	212.224	237.512	197.656
Total Loans	37.808	36.186	42.979	50.604
Total Deposits	145.339	135.050	159.673	118.125
Total Equity	33.065	29.003	28.089	29.403
Total Revenue	13.875	7.654	13.573	11.331
Total Non-interest Expense	10.170	9.530	11.523	8.116
Net Income (after extraordinary)	2.581	-1.083	-1.084	2.039

BANQUE POPULAIRE CDE				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	1.048.441	1.028.802	1.143.679	475.184
Total Loans	562.565	517.440	512.363	431.477
Total Deposits	393.992	367.717	371.053	331.745
Total Equity	47.384	43.988	31.513	42.794
Equity/Total Asset	4,52%	4,28%	2,76%	9,01%
BIS 1 Ratio	8.0%	6.9%	6.4%	8,85%
Total Loans/Total Assets	53,66%	50,30%	44,80%	90,80%
Total Deposits/Total Assets	37,58%	35,74%	32,44%	69,81%
Total Loans/Total Deposits	142,79%	140,72%	138,08%	130,06%
Total Revenue	23.359	21.227	16.096	17.213
Total Non-interest Expense	16.057	16.359	16.337	14.154
Net Income (after extraordinary)	3.640	537	-1.847	2.579
Overhead Ratio	68,7%	77,1%	101,5%	82,2%
Return on Assets	0,35%	0,05%	-0,23%	0,57%
Return on Equity	7,97%	1,42%	-4,97%	6,22%
Co-workers (FTE)	n/a	127.000	n/a	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.389.342	1.474.500	1.612.050	699.400
Total Loans	745.483	741.605	722.191	635.069
Total Deposits	522.098	527.019	523.010	488.279
Total Equity	62.791	63.044	44.419	62.986
Total Revenue	32.216	30.172	23.189	24.022
Total Non-interest Expense	22.146	23.252	23.537	19.753
Net Income (after extraordinary)	5.020	763	-2.661	3.599

BARCLAYS				
Reporting Currency:	GBP mio			
USD Exchange Rate End of Year	0,65	0,63	0,69	0,50
USD Exchange Rate Average	0,64	0,66	0,58	0,51
Reporting Currency	2010	2009	2008	2007
Total Assets	1.489.645	1.378.929	2.052.980	1.227.361
Total Loans	427.942	420.224	461.815	345.398
Total Deposits	345.788	322.429	335.505	294.987
Total Equity	62.262	58.478	47.411	32.476
Equity/Total Asset	4,18%	4,24%	2,31%	2,65%
BIS 1 Ratio	10,80%	10,00%	5,60%	4,70%
Total Loans/Total Assets	28,73%	30,47%	22,49%	28,14%
Total Deposits/Total Assets	23,21%	23,38%	16,34%	24,03%
Total Loans/Total Deposits	80,80%	76,73%	72,65%	85,40%
Total Revenue	31.440	29.123	21.199	21.044
Total Non-interest Expense	19.971	16.715	13.391	12.096
Net Income (after extraordinary)	4.549	3.511	4.683	4.417
Overhead Ratio	63,5%	57,4%	63,2%	57,5%
Return on Assets	0,20%	0,50%	0,20%	0,30%
Return on Equity	7,20%	6,70%	14,30%	20,30%
Co-workers (FTE)	147.500	144.200	152.800	N/a
USD Conversion	2010	2009	2008	2007
Total Assets	2.304.168	2.196.041	2.971.216	2.450.193
Total Loans	661.936	669.236	668.371	689.521
Total Deposits	534.861	513.491	485.566	588.885
Total Equity	96.306	93.130	68.617	64.832
Total Revenue	49.351	44.265	36.500	41.609
Total Non-interest Expense	31.348	25.405	23.056	23.917
Net Income (after extraordinary)	7.140	5.336	8.063	8.733

BNP PARIBAS				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	1.998.158	2.057.698	2.075.551	1.694.454
Total Loans	684.686	678.766	494.401	445.103
Total Deposits	580.913	604.903	413.955	346.704
Total Equity	74.632	69.501	58.968	59.393
Equity/Total Asset	3,74%	3,38%	2,84%	3,51%
BIS 1 Ratio	11,40%	10,10%	7,90%	7,10%
Total Loans/Total Assets	34,27%	32,99%	23,82%	26,27%
Total Deposits/Total Assets	29,07%	29,40%	19,94%	20,46%
Total Loans/Total Deposits	117,86%	112,21%	119,43%	128,38%
Total Revenue	43.880	40.191	27.376	31.037
Total Non-interest Expense	26.517	23.340	18.400	18.764
Net Income (after extraordinary)	7.843	5.832	3.021	7.822
Overhead Ratio	60,4%	58,1%	67,2%	60,5%
Return on Assets	0,39%	0,28%	0,16%	0,50%
Return on Equity	12,30%	10,80%	6,60%	19,60%
Co-workers (FTE)	205.300	201.700	n/a	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	2.647.859	2.949.134	2.925.551	2.493.982
Total Loans	907.312	972.821	696.873	655.125
Total Deposits	769.797	866.959	583.482	510.296
Total Equity	98.899	99.610	83.117	87.418
Total Revenue	60.519	57.126	39.440	43.314
Total Non-interest Expense	36.572	33.175	26.509	26.187
Net Income (after extraordinary)	10.817	8.289	4.352	10.916

CITIBANK				
Reporting Currency:	USD mio			
USD Exchange Rate End of Year	1	1	1	1
USD Exchange Rate Average	1	1	1	1
Reporting Currency	2010	2009	2008	2007
Total Assets	1.913.902	1.856.646	1.938.470	2.187.480
Total Loans	608.139	555.471	664.600	761.876
Total Deposits	844.968	835.903	774.185	826.230
Total Equity	163.468	152.700	141.630	113.447
Equity/Total Asset	8,54%	8,22%	7,31%	5,19%
BIS 1 Ratio	10,75%	9,60%	2,30%	5,02%
Total Loans/Total Assets	31,77%	29,92%	34,28%	34,83%
Total Deposits/Total Assets	44,15%	45,02%	39,94%	37,77%
Total Loans/Total Deposits	138,94%	150,49%	116,49%	108,45%
Total Revenue	86.601	80.285	51.599	77.300
Total Non-interest Expense	47.375	47.822	69.240	58.737
Net Income (after extraordinary)	10.602	-1.606	-27.684	3.617
Overhead Ratio	54,7%	59,6%	134,2%	76,0%
Return on Assets	0,56%	-0,08%	-1,34%	0,18%
Return on Equity	6,80%	-1,10%	-20,90%	3,00%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	2010	2009	2008	2007
Total Assets	1.913.902	1.856.646	1.938.470	2.187.480
Total Loans	608.139	555.471	664.600	761.876
Total Deposits	844.968	835.903	774.185	826.230
Total Equity	163.468	152.700	141.630	113.447
Total Revenue	86.601	80.285	51.599	77.300
Total Non-interest Expense	47.375	47.822	69.240	58.737
Net Income (after extraordinary)	10.602	-1.606	-27.684	3.617

COMMERZBANK				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	754.299	844.103	625.196	616.474
Total Loans	327.755	352.194	284.815	283.469
Total Deposits	262.827	264.618	170.203	159.187
Total Equity	28.658	26.576	19.904	16.132
Equity/Total Asset	3,80%	3,15%	3,18%	2,62%
BIS 1 Ratio	11.9%	10.5%	10.1%	7,00%
Total Loans/Total Assets	43,45%	41,72%	45,56%	45,98%
Total Deposits/Total Assets	34,84%	31,35%	27,22%	25,82%
Total Loans/Total Deposits	124,70%	133,10%	167,34%	178,07%
Total Revenue	24.595	24.390	24.451	26.827
Total Non-interest Expense	8.786	9.004	4.956	5.366
Net Income (after extraordinary)	1.430	-4.537	0	657
Overhead Ratio	35,7%	36,9%	20,3%	20,0%
Return on Assets	0,18%	-0,62%	0,00%	0,11%
Return on Equity	4,70%	-16,50%	0,00%	15,40%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	999.559	1.209.785	881.233	907.357
Total Loans	434.325	504.771	401.455	417.224
Total Deposits	348.285	379.256	239.906	234.299
Total Equity	37.976	38.089	28.055	23.744
Total Revenue	33.921	34.667	35.226	37.439
Total Non-interest Expense	12.118	12.798	7.140	7.489
Net Income (after extraordinary)	1.972	-6.449	0	917

CREDIT SUISSE				
Reporting Currency:	CHF mio			
USD Exchange Rate End of Year	0,94	1,04	1,06	1,13
USD Exchange Rate Average	0,99	1,05	1,09	1,17
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	1.032.005	1.031.427	1.170.350	1.360.680
Total Loans	218.842	237.180	235.797	240.534
Total Deposits	287.564	286.694	296.986	335.505
Total Equity	33.282	37.517	32.302	43.199
Equity/Total Asset	3,22%	3,64%	2,76%	3,17%
BIS 1 Ratio	17,20%	16,30%	13,30%	11,10%
Total Loans/Total Assets	21,21%	23,00%	20,15%	17,68%
Total Deposits/Total Assets	27,86%	27,80%	25,38%	24,66%
Total Loans/Total Deposits	131,40%	120,88%	125,95%	139,48%
Total Revenue	31.386	33.294	9.268	39.735
Total Non-interest Expense	23.978	24.711	23.357	25.747
Net Income (after extraordinary)	5.098	6.724	-8.218	7.760
Overhead Ratio	76,4%	74,2%	252,0%	64,8%
Return on Assets	0,49%	0,61%	-0,65%	0,59%
Return on Equity	14,40%	18,30%	-21,10%	18,00%
Co-workers (FTE)	50.100	47.600	47.800	48.100
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.096.897	993.677	1.108.134	1.207.712
Total Loans	232.603	228.499	223.262	213.493
Total Deposits	305.646	276.201	281.198	297.788
Total Equity	35.375	36.144	30.585	38.343
Total Revenue	31.798	31.800	8.501	33.922
Total Non-interest Expense	24.293	23.602	21.423	21.980
Net Income (after extraordinary)	5.165	6.422	-7.538	6.625

DEUTSCHE BANK				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	1.905.630	1.500.664	2.202.423	1.925.003
Total Loans	407.729	258.105	269.281	198.892
Total Deposits	533.984	344.220	395.553	457.946
Total Equity	48.843	36.647	30.703	37.893
Equity/Total Asset	2,56%	2,44%	1,39%	1,97%
BIS 1 Ratio	8,70%	8,70%	7,00%	6,90%
Total Loans/Total Assets	21,40%	17,20%	12,23%	10,33%
Total Deposits/Total Assets	28,02%	22,94%	17,96%	23,79%
Total Loans/Total Deposits	76,36%	74,98%	68,08%	43,43%
Total Revenue	28.567	27.952	13.613	30.829
Total Non-interest Expense	23.318	20.120	18.278	21.468
Net Income (after extraordinary)	2.330	4.958	-3.896	6.510
Overhead Ratio	81,6%	72,0%	134,3%	69,6%
Return on Assets	0,14%	0,27%	-0,19%	0,38%
Return on Equity	5,50%	14,60%	-11,10%	17,90%
Co-workers (FTE)	n/a	77.053	80.456	78.291
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	2.525.246	2.150.782	3.104.381	2.833.316
Total Loans	540.302	369.921	379.560	292.739
Total Deposits	707.609	493.343	557.544	674.028
Total Equity	64.724	52.523	43.277	55.773
Total Revenue	39.399	39.730	19.612	43.024
Total Non-interest Expense	32.160	28.598	26.333	29.960
Net Income (after extraordinary)	3.214	7.047	-5.613	9.085

DEXIA				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	2010	2009	2008	2007
Total Assets	566.735	577.630	651.006	604.564
Total Loans	352.307	353.987	368.845	242.619
Total Deposits	127.060	120.950	114.728	126.680
Total Equity	8.945	10.181	3.916	14.525
Equity/Total Asset	1,58%	1,76%	0,60%	2,40%
BIS 1 Ratio	13,08%	12,30%	10,60%	9.1%
Total Loans/Total Assets	62,16%	61,28%	56,66%	40,13%
Total Deposits/Total Assets	22,42%	20,94%	17,62%	20,95%
Total Loans/Total Deposits	277,28%	292,67%	321,50%	191,52%
Total Revenue	5.310	6.184	3.556	6.896
Total Non-interest Expense	3.703	3.607	4.119	3.834
Net Income (after extraordinary)	797	1.089	-3.248	2.636
Overhead Ratio	69,7%	58,3%	115,8%	55,6%
Return on Assets	0,14%	0,18%	-0,52%	0,45%
Return on Equity	3,80%	5,60%	-22,60%	5,60%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	2010	2009	2008	2007
Total Assets	751.009	827.871	917.612	889.828
Total Loans	466.860	507.341	519.898	357.099
Total Deposits	168.374	173.348	161.713	186.454
Total Equity	11.853	14.592	5.520	21.379
Total Revenue	7.323	8.790	9.935	9.624
Total Non-interest Expense	5.107	5.127	5.934	5.351
Net Income (after extraordinary)	1.099	1.548	-4.679	3.679

GOLDMAN				
Reporting Currency:	USD mio			
USD Exchange Rate End of Year	1	1	1	1
USD Exchange Rate Average	1	1	1	1
Reporting Currency	2010	2009	2008	2007
Total Assets	911.332	848.942	884.547	1.119.796
Total Loans	67.703	55.303	64.665	129.105
Total Deposits	187.720	180.392	245.258	310.118
Total Equity	77.356	70.714	64.369	42.800
Equity/Total Asset	8,49%	8,33%	7,28%	3,82%
BIS 1 Ratio	16,00%	15,00%	15.6%	0,00%
Total Loans/Total Assets	7,43%	6,51%	7,31%	11,53%
Total Deposits/Total Assets	20,60%	21,25%	27,73%	27,69%
Total Loans/Total Deposits	36,07%	30,66%	26,37%	41,63%
Total Revenue	39.161	45.173	22.222	45.987
Total Non-interest Expense	26.269	25.344	19.886	28.383
Net Income (after extraordinary)	7.713	12.192	2.041	11.407
Overhead Ratio	67,1%	56,1%	89,5%	61,7%
Return on Assets	0,88%	1,41%	0,20%	1,17%
Return on Equity	11,50%	22,50%	4,90%	32,70%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	2010	2009	2008	2007
Total Assets	911.332	848.942	884.547	1.119.796
Total Loans	67.703	55.303	64.665	129.105
Total Deposits	187.720	180.392	245.258	310.118
Total Equity	77.356	70.714	64.369	42.800
Total Revenue	39.161	45.173	22.222	45.987
Total Non-interest Expense	26.269	25.344	19.886	28.383
Net Income (after extraordinary)	7.713	12.192	2.041	11.407

GROUP CREDIT AGRICOLE				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	2010	2009	2008	2007
Total Assets	1.593.529	1.557.342	1.653.220	1.414.223
Total Loans	383.246	362.348	349.037	302.444
Total Deposits	501.360	464.080	421.411	387.253
Total Equity	52.149	51.964	47.336	46.474
Equity/Total Asset	3,27%	3,34%	2,86%	3,29%
BIS 1 Ratio	8.4%	9.3%	8.6%	8.1%
Total Loans/Total Assets	24%	23%	21%	21%
Total Deposits/Total Assets	31%	30%	25%	27%
Total Loans/Total Deposits	76%	78%	83%	78%
Total Revenue	20.129	17.942	15.956	16.768
Total Non-interest Expense	13.187	12.182	12.635	12.718
Net Income (after extraordinary)	1.263	1.125	1.024	4.044
Overhead Ratio	66%	68%	79%	76%
Return on Assets	0,08%	0,07%	0,07%	0,30%
Return on Equity	2,90%	2,60%	2,60%	12,20%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	2010	2009	2008	2007
Total Assets	2.111.665	2.232.014	2.330.263	2.081.524
Total Loans	507.858	519.324	491.978	445.152
Total Deposits	664.377	665.129	593.991	569.978
Total Equity	69.105	74.476	66.722	68.403
Total Revenue	27.762	25.502	22.988	23.401
Total Non-interest Expense	18.187	17.315	18.203	17.749
Net Income (after extraordinary)	1.742	1.599	1.475	5.644

HSBC				
Reporting Currency:	USD mio			
USD Exchange Rate End of Year	1	1	1	1
USD Exchange Rate Average	1	1	1	1
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	2.454.689	2.364.452	2.527.465	2.354.266
Total Loans	958.366	896.231	932.868	981.548
Total Deposits	1.227.725	1.159.034	1.115.327	1.096.140
Total Equity	154.915	135.661	100.229	135.416
Equity/Total Asset	6,31%	5,74%	3,97%	5,75%
BIS 1 Ratio	12,10%	10,80%	8,30%	9,30%
Total Loans/Total Assets	39,04%	37,90%	36,91%	41,69%
Total Deposits/Total Assets	50,02%	49,02%	44,13%	46,56%
Total Loans/Total Deposits	78,06%	77,33%	83,64%	89,55%
Total Revenue	68.247	66.181	56.745	61.851
Total Non-interest Expense	37.688	34.395	49.099	39.042
Net Income (after extraordinary)	14.191	6.694	6.498	20.455
Overhead Ratio	55,2%	52,0%	86,5%	63,1%
Return on Assets	0,59%	0,27%	0,27%	0,97%
Return on Equity	9,77%	5,68%	4,70%	15,90%
Co-workers (FTE)	295.061	289.485	312.866	315.520
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	2.454.689	2.364.452	2.527.465	2.354.266
Total Loans	958.366	896.231	932.868	981.548
Total Deposits	1.227.725	1.159.034	1.115.327	1.096.140
Total Equity	154.915	135.661	100.229	135.416
Total Revenue	68.247	66.181	56.745	61.851
Total Non-interest Expense	37.688	34.395	49.099	39.042
Net Income (after extraordinary)	14.191	6.694	6.498	20.455

ING				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	1.247.110	1.163.643	1.331.663	1.312.510
Total Loans	613.204	578.946	619.791	552.964
Total Deposits	511.362	469.508	522.783	525.216
Total Equity	47.284	39.778	28.928	39.531
Equity/Total Asset	3,79%	3,42%	2,17%	3,01%
BIS 1 Ratio	12.25%	10.23%	9.32%	7.39%
Total Loans/Total Assets	49,17%	49,75%	46,54%	42,13%
Total Deposits/Total Assets	41,00%	40,35%	39,26%	40,02%
Total Loans/Total Deposits	119,92%	123,31%	118,56%	105,28%
Total Revenue	54.887	47.765	66.291	76.586
Total Non-interest Expense	50.410	49.290	67.778	65.543
Net Income (after extraordinary)	3.325	-1.053	-766	9.508
Overhead Ratio	91,8%	103,2%	102,2%	85,6%
Return on Assets	0,28%	-0,08%	-0,06%	0,75%
Return on Equity	9,70%	4,20%	-2,10%	24,20%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.652.608	1.667.756	1.877.019	1.931.818
Total Loans	812.587	829.757	873.614	813.880
Total Deposits	677.631	672.908	736.878	773.039
Total Equity	62.658	57.011	40.775	58.184
Total Revenue	75.699	67.892	95.505	106.882
Total Non-interest Expense	69.525	70.060	97.647	91.470
Net Income (after extraordinary)	4.586	-1.497	-1.104	13.269

JP MORGAN				
Reporting Currency:	USD mio			
USD Exchange Rate End of Year	1	1	1	1
USD Exchange Rate Average	1	1	1	1
Reporting Currency	2010	2009	2008	2007
Total Assets	2.117.605	2.031.989	2.175.052	1.562.147
Total Loans	692.927	633.458	744.898	519.374
Total Deposits	930.369	938.367	1.009.277	740.728
Total Equity	176.106	165.365	166.884	123.221
Equity/Total Asset	8,32%	8,14%	7,67%	7,89%
BIS 1 Ratio	12,10%	11,10%	10,09%	8,40%
Total Loans/Total Assets	32,72%	31,17%	34,25%	33,25%
Total Deposits/Total Assets	43,93%	46,18%	46,40%	47,42%
Total Loans/Total Deposits	74,48%	67,51%	73,81%	70,12%
Total Revenue	102.694	100.434	67.252	71.372
Total Non-interest Expense	61.196	52.352	43.500	41.703
Net Income (after extraordinary)	17.370	11.728	5.605	15.365
Overhead Ratio	60,0%	52,0%	65,0%	58,0%
Return on Assets	0,85%	0,58%	0,21%	1,06%
Return on Equity	10,00%	6,00%	2,00%	13,00%
Co-workers (FTE)	239.831	222.316	224.961	180.667
USD Conversion	2010	2009	2008	2007
Total Assets	2.117.605	2.031.989	2.175.052	1.562.147
Total Loans	692.927	633.458	744.898	519.374
Total Deposits	930.369	938.367	1.009.277	740.728
Total Equity	176.106	165.365	166.884	123.221
Total Revenue	102.694	100.434	67.252	71.372
Total Non-interest Expense	61.196	52.352	43.500	41.703
Net Income (after extraordinary)	17.370	11.728	5.605	15.365

LLOYDS				
Reporting Currency:	GBP mio			
USD Exchange Rate End of Year	0,65	0,63	0,69	0,50
USD Exchange Rate Average	0,64	0,66	0,58	0,51
Reporting Currency	2010	2009	2008	2007
Total Assets	991.574	1.027.255	436.033	353.346
Total Loans	592.597	626.969	240.344	209.814
Total Deposits	393.633	406.741	170.938	156.555
Total Equity	46.061	43.278	9.393	12.141
Equity/Total Asset	4,65%	4,21%	2,15%	3,44%
BIS 1 Ratio	11,60%	9,60%	7,90%	8,10%
Total Loans/Total Assets	59,76%	61,03%	55,12%	59,38%
Total Deposits/Total Assets	39,70%	39,59%	39,20%	44,31%
Total Loans/Total Deposits	150,55%	154,14%	140,60%	134,02%
Total Revenue	24.956	23.278	9.868	10.696
Total Non-interest Expense	13.270	15.984	6.100	5.568
Net Income (after extraordinary)	-320	2.827	772	3.288
Overhead Ratio	53,2%	68,7%	61,8%	52,1%
Return on Assets	-0,03%	0,39%	0,20%	0,94%
Return on Equity	-0,70%	8,80%	7,00%	28,10%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	2010	2009	2008	2007
Total Assets	1.533.757	1.635.975	631.057	705.388
Total Loans	916.623	998.492	347.843	418.854
Total Deposits	608.868	647.764	247.393	312.532
Total Equity	71.247	68.923	13.594	24.237
Total Revenue	39.173	35.381	16.991	21.148
Total Non-interest Expense	20.830	24.294	10.503	11.009
Net Income (after extraordinary)	-502	4.297	1.329	6.501

MITSUBISHI UFJFG				
Reporting Currency:	YEN bil			
USD Exchange Rate End of Year	0,08	0,09	0,09	0,11
USD Exchange Rate Average	0,09	0,09	0,10	0,12
Reporting Currency	2010	2009	2008	2007
Total Assets	204.106	198.733	192.993	187.281
Total Loans	84.880	92.056	88.538	84.831
Total Deposits	123.891	120.149	121.307	118.708
Total Equity	9.102	6.467	9.153	11.318
Equity/Total Asset	4,46%	3,25%	4,74%	6,04%
BIS 1 Ratio	10.63%	7.76%	7.60%	7.57%
Total Loans/Total Assets	41,59%	46,32%	45,88%	45,30%
Total Deposits/Total Assets	60,70%	60,46%	62,86%	63,38%
Total Loans/Total Deposits	68,51%	76,62%	72,99%	71,46%
Total Revenue	4.437	2.471	4.057	4.276
Total Non-interest Expense	2.508	3.608	3.620	2.784
Net Income (after extraordinary)	859	-1.468	-542	581
Overhead Ratio	56,5%	146,0%	89,2%	65,1%
Return on Assets	0,43%	-0,75%	-0,29%	0,31%
Return on Equity	10,66%	-18,48%	-5,55%	2,78%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	2010	2009	2008	2007
Total Assets	2.502.340	2.154.266	2.134.503	1.666.801
Total Loans	1.040.629	997.887	979.230	754.996
Total Deposits	1.518.904	1.302.415	1.341.655	1.056.501
Total Equity	111.591	70.102	101.232	100.730
Total Revenue	51.247	27.057	40.489	36.987
Total Non-interest Expense	28.967	39.508	36.128	36.987
Net Income (after extraordinary)	9.921	-16.075	-5.409	5.026

MIZUHO				
Reporting Currency:	YEN mio			
USD Exchange Rate End of Year	81,57	92,25	90,42	112,36
USD Exchange Rate Average	86,58	91,32	100,20	115,61
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	161.985.670	158.351.456	155.083.031	151.317.756
Total Loans	64.689.814	63.782.851	72.657.095	68.221.807
Total Deposits	89.215.627	86.776.251	87.075.727	86.429.065
Total Equity	4.035.356	3.332.018	1.037.180	3.268.800
Equity/Total Asset	2,49%	2,10%	0,67%	2,16%
BIS 1 Ratio	11,93%	9,09%	6,37%	7,40%
Total Loans/Total Assets	39,94%	40,28%	46,85%	45,09%
Total Deposits/Total Assets	55,08%	54,80%	56,15%	57,12%
Total Loans/Total Deposits	72,51%	73,50%	83,44%	78,93%
Total Revenue	2.047.859	2.434.970	1.734.403	2.293.681
Total Non-interest Expense	1.435.855	1.526.413	1.525.101	1.450.653
Net Income (after extraordinary)	418.130	1.046.650	-1.120.002	228.618
Overhead Ratio	70,1%	62,7%	87,9%	63,2%
Return on Assets	0,66%	-0,73%	0,14%	0,42%
Return on Equity	54,09%	-48,50%	5,20%	14,69%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.941.389	1.681.100	1.673.574	1.311.693
Total Loans	781.978	787.603	754.533	615.728
Total Deposits	1.063.877	943.901	955.905	745.387
Total Equity	40.851	11.243	36.153	41.498
Total Revenue	28.124	18.992	22.891	19.582
Total Non-interest Expense	17.630	16.700	14.478	11.199
Net Income (after extraordinary)	12.089	-12.264	2.282	5.397

MORGAN STANLEY				
Reporting Currency:	USD mio			
USD Exchange Rate End of Year	1	1	1	1
USD Exchange Rate Average	1	1	1	1
Reporting Currency	2010	2009	2008	2007
Total Assets	807.698	771.462	676.764	1.045.409
Total Loans	35.258	27.594	29.265	76.352
Total Deposits	63.812	62.215	51.355	31.179
Total Equity	65.407	46.688	48.753	31.269
Equity/Total Asset	8,10%	6,05%	7,20%	2,99%
BIS 1 Ratio	16,10%	15.3%	12.2%	NA
Total Loans/Total Assets	4,57%	3,58%	4,32%	7,30%
Total Deposits/Total Assets	8,27%	8,06%	7,59%	2,98%
Total Loans/Total Deposits	55,25%	44,35%	56,99%	244,88%
Total Revenue	31.622	23.434	22.140	28.026
Total Non-interest Expense	25.420	22.451	20.886	24.585
Net Income (after extraordinary)	5.702	1.406	1.779	3.253
Overhead Ratio	80,4%	95,8%	94,3%	87,7%
Return on Assets	0,72%	0,19%	0,21%	0,30%
Return on Equity	8,50%	2,95%	3,20%	6,50%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	2010	2009	2008	2007
Total Assets	807.698	771.462	676.764	1.045.409
Total Loans	35.258	27.594	29.265	76.352
Total Deposits	63.812	62.215	51.355	31.179
Total Equity	65.407	46.688	48.753	31.269
Total Revenue	31.622	23.434	22.140	28.026
Total Non-interest Expense	25.420	22.451	20.886	24.585
Net Income (after extraordinary)	5.702	1.406	1.779	3.253

NORDEA				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	580.839	507.544	474.074	389.054
Total Loans	314.211	282.411	265.100	244.682
Total Deposits	176.390	153.577	148.591	142.329
Total Equity	24.538	22.420	17.803	17.160
Equity/Total Asset	4,22%	4,42%	3,76%	4,41%
BIS 1 Ratio	8.9%	9.3%	7.4%	7.0%
Total Loans/Total Assets	54,10%	55,64%	55,92%	62,89%
Total Deposits/Total Assets	30,37%	30,26%	31,34%	36,58%
Total Loans/Total Deposits	178,13%	183,89%	178,41%	171,91%
Total Revenue	9.334	9.073	8.200	7.889
Total Non-interest Expense	4.816	4.512	4.338	4.066
Net Income (after extraordinary)	2.663	2.318	2.672	3.130
Overhead Ratio	51,6%	49,7%	52,9%	51,5%
Return on Assets	0,49%	0,47%	0,62%	0,85%
Return on Equity	11,50%	11,30%	15,30%	19,70%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	769.699	727.422	668.222	572.629
Total Loans	416.377	404.757	373.666	360.135
Total Deposits	233.743	220.110	209.443	209.487
Total Equity	32.517	32.133	25.094	25.257
Total Revenue	12.873	12.896	11.814	11.010
Total Non-interest Expense	6.642	6.413	6.250	5.674
Net Income (after extraordinary)	3.673	3.295	3.850	4.368

RBS				
Reporting Currency:	GBP mio			
USD Exchange Rate End of Year	0,65	0,63	0,69	0,50
USD Exchange Rate Average	0,64	0,66	0,58	0,51
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	1.453.576	1.696.486	2.401.652	1.900.519
Total Loans	555.260	728.393	874.722	829.250
Total Deposits	510.693	614.202	639.512	682.365
Total Equity	76.851	94.631	80.498	91.426
Equity/Total Asset	5,29%	5,58%	3,35%	4,81%
BIS 1 Ratio	10,70%	11,00%	6,60%	4,50%
Total Loans/Total Assets	38,20%	42,94%	36,42%	43,63%
Total Deposits/Total Assets	35,13%	36,20%	26,63%	35,90%
Total Loans/Total Deposits	108,73%	118,59%	136,78%	121,53%
Total Revenue	27.085	28.669	16.813	26.463
Total Non-interest Expense	18.228	17.417	35.065	14.435
Net Income (after extraordinary)	-1.125	-3.607	-24.306	7.712
Overhead Ratio	67,3%	60,8%	208,6%	54,5%
Return on Assets	-0,07%	-0,18%	-1,19%	0,65%
Return on Equity	-0,70%	-7,20%	-50,10%	18,70%
Co-workers (FTE)	145.500	159.700	173.000	233.600
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	2.248.377	2.701.773	3.475.839	3.794.025
Total Loans	858.871	1.160.017	1.265.959	1.655.440
Total Deposits	789.935	978.160	925.547	1.362.212
Total Equity	118.872	150.706	116.502	182.515
Total Revenue	42.515	43.575	28.948	52.323
Total Non-interest Expense	28.612	26.472	60.375	28.541
Net Income (after extraordinary)	-1.766	-5.482	-41.850	15.248

SANTANDER				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	1.217.501	1.110.529	1.049.632	912.915
Total Loans	724.154	682.551	626.888	565.477
Total Deposits	616.376	506.976	420.229	355.407
Total Equity	75.273	70.006	63.768	51.945
Equity/Total Asset	6,18%	6,30%	6,08%	5,69%
BIS 1 Ratio	8,80%	8,60%	7,50%	6,25%
Total Loans/Total Assets	59,48%	61,46%	59,72%	61,94%
Total Deposits/Total Assets	50,63%	45,65%	40,04%	38,93%
Total Loans/Total Deposits	117,49%	134,63%	149,18%	159,11%
Total Revenue	42.049	39.381	33.489	26.441
Total Non-interest Expense	18.196	16.421	14.949	12.208
Net Income (after extraordinary)	8.181	8.943	8.876	9.060
Overhead Ratio	43,3%	41,7%	44,6%	46,2%
Return on Assets	0,76%	0,86%	1,00%	0,98%
Return on Equity	11,80%	13,90%	17,07%	19,61%
Co-workers (FTE)	178.869	169.460	170.961	131.819
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.613.371	1.591.632	1.479.488	1.343.674
Total Loans	959.613	978.246	883.617	832.297
Total Deposits	816.791	726.608	592.325	523.106
Total Equity	99.748	100.334	89.883	76.455
Total Revenue	57.993	55.975	48.247	36.900
Total Non-interest Expense	25.096	23.340	21.537	17.037
Net Income (after extraordinary)	11.283	12.711	12.788	12.644

SOCGEN				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	1.132.072	1.023.701	1.130.003	1.071.062
Total Loans	371.800	344.400	354.600	305.200
Total Deposits	337.400	300.100	282.500	270.700
Total Equity	46.400	42.200	36.100	27.200
Equity/Total Asset	4,10%	4,12%	3,19%	2,54%
BIS 1 Ratio	10,60%	10,70%	8,80%	6,60%
Total Loans/Total Assets	32,84%	33,64%	31,38%	28,50%
Total Deposits/Total Assets	29,80%	29,32%	25,00%	25,27%
Total Loans/Total Deposits	110,20%	114,76%	125,52%	112,74%
Total Revenue	26.418	21.730	21.866	21.923
Total Non-interest Expense	16.545	15.766	15.528	14.305
Net Income (after extraordinary)	2.917	678	2.010	947
Overhead Ratio	62,6%	72,6%	71,0%	65,3%
Return on Assets	0,27%	0,06%	0,18%	0,09%
Return on Equity	6,58%	1,73%	6,35%	3,36%
Co-workers (FTE)	160.704	160.144	160.430	130.100
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.500.165	1.467.189	1.592.773	1.576.443
Total Loans	492.691	493.601	499.819	449.209
Total Deposits	447.106	430.109	398.192	398.430
Total Equity	61.487	60.482	50.884	40.034
Total Revenue	36.435	30.886	31.502	30.595
Total Non-interest Expense	22.819	22.409	22.371	19.964
Net Income (after extraordinary)	4.023	964	2.896	1.322

STATE STREET				
Reporting Currency:	USD mio			
USD Exchange Rate End of Year	1	1	1	1
USD Exchange Rate Average	1	1	1	1
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	151.957	146.810	161.697	123.482
Total Loans	12.094	9.703	11.884	10.753
Total Deposits	76.958	69.167	79.507	68.220
Total Equity	16.360	13.317	12.408	9.427
Equity/Total Asset	10,77%	9,07%	7,67%	7,63%
BIS 1 Ratio	18.1%	17.3%	14.4%	11.2%
Total Loans/Total Assets	7,96%	6,61%	7,35%	8,71%
Total Deposits/Total Assets	50,64%	47,11%	49,17%	55,25%
Total Loans/Total Deposits	15,72%	14,03%	14,95%	15,76%
Total Revenue	8.953	8.640	10.693	8.336
Total Non-interest Expense	6.842	5.966	7.851	6.433
Net Income (after extraordinary)	1.540	-2.044	1.789	1.261
Overhead Ratio	76,4%	69,1%	73,4%	77,2%
Return on Assets	1,03%	-1,33%	1,25%	1,10%
Return on Equity	9,50%	13,20%	14,80%	13,40%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	151.957	146.810	161.697	123.482
Total Loans	12.094	9.703	11.884	10.753
Total Deposits	76.958	69.167	79.507	68.220
Total Equity	16.360	13.317	12.408	9.427
Total Revenue	8.953	8.640	10.693	8.336
Total Non-interest Expense	6.842	5.966	7.851	6.433
Net Income (after extraordinary)	1.540	-2.044	1.789	1.261

SUMITOMO				
Reporting Currency:	YEN mio			
USD Exchange Rate End of Year	81,57	92,25	90,42	112,36
USD Exchange Rate Average	86,58	91,32	100,20	115,61
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	123.159.513	119.637.224	111.955.918	100.858.309
Total Loans	62.701.033	65.135.319	62.144.874	58.689.322
Total Deposits	85.644.215	83.030.782	75.768.773	74.745.441
Total Equity	4.644.677	2.599.183	3.095.324	2.741.632
Equity/Total Asset	3,77%	2,17%	2,76%	2,72%
BIS 1 Ratio	11.15%	8.22%	6.94%	6.44%
Total Loans/Total Assets	50,91%	54,44%	55,51%	58,19%
Total Deposits/Total Assets	69,54%	69,40%	67,68%	74,11%
Total Loans/Total Deposits	73,21%	78,45%	82,02%	78,52%
Total Revenue	3.184.688	3.556.536	4.739.040	3.947.786
Total Non-interest Expense	2.110.077	2.375.339	2.803.741	2.306.859
Net Income (after extraordinary)	271.559	-373.456	461.536	441.351
Overhead Ratio	66,3%	66,8%	59,2%	58,4%
Return on Assets	0,22%	-0,32%	0,43%	0,43%
Return on Equity	7,63%	-13,12%	13,23%	13,07%
Co-workers (FTE)	57.888	48.079	46.429	41.428
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.509.936	1.296.868	1.238.232	897.639
Total Loans	768.715	706.067	687.322	522.335
Total Deposits	1.049.998	900.054	838.003	665.234
Total Equity	56.944	28.175	34.234	24.401
Total Revenue	36.783	38.944	47.296	34.148
Total Non-interest Expense	24.371	26.010	27.981	19.954
Net Income (after extraordinary)	3.137	-4.089	4.606	3.818

UBS				
Reporting Currency:	CHF mio			
USD Exchange Rate End of Year	0,94	1,04	1,06	1,13
USD Exchange Rate Average	0,99	1,05	1,09	1,17
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	1.317.247	1.340.538	2.014.815	2.272.579
Total Loans	262.877	266.477	291.456	274.510
Total Deposits	332.301	339.263	362.639	593.492
Total Equity	46.820	41.013	32.531	35.585
Equity/Total Asset	3,55%	3,06%	1,61%	1,57%
BIS 1 Ratio	17,80%	15,40%	11,00%	8,80%
Total Loans/Total Assets	19,96%	19,88%	14,47%	12,08%
Total Deposits/Total Assets	25,23%	25,31%	18,00%	26,12%
Total Loans/Total Deposits	79,11%	78,55%	80,37%	46,25%
Total Revenue	31.994	22.601	796	31.980
Total Non-interest Expense	24.539	25.162	28.555	34.915
Net Income (after extraordinary)	7.534	-2.736	-21.292	-4.246
Overhead Ratio	76,7%	111,3%	3587,3%	109,2%
Return on Assets	0,57%	-0,16%	-0,99%	-0,18%
Return on Equity	16,70%	-7,80%	-58,70%	-10,50%
Co-workers (FTE)	64.617	65.233	77.783	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.400.075	1.291.474	1.907.707	2.017.096
Total Loans	279.407	256.724	275.962	243.650
Total Deposits	353.196	326.846	343.361	526.772
Total Equity	49.764	39.512	30.802	31.585
Total Revenue	32.414	21.587	730	27.302
Total Non-interest Expense	24.861	24.033	26.191	29.807
Net Income (after extraordinary)	7.633	-2.613	-19.529	-3.625

UNICREDIT				
Reporting Currency:	EUR mio			
USD Exchange Rate End of Year	0,75	0,70	0,71	0,68
USD Exchange Rate Average	0,73	0,70	0,69	0,72
Reporting Currency	**2010**	**2009**	**2008**	**2007**
Total Assets	929.488	928.760	1.045.611	1.021.758
Total Loans	555.653	564.986	612.480	574.206
Total Deposits	583.239	596.396	591.290	630.533
Total Equity	64.224	59.689	54.999	57.690
Equity/Total Asset	6,91%	6,43%	5,26%	5,65%
BIS 1 Ratio	8.58%	8.47%	6.45%	5.83%
Total Loans/Total Assets	59,78%	60,83%	58,58%	56,20%
Total Deposits/Total Assets	62,75%	64,21%	56,55%	61,71%
Total Loans/Total Deposits	95,27%	94,73%	103,58%	91,07%
Total Revenue	26.347	27.572	26.145	26.296
Total Non-interest Expense	15.483	15.324	16.876	15.401
Net Income (after extraordinary)	1.323	1.702	4.011	5.901
Overhead Ratio	58,8%	55,6%	64,5%	58,6%
Return on Assets	0,14%	0,17%	0,39%	0,64%
Return on Equity	2,70%	4,00%	9,50%	16,80%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	**2010**	**2009**	**2008**	**2007**
Total Assets	1.231.711	1.331.117	1.473.820	1.503.875
Total Loans	736.324	809.749	863.309	845.145
Total Deposits	772.879	854.767	833.441	928.050
Total Equity	85.106	85.547	77.523	84.911
Total Revenue	36.337	39.190	37.667	36.698
Total Non-interest Expense	21.354	21.781	24.313	21.493
Net Income (after extraordinary)	1.825	2.419	5.779	8.235

WELLS FARGO				
Reporting Currency:	USD mio			
USD Exchange Rate End of Year	1	1	1	1
USD Exchange Rate Average	1	1	1	1
Reporting Currency	2010	2009	2008	2007
Total Assets	1.258.128	1.243.646	1.309.639	575.442
Total Loans	757.267	782.770	864.830	382.195
Total Deposits	847.942	824.018	781.402	344.460
Total Equity	127.889	114.359	99.084	47.628
Equity/Total Asset	10,17%	9,20%	7,57%	8,28%
BIS 1 Ratio	10.07%	8.90%	7.84%	7.59%
Total Loans/Total Assets	60,19%	62,94%	66,04%	66,42%
Total Deposits/Total Assets	67,40%	66,26%	59,67%	59,86%
Total Loans/Total Deposits	89,31%	94,99%	110,68%	110,95%
Total Revenue	85.210	88.686	51.632	39.390
Total Non-interest Expense	50.456	49.020	22.598	22.824
Net Income (after extraordinary)	11.632	7.990	2.369	8.057
Overhead Ratio	59,2%	55,3%	43,8%	57,9%
Return on Assets	1,01%	0,97%	0,44%	1,55%
Return on Equity	-1,50%	-1,50%	-1,50%	-1,50%
Co-workers (FTE)	n/a	n/a	n/a	n/a
USD Conversion	2010	2009	2008	2007
Total Assets	1.258.128	1.243.646	1.309.639	575.442
Total Loans	757.267	782.770	864.830	382.195
Total Deposits	847.942	824.018	781.402	344.460
Total Equity	127.889	114.359	99.084	47.628
Total Revenue	85.210	88.686	51.632	39.390
Total Non-interest Expense	50.456	49.020	22.598	22.824
Net Income (after extraordinary)	11.632	7.990	2.369	8.057

Appendix 7

Financial Comparision of Sustainable Banks and GSIFIs

SUSTAINABLE BANKS - LOANS / ASSETS					
	2010	**2009**	**2008**	**2007**	**Average**
ABS Bank	74.70%	73.70%	76.97%	76.66%	**75.51%**
BancaEtica	58.44%	52.14%	45.75%	45.37%	**50.42%**
Banco Sol	72.55%	70.42%	74.75%	77.11%	**73.71%**
BRAC Bank	70.55%	67.76%	72.70%	69.95%	**70.24%**
Cultura Bank	68.51%	71.27%	68.46%	69.95%	**69.55%**
GLS Bank	76.28%	78.70%	83.61%	81.41%	**80.00%**
Merkur Bank	64.14%	66.74%	76.82%	72.96%	**70.16%**
Mibanco	79.61%	78.51%	80.48%	82.15%	**80.19%**
New Resource Bank	65.84%	57.67%	66.06%	52.54%	**60.53%**
One California Bank	52.89%	45.89%	n/a	n/a	**49.39%**
Triodos Bank N.V.	60.88%	55.60%	53.75%	54.04%	**56.07%**
VanCity Credit Union	83.72%	78.61%	84.35%	89.50%	**84.05%**
XacBank	68.45%	61.03%	71.95%	70.56%	**68.00%**
Sunrise	72.06%	74.00%	76.94%	75.08%	**74.52%**
Integral	83.37%	83.97%	85.67%	86.66%	**84.91%**
Credit Cooperatif	81.11%	79.85%	72.54%	65.19%	**74.67%**
Ecobank	50.29%	52.92%	45.20%	47.59%	**49.00%**
Average	**69.61%**	**67.58%**	**71.00%**	**69.79%**	**69.50%**
Weighted Average	**72.71%**	**71.46%**	**69.50%**	**70.42%**	**71.02%**

GSIFI BANKS - LOANS / ASSETS					
	2010	**2009**	**2008**	**2007**	**Average**
Bank of America	39.28%	38.84%	49.40%	48.45%	**43.99%**
Bank of China	47.33%	49.11%	45.88%	45.98%	**47.08%**
Bank of NYM	15.29%	17.05%	18.10%	25.60%	**19.01%**
Barclays	28.73%	30.47%	22.49%	28.14%	**27.46%**
BNP Paribas	34.27%	32.99%	23.82%	26.27%	**29.34%**
BPCE	53.66%	50.30%	44.80%	90.80%	**59.89%**
Citibank	31.77%	29.92%	34.28%	34.83%	**32.70%**
Commerzbank	43.45%	41.72%	45.56%	45.98%	**44.18%**
Credit Suisse	21.21%	23.00%	20.15%	17.68%	**20.51%**
Deutsche Bank	21.40%	17.20%	12.23%	10.33%	**15.29%**
Dexia	62.16%	61.28%	56.66%	40.13%	**55.06%**
Goldman	7.43%	6.51%	7.31%	11.53%	**8.20%**
Group Credit Agricole	24.05%	23.27%	21.11%	21.39%	**22.45%**
HSBC	39.04%	37.90%	36.91%	41.69%	**38.89%**
ING	49.17%	49.75%	46.54%	42.13%	**46.90%**
JP Morgan	32.72%	31.17%	34.25%	33.25%	**32.85%**
Lloyds	59.76%	61.03%	55.12%	59.38%	**58.82%**
Mitsubishi	41.59%	46.32%	45.88%	45.30%	**44.77%**
Mizuho	39.94%	40.28%	46.85%	45.09%	**43.04%**
Morgan Stanley	4.57%	3.58%	4.32%	7.30%	**4.94%**
Nordea	54.10%	55.64%	55.92%	62.89%	**57.14%**
RBS	38.20%	42.94%	36.42%	43.63%	**40.30%**
Santander	59.48%	61.46%	59.72%	61.94%	**60.65%**
Société Générale	32.84%	33.64%	31.38%	28.50%	**31.59%**
State Street	7.96%	6.61%	7.35%	8.71%	**7.66%**
Sumitomo	50.91%	54.44%	55.51%	58.19%	**54.76%**
UBS	19.96%	19.88%	14.47%	12.08%	**16.59%**
Unicredit	59.78%	60.83%	58.58%	56.20%	**58.85%**
Wells Fargo	60.19%	62.94%	66.04%	66.42%	**63.90%**
Average	**37.25%**	**37.59%**	**36.45%**	**38.61%**	**37.48%**

SUSTAINABLE BANKS - DEPOSITS / ASSETS					
	2010	**2009**	**2008**	**2007**	**Average**
ABS Bank	92.78%	92.18%	91.67%	91.42%	**92.01%**
BancaEtica	58.56%	56.73%	49.69%	48.84%	**53.46%**
Banco Sol	69.04%	68.13%	67.75%	64.06%	**67.25%**
BRAC Bank	73.99%	79.53%	80.07%	80.57%	**78.54%**
Cultura Bank	87.31%	87.69%	84.91%	85.28%	**86.30%**
GLS Bank	85.91%	84.00%	81.37%	82.20%	**83.37%**
Merkur Bank	81.48%	78.21%	75.30%	77.77%	**78.19%**
Mibanco	71.39%	67.48%	61.37%	53.14%	**63.35%**
New Resource Bank	86.12%	85.37%	86.32%	90.61%	**87.10%**
One California Bank	68.50%	72.45%	n/a	n/a	**70.48%**
Triodos Bank N.V.	86.95%	86.51%	87.88%	85.77%	**86.78%**
VanCity Credit Union	86.47%	84.15%	80.41%	78.71%	**82.44%**
XacBank	43.89%	39.62%	37.02%	44.22%	**41.19%**
Sunrise	81.04%	82.10%	78.26%	82.97%	**81.09%**
Integral	0.00%	0.00%	0.00%	0.00%	**0.00%**
Credit Cooperatif	52.12%	51.09%	45.91%	47.30%	**49.10%**
Ecobank	75.71%	71.86%	69.81%	71.97%	**72.34%**
Average	**70.66%**	**69.83%**	**67.36%**	**67.80%**	**68.91%**
Weighted Average	**72.53%**	**70.12%**	**65.76%**	**65.96%**	**68.59%**

GSIFI BANKS - DEPOSIT / ASSETS					
	2010	2009	2008	2007	Average
Bank of America	40.52%	40.15%	45.07%	44.77%	**42.63%**
Bank of China	62.59%	66.55%	73.39%	73.44%	**68.99%**
Bank of NYM	58.78%	63.64%	67.23%	59.76%	**62.35%**
Barclays	23.21%	23.38%	16.34%	24.03%	**21.74%**
BNP Paribas	29.07%	29.40%	19.94%	20.46%	**24.72%**
BPCE	37.58%	35.74%	32.44%	69.81%	**43.89%**
Citibank	44.15%	45.02%	39.94%	37.77%	**41.72%**
Commerzbank	34.84%	31.35%	27.22%	25.82%	**29.81%**
Credit Suisse	27.86%	27.80%	25.38%	24.66%	**26.42%**
Deutsche Bank	28.02%	22.94%	17.96%	23.79%	**23.18%**
Dexia	22.42%	20.94%	17.62%	20.95%	**20.48%**
Goldman	20.60%	21.25%	27.73%	27.69%	**24.32%**
Group Credit Agricole	31.46%	29.80%	25.49%	27.38%	**28.53%**
HSBC	50.02%	49.02%	44.13%	46.56%	**47.43%**
ING	41.00%	40.35%	39.26%	40.02%	**40.16%**
JP Morgan	43.93%	46.18%	46.40%	47.42%	**45.98%**
Lloyds	39.70%	39.59%	39.20%	44.31%	**40.70%**
Mitsubishi	60.70%	60.46%	62.86%	63.38%	**61.85%**
Mizuho	55.08%	54.80%	56.15%	57.12%	**55.79%**
Morgan Stanley	8.27%	8.06%	7.59%	2.98%	**6.73%**
Nordea	30.37%	30.26%	31.34%	36.58%	**32.14%**
RBS	35.13%	36.20%	26.63%	35.90%	**33.47%**
Santander	50.63%	45.65%	40.04%	38.93%	**43.81%**
Société Générale	29.80%	29.32%	25.00%	25.27%	**27.35%**
State Street	50.64%	47.11%	49.17%	55.25%	**50.54%**
Sumitomo	69.54%	69.40%	67.68%	74.11%	**70.18%**
UBS	25.23%	25.31%	18.00%	26.12%	**23.66%**
Unicredit	62.75%	64.21%	56.55%	61.71%	**61.31%**
Wells Fargo	67.40%	66.26%	59.67%	59.86%	**63.30%**
Average	**40.73%**	**40.35%**	**38.12%**	**41.24%**	**40.11%**

SUSTAINABLE BANKS - EQUITY / ASSETS					
	2010	**2009**	**2008**	**2007**	**Average**
ABS Bank	6.00%	6.31%	6.83%	6.34%	**6.37%**
BancaEtica	4.79%	4.82%	4.28%	4.81%	**4.68%**
Banco Sol	7.30%	7.80%	7.26%	9.73%	**8.02%**
BRAC Bank	7.90%	8.62%	7.51%	6.62%	**7.66%**
Cultura Bank	11.98%	11.47%	11.57%	13.44%	**12.12%**
GLS Bank	4.70%	5.00%	5.38%	5.71%	**5.20%**
Merkur Bank	10.54%	10.88%	13.15%	13.81%	**12.10%**
Mibanco	8.85%	8.73%	8.47%	10.98%	**9.26%**
New Resource Bank	12.70%	13.41%	15.32%	17.50%	**14.73%**
One California Bank	11.49%	13.57%	n/a	n/a	**12.53%**
Triodos Bank N.V.	10.36%	10.52%	8.64%	10.62%	**10.04%**
VanCity Credit Union	5.32%	4.84%	4.49%	4.11%	**4.69%**
XacBank	7.39%	9.21%	10.53%	9.22%	**9.09%**
Sunrise	5.52%	5.45%	5.92%	6.47%	**5.84%**
Integral	13.82%	16.28%	15.19%	15.12%	**15.10%**
Credit Cooperatif	10.67%	10.10%	8.82%	9.63%	**9.80%**
Ecobank	12.35%	13.72%	13.94%	9.95%	**12.49%**
Average	**8.92%**	**9.45%**	**9.21%**	**9.62%**	**9.30%**
Weighted Average	**8.89%**	**8.90%**	**8.38%**	**7.75%**	**8.48%**

GSIFI BANKS - EQUITY / ASSETS					
	2010	**2009**	**2008**	**2007**	**Average**
Bank of America	9.56%	10.01%	8.94%	8.53%	**9.26%**
Bank of China	5.83%	5.57%	7.05%	7.52%	**6.49%**
Bank of NYM	13.37%	13.67%	11.83%	14.88%	**13.44%**
Barclays	4.18%	4.24%	2.31%	2.65%	**3.34%**
BNP Paribas	3.74%	3.38%	2.84%	3.51%	**3.36%**
BPCE	4.52%	4.28%	2.76%	9.01%	**5.14%**
Citibank	8.54%	8.22%	7.31%	5.19%	**7.31%**
Commerzbank	3.80%	3.15%	3.18%	2.62%	**3.19%**
Credit Suisse	3.22%	3.64%	2.76%	3.17%	**3.20%**
Deutsche Bank	2.56%	2.44%	1.39%	1.97%	**2.09%**
Dexia	1.58%	1.76%	0.60%	2.40%	**1.59%**
Goldman	8.49%	8.33%	7.28%	3.82%	**6.98%**
Group Credit Agricole	3.27%	3.34%	2.86%	3.29%	**3.19%**
HSBC	6.31%	5.74%	3.97%	5.75%	**5.44%**
ING	3.79%	3.42%	2.17%	3.01%	**3.10%**
JP Morgan	8.32%	8.14%	7.67%	7.89%	**8.00%**
Lloyds	4.65%	4.21%	2.15%	3.44%	**3.61%**
Mitsubishi	4.46%	3.25%	4.74%	6.04%	**4.62%**
Mizuho	2.49%	2.10%	0.67%	2.16%	**1.86%**
Morgan Stanley	8.10%	6.05%	7.20%	2.99%	**6.09%**
Nordea	4.22%	4.42%	3.76%	4.41%	**4.20%**
RBS	5.29%	5.58%	3.35%	4.81%	**4.76%**
Santander	6.18%	6.30%	6.08%	5.69%	**6.06%**
Société Générale	4.10%	4.12%	3.19%	2.54%	**3.49%**
State Street	10.77%	9.07%	7.67%	7.63%	**8.79%**
Sumitomo	3.77%	2.17%	2.76%	2.72%	**2.86%**
UBS	3.55%	3.06%	1.61%	1.57%	**2.45%**
Unicredit	6.91%	6.43%	5.26%	5.65%	**6.06%**
Wells Fargo	10.17%	9.20%	7.57%	8.28%	**8.80%**
Average	**5.72%**	**5.35%**	**4.52%**	**4.94%**	**5.13%**

SUSTAINABLE BANKS - BIS 1 RATIO					
	2010	**2009**	**2008**	**2007**	**Average**
ABS Bank	11.14%	12.39%	13.32%	11.12%	**11.99%**
BancaEtica	8.52%	8.69%	8.38%	8.92%	**8.63%**
Banco Sol	6.88%	10.43%	9.21%	12.06%	**9.64%**
BRAC Bank	7.43%	9.12%	10.05%	8.33%	**8.73%**
Cultura Bank	17.41%	16.06%	17.42%	n/a	**16.96%**
GLS Bank	10.44%	9.85%	8.75%	7.95%	**9.25%**
Merkur Bank	13.47%	13.15%	14.90%	11.95%	**13.37%**
Mibanco	9.04%	8.56%	8.14%	8.87%	**8.65%**
New Resource Bank	16.13%	16.47%	18.10%	23.35%	**18.51%**
One California Bank	n/a	n/a	n/a	n/a	**n/a**
Triodos Bank N.V.	14.75%	16.48%	12.47%	16.13%	**14.96%**
VanCity Credit Union	13.07%	12.72%	12.41%	12.48%	**12.67%**
XacBank	13.66%	16.83%	15.49%	11.08%	**14.27%**
Sunrise	10.00%	9.26%	9.72%	10.06%	**9.76%**
Integral	68.80%	69.83%	12.57%	n/a	**50.40%**
Crédit Cooperatif	11.89%	11.27%	10.90%	12.18%	**11.56%**
Ecobank	20.21%	21.02%	22.27%	15.48%	**19.74%**
Average	**15.80%**	**16.42%**	**12.78%**	**12.07%**	**14.27%**
Weighted Average	**13.61%**	**13.82%**	**13.45%**	**12.14%**	**13.31%**

GSIFI BANKS - BIS 1 RATIO					
	2010	**2009**	**2008**	**2007**	**Average**
Bank of America	11.24%	10.40%	9.15%	6.87%	**9.42%**
Bank of China	10.09%	9.07%	10.81%	10.67%	**10.16%**
Bank of NYM	13.4%	12.1%	13.2%	9.32%	**12.01%**
Barclays	10.80%	10.00%	5.60%	4.70%	**7.78%**
BNP Paribas	11.40%	10.10%	7.90%	7.10%	**9.13%**
BPCE	8.0%	6.9%	6.4%	8.85%	**7.54%**
Citibank	10.75%	9.60%	2.30%	5.02%	**6.92%**
Commerzbank	11.9%	10.5%	10.1%	7.00%	**7.00%**
Credit Suisse	17.20%	16.30%	13.30%	11.10%	**14.48%**
Deutsche Bank	8.70%	8.70%	7.00%	6.90%	**7.83%**
Dexia	13.08%	12.30%	10.60%	9.1%	**11.99%**
Goldman	16.00%	15.00%	15.6%	0.00%	**10.33%**
Group Credit Agricole	8.4%	9.3%	8.6%	8.1%	**8.60%**
HSBC	12.10%	10.80%	8.30%	9.30%	**10.13%**
ING	12.25%	10.23%	9.32%	7.39%	**9.80%**
JP Morgan	12.10%	11.10%	10.09%	8.40%	**10.42%**
Lloyds	11.60%	9.60%	7.90%	8.10%	**9.30%**
Mitsubishi	10.63%	7.76%	7.60%	7.57%	**8.39%**
Mizuho	11.93%	9.09%	6.37%	7.40%	**8.70%**
Morgan Stanley	16.10%	15.3%	12.2%	NA	**16.10%**
Nordea	8.9%	9.3%	7.4%	7.0%	**8.15%**
RBS	10.70%	11.00%	6.60%	4.50%	**8.20%**
Santander	8.80%	8.60%	7.50%	6.25%	**7.79%**
Société Générale	10.60%	10.70%	8.80%	6.60%	**9.18%**
State Street	18.1%	17.3%	14.4%	11.2%	**15.25%**
Sumitomo	11.15%	8.22%	6.94%	6.44%	**8.19%**
UBS	17.80%	15.40%	11.00%	8.80%	**13.25%**
Unicredit	8.58%	8.47%	6.45%	5.83%	**7.33%**
Wells Fargo	10.07%	8.90%	7.84%	7.59%	**8.60%**
Average	**12.41%**	**11.17%**	**8.16%**	**6.88%**	**9.65%**

SUSTAINABLE BANKS - RETURN ON ASSETS					
	2010	**2009**	**2008**	**2007**	**Average**
ABS Bank	0.04%	-0.01%	0.30%	n/a	**0.11%**
BancaEtica	-0.07%	0.00%	0.23%	n/a	**0.05%**
Banco Sol	2.13%	2.72%	1.77%	n/a	**2.21%**
BRAC Bank	1.56%	1.05%	0.96%	n/a	**1.19%**
Cultura Bank	0.13%	0.31%	0.58%	n/a	**0.34%**
GLS Bank	0.40%	0.31%	0.11%	n/a	**0.27%**
Merkur Bank	0.04%	0.21%	0.48%	n/a	**0.24%**
Mibanco	2.40%	2.90%	3.54%	n/a	**2.94%**
New Resource Bank	-1.31%	-3.11%	-7.48%	n/a	**-3.97%**
One California Bank	-1.16%	-3.94%	n/a	n/a	**-2.55%**
Triodos Bank N.V.	0.36%	0.31%	0.48%	n/a	**0.38%**
VanCity Credit Union	0.56%	0.39%	0.36%	n/a	**0.44%**
XacBank	2.12%	0.97%	1.80%	n/a	**1.63%**
Sunrise	0.29%	0.30%	0.26%	n/a	**0.28%**
Integral	1.25%	0.32%	2.78%	n/a	**1.45%**
Credit Cooperatif	0.34%	0.21%	0.23%	n/a	**0.26%**
Ecobank	1.35%	0.75%	1.50%	n/a	**1.20%**
Average	**0.61%**	**0.21%**	**0.49%**	**n/a**	**0.44%**
Weighted Average	**0.69%**	**0.45%**	**0.59%**	**n/a**	**0.58%**

GSIFI BANKS - RETURN ON ASSETS					
	2010	**2009**	**2008**	**2007**	**Average**
Bank of America	-0.15%	0.26%	0.22%	0.94%	**0.32%**
Bank of China	1.14%	1.09%	1.01%	1.09%	**1.08%**
Bank of NYM	1.06%	-0.48%	0.67%	1.49%	**0.68%**
Barclays	0.20%	0.50%	0.20%	0.30%	**0.30%**
BNP Paribas	0.39%	0.28%	0.16%	0.50%	**0.33%**
BPCE	0.35%	0.05%	-0.23%	0.57%	**0.19%**
Citibank	0.56%	-0.08%	-1.34%	0.18%	**-0.17%**
Commerzbank	0.18%	-0.62%	0.00%	0.11%	**-0.08%**
Credit Suisse	0.49%	0.61%	-0.65%	0.59%	**0.26%**
Deutsche Bank	0.14%	0.27%	-0.19%	0.38%	**0.15%**
Dexia	0.14%	0.18%	-0.52%	0.45%	**0.06%**
Goldman	0.88%	1.41%	0.20%	1.17%	**0.91%**
Group Credit Agricole	0.08%	0.07%	0.07%	0.30%	**0.13%**
HSBC	0.59%	0.27%	0.27%	0.97%	**0.52%**
ING	0.28%	-0.08%	-0.06%	0.75%	**0.22%**
JP Morgan	0.85%	0.58%	0.21%	1.06%	**0.68%**
Lloyds	-0.03%	0.39%	0.20%	0.94%	**0.37%**
Mitsubishi	0.43%	-0.75%	-0.29%	0.31%	**-0.07%**
Mizuho	0.66%	-0.73%	0.14%	0.42%	**0.12%**
Morgan Stanley	0.72%	0.19%	0.21%	0.30%	**0.36%**
Nordea	0.49%	0.47%	0.62%	0.85%	**0.61%**
RBS	-0.07%	-0.18%	-1.19%	0.65%	**-0.20%**
Santander	0.76%	0.86%	1.00%	0.98%	**0.90%**
Société Générale	0.27%	0.06%	0.18%	0.09%	**0.15%**
State Street	1.03%	-1.33%	1.25%	1.10%	**0.51%**
Sumitomo	0.22%	-0.32%	0.43%	0.43%	**0.19%**
UBS	0.57%	-0.16%	-0.99%	-0.18%	**-0.19%**
Unicredit	0.14%	0.17%	0.39%	0.64%	**0.34%**
Wells Fargo	1.01%	0.97%	0.44%	1.55%	**0.99%**
Average	**0.46%**	**0.14%**	**0.08%**	**0.65%**	**0.33%**

SUSTAINABLE BANKS - RETURN ON EQUITY					
	2010	**2009**	**2008**	**2007**	**Average**
ABS Bank	0.70%	-0.16%	4.47%	n/a	**1.67%**
BancaEtica	-1.48%	0.10%	4.99%	n/a	**1.20%**
Banco Sol	28.27%	35.99%	21.28%	n/a	**28.52%**
BRAC Bank	18.95%	12.88%	13.37%	n/a	**15.07%**
Cultura Bank	1.10%	2.73%	4.66%	n/a	**2.83%**
GLS Bank	8.32%	5.93%	2.03%	n/a	**5.42%**
Merkur Bank	0.33%	1.80%	3.61%	n/a	**1.91%**
Mibanco	27.26%	33.64%	37.62%	n/a	**32.84%**
New Resource Bank	-10.00%	-10.00%	-21.65%	n/a	**-13.88%**
One California Bank	-9.65%	-29.00%	n/a	n/a	**-19.33%**
Triodos Bank N.V.	3.40%	3.15%	5.02%	n/a	**3.86%**
VanCity Credit Union	11.07%	8.33%	8.47%	n/a	**9.29%**
XacBank	26.11%	9.98%	18.04%	n/a	**18.04%**
Sunrise	5.31%	5.26%	4.28%	n/a	**4.95%**
Integral	8.36%	2.04%	18.31%	n/a	**9.57%**
Credit Cooperatif	3.28%	2.24%	2.52%	n/a	**2.68%**
Ecobank	10.43%	5.40%	12.28%	n/a	**9.37%**
Average	**7.75%**	**5.86%**	**7.18%**	**n/a**	**7.26%**
Weighted Average	**8.20%**	**5.85%**	**7.17%**	**n/a**	**7.07%**

GSIFI BANKS - RETURN ON EQUITY					
	2010	**2009**	**2008**	**2007**	**Average**
Bank of America	-1.50%	-1.08%	1.80%	11.08%	**2.57%**
Bank of China	18.87%	16.48%	14.37%	13.85%	**15.89%**
Bank of NYM	8.10%	-3.79%	5.00%	11.00%	**5.08%**
Barclays	7.20%	6.70%	14.30%	20.30%	**12.13%**
BNP Paribas	12.30%	10.80%	6.60%	19.60%	**12.33%**
BPCE	7.97%	1.42%	-4.97%	6.22%	**2.66%**
Citibank	6.80%	-1.10%	-20.90%	3.00%	**-3.05%**
Commerzbank	4.70%	-16.50%	0.00%	15.40%	**0.90%**
Credit Suisse	14.40%	18.30%	-21.10%	18.00%	**7.40%**
Deutsche Bank	5.50%	14.60%	-11.10%	17.90%	**6.73%**
Dexia	3.80%	5.60%	-22.60%	5.60%	**-1.90%**
Goldman	11.50%	22.50%	4.90%	32.70%	**17.90%**
Group Credit Agricole	2.90%	2.60%	2.60%	12.20%	**5.08%**
HSBC	9.77%	5.68%	4.70%	15.90%	**9.01%**
ING	9.70%	4.20%	-2.10%	24.20%	**9.00%**
JP Morgan	10.00%	6.00%	2.00%	13.00%	**7.75%**
Lloyds	-0.70%	8.80%	7.00%	28.10%	**10.80%**
Mitsubishi	10.66%	-18.48%	-5.55%	2.78%	**-2.65%**
Mizuho	54.09%	-48.50%	5.20%	14.69%	**6.37%**
Morgan Stanley	8.50%	2.95%	3.20%	6.50%	**5.29%**
Nordea	11.50%	11.30%	15.30%	19.70%	**14.45%**
RBS	-0.70%	-7.20%	-50.10%	18.70%	**-9.83%**
Santander	11.80%	13.90%	17.07%	19.61%	**15.60%**
Société Générale	6.58%	1.73%	6.35%	3.36%	**4.51%**
State Street	9.50%	13.20%	14.80%	13.40%	**12.73%**
Sumitomo	7.63%	-13.12%	13.23%	13.07%	**5.20%**
UBS	16.70%	-7.80%	-58.70%	-10.50%	**-15.08%**
Unicredit	2.70%	4.00%	9.50%	16.80%	**8.25%**
Wells Fargo	10.33%	9.88%	4.79%	17.12%	**10.53%**
Average	**9.68%**	**2.17%**	**-1.53%**	**13.91%**	**6.06%**

SUSTAINABLE BANKS - TOTAL ASSETS						
	2010 LC	2010 USD	2007 LC	2007 USD	Growth LC	Growth USD
ABS Bank	1.008.465	1.072.265	767.292	668.839	**31.43%**	**60.32%**
BancaEtica	747.104	1.000.367	525.694	774.217	**42.12%**	**29.21%**
Banco Sol	4.256,684	613,355	2.071,511	278,508	**105.49%**	**120.23%**
BRAC Bank	119.150.087	1.722.370	46.382.595	691.287	**156.89%**	**149.15%**
Cultura Bank	424.320	71.959	302.749	56.026	**40.16%**	**28.44%**
GLS Bank	1.846.385	2.472.297	795.581	1.171.695	**132.08%**	**111.00%**
Merkur Bank	1.702.106	302.920	990.572	195.591	**71.83%**	**54.87%**
Mibanco	4.408.436	1.589.427	1.796.836	611.751	**145.34%**	**159.82%**
New Resource Bank	154.880	154.880	116.263	116.263	**33.22%**	**33.22%**
One California Bank	294.228	294.228	—	—	**n/a**	**n/a**
Triodos Bank N.V.	3.494.620	4.631.703	1.885.059	2.776.228	**85.39%**	**66.83%**
VanCity Credit Union	14.468.165	14.469.612	14.106.527	14.379.742	**2.56%**	**0.62%**
XacBank	468.583.475	381.676	143.427.645	122.585	**226.70%**	**211.36%**
Sunrise	589.538	589.538	477.676	477.676	**23.42%**	**23.42%**
Integral	85.135	85.135	48.078	48.078	**77.08%**	**77.08%**
Credit Cooperatif	12.218.789	16.360.871	11.306.773	16.652.096	**8.07%**	**-1.75%**
Ecobank	10.466.871	10.466.871	6.550.224	6.550.224	**59.79%**	**59.79%**
Average/Weighed Average Growth	**n/m**	**3,310,577**	**n/m**	**2,680,363**	**40.79%**	**35.41%**

GSIFI BANKS - TOTAL ASSETS						
	2010 LC	2010 USD	2007 LC	2007 USD	Growth LC	Growth USD
Bank of America	2.439.602	2.439.602	1.602.073	1.602.073	**52.28%**	**52.28%**
Bank of China	10.459.865	1.581.950	5.991.217	819.119	**74.59%**	**93.13%**
Bank of NYM	247.259	247.259	197.656	197.656	**25.10%**	**25.10%**
Barclays	1.489.645	2.304.168	1.227.361	2.450.193	**21.37%**	**-5.96%**
BNP Paribas	1.998.158	2.647.859	1.694.454	2.493.982	**17.92%**	**6.17%**
BPCE	1.048.441	1.389.342	475.184	699.400	**120.64%**	**98.65%**
Citibank	1.913.902	1.913.902	2.187.480	2.187.480	**-12.51%**	**-12.51%**
Commerzbank	754.299	999.559	616.474	907.357	**22.36%**	**10.16%**
Credit Suisse	1.032.005	1.096.897	1.360.680	1.207.712	**-24.16%**	**-9.18%**
Deutsche Bank	1.905.630	2.525.246	1.925.003	2.833.316	**-1.01%**	**-10.87%**
Dexia	566.735	751.009	604.564	889.828	**-6.26%**	**-15.60%**
Goldman	911.332	911.332	1.119.796	1.119.796	**-18.62%**	**-18.62%**
Group Credit Agricole	1.593.529	2.111.665	1.414.223	2.081.524	**12.68%**	**1.45%**
HSBC	2.454.689	2.454.689	2.354.266	2.354.266	**4.27%**	**4.27%**
ING	1.247.110	1.652.608	1.312.510	1.931.818	**-4.98%**	**-14.45%**
JP Morgan	2.117.605	2.117.605	1.562.147	1.562.147	**35.56%**	**35.56%**
Lloyds	991.574	1.533.757	353.346	705.388	**180.62%**	**117.43%**
Mitsubishi	204.106	2.502.340	187.281	1.666.801	**8.98%**	**50.13%**
Mizuho	158.351.456	1.941.389	147.381.279	1.311.693	**7.44%**	**48.01%**
Morgan Stanley	807.698	807.698	1.045.409	1.045.409	**-22.74%**	**-22.74%**
Nordea	580.839	769.699	389.054	572.629	**49.30%**	**34.41%**
RBS	1.453.576	2.248.377	1.900.519	3.794.025	**-23.52%**	**-40.74%**
Santander	1.217.501	1.613.371	912.915	1.343.674	**33.36%**	**20.07%**
Société Générale	1.132.072	1.500.165	1.071.062	1.576.443	**5.70%**	**-4.84%**
State Street	151.957	151.957	123.482	123.482	**23.06%**	**23.06%**
Sumitomo	123.159.513	1.509.936	100.858.309	897.639	**22.11%**	**68.21%**
UBS	1.317.247	1.400.075	2.272.579	2.017.096	**-42.04%**	**-30.59%**
Unicredit	929.488	1.231.711	1.021.758	1.503.875	**-9.03%**	**-18.10%**
Wells Fargo	1.258.128	1.258.128	575.442	575.442	**118.64%**	**118.64%**
Average	**n/m**	**1.572.872**	**n/m**	**1.464.526**	**23.14%**	**20.78%**

SUSTAINABLE BANKS - TOTAL LOANS						
	2010 LC	**2010 USD**	**2007 LC**	**2007 USD**	**Growth LC**	**Growth USD**
ABS Bank	753.317	800.975	588.202	512.728	**28.07%**	**56.22%**
BancaEtica	436.571	584.566	238.514	351.272	**83.04%**	**66.41%**
Banco Sol	3.088.156	444.979	1,597,407	214,766	**93.32%**	**107.19%**
BRAC Bank	84.058.705	1.215.107	32.446.123	483.578	**159.07%**	**151.27%**
Cultura Bank	290.682	49.296	211.788	39.193	**37.25%**	**25.78%**
GLS Bank	1.408.433	1.885.882	647.697	953.898	**117.45%**	**97.70%**
Merkur Bank	1.091.726	194.292	722.674	142.694	**51.07%**	**36.16%**
Mibanco	3.509.758	1.265.416	1.476.094	502.551	**137.77%**	**151.80%**
New Resource Bank	101.967	101.967	61.081	61.081	**66.94%**	**66.94%**
One California Bank	155.629	155.629	—	—	**n/a**	**n/a**
Triodos Bank N.V.	2.127.643	2.819.938	1.018.646	1.500.215	**108.87%**	**87.97%**
VanCity Credit Union	12.120.893	12.122.105	12.583.832	12.827.556	**-3.68%**	**-5.50%**
XacBank	320.723.318	261.239	101.197.164	86.491	**216.93%**	**202.04%**
Sunrise	424.842	424.842	358.645	358.645	**18.46%**	**18.46%**
Integral	70.973	70.973	41.662	41.662	**70.35%**	**70.35%**
Credit Cooperatif	9.910.082	13.269.529	7.371.359	10.856.199	**34.44%**	**22.23%**
Ecobank	5.264.184	5.264.184	3.117.036	3.117.036	**68.88%**	**68.88%**
Average/ Weighted Average Growth	**n/m**	**2,407,701**	**n/m**	**1,885,269**	**50.06%**	**44.75%**

GSIFI BANKS - TOTAL LOANS						
	2010 LC	2010 USD	2007 LC	2007 USD	Growth LC	Growth USD
Bank of America	958.331	948.805	776.154	776.154	**23.47%**	**22.24%**
Bank of China	4.951.171	628.609	2.754.493	376.594	**79.75%**	**66.92%**
Bank of NYM	37.808	36.186	50.604	50.604	**-25.29%**	**-28.49%**
Barclays	427.942	669.236	345.398	689.521	**23.90%**	**-2.94%**
BNP Paribas	684.686	972.821	445.103	655.125	**53.83%**	**48.49%**
BPCE	562.565	741.605	431.477	635.069	**30.38%**	**16.78%**
Citibank	608.139	555.471	761.876	761.876	**-20.18%**	**-27.09%**
Commerzbank	327.755	504.771	283.469	417.224	**15.62%**	**20.98%**
Credit Suisse	218.842	228.499	240.534	213.493	**-9.02%**	**7.03%**
Deutsche Bank	407.729	369.921	198.892	292.739	**105.00%**	**26.37%**
Dexia	352.307	507.341	242.619	357.099	**45.21%**	**42.07%**
Goldman	67.703	55.303	129.105	129.105	**-47.56%**	**-57.16%**
Group Credit Agricole	383.246	519.324	302.444	445.152	**26.72%**	**16.66%**
HSBC	958.366	896.231	981.548	981.548	**-2.36%**	**-8.69%**
ING	613.204	829.757	552.964	813.880	**10.89%**	**1.95%**
JP Morgan	692.927	633.458	519.374	519.374	**33.42%**	**21.97%**
Lloyds	592.597	998.492	209.814	418.854	**182.44%**	**138.39%**
Mitsubishi	84.880	997.887	84.831	754.996	**0.06%**	**32.17%**
Mizuho	63.782.851	787.603	69.182.867	615.728	**-7.81%**	**27.91%**
Morgan Stanley	35.258	27.594	76.352	76.352	**-53.82%**	**-63.86%**
Nordea	314.211	404.757	244.682	360.135	**28.42%**	**12.39%**
RBS	555.260	1.160.017	829.250	1.655.440	**-33.04%**	**-29.93%**
Santander	724.154	978.246	565.477	832.297	**28.06%**	**17.54%**
Société Générale	371.800	493.601	305.200	449.209	**21.82%**	**9.88%**
State Street	12.094	9.703	10.753	10.753	**12.47%**	**-9.76%**
Sumitomo	62.701.033	706.067	58.689.322	522.335	**6.84%**	**35.18%**
UBS	262.877	256.724	274.510	243.650	**-4.24%**	**5.37%**
Unicredit	555.653	809.749	574.206	845.145	**-3.23%**	**-4.19%**
Wells Fargo	757.267	782.770	382.195	382.195	**98.14%**	**104.81%**
Average	**n/m**	**603.812**	**n/m**	**526.953**	**21.38%**	**15.27%**

SUSTAINABLE BANKS - TOTAL DEPOSITS						
	2010 LC	2010 USD	2007 LC	2007 USD	Growth LC	Growth USD
ABS Bank	935.609	994.799	701.422	611.420	**33.39%**	**62.70%**
BancaEtica	437.494	585.801	256.742	378.118	**70.40%**	**54.93%**
Banco Sol	2.938.959	423.481	1.327.044	178.416	**121.47%**	**137.36%**
BRAC Bank	88.157.907	1.274.363	37.368.408	556.939	**135.92%**	**128.82%**
Cultura Bank	370.453	62.824	258.170	47.777	**43.49%**	**31.50%**
GLS Bank	1.586.242	2.123.967	653.937	963.088	**142.57%**	**120.54%**
Merkur Bank	1.386.894	246.822	770.344	152.107	**80.04%**	**62.27%**
Mibanco	3.147.311	1.134.739	954.887	325.101	**229.60%**	**249.04%**
New Resource Bank	133.379	133.379	105.345	105.345	**26.61%**	**26.61%**
One California Bank	201.556	201.556	—	—	**n/a**	**n/a**
Triodos Bank N.V.	3.038.676	4.027.404	1.616.822	2.381.181	**87.94%**	**69.13%**
VanCity Credit Union	12.510.474	12.511.725	11.103.806	11.318.864	**12.67%**	**10.54%**
XacBank	205.652.309	167.510	63.429.217	54.212	**224.22%**	**208.99%**
Sunrise	477.777	477.777	396.332	396.332	**20.55%**	**20.55%**
Integral	—	—	—	—	**n/a**	**n/a**
Credit Cooperatif	6.368.348	8.527.172	5.347.735	7.875.898	**19.08%**	**8.27%**
Ecobank	7.924.585	7.924.585	4.714.327	4.714.327	**68.10%**	**68.10%**
Average / Weighed Average Growth	**n/m**	**2,401,053**	**n/m**	**1,768,184**	**51.12%**	**45.49%**

GSIFI BANKS - TOTAL DEPOSITS						
	2010 LC	2010 USD	2007 LC	2007 USD	Growth LC	Growth USD
Bank of America	988.586	988.586	717.182	717.182	**37.84%**	**37.84%**
Bank of China	6.546.663	990.117	4.400.111	601.583	**48.78%**	**64.59%**
Bank of NYM	145.339	145.339	118.125	118.125	**23.04%**	**23.04%**
Barclays	345.788	534.861	294.987	588.885	**17.22%**	**-9.17%**
BNP Paribas	580.913	769.797	346.704	510.296	**67.55%**	**50.85%**
BPCE	393.992	522.098	331.745	488.279	**18.76%**	**6.93%**
Citibank	844.968	844.968	826.230	826.230	**2.27%**	**2.27%**
Commerzbank	262.827	348.285	159.187	234.299	**65.11%**	**48.65%**
Credit Suisse	287.564	305.646	335.505	297.788	**-14.29%**	**2.64%**
Deutsche Bank	533.984	707.609	457.946	674.028	**16.60%**	**4.98%**
Dexia	127.060	168.374	126.680	186.454	**0.30%**	**-9.70%**
Goldman	187.720	187.720	310.118	310.118	**-39.47%**	**-39.47%**
Group Credit Agricole	501.360	664.377	387.253	569.978	**29.47%**	**16.56%**
HSBC	1.227.725	1.227.725	1.096.140	1.096.140	**12.00%**	**12.00%**
ING	511.362	677.631	525.216	773.039	**-2.64%**	**-12.34%**
JP Morgan	930.369	930.369	740.728	740.728	**25.60%**	**25.60%**
Lloyds	393.633	608.868	156.555	312.532	**151.43%**	**94.82%**
Mitsubishi	123.891	1.518.904	118.708	1.056.501	**4.37%**	**43.77%**
Mizuho	86.776.251	1.063.877	83.751.304	745.387	**3.61%**	**42.73%**
Morgan Stanley	63.812	63.812	31.179	31.179	**104.66%**	**104.66%**
Nordea	176.390	233.743	142.329	209.487	**23.93%**	**11.58%**
RBS	510.693	789.935	682.365	1.362.212	**-25.16%**	**-42.01%**
Santander	616.376	816.791	355.407	523.106	**73.43%**	**56.14%**
Société Générale	337.400	447.106	270.700	398.430	**24.64%**	**12.22%**
State Street	76.958	76.958	68.220	68.220	**12.81%**	**12.81%**
Sumitomo	85.644.215	1.049.998	74.745.441	665.234	**14.58%**	**57.84%**
UBS	332.301	353.196	593.492	526.772	**-44.01%**	**-32.95%**
Unicredit	583.239	772.879	630.533	928.050	**-7.50%**	**-16.72%**
Wells Fargo	847.942	847.942	344.460	344.460	**146.17%**	**146.17%**
Average	**n/m**	**643.362**	**n/m**	**548.439**	**27.28%**	**24.70%**

SUSTAINABLE BANKS - NET REVENUE						
	2010 LC	2010 USD	2007 LC	2007 USD	Growth LC	Growth USD
ABS Bank	15.966	15.309	16.749	12.008	**-4.68%**	**27.49%**
BancaEtica	19.158	25.653	19.104	26.149	**0.28%**	**-1.90%**
Banco Sol	452.006	65.131	251.693	32.967	**79.59%**	**97.57%**
BRAC Bank	9.539.934	139.575	3.546.247	52.839	**169.01%**	**164.15%**
Cultura Bank	19.123	3.166	14.390	2.457	**32.89%**	**28.88%**
GLS Bank	39.284	52.601	16.766	22.948	**134.31%**	**129.22%**
Merkur Bank	82.331	14.648	46.070	8.469	**78.71%**	**72.97%**
Mibanco	826.621	296.599	338.958	110.818	**143.87%**	**167.65%**
New Resource Bank	7.441	7.441	3.020	3.020	**146.40%**	**146.40%**
One California Bank	5.327	5.327	—	—	**n/a**	**n/a**
Triodos Bank N.V.	102.702	136.101	59.213	81.047	**73.45%**	**67.93%**
VanCity Credit Union	451.955	438.706	365.451	340.334	**23.67%**	**28.90%**
XacBank	29.924.487	22.136	11.853.985	10.134	**152.44%**	**118.43%**
Sunrise	28.251	28.251	26.909	26.909	**4.99%**	**4.99%**
Integral	13.599	13.599	8.696	8.696	**56.38%**	**56.38%**
Credit Cooperatif	398.071	533.014	345.700	473.173	**15.15%**	**12.65%**
Ecobank	910.332	910.332	546.967	546.967	**66.43%**	**66.43%**
Average / Weighed Average Growth	**n/m**	**159,270**	**n/m**	**103,467**	**46.85%**	**79.23%**

GSIFI BANKS - NET REVENUE						
	2010 LC	2010 USD	2007 LC	2007 USD	Growth LC	Growth USD
Bank of America	110.220	110.220	66.833	66.833	**64.92%**	**64.92%**
Bank of China	281.249	41.836	186.778	24.714	**50.58%**	**69.28%**
Bank of NYM	13.875	13.875	11.331	11.331	**22.45%**	**22.45%**
Barclays	31.440	49.351	21.044	41.609	**49.40%**	**18.61%**
BNP Paribas	43.880	60.519	31.037	43.314	**41.38%**	**39.72%**
BPCE	23.359	32.216	17.213	24.022	**35.71%**	**34.11%**
Citibank	86.601	86.601	77.300	77.300	**12.03%**	**12.03%**
Commerzbank	24.595	33.921	26.827	37.439	**-8.32%**	**-9.40%**
Credit Suisse	31.386	31.798	39.735	33.922	**-21.01%**	**-6.26%**
Deutsche Bank	28.567	39.399	30.829	43.024	**-7.34%**	**-8.43%**
Dexia	5.310	7.323	6.896	9.624	**-23.00%**	**-23.90%**
Goldman	39.161	39.161	45.987	45.987	**-14.84%**	**-14.84%**
Group Credit Agricole	20.129	27.762	16.768	23.401	**20.04%**	**18.63%**
HSBC	68.247	68.247	61.851	61.851	**10.34%**	**10.34%**
ING	54.887	75.699	76.586	106.882	**-28.33%**	**-29.17%**
JP Morgan	102.694	102.694	71.372	71.372	**43.89%**	**43.89%**
Lloyds	24.956	39.173	10.696	21.148	**133.32%**	**85.23%**
Mitsubishi	4.437	51.247	4.276	36.987	**3.77%**	**38.55%**
Mizuho	2.434.970	28.124	2.263.866	19.582	**7.56%**	**43.62%**
Morgan Stanley	31.622	31.622	28.026	28.026	**12.83%**	**12.83%**
Nordea	9.334	12.873	7.889	11.010	**18.32%**	**16.93%**
RBS	27.085	42.515	26.463	52.323	**2.35%**	**-18.75%**
Santander	42.049	57.993	26.441	36.900	**59.03%**	**57.16%**
Société Générale	26.418	36.435	21.923	30.595	**20.50%**	**19.09%**
State Street	8.953	8.953	8.336	8.336	**7.40%**	**7.40%**
Sumitomo	3.184.688	36.783	3.947.786	34.148	**-19.33%**	**7.72%**
UBS	31.994	32.414	31.980	27.302	**0.04%**	**18.73%**
Unicredit	26.347	36.337	26.296	36.698	**0.19%**	**-0.98%**
Wells Fargo	85.210	85.210	39.390	39.390	**116.32%**	**116.32%**
Average	**n/m**	**45.528**	**n/m**	**38.106**	**21.04%**	**22.27%**

SUSTAINABLE BANKS - NET INCOME						
	2010 LC	2010 USD	2007 LC	2007 USD	Growth LC	Growth USD
ABS Bank	481	461	857	614	**-43.85%**	**-24.91%**
BancaEtica	1.032	1.382	3.352	4.588	**-69.22%**	**-69.88%**
Banco Sol	81.242	11.706	58.049	7.603	**39.95%**	**53.97%**
BRAC Bank	1.664.355	24.350	618.336	9.213	**169.17%**	**164.30%**
Cultura Bank	520	86	1.504	257	**-65.43%**	**-66.47%**
GLS Bank	6.352	8.505	651	891	**875.73%**	**854.53%**
Merkur Bank	568	101	8.270	1.520	**-93.13%**	**-93.35%**
Mibanco	97.143	34.856	61.158	19.995	**58.84%**	**74.32%**
New Resource Bank	-2.052	-2.052	-3.228	-3.228	**-36.44%**	**-36.44%**
One California Bank	-2.282	-2.282	—	—	**n/a**	**n/a**
Triodos Bank N.V.	11.509	15.252	8.955	12.257	**28.52%**	**24.43%**
VanCity Credit Union	81.221	78.840	33.939	31.606	**139.31%**	**149.44%**
XacBank	8.364.303	6.187	2.891.769	2.472	**189.25%**	**150.28%**
Sunrise	1.706	1.706	6.074	6.074	**-71.91%**	**-71.91%**
Integral	945	1.576	1.270	2.050	**-25.56%**	**-23.14%**
Credit Cooperatif	40.526	54.264	92.435	61.284	**-56.16%**	**-11.45%**
Ecobank	131.819	131.819	138.936	138.936	**-5.12%**	**-5.12%**
Average / Weighed Average Growth	**n/m**	**21,574**	**n/m**	**17,420**	**64.37%**	**79.23%**

GSIFI BANKS - NET INCOME						
	2010 LC	2010 USD	2007 LC	2007 USD	Growth LC	Growth USD
Bank of America	-3.595	-3.595	14.800	14.800	**-124.29%**	**-124.29%**
Bank of China	109.691	16.317	62.036	8.209	**76.82%**	**98.77%**
Bank of NYM	2.581	2.581	2.039	2.039	**26.58%**	**26.58%**
Barclays	4.549	7.140	4.417	8.733	**2.99%**	**-18.24%**
BNP Paribas	7.843	10.817	7.822	10.916	**0.27%**	**-0.91%**
BPCE	3.640	5.020	2.579	3.599	**41.14%**	**39.48%**
Citibank	10.602	10.602	3.617	3.617	**193.12%**	**193.12%**
Commerzbank	1.430	1.972	657	917	**117.66%**	**115.10%**
Credit Suisse	5.098	5.165	7.760	6.625	**-34.30%**	**-22.04%**
Deutsche Bank	2.330	3.214	6.510	9.085	**-64.21%**	**-64.63%**
Dexia	797	1.099	2.636	3.679	**-69.76%**	**-70.12%**
Goldman	7.713	7.713	11.407	11.407	**-32.38%**	**-32.38%**
Group Credit Agricole	1.263	1.742	4.044	5.644	**-68.77%**	**-69.14%**
HSBC	14.191	14.191	20.455	20.455	**-30.62%**	**-30.62%**
ING	3.325	4.586	9.508	13.269	**-65.03%**	**-65.44%**
JP Morgan	17.370	17.370	15.365	15.365	**13.05%**	**13.05%**
Lloyds	-320	-502	3.288	6.501	**-109.73%**	**-107.73%**
Mitsubishi	859	9.921	581	5.026	**47.85%**	**97.42%**
Mizuho	1.046.650	12.089	623.882	5.397	**67.76%**	**124.01%**
Morgan Stanley	5.702	5.702	3.253	3.253	**75.28%**	**75.28%**
Nordea	2.663	3.673	3.130	4.368	**-14.92%**	**-15.92%**
RBS	-1.125	-1.766	7.712	15.248	**-114.59%**	**-111.58%**
Santander	8.181	11.283	9.060	12.644	**-9.70%**	**-10.76%**
Société Générale	2.917	4.023	947	1.322	**208.03%**	**204.41%**
State Street	1.540	1.540	1.261	1.261	**22.13%**	**22.13%**
Sumitomo	271.559	3.137	441.351	3.818	**-38.47%**	**-17.84%**
UBS	7.534	7.633	-4.246	-3.625	**-277.44%**	**-310.57%**
Unicredit	1.323	1.825	5.901	8.235	**-77.58%**	**-77.84%**
Wells Fargo	11.632	11.632	8.057	8.057	**44.37%**	**44.37%**
Average	**n/m**	**6.073**	**n/m**	**7.237**	**-6.72%**	**-3.32%**

Appendix 8
Impact of Credit on the Sustainability of SME Borrowers of BRAC Bank

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Centre for Corporate Governance and Finance Studies
University of Dhaka, July 2011

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PREFACE

The study was undertaken with the basic objective of assessing impact of SME credit of BRAC Bank through identifying and testing a set of indicators. Given the time constraint, it was conducted over randomly selected 525 borrowers of randomly selected 21 units of BRAC Bank.

BRAC Bank is relatively unique in character – acting as a private sector development bank for promoting small and medium enterprises, more specifically small enterprises, the missing middle in the credit market. Neither the missing middle had access to micro credit market nor had they access to formal credit market. BRAC Bank has emerged as the leading bank to address the missing middle on the one hand, and to operate with transparency and some core values consistent with expected human face on the other. Our research findings show that BRAC Bank credit has made significant positive impact in growth and development of small enterprises.

In the process of conducting the study, we have received enormous support from the top management of the bank. The Steering Committee steered the study appropriately with continuous monitoring and food for thought. We express our deepest gratitude to Dr. Mahabub Hossain, Executive Director, BRAC, Mr. Muhammad A. (Rumee) Ali, Chairman, BRAC Bank and Syed Mahbubur Rahman, Managing Director, BRAC Bank for the inputs and guidance. Mr. S. M. Anisuzzaman, Head of Research, BRAC Bank, effectively coordinated the study. He took all the pains to providing us with all relevant information and coordinated effectively between the top management of BRAC Bank and the Research Team. We appreciate his efforts, supports and cooperation. Mr. Syed Faridul Islam, Head of SME Banking, provided us insight about SME

banking, and he made sure that we have access to all data that we will need. We had access to data we asked for. We deeply acknowledge his contribution.

The study would not have been successfully completed without the hard work of our enumerators. They did wonderful job. Thanks to them. I must convey my thanks to our research officers – Chowdhury Abdullah al Asif and Al-Masud Litu – for their hard work and working even quite late into night. My research colleagues – Syed. A. Hamid and Shafiun Nahin Shimul – for the contribution they have made and the supports they have extended to the Team Leader.
We value this study as it is first of its kind in Bangladesh banking sector. BRAC Bank has taken the leadership in this kind of study. Hope they will continue to do it, and other banks will follow.

Professor M. A. Baqui Khalily, *Team Leader*

EXECUTIVE SUMMARY

BRAC Bank is a more considered as a bank with corporate values and social ethics. It is a private sector bank committed to financing small and medium enterprises. It has made its significant presence at the national and international level. Both vertical and horizontal expansion has taken place. Although it has demonstrated its core values and ethics on banking business, it has never been known to the professionals about kind of impact that the bank has created at the enterprise level.

The present study was undertaken with the objective of developing and validating a set of indicators considering the Triple Bottom approach of sustainability – financial and economic sustainability, social sustainability and environmental sustainability – using information of some 525 SME borrowers of BRAC Bank, selected randomly from previously randomly selected 21 units from six divisions. Impact is essentially found comparing the state of outcomes of participant and counterfactual groups. In practice, scholars have largely followed quasiexperimental design. Some researchers have always been critical of such design on the ground of selection bias and influence of unobserved characteristics. They have advocated for experimental design. Indeed, experimental design provides accurate assessment of impact, net of the influence of self-selection and unobserved characteristics. Similar unbiased results can also be generated with quasi-experimental design using panel data set. Intensity of unbiased results can be minimized if samples (participants versus non-participants, or repeat borrowers and drop-out borrowers) are homogenous in nature. In this paper, we have used quasi-experimental design to assess effects of the treatment on the treated. Keeping this in mind, we grouped the borrowers into first timer and repeat borrowers. We used first time borrowers as a proxy for nonparticipants. Repeat borrowers were treated as the continuing participants. Understandably, first time borrowers may be impacted by BRAC Bank credit but intensity of impact will be lesser. It is possible, but given such limitation, if BRAC Bank credit has positive impact for continuing borrowers, then conclusion will be stronger as impact may be under-estimated.

We used panel data set of three years (2007-09) for some indicators and cross-sectional data set for most of the indicators. In case of panel data set, we used Difference-in-Difference (DiD) technique as it nets out effects of the unobserved characteristics of the repeat and first time borrowers. Given the homogenous characteristics of both first time and repeat borrowers, and short duration, we did not find any substantial and statistically significant impact of BRAC Bank credit. Because of such limitation in panel data, we used propensity score matching (PSM) technique to evaluate impact of BRAC Bank credit and value creation of BRAC Bank. The results of PSM are quite consistent and statistically significant.

First, we found that financial indicators are validated. The results indicated that repeat borrowers are better off than the first time borrowers (non-participants). They are better off in profit volume, growth in profit, and growth in sales, total assets, growth in assets, total capital and growth in total capital. Second, BRAC Bank credit has positive economic impact for the repeat borrowers. More full time male employment was created by the repeat borrowers. This was expected when we found that there has been an increase in total assets and sales volume. No significant evidence could be found for its impact on business expansion, forward or backward although descriptive statistics showed that credit in general has contributed to

forward and backward expansion. Quite correctly, we do not expect that such impact will be different at the individual level. It is a market level impact. Third, it is very difficult to find out impact of credit at the society level. Although repeat borrowers have higher tendency to involve their spouses in 8 business decisions, the difference was not statistically significant. But the community level interaction of the borrowers has increased. Fourth, although negative, there has an increase in the use of child labor in the enterprises of repeat borrowers. This is not a desirable outcome. BRAC Bank needs to tackle the problem through adoption of a policy statement and monitoring at the field level. Fifth, BRAC Bank credit has made enormous impact at environment level. More than 80 percent of the borrower-enterprises are environment friendly. Though lenders do hardly have any control over the use of anti-environment inputs or outputs, it can exert influence through its lending policy. However, we found that chemical use and chemical waste disposal or use of polythene were quite significant. We found this to be higher for the repeat borrowers.

The econometric results were further supported by perceptions of the repeat and first time borrowers. They viewed that BRAC Bank credit had made significant impact on savings, income, expansion of own business, and development of similar business in the market. They utilized, as they perceived, profit on business expansion as well. Furthermore, performance of enterprises influences outcomes at the household and community level. Household income and savings have increased; so have consumption and expenditure on child education as well medical treatment cost. These results were also statistically significant. By and large, there have been positive impacts of BRAC Bank credit on financial-economic sustainability, social sustainability and environmental sustainability. Indicators do reflect these findings.

Although most of the indicators were found to be statistically significant, is it necessary to use all these indicators? We used factor analysis technique to identify dimensions of sustainability and factor loading. The results are similar --- all the four dimensions were found to be valid. These dimensions are financial, economic sustainability, social and environmental sustainability. Several factors explain most of the variances. They are size related indicators like total assets, total equity, total capital, and sales-assets ratio, growth of sales, assets, profit, capital and male full employment as the major dominating factors. We find it, however, difficult to accept the fact that the correlation among the indicators may have been weaken in many cases because of sufficient variation due to shorter duration. As such we feel more comfortable with the set of indicators that we have identified. They are easily replicable and be applicable in all types of banking business.

Finally, indicators are comprehensive, and complement the indicators identified and reviewed in the literature. We have a note of caution for the readers and policymakers. Because of the shorter duration of the first time and repeat borrowers, we did not find any significant results from using DiD technique. However, Propensity Score Matching provided us with significant results. Indicators developed and tested were significant. The indicators were also validated in factor analysis. The factor analysis showed that enterprise performances of the borrowers are better explained by the firm size defined in terms of assets structure, amount of assets, debt-equity ratio, and profitability ratios. Based on the results, we can conclude that BRAC Bank has created values to the entrepreneurs. Their SME credit has contributed positively to different outcomes for the borrowers. Their financed enterprises have positive impact at the social and environmental sustainability level. But the value addition will be stronger if they adopt a policy statement regarding use of child labor and financing chemical-related business enterprises. Such policy statements will make their ethical position stronger.

INTRODUCTION

BRAC Bank is a new bank. It is about ten years old. Considering the kind of clientele group it works with, achievement of the bank has been phenomenal. Over this period, it has made significant presence at the national and international level. Both vertical and horizontal expansion has taken place. The bank is known for its corporate values and socially responsible behavior. Although it has demonstrated its core values and ethics on banking business, it has never been known to the professionals about kind of impact that the bank has created at the enterprise level. Impact of the BRAC Bank credit at the enterprise level is evaluated in this paper.

In recent years, professionals have brought the idea that organizations should operate with human face; along with profit maximization, it should add value to the society and the economy, as well as preserve degradation of environment (e.g.,Porteous, 2005; Dyllick and Hockerts, 2002). This is the development of the last twenty years, beginning with the 1992 Earth Summit in Rio. Since then, enormous focus has been placed on understanding the role of organization in achieving its own sustainability in addition to societal and environmental sustainability. An organization is viewed as sustainable if it meets the needs of its different stakeholders of today and tomorrow (Dyllick and Hockerts, 2002). It is then viewed to have created value to the organization and society.

In the past decade, the concepts of sustainability and sustainable development have found its space in the banking literature. The term 'sustainable banking' has preoccupied the literature on banking to critically understand the role of banks. People often misperceive the term from the perspective of sustainability of banking institution only. In fact, it is about long run business success of both institution and its clients within the broad framework of sustainable economic and social development. Banks contribute to sustainable development through financing the appropriate economic and developmental activities. Sustainability encompasses four dimensions for Banks/ Banks: First, the financial stability of the financial institution and its clients, so that they continue to make a long term contribution to development. Second the economic sustainability of projects and companies the financial institution finances; third, environmental sustainability through protection of natural resources; fourth, social sustainability through welfare of communities. (IFC, 2007). These four dimensions of sustainability set the stage for evaluating development projects financed by banks. However, they are equally important in assessing effectiveness of banks. Bouma et al (2001) argue that banks should explicitly incorporate environmental and social assessments into financial analysis or developing products. Srivastava argues that banks should consider social and environments even in their analysis of project financing as (i) management of social and environmental risks in strategic decision making and lending will increase financial stability through decreasing non-performing loans, and (ii) it will create opportunities for development of financial products and services with social and environmental benefits. All these help banks to be in competition with other institutions. Accordingly, banking business shows moving away from the so called 'conservative banking' with risk-aversion approach to 'sustainable banking' with growth approach. Moreover, the integration of sustainability with management system will result in some tangible benefits: i) the horizon of market will be enhanced because new area of lending sources will be indentified ii) the reputation and overall goodwill of the bank will increase manifold.

During the past two decades, several frameworks have been developed: 'Double Bottom Line' approach and 'Triple Bottom Line' approach to sustainability. Under the former approach, business organizations seek to integrate their economic or financial and social goals. Under the later approach, organizations thrive to attain economic, environmental (natural) and social goals. 10 Based on these approaches, different indicators have been developed to assess organizational sustainability (e.g., Hutchins and Sutherland; Global Reporting Initiative; IRIS; United Nations Commission on Sustainable Development; Bohringer and Jochem). The underlying objective of developing the indicators is to monitor the progress towards sustainable development with either Double Bottom Line or Triple Bottom Line approach. Despite progress on the development of indicators, the search for globally acceptable set of indicators with ease in application is still underway. It is more of a challenge to find out a set of indicators for organizations in developing countries where diversity in socio-economic and environment cultures exists. When it comes to Bangladesh, no study has ever been conducted, to the best knowledge of the authors, on understanding on sustainable development of organizations. No tested set of indicators exist. Development and validation of the indicators will enable stakeholders of BRAC Bank to track trundle for all the stakeholders. We have developed and tested the set of indicators from the perspective of different dimensions of sustainability and sustainable development using borrower-level information. In a sense, this paper evaluates 'Triple Bottom Line' approach of BRAC Bank lending. The findings derived from this study clearly show that BRAC Bank is a value-creating institution and its lending policy has impacted positively on all the three dimensions of Triple Bottom Line approach – economic or financial, environment and society.

The basic objective of this paper is to identify a set of indicators for the banking sector in Bangladesh which can be globally replicated, particularly in other developing countries. More particularly, the objectives are to: (i) identify and test indicators of sustainability, and (ii) assess value addition of BRAC Bank towards sustainability and sustainable development.

BRAC Bank is a member of Global Alliance for Banking on Values (GABV), an alliance of sustainable banks of Asia, Latin America to US and Europe, whose central mission is investment in a society that values human development, social cohesion and responsibility for natural environment. Being a member of GABV, BRAC Bank strives to attain the goal of sustainable banking with focus on Small and Medium Enterprise (SME) Development and in particular small enterprise development. Considering different dimensions of sustainability and sustainable development, the critical questions are: how has the BRAC Bank performed, and to what extent it has served interest of the stakeholders – depositors, borrowers, management, employees, government and society at large. Whatever set of indicators that we thrived to develop and test cannot be applicable in all countries; it can be in particular applicable for the financial institutions in developing countries.

We structure the rest of the paper into four sections. In the first section, we discuss about the role of SMEs and the constraints of SME development in Bangladesh in section one. The rational for such discussion is to understand the underlying reasons of the emergence of BRAC Bank as a development private bank with unique goal of targeting small and medium enterprises and entrepreneurs (missing middle in development). This will enable readers to understand value creation of BRAC Bank as well as identify appropriate set of indicators. The second section develops framework of the study based on literature review and the characteristics of BRAC Bank and socio-economic and environmental characters of Bangladesh. In the Third section, we develop methodology. Analysis of the results is made in the Fourth Section. The last section will contain an analysis of the findings and its implication.

SME DEVELOPMENT IN BANGLADESH

In this section, we discuss two issues. The first issue is concerned with the role and importance of SMEs in development, and the second issue is about the state of SME development in Bangladesh. In the former case, we discuss the role and importance of SMEs in development agenda based on literature review. This will enable readers to comprehend importance of SMEs in development. In the later case, we portray the state of SMEs in Bangladesh in light of overall industrialization in Bangladesh.

SMEs in Development Agenda

Most of the growth theories suggest that industrialization is the engine of economic growth. Empirical evidence supporting this notion is very much abundant. For Bangladesh, this is also applicable. In Bangladesh a large portion of the labour force is employed in the agriculture sector, and the industrial development didn't occur over the last decades. A balanced growth of both agriculture and industries is very important and necessary for the economic development of Bangladesh. For pursuing the industrial development efforts, the main objectives and strategies focused are optimal utilization of resources, creating employment opportunities and catalyzing the growth of production and exports (Jesmin, 2009). There are two models of industrialization: import substitution and export promotion. Whatever the ways of development is thought to be, the Small and Medium Enterprises (SMEs) are playing an increasingly important role in economic growth and employment in many regions of the world.

In a report, the World Business Council for Sustainable Development (WBCSD) showed that in the developing countries, more than 90% of all firms, outside the agricultural sector, are SMEs and microenterprises and generating a significant portion of GDP. In Bangladesh, enterprises of less than 100 employees account for 99% of firms and 58% of employment. Not all these SMEs and microenterprises are in the formal sector; rather some occupy the unofficial labor market, which varies in size from an estimated 4%-6% in developed countries to over 50% in developing nations. Ahmed (2006), as cited in Jesmin(2009), showed that SME development, as instruments of employment and income generation, human development and poverty alleviation, export promotion, stimulation of private ownership,

competition and entrepreneurship and hence the driving forces behind the growth of a vibrant industrial market economy, has generated considerable interest among the policymakers, academics, business circle and the international donor agencies in recent times. Moreover, the WBCSD report stated that SMEs are important for all relevant three group of the economy: government, large enterprises, and communities. First, well managed and healthy SMEs are a source of employment and wealth, and thus can contribute to the general tax revenue and social stability system. Moreover, there is a positive relationship between a country's overall level of income and the number of SMEs per 1,000 people (IFC, 2006). The World Bank's Doing Business reports indicate that a healthy SME sector corresponds with a reduced level of informal or 'black market' activities. Second, local SMEs can work as important source of supply and service provision to the large enterprises of both national and internationals. There is huge unexplored market in the developing countries, but it may not be possible for large enterprise to get access to the market of those countries. SMEs can help break the barrier to access to the traditional economy. Third, SMEs are also good for communities itself, because through employment creation and growth, it will improve the 12 standard of living of the communities. Read and Staines (2004) identify the following factors that are beneficial to the economies:

SMEs and Internationalization Process

In the face of globalization import substitution and exclusionist policies are no longer prevails. Any nation seeking economic growth needs to become a participant in international trade. For small nations this requirement is a crucial. Narrow output ranges and limited natural resources have been translated into increased openness to trade. Where their larger counterparts in Latin America and some Asian nations have been able to compete globally through the export of low skill- low cost products, due to the abundance of their population, small economies however, are forced to identify export activities that utilizes their limited assets. With such a background, SMEs are keys in achieving international competitiveness in small states. Faced with a small domestic market and high import competition, SMEs are forced from inception to be innovative and efficient.

SMEs and Local Absorptive Capacity

The true benefits of international trade are best experienced when there are firms within the economy to establish linkages with the export sector. SMEs are best able to take advantage of existing technologies and exploit the benefits of foreign direct investment (FDI). Small nations are unable to establish infant industries. A key method to access new technologies and knowledge therefore, will be through the exploitation of increased geographical specialization of MNEs, wanting to tap into local specific streams of innovation (Cantwell, 1995).

SMEs and Entrepreneurship

It is well evident that SMEs are good vehicle for promoting and developing a sound entrepreneur. With the global competition, innovation and efficiency is precondition for the development of the entrepreneurs themselves and SMEs are great source of that.

SMEs and Missing Middle

In a dualist economy the economy is mainly divided into large corporate sectors or large firms and small informal sectors. To ensure maximum employment it is imperative that the continuum has no missing part. SMEs can work as the 'missing middle'.

SMEs and Economic Dynamism

They being small enjoy greater flexibility and in this way can ensure greater dynamism and because of this they can easily adapt to the new technology and innovations.

Although it is most of the cases assumed that impact of SMEs on the economic development is obvious but it is not necessarily beyond doubt. In a report of SEAF regarding development impact of SMEs, they focused on the SME development is also often seen as a critical component of pro-poor growth strategies:

- SMEs generate many of the new jobs in the economy. Since many of these jobs are suitable for semi-

skilled or unskilled workers, they can be taken up by the poor.

- SMEs introduce business methods, products, and services that help restructure weak agricultural sectors or other uncompetitive transition economies, thereby absorbing labor that would otherwise drop into the ranks of the poor.
- SMEs help spread the benefits of economic growth by engaging low-income groups in national development.

They form dynamic supply-chain linkages between small-scale producers and lucrative urban, national, or export markets. In the reverse direction, they link large urban businesses with mass consumer markets in remote areas. In this report they argued that the main impacts of SMEs is 13 the poverty reduction through overall growth of the economy, as it is biased to the labor intensive technology, so more labor get employed and hence poverty is reduced; employment of semi or low skilled labor and women which affect their children positively; affecting the economy through multiplier effect, small and medium industries buy and sell themselves However the report identified some common problems faced by SMEs: there are some components of the market failure through i) capital market failure(capital markets are mainly biased to the large industries ii) labor market distortions (wage differential between urban formal sector and rural sector which makes the SMEs difficult to compete) , iii) training and other facilities are not available for SMEs iv) limited export opportunities.

State of SMEs in Bangladesh

Bangladesh inherited a weak backbone of industrialization since independence. During the period of erstwhile East Pakistan, economic development was mainly achieved through industrialization, urbanization and modernizations. Fiscal, monetary, licensing, and exchange rate policies were mainly designed to make favorable ground for the large investors. After liberation, there was a fundamental change in the ownership structure of the industries. In 1972, a very large proportion (more than 80 percent) of the industrial enterprises was bought under public ownership and management through the nationalization program of the government (Ahmad et al, 1978). But the outcomes of this program were not satisfactory, and hence during the 80s and 90s there was a policy shift from public sector to private sector driven economic growth; many nationalized enterprises were privatized. Although government has put a significant effort for the development of small and cottage industries through establishment of BSCIC and other related organizations, this did not bring expected outcome over time.

Due to the definitional problems, information on SMEs is not readily available in Bangladesh. Though BBS conducts annual surveys of the manufacturing sector called the Census of Manufacturing Industry (CMI), they put all industry under 'Large' category if the employment size is 50 or more, whereas it commonly used cut-off size limit of 50-99 (Alam and Ullah, 2006). Hence, it is very difficult to get comparable information from CMI. Moreover, there is quite a bit of backlog in the processing of CMI. BSCIS is another source of firm level data but their survey is not conducted frequently; and they used the definition of SMEs given in the industrial policy that used capital rather than employment size as the cut-off limit.

According to Bangladesh economic review, in 1980-81, the contribution of the broad industry sector to real GDP was 17.31 percent which has increased to 29.95 percent in 2009-10, and it was less than 10 percent in the early 70s. According to the provisional estimate of national income, in 2008-09, the contribution of the manufacturing sector to GDP was 17.78 percent, which was marginally higher than that of the previous year. However, the growth rate was affected by the global economic crisis in the stipulated period. Table-1 shows that the significance of industrialization in Bangladesh has increased over time. The number of employee in the industrial sector has increased by 10 times in last three decades (from 1973-74 to 2005-06). Moreover, the number of economic establishments has also increased over twenty folds over the past forty years.

Table 1: Industrial Statistics from 1973 to 2006 (values in Million TK)

Period	No. of reporting establishment	Value of fixed assets	Employment		Value of gross output	Gross value added	Value added at factor cost
			All employee (No.)	Operational(No.)			
1973-74	1427	3654	307404	260444	7350	3737	-
1981-82	3356	13962	456291	356139	47630	15711	10363
1991-92	26446	102415	1156204	984792	222868	73249	51090
2001-02	28065	336145	2465397	2142401	901937	290910	198662
2005-06	34710	925189	3335144	2984949	1912048	718239	599130

Source: Bangladesh Bureau of Statistics publications

With the increase in the number of industrial undertakings and employment, there have been changes in the structure of industries. Changes in the structure of industries are defined in terms of number of employment. SMEs are the enterprises with employment between 10 and 99. Given the information available extracted from different sources, as reported in Table-2, the share of SMEs in industrial undertakings (excluding micro enterprises) has steadily declined until the late 90s. It was perhaps due to emphasis attached to the development of medium and large industries. In the following decade, a significant increase in the share of SMEs, as evident from the survey of economic undertakings by the Bangladesh Bureau of Statistics, was noted.

Table 2: Changes in the industrial structure between 1986 and 2001/03

Type of enterprises	Share of Enterprises by type			
	1986	1991/92	1999/2000	2001/03
SMEs (10-99)	95.6	92.4	79.9	93.3
Large (100+)	9.1	7.6	20.1	6.7
Total	100	100	100	100

Source: SME Cell, 2005, and Chowdhury and Miah (2006), BBS (2005)

Despite the declining trend in the 80s and 90s, SMEs still dominate the industrial structure of Bangladesh. But with inclusion of micro enterprises in the analysis, the share of SMEs is quite negligible in the overall enterprise structure. BBS carried out a nation-wide census of all non-farm economic activities in 2001 and 2003. The report presents data by employment size category but there is no information on the size of fixed assets. The previous such national census of non-farm economic activities was carried out by the BBS in 1986 and 2001/03. Information available from the recent BBS reports are presented in Tables 3 and 4.

Table 3: Size and composition of SMEs in Bangla Desh, 1986

Establishment	Micro <10	Small 10-49	Medium 50-99	SME 10-99	Large 100+	Total 10+	All
No. of Establishment	2117	47	2	49	2	51	2168
(thousand) As % of all	97.62	2.16	0.11	2.27	0.11	2.38	100.00
As % of 10+	-	90.88	4.67	95.55	4.45	100	-
Rural-urban distribution (%) of units							
Urban	35.97	54.04	63.10	54.49	71.68	55.25	36.43
Rural	64.03	45.96	36.90	45.51	28.32	44.75	63.57
All	100	100	100	100	100	100	100
Sectoral composition (%) of units							
Manufacturing	24.21	33.08	62.72	34.53	80.64	36.58	24.50
Wholesale & retail trade	49.32	16.23	6.23	15.74	2.74	15.16	48.50
Finance & Business service	2.47	13.37	9.09	13.16	6.52	12.86	2.72
Other services	24.00	37.33	21.96	36.58	10.09	35.40	24.27
All	100	100	100	100	100	100	100

Table 4: Size and composition of SME in Bangladesh – 2001/03 (in terms of establishment)

	Micro <10	Small 10-49	Medium 50-99	SME 10-99	Large 100+	Total 10+	All
No. of Establishment (thousand) As % of all As % of 10+	3489 97.61 -	75 2.09 87.36	5 0.14 6.00	80 2.23 93.36	6 0.16 6.64	86 2.39 100	3575 100 -
Rural-urban distribution (%) of units							
Urban Rural All	35.45 64.55 100	60.06 39.94 100	73.64 26.36 100	60.93 39.07 100	83.10 16.90 100	62.40 37.60 100	36.09 63.91 100
Scrotal composition (%) of units							
Manufacturing	12.63	34.82	45.09	35.48	66.44	37.53	13.22
Wholesale & retail trade	58.18	8.84	4.25	8.55	1.99	8.11	56.99
Hotels & restaurants	6.55	4.59	1.46	4.39	0.72	4.15	6.50
Comm. & personal service	12.91	3.11	3.65	3.14	2.22	3.08	12.68
Health & social work	1.42	2.97	6.30	3.19	5.27	3.33	1.46
Transport & commutation	2.45	2.46	2.97	2.50	1.73	2.45	2.45
Other services	5.86	43.21	36.28	42.75	25.61	41.35	6.7
All	100	100	100	100	100	100	100

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Source: Economic Census 2001 & 2003 (shown in Alam and Ullah, 2006)

Over the period 1986 (Table-3) and 2001/03 (Table-4), very little changes have taken place in the structure of overall economic and industrial undertaking. Although the number of establishments or undertakings had increased by over 65 percent, the distribution has remained more or less constant. For example, a little over 97.6 percent of the establishments were micro enterprises in 1986, and it was also the same in 2002/03. However, there were changes in the regional distribution of the small, medium and large enterprises. About 2/3rd of the micro enterprises is located in rural areas, whereas 4/5th of the large enterprises and around 61 percent of the small and medium enterprises are in urban areas. More urban based growth of SME and large enterprises have taken place. Micro enterprises are mostly trade based, while SM and large enterprises are generally manufacturing in nature.

Changes in the size and structure of SME in employment over time

A comparison of the data from the Economic Census 2001 & 2003 with the data (Table-4) from the previous census of 1986 (Table 3) suggests that the importance of the SME sector has changed marginally during the inter-census period. The share of SME in the number of establishments in the 10+ size group has slightly declined from 95.6% in 1986 to 93.4% in 2001/03 while the share in employment came down from 49.8% to 43.9%. Moreover, the urban SME employment grew at an annual rate of 4.6; raising the share of urban SME in the employment in 10+ size group from 57% in 1986 to 63.8% in 2001 (see table 5 and 6).

Additionally, non-manufacturing SME grew at a higher rate during the period causing the share of manufacturing n SME employment to decline from 41, 3% in 1986 to 37.5% 2001/03. (Alam and Ullah, 2006) farm economic activities in 2001 and 2003. The report presents data by employment size category but there is no information on the size of fixed assets. The previous such national census of non-farm economic activities was carried out by the BBS in 1986 and 2001/03. Information available from the recent BBS reports are presented in Tables 3 and 4.

Table 5: Size and Composition of SME in Bangladesh – 1986 (in terms of employment)

	Micro <10	Small 10-49	Medium 50-99	SME 10-99	Large 100+	Total 10+	All
Size of Employment (thousand)	5316	779	164	943	949	1892	7208
As % of all	73.75	10.80	2.27	13.07	13.17	26.25	100.00
As % of 10+	-	41.17	8.66	49.83	50.17	100	-
Rural-urban distribution (%) of units							
Urban	36.92	55.34	62.93 37.07	56.66	73.58	65.15	44.33
Rural	63.08	44.66 100	100	43.34 100	26.42	34.85	55.67
All	100				100	100	100
Sectoral composition (%) of employment							
Manufacturing	35.19	36.75	63.07	41.33	87.82	64.65	42.92
Wholesale & retail trade	42.14	14.42	6.08	12.97	1.62	7.28	32.99
Finance & Business service	2.46	13.13	9.06	12.42	4.38	8.39	4.02
Other services	20.21	35.70	21.79	33.28	6.18	19.68	20.07
All	100	100	100	100	100	100	100

Source : Bangladesh Census of Non-farm Economic Activities 1986 (shown in Alam and Ullah, 2006)

Size and Structure of Manufacturing SME

The evidence from the Economic Census 2001 & 2003 (Table-6) shows that small manufacturing in Bangladesh consists of some 26 thousand enterprises employing nearly 488 thousand persons while there are some 2311 manufacturing establishments under the medium category engaging about 156 thousand persons. In the 10+ size group, manufacturing SMEs account for nearly 88% of the manufacturing establishments but about 29% of manufacturing employment. The Economic Census did not have information on value added. The small manufacturing enterprises are almost evenly distributed between rural and urban areas both in terms of number of establishment and employment. But in the case of medium manufacturing enterprises there is a higher incidence of urban establishment and urban employment. (Alam and Ullah, 2006).

Table 6: Size and Composition of Manufacturing SME in Bangladesh 2001/03 (in terms of employment)

	Micro <10	Small 10-49	Medium 50-99	SME 10-99	Large 100+	Total 10+	All
Size of Employment (thousand)	1506	488	156	644	1580	2224	3730
As % of all	40.4	13.1	4.2	17.3	42.3	59.6	100.0
As % of 10+		22.0	7.0	29.0	71.0	100	
Rural-urban distribution (%) of employment							
Urban	31.6	51.4	57.1	52.8	86.5	76.7	58.5
Rural	68.4	48.6	42.9	47.2	13.5	23.3	41.5
All	100	100	100	100	100	100	100

Source : Economic Census 2001 & 2003 (as shown in Alam and Ullah, 2006)

Together, the various categories of SMEs are reported to contribute between 80 to 85 per cent of industrial employment and 23 per cent of total civilian employment (SEDF, 2003). However, serious controversies surround their relative contribution to Bangladesh's industrial output due to paucity of reliable information and different methods used to estimate the magnitude. The most commonly quoted figure by different sources (ADB, World Bank, Planning Commission and BIDS) relating to value added contributions of the SMEs is seen to vary between 45 to 50 percent of the total manufacturing value added. While the SMEs are characteristically highly diverse and heterogeneous, their traditional dominance is in a few industrial

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sub-sectors such as food, textiles and light engineering and wood, care and bamboo products. According to SEDF sources quoted from ADB (2003), food and textile units including garments account for over 60% of the registered SMEs. However, as identified by various recent studies, (Ahmed, M.U. 2001, ADB 2001, US-AID 2001) the SMEs have undergone significant structural changes in terms of product composition, degree of capitalization and market perpetration in order to adjust to changes in technology, market demand and market access brought by globalization and market liberalization. (Ahmed, 2005).

Ahmed (2004), based on the estimates of BSCIC, suggests that currently there are more than 600,000 small and cottage enterprises in Bangladesh. However, some 3 million micro enterprises are also in operation. In SME Taskforce report (2006), it has been argued that manufacturing industries or enterprises are synonymous with small and cottage industries. SEDF (2003) reports that 90 percent of all industrial units are micro, small and medium enterprises.

SMEs have profoundly contributed to employment creation - around 23 percent of civil labour force and around 85 percent of total industrial employment (Ahmed 2005). However, the contribution of SMEs in employment creation, based on the definition adopted in Japan*, will be over 50 percent. Around 45 percent of the employed persons are self-employed; this is probably the contribution of MFIs.

The SMEs had grown at an annual rate of over six percent during the period 1981-2001 (Ahmed 2004). SEDF (2003), as reported in the Taskforce Report, however estimated higher growth rate for micro and small enterprises (12 percent) than the medium enterprises (5 percent). Return to capital investment is higher for micro and small enterprises (above 30 percent) compared to 13 percent for the medium enterprises. SMEs in Bangladesh have higher profitability than some European countries. Operating margin as reported in SEDF (2006) for Bangladesh SMEs was 12 percent, compared to 7 percent for Greece, 5.1 percent for France and 9.2 percent for Canada. SMEs in Bangladesh have higher potentials and can play very significant role in growth and development, as it is Japan.

There is no precise estimate of the contribution of SMEs to GDP. Serder (2000) reported around 20 percent contribution of small-scale enterprises to GDP. Daniels (2003) based on survey of private micro, small and small enterprises estimated contribution of MSMEs (micro and SMEs) of around 25 percent to GDP. The contribution is expected to increase with the inclusion of public sector enterprises. Rabbani and Sulaiman (2005) show that SMEs with relaxed liquidity constraint because of bank finance tend to create more employment than the SMEs with lesser or no access to credit. Despite lack of adequate data, empirical evidences suggest that SMEs perhaps contribute around 25 percent to GDP. Such contribution is expected to grow further with the expansion of size of micro enterprises and small business. The extent of contribution that SMEs can make in the economic development can be derived from the experience of Japan. Around 99.7 percent of total enterprises in Japan are SMEs and only 0.3 percent are large enterprises. Manufacturing and allied sector constitutes about 32 percent of total employment. Such wide industrial base has contributed to huge employment creation. About 47 percent of the total employment comes from manufacturing sector. Almost two-third of industrial employment in Japan is in the SME sector (Ahmed, 2005).

Although we do not have information on the extent of contribution of SMEs to GDP, some informations are available on the contribution of small and cottage industries to GDP. It is reported in Table-7.

* In Japan,total numbers of SME enterprises include companies under SME law and sewlf-employment.

Table 7: Sectoral contribution

Year	Value Addition (in Crore TK)		Growth rate (in %)		Sector's contribution in GDP	
	Small & Cottage Industries	Medium & Large Industries	Small & Cottage Industries	Medium & Large Industries	Small and Cottage Industries	Medium and Large Industries
1973-74	4329	4463	1	137.3	5.8	5.9
1978-79	4551	5219	0.7	22	5.2	5.9
1984-85	4875	5509	-3.8	1.1	4.6	5.2
1989-90	5323	7430	10.6	2.9	4.1	5.8
1994-95	6522	16630	8.1	11.44	4.27	10.88
1999-00	8659	21709	5.8	4.35	4.39	11.01
2004-05	12409	29861	7.93	8.3	4.85	11.66
2005-06	13552	33268	9.21	11.41	4.94	12.14
2006-07	14865	36507	9.69	9.74	5.08	12.47
2008-09	17019	41735	6.9	6.58	5.18	12.71
2009-10	18341	44230	7.77	5.98	5.26	12.68

Source: Bangladesh Economics Surveys (various issues) and Bangladesh Economic Review (various issues)

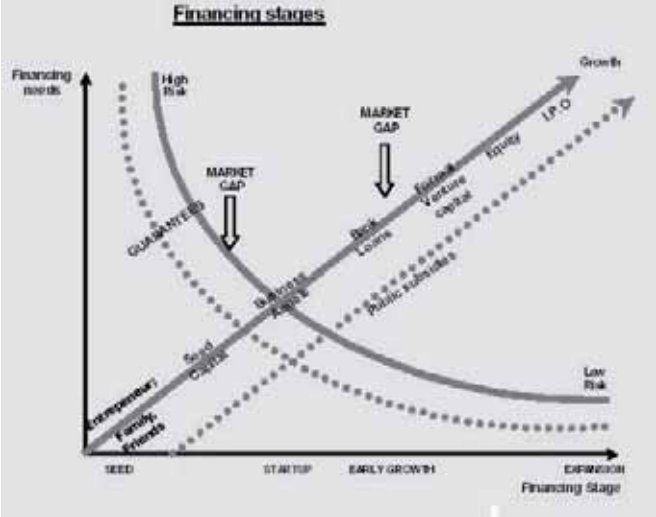
It exhibits that there is continuous increase in value addition of small and cottage industries (SCI). The value addition of this sector has increased by about four times during the period 1984-2010. The growth pattern also shows that there is steady growth all over 90s and in recent years. However, the growth performance is bit slower in mid and late 90s may be due to flood and other disasters of those periods. The sectoral contribution of SCI was about 5 percent after 19 independence and it was bit lower 80s and 90s which may be attributed to the immense competition for too much rapid open economy policy of those periods, less credit access for the 1998. Very recently the sectoral contribution has increased. From the period of 2005-2006, it has increased to more than five percent and it is still exhibiting increasing patterns.

In brief, SMEs emerge as a thrust sector which contributes substantially in employment creation, and perhaps establishing forward and/or backward linkages. Therefore, SMEs may be termed as backbone of industrial development in Bangladesh. This has been the experience in Japan.

ACCESS TO FINANCE AND SME DEVELOPMENT

Increased investment is precondition for the growth of any industry and economy. Finance is needed at the starting phase of a business as well as at the enduring phases. The entrepreneurs require mainly three types of finances, namely- (i) equity capital - to finance assets at the start of a business; (ii) debts – to refinance assets; and (iii) working capital – to maintain the day-to-day activities (Jesmin, 2009). However, access to credit/financing is deemed to be one of greatest hurdle faced by SMEs. Although the SMEs usually starts business taking loan from informal sectors, it is important to ensure access to the credit facility to ensure the growth and sustainability. It is needed not only for maintaining steady growth of SMEs but also for overall economic development.

Figure 1: Relationship between phase of development and financing pattern
Adopted from: Saublens (2006).



The pattern of SME financing is perhaps directly related to the stage of development of SMEs. Generally, there are seven different types of financing sources (Saublens, 2006). They are (i) family friends, (ii) seed capital, (iii) business angels (informal professional management credit), 20 (iv) bank loans, (v) Formal venture capital, (vi) equity, and (vii) initial public offering. Through the following diagram, Saublens shows the relationship between sources and financing and phase of development of SMEs: As would be evident, at the start up level, family and friends finance the project. Given the institutional structure, often grant is provided as seed capital to the entrepreneurs. Business angels informal management and credit providers are not owners, but for their successful operations and management, the angels receive a share of profit. This is absent in Bangladesh. But it is quite evident from the diagram that banks loans are required for early take-off and growth of SMEs.

SME Financing in Bangladesh

In Bangladesh, SMEs are largely financed by own funds. This is true for small and cottage industries. Equity fund through capital market is not a source for small and medium entrepreneurs. SMEs require external financial support (bank credit) for its expansion and development. But in Bangladesh, they have limited access to formal credit market. This is not only true for Bangladesh. It is equally true for the European countries. More than forty percent of the SMEs in Europe do not approach banks for loans. Around fifteen percent of the loan applications are rejected on the ground of guarantee/collateral, asymmetric information and high transaction cost. Bank financing has always been a constraint to the development of SMEs (Saublens, 2006).

Several studies portray dismal picture of the extent of bank financing. The recent study of SEDF (2006) reinforces the earlier findings that SMEs have limited access to bank financing. It shows that about two-third of the SMEs did not approach banks for loans. Most of them approached banks for working capital loans. Not all of them were granted loans. It takes about two months on an average to get loan sanctioned. The findings are similar to the earlier studies.

Khan, Imam and Khatun (2003), in their studies of financing of small and cottage enterprises, found that most of the enterprises operate on own factory premises (around 65%). More than fifty percent of them did not apply for loans. About 45% of the samples had borrowed from banks but their were partially rationed out implying that not all of their demand for loan was met. Consequently, they also borrowed from informal sources. They found that SMEs borrowed about 15% of total investment from informal sources, followed by own equity (60 percent), and bank loans (around 25 percent). Khan, Imam, Khatun and Ahmed (1998) showed in their paper that not all the applicants were granted loans. Around 16 percent of the applicants were zero rationed out (demand was fully met), followed by about 29 percent partly rationed

out (sanctioned amount was less than demand for credit), and around 28 percent were fully rationed out (loans were not sanctioned). The studies as discussed above suggest that the SMEs do have limited access to credit. The findings of SEDF (2006) are not new. It, in fact, reinforces the old findings that finance is a major constraint, and nothing much has changed during the past thirty years of Bangladesh (Serder 2000; Rahman and Associates 1979; Khan and Associates 1998; Hossain 1998; The Taskforce report** 2006).

In his book 'The Financing of Small Scale Industries- A Study of Bangladesh and Japan' Ahmed (1987) provides a good explanation of growth patterns and problems faced by SMI in Bangladesh. He argues that the well known scale barriers coupled with the general apathy of the banks and other financial institutions towards serving the climes of means make the SSEs suffer from what is termed as the 'Macmillan Gap', indicating insurmountable barriers in availing adequate financial facilities. He argues that the SSEs suffer getting both short and long run credit which impedes the growth of the firms. He states that the problem of access to credit goes back to Pakistani regime. Even after Bangladesh got independence there is no significant change in accessibility. While re-investment of the meager profit contributed to more than 70% of the fund rose, the institutional and non-institutional sources in total expansion of the capital was approximately 10 and 3 percent. There is some demand side constraints- even the interest rate of SMEs are low, they are reluctant to borrow from the institutions because other associated costs (e.g. transaction costs) are very high. In the supply side problems, he explains that the financial support is mainly concentrated to the urban areas which also creating some problem of urbanizations and other related problems. According to him, though some of the failure goes to the SMEs but most of failure goes to financial institutions because they provide loan in inappropriate persons, in inappropriate time, poor supervisions and monitoring in use of loan.

Although the GoB and Bangladesh Bank has attached importance to the development of SMEs, the most ignored by the financial institutions has always been small enterprises. The share of small enterprises in bank industrial term and working capital credit has declined during the period 2001-09 (Table-8). Consequently, bank finance is largely an illusion for the small entrepreneurs seeking external finance for growth and development. These enterprises are the 'missing middle' in credit market. They are 'missing middle' because they are in the middle of micro enterprises and medium enterprises. Micro enterprises are financed by micro finance institutions and medium as well as large enterprises are financed by banks. Small enterprises are largely left alone for development.

Table 8: Trend in Industrial Finance by Size, 2001-09

Year	Industrial Term credit		Working Capital		As % of Total credit	
	Medium and large	Small	Medium and Large	Small	Industrial Credit	Working capital
2001	93.20	6.80	87.70	12.30	37.77	9.79
2002	93.67	6.33	89.88	10.12	39.23	13.59
2003	94.26	2.95	93.56	5.72	19.51	16.97
2004	93.35	3.52	92.88	6.34	18.59	19.49
2005	93.06	3.04	93.75	5.46	17.87	20.43
2009	89.08	4.04	95.47	2.33	21.3	17.59

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** Finance is not the only constraint. According to Bangladesh Enterprise Institute, as reported in the Taskforce Report, the most important constraint is lack of capital, followed by inadequacies of physical infrastructure and high transaction cost, inadequacies of markets/incomplete markets, degree of competitiveness. The implications are clear: making more financial resources available for channelling into SME financing , and development of poor infrastructures. The Taskforce report dealt with other reforms to promote SMEs in Bangladesh. They are unfair tax administration for SMEs, poor information technology, incomplete markets and lack of information.

What restricts banks to finance SMEs?

Literature on industrial finance and entrepreneurship development amply document two factors that restrict banks to extend sufficient credit facilities to the SME sector. They are collateral and high transaction cost. Commercial and development banks in Bangladesh are traditional in approach. They have the orientation of traditional production technology. They all subscribe the views that collateral and third party guarantees minimize risks for the lenders. But unfortunately this technology has not been successful, even for the large loans. Collateral does not guarantee high recovery rate. Those who repay loans, they do, not because of the apprehension of their property being taken over by the lender; but because of their love for their enterprises – love for creativity. This is the part that lenders tend to ignore.

Banks do have profit maximization motive. They can maximize profit in two ways: increasing interest rate given cost structure, and minimizing cost given interest structure or revenue structure. In a semi-liberalized financial regime, banks try to maximize profit by relatively more non-price competition than degree of price competition. Banks also maximize profit through cost minimization. As such, they shy away from the loan products that have high transaction cost.

Empirical evidences suggest that banks do not sanction credit to the SMEs for lack of collateral and high transaction cost (SEDF 2006; Khan et. al., 2003; Khalily et. al. 1994, Rahman et. al. 1979).

SEDF (2006) reports that collateral requirement restricted access of SMEs to credit. Seventy six percent of the applicants required collateral. Intensity of the impact is evident from the fact that about one-sixth of the approved loans were not ultimately taken by the enterprises because of high collateral demand (above 80 percent). The other reasons were high interest rate and higher level of fees for execution of loan contract.

Khan et. al. (2002) in one of their papers showed that only sixteen percent of the loan applications were zero rationed out (demand amount was fully sanctioned), and fifty five percent were fully rationed out. The authors showed that collateral and size of enterprise (in terms of number of employment) matter. Collateral had positive impact on access to credit. Similarly enterprises with higher number of employment were sanctioned loans. This means, small-scale enterprises had little access to credit. Invisible cost had impact on the extent of access to credit. It had a significant and positive influence. Finally the authors found that lenders considered experience as a determinant in sanctioning loans. Applicants with significant experience in business and industry were granted loans.

Khalily et. al. (1994) had reported similar findings. They found that age of the applicants (positively), number of employments (positively), transaction cost of borrowing in terms of time required for sanctioning (positively), and collateral (positively) influenced supply of loan. Transaction cost of borrowing did not include implicit cost. It was proxied by time taken to get loan sanctioned. It was argued that high waiting time would perhaps reflect commitment of the applicants to get loan. Size of enterprise matters as it had positive influence on the lending decision.

The supply side analysis showed that collateral and size of enterprise in term of number of employment matters. Such requirements cannot be met by the small-scale enterprises. They would be squeezed in the formal credit market. There are, however, demand side factors that restrict lenders to finance SMEs in Bangladesh.

From the analysis, we can identify some core factors or indicators for SME development. They are: (i) access of SMEs to credit may be measured by percentage of collateral free loans, percentage of demand for credit met, percentage of applications sanctioned loans, transaction cost of loan, geographical dispersion of enterprise loans, (ii) number of employment creation,(iii) percentage of collateral free loans, (iv) types of enterprises financed, (v) percentage of women borrowers, and (vi) percentage of loans sanctioned for women borrowers. Some of these indicators are related to social sustainability, and some others are related to economic sustainability.

EMERGENCE OF BRAC BANK AND SME DEVELOPMENT

Since independence, Bangladesh Government emphasized the SMEs for overall economic development. Due to trade liberalization of eighties and nineties, the Bangladesh industrial sector had to compete with the international corporation. With the presence of the economies of scale and other related advantages, it is really difficult for firms of developing countries mainly the large firms to compete and exist in the global competition. And attention is given more to the SMEs, because it is proven tools or engine of development for many countries of the world. As it is labour intensive which has abundant supply in Bangladesh, it more likely to flourish compared to large industries which require relatively larger share of capital. With the aim of helping the SMEs, the GOB has taken a lot initiatives-establishment of BSCIC, giving financial incentive to the NCBs to lend more SMEs loans etc. Due to other common problems usually public sector faces, the success was not so much. In this backdrop BRAC bank initiated SMEs lending in 2001. BRAC Bank emerged through a process of learning. BRAC, a leading development agency in Bangladesh, had perhaps concluded from their long experience in micro finance and broad understanding of poverty and the process of alleviation that besides social and development interventions, development of micro and small enterprise development is critical to economic growth and development. They probably perceived that while the 'big push' was required for taking micro enterprises to the next phase of development, it was important that small enterprises are promoted as they are the 'missing middle' in the path of development. We argued earlier, based on literature survey, small enterprises were the missing ones in formal credit market of commercial and development banks. The experience of BRAC has perhaps shaped the policies of BRAC Bank. Its core mission is to attain sustained growth in SME sector. Establishment of BRAC Bank with such mission provides a specialized window for the SMEs, in particular small scale enterprises.

BRAC Bank – A bank with a mission

After a successful adventure in microcredit and different sectors in Bangladesh, the BRAC bank has started its journey in 2001. The BRAC has proved that the poor are bankable and they can change their life though the help of the microcredit. BRAC bank has a clear vision to work as catalyst for the Small and Medium Enterprises (SMEs) sectors in Bangladesh. Though SMEs have been contributing to economic development through employment generation and poverty reduction, they had very limited access for loan to the government and privates sectors. Although different government organization made an effort to provide incentive by giving opportunity of easy load to the SMEs, the success story is not significant. In the private banks, the SMEs did not get sufficient access to get loan as the large corporation did. BRAC bank came to break that tradition, and started providing different types of SME loans since inception. BRAC Bank limited has wide distribution coverage across Bangladesh in SME business. Being the pioneer, BRAC Bank limited still holds the 'Number One' position in SME business. In 2009 24 alone they distributed loans to 67.04. Its vision and mission also reflects the importance of SMEs. Even though BRAC Bank is known as being the pioneers of SME Banking in Bangladesh, the company also provides services within Corporate & Institutional Banking, Retail Banking, as well as services specifically targeting non-resident Bangladeshis

BRAC Bank is a public limited company with shareholding by public (50 percent), BRAC (43.77 percent), IFC (5.36 percent) and the Shorecap International (0.87 percent). Since the bank has ownership of multiple stakeholders with different objective function. Value creation along with profit maximization is the dominating goal of the bank. It is driven by the bank's mission. The major missions of the bank is (i) sustained growth in SME sector, (ii) manage various lines of business in a full controlled environment with no compromise on service quality, (iii) keep a divers, far flung team fully controlled environment with no compromise on service quality, and (iv) keep a diverse, far flung team fully motivated and driven towards materializing the bank's vision into reality.

Products of SME

Considering the differences in demand pattern for different sectors or entrepreneurs, BRAC Bank offers different types of SME products. These are described briefly as follows:

Table 9: Terms and Conditions of Different Loan Products of BRAC Bank

Product Name/Criteria	Description	Loan ceiling	Interest rate
Anonno	Term loan for small scaled business	Between US$4000 and US$14000	17.8% for new loan but less for repeat
Prothoma	Term loan for small scaled business operated by women entrepreneur	Between US$4000 and US$14,000.	10%
BiZness Loan	Term loan facility for all types business who have healthy bank transactions	Between US$14,000 and US$70,000	17.8%
Trade Plus	Composite facility for small and medium sized import-oriented businesses to meet their trade finance requirements	Between US$1500 and US$40,000	Non-funded (PAD):17% Funded: 17.8%
Business Equity Loan(BEL)	A loan facility for SME entrepreneurs to meet their short or long term cash flow requirements or bridge the fund flow gaps	Between US$15,000 and US$50,000	14% to 16%
Apurbo	A term loan for medium size business	BDT 10 lac to 50 lac	17% p.a. for loan draft 16% p.a. for overdraft
Secured Loan Bullet Payment	Loan against FDR, DPS and WEDB purchased from BRAC Bank for small & medium size business	Minimum US$3,000 and no upper limit	Varies from 3% to 9.25%
Durjoy	S&M sized manufacturing, trading, service, agriculture, agro-based industries, etc. through SME unit offices, which are in same jurisdiction of BBL branches or SME service centers	Varies	18.8%
Equipment Finance	A loan for entrepreneur who wants to buy 'Tractor' for various agriculture purpose	BDT 3 lac to 30 lac	17.8%

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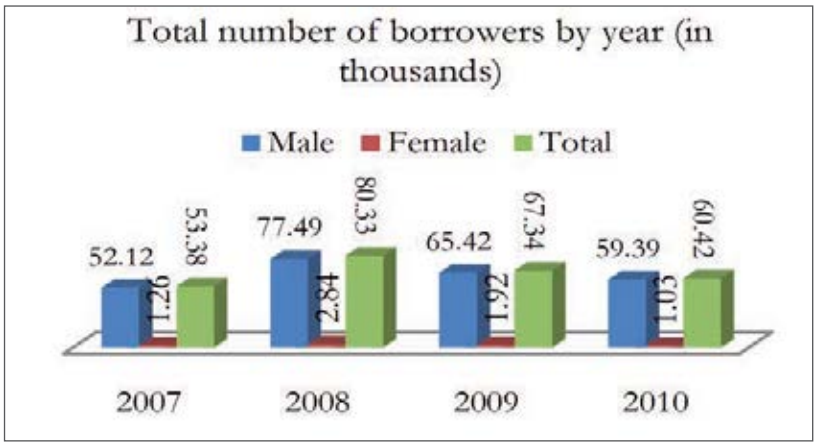
SME Loans

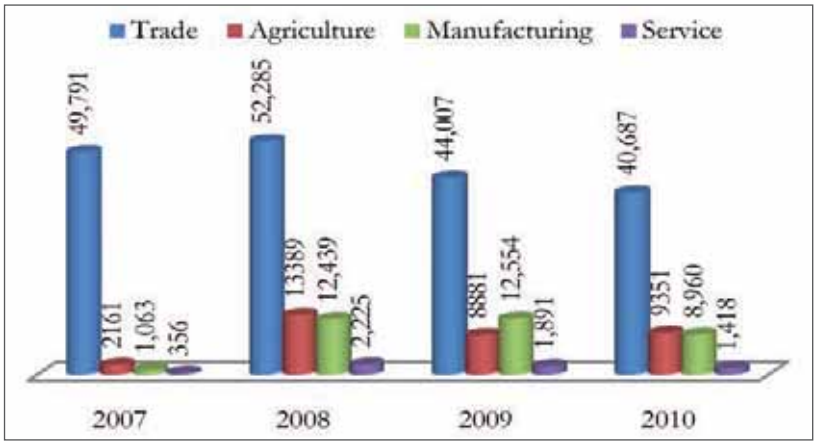
As stated earlier, BRAC Bank is pioneer in SME banking; the majority of the lending still now goes to the SMEs which are strongly believed to have a significant positive impact on overall economy of the country. The bank has grown over time new bank, it has been growing steadily (Figure are male. Bangladesh does not have a long history in industry and business. It has a history of some forty years. Female hardly have participation in SMEs. Despite limited number of female entrepreneurs in the country, BRAC Bank has open avenues for the female entrepreneurs. Around 2 percent of the borrowers are female.

Figure 2: Trend in BRAC Bank Borrowers



The borrowers are not homogenous in character. They represent different sector or sub Trading is the dominating sector with more than 65 percent of the borrowers. It is followed by around 15 percent of the borrowers in agriculture. But around 12 percent are in manufacturing (Figure-2).

Figure 3: Industry Mix of SME Borrowers of BRAC Bank



Although BRAC Bank finance SME sector, it essentially targets small enterprises. Average loan size is around USD 7,000. These small enterprises are the missing middle. We have argued earlier that generally middle and large enterprises have (family based enterprises with average loan size of less than USD 5,000) have access to micro credit market of micro finance institutions. BRAC Bank, by essentially targeting the missing middle, left out in the formal and micro credit markets, has essentially created value for the society and the economy.

Corporate Social Responsibility (CSR) of BRAC Bank

In line with our Triple-Bottom-Line approach, BRAC Bank undertakes various CSR activities each year. Since the inception, as a responsible corporate body, BRAC Bank Ltd. has undertaken various initiatives considering the interest of customers, employees, shareholders, communities and environment. These initiatives go beyond the statutory obligation/mandatory compliances to voluntary activities that promote sustainable development. BRAC Bank's vision which focuses on double bottom line that it should make decisions based not only on profit but also based on social and environmental consequences is closely linked to the principles of CSR. While most of bank's overall environmental impact is indirect, resulting from our financing and investment activities, the bank has a direct impact on the environment through day-to-day business operations. BRAC Bank has put a direct effort to reduce the environmental impact by reducing waste and the more efficient use of resources. For example, BRAC Bank has also adopted separate policies to reduce the use of papers in their documentation to reduce environmental degradation The second step is reducing indirect environmental impact by managing the investing activities.

The CSR activities of BRAC Bank spanned from health-care to supporting the cultural heritage of the country to supporting education-growth. As a bank committed to sustainable business, BRAC Bank has become a prestigious member of the Global Alliance for Banking on Values (GABV)-the only bank from South-Asia to be part of this international coalition. Global Alliance for banking on Values promotes 'ethical banking'. It is part of a larger societal movement toward more social and environmental responsibility in the financial sector. This movement includes ethical investment, socially responsible investment, corporate social responsibility, and is also related to such movements as the fair trade movement, ethical consumerism, boycotting, etc. Ethical banks share a common set of principles, the most prominent being transparency and social and/or environmental aim of the projects they finance.

In recognition to the sustainable investment and practice, BRAC Bank has been awarded as the Sustainable Bank of the Year 2010 at the FT Sustainable Banking Awards 2010 which was jointly announced by Financial Times newspaper and IFC at the award ceremony on 3rd June 2010 in London. The FT Sustainable Banking Awards is presented by the London-based international newspaper Financial Times and IFC, a member of the World Bank Group. Now in their fifth year, the awards recognize banks and other financial institutions that have shown leadership and innovation in integrating social, environmental and corporate governance considerations into their operations. BRAC Bank has been announced as the winner of the 2010 FT Sustainable Bank Award from Emerging Markets in Asia. Besides this, BRAC Bank also has been awarded prestigious 'Business Award 2008, and a lot other prestigious awards since inception.

BRAC Bank follows Triple Bottom Line

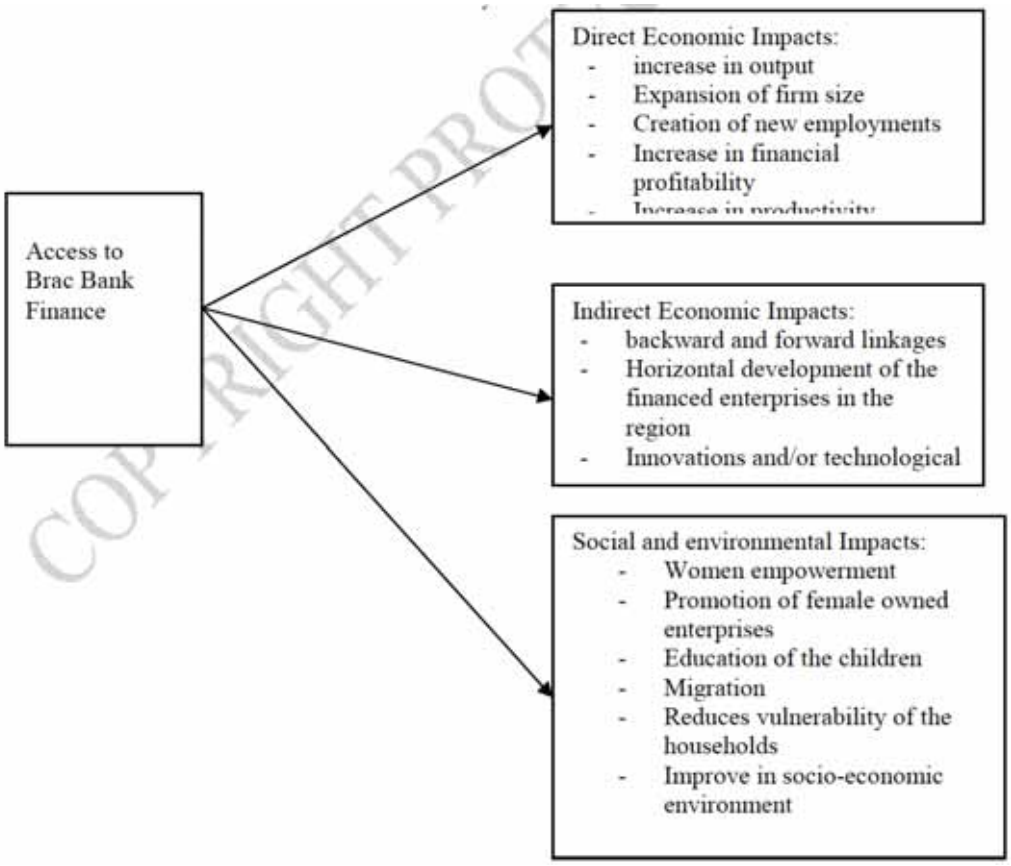
Although BRAC Bank finances SMEs, its focus has been on the small enterprises with average loan size around Taka 5 lac. Why the bank has focus eyes on small enterprises? There are several reasons. First, they are largely left out in the credit market. Without access to credit, these small enterprises are left alone to grow. Second, small entrepreneurs are essentially the people within lower 50th percentile of income distribution. Therefore, socially, they are perhaps marginally above the poverty line. Third, these entrepreneurs learn through doing, and/or learning from the experience of others in the same profitable business. Fourth, they have potentials to grow with backward and forward linkages. Fifth, these enterprises are generally family enterprises with participation of qualified family members and hired laborers. Sixth, they will be effective agents 27 of change at the community level. Finally, promoting small enterprises will in fact help others with homogeneous characteristics to learn from the experiences of these arguably successful entrepreneurs.

Financing small enterprises will have far reaching impact as we outline in the above paragraph. One of the major impacts of financing and promoting small enterprises or businesses can be traced or clearly understood if we relate with the micro entrepreneurs.Financing of small businesses by BRAC Bank particularly in the regions where MFIs have been operating will provide perhaps information to the micro entrepreneurs. The graduating members will be able to learn from the experiences of the BRAC Bank financed small enterprises. Therefore, it is likely to have impact on the enterprise development at the region level.

Promoting small businesses of the graduating members or targeted groups of MFIs or missing middle will also have social impacts. Most of the graduating members of MFIs or targeted groups are women. It has social dimension. Promoting women through promoting their small businesses will increase women empowerment. BRAC Bank financed SMEs may, therefore, have social impacts like increasing women empowerment. Furthermore, it will have far reaching impact on family development like education of children, wealth creation, etc.

Access to credit increases economic opportunities. This is well documented in the literature that access to external finance like bank finance will have higher impact on the expansion of small business in terms of size or volume. But it may have impact on innovations and/or technological development. This has been the experiences in the countries with relatively developed financial system. Access to BRAC Bank credit may have similar impact. Possible impacts of access to BRAC Bank finance can be schematically demonstrated as follows:

Figure 4: Potential Impact of Access to BRAC Bank Credit



FRAMEWORK FOR SUSTAINABLE BANKING

Emerging Human Face in the Concept of Sustainability

Over the past decades humanity emerges as one of the major elements in the concept of sustainability and its increasing impact on the world. The World Commission on Environment and Sustainability has been brought under global attention in the Brundtland Commission report (convened by the United Nations in 1983) that described sustainable development as meeting 'the needs of present without compromising the ability of future generations to meet their needs'. The subsequent efforts also demonstrated the importance of sustainability from local to global contexts. Moreover, several national and international organizations have considered this as their missions. The concept of sustainability is interrelated or interdisciplinary. Though it is apparently appear that this issue is important only for environmental purpose, it is not necessarily true given the interrelated nature of the sustainability. It is widely seen that the government and organizations have put great effort for developing sustainable indicators from the lens of economic and environmental context. However, very recently the attention to the social dimensions of sustainability is also evident. It is very well known that the focus of development was mainly to the economic development. Later the another dimensionenvironment has come into forefront to have better and clear understanding of sustainable development, and very recently the social dimension has also come into front. Moreover, the concept of corporate social responsibility (CSR) also acknowledges the importance of the social dimension of sustainability. Though Brundltand definition is widely accepted for overall assessment of sustainability, the definitions and indicators yet to developed in case of corporate and social sustainability.

Review of indicators

Hutchins and Sutherland (2008) review metrics, indicators, and frameworks of social impacts and initiatives relative to their ability to evaluate the social sustainability of supply chains. They explored the relationship between business decision-making and social sustainability with attention initially focused on directly impacting national level measures. Moreover, they also proposed a general strategy for considering

measures of social sustainability and a variety of indicators of CSR. They mentioned that the Life Cycle Assessment (LCA) can provide information related to the impacts of a product or service where LCA considers such life stages as raw material extraction, material processing, manufacturing, distribution, use, and disposal options (e.g., recycling). Another similar method is also seen that the social dimension of sustainability were included to the LCA, but it was mainly included the very simplified version of social dimension (only health) which is mainly much closed to the environment. Parris and Kates, as cited in Hutchins and Sutherland (2008), reviewed 12 efforts to define indicators of sustainability, ranging in scale from global (e.g., UN Commission on Sustainable Development) to local (e.g., the Boston Indicators Project). The initiatives identified from 6 to 255 indicators of sustainability. These indicators vary greatly in terms of the level of controls that business decision-makers have over them, the effort required to incorporate them into decision-making processes, and the financial burden associated with their implementation.

Labuschagne, Brent and Erck (2004) discussed the available framework assessing sustainability and they also proposed the reliable framework for manufacturing sector. Following discussion will include the review done by them followed by their proposed framework. The framework that they reviewed subsequently are: (i) Global Reporting Initiative (GRI), (ii) United Nations Commission on Sustainable Development Framework, (iii) S Institution of Chemical Engineers, and (iv) briefly the reviews that are relevant in the context of the present study.

Global Reporting Initiative

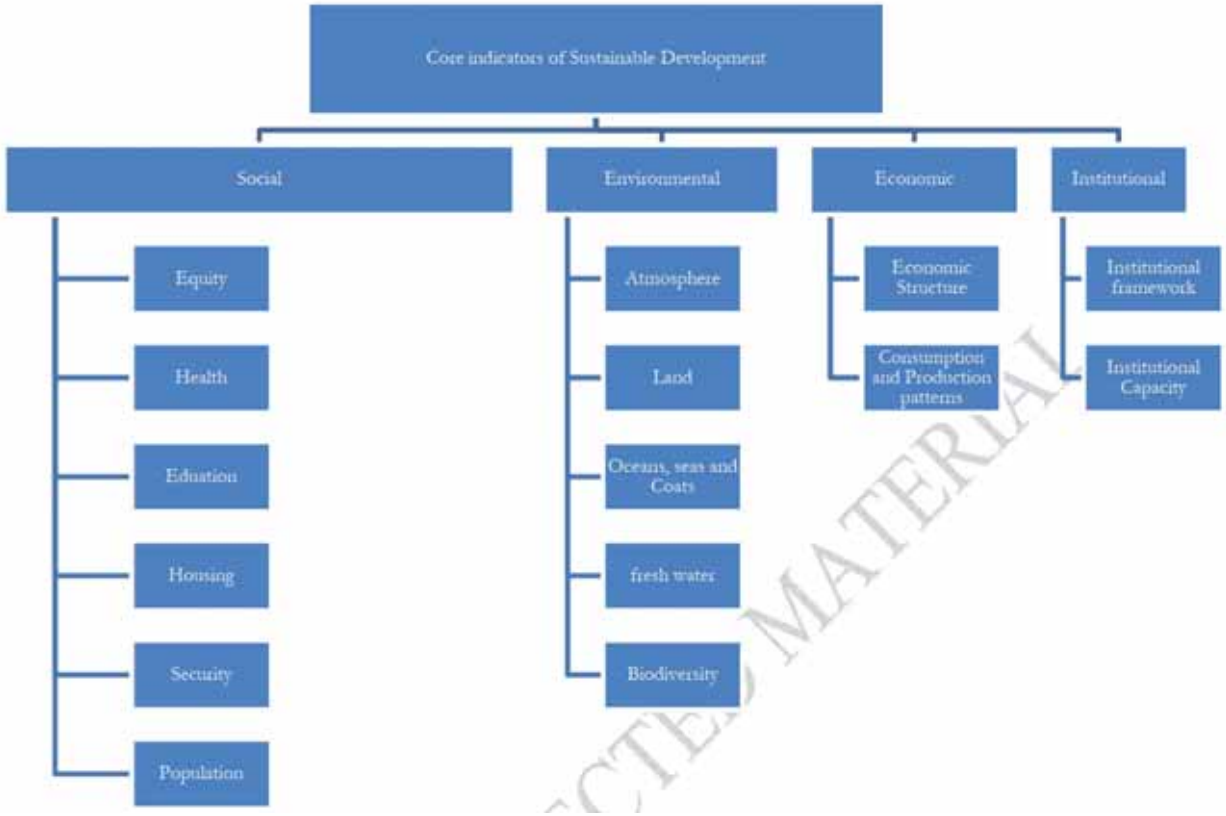
In 1997, the United Nations Environment Programme (UNEP) together with the United States nongovernmental organization, Coalition for Environmentally Responsible Economics (CERES) launched the GRI with the goal of 'enhancing the quality, rigour and uti reporting'. Reporting is the main or strong point of the guidelines. The GRI uses a hierarchical framework in three focus areas, namely social, economic, and environmental (as shown in the Fig. 1). The hierarchy consists of catego than 100 indicators. However, not all the indicators are easy to evaluate and no guidance is given on how to choose between the indicators. The guideline does, however, indicate what should be considered at a lower level, i.e. operational or project level within the company, especially if the company reports on sustainability using the GRI principles.

Figure 5: Hierarchical Framework of GRI

United Nations Commission on Sustainable Development framework

The United Nations Commission on Sustainable Development (CSD) developed a sustainability indicator framework for assessing the governmental effort and progress towards sustainable development goals. In this framework, 38 subthemes were discussed into four dimension of sustainable development. This framework is developed for assessing progress in national level and hence assessing sustainability for business and project level is not fully utilized. However, the insights given or developed through this indication is of immense importance to the business and project sectors. The framework is given below:

Figure 6: The United Nations Commission for Sustainable Development (CSD) theme indicator framework.



After reviewing all of the relevant frameworks of sustainability, Labuschagne et al (2004) proposed a modified framework for analyzing and assessing the sustainability issue with some important indicators. They discussed that most of the literature are divided into two groups regarding whether to include three or four dimensions of sustainability. They maintain that CSR should not be confused with only societal dimension of sustainability rather it is one of the components. They proposed a four level framework and the divided the core strategies in two components: operational initiative and societal initiative. They provide different criteria for different dimensions of sustainability. They believe that the economic sustainability is the internal one for the company or business entity but other dimensions are external. However, it does mean these are not important; they may have other long term consequences.

It is worth mentioning that very recently the attention from environmental concern has been shifted to societal concern. Hence, the criteria or indicators for sustainability including social concern are immensely importance. For that purpose Labuschagne et al (2004) provide some different components of the social sustainability. These are -a) external: Equity, Health, Education , Housing/ living conditions, Security/ crime, Facilities and services, Population , Community benefit/ employment, Community cohesion, Product responsibility, Stakeholder participation, Capacity development, and b) Internal: Fair labor practices, Employee health and safety. They have shown that other framework such as CHDI, WSI, GRI, and UNCSD fails to incorporate all the relevant dimensions or indicators of social dimension, because of most of them are macro focused. Moreover, the frameworks which are primarily targeted towards social sustainability also fail to incorporate relevant indicators in assessing social sustainability.

Although social dimension is very important for long term sustainable development, this issue have neglected in most of the policy formulation (Omann and Spangenberg 2002). They shows that usually environmental concern are being highlighted in different frameworks and indicators of sustainability and they maintain that the inter-link of social and environmental sustainability immensely necessary to bring into the development agenda. According to this study policies towards sustainability thus require:

- the integration of economic, social, environmental and institutional objectives into a coherent strategy safeguarding the essential interests of each dimension,

- the (re-)introduction of a normative orientation towards distributional justice in and between countries into economic, trade, development and other policies, and
- The extension of the policy perspective to include distant regions and future generations.

While the environmental sustainability deals with the overall ecological balance, and economic sustainability deals with macro perspective, in contrast social dimensions of sustainability considers quality of life, improvement in human capital, better in work and external conditions. But the challenges of social sustainability are of many types- a) significant gap in conceptual clarity b) separating it from other dimension is more difficult because there are a lots of subjective components are involved there c) most of the countries are mostly focus to the environmental sustainability while some of them assess social sustainability separately which should be come as inter-linkage of other dimensions of sustainability. In their study they also mentioned different types of objective and subjective indicators of social sustainability. It is worth mentioning that though the subjective dimensions are important for assessing social sustainability, it is of less use in the policy level, because as they are subjective in nature , and so difficult to quantity , therefore, not usable for assessing sustainability using observable facts.

Earlier, sustainably was not taken as an explicit rather it was assumed as an implicit one. To sustain human will build a mechanism which will be self sustainable. However, later this assumption become invalid and so sustainability was considered as separate and explicit goal. Now, to track the progress and trend, it is imperative to have better understanding of the concept along with some measurable indicators. According to Bossel (1999) a number of requirements follow for finding indicators of sustainable development:

- Indicators of sustainable development are needed to guide policies and decisions at all levels of society: village, town, city, county, state, region, nation, continent and world.
- These indicators must represent all important concerns: An ad hoc collection of indicators that just seem relevant is not adequate. A more systematic approach must look at the interaction of systems and their environment.
- The number of indicators should be as small as possible, but not smaller than necessary. That is, the indicator set must be comprehensive and compact, covering all relevant aspects.
- The process of finding an indicator set must be participatory to ensure that the set encompasses the visions and values of the community or region for which it is developed.
- Indicators must be clearly defined, reproducible, unambiguous, understandable and practical. They must reflect the interests and views of different stakeholders.
- From a look at these indicators, it must be possible to deduce the viability and sustainability of current developments, and to compare with alternative development paths.
- A framework, a process and criteria for finding an adequate set of indicators of sustainable development are needed.

However, they have also shown some concern or caveat to use the indicators. These are- a) keeping it simple sometimes miss the relevant information b) though to develop indicators aggregation is necessary it may conceal some useful information c) covering only environmental indicators may good to assess the ecological dimension but for comprehensive assessment other dimension, mainly social dimension, needs to be included d) though it should as comprehensive as possible, the indicators should be under the manageable set.

It goes without saying that because of their intermediary role in economics, the role of financial institutions, particularly commercial banks, in contributing towards sustainable development is potentially enormous. They are highly influenced by stakeholders and they themselves also work as the stakeholders. The modern bank has to take coordinated effort to make balance between these two roles. One of the potential ways to coordinate the aforesaid factors is acceptance of sustainability principles in banking activities (Sepinskins et al 2006)

Sustainability in business enterprise does not mean only creation of financial and economic values but

also environmental and social values (Srivastava). With the global attention to sustainable development, business also considers this issue with outmost importance. Banking sector is no exception. Sustainability is now an integral part of the business. Banks are the providers of capital solution to the very large to very small firms, and hence sustainability cannot be discussed without focusing the banking sector. Moreover, banking sector cannot ignore the issue of sustainability and so the inter-linkage between them is very much evident. According to Srivastava, for banks sustainability has two components- a) managing social and environmental risks in strategic decision making and lending: banks can strengthen their portfolio by systematically evaluating the risk and thus profitability by reducing the environmentally and socially unsustainable investments, b) identifying opportunities for innovative product development in new areas related to sustainability: this implies creating financial opportunities to development of the projects and investment which provide social and environmental benefit. Moreover, an increasing market size through expanding financial opportunity to environmentally and socially beneficial projects such renewable energy, cleaner production processes and technologies, biodiversity conservation, small loan for the targeted women and to the low income households.

It is well evident that banks are no longer treating environmental and other social issues as peripheral to their business concerns; they no longer focus simply on recycling paper or using energy-efficient light bulbs. Based on meetings with 80 officers at 38 leading financial institutions, a study financially supported by Environmental Resources Management (ERM), indicates that the majority of the world's large banks agree that integrating environmental and broader social issues into their core credit risk management process is essential to managing credit risk in the 21st century. In his study Lindlein (2008) discussed about the benefit of financial institution can get through the sustainable financing and these are presented below

- Financial institutions would address a field which is becoming ever more important and relevant, both in real as in financial aspects. Thus, they could secure their share in the growing 'green' market,-
- Environmental finance can be good business, as can financial services that serve the poor. A mix of MSME finance and household finance with environmental finance offers a chance for business development attracting new clients and strengthening the relation with present customers. This could strengthen the dynamics of this market;
- For financial institutions this would offer not only an opportunity for cross-selling and portfolio building, but also for a reduction of risk as energy efficiency can improve the financial situation of the clients.

He also provides some examples of potential client and market sustainable financing (see table 10).

Table 10: Examples of Potential Clients and Sustainable Financing

Clients/ EnvironmentalFinance Type	Households	MSMEs	Municipalities	Remark
Renewable Energy	Solar Water Heating; Solar-Photovoltaic; Biogas	Biomass; Small Hydro; Wind; Solar Water Heating	Small Hydro; Biomass (Waste to energy); Wind; Solar PV	M(SME)/municipalities power suppliers in energy generation M(SME) and co-generation (e.g. biomass)
Energy Efficiency	Lighting; Domestic Appliances; Eco-efficient Housing (Retrofitting, Insulation)	Industrial Energy Efficiency; Eco-efficient Buildings	EE Public Lighting; Public Buildings; Power Distribution Network	Households, by number almost all, by amount mainly the present higher consumers, i.e. medium and high income households; Potential for loss reduction through improvement of electricity distribution network
Clean Production		Resource Efficiency incl. Recycling; End of pipe approaches, like sewage Plants		Reduction of Pollution and Pollution Treatment
Climate Insurance		Small Farmers		
Environmental Supply Chain		Equipment Production; Service Companies		Local supply can be the bottleneck; you can import the equipment, but hardly the service for implementation and maintenance; important to build up production an service capacities and networks

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Source: Adapted from Lindlein, 2008

In 2003, a group of top global bankers adopted the Equator Principles, an initiative by ten of the world's largest banks to address the social and environmental impact of the projects that they finance. Based on IFC environmental and social standards and developed with the IFC's advice, the Principles are a voluntary set of guidelines for managing environmental and social issues in project-finance lending also and since then all of the big projects of the world has considered the issue sustainability based on IFC guideline (Santiso, 2008). In 1993, the European Bank for Reconstructions and Development (EBRD), conducted an international survey which was set to provide information to what extent financial institutions were being exposed to environmental risks throughout the United States of America, Western Europe and Southeast Asia (Capella, 2002). The survey reached 56 financial institutions from 7 countries, and achieved primarily the following results:

- Over one third of the banks stated that they had experienced significant losses resulting directly or indirectly from environmental risks.
- The most common sources of loss were loans which fell in default, written off in preference to exercising rights over collateral security, which could have exposed lenders to the costs of undertaking remedial costs.
- Large numbers of financial institutions also reported losses arising from remedial works undertaken by the lenders after foreclosure and from loans which defaulted as a result of environmental upgrading legislation or costs of remedial works incurred by the borrower.
- Smaller but significant number of banks testified to reduced share values and dividend payments,

resulting from environmental violations or costs incurred by customers, together with increased volatility of shares prices as a result of increased environmental risk across their equity portfolio.

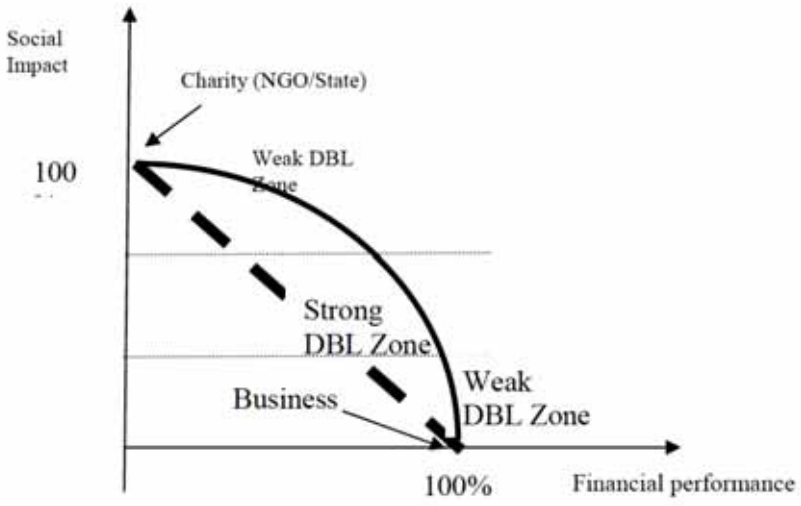
A similar survey was also conducted by the United Nations Environment Programme (UNEP) in 1994, Global Survey on Environmental Policies and Practices of the Financial Services Industry, and they also identified similar trends with regards to environmental risk and exposure loss by many financial institutions.

Business is characterized as an entity which seeks predominantly to maximize profit for its shareholders but social and other impact of its business may be ignored.

Porteous (2005) showed some examples of banks that achieved a very strong and positive social impact while also surpassing their peers in other conventional financial performances which is theorized as 'double bottom line' meaning that increasing both the return to the shareholders keeping some social impact of the investment. They also showed that having some positive impact will come as a by-product while not sacrificing the profit, however. Usually it is believed that there are two extreme or polar cases of entity- one is corporate or business which is 100% profit seeking, and the exactly opposite for the charity or many NGOs which are 100% impact seeking, there is a trade-off between profit seeking and impact seeking.

According to Porteous (2005), this situation can be better explained by the following figure. The figure below indicates all the possible mixes: for example, at the centre point as shown, an entity may choose to weight its objectives equally in terms of financial performance and social impact. With the precedent of strong and weak economic hypotheses, a 'strong double bottom line zone' ('strong DBL') is around the midpoint, in which both intents are heavily and deliberately weighted; and two 'weak double bottom line zones' are above and below the strong DBL zone. In the weak DBL zones, one intent is either heavily subordinated to the other; or else is to be achieved as a by-product of the other. Hence, a business which combines profit maximization with (i) a 'do no harm' approach to social impact and (ii) which produces positive social impact as a by-product only, would fall into the weak double bottom line zone at the bottom.

Figure 7: trade-off of intentions (adapted from Porteous, 2005)



According to the figure, as presented below, if any business entity /charity want to achieve one objective (profit/social impact) then it has to sacrifice other objective (social impact/profit). But they argue that it is not necessarily true. If the business/bank provides socially responsible investment (SRI) with sacrificing a little amount of profit (say 1%), then social impact will increase at a significant extent (according to the concave curve); it will bring no or very insignificant sacrifice. However, it may bring more profit also through better reputation of the company or bank. Now, worldwide there is a call for and now observing their performance other banks are adopting similar types of social impact oriented project or programs. He

used following indicators for assessing the performances of the banks and these are:

Financial indicators	Social and Environmental impact indicators
Shareholders return on equity	- No. of women enterprise assisted
Annual growth in revenue	- No. of poor people assisted
Annual growth in gross assets	- No SMEs loans
	- Equity of salaries within the firm
	- Employee compensation.
	- Etc.

According to the IFC survey 2005, the most common factors that provide incentive to integrate sustainable banking are reputation and branding. The report also gives some insights to some prominent business opportunities: cleaner production, sustainable energy, biodiversity conservation and banking services to low and underserved groups. The report identified the two important components of sustainability for financial institutions: a) managing social and environmental risks in strategic decision-making and lending-financial institution can reduce risk in their portfolio considering the risk involved with projects which are not economically, socially and environmentally sustainable, b) identifying opportunities for innovative product development which benefit the society and environment, however, does not affect or reduce financial sustainability.

Global Impact Investment Network (GIIN) has developed a tool termed as IRIS (Impact Reporting and Investing Standards) that measures social and environmental performances based on a set of financial, impact metrics, indicators. It includes social and environmental dimensions both at product and operational level and it requires specifying the value of indicators of Financial performance Social Impact Strong DBL Zone 100% 100% Weak DBL Zone Weak DBL Zone Charity (NGO/State) Business 36 financial, social and environmental dimensions from policy or goal of the organization to output and outcome level. But the main weakness of the tool is that it is that it is too much generic and includes different types of sectors which reduced the focus of financial sectors; it is more applicable to social and development organizations.

In the light of above discussions and review of the literature, we can summarize some of the key findings. First, most of the literature or study focused on mainly economic and environmental sector and most of them for whole economy, rather than micro level. Second, a differential framework has been given, rather than concrete indicators. Third, financial sector is less emphasizing while development sectors (other than financial institutions) were given more importance. Fourth, some reporting guidelines (GRI,and IRIS etc.) provides a huge number of indicators that may appear unmanageable in many cases. Fifth, social sector were believed to be built in the other dimensions and so it is ignored or are not presented explicitly; social dimension of sustainability is less emphasized. Sixth, very few of them covers banking sector separately let alone SMEs sector, though some cases SMEs (their proportion in lending) has been taken as indicator of social welfare.

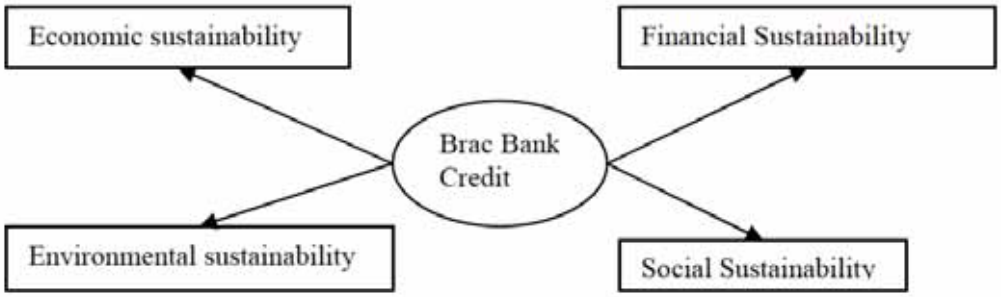
Since only a few studies are found to have been conducted on banking sector, the indicators developed and used in those studies cannot fully replicated in Bangladesh because of differences in socio-economic culture. Social context is different. Moreover, those studies were not limited to developing countries. As such, there is a need for developing comprehensive set of indicators which will also have relevance for other countries – developed or developing.

Framework for Development of Indicators of Bank Finance

We outline a framework for identification of indicators based on the nature of financial services provided by BRAC Bank. Essentially indicators reflect impact assessment indicators of credit. But the indicators reflect three bottom line approach.

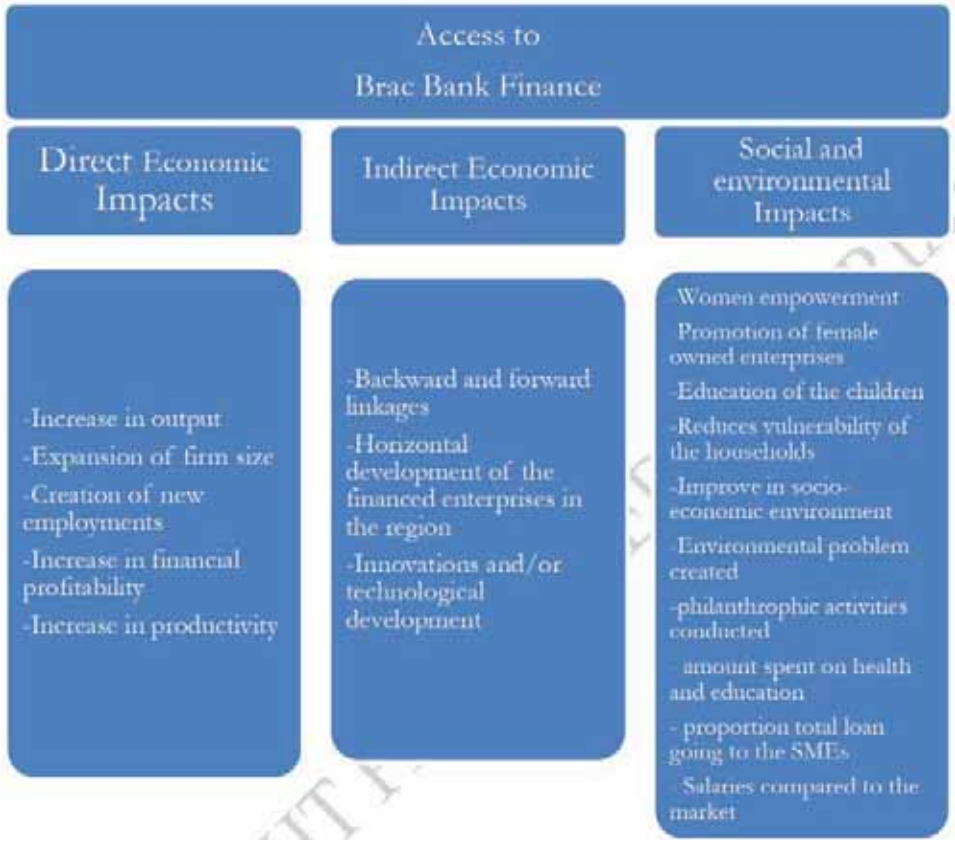
Brac Bank is a financial institution. It provides, as we discussed earlier, provides deposit and loan services. Our concern is about indicator based impact assessment of BRAC bank credit. We argued that BRAC Bank essentially targets small enterprises. Credit is a multi-impact based intervention. It impacts growth and development of small enterprises; it impacts household level outcomes of the borrowers through income and profit enhancement; it impacts at the market development or industrial development through backward and forward linkages; it impacts at the societal level through participation of the borrowers at the community level, and it impacts at the environment level through impacting behavior of the enterprises. We schematically present the relationship between credit and different impact outcomes as follows:

Figure 8: Relationship between credit and impact outcomes



Considering the relationship between credit and different outcomes, we broadly identify impacts indicators. We express the relationships or the impacts in generic term so that this can have application in other countries. The borad based indicators are as follows:

Figure 9: Broad impact indicators



IDENTIFICATION OF INDICATORS

Possible impacts of BRAC Bank credit as outlined in the above diagram are not necessarily be limited to the above dimensions and/or indicators. Specific set of indicators are identified based on the nature and type of enterprises financed and the targeted group provided credit with. We classify the indicators following the Triple Bottom Line approach. The dimensions of indicators that we have identified are: financial sustainability, economic sustainability, social sustainability and environmental sustainability. These dimensions are identified from the demand side as we evaluate impact of SME finance at the borrower level. Since impact outcomes are function of both demand and supply side variables, we therefore assess organizational sustainability of BRAC Bank from the perspective of borrower-friendly approach.

Table-10 encompasses financial indicators. This covers financial structure, profitability, and assets structure. We have rationalized each of the indicators. We have also specified the Access to Brac Bank Finance Direct Economic Impacts -Increase in output -Expansion of firm size -Creation of new employments -Increase in financial profitability -Increase in productivity Indirect Economic Impacts -Backward and forward linkages -Horizontal development of the financed enterprises in the region -Innovations and/or technological development Social and environmental Impacts -Women empowerment -Promotion of female owned enterprises -Education of the children -Reduces vulnerability of the households -Improve in socioeconomic environment -Environmental problem created -philanthrophic activities conducted - amount spent on health and education - proportion total loan going to the SMEs - Salaries compared to the market 38 measurements of the indicators. Table-11 contains economic indicators. Economic indicators centre around employment creation due to BRAC Bank credit. We have classified employment creation into male and female employment as well child. Credit may have impact on savings, market development, backward and forward linkages. Economic indicators, therefore, include indicators pertaining to savings, backward and forward linkages, business expansion and development. Table-12 contains several environment-based indicators. It is possible that a lender may inadvertently finance enterprises that may not be environment-friendly. Such type of enterprises may use chemical or may use anti-environmental polythene bags, or may create and dispose waste may be health hazard by and large. Table-13 encompasses social indicators. It includes three major indicators – interaction at the community level, women empowerment, children's education, and use of child labor. Finally Table-14 describes effectiveness indicators of BRAC Bank which includes awareness creation, cost of fund and accessibility to BRAC SME loan.

Table 11: Matrix of Financial Indicators SSI

SSI. No	Financial Indicators	Definition/Rationale	Specific Measurement indicators	Index/Formula
1	Loan repayment rate	Ability of the firms to repay loans fully or the intensity of difficulty faced in repayment of loans	• Loan Recovery Ordering • Intensity of difficulty in repayment	• Ordering of loan recovery: Full repayment (1), Partial repayment (2), and No repayment (3) • Intensity of difficulty ordered: Never (1); Rarely (2), Occasional (3), and Frequently (4).
2	Accumulation of assets	Size of firms is correlated with accumulation of wealth or assets. It measures stability and strength of firm.	• Growth rate of total assets • Average asset per firm	• Change in total assets in 2010 as percentage of value of base year (year of first loan taken from BRAC Bank). • Total assets divided by number of firms • Both the indicators are measured at cost.
3	Value of all assets	All assets are valued at market price. It measures solvency or ability of the firms to meet its liabilities.	• Growth rate of total assets • Average asset per firm	• Change in total assets in 2010 as percentage of value of base year (year of first loan taken from BRAC Bank). • Total assets divided by number of firms • Both the indicators are measured at market price.
4	Utilization of resources	Measures use of resources, long run growth, and overall ability of the firms to use resources. Higher growth rate in fixed assets will imply lesser resources available for operation. This will also affect sustainability in long run.	• Growth rate of fixed assets • Growth rate of total assets • Ratio of fixed assets and total assets • Sales-fixed assets ratio	• Change in fixed assets as percentage of base year (year of first loan from BRAC Bank) • Change in total assets as percentage of base year (year of first loan from BRAC Bank) • Fixed assets divided by total assets • Sales volume divided by fixed assets
5	Long run earning potential	Growth in sales volumes measures long run earning potential of the firms	• Growth in sales	Change in sales as % of base sales
6	Profitability	Measures financial sustainability of the firm.	• Absolute profit per month • Rate of return • Return on assets • Growth rate of profit	• Reported profit per month • Rate of return: Profit as percentage of sales • Return on assets: Profit as percentage of total assets • Change in annual profit from the base year (year of first loan taken from BRAC Bank)
7	Financial structure	It measures dependency of the firm on debt capital, and exposure to different credit markets over time.	• Debt-equity ratio • Brac Bank credit-assets ratio • Credit-assets ratio	• Total debt as percentage of total equity • Credit from BRAC Bank as percentage of total assets or capital • Total credit as percentage of total assets
8	Financial impact of BRAC Bank credit	Value of BRAC Bank to the entrepreneurs is measured by financial impact of BRAC Banc credit. These are perception-based measures.	• Business expansion • Increase in profit	• Growth in business expansion due to BRAC Bank credit, as perceived by borrowers; • Increase in prodit due to BRAC Bank credit as perceived by borrowers

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Table 12: Matrix of Economic Indicators Sl. No. Indicators

Sl. No.	Indicators	Definition/Rationale	Specific Measurement Indicators	Index/Formula
1	Employment creation	Credit contributes positively to growth through creating employment opportunities. It measures incremental employment – full or part time – created by BRAC Bank credit using both actual and perceptions of the borrowers.	Full time employment – outside family	• Number of male full- time employees created. • Number of female full-time employees created
2			part time employment – outside	• Number of male part-time employees created. • Number of female part-time employees created
			Full time employment – family	• Number of male full-time employees created for the family • Number of female full-time employees created for the family
			part time employment – family	• Number of male part-time employees created for the family • Number of female part-time employees created for the family
			• Perceived impact of credit on employment	• Percentage of employment created due to BRAC Bank credit as perceived by borrowers
4	Generation of savings	Credit may induce savings at the individual and family level. BRAC Bank credit contributes to savings through income generation at the family level.	• Incremental savings due to BRAC Bank credit	• Percentage change in savings due to BRAC Bank credit as perceived by the borrowers
5	Income enhancement	Credit induces income of the borrower and family through employment opportunities and profit-sharing.	• Incremental income • Incremental profit	• Percentage change in income as perceived by the borrowers • Percentage change in profit as perceived by borrowers
6	Business expansion	Credit expands size through its effects on sales and assets.	• Expansion in size • Growth in total assets	• Percentage change in business expansion as perceived by the borrowers • Change in total assets as percentage of base year (year of first loan from BRAC Bank)
7	Creation of competitive environment or business	Similar business may be developed through learning from the experience of firms financed by BRAC Bank. Such expansion of similar business creates competitive environment.	• Number of new similar business enterprises developed. • Percentage of similar business developed	• Number of new similar business firms emerged in the market • Percentage of similar business firms developed as perceived by borrowers
	Development of backward linkage enterprises	Expansion of business due to BRAC Bank credit induces to development of backward linkage enterprises	• Expansion in size of the backward linkage enterprises	• Percentage change in backward linkage enterprises started as perceived by the borrowers
	Development of forward linkage enterprises	Expansion of business due to BRAC Bank credit induces to development of forward linkage enterprises	• Expansion in size of the forward linkage enterprises	• Percentage change in forward linkage enterprises started as perceived by the borrowers
	Value chain development	Expansion of business due to BRAC Bank credit motivates the company/ dealer to carry the products to the enterprises	• Number of firms	• Percentage of firms for which company or dealer carry the products as of total firms

Table 13: Matrix of Environment Indicators

SSl. No	Environmental Indicators	Definition/Rationale	Specific Measurement indicators	Specific Measurement indicators
1	Environment friendly enterprises	To understand the extent to which BRAC Bank credit leads to green investment	• The ratio of environment friendly enterprises to total enterprises	• Percentage of environment free enterprises as of total enterprises reported by the borrowers
2	Discouragement of business using chemical	To understand the extent to which BRAC Bank credit discourages to the business that use chemical.	• The ratio of the enterprises which do not use chemical in their business to total enterprises	• Percentage of the enterprises which do not use chemical as of total enterprises reported by the borrowers
3	Discouragement of business creating health hazard	To understand the extent to which BRAC Bank credit discourages to the business that create health hazard.	• The ratio of the enterprises which do not create health hazard to total enterprises	• Percentage of the enterprises which do not create health hazard as of total enterprises reported by the borrowers
4	Discouragement of using polythene bag	To understand the extent to which BRAC Bank credit discourages to use polythene bag	• The ratio of the enterprises which do not use polythene bag to total enterprises	• Percentage of the enterprises which do not use polythene bag as of total enterprises reported by the borrowers

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Table 14: Matrix of Social Indicators

SSI. No	Social Indicators	Definition/Rationale	Specific Measurement indicators	Specific Measurement indicators
1	Women empowerment	Employment of women empower them to play role in the family and in the society.	• Women employment due to BRAC Bank credit, outside family • Women employment from the family • Participation in business decision	• Number of women employment created outside the family • Number of women employment created from the family • Ordering of perception of the borrowers (1 always, 2 occasional, 3 never)
2	Use of child labour	Expansion and profitability of business due to BRAC Bank credit discourage the firms to employ child labour.	• Lesser employment of child labour	• Number of child labour employed
3	Education of children	Credit through surplus generation may have impact of children's education.	• Financing of child education • Family Literacy rate	• Percentage of ease in financing child education, as perceived by borrowers • Percentage change in family literacy rate from the base year (year of first loan of BRAC Bank)
4	Interaction in the community	Credit may enhance interaction in the community because wider participation of the borrowers	• Enhancement in community interaction	• Number of enterprises with greater participation in the community • Percentage of borrowers involved in social and professional organizations • Perceived increase in interaction with neighbors • Percentage of borrowers involved in social activities

Table 15: Matrix of Indicators of Effectiveness of BRAC Bank

SSI. No	Effectiveness Indicators	Definition/Rationale	Specific Measurement indicators	Specific Measurement indicators
1	Creating awareness	Borrowers will apply if they have information. Such information is provided by the BRAC Bank employees	• Communication by bank staff • Bank advertisement • Brac Unit office	• Percent of borrowers got information from bank staff • Percent of borrowers got information from advertisement • Percent of borrowers got information from nearby by unit office
2	Cost of fund	Cost of borrowing fund is the interest rate. Borrowers may find it cheap if effective interest rates of other sources are higher.	• Low interest rate	• Percent of borrowers considering BRAC Bank interest as cheaper
3	Accessibility to BRAC Loan	Accessibility is defined in terms of less complexity of the procedures.	• Borrower-friendly flexible lending system	• Percent of borrowers considering loan sanctioning procedure as flexible and borrower friendly.

THE METHODOLOGY

Data

This study uses mainly primary data. This data has been collected from a survey on SMEs. First, we selected 21 SME unit offices (5% of unit offices) randomly from the lists of unit offices provided by SME Section of BRAC bank. We then selected 20 enterprises randomly with a suitable mixture of both first time and repeat borrowers from each unit office. It is to be noted that overall about 35 percent borrowers are repeat ones. Based on this number, we selected the sample proportionately from the two types of borrowers for each unit office. In addition, we selected five borrowers randomly from each unit office from a list of enterprises who did not apply for repeat loan or rejected for the repeat loan. Thus, we totally selected 525 enterprises for the survey.

In addition, we used some record data provided by the SME section of BRAC Bank. This data contains the institutional information (such as amount of loan disbursed, amount of outstanding loan, total of number of borrowers by gender and type of SME and so on). We also use some information from the loan application forms of the borrowers for each loan.

In order to capture broader impacts (economic, social and environmental) we conduct a detailed survey on all the selected enterprises using a semi-structured questionnaire. This questionnaire contains information regarding the financial (such as loan repayment rate, accumulation of assets, profit), economic (such as employment creation, generation of savings, income enhancement), social (membership in or

contributions to any social or religious institutions, women empowerment, interaction in the community) and environmental (use of environment degrading factors such as chemicals, garbage disposal system and so on) factors. In addition, we collect some information regarding the households (e.g., household income, land, education status, earning members and so on) of the entrepreneurs. We collect both quantitative and qualitative information about these factors. It is to be noted that this questionnaire contains data for the three periods of the business: while starting the business, before borrowing from BRAC bank for the first time and while the survey was conducting.

We also conducted an in-depth interview on all the selected enterprises to complement the quantitative survey. This survey was particularly targeted to collect information regarding social and environmental impacts of SMEs. In addition, we collected some information on the characteristics of unit offices. The survey was conducted during the period November 2010 - January, 2011. Data was processed, edited and analyzed using the STATA statistical software.

Methods of analysis

In analysing quantitative data we have used both bivariate and multivariate tools to analyse the data. In the bivariate analysis we have compared the mean or proportional difference of the impact indicators given in Tables 16-19 between the repeat borrowers and new borrowers.

In order to estimate the actual impact of a loan scheme on its borrowers it is necessary to compare the observed outcomes (i.e., factual outcomes) with the outcome that would have occurred without program participation (i.e., the counterfactual outcomes). The differences 46 between factual outcomes and counter-factual outcomes are actually program impacts. But only the factual outcomes can actually be observed. This is the major problem with assessing causal effects. Thus, for any program evaluation it is necessary to provide an estimate of the counterfactual outcomes. It is equally important to avoid selection bias in order to estimate impact outcomes precisely. Selection bias arises in program placement in areas and selection of participants. For example, selection of economically better off areas will have higher outcomes than when place in relatively less depressed region. Similarly, selection of qualified and enterprising participants will also generate higher level of outcomes. Therefore, an impact assessment will require not only estimation of counter-factual outcomes but also removal of all forms of selection bias. Accordingly, an appropriate estimation and evaluation technique has to be applied. Note that the evaluation methods of causal effects fall into two broad categories in empirical literature: randomized social experimental approach and non-experimental approaches.

The randomized experimental approach is unanimously considered as the most robust evaluation approach because it holds a comparison (control) group which is a randomized subset of the eligible population. The most important aspect of the randomized experimental approach is that it can avoid the issue of selection bias since participation is randomly determined. Thus, it is claimed that a properly defined social experiment can avoid the missing-data problem of counter-factual group. However, its application is very limited in economics and other branches of social sciences (other than psychology). A large scale randomized design and experimentation is quite costly. Moreover, conclusions from a cross-sectional randomized experimental design may be misleading as it may not capture vulnerability and environmental factors which vary over time. A randomized experimental study should be conducted over a period of time in order to make the findings robust. This is when researchers are confronted with the questions of time, resources and ethics (when control households are forced not to have access to credit over time).

Thus, researchers in economics and other branches of social science rely on non-experimental methods. A number of non-experimental estimation techniques have been developed by statisticians and econometricians to estimate the causal effects, such as difference in difference (DiD) estimator*, instrumental variables estimation, selection estimator and matching estimator (Blundell and Dias, 2000).

* It is sometimes known as 'natural experiment' approach.

The first method falls into the 'before and after' estimation category and the latter three into the cross-section category. However, choice of an appropriate evaluation method for a program depends on some criteria, such as nature of the program, the nature of the research question and data availability. One should apply diff-in-diff method to measure causal effects if longitudinal or repeated cross section data are available because it can provide a more robust estimate of the impact of treatment. In the absence of longitudinal or repeated cross section data, researchers can use cross section data to deal with causal relationships.

Estimating the effects conditional on participation in program is a widely used method in cross section data. In Bangladesh, a number of empirical studies (Pitt and Khandker, 1998; Nanda, 1999; Khandker and Faruqee, 2003) have used this method for assessing the impact of microcredit program. One of the major challenges of estimating the impact of a program using non-experimental data, conditioning on participation, is to deal with selection bias or endogeneity, which influences both the participation decision and outcome. Selection bias mainly arises because of the treatment group systematically possessing an 'invisible' attribute which the control group lacks (most commonly identified as entrepreneurial drive and ability). This problem has been tackled by using accepted 'clients-to-be' who have not yet received credit services as the control group in some microfinance literature (Hulme and Mosley 1996, chapter 4). Another challenge is the fungibility of the treatment (e.g.;when a loan is transferred from a borrower to someone else or when the loan is not used in the planned way). However, this is an intractable problem as '...no study has successfully controlled for the fungibility of resources between the household and the assisted enterprise' (Gaile and Foster 1996:24).

Following empirical literature on SME and microcredit (Pitt and Khandker, 1998; Nanda, 1999; Khandker and Faruqee, 2003; McPherson and Rous, 2010) we can consider a structural equation to estimate the outcomes of the interest given in Tables 10-14. Note that the exact specification of the model (linear, probit, ordered probit or Tobit) depends on the nature of the outcome (y_{ij}), i.e., whether it is continuous, binary or ordered response.

$$y_{ij} = X_{ij}\beta_y + A_{ij}\delta + \xi_{ij}$$

y_{ij} is the outcome of interest (e.g., expansion of business, participation in social activities, etc.) of enterprise *i* in area (SME unit office) *j*. X_{ij} is a vector of observed characteristics of the enterprises (e.g., type of business, loan size, etc.). A_{ij} is a binary variable where ij $A_{ij} = 1$ if enterprise *i* of area *j* participates in the loan scheme and $A_{ij} = 0$, otherwise. We have considered 'repeat borrowers' as a participants and 'first time borrowers' or 'drop out cases' as 'control' following the concept used in microfinance literature. ij ε is the stochastic error term. The estimate of δ will give an unbiased estimate of the effect of loan scheme on the outcome y if A_{ij} is an exogenous variable.

In reduced form (participation) equation

$$A_{ij} = X_{ij}\beta_A + Z_{ij}\phi + \mu_{ij}$$

Z_{ij} is a distinct set of enterprise or area characteristics that affect only participation in the scheme (A_{ij}), but not outcome (y_{ij}) conditional on A_{ij}, and μ_{ij} is the stochastic error term.

In the absence of longitudinal or repeated cross section data, instrumental variable method and the propensity score matching method can be used in applied research to handle endogeneity in cross section data. Instrumental Variables (IV) is a standard, well established and popular approach in econometrics to deal with endogeneity at the individual level for the treatment group and comparison group. Under the IV method it is necessary to identify at least one variable that determines participation in BRAC Bank SME credit but not outcomes. This variable works as an 'instrument' to provide the required randomness in the assignment rule.

In equation (2) Z_{ij} are the identifying instruments. However, practically, it is hard to find instruments. The difficulty comes about because an instrument needs simultaneously to be the determinant of participation and non-determinant of the outcome of participation4**. In many applications the price of the endogenous variable can be an instrument, as per demand theory, for predicting its demand. The price of access to a SME loan scheme is interest rate. But interest rate for a particular type of loan is same for all enterprises across the regions; hence there is no variation in prices among the members of each particular group. Accordingly, the argument for using price as an identifying instrument is not valid here. If there was any explicit eligibility criteria for participation in the scheme the sample could be constructed through a quasiexperimental design to resolve the endogeneity problem. It is worth mentioning that Pitt and Khandker (1998) used this type of survey design to resolve the endogeneity in participation of microcredit program in Bangladesh. But it is not possible to use the eligibility based instrumentation in this research as there are no explicitly ineligible enterprises because BRAC bank loans are open to all the SMEs in the program areas. In a SME impact study in Indonesia, McPherson and Rous (2010) used title to land or a building as an instrument because this was used as collateral and was very important for qualifying loan. This instrument is not suitable in this research because BRAC SME does not require any collateral. Thus, in the absence of an identifying instrument, we have used PSM method in the multivariate analysis. Note that PSM has also become popular in evaluating the programs.

Measuring Impact by Difference-in-Difference (DID)

In this study we are mainly concerned with the average impact on the outcome variables. Average treatment effect on the treated (ATT) is the most widely used measure. As discussed earlier, the problem of selection bias can be removed or minimized through panel data set. The technique that is being used is Difference-in-Difference (DiD) of the outcomes of both participants and non-participants. Suppose we have information on both participants and nonparticipants before and after the program enrollment, participation in BRAC Bank SME loan. Then we can measure

$$\text{DiD} = (\overline{Y}_1^1 - \overline{Y}_0^1) - (\overline{Y}_1^0 - \overline{Y}_0^0)$$

here the subscript denotes the time period,1 for the time when the program participation took place and 0 for previous time period. The term $(\overline{Y}_1^1 - \overline{Y}_0^1)$ is the difference between the average mean value of outcome for program participants before and after participation.
$(\overline{Y}_1^0 - \overline{Y}_0^0)$ calculates the same value for the non-participants.

For the program participants,

$D_1 = (\overline{Y}_1^1 - \overline{Y}_0^1)$ = Random effect of time + Program effect

Random effect of time measures the natural change in outcome variable that might occur from one period to another. For example, the period 2 might have experienced economic recession, as a result the outcome variable is naturally higher which has nothing to do with the program. On the other hand,

$D_2 = (\overline{Y}_1^0 - \overline{Y}_0^0)$ = Random effect of time

only measures the random effect of time for the non-participants. We are assuming this time effect is group independent, i.e., no matter whether an enterprise is participant or not, the impact on the outcome variable is the same. This is a strong assumption in the sense that time effect, as in the above example of economic recession, usually might affect different group of people in the same rural economy depending on the diverse characteristics of those groups.

** This problem may not be solved even using lagged values of some determinants (if longitudinal or past data are available), which is commonly proposed to solve this problem, because they may be correlated with future values.

From the above two differences in the two groups, we can estimate the difference-in-difference (*DiD*),

$DiD = D_1 - D_2$ = Random effect of time + Program Effect – Random effect of time = Program Effect

How accurately *DiD* would measure the program crucially depends on the above assumption of equal time effect for both participants and non-participants. The problem lies whether the two groups are really comparable or not. To make sure we have a comparable group of people, we take resort to propensity score method (PSM).

Propensity Score Matching

The method of matching has achieved popularity more recently as a tool of evaluation. It assumes that selection can be explained purely in terms of observable characteristics. Applying the method is, in principle, simple. The approach has an intuitive appeal but rests on two assumptions. The first is that if one can control for observable differences in characteristics between the treated and non-treated group, the outcome that would result in the absence of treatment is the same in both cases. This identifying assumption for matching, which is also the identifying assumption for the simple regression estimator, is known as the Conditional Independence Assumption (CIA). It allows the counterfactual outcome for the treatment group to be inferred, and therefore for any differences between the treated and non-treated to be attributed to the effect of the program. If the CIA holds, the matching process is analogous to creating an experimental dataset in that, conditional on observed characteristics, the selection process is random. Consequently, the distribution of the counterfactual outcome for the treated is the same as the observed outcomes for the non-treated.

In trying to find a comparison group it is natural to search for non-participants with similar preintervention characteristics to the participants. However, there are potentially many characteristics that one might use to match. This method aims to select comparators according to their propensity scores, as given by $P(Z) = Pr(T = 1|Z)$ where Z is a vector of pre-exposure control variables (which can include pre-treatment values of the outcome indicator). The values taken by Z are assumed to be unaffected by whether unit i actually receives the program. PSM uses P(Z) (or a monotone function of P(Z)) to select comparison units.

Effects of the Treatment on the Treated

It is often difficult to assess impact of BRAC Bank at the enterprise level using quasiexperimental design if sample size is not sufficiently large to ensure that we have reasonable size of observations for each enterprise group. Homogeneity is a requirement. Considering the fact BRAC Bank finances different types of enterprises in different regions, it may be difficult to create homogenous group. In such a situation, we can assess the effects of the 'treatment on the treated'. This implies that only the borrowers will constitute population. Since age of borrowing and nature of projects along with borrower characteristics will be different, we will be able to assess impact by age of the project – new project versus old, less enterprising versus more enterprising borrowers, and so on. The incremental gain from the project will be measured by age of borrowing. Other characteristics may be introduced as well in the analysis.

BRAC Bank essentially is an SME Bank. But as a bank, it also provides other financial out activities and also associated costs. Consequently, it will be possible to provide information on loans productivity, cost efficiency and other relevant parameters.

In brief, the Indicator Validation Approach:
We have adopted several approaches to validate the indicators. Econometrically, we have used two techniques: Difference-in-difference (DiD) and test of differences. Since we have panel data of pre-and-post BRAC loan for both repeat and first time borrowers; for some of the indicators, we have used difference-in-difference techniques. One of the major advantages of this technique is the controlling for unobserved characteristics that may generally influence outcome. For some of the indicators, we have cross-sectional information. In such cases, DiD is not appropriate; we have used mean or proportional differences test. The indicators that we have used this technique for are the growth-related variables. In a sense, it also accounts

for change in the outcomes from the base. Finally, we have used Factor analysis technique to validate the indicators. We have presented a brief note and the results in the appendix.

It is possible that not all the indicators will be statistically significant as we have data for one year in most cases, and that BRAC Bank is a new bank, just about a decade old. Therefore, there may be little data variation. As such, even some of the indicators may not be statistically significant does not mean they are not validated. However, using the Factor Analysis, we will be able to identify a set of factors or indicators that may have most loading. This does not necessarily reject less-loaded variables or indicators.

ANALYSIS OF THE FINDINGS

Location of the Selected Unit Offices

Location of the unit offices will matter in the outcomes. In addition, it also provides information on the nature of areas that BRAC Bank operates. About 14 percent of the BRAC SME unit offices are located in City Corporations, about 19 percent in district towns, about 52 percent in Upazila head quarters and about 14 percent in unions. This suggests that roughly two-third of the unit offices are located in rural areas. However, majority (about 62%) of the unit offices are located in commercial centers, about 29 percent in the market places and 9 percent in residential areas. In terms of targeting, BRAC Bank has targeted rural enterprises in growth centres. The unit office is generally a small field level office with an average of five employees. The average education and experience of them are 16 and 4 years respectively. With these characteristics, the unit offices are also expected to be cost efficient.

Characteristics of the borrowers and enterprises

In this study we interviewed 286 repeat borrowers and 134 new (first time) borrowers. In addition, we interviewed 105 drop out borrowers (who did not apply for the repeat loans or did not qualify for the repeat loans). We did not include the latter group in the analysis because they restricted themselves to provide some crucial information. Thus, we conducted the analysis on the remaining 420 borrowers.

We categorized the enterprises into there broad groups: trading and business, manufacturing* and services. Most (about 84 percent) of the SME borrowers are involved in trading and business, about 12 percent in manufacturing and about 4 percent in services (Table-16). The repeat borrowers had fairly higher involvement in trading and business and lower in manufacturing compared to the new borrowers.

Table 16: Type of enterprises and borrowers

Category of enterprises	New borrowers	Repeat borrowers	Total
Total Trading and business	80.6 (108)	85.31 (244)	83.81 (352)
Manufacturing	13.43 (18)	11.89 (34)	12.38 (52)
Services	5.97 (8)	2.8 (8)	3.81 (16)
Total	**100 (134**	**100 (286)**	**100 (420)**

Note: Figures in the parentheses are frequency.

* This include rice processing firms, bakery, furniture and saw mills, oil mills, printing press and light engineering firms. The detailed components of trading and business and services are shown in Appendix Table A1.

Almost all (98 percent) the borrowers were male irrespective of the types of borrowers. The average age of the borrowers was 39 years; this was slightly higher for repeat borrowers compared to new borrowers. Average educational qualifications and average experience in the current business of the borrowers were about 10 and 14 years respectively and there was no significant difference in these factors between the repeat and new borrowers. About 9 percent of the borrowers had also exposure in family business before starting the current business. This was fairly higher among the repeat borrowers compared to new borrowers (see Table-17).

Table 17: General characteristics of the borrowers

Types of Borrowers	Age of the entrepreneur	Educational qualification of the entrepreneurs	Experience in Current business	Experience in Family business
New	38.11 (8.48) [134]	9.49 (2.97) [134]	12.13 (7.12) [134]	11.00 (13.22) [7]
Repeat	40.01 (8.60) [286]	9.54 (3.31) [286]	15.01 (8.30) [286]	8.05 (10.48) [19]
Total	**39.41** **(8.60)** **[420]**	**9.53** **(3.20)** **[420]**	**14.09** **(8.04)** **[420]**	**8.85** **(11.08)** **[26]**

Except year of experience in family business, the repeat borrowers are self-made entrepreneurs. They have more experience in current business and are also little older. Therefore, we expect that borrowers' personal characteristics may have impact on different indicators.

As stated above, around two-third of the unit offices are located in rural areas. On the assumption of equal number of borrowers per unit office, we should expect that most of the borrowers will be from rural areas. We found that about 68 percent of the enterprises are located rural areas (upazila head quarter and unions).

The overwhelming majority (about 95 percent) of the enterprises had the sole proprietorship irrespective of the type of borrowers. The location of the enterprises are within quarter kilometer of a pacca road, one kilometer of a high school, two and half kilometers of a college, five kilometers of a commercial centre, half kilometer of a market place, one kilometer of a bus stand, eleven kilometers of a rail station, about 10 kilometers of a launch station, five kilometers of a upazila head quarter, one and half kilometers of a union council office and five kilometers of government hospital (see Table-17). There is some significant (p-value = 0) difference between the new and repeat borrowers in some important factors like collage, commercial centre, market place and upazila head quarter. This result implies that BRAC SME first penetrated in more business friendly areas and then expanded to less business friendly areas.

Table 18: Average distance (in kilometer) of the location of the enterprises from some business friendly institutions Institutions

Institutions	New borrowers n= 134	Repeat borrowers n= 286	Total n= 420
Pucca road	0.19 (0.68)	0.18 (1.00)	0.18 (0.91)
High school	0.72 (0.84)	0.63 (0.74)	0.66 (0.77)
College	1.46 (1.92)	2.97 (17.93)	2.49 (14.83)
Commercial center	3.81 (8.72)	5.99 (11.31)	5.29 (10.58)
Market place	0.99 (8.68)	0.35 (1.12)	0.56 (5.00)
Bbus stand	0.97 (2.15)	1.03 (2.31)	1.01 (2.25)
Rail station	8.93 (11.98)	12.47 (14.37)	11.37 (13.75)
Launch terminal	6.47 (10.09)	11.20 (14.56)	9.55 (13.34)
Upazila head quarter	3.96 (4.92)	6.11 (18.45)	5.42 (15.48)
Govt. hospital	4.14 (4.58)	4.83 (5.19)	4.61 (5.01)

The average distance of BRAC's SME unit office to the enterprise is 4 kilometers and to home of the borrowers is about 5 kilometers. These distances are about half for other banks (see Table 18). These findings bear the importance of BRAC SME banking.

Table 19: Average distance (in kilometer) of the enterprises or borrowers' home from BRAC Bank and other banks

Average Distance	New borrowers n= 134	Repeat borrowers n= 286	Total n= 420
From SME unit office of BRAC Bank to enterprises	3.40 (4.06)	4.41 (5.69)	4.09 (5.24)
From other bank to enterprise	1.97 (3.66)	2.01 (3.94)	2.00 (3.85)
From SME unit office of BRAC Bank to home of the enterprises	4.20 (4.03) [134]	5.22 (5.71) [285]	4.89 (5.24)
From other bank to home of the enterprises	2.78 (3.58)	2.70 (3.76)	2.72 (3.70)

The analysis of the characteristics suggests that personal characteristics of the borrowers as well as of location characteristics of the unit offices are likely to have impact on different indicatoroutcomes.

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ANALYSIS OF INDICATORS: IMPACT EVIDENCES

Although this is a cross-sectional study, we collected time series data on the possible number of variables and indicators. We could do it only for a few indicators. We did not expect any impact of SME on most of these variables or indicators because stock variables do not change every year and short duration of panel data set. Nevertheless, we used Difference-in-Difference (DiD) technique for the panel data set. We have derived results of most of the indicators from crosssectional data set. In order to derive the results, we have employed Propensity Score Matching (PSM) technique. We structure our discussion by indicator primarily using PSM-based results, and in possible cases, we bring the reference of the DiD-based results.

FINANCIAL INDICATORS

Accumulation of asset

We used two indicators – growth rate of total assets and size of assets. The repeat borrowers had significantly (p-value = .05) higher growth of asset compared to the new borrowers. During the past two years, the growth rate of total assets at cost grew by 118 percent for the repeat borrowers compared to the new borrowers by 56 percent. The difference in growth rate of assets was statistically significant (p value=0.05). It is derived from Table-20. Such growth in total assets certainly suggests that average total assets at cost had increased enormously for the repeat borrowers. The average assets size for the repeat borrowers was US$25,419 compared to US$15,683 for the new borrowers. The difference as derived from the application of PSM was significant at p=0.05. The rate of difference as percentage of the assets size of the new borrowers was 62 percent. Indeed, the similar trend will be observed for the total assets at market price. Total assets in market price imply ability of the firm to compensate for the liabilities. This is the result we get from PSM. The difference-in-difference (DiD) also provided similar trend. It was significant only at p=0.22 level. One probable explanation of not finding statistically significant result from DiD is the fact that it takes some time to expand size, but the difference in growth rate of assets was statistically higher for the repeat borrowers. Overall it seems that repeat borrowers were in better condition in terms of accumulation of asset.

Utilization of resources

We have used two variables – growth rate of fixed assets, growth rate of total assets. We expect that the repeat borrowers would have lower fixed assets-total assets ratio as more working capital will be available. This will imply better use of resources for the repeat borrowers. However, it is possible that repeat borrowers will have higher growth rate in fixed assets and total assets because of expansion in business size. The PSM results (Table-20) show that the repeat borrowers had negative fixed assets–total assets ratio, as expected, implying the firms have more current assets than the new borrowers. The ratio was 13 percent higher for the new borrowers. They are probably constrained by lack of working capital. The repeat borrowers had significantly (p-value =.05) higher growth of both fixed and total asset compared to the new borrowers. The ratio of fixed and total asset was lower for the repeat borrowers at both periods. The difference was significant (p-value= .05) only in prior to receive the loan. Although the DiD is positive, it is not significant. The ratio of sale and asset was slightly higher for repeat borrowers at both periods. However, there was no significant difference between the repeat and the new borrowers at any period. DiD is also not significant. Overall it seems that repeat borrowers were in better condition in terms of utilization of resources.

Long run earning potential

Long run earning potential is proxied by growth in sales and sales. This also reflects higher productivity of the firm. The growth rate in sales for the repeat borrowers was 81.76 percent compared to 41 percent for the new borrowers. The difference was statistically significant (p value=0.05) implying higher growth in sales compared to the new borrowers. It is equally reflected in the absolute amount of sales in US Dollar. The average sale 55 for the repeat group was US$15,800 compared to $8,957 for the control group. It was 76.3 percent higher. Better picture is derived further when sales is expressed as a ratio of fixed assets. The ratio was 66 percent higher for the repeat borrowers. These results are derived from PSM (Table-20). The result also suggests higher level of scaling up of business and better use of fixed assets for the repeat borrowers.

Profitability

We evaluated profitability of the firms using four indicators – monthly profit in US dollar, growth rate of profit, rate of return on assets, and rate of return on sales. The PSM results (Table-26) show that the repeat borrowers had higher profit by 23 percent and higher growth rate of profit by around 98 percent over the control group (new borrowers). But on the other hand, the rates of return on sales and on assets were lower for the repeat groups than the new borrower group. Several factors may have contributed to it for the repeat borrowers: more focus on the amount of sales and consolidation of business. The DiD results are not statistically significant but shows similar trend as in the PSM results.

Table 20: PSM Estimates of Financial Indicators

Sl. No.	Indicators	Variable	Repeat Borrowers (Treated)	New Borrowers (Control)	Difference	t-test	Difference as % of Control
1	Accumulation of Assets	Total Assets at cost (USD)	25419.08	15683.61	9735.47	4.34	62.08
		Total Assets at Market Price (USD)	44809.28	29849.90	1459.37	4.77	50.12
		Growth rate of Total Assets (USD)	117.86	55.63	62.22	3.69	111.85
2	Utilization of resources	Growth rate of Fixed Assets at cost	97.97	49.25	48.73	3.04	98.95
		Growth rate of Fixed Assets at market price	79.12	49.25	48.42	6.37	157.75
		Ratio of Fixed assets to Total Assets	0.216	0.246	-0.03	-2.49	-12.75
		Sales-fixed Assets	13.35	8.03	5.32	2.16	66.3
3	Long Run profitability	Growth Sales	81.761	41.24	40.52	3.19	98.24
		Sales (US Dollar)	15800	8960	6840	4.43	76.3
4	Profitability	Profit (USD)	811.44	633.17	17.84	1.81	2.82
		Growth rate of Profit	53.66	30.66	23.00	2.68	75.02
		ROA	29.13	37.82	-8.69	-4.69	-22.97
		Rate of Return	7.812	10.76	-2.95	-6.38	-27.43
5	Financial Structure	Total Capital (USD)	35038.88	26257.37	8781.52	4.1	33.44
		Total Debt (USD)	10474.59	7942.08	2532.52	3.68	31.89
		Equity Capital (USD)	24498.58	18306.92	6191.66	3.45	33.82

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Financial structure

Financial structure reflects distribution of debt and equity capital. We evaluate impact of BRAC Bank credit on financial structure of the firms using four indicators – equity capital, debt capital, growth rates of equity and debt capital, and debt-equity ratio. It is 56 difficult to suggest any direct of the impact on financial structure depending on the strategy adopted by the firm-borrowers. If any firm revolves profit and put into equity capital on the one hand, and repays loan on the other hand, it will have higher growth in equity capital and negative in loan growth rate. There may be another situation where, a firm may go for expansion of the business using profit, either fully or partly, and borrowing more for financing expansion, the firm may show higher growth in debt capital and relatively lower growth rate in equity capital. This might be the situation with the repeat borrowers. However, the structure will be also determined by the amount of profit or percentage of profit withdrawn for the use of the family. It is, however, difficult to set a priori any direction of the impact. The results as reported in Table-26 suggest that the repeat borrowers had

both higher debt (by 31.89 percent) and higher equity capital (by 33.82 percent) compared to the control group. This suggests that the positive change in equity and debt is pronounced for the repeat borrowers. The difference is significant (p-value = .05). However, one would be able to deduce from the Table that the debt-equity ratio is quite similar, around 1:2.2, i.e., around 45 percent of the equity capital is debt capital. No difference exists. As such, expectedly, debt-equity ratio was not significant. Overall it seems that repeat borrowers were in better condition in terms of financial structure of the firm.

ECONOMIC INDICATORS

Employment creation

We used employment creation as the major economic impact of BRAC Bank credit. It was perceived that credit would directly create employment if it leads to increase in business size. We showed in the previous section that credit has contributed to increase in sales and total assets. Consequently, we tested for the effect of credit on full time employment creation. The PSM result shows that it has significantly contributed to full time employment creation (Table-21). On an average, full time male employment was 2.26 persons for the repeat borrowers compared to average of 1.62 persons for the new borrowers. The difference was about 40 percent of the control group (new borrowers). It was significant not for female employment but for male employment. However, there was higher average employment of female although it was statistically insignificant. At the family level, there was no impact of credit on employment. As such, we have not reported the results. Overall it seems that repeat borrowers were in better condition in creating male full time employment. This suggests that BRAC Bank credit had significant and positive impact on creation of full time employment.

Table 21: Matrix of Economic Indicators

Sl. No	Economic indicators	Specific measurement indicators	Repeat Borrowers (N=134)	New Borrowers (N=286)	Difference	t-stat	% of change over control
1	Employment creation	Number of full time male employees	2.26	1.62	0.64	3.27	39.64
		Number of full time female employees	0.31	0.29	0.02	0.23	

We had used other indicators to measure economic impacts of credit. We measured these indicators based on the perceptions of the borrowers. We asked the borrowers to give opinion on selected economic indicators about the percentage change that the credit has brought to their business. The indicators were: savings, income, increase in profit, growth of similar business in the market area. The results are reported in Table-22. The results suggest that the repeat borrowers perceived higher impact of BRAC SME loan on saving generation compared to the new borrowers. However, the difference in this impact between the repeat and new borrowers was not significant. But as perceived by the borrowers, impact of credit on income growth, increase in profit and business expansion of similar business was higher for the repeat borrowers than the new borrowers. It was derived from the PSM. However, no impact was perceived by the borrowers on creation of competitive business environment.

Table 22: Matrix of Economic Indicators: rReflection of Perceptions (percent)

Sl. No	Economic indicators	Repeat Borrowers	New Borrowers	Difference	t-stat	Percentage change
2	Generation of savings	75.95	72.24	3.70	0.37	
3	Income enhancement	52.21	30.88	21.34	6.60	69.12
4	Business expansion	71.71	35.03	36.68	8.84	104.70
5	Creation of competitive business environment	4.68	71.51	3.17	3.17	0.49

TERIAL

ENVIRONMENTAL INDICATORS AND IMPACTS

We adopted basically descriptive approach to assess impact of credit on environment outcomes, as we need to understand the extent of pollution that the borrowers create to the environment. With the growth and development of the banking sector as well as higher level of awareness about global warming and environment management, banks are generally making sustainable investments which have less adverse impact on environment. Sustainable investment is the way to make our environment batter. During the past few years around the world, investors have been promoting companies that have integrated the concept of environment sustainability in their business activities. In the process, the movement for green investment has gotten momentum.

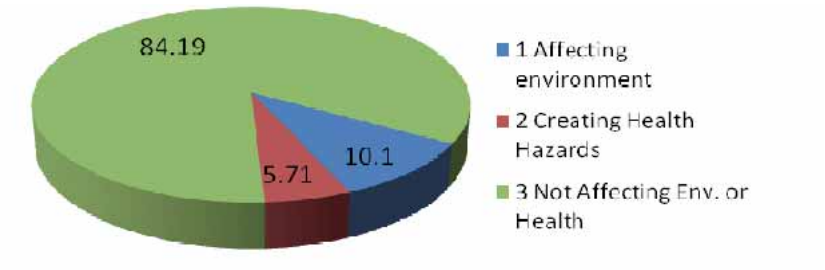
Generally, green investment refers to those companies are partially or completely involved in the improvement of environment. Investing in a brick field, for example, may be sustainable for some while others may not consider it as green investment because it adds to global warming by producing dark smoke containing hazardous gas. BRAC Bank Limited (BBL) appears to be quite environment conscious in project decisions. Most (about 84 percent) of the enterprises were environment friendly and did not contribute to generate pollution. Importantly, around 99 percent of the enterprises did not deal with any chemical substance in their business. Over a ninety percent of the BRAC bank SME borrowers, 94 percent from creating health hazard and 90 percent from the use of polythene bag.

Table 23: Matrix of Environmental Indicators

Sl. No.	Environmental Indicators	Specific Measurement indicators	% (n)
1	Environment Friendly Enterprises	The ratio of environment friendly enterprises to total enterprises	84.19 (442)
2	Discouragement of use of chemical	The ratio of the enterprises which do not use chemical in their business to total enterprises	98.67 (518)
3	Discouragement of creating health hazard	The ratio of the enterprises which do not create health hazard to people in the community to total	94.29 (495)
4	Discouragement of use of poly bag	The ratio of the enterprises which do not use polythene bag to total enterprises	89.90 (472)

The BBL does not directly contribute to better environment and its management but through their financed projects or enterprises. It can effectively contribute to conserve protect our environment if it strongly stays away from the projects or enterprises that are environmentally counter-productive environment. Most of the projects or enterprises, as evident from the samples, are environmental friendly. But around sixteen percent of the enterprises produce or use pollutants that are contrary to social and environmental sustainability (Figure 10).

Figure 10: Environmental Impact



To find the impact on environments it is necessary to study the enterprises and its type of operations and quantitative frequencies of various factors related to e proving SME loan to different types of enterprises. All those enterprises are not environment friendly. Some of those are producing or using pollutants directly or indirectly. These pollutants are causing harm to our environment the total scenario of impact on the environment and health hazards.

Table 24: Environmental impact No of Enterprise Environment

Si. No.	Impact criteria	No of Enterprise	Percent (%)
1	Affecting Environment	53	10.10
2	Creating Health Hazard	30	5.71
	Total	83	15.81
3	Number of Enterprises not affecting Health & Environment	442	84.19
	Total observation(n)	525	100%

Source: Generated from field data

Types of enterprises generating or using pollutants

BBL provides SME loans to different types of enterprises. The nature of business or enterprises determines the type of pollutants. Not all enterprises contribute to environment pollution and health hazard. Most commonly several enterprises like rice Chatal (where paddy is produced to make rice), rice mill & saw mill, brick fields, engineering work, press and printing shop are directly producing several pollutants. Beside this, other types of enterprises are using or producing different pollutants indirectly. Table-25 shows different types and its quantity of enterprises that are producing or using pollutants.

Table 25:Types of Enterpriser affecting Environment

Si. No.	Type of Business	Pollutant	No. of Enterprise
1	Books & Library	Poly bag	1
2	Brick field	Ash, Dark smoke	1
3	Chatal	Ash, Dark Smoke, Hot water	12
4	Diagnostic centre	Chemical waste	1
5	Engineering Workshop, Transport Business	Sound & Dark smoke, Chemicals, Welding, Dust particles	5
6	Fast Food	Poly bag	2
7	Footwear	Poly bag	2
8	Grocery	Poly bag	15
9	Hardware	Poly bag	2
10	Pharmacy	Poly bag	2
11	Plastic material cookeries	Plastic	2
12	Press & Printing	Sound	1
13	Parts & Machineries	Poly Bag, Kerosene, Diesel	1
14	Readymade Garments business	Poly bag	5
15	Rice mill & saw mill	Sound, Dark Smoke	9
16	Seeds, Fertilizer & pesticides	Poly bag	6
17	Telecom, Mobile accessories	Poly bag	2
18	Toys (kids)	Poly bag	1
19	Trading Business	Poly bag	4
20	Verities Store	Poly bag	8
21	Vat nary	Poly bag	1
		Total	**83**

PROTECTED MATERIAL

Twenty odd types of business contribute to environmental pollution and health hazard. The common are rice chatal, rice and saw mills and grocery store. Both rice chattals and rice and saw mills produce dark smoke, ash, and hot water. Grocery stores use polybags. Brick fields are the major source of ash and dark smoke which pollutes the surrounding environment badly and contribute to health related hazards. Diagnostic centres and engineering workshops also produce chemical wastage and dust.

Frequency distribution of pollutants

Pollutants that 21 types of enterprises use or produce can be categorized into 6 different types. It is important to identify and analyze pollutants to assess the impact over the environments and health hazards. This will help BBL in redressing its lending policy which will encourage environmentally sustainable commercial and economic projects. In the event, the projects are required for the economy and the society at large, the policy can contribute to better to pollutant management. Such type of enterprise may include, for example, rice chatal, engineering workshops, and diagnostic centres. Table-26 shows the pollutants frequency.

Table 26: Frequency Distribution of Pollutants

No.	Pollutants categories	Frequency	Percent
1	Poly bag	53	63.85
2	Ash, Dark Smoke, Hot water	13	15.66
3	Chemicals, Welding, Sound & Dark smoke	10	12.04
4	Dust particle & Sound	5	6.02
5	Kerosene, Diesel	1	1.20
6	Chemical west	1	1.20
	Total no of enterprises affecting environment and Health	83	100

Source: Generated from field data

From the above table, it shows that use of polybag is the major pollutants. It is used for shopping and packing. Over 63 percent of the pollutants is polybag. This is followed by ash, dark smoke and hotwater (over 15 percent) and chemical discharge, wielding, sound and dark smoke (over 12 percent). The other dominating pollutant is dust particle and sound (over 6 percent). This suggests that types of pollutant are not much diversified. Financial institutions can make a contribution to better pollutant management.

We have classified impacts of pollutants into health hazard and economic hazard. Everything in the final analysis affects health, social being and economy. Pollutants generated or used by the enterprises affect both the environment and human health. And these pollutants are causing air pollutions, soil degradation, sound pollution, water pollution and damaging to plants, on the other hand creating some health hazards like respiratory problems, skin dieses, eye problems, reducing hearing power, and other health related dieses. So, it is important to identify and take a corrective measure to prevent our environment and protect human health. Table-27 shows the frequency of impacts over environment and health and the percentages of each frequency within the total observation.

Table 27: Impact on Environmental and Health

No.	Pollutants categories	Environmental impact (Frequency)	Percent	Health Hazard (Frequency)	Percent
1	Poly bag	53	63.85	0	0
2	Ash, Dark Smoke, Hot water	13	15.66	13	43.33
3	Chemicals, Welding, Sound & Dark smoke	10	12.04	10	33.33
4	Dust particle & Sound	5	6.02	5	16.66
5	Kerosene, Diesel	1	1.20	1	3.33
6	Chemical west	1	1.20	1	3.33
	Total Number of Enterprises Affecting	**83**	100	**30**	100

Source: Generated from field data

We find from the table that pollutants other than use of polybags directly affect health. In contrary, other environmental aspects are affected by the use of polybags.

SOCIAL INDICATORS

Economic empowerment is the key determinant of social stratification and power. Not only are the SME borrowers are benefitted financially and economically, they are benefitted also socially because of their achievements. They have been gone through a transition period of their life to be economically stronger and socially recognized. The social impact of the SME loans can be measured by some social factors like 'being a member of social institution like school, college, 61 social institutions like clubs, religious institutions like mosque and be involved in other social activities like providing free education to children, participating in resolving conflict among the villagers, and so on. All these factors i.e. the social activities will help to understand the social impact.

Table 28: Frequency distribution of Social Impact

Si. No.	Social impacts	Frequency	%
1	Be the member of governing body of educational institutions	18	8.96
2	Be the member of social clubs	4	1.99
3	Be a member of Religious group/Institution	60	29.85
4	Involve in the social activities (free education, Shalis and others,)	24	11.94
5	Donate in social institutions like schools, colleges, mosque, Hindu temple, Madrasa etc	91	45.27
6	Members of Sports & Cultural club	4	1.99
	Frequency total (F)	**201**	
	Total number of Observation (n)	**525**	**100.00**

Source: Generated from field data

The above table shows that around 40 percent of the entrepreneurs or businessmen are engaged in some social activities and they are able to contribute to social process and development. From the above table, the dominating social impact that the borrowers have made is through donating to religious and social institutions. This is followed by 'being member of religious and social institutions'. However, around ten percent of the entrepreneurs or borrowers are part of the governing body of local educational institutions. All these social roles that the borrowers have been playing are because of their expansion of business because of BRAC bank credit. However, credit does have impact at the family level and thereby the social level. We collected perceptions of the borrowers on the impact of credit at the family level.

We considered four indicators to assess impact of credit at the social level. They are use of child labor, education of children, health related expenditure and use of TV or other entertainment media. The results are reported in Table-29. We find from the table that the use of child labor has increased for the repeat borrowers. It is a matter of worry. This is indeed against the positive impact of credit at the societal level. However, in case of other indicators, repeat borrowing households are better off. Higher percentage of children goes to school and they have higher ability to cope with medical or health related shock.

Table 29: Matrix of Social indicators

Social indicators	Repeat Borrowers	Single borrowers	Difference	t-value	Percentage of change
	(N=134)	(N=286)			
Use of child labor (Number)	0.09	0.04	0.05	1.57	14.20
Education of children (Percentage increase in expenditure)	51.88	28.52	23.35	4.30	81.89
Health (Percentage increase in expenditure)	45.99	26.33	19.66	6.81	74.69
Television (percentage increase in expenditure)	15.64	6.53	9.11	4.04	139.46

We expected that there would be significant interaction and participation at the community level of the borrowers. Although the repeat borrowers had higher participation in community and religious institutions than the new borrowers, the difference was not statistically significant. Therefore, we have not reported the results. The period of study is too short to find out any major impact of the BRAC Bank at the community level.

IMPACT OF CREDIT ON MARKET DEVELOPMENT

We assessed impact of BRAC Bank credit on market development using three indicators – backward linkage, forward linkage and expansion of similar business. Since these are marketrelated indicators, it cannot be disaggregated into repeat and new borrowers. We evaluated these indicators based on the perceptions of the borrowers. We asked them to respond to three statements since borrowing from BRAC Bank. First, had there been any increase in the number of similar business in the market and how many? Second, had there been any increase in the number of forward-linking business organizations in the market? Third, had there been any increase in the backward-linking business organizations in the market? Based on the perceptions of the borrowers, we estimated the growth rate of these three indicators. The results are reported in Table-36. The results suggest that credit seem to have impact on the expansion of similar business organizations in the market. In terms of growth rate, it had significant impact development of backward and forward linking organizations.

Table 30: Matrix of Market Development Indicators

Market development indicators	Growth rate
Backward linkage	167 percent
Forward linkage	127.8 percent
Expansion of similar business	98.67

EFFECTIVENESS INDICATORS OF BRAC BANK

Compared to new borrowers a slightly higher percentage of repeat borrowers received information about SME from communicating staff of the BRAC Bank, slightly lower percentage from advertisement of BRAC bank and a substantially higher percentage due to proximity of the unit office of the BRAC Bank from their enterprises. Substantially higher percentage of repeat borrowers compared to the new borrowers reported that they were interested for BRAC bank due to low interest rate. While 45 percent of the repeat borrowers reported that borrower friendly lending system was one of the reasons for borrowing from BRAC bank. This figure was slightly higher for new borrowers.

Table 31: Matrix of effectiveness indicators

Effectiveness indicators	Specific measurement indicators	First time borrower	Repeated borrower	Di P>|z|
Creating awareness	Communication by bank staff	47.27 (121)	47.95 (281)	0.68 0.9004
	Bank advertisement	3.91 (10)	2.73 (16)	-1.18 0.530
	Proximity to the unit office of BRAC Bank	9.77 (25)	14.68 (86)	4.91 0.528
Cost of fund	Low interest rate	2.76 (7)	4.45 (25)	1.69 0.421
Accessibility to BRAC loan	Borrower-friendly flexible lending system	50.00 (127)	45.20 (254)	-0.048 0.376

DISCUSSION AND CONCLUSION

BRAC Bank is a new bank. It is about ten years old. Considering the kind of clientele group it works with, achievement of the bank has been phenomenal. Over this period, it has made significant presence at the national and international level. Both vertical and horizontal expansion has taken place. The bank is known for its corporate values. Although it has demonstrated its core values and ethics on banking business, it has never been known to the professionals about kind of impact that the bank has created at the enterprise level.

The findings as discussed earlier resoundingly demonstrated that BRAC Bank SME credit program has benefitted the repeat borrowers than the new borrowers. The new borrowers were used as control. Compared to the control group, credit had benefitted the participating repeat borrowers in a number of ways. First, firm size has increased. This has been because of increase in sales and greater use of fixed assets, and turn higher sales turnover. Second, repeat borrowing firms had their profit volume increased, although rate of return was higher for the control group. This implies, as a matter of policy, with greater financial resources available, firms had focused on sales maximization, rather than on profit maximization. Third, as firm size of the repeat borrowers increased, it created demand for full time employment. More professionalism perhaps developed in the business as there was no significant participation of household male or female members. These results depict financial and economic sustainability of firms due to BRAC Bank credit.

Though credit to business firms does not directly benefit society, it does have impact on health, education of the children in addition to increasing interaction of the repeat borrowers at the community level. With better financial condition, repeat borrowing firm owners are able to participate in socio-religious institutions. But one thing that emerged to us negatively was use of child labor more by the repeat borrowers than the control. It is a common social problem, in almost all sectors or sub-sectors.

Bank can influence environment positively through appropriate lending policy, strongly discouraging financing enterprises that directly affect environment. Generally, BRAC Bank SME credit has added value to the environment as more than 80 percent of the firms are engaged in environment-friendly businesses.

Finally, indicators are comprehensive, and complement the indicators identified and reviewed in the literature. The indicators have proven to be valid as it could significantly differentiate performance of repeat borrowers (participants) from the new borrowers (control). Indeed, it is 64 possible to reduce number of indicators through factor analysis and developing some indices. This will make the use of indices difficult as it will require more and estimation.

Based on the results, we can conclude that BRAC Bank has created values to the entrepreneurs. Their SME credit has contributed positively to different outcomes for the borrowers. Their financed enterprises have positive impact at the social and environmental sustainability level. But the value addition will be stronger if they adopt a policy statement regarding use of child labor and financing chemical-related business enterprises. Such policy statements will make their ethical position stronger.

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APPENDIX FACTOR ANALYSIS

We have evaluated the impact of BRAC credit on the sustainability of borrower enterprises. We used some 25 indicators representing different dimensions. Some of these indicators may be strongly correlated and therefore these indicators may be reduced based on the intensity of correlation and explaining power of variance. We have used 'Factor Analysis' technique to reduce number of variables as it is a linear combination of the variables that have most information. Different factors are constructed with the variables that account for maximum variation in the original data (Pohlmann 2004; Vavra 1972). Number of factors are determined based on eigenvalue. An eigenvalue measures the variation explained by a factor. Therefore, it considers only the positive eigenvalue. Variance explained by each factor is what is known as 'proportion'. Based on the sum of eigenvalues, the proportional contribution to explained variance of each factor is determined. This allows one to identify the factor that has most contribution to explained variance. The fundamental issue then is the number of factors that has to be retained. It can be derived from the eigen values. As a rule of thumb, according to the Kaiser-Guttman rule, a research should explain the factors that have eigenvalues of greater than one. Once the number of factors is identified, we need to interprete the factor structure. This will help us to identify the factor structures by rotating the factors using the method either orthogonal or oblique. The most common method is orthogonal rotation, i.e., verimax. Finally, plotting of loading will provide information on the dimensions and co-movement of the variables.

In this study, we use the data of 535 BRAC borrowers for factor analysis. We included twenty one indicators in the factor analysis. The indicators have been stated and discussed in the section on 'Analysis of indicatords'. Therefore, we will have 21 factors. The results are reported in Table-32. Based on the eigenvalues and the rule of thumb, we identify four factors – Factor one through Factor four.

The proportionate explained variances of the original data are reported in column four of Table-1. It shows that Factor1 explains 38.48 percent of the variance, followed by 18.63 percent of Factor2. The first four factors together explain about 85.47 percent of the variance.

Table 32: Factor analysis of the performance of SMEs

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	4.26074	2.19784	0.3848	0.3848
Factor2	2.0629	0.36438	0.1863	0.5712
Factor3	1.69852	0.25785	0.1534	0.7246
Factor4	1.44067	0.52968	0.1301	0.8547
Factor5	0.91098	0.34795	0.0823	0.937
Factor6	0.56303	0.10378	0.0509	0.9879
Factor7	0.45926	0.10598	0.0415	1.0293
Factor8	0.35327	0.08504	0.0319	1.0613
Factor9	0.26824	0.0952	0.0242	1.0855
Factor10	0.17304	0.03244	0.0156	1.1011
Factor11	0.1406	0.15005	0.0127	1.1138
Factor12	*-0.00945*	*0.02025*	*-0.0009*	*1.113*
Factor13	*-0.0297*	*0.01808*	*-0.0027*	*1.1103*
Factor14	*-0.04779*	*0.04651*	*-0.0043*	*1.106*
Factor15	*-0.0943*	*0.04139*	*-0.0085*	*1.0974*
Factor16	*-0.13569*	*0.01583*	*-0.0123*	*1.0852*
Factor17	*-0.15152*	*0.01623*	*-0.0137*	*1.0715*
Factor18	*-0.16775*	*0.01517*	*-0.0152*	*1.0563*
Factor19	*-0.18291*	*0.02838*	*-0.0165*	*1.0398*
Factor20	*-0.21129*	*0.01833*	*-0.0191*	*1.0207*
Factor21	*-0.22963*	.	*-0.0207*	*1*
Sum of eigen values	***11.07122***			

It can also be evaluated from the plot of eigen values. The following plot shows that after four factors, the scree plot shows a break in slope. Therefore, two-factor solution is more appropriate. Nevertheless, we use four factors based on the eigen value of one or more.

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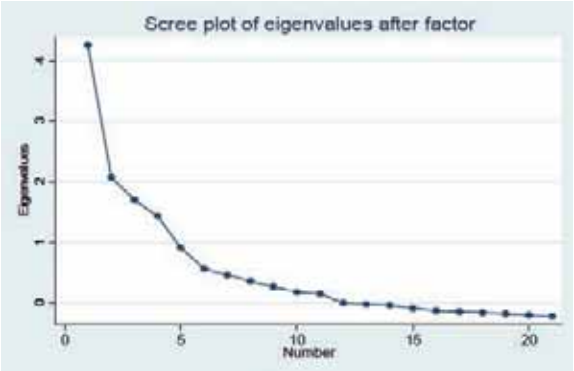

In Table-33, we have provided factor loading and unique variances of the variables. We find that factorone explains financial and capital structure. The other side of the financial structure is assets structure. Therefore, use of assets is also part of factor1. The use of assets and the ratio of debt-capital, fixed assets-total assets ratio as well as profitability represent the second factor. The third dimension is employment. The sales-fixed assets and return on assets reflect profitability dimension. Finally, employment is another dimension. All the indicators were, as discussed earlier, validated. But the major loading is factor one. This is capital and assets structure firms that explain performance of the firms as well as borrowers. It is also shown in graphical representation of the factor loading.

Table 33: Factor Loading (Pattern Matrix) and unique variances

Variable	Factor1	Factor2	Factor3	Factor4	Factor5
Total Capital	0.8025	0.077	0.3757	0.1553	-0.0931
Total debt Capital	0.5474	0.2953	0.2665	0.3664	-0.1862
Debt-equity ratio	-0.2474	0.4827	-0.014	0.3243	-0.0145
Brac loan-asset ratio	-0.5669	0.6205	-0.1005	0.2662	0.0315
Credit-assets ratio	-0.4256	0.7221	-0.0386	0.3951	-0.0249
Full time male employees	0.4455	0.0226	0.0003	0.1459	0.3733
Full time male family employee	0.0673	0.0467	0.0449	0.0888	0.2306
Part time employees	0.2158	0.016	0.004	0.0465	-0.1037
Growth rate of male employees	0.4298	0.0428	-0.378	-0.0929	0.1963
Growth rate of HH male employees	-0.1099	0.042	0.0816	0.0746	0.1939
Total fixed assets	0.8316	0.0463	0.0397	0.2858	0.0172
Total assets (cost)	0.6275	-0.0057	-0.0767	0.2775	-0.0559
Growth of total assets	0.403	0.249	-0.7085	-0.1083	0.0896
Growth of fixed assets	0.4543	0.2608	-0.6167	-0.2064	0.0262
Fixed assets-Total assets ratio	-0.1435	-0.0006	0.2018	-0.1300	0.0716
Sales-fixed assets ratio	0.0033	0.5079	0.325	-0.5930	-0.1191
Monthly sales	0.7681	0.2886	0.2777	-0.3016	-0.0661
Profit size	0.3687	0.0974	0.3333	-0.1349	0.4373
Growth of sales	0.1557	0.4472	-0.1044	-0.4057	-0.0376
Return on assets	-0.208	0.3645	0.2943	-0.2611	0.2862
Rate of return	-0.1977	-0.0899	0.0348	0.1748	0.5254

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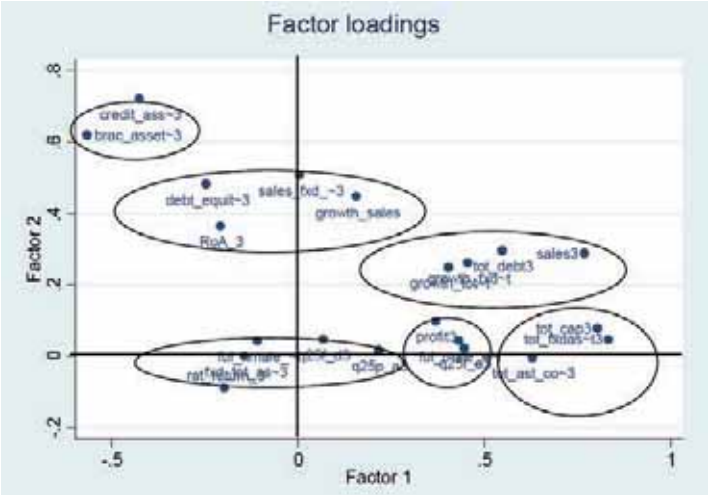

Factor loadings
credit_ass~3
broc_asset~3
debt_equit~3
sales_fxd_~3
growth_sales
RoA_3
sales3
tot_debt3
tot_cap3
tot_fxdas~3
tot_ast_co~3
profit3
Factor 2
Factor 1
.8
.6
.4
.2
0
-.2
-.5
0
.5
1

Appendix 9
Relationship Between Stakeholder and Triple Bottom Line Conceptualizations of Corporate Sustainability

Dissertation Proposal

Submitted on 11-15-2011 by Zahir Dossa, PhD Candidate, Dept. of Urban Studies and Planning

Dissertation Committee:

- Phil Thompson (Chair), Associate Professor, Dept. of Urban Studies and Planning, MIT
- Otto Scharmer, Senior Lecturer, Sloan School of Management, MIT
- Francisco Szekely, Chair Professor, Director of Global Research Center on Sustainability and
- Leadership: IMD (in Switzerland)

Introduction

For the past 18 months, I have engaged with 14 sustainable banks across the globe in collaborative, action research to develop a framework for measuring sustainability performance. The framework was developed after conducting in-depth interviews and leading focus groups with individuals responsible for measuring and reporting sustainable performance in sustainable banks or related institutions. At the root of the framework, which espouses quantifiable indicators that can be commonly measured across the network of sustainable banks, is the triple bottom line (TBL) approach for measuring sustainability across three domains: social, environmental, and economic. This framework is currently slated to be implemented across all 14 of these banks to inform managers and stakeholders. Upon reflecting on the framework, it becomes important to ask how effective it will be to inform stakeholders. Does the approach prescribed through the framework capture the sustainable 'DNA' that is at the core of many of these institutions? After all, many mainstream banks can produce greater raw numbers on positive sustainability impacts due to their size. While ratios can be constructed to better benchmark sustainable organizations to mainstream organizations, how many stakeholders actually assess the sustainability of an organization in terms of the TBL? To make sustainability measurement more informative to stakeholders within sustainable organizations, while also holding managers accountable to stakeholders in non-sustainable organizations, we need to abandon the TBL approach and move towards stakeholder conceptualizations of sustainability.

Although nearly every major organization espouses the term sustainability, many of them hide behind such numbers and reporting schemes to disguise 'business-as-usual' practices. This notion of sustainability propaganda, or 'greenwashing', not only permits non-sustainable organizations to undermine accountability to stakeholders, but also prevents sustainable organizations from distinguishing themselves as such. This latter phenomenon became evident after observing the outcome of my action research engagement with sustainable banks. The characteristics that demonstrate why sustainable banks out-perform mainstream banks in terms of sustainability performance are not captured by current TBL frameworks to measure sustainability or capture sustainability impacts. This phenomenon is not unique to the sustainable banking sector. Other authors concur that the TBL is neither informative to stakeholders nor capable of upholding accountability to stakeholders (Laufer 2003; Norman and MacDonald 2004; Perrini and Tencati 2006; Bell and Morse 2008). This research builds upon the contributions of these authors to develop a framework for measuring sustainability performance based on stakeholder conceptualizations of sustainability.

Before continuing, it is necessary to define some of the constructs used thus far. This research is concerned with corporate sustainability, or the application of sustainable development to a firm. Although one group of authors define corporate sustainability as long-term firm survival (Payne and Raiborn 2001), this paper aligns with the second group of authors that merge the definition of sustainable development with stakeholder theory to define corporate sustainability as 'meeting the needs of a firm's direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders' (Dyllick and

Hockerts 2002). A stakeholder, as defined by Freeman (1984) in his seminal work on stakeholder theory, is 'any group or individual who can affect or is affected by the achievement of the firm's objectives'.

Stakeholder conceptualizations of sustainability are the main variable of concern in this research (as opposed to alternative conceptualizations) due to the integral role of stakeholder satisfaction in determining corporate sustainability. Legitimacy theory further supports the focus on stakeholder conceptualizations in a new framework for measuring sustainability, based on the premise that organizations aim to establish congruency between the value created from their activities and societal (or stakeholder in this case) norms and expectations (Mathews 1993). Stakeholder theory (Freeman 1984) and stakeholder-agency theory (Hill and Jones 1992), provide alternative rationales by arguing that managers are accountable to stakeholders and therefore are required to measure sustainability performance in way that is informative to stakeholders. In order to operationalize the theory I set forth, I study the relationship between stakeholder conceptualizations of sustainability and the conceptualization of sustainability in TBL frameworks.

Research question: What is the relationship between stakeholder conceptualizations of sustainability and the conceptualization of sustainability in triple bottom line (TBL) frameworks?

Primary Hypothesis: Stakeholder conceptualizations of sustainability do not correlate to the conceptualization of sustainability in a TBL framework.

In addition to being concerned with stakeholder conceptualizations of sustainability, I argue that based on their different utility functions, as stakeholder agency theory illustrates (Hill and Jones 1992), stakeholder conceptualizations may differ across different stakeholder groups. This hypothesis is secondary to the primary hypothesis proposed, but nonetheless important. Furthermore, different stakeholder conceptualizations will need to be catered to by a new framework to measure sustainability performance.

Secondary hypothesis: Stakeholders conceptualizations of sustainability are consistent among stakeholder groups, revealing different utility functions

To understand stakeholder conceptualizations of sustainability, I plan to first conduct semi-structured interviews with the stakeholders of a single sustainable bank. The responses from these interviews will inform the development of a survey which will be administered to stakeholders across six sustainable banks. The complete methodology is described in the fourth and final section of this paper. The sustainable banking sector was selected due to: 1) the pivotal role financial institutions play in markets and society; 2) the resulting stakeholder networks that arise from such a role; 3) the unsustainable nature of many financial institutions that is not captured in current sustainability frameworks; 4) the lack of research conducted on sustainable banks; and 5) the expressed need from sustainable banks to measure their performance. These reasons are fully elaborated in the third section of this paper when defending the case selection. In the next section, I formally propose my theory and position it within the relevant debates ongoing in the literature.

Theory

Sustainability measurement frameworks should be re-conceptualized according to stakeholder conceptualizations of sustainability in order to: 1) be more informative; and 2) hold managers accountable to stakeholders. To position this theory, corporate sustainability is first distinguished from the larger field of sustainability. The current conceptualization of sustainability in the TBL framework is then explained before the case for re-conceptualizing sustainability through a stakeholder lens is established. Related literature is also reviewed to acknowledge the various contributions made by other authors and to differentiate the study from previous research. The section concludes with a discussion on the implications of developing a new framework for measuring sustainability based on stakeholder conceptualizations of sustainability.

Corporate Sustainability

Although briefly described in the introduction, this section defines and positions corporate sustainability more rigorously, demonstrating its derivation from sustainable development and distinguishing it from corporate social responsibility. There is no absolute consensus on this matter, as authors often interchange these terms or argue that they share different relationships with each other (Ebner and Baumgartner 2006; Montiel 2008). For purposes of this proposal, it is not necessary to prove how these terms should be defined or related but rather declare the author's position on them and justify this position in order to provide a sound argument. An important note of clarification going forward is the difference between the author's usage of the terms construction and conceptualization. Construction, in the context of a definitional construct, is the scientifically-grounded definition, establishment, and development of a term, while conceptualization is the operationalization and perception of a term.

Although the practice of sustainability dates back thousands of years, its modern day usage derives from the concept of sustainable development. Sustainable development was a concept that derived from the international development space, as practitioners and institutions began making the case that development, or the tending to needs of certain populations, should not occur at the cost of degrading the environment. This definitional construct evolved and was formalized by the World Commission on Environment and Development (1987), commonly referred to as the Brundtland Commission, as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. This has become the commonly accepted definition for sustainable development, from which the modern construct of sustainability, which serves as both a descriptor and a target, is derived (Bell and Morse 2008).

Corporate sustainability is the field concerned with applying the concept of sustainable development to the firm. Authors referring to corporate sustainability can be argued to support one of two prominent definitions. One group of authors define corporate sustainability as long-term firm survival (Payne and Raiborn 2001). The author contests with this definition for three reasons. First, this definition fails to capture the notion of development as emphasized in the construction of sustainable development, upon which sustainability is based. Second, while proponents of this definition may argue that sustainable development is implicit in achieving long-term firm survival, the 'tragedy of the commons' (Hardin 1968) and 'free-rider principle' (Grossman and Hart 1980) demonstrate the existence of situations where sustainability is not necessary for long-term survival. Such situations mute arguments for the 'business case for sustainability'; of which there is not always one. This leads to the final argument against characterizing corporate sustainability as long-term survival, which is the ethical one. The concept of sustainability implies thriving and virtuousness, or characteristics of positive ethics (discussed below), that involve going beyond what is required. Sustainability therefore should not be approached in a self-serving manner by using the organization as the final unit of analysis but rather from a perspective that includes the larger system the organization belongs to. It is therefore the alternative definition for corporate sustainability, put forth by Dyllick and Kockerts (2002), this paper aligns with. That is, 'meeting the needs of a firm's direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders' (Dyllick and Hockerts 2002). This construction of corporate sustainability accurately applies sustainable development to the firm and employs stakeholder theory (which is described and supported below) to define the boundaries of a firm's sustainability function from a systems perspective.

Before continuing, it is important to distinguish corporate sustainability from corporate social responsibility (CSR). CSR belong, for the most part, to a separate body of literature as its roots are not from the sustainable development movement, despite recent attempts to align or reconstruct the two (see review conducted by Carroll, 1999). The most cited critic of the validity of CSR, Milton Friedman, argued that the only social responsibility of an organization is to increase its profits for shareholders (Friedman 1970). The main argument Friedman makes is that while managers of a firm may have personal responsibilities that can extend into the realm of social responsibilities, they are the agents of shareholders and therefore must maximize profits. I argue that Friedman makes a logical fallacy in his argument, formally referred to as an 'illicit major'. Furthermore, while shareholders are not managers, they are still individuals, and

therefore have personal responsibilities that, like those of managers, can extend into the realm of social responsibilities as well. Thus managers, through their role as agents, are responsible to pursue the interests of principals and therefore uphold the social responsibilities of principals. While this is a slight digression, the justification for social responsibility in a firm is important, as corporate sustainability extends the notion of CSR on an ethical continuum.

We can reference positive organizational ethics literature to differentiate between corporate sustainability and CSR based on where they lie on an ethical continuum. Positive organizational ethics literature applies positive psychology, a term introduced by Martin Seligman as president of the American Psychological Association in 1998, to organizations (Cameron, Dutton et al. 2003). Caza et al (2004) proposes an ethical continuum shown in Figure 1 to delineate between unethical, ethical, and ethos. The far-left end of the spectrum, unethical behavior, is associated with committing acts that violate rules or cause harm. The middle of the spectrum, where CSR lies, denotes ethical behavior or behavior that abides by rules and avoids harm. The far right of the spectrum, ethos, is a positive ethical notion that goes above and beyond ethical behavior; that is, above and beyond what is required. This is where the notion of corporate sustainability lies. It is not necessary or required for an organization to be sustainable, but rather an element of virtuousness.

Figure 1

Triple Bottom Line Conceptualization of Corporate Sustainability

Having defined corporate sustainability performance, the current conceptualization for measuring sustainability through the triple bottom line (TBL) approach is now explored. The TBL approach is grounded in the field of sustainability accounting, which applies the traditional financial accounting framework to capture sustainability (Lamberton 2005). Evolving from Gray's (1992, 1993, 1994) work in the early 1990s on environmental accounting, sustainability accounting through the TBL approach has become the most predominant framework for measuring sustainability.

The field of sustainability accounting emerged when Gray (1993) developed three environmental accounting frameworks (all of which have a strong ecological focus): sustainability cost, natural capital inventory accounting, and input-output analysis. While each model and its critique is briefly summarize, Lamberton (2005) provides the complete discussion upon which this summary is based. The sustainability cost method is an attempt to measure the cost for returning the earth to its original state before a firm's detrimental impact on it. Two obvious critiques emerge, which Gray puts forth himself: 1) it is difficult to value external costs (Mathews, 1995; Mathews, 1993; Pearce & Turner, 1990); and 2) some costs cannot be recuperated (Gray 1994; Holland & Petersen, 1995).

Natural capital inventory accounting relaxes the sustainability cost scheme and instead focuses on measuring stocks of natural capital over time to illustrate the declining environment surrounding an organization. The ability to measure the entire stock of natural capital longitudinally is also a considerable task, particularly based on the difficulty in placing boundaries on the 'environment surrounding an organization'. The final methodology introduced by Gray (1993) is the input-output analysis, which is a common used today used to inform the TBL approach. Input-output analysis captures the complete set of inputs (materials, energy, natural resources, etc.) that go into manufacturing a product along with all the outputs over its complete lifecycle (emissions, disposal, etc.). Under this scheme, sustainability is limited to

the impacts of inputs used and outputs generated focuses, which does not apply to service-oriented firms and only focuses on first-order or direct impacts.

The sustainability accounting framework most commonly referenced today, the triple bottom line (TBL), was coined by Elkington (1999) to capture what Elkington argued were the three domains of sustainable development: environmental, social, and economic. The three bottom lines have also been translated to the three P's standing for people, planet, and profit. TBL accounting is employed in a variety of frameworks that either maintain the three-pronged approach to sustainability or expand these domains further. The most popular framework currently used is the Global Reporting Initiative, or the GRI.

Despite the rationale behind the TBL approach, Norman and Macdonald (2004) critique the notion of a 'triple bottom line' based on two underlying assumptions or claims it makes—the measurement claim and the aggregation claim. The measurement claim assumes that components of the social, environmental, and economic domains can be measured objectively while the aggregation claim assumes that there is a bottom line that can be calculated from the objective measures (Norman and MacDonald 2004). The measurement claim has been critiqued by some authors, who demonstrate that subjectivity and value judgments, reinforced through qualitative measures, are necessary when conceptualizing sustainability (Morse, McNamara et al. 2001; Keeble, Topiol et al. 2003; Norman and MacDonald 2004). Authors have also criticized the aggregation claim, contending that it is infeasible to select appropriate indicators, weight them, and combine different units (Becker 1997; Morse, McNamara et al. 2001; Hueting and Reijnders 2004; Norman and MacDonald 2004). The rejection of both claims demonstrates that the TBL approach, despite its objective measures, is not an objective approach to sustainability and hence is a conceptualization of it.

Stakeholder Conceptualizations of Sustainability

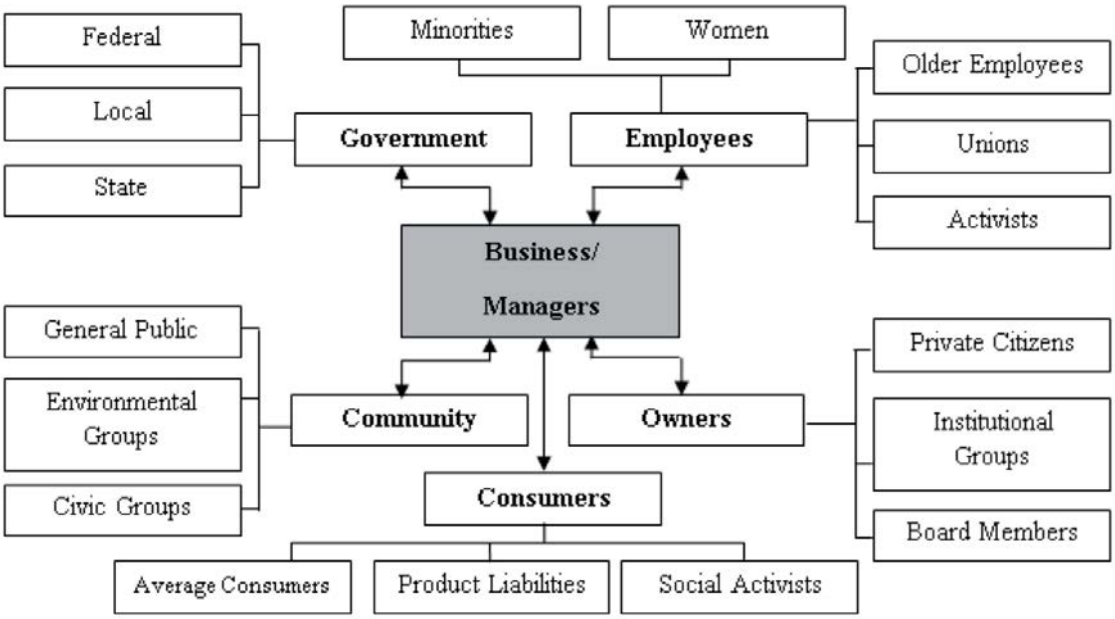
Having established that the TBL approach emerged from financial accounting theory and is one conceptualization of sustainability, the author postulates that stakeholder groups conceptualize sustainability very differently. Identifying these differences can inform managers on how to improve sustainability measurement frameworks while also holding them accountable to stakeholders. Stakeholder theory and legitimacy theory are first referenced to describe the role and 'stake' of stakeholders in corporate sustainability frameworks before the 'stakeholder-agent problem' is explored to reveal the necessity of incorporating stakeholder conceptualizations of sustainability into sustainability measurement frameworks.

Stakeholder Theory and Legitimacy Theory

Sustainability is a systems issue (Gray 1992; Gray 1994; Gray and Bebbington 2001; Morse, McNamara et al. 2001), where the system should be construed as the stakeholder system surrounding a firm (see Figure 2 for a stakeholder view of the firm). A stakeholder, as defined by Freeman (1984), is 'any group or individual who can affect or is affected by the achievement of the firm's objectives' (Freeman 1984). The definition of corporate sustainability prescribed to earlier is in line with this discussion, stating that a sustainable firm meets the 'needs of direct and indirect stakeholders without compromising the needs of future stakeholders' (Dyllick and Hockerts 2002).

Following from this definition, a sustainable firm is accountable to all its stakeholders. Legitimacy theory, defined as the desire by organizations to 'establish congruence between the social values associated with or implied by their activities and the norms of acceptable behavior in the larger social system in which they are a part of' (Mathews 1993), further makes the case that sustainable companies will want to pursue sustainable practices and measure sustainability based on stakeholder conceptualizations of sustainability to appear 'legitimate' (Tilling 2004).

Figure 2 (Reproduced from Freeman, 1984)



Stakeholder Conceptualizations and the Stakeholder Agent Problem

Having demonstrated the importance of understanding stakeholder conceptualizations, the author engages stakeholder agent theory to illustrate why stakeholder conceptualizations of sustainability will vary by stakeholder group and why these conceptualizations will most likely differ from current conceptualizations of sustainability in the TBL approach. Stakeholder-agency theory (Hill and Jones 1992), rooted in stakeholder theory (Freeman 1984) and agency theory (Eisenhardt 1989), applies stakeholder theory to the principal-agent relationship. Essentially, Hill and Jones (1992) argue that the different stakeholder groups (the principals) have different utility functions from the manager (the agent), who is 'hired' by the principals, albeit not always directly or willingly. Based on their own utility functions, agents (i.e. managers) can be expected to have a bias towards measuring sustainability in the way it is conceptualized under the TBL approach – a quantifiable, objective stance, grounded in accounting methodology, that utilizes readily available or easily attained data.

Managers may also be biased by certain stakeholder groups that affect their utility functions more directly to adopt the TBL conceptualization of sustainability. One sample stakeholder group would media channels dedicated to environmental news, such as Environmental Leader, which gather data through TBL reports to conduct analyses. The media, has been shown by authors engaging with legitimacy theory, to have played a significant role in increasing and improving voluntary, TBL reporting practices (Brown, 1998; Donovan, 2002). Nonetheless, while managers and certain sets of stakeholders prefer a TBL accounting approach to measure sustainability, stakeholders in other groups have a different conceptualization of sustainability based on their different utility functions. Some of these groups include stakeholder groups that exist to represent future stakeholders (such as environmental NGOs or social nonprofits).

Primary Hypothesis: Stakeholder conceptualizations of sustainability do not correlate to the conceptualization of sustainability in a TBL framework..

Null Hypothesis: Stakeholders conceptualize sustainability similar to a TBL framework.

Secondary Hypothesis: Stakeholders conceptualizations of sustainability are consistent among stakeholder groups.

Null Hypothesis: Stakeholder conceptualizations of sustainability are not dependent on stakeholder groups.

Related Literature

Stakeholder Management

Having grounded this research in stakeholder theory and legitimacy theory, this research furthers the stakeholder management field, which bridges stakeholder theory and management strategy. Stakeholder management is a theoretical framework for organizations to identify stakeholders, build relationships, and incorporate stakeholder objectives into strategic planning (Carroll and Buchholtz 2008). The predominant focus of stakeholder management has been to link stakeholder performance with an organization's financial performance (Preston and Sapienza 1990; Clarkson 1995; Figge and Schaltegger 2000; Halal 2000). Clarkson (1995) perhaps develops the most compelling theoretical framework to expose the relationship between these two variables by proposing that long-term profitability is based upon the balanced satisfaction of all primary (i.e. transaction-based) stakeholder groups. Furthermore, Clarkson (1995) postulates that corporations with above-average profits will have equally distributed wealth and value across primary stakeholder groups whereas declining corporations will have failed to do so and are therefore suffering the consequences of stakeholder dissatisfaction.

Although the relationship between stakeholder satisfaction and firm profitability is a compelling one to study, this paper is more concerned with applying stakeholder management to the stakeholder-based premise of corporate sustainability. Earlier corporate sustainability was identified as the practice of satisfying direct and indirect, present and future stakeholders. Even authors who adopt the organization-centric view of sustainability contend that long-term firm survival is achieved by balancing utility functions among all stakeholders (Halal 2000; Post, Preston et al. 2002). The stakeholder premise for sustainability therefore exposes the importance of stakeholder management as a method for gauging sustainability performance. As a result, Perrini and Tencati (2006) propose a new stakeholder-based framework for measuring and reporting corporate sustainability performance. The authors contend that despite the TBL approach and tools such as the Global Reporting Initiative which are based upon it, organizations have not changed their perspectives significantly (Perrini and Tencati 2006). The sustainability evaluation and reporting system that Perrini and Tencati propose links corporate sustainability performance to stakeholder requirements. While the authors discuss a stakeholder engagement process and the development of indicators organized based on stakeholder categories, the reporting scheme is still based on the three prong dissection of sustainability (an annual report, social report, and environmental report) from which the integrated indicators are derived from.

Performance Indicators

It is important to stress that indicators are still based upon a conceptualization of sustainability that implicitly argues sustainability can be broken down into various objectives, quantified, and then measured. A vast array of literature has evolved from the performance indicator space to formulate strategies behind developing sustainability indicators, the majority of which imply a TBL approach or espouse a similar conceptualization of sustainability (Carter 1991; Izac and Swift 1994; Harger and Meyer 1996; Valentin and Spangenberg 2000; Epstein and Roy 2001; Simons, Slob et al. 2001; Dias-Sardinha, Reijnders et al. 2002; Epstein and Roy 2003; Keeble, Topiol et al. 2003; Hueting and Reijnders 2004; Reed, Fraser et al. 2006; Bell and Morse 2008). This research can be distinguished from such pursuits as it drives at a deeper level for measuring sustainability. What does sustainability mean to stakeholders? How do they construe whether an organization is sustainable or not? I argue that the answers to such questions extend beyond benchmarking indicators from company A to indicators from company B.

Positive Ethics

Although this is a modern field as described earlier and its application to organizations is even more recent, by placing the concept of sustainability on an ethical continuum, an alternative conception to sustainability can be perceived. Grounding conceptualizations in this literature, sustainability can be perceived as a state of virtuousness or ethos, depicted by positive adjectives such as thriving that involve going beyond what is required to attaining the highest level of ethical ideals (Cameron, 2003). Although these terms may not be very technical or measurable, they offer insight to perhaps how stakeholders conceptualize

sustainability. As Adil Najim[1] stated, when comparing sustainability to love, 'many of the things that we care most deeply about are things that we cannot describe but can recognize'. While slightly discouraging with regard to informing managers how to re-conceptualize sustainability, this statement reveals the difficulty in objectifying sustainability and measuring it quantitatively as the TBL approach prescribes.

Implications of Study

The major implications of this study are two-fold: 1) sustainable organizations can move towards a stakeholder-informed conceptualization of sustainability to better inform stakeholders; and 2) organizations practicing techniques such as 'greenwashing' will be exposed by sustainable organizations utilizing stakeholder-informed conceptualizations of sustainability and will therefore need to become more accountable to stakeholders. The first implication references legitimacy theory and reveals that sustainable organizations, desiring to be identified as such in their surrounding stakeholder systems, will pursue practices and measure performance consistent with stakeholder conceptualizations of sustainability. This will improve the stakeholder relationships with and within an organization (as grounded in stakeholder management literature) while also attracting non-stakeholders with similar utility functions to the organization. Currently depending on the TBL approach, this research will inform managers of a more informative (in terms of meaningfulness and relevancy to stakeholders) strategy for approaching sustainability.

The second implication, based upon stakeholder theory and stakeholder-agency theory, argues that once sustainability frameworks that better cater to stakeholders are implemented within sustainable organizations, stakeholders from other organizations will begin to demand similar practices to hold managers accountable for statements of sustainability. 'Greenwashing' practices and other practices that enable organizations to currently escape accountability in the TBL approach will therefore be foiled, enabling sustainable organizations and non-sustainable organizations to be identified as such (Laufer 2003).

Case Selection

My research question and hypothesis are applied to banks within the sustainable banking sector. The larger network of 14 banks the author has studied closely belong to the Global Alliance for Banking on Values and are located across North America, South America, Europe, and Asia. The banks are considered small to medium-sized, with balance sheets ranging from 66-million USD to 14-billion USD in assets. As detailed below, the sustainable banking sector was selected due to: 1) the pivotal role financial institutions play in markets and society; 2) the resulting diverse, stakeholder networks that arise from such a role; 3) the unsustainable nature of many financial institutions that is not captured in current sustainability frameworks; 4) the lack of research conducted on sustainable banks; and 5) the expressed need from sustainable banks to measure their performance.

As intermediaries in an economic system, financial institutions, and banks in particular, hold a unique role. By offering financial services to both hold and lend money, banks serve as large-scale intermediaries in the economy, enabling the flow of money and securing the functioning of the overall economy. The critical role of the financial sector in the economy has become visible during the U.S. financial crisis of 2008, which resulted from the mass default of loans banks were providing to the sub-prime mortgage market. The defaults in the U.S. markets spilled over to other economies causing a global financial crisis, particularly felt by the economies of many countries in Europe. These crises show the pivotal role banks play in the global economy—attesting to their importance but also to the implications of their failures.

In the backdrop of the damaging results caused by profit-seeking behavior from financial institutions, a variety of financial institutions and instruments have emerged that are either socially responsible or sustainable (these two terms were clarified earlier). It was not the recent global financial crisis that spawned

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these institutions, however, but rather the lack of equitable development during the 1800s which resulted in the birth of the organized cooperative movement. Cooperative banks emerged from this movement to support other cooperative activities while returning proceeds to members of the banks and the larger communities they operated among. Sustainable banks are therefore, arguably, rooted in the cooperative movement.

Sustainable banks are 'value-driven banks' that 'prioritize people before profits' as remarked by Peter Blom, the CEO of Triodos Bank, a pioneer in the sustainable banking industry. Social enterprises, including for-profit and non-profit alike, which often forego decisions to maximize profits in lieu of more socially favorable ones, are largely financed by sustainable banks. Due to the close relationships they share with clients in a variety of industries, in addition to policymakers with whom they collaborate to create policies favoring sustainable outcomes, sustainable banks have a vast array of stakeholders that can make for a rich, stakeholder-oriented study.

One of the most compelling reasons to study sustainable banks is due to the current un-sustainability of many financial institutions. These institutions caused the global financial crisis and have not changed in many ways to prevent a similar event from happening in the future, inciting the Occupy Wall Street (OWS) movement. The OWS movement is also commonly referred to as the '99-percent' to represent the 99-percent of America that is adversely affected by the 1-percent who control a significant share of the wealth and an overwhelming amount of leverage on public policy decisions. However, current sustainability frameworks, such as the TBL approach, mask many of the problems inherent with these institutions until it is too late. Furthermore, by focusing solely on the direct impacts of an organization, these frameworks fail to capture the impacts of the institutions on the larger system they impact. The amount of paper wasted or tonnes of CO_2 emitted are inconsequential to the negative impacts generated by the organizations that these banks enable and support or from the services they provide. As a result of not capturing their true sustainability, financial institutions are often on the list of most sustainable companies in the world, even after inciting the global financial crisis[2]. Sustainable banks, despite clearly being more sustainable than mainstream financial institutions, are absent from such rankings, including those that only assess financial institutions[3]. The poor state of current measurement frameworks in the financial industry justifies the need to re-conceptualize corporate sustainability.

In addition to being absent from sustainability rankings, sustainable banks remain largely absent in the literature, despite the importance of fostering a sustainable financial market. As a result, my engagement with the sector resulted from a request published through an alliance of sustainable banks (the Global Alliance for Banking on Values) for academic research on their institutions. These organizations deserve more attention based on the innovations they provide to the finance sector (from microfinance to green investment funds to complete transparency of clients) and best practices that have enabled many banks in the sector to fare the global financial crisis.

In addition to a gap in the literature on sustainable banking, there is a lack of frameworks available for sustainable banks to measure and report their impact in a meaningful and relevant way. Although the Global Impact Investing Network has developed a framework for impact investors, namely the Impact Reporting and Investment Standards (or IRIS), which is related to sustainable banks, these banks have stated their desire to develop a common framework that is specific to the sustainable banking sector. The author has thus engaged in collaborative, action research to help develop such a framework. Nonetheless, this framework still has difficulty passing the 'Goldman test' as the author defines it. Each of these tests involves comparing the sustainability metrics being developed to the sustainability indicators released by Goldman Sachs to determine if the sustainable bank in question stands out as more sustainable. The difficulty in passing the 'Goldman test' (which is ranked the second greenest bank in the world according to Bloomberg [4]) inspired the rejection of the TBL approach and motivated the research question of this

2. http://www.thedailybeast.com/topics/green-rankings.html
3. http://www.environmentalleader.com/2011/04/06/santander-goldman-worlds-greenest-banks/
4. http://www.bloomberg.com/news/2011-04-04/santander-tops-goldman-as-greenest-bank-on-deals-from-cool-offices.html

dissertation in order to gain an understanding of how sustainability could be conceptualized in a more informative and accountable manner.

Methodology

To reiterate, the research question for this dissertation is as follows: what is the relationship between stakeholder conceptualizations of sustainability and the conceptualization of sustainability in triple bottom line (TBL) frameworks? The primary and secondary hypotheses I test are as follows:

Primary Hypothesis: Stakeholder conceptualizations of sustainability do not correlate to the conceptualization of sustainability in a TBL framework.

Secondary Hypothesis: Stakeholders conceptualizations of sustainability are consistent among stakeholder groups, revealing different utility functions

My research question and hypotheses have been informed based on the author's exploratory study of 14 sustainable banks across the globe, which involved leading focus groups and in-depth interviews to understand how sustainable banks currently measure sustainability and how existing frameworks can improve. To test the hypotheses laid forth, the research is divided into two stages. During the first stage, in-depth interviews will be conducted with stakeholders of one of the pioneer sustainable banks. Through these interviews the author aims to better understand how stakeholders conceptualize sustainability. The second stage of the research will involve rigorously testing the findings from the interview stage through surveying sample stakeholders within each identified stakeholder group across 6 sustainable banks.

Part 1: Semi-Structure Interviews

During the first part of this research, the author will conduct in-depth interviews with a sample of stakeholders within each of the stakeholder groups of one of the leading sustainable banks. One of the leading sustainable banks will be selected in order to better capture how stakeholders conceptualize sustainability. Furthermore, stakeholder conceptualizations of sustainability will be better captured through their interpretation of sustainability in action. If stakeholders can still idealize a more ideal performance of a sustainable bank, this will further inform the study. Nonetheless, by controlling for what sustainability looks like (as defined earlier on an ethical continuum and based on the definition of corporate sustainability), a more accurate conceptualization of sustainability will be ascertained.

The in-depth interviews with each stakeholder of the sustainable bank being studied will begin with the motivation of the study—to understand how stakeholders conceptualize sustainability, followed by the definition of corporate sustainability utilized in this paper. The semi-structured interview will then consist of the following questions, or variants thereof:

1. What is your relationship with the bank?
2. What adjectives would you use to describe the bank?
3. Do you identify the bank as being sustainable? And why?
4. Probe further: What specifically about the bank makes it sustainable?
5. How does the bank differ from non-sustainable banks?
6. If you were the manager of the bank, how would you measure its performance to better inform stakeholders?
7. How would you improve the sustainability performance of the bank?
8. The bank currently supports the TBL approach of the social, environmental, and economic domains or alternatively stated people, planet, profit. Do you agree with this approach? What does the TBL mean to you? How would you change this approach when conceptualizing a sustainable organization?

Part 2: Stakeholder Surveys

Based on the responses from part 1, a survey questionnaire will be developed to gather quantified data to prove or disprove the hypotheses being tested. These surveys will be administered to stakeholder samples in each stakeholder group across 6 sustainable banks. Two banks have been selected from each

of the three different types of banks the author has identified: banks that are arguably more socially responsible than sustainable, banks that serve the underserved (predominantly through microfinance, MF, or microenterprise, ME, loans), and banks that are the epitome of sustainability. These banks are located in North America, South America/Asia, and Europe respectively. One large and one small bank from each category will be selected. The case selection rationale is illustrated in the figure below.

	CSR-oriented bank	MF/ME-oriented bank	Sustainability-oriented bank
Small bank	Case 1	Case 2	Case 3
Large bank	Case 4	Case 5	Case 6

Through this two-part, mixed methods research engagement, the author will test the primary and secondary hypotheses to understand the relationship between stakeholder conceptualizations of sustainability and the TBL conceptualization of sustainability. The results of this study will inform management strategy on how to conceptualize sustainability to become more legitimate while also motivating improved sustainability measurement frameworks that increase the accountability of managers towards stakeholders.

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Appendix 10
Research Proposal for Triodos Bank

The majority of strategies to measure sustainability and sustainability performance are based on the triple-bottom line (TBL) framework. Research indicates that the TBL approach can encourage 'greenwashing' (a practice by non-sustainable organizations to be perceived as sustainable) while preventing sustainable organizations, like Triodos Bank, from distinguishing themselves as such.

It is therefore my goal to conduct interviews with the stakeholders of Triodos Bank to develop a new conceptualization for capturing sustainability. Stakeholders, which we define as individuals or groups of individuals that affect or are affected by an organization, are an important part of the process for measuring and reporting sustainability, as such frameworks are aimed to inform stakeholders and hold managers accountable to stakeholders. Stakeholders, or the constituents they represent, are also most affected by the sustainability impacts of an organization.

To move towards a new conceptualization of sustainability, and specifically a stakeholder conceptualization of sustainability, the semi-structured interview will capture the following questions:

1. What is your relationship with the bank?
2. What adjectives would you use to describe the bank?
3. Do you identify the bank as being sustainable? And why?
4. Probe further: What specifically about the bank makes it sustainable?
5. How does the bank differ from non-sustainable banks?
6. If you were the manager of the bank, how would you measure its performance to better inform stakeholders?
7. How would you improve the sustainability performance of the bank?
8. Triodos Bank currently reports using a Triple Bottom LIne approach of social, environmental, and economic dimensions that are sometimes expressed as People, Planet, Profit. What are the positives of this approach? What are the negatives of this approach? What is your interpretation of a Triple Bottom Line? How would you improve on this approach to better capture sustainability?

I aim to interview 30 stakeholders in total. Specifically, I plan to interview 3 stakeholders from each of the following 9 stakeholder groups, with the exception of the co-workers category, in which I hope to interview 6 individuals:

1. Co-workers of Triodos Bank (stakeholders at various levels within the organization; 6 interviews)
2. Clients (borrowers)
3. Clients (depositors)
4. Investors (institutions)
5. Investors (individuals)
6. Community groups (place-based and communities of interest)
7. NGOs
8. Regulators and policymakers
9. Media

Next Steps: After transcribing the interviews, I will identify the major themes for conceptualizing sustainability and develop a survey in order to quantify the process and get a larger sample. I plan to complete the survey by mid-February and test the survey out on participants planning to attend the upcoming annual conference. Upon finalizing the survey, I will administer the survey to stakeholders across 6 different banks (including Triodos Bank) isolating for the context of each sustainable bank (microfinance-focused, North American, and European) and size (small and medium)--pending approval from the selected banks at the conference.

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