During COVID-19, Values-based Banks Continued Delivering Higher Growth Rates than the World’s Biggest Banks

2021 REAL ECONOMY-REAL RETURNS:

The Business Case for Values-Based Banks

10 years of research on values-based banking performance (2011-2020)

The sustainable banks analysed in the report had much higher growth in loans, deposits, assets, equity, and total revenue compared to the mainstream banks over the periods studied.

Financial data analysed in this report demostrate that values-based banks deliver steady financial returns and stronger levels of growth compared to the world's biggest banks.

x 3	x 2.5	x 3.5	x 3
loans	deposits	total assets	equity

Financing the real economy

70% of assets to lend the real economy

30% more of lending in values-based banks

Values-based banks focus their loans to the real economy. Financial intermediation aims to directly support the production of goods and services instead of focusing primarily on buying and selling in the financial markets.

More resilient, safe and steady

MORE RESILIENT
Strong levels of equity to total assets in values-based banks positions them well for challenging economic contexts.

HIGHER DEPENDENCE ON DEPOSITS
Values-based banks rely 30% more on client deposits to fund their balance sheets than biggest banks.

PRUDENT APPROACH TO RISK
Values-based banks have lower volatility due to lesser exposure to the financial economy.

Financial performance comparison (2020)

Values-based banks	Global systemically importance banks
68.8% *Loans to total assets*	40.1% *Loans to total assets*
80% *Deposits to total assets*	55% *Deposits to total assets*
8.4% *Equity to total assets*	6.6% *Equity to total assets*

Why values-based banks are different?

A DEFINITION

Values-based banking is a mission driven approach to banking that puts **finance at the service of people and the planet**. Social and environmental impact are at the heart of a values-based bank's business model. A focus on the real economy, strong engagement with its stakeholders, and a prudent approach to risk help make values-based banks financially resilient. Inherent in the values-based banking movement is a commitment to contribute to the positive development of the wider banking sector, so it contributes to a more sustainable economy in the future.

SIX PRINCIPLES

Triple Bottom Line Approach

Transparency

Real Economy

CULTURE

All of these principles being embedded in the culture of the banks

Long Term Resiliency

Client Centred

The 2021 *Real Economy-Real Returns* report covers a period of 10 years from 2011 to the end of 2020. The study refers to publicly available financial information and compares the performance of 55 values-based banks that belong to the GABV with the list of 31 Globally Systemically Important Banks (GSIBs) according to the Financial Stability Board.

Find the 2021 report and previous years research reports

DOWNLOAD

Global Alliance for Banking on Values

www.gabv.org

Financial data analysed by the Global Alliance for Banking on Values (GABV), a network of 66 of the world's leading sustainable banks, demonstrate that values-based banks deliver, in general, steady financial returns and stronger levels of growth in loans, deposits, equity, assets, and total revenue, compared to the world's biggest banks.

The '2021 Real Economy-Real Returns: The Business Case for Values-based Banking report compared the performance of 55 values-based banks that belong to the GABV with 31 of the world's largest banks, defined as Globally Systemically Important Banks (GSIBs) by the Financial Stability Board. The study covers 10 years between January 2011 and December 2020 and uses publicly available financial information.

"The research findings offer evidence that by focusing on financing the real economy, banks can be both financially resilient and play a positive role to meet increasingly acute environmental and social challenges", explains Martin Rohner, GABV Executive Director.

Facing Covid-19 through the real economy

As a group, the difference between values-based banks and mainstram banks is clear. The level of lending is on average 30% higher for values-based banks, even after considering the immediate decrease in lending due to the pandemic. These banks, who focus specifically on delivering social and environmental benefits, lend close to 70% of their balance sheets to the real economy on average, compared to 40% for GSIBs.

"Values-based banks have been both willing and well placed to address COVID-19-related challenges. Having historically met the very real banking needs – especially access to credit – of enterprises and individuals within their communities, values-based banks chose to react to the pandemic's uncertainty and risk very differently from their conventional counterparts", states Adriana Kocornik-Mina, Senior Research and Metrics Manager at Global Alliance for Banking on Values and the author of the report.

For example, they provided access to banking services for clients investing in expanding basic digital services and participated extensively in government support programmes. Values-based banks have not only supported clients and communities but protected coworkers while sustaining stable financial returns.

Annual research since 2012

The 2021 report is the eleventh update of this annual research first published in 2012. It is striking that the findings fundamentally remain the same over the years, notwithstanding severe disruptions from the Covid-19 pandemic:

- Values-based banks present, as a group, higher levels of growth by most economic measures.

- Values-based banks offer resiliency through strong capital positions and delivered stable and solid financial returns.

- Values-based banks have relatively better-quality capital and lower volatility due to lesser exposure to the financial economy.

- Values-based banks rely more on customers in both deposits and loans.

Higher proportional growth in values-based banks

GABV banks analised in this report had much higher growth in loans, deposits, assets, equity, and total revenue compared to GSIBs over the periods studied. As a group, values-based banks outperformed mainstream banks in 2020 by growing around three times in loans, deposits, equity and total assets.

Values-based banks rely much more on client deposits to fund their balance sheets than GSIBs (80% compared to 55%). This reliance on deposit-taking is another example of values-based banks focus on the real needs of individuals and enterprises and the real economy. It reduces the liquidity risk of their funding strategies while returning to the roots of banking that intermediates between clients with ‘excess’ money and entrepreneurs who need it to make productive investments.

Values-based banks have stronger capital positions. Nevertheless, higher levels of equity held did not reduce their appetite to lend, challenging claims by some larger banking institutions that higher equity requirements lead to less lending.