Measuring Impact - Affinity Credit Union

Réseau de recherche pour mesurer la DIFFÉRENCE COOPÉRATIVE

Measuring the Co-operative Difference RESEARCH NETWORK

Myrna Hewitt, EVP Marketing and Community
Affinity Credit Union

- 65 communities
- 9 insurance agencies
- 900+ employees
- 130,000+ members
- $5.3b in managed assets
- 8th largest credit union in Canada
- 9 First Nations Partners

Measuring the Cooperative Difference Research Network
ACU Governance

• **Unique structure**
  – 12 district councils
  – 122 elected delegates
  – First Nations district council (Provincial)
  – 23 directors
  – Staggered 3-year terms

• **Benefits**
  - Increased member involvement
  - Board succession
  - Delegate development plans
  - youth
Delegate Responsibilities

- Voice of the membership
- Actively involved in strategic planning
- Allocate community funding
- Serve on board committees
- Oversee nomination process
- Provide guidance on mergers, branch network, services
ACU Community Strategy

– To foster healthy communities and productive economies
– Focus moved from donations to community impact
– Guided by four pillars:
  – Building community assets and facilities
  – Contributing to local economic and community enterprise development
  – Facilitating financial empowerment
  – Enhancing environmental sustainability

Measuring the Cooperative Difference Research Network
Building Community Assets and Facilities

- Re-investing members’ deposits in local services, facilities and businesses that contribute to the health and economic stimulus of our communities
- Grants from District Councils or corporate budgets

EGADZ – HeadStart on a Home – Station 20 West
Contributing to local economic and community enterprise development

- Support social enterprises
- Help organizations create jobs; enhance skills and deliver essential goods and services

Farm in the Dell – Prairie Fresh Food Corporation – Good Food Junction
Facilitating financial empowerment

• Enhance the financial well-being and economic self-reliance of disadvantaged populations

• Invest in programs that:
  • Increase financial and literacy skills and well-being
  • Offer advice
  • Provide tools and information

Read Saskatoon – Workshops – Individual Development Accounts
Affinity partners with other like-minded organizations to support environmental sustainability.

- Goal is a world in which all needs can be met in sustainable ways.
- Sustainability requires healthy ecosystems, healthy livelihoods and healthy human communities.

**CarShare Co-op – Wascana Authority – Sask Environmental Society**

**Energy Retrofit**
Global Alliance

- Organization with members from the world's leading sustainable banks
- A shared commitment to finding global solutions to international problems
- Working to change the way banking works in the world
- Working to improve the quality of life for under-served
- Affinity CU joined in 2012
Sustainable Banking

• Three requirements to join GABV
  – Regulated financial institution
  – Mission beyond profit (sustainability)
  – Transparency reporting

gabv.org
Sustainable Banking Principles

1. Triple bottom Line
2. Grounded in community; real economy
3. Long-term client relationships
4. Self-sustaining; resilient
5. Transparent and inclusive governance
6. Principles embedded in culture
Scorecard Factors

Eight quantitative factors:

1. Bank Resiliency through Earning
   - 3-year average return on equity

2. Bank Resiliency through Capital Strength
   - equity/balance sheet assets

3. Bank Resiliency through Asset Quality
   - loans past 90 days and impaired assets/balance sheet assets
Scorecard Factors

4. Bank Resiliency through Client Driven Liquidity
   - client deposits/balance sheet assets

5. Assets Committed to the Real Economy
   - real economy assets/total assets

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Real Economy = economic activity generating goods and services

Financial economy = concerned exclusively with activity in the financial markets
6. Revenue derived from the Real Economy
   - real economy revenue/total revenue

7. Assets Committed to Triple Bottom Line
   - triple bottom line assets/total assets

In 2013 [Direct Exposure to Clients
   - directly sources and serviced clients/ total clients]
Six qualitative elements:

1. Board commitment to sustainable banking (SB)
2. Management commitment and leadership to SB
3. SB performance is tracked and reported
Scorecard Elements

4. Initiatives to imbed SB throughout the organization

5. Organizational structure integrates SB in daily activities

6. SB embedded in incentive, compensation and performance structures
4. Client Funding as a percentage of Total Assets
   – 90.9% in 2013; 90.88% in 2014

6. Real Economy Assets as a percentage of Total Assets
   – 86.6% in 2013; 85.44% in 2014

8. Real Economy Revenues as a % of Total Revenues
   – 64.9% in 2013; 63.62% in 2014

10. Triple Bottom Line Assets to Total Assets
    – 42.81% in 2014
Compared sustainable banks (SB) with globally systemically important financial institutions (GSIFI) over a 10 year period

Pre-crisis (2003 to 2007), post-crisis (2008 to 2012) and over the 10 year cycle

SBs assets devoted to lending are nearly double that of the GSIFIs (75.9% versus 40.1, from 2003 to 2012)
## GABV Comparative Study

### Loans to Total Assets

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<tbody>
<tr>
<td>Sustainable Banks</td>
<td>77.4%</td>
<td>74.5%</td>
<td>75.9%</td>
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<tr>
<td>GSFIs</td>
<td>39.3%</td>
<td>41.0%</td>
<td>40.1%</td>
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**Affinity CU – 81.88% in 2014**

Measuring the Cooperative Difference Research Network
GABV Comparative Study

- Sustainable banks rely much more on client deposits to fund their balance sheet compared with GSIFIs.
- This shows SBs focus on the real economy but also reduces liquidity risk.
# GABV Comparative Study

## Deposits to Total Assets

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</thead>
<tbody>
<tr>
<td><strong>Sustainable Banks</strong></td>
<td>75.3%</td>
<td>74.5%</td>
<td>73.1%</td>
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<tr>
<td><strong>GSFIs</strong></td>
<td>42.8%</td>
<td>43.0%</td>
<td>42.9%</td>
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**Affinity CU – 90.88% in 2014**

*Measuring the Cooperative Difference Research Network*
SBs maintained stronger capital positions relative to the larger GSIFIs especially when measured by the Equity/Total Assets (7.2% vs 5.5%) [Affinity – 7.8% in 2013; 7.92% in 2014]

SBs deliver higher returns on assets (0.53% vs 0.37%) [Affinity - 0.69% in 2013; 0.76% in 2014] with lower levels of volatility
• SBs had much higher growth in loans, deposits and total income compared to GSIFIs over the 10 year cycle

• GSIFIs has strong growth before the crisis but slowed considerably post crisis

• Therefore, SBs show a much more consistent growth pattern than GSIFIs
What have we learned?

• Our impact goes well beyond community giving
• We serve the real economy
• We are economic engines of our communities
• We increase our impact when we loan to start ups, social enterprises and affordable housing
• Measuring impact is a transparent underpinning of sustainable banking
• Through GABV, we are influencing the world’s banking system to be more transparent, to support economic, social and environmental sustainability and to serve the real economy