



A CATALYST FOR CHANGE

Wainwright Bank Proves Socially Progressive Banking is Not an Oxymoron By Steven F. Young

Since its founding in 1987, Wainwright Bank & Trust Company has proven that allocating capital to underserved markets is not only socially responsible, but profitable. The bank contemplates two bottom

lines. Foremost is the business platform which fuels the social justice platform. They are mutually supportive and the success of one depends on the other.

Wainwright is a publicly traded, state chartered commercial bank headquartered in

Boston. Of the 8,300 banks in the country, it has grown to be among the 600 largest with \$1 billion in assets. In addition to private banking and a retail network consisting of 12 branches, the bank has thriving consumer and commercial lending areas and a wholly-owned investment subsidiary, Heritage Capital Management.

"With a sense of inclusion and diversity that extends from the boardroom to the mailroom, Wainwright Bank & Trust Company resolves to be a leading socially progressive bank, committed equally to all its stakeholders - employees, customers, communities and shareholders alike."

The bank's mission statement reflects the concepts of collaboration and partnership. All stakeholders have an equal seat at the table. In the typical corporate model, shareholder concerns reign supreme, and in most cases still is the only consideration. But Wainwright thinks this is a very one-dimensional view and one that will increasingly not be sustainable as society continues to move towards greater social and global consciousness.

The bank offers the same products and services, at the same pricing, within the same market as its competitors. But bank analysts, consultants and other industry observers agree, Wainwright is unlike any other bank in the country, even among those who profess to be socially responsible. Understanding why can be broken down into internal and external practices.

Internal Practices

Wainwright's human resource policies have been lauded nationally as among the most progressive. While the average employee turnover rate in the banking industry is 23% annually, Wainwright experienced a 9% turnover last year – why?

The bank provides a generous benefit package that includes full dental coverage, free life insurance, health club and public transportation subsidies, and a 401(k) plan that is second to none. While the average teller trainee in the industry receives a one week paid vacation to start, all full time employees at Wainwright receive 3 weeks paid vacation. And the bank provides a minimum "living wage" to all full time employees that, according to the non-profit group, United for a Fair Economy, is currently \$11.27 an hour.

Wainwright's management practices have been lauded nationally as among the most progressive. Diversity is encouraged throughout the bank. The Board of Directors consists of nine outside members of which two are female and two are African-American. Of the 67 officers, 37% are female and 12% are minorities. Among all 166 employees, a third of them speak 22 languages other than English,

from Arabic to Ukrainian, and 10% are openly gay or lesbian, including two senior vice presidents.

The bank believes that by creating an open and embracing environment, employees can bring their whole selves to work each day. The rewards are tangible; loyalty, retention, increased productivity, and public recognition, such as being named one of the Best Places to Work in Massachusetts, puts Wainwright in the same company as AT&T, Subaru and Starbucks, being ranked among the top 10 companies in the country for gay & lesbian employees.

Wainwright also believes one of the primary keys to customer loyalty and greater profitability, is a simple premise: if employees are happy, customers will be happy too.

External Practices

Partnerships and collaboration are at the heart of the bank's external activities as well. This includes its lending practices, investment of depositors' money, products and services offered, philanthropy and seemingly unique to Wainwright in the banking sphere, its social advocacy.

Wainwright is one of the few banks in the country with a department solely committed to socially responsible community development lending. The bank has provided over \$700 million of these loan commitments to finance projects such as homeless shelters, food banks, affordable and special needs housing, HIV/AIDS services, environmental protection, immigrant services, inner-city schools, community health centers, and breast cancer research, among other causes.

Clients consist of a who's who roster of progressive non-profits in the Greater Boston area including American Civil Liberties Union of Massachusetts,

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Union of Concerned Scientists, Massachusetts Breast Cancer Coalition, Trust for Public Land, AIDS Action Committee, Greater Boston Food Bank, New England Foundation for the Arts, Oxfam America, The Boston Foundation, Earthwatch Institute, Amnesty International and hundreds of others. For Pine Street Inn homeless shelter alone the bank has financed over \$20 million dollars for a dozen projects over the last 18 years.

Community development lending is a significant part of the business strategy. Currently, over 50% of the bank's commercial loan portfolio is committed to these types of loans. The majority of commercial banks in this country couldn't say even 1% of their portfolio, if any, was allocated to this sector.

Bankers generally assume these loans are unprofitable, risky and just another form of charity. But nothing could be further from the truth. The bank's community development loans are not discounted. They are market priced just like any other commercial loan. But even more interesting is that of the \$700 million in these types of loans provided there's never been a default; an enviable track record for any bank.

The majority of Wainwright's customers are aware their deposits help fund these loans. It attracts customers who like the idea that their money supports local community development and creates a passionate loyalty to the brand.

Not only has there been extensive media coverage about the community development projects financed, the bank has received numerous awards, including the U.S. Treasury's "Bank Enterprise Award." The award recognizes a bank's commitment to providing financing for



projects located in underserved communities and is accompanied by a cash reward. Over the last 11 years Wainwright has received over \$1.8 million dollars from this program.

In addition to its community development lending, Wainwright has created some unique products within the banking industry.

In 2001 it launched an online service for non-profits called CommunityRoom.net that, among other things, offers free, hosted web pages to any non-profit client to accept online donations. Over 200 of the bank's 700 non-profit clients have joined CommunityRoom.net and donations generated through this channel total \$7 million to date. Industry observers have stated no other bank in the world offers such a service.

Visitors to the site can review a non-profit's programs and services, make a donation, read tips on how to be a strategic donor, or access a library of position papers on socially progressive topics such as HIV/AIDS, the current state of civil liberties, and

global sustainability. Donors also have the option of becoming members so each time they visit the site they don't have to re-enter their personal information and can print out a history of their giving at tax time.

Other examples include The Wainwright Bank Green Loan, launched in 1999, that

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provides a discounted home equity loan rate for energy efficient home improvements, and more recently, the Equal Exchange CD, a three-year certificate of deposit that provides a competitive interest rate and whose deposits act as collateral for a line of credit to Equal Exchange, a Fair Trade coffee merchant providing third world farmers with a livable income and sustainable farming methods.

Green Banking

The bank has received significant recognition for its environmental initiatives.

Every company seems to be going green these days, but as early as 1993, the bank began recycling waste and using recycled papers and vegetable based inks.

Other initiatives include purchasing renewable energy and carbon offset certificates, installing low energy lighting, purchasing Energy Star® rated computers and appliances, and building some of the first green branches in the country. The bank is recognized as a pioneer in what is now referred to as "Green Banking,"

including being named one of the Top 10 Green Banking Firms in the country and one of the Top 20 Sustainable Stocks in the world.

Perhaps the most significant of Wainwright's environmental activities and one that has garnered much press attention, is building its last four branches to LEED, or Leadership in Energy and Environmental Design, specifications as defined by the U.S.

Green Building Council. The Coolidge Corner, Brookline branch became the first bank building in New England to be certified “Silver” and the Newton Centre branch is one of the first in the country to be awarded a “Gold” certification.

The bank’s newest branch, opened last October at Ashmont Station in Dorchester, a suburb of Boston, is unusual not only because it’s located in a new Transit Oriented Development or because it is seeking LEED certification, but that it features a full-service espresso bar in its lobby operated by Flat Black, a local Fair Trade coffee company.

Philanthropy

The bank has committed to providing at least 2.5% of its pre-tax income annually to charitable organizations but the actual amount generally exceeds 3%, or three times the industry average. With over 700 non-profit clients the bank decided several years ago to provide donations exclusively to organizations it has a banking relationship with and furthermore, to favor those addressing socially progressive issues.

Each year at its customer appreciation event, attended by 500 of its for-profit and non-profit clients, the Wainwright Bank Social Justice Award is presented to an individual and their associated organization that has significantly contributed to social change in their particular field. The Award is accompanied by a \$10,000 dollar donation to the organization.

Several employees of the bank are registered to conduct financial literacy classes for public and private high school students in partnership with Project Hope. Groups of employees also volunteer their time to non-profit clients such as sorting food at the Greater Boston Food Bank or serving the homeless at Pine Street Inn. The *Boston Business Journal* just last year ranked Wainwright as providing the highest number of volunteer hours per employee among 75 Boston-area companies.

In addition to CommunityRoom.net the bank also has physical Community Rooms at most of its branches. These are free, after hour conference rooms available for non-profit clients to use for meetings.

Advocacy

One of the most unique aspects of the bank’s corporate social responsibility, especially considering it’s a publicly traded company, is its advocacy on behalf of social issues. Because of the progressive causes championed and supported in various ways, and the recognition received for that, the bank believes it has

created a certain amount of what it calls “cultural capital.” And as controversial as some of the issues may be perceived to be, it’s not afraid to deploy it.

For instance, one of the board of directors represented the bank to testify before Congress in support of the Employment Non-Discrimination Act, which would have outlawed discrimination against gays in the workplace. In 2002 the Board filed a letter, and a Director read it, before the Massachusetts General Court in opposition to an anti-gay constitutional marriage amendment. It was the only publicly traded company, much less a bank, to do so. The bank is also a signatory to several social justice initiatives including the Ceres Principles, NOW’s Women-Friendly Workplace Pledge and the endorsement of a living wage in Massachusetts.



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Recognition

The bank has received extensive media coverage including being featured in news sources such as NPR, *TIME*, *The New York Times*, *The Wall Street Journal*, Today Show, CNBC, Fox News and dozens of local, national and international magazines and newspapers.

Early last year a book was published by Harper Collins entitled *The High-Purpose Company: The Truly Responsible (And Highly Profitable) Firms That Are Changing Business Now* by award winning author, Christine Arena. She and a group of ten McGill University graduate students developed a

new methodology to measure corporate social responsibility and then applied it to 75 companies that claim to be socially responsible, including IKEA, Toyota, and GE. Wainwright was ranked number one on the list as the “ultimate high-purpose company” and was the only company mentioned in the book to have an entire chapter devoted to it.

Another best selling author, Patricia Aburdene, who has sold 20 million copies worldwide of her *Megatrends* series of books, included a three-page profile of Wainwright in her last edition, *Megatrends 2010*. In it she states, “Wainwright’s DNA is so deeply encoded with the commitment to social responsibility, you almost forget it’s a bank.”

And just a few months ago a new book was published by author Margaret Benfield entitled *The Soul Of A Leader*. The cover includes an endorsement by Desmond Tutu and contains extensive interviews with Wainwright’s own Bob Glassman, Anita Roddick of The Body Shop, Tom and Kate Chappell, founders of Tom’s of Maine, and U2 guitarist, The Edge.

The bank employs no public relations firm but has no lack of publicity and media attention.

Going Forward

Wainwright Bank has had consistent growth in its book value per share, steady profitability and a robust dividend policy. The bank is on track to exceed \$31 million in net interest margin for 2009, which will be a record and remains ‘well capitalized.’ For the first six months of 2008 average deposits increased by 11% and average outstanding loans by 13%. The bank has never made a subprime loan or provided complex loan products to borrowers who obviously couldn’t make the monthly payments. Nor has it held any mortgage-backed securities containing subprime loans in its investment portfolio.

Account growth, asset growth, net income-by any of those measures Wainwright Bank has done well. Its value proposition continues to distinguish it from its competitors by not only creating far greater customer loyalty, but by continuing to attract consumers, business and non-profits who increasingly question how their banks are investing their money. Indeed, socially progressive banking is not an oxymoron!

Steven F. Young has over 30 years experience in banking and is currently a Senior Vice President at Wainwright Bank. Since 1992 he has worked closely with Wainwright Bank co-founder, Robert A. Glassman, in creating Wainwright’s socially progressive brand. ▲