

BJC HealthCare is the largest employer in the St. Louis region and one of the largest nonprofit healthcare organizations in the U.S., with 15 hospitals and nearly 5,000 physicians serving hundreds of thousands of patients annually. **When BJC leadership launched a plan to improve health equity in the region, it initiated a depository relationship with Midwest BankCentre.**

It is well documented⁶ that economic and financial wherewithal is a major part of what separates people in good health from those in poor health. "If we're actually going to have an impact on health disparities at the community level, it is going to require changing conditions in the community," explains Dr. Jason Purnell, BJC's Vice President of Community Health Improvement. "The ability to build wealth is actually a health intervention."

As an anchor institution in the region, the leadership team at BJC asked, **"How do we leverage our balance sheet in a way that it actually accrues to the benefit of the community and still meets our business needs?"**

It developed a depository relationship with Midwest BankCentre so its deposits can then be loaned in the community, particularly in those

areas where there has been historical underinvestment. These deposits get deployed in the form of loans for people to buy homes, to start or scale a business, to educate their children or to have emergency funds available when life happens.

"The Bank has the track record, an infrastructure and the will to make loans and capital available in areas that we know are impacted both by limited economic opportunity and health disparities," explains Dr. Purnell.

"BJC is leveraging the power of its balance sheet to do more good, while getting a modest financial return on its deposits. More capital invested with Midwest

BankCentre means more home and small business loans, resulting in more opportunities for these underinvested communities. You need capital to build more capital and wealth. In the past, these constituents were unbanked, denied access to capital or at the mercy of predatory lenders. BJC's deposits allow us to take on a bit more credit risk to make and serve our constituents responsibly," Kimbrough explains.

Dr. Purnell hopes other anchor institutions will see the transformative power of Impact Banking. **"The region has enough muscle to make real and lasting change by simply choosing where they bank."**



Rich Liekweg, President and CEO of BJC HealthCare, Dr. Jason Purnell, VP of Community Health Improvement at BJC and Orvin Kimbrough, Chairman and CEO of Midwest BankCentre

SOURCES

- (1) Data as of year-end 2021. Source: S&P Capital IQ Pro.
- (2) Rural Poverty & Well-Being, an Economic Research Service and U.S. Department of Agricultural Study, August 2021 and "Rural Poverty Has Distinct Regional and Racial Patterns" by Tracey Farrigan.
- (3) Federal Reserve Bank of St. Louis, "Fast Cash and Payday Loans," by Jaenette N. Bennett
- (4) "Across the US: What are the 35 poorest towns in America?" by Michael B. Sauter, June 8, 2019, *USA Today*
- (5) Data based on models provided by the Washington University in St. Louis study performed in Spring 2020 to quantify the impact of access to mainstream financial services in traditionally underserved areas.
- (6) *For The Sake of All: Improving Health and Well-Being of African Americans in St. Louis*; <https://forthesakeofall.wordpress.com/>



IMPACT BANKING TRANSFORMING COMMUNITIES

IMPACT BANKING TRANSFORMING COMMUNITIES

Where there is a will, there is a way. **I believe there is a will, a strong will, to revitalize the St. Louis region.** So, the question is, “What is the way?”

Democracy sits atop a three-legged stool. Government, business, and charity all have a role to play. The burden of “fixing things” tends to fall on charity when there is a crisis, devastating disaster, or perceived market defect. We have a tremendously generous community when it comes to charitable giving. I witnessed that with a full heart in my 13-year tenure at United Way of Greater St. Louis. But **charity alone will not achieve our desired goal of equitable outcomes for more people.** It will require investment in dreams and opportunities. It will require a middle class where people have personal agency and the opportunity to live a self-determined life.

This is a community project. It requires capitalism and the scalability of capital to transform our region. I believe this is possible through IMPACT BANKING.

The concept of Impact Banking builds on a virtuous cycle. It begins when anchor institutions, investors, and individuals deposit capital in locally owned, locally focused banks and financial institutions. The banks are committed to investing in underserved areas to create opportunities for families to buy homes, start or scale businesses, and invest in education.



Currently, there are over \$120 billion in deposits held in St. Louis area banks and under a third of them are held at locally-owned banks.¹ Imagine the tremendous regional impact of redirecting even a portion of those deposits from large, multi-national banks to community banks that have a laser-like focus on our regional wellbeing. Think of the ripple effect those deposits could have when deployed in the form of loans, helping put more people on the path to financial prosperity and opening more doors to generational wealth. This is how we transform communities — all communities — Black, Brown and White.

The Cost of Concentrated Poverty

There is a high cost to poverty and concentrated poverty creates a vicious downward spiral. Research shows that the poor housing and health conditions, higher crime rates, and fewer educational and employment opportunities of concentrated poverty contribute to limited opportunities for poor residents that become self-perpetuating.² And, while the public generally perceives concentrated poverty as an urban, central-city problem, concentrated poverty continues to grow in rural America, reinforcing a lack of good-paying jobs and systemic disinvestment.²

This isn't a Black, Brown, or White problem, or a problem limited to one geography. It's America.

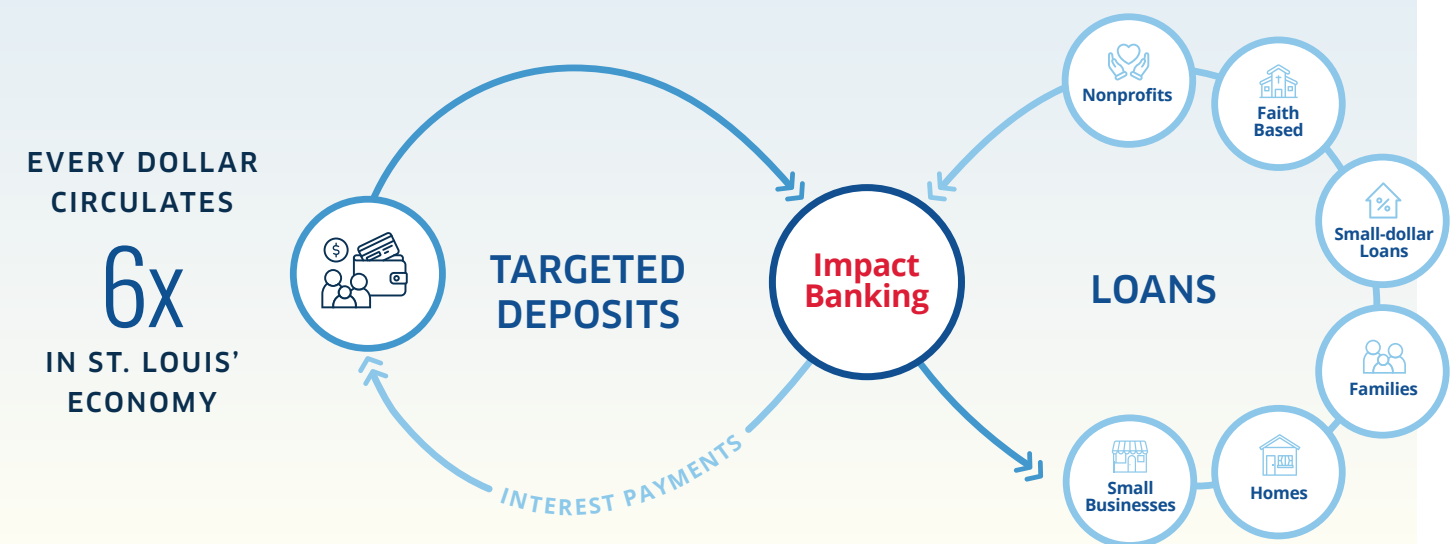
As many as 12 million Americans use payday loans each year, with almost seven in 10 borrowers using payday loans for basic expenses, such as rent and utilities.³ The combination of lack of access and reliance on high-cost, non-traditional lenders leave many in historically marginalized communities unable to save for long-term goals, much less weather short-term crises. The result is a cycle of enforced poverty and exclusion from the regional economy as the struggle to pay for essentials like food, electricity and rent drives up the already high price of being poor.

12M

AMERICANS
USE PAYDAY LOANS
EACH YEAR

IMPACT BANKING CREATES A VIRTUOUS CYCLE

Impact Banking is about better leveraging the cash on your balance sheet to create more vibrant communities by ensuring more people gain access reasonably priced capital.



REGIONAL ECONOMIC IMPACT



The Washington University in St. Louis study found that these two branches created approximately:

▲ REVENUE

\$11.3M

▲ CONSUMER WEALTH

\$9.7M

*Combined impact of Pagedale and Friendly Temple branches, estimated accumulated wealth of current consumers based off current number and dollar value of loans as of April 2020, current number of opened accounts and annual hours of financial education.

Accessibility is About More than Location

To help combat this type of financial quicksand, the **City of Pagedale**, the 24th poorest city in the United States, and the nonprofit agency **Beyond Housing**, opened the first-ever full-service bank in the community in 2012.⁴ Five years later, **Friendly Temple Missionary Baptist Church**, a 12,000-member church based in North St. Louis’ Wells-Goodfellow neighborhood, partnered to open a full-service bank branch on the church’s campus. Not only were the bank branches accepting deposits, but they were deploying those funds in these same communities in the form of reasonably priced loans. These efforts also created jobs for people in their local communities.

In 2020, **Washington University in St. Louis** conducted a study to measure the impact of locally invested dollars and quantify that ripple effect. The study found that when unbanked communities were provided access to conventional banking services and reasonably priced capital, the impact was powerful.

The study found that these two branches created approximately \$11.3 million in additional regional revenue and over \$9.7 million in consumer wealth. Money deposited in these two branches was deployed to extend credit to low- and moderate-income households to enable them to start or scale businesses, buy homes and fund educations. This was a small-scale experiment in community building that points the way to tremendous opportunity.

In banking, proximity matters, but accessibility is about more than location. Banks need to be hyper-focused on making meaningful, long-term investments in communities that will lift more people up.

THE IMPACT OF YOUR DEPOSITS IN UNDERSERVED AREAS ⁵			
What impact can your deposits at a bank committed to loans in traditionally underserved areas have?			
DEPOSIT LEVEL	\$100,000	\$1 MILLION	\$10 MILLION
INCREMENTAL SALES	\$52,000	\$521,000	\$5,211,000
INCREMENTAL INCOME	\$28,500	\$285,000	\$5,858,000
INCREMENTAL JOBS	1	6	57

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Impact Banking: What Is It?

Impact Banking is a way to realize significant impact in our region. Impact Banking is intentional. The expressed goal is to **generate positive, measurable social and financial returns**.

To achieve this goal, Impact Banking creates a functioning, non-predatory marketplace for low- to moderate-income communities and individuals. Impact Banking sustainably redirects a portion of our region’s capital to address persistent challenges, thereby:

- **Advancing client prosperity** by improving the financial health of individual and business clients and extending full-service banking services to the financially excluded,
- **Fueling the growth of St. Louis’ economy** by moving beyond individual transactions to proactively finance and strengthen entire communities, and
- **Financing solutions to societal challenges** by placing capital in high-impact investments.

THREE-PRONGED APPROACH TO IMPACT BANKING

Through Impact Banking there are three new avenues to support community development projects, consumer and small business lending.



1. **TARGETED DEPOSITS:** The first avenue is through targeted deposits from anchor institutions placed in branches located in LMI communities as a source of funding for lending activities in these communities.



2. **INVESTMENT FUND:** The second avenue is the creation of an investment fund used as a vehicle for anchor institutions to participate in loans originated in LMI Communities or provide supplemental financing . The investment fund could potentially have either a debt or equity component, and either way implies there will be some return on investment.



3. **CHARITABLE FUND:** The third avenue is the creation of a charitable fund that would take a first loss position of loans originated through the investment fund, subject to specific criteria to be developed. The charitable fund could also provide support to individuals through down payment assistance programs to promote homeownership. The nature of this fund is strictly charitable, with no expectation of a return on investment other than the related income tax benefit.

Together, the Investment and Charitable Funds will support borrowers with new loan requests that find themselves in a collateral or cash flow shortfall position.

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THE FIVE PILLARS OF IMPACT BANKING

1.

INTENTIONALITY

Investment with the intention to have a positive social and financial impact through access to banking services and the extension of capital.
2.

INVESTMENT WITH RETURN EXPECTATIONS

Expectations of preservation of capital or modest financial return on deposits, coupled with social returns. To the extent that one chooses to leverage the Bank's lending platform by purchasing a stake in loans, they will not only receive a risk adjusted return, but further enable the bank to moderate risk and responsibly lend more.
3.

EXPECTATIONS OF COMMUNITY BANKS

Community banks who subscribe to the Impact Banking philosophy are required to invest in human resources that connect the banks to the community by developing an innovative portfolio of mortgages, small-dollar products and competitive solutions for individuals and businesses.
4.

IMPACT MEASUREMENT

The community bank commits to report transparently the level of deposits received, and capital investment to support low- to moderate-income markets, the challenges with investing more credit and ways for a community of volunteers to rally in support of building capacity.
5.

EXPECTATIONS OF COMMUNITY

The community commits to increased awareness of non-predatory mainstream lending, support services, loan payoff accountability and the level of "patient charitable capital" that can serve in the first loss position for economic development projects, home mortgages and consumer and small business loans for low- to moderate-income people and projects.

Impact Banking: The Next Evolution of ESG Investing

For more than a decade, an increasing number of investors and consumers are calling for their money to make a positive impact on society and the world at large. Widespread awareness of ESG (Environmental, Social and Governance) issues has resulted in a major shift toward socially responsible investing. The adoption of **ESG investment strategies** has been driven by investor demographics, social justice issues, and broader climate change discussions. Stakeholders such as governments, investors, and consumers are driving ESG mandates.

Impact Banking is the natural next step in the ESG Investing approach with the **distinct advantage of being hyper-local**. Impact Banking is about better leveraging the cash on your balance sheet to create more vibrant communities by ensuring more people gain access reasonably priced capital.

Impact Banking: The Bottom Line

While your financial return and preservation of capital are comparable to similar types of investments in large multi-national banks, the return on investment (ROI) is more than purely financial. You and your stakeholders obtain a transformational return over time by partnering with local banks that intentionally invest loans in communities that have suffered from underinvestment. By doing so, you invest in the vibrancy and safety of neighborhoods where local businesses and larger employers provide good-paying jobs and generate tax revenue to support schools and community services. You invest in affordable housing where families can raise healthy children. You invest in restaurants and entertainment venues and creative pastimes that will make our region a fun place to live, a safer place to live, and a place where young families want to come work and raise their families.

My hope is that you as business leaders, investors, and anchor institutions see the outsized role you can play.

My hope is that you see the long-term value of creating depository relationships with community banks that are committed to investing in the entire St. Louis region, including historically resource-starved areas.

More capital invested in these banks means more loans and more opportunities for underserved communities.

This is how we transform our region.
This is Impact Banking.

THE POWER OF 95% | CHOOSE TO MAKE A DIFFERENCE BY CHOOSING WHERE YOU BANK Midwest BankCentre commits that \$95 out of every \$100 deposited locally stays in the St. Louis region to spur job creation, foster innovation and fuel dreams. In addition, in 2021, the Bank announced a commitment to lend \$200 million over a five-year period to the people, nonprofits, faith-based institutions, community development projects, and small businesses residing in or benefitting historically divested communities.

\$200M
REINVESTMENT IN ST. LOUIS OVER THE NEXT 5 YEARS