

# A bank for good

July 2017

“Evaluation at Charity Bank: what matters to us?”

# Charity Bank: A bank for good

**Run *for* charities and social enterprises and *owned by* charities and social purpose organisations**

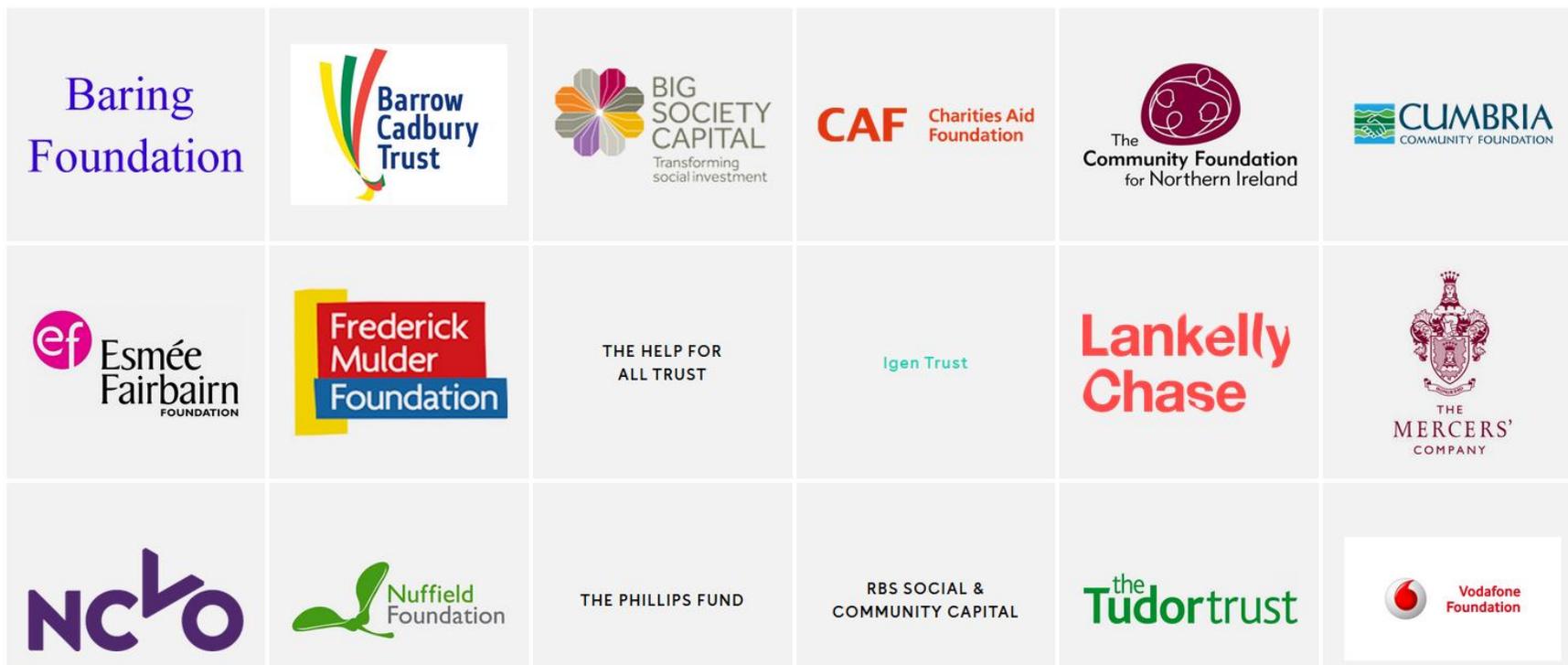
- A savings and loans bank with a mission to use money for good
- We lend to charities and social enterprises
- Every single one of our shareholders is either a charitable trust, foundation or social purpose organisation
- No discretionary bonus system for staff and no hard sales targets
- We are the only bank in the UK with the Social Enterprise Mark
- We were the first bank in Europe to become a B Corporation, an independently assessed certification for businesses that can meet rigorous social and environmental standards

# Our mission is to support your mission

**We exist to lend to charities and social enterprises, so you can be confident that we'll work with you side-by-side**

- Under the charitable objects in our Articles of Association since 2002 our aim and raison d'être is to further charitable purposes
- We've made loans of over £185 million to charities and social enterprises
- We take the time to meet and build relationships with our borrowers
- 99% of responding borrowers in 2016 survey said they would recommend us

# Our shareholders



# Our loan terms

- Typical amounts borrowed up to £3.25 million
- We work with other social lenders to provide larger loans
- We provide bespoke debt structures to meet the needs of our clients
- Term is for up to 25 years with a 10 year break
- Typically, 1% arrangement fee payable on acceptance of our loan offer
- Early repayment penalties are not charged unless the loan is re-financed through another lender in the first five years

# How to prepare to take on loan finance:

- Prepare a business plan
- Prepare financial forecasts
- Do a cost/benefit analysis – be sure it is the best way
- Are you confident you can afford the repayments?
- Is your current legal structure conducive to borrowing?
- What can you offer as security?
- Prepare an information pack for prospective lenders
- Do you have a social impact report?

# What do we evaluate?

- Social impact
- Evidence that you can afford the loan
- Good governance
- Security
- Provision of financial information
- Risk assessment or register

# What should you evaluate:

- Interest – not just the rate but the type and term
- Fees – check for additional costs
- Security – what is required?
- Commitment – when do you become obligated?
- Default – what happens if things go wrong?
- Covenants – can you comply; are they overly onerous?
- Trustee guarantees?
- Early repayment penalties?
- Requirement to change transactional account?

# How can trustees evaluate the risks of loan finance

- Risk analysis specific to own organisation
- Assessment of ability to deliver charitable purpose
- Options assessment – including risks associated with ‘do nothing’
- Affordability – repayment options
- Realistic income generation projections
- Assessment of sustainability
- Professional opinion



“Working with Charity Bank, which understands our sector and was therefore willing and able to act quickly, secured this vital continuity for the people supported by the services.”

*- Paul Breckell, Chief Executive at Action on Hearing Loss*

# Evaluation of our social impact

Results of our borrower survey, December 2016:

- 97%: our loan contributed towards the achievement of their mission
- 65%: our loan also led to improvements in how they managed their finances
- 48%: our loan helped them secure additional sources of funding
- 74%: their project would not have gone ahead without our loan
- 76%: the quality of service or support provided to clients improved as a result of our loan
- 69%: our loan led to an expansion of their provision of services

# Meet our borrowers

# St Andrew's Church, Fulham Fields



Our refurbished church is equipped to serve our parish community for the next 100 years but we would not be where we are today without the help and support we received from Charity Bank.

**- Humphrey Gervais, Churchwarden at St Andrew's Church Fulham Fields**

# Get in touch

**Call:** 01732 441900

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