

THE SOCIAL IMPACT *of* BANCA ETICA

ABSTRACT

15 years of finance serving the good common



*Research by ALTIS - Alta Scuola impresa e
società (Higher Institute of Business and
Enterprise) – Università Cattolica del Sacro
Cuore (Sacred Heart Catholic University)*





THE REASON FOR THIS RESEARCH

Banca Etica is the first Italian bank entirely dedicated to ethical finance: it manages savings and loans activities for responsible individuals and organizations, and uses them to fund companies and non-profit organizations engaged in providing health and social services and job placement services. It also funds projects to improve the quality of life through art, culture and sports, as well as initiatives for legality and the protection of the environment, international cooperation programmes and fair trade. Banca Etica also funds individuals and families for several basic needs such as the right to housing, medical expenses or education, and the adoption of children. On March 8, 2014, Banca Etica celebrates its first 15 years of life and on this occasion, the bank wanted to try to measure the social impact it has achieved. The research is limited exclusively to the social impact of loans.

BANCA ETICA TODAY

Banca Etica now has 17 branches scattered throughout Italy, that along with 25 financial promoters and online services, make ethical finance available in all Italian regions. From 2014, Banca Etica will begin operating in Spain with the opening of a branch in Bilbao.

The soul of Banca Etica is its 37 thousand members, mostly individuals, who bring 46 million in share capital to the bank that together with savings, allows Banca Etica to give credit to socially conscious Italian businesses and families. Banca Etica participates in the main international networks of sustainable and alternative banks.

WHAT IS SOCIAL IMPACT

Social impact is the change - positive or negative - triggered by the work of an organization or company. The measurement of social impact is new area that has only recently become a subject of study in the universities that focus on economics, business and management. Altis - the Higher Institution of Business and Enterprise at the Catholic University of Milan is one of the centres of excellence for this type of study. The research commissioned by Banca Etica is the first attempt, at the national and international level, at developing social impact indicators for companies in the banking sector.

To summarize, we ask, "What impact do the loans granted by Banca Etica have on the people and companies that receive them, on the community and on the environment?"

THE MAIN RESULTS – HIGHLIGHTS

In 15 year Banca Etica has:

- ▶ provided a total of 23,804 loans to families and social enterprises;
- ▶ for a total of **€ 1.8 billion**;
- ▶ **70% of the funding approved by Banca Etica has gone to non-profit organizations** (compared to the 1% average of the Italian banking system). In recent years, Banca Etica has also progressively added some responsible for-profit companies to its borrowers.
- ▶ The interest rates charged on loans by Banca Etica to customers are on average lower than the rest of the banking system
- ▶ The rates paid to depositors are lower than the rest of the banking system, but despite this, Banca Etica has recorded a constant growth in confidence by investors: in 2013, **direct deposits grew by 11%** while other banks registered an **overall decline of -1.9%**
- ▶ support to social enterprises and families in **all 20 Italian regions**;

The organizations and businesses that received funding from Banca Etica in these 15 years were issued a questionnaire by ALTIS, which concluded that:

- ▶ **63%** of borrowers believe that collaboration with Banca Etica has **increased their chances of networking**. This factor is considered particularly important by the customers themselves. Networking makes it possible to strengthen and extend the work of the many small excellent Italian enterprises in the field of civil economy, and this is one of the factors that most characterizes Banca Etica's economic vision.
- ▶ **62%** said that collaborating with Banca Etica made it possible for them to **enhance their employee capacity**
- ▶ **53%** believe that the partnership with Banca Etica has made it possible for them to **increase motivation in personnel**
- ▶ for **52%**, using Banca Etica has made it possible for them to **create new jobs**
- ▶ for **51%**, Banca Etica funding has made it possible to increase income
- ▶ **44%** of the customers that were financed maintained that they were able to save by using Banca Etica.

- Access to credit -

- ▶ for 82% of the sample, the loan obtained from the Banca Etica was a **“necessary condition”** for continuing with their activity.
- ▶ **47%** of customers were granted funding by Banca Etica after one or more banks had refused to grant it. This greater openness toward applications for credit is accompanied by a careful economic and social assessment of each loan application, enabling Banca Etica to accept a **non-performing loan** rate (unpaid credits) that is much lower than the banking system's average. In 2013, the non-performing loans at Banca Etica amounted to **2.02% compared to the 7.7% average** of the banking system.

- Customer relations -

The customers are particularly satisfied with the relationship with the bank's representatives and generally there is a good level of relationship management. In fact:

- ▶ 88% of the survey respondents are satisfied with the effectiveness of the communications received from Banca Etica. Particularly, for 41% of the respondents, the level of quality is "very good";
- ▶ 84% of respondents judged the quality of interaction positively in terms of the availability of bank representatives and completeness of the answers. For 43% of these, the relationship is described as "excellent";
- ▶ 74% of respondents judged the support received from the Bank to be very positive in the course of the loan, and 41% of these states to have had 'excellent' support;
- ▶ 73% of respondents are satisfied with the response times during both the preliminary phase as well as the early period of the loan. For 29% of these, the opinion is "very good".

ASSESSMENT OF SOCIAL IMPACT BY INDIVIDUAL SECTORS FINANCED

A) Enterprises and cooperatives that provide health and social services and job placement

The questionnaire showed that, among those financed by Banca Etica for this kind of activity:

- ▶ **62% believe that that they have increased their capacity to accept applications** after receiving funding
- ▶ 61% believe that they have increased the quality of their initiatives after receiving funding
- ▶ **57% confirm that they have been able to increase the number of people they assisted** after receiving funding. On average, the number of people assisted after funding increased by 52%

The financing received by these enterprises demonstrates a capability for activating a positive circuit for the community and the improvement of services for people who are dependent or in fragile condition.

It is still difficult to achieve the ultimate goal of those social enterprises and cooperatives, which is to find stable jobs for people with disabilities or in fragile conditions: 75% of the enterprises of this type stated that the goal was job placement for challenged people, but only 33% believed that they had achieved it.

B) Enterprises working to improve the quality of life through art, culture, sport and entertainment

Included in this financing sector are projects to promote cultural, artistic, recreational and sports activities, again developed from a perspective of social inclusion, accessibility for all, and reduced environmental impact. The sample of enterprises financed by Banca Etica for this kind of initiative highlighted the following benefits after obtaining the financing:



- **84% were able to carry out a greater number of initiatives (47% of initiatives implemented)**
- **68% believe that it has improved the quality of their own initiatives**
- **68% believe that it has been able to increase the number of participants in its initiatives after having had access to financing (36% participants on average)**
- again 68% believe that Banca Etica financing was also an opportunity to develop new networks and partnerships
- More than **50%** felt that they could **hire new staff** thanks to Banca Etica funding.

C) Individuals and families

Thanks to funding provided by Banca Etica, more than 12,500 individuals have been able to undertake small personal projects **to**:

- **purchase a home (44%)**
- **efficiently restructure a house (19%).**
- **adopt a child (2%).**
- **12%** of respondents said that the loan granted by Banca Etica provided the **opportunity to leave the parental home**, to live alone or with a companion.

D) Environment and energy

Banca Etica has funded the installation of 1,531 renewable energy plants that have made it possible to:

- produce over **48 thousand MWh of clean energy** each year
- **avoid emitting 25,600 tonnes of CO2** into the atmosphere
- achieve a savings in cost for the community of **410 thousand Euros** per year (according to the "Social Cost of Carbon - SCC")

Companies and individuals financed by Banca Etica for measures aimed at reducing energy consumption and producing energy from renewable sources, on the average have reduced the CO2 emitted by - 60%, contributing to savings of around 14 thousand Euros for the community each year.

15 YEARS ALL OF FINANCING FOR THE COMMON GOOD

DATA UPDATED IN DECEMBER 2013



€ 1,800,000,000
IN FINANCING



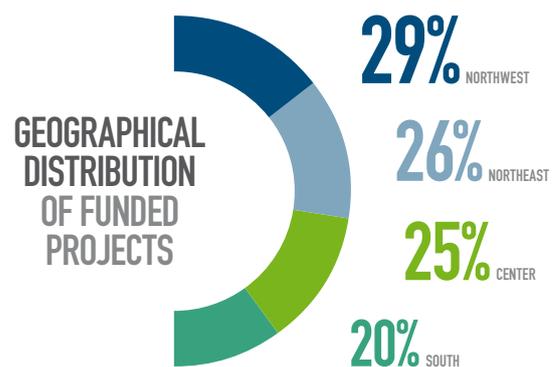
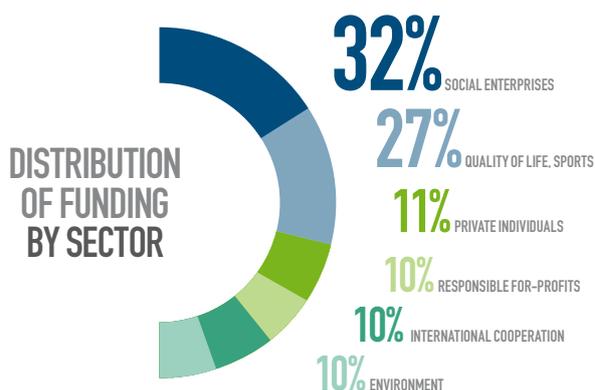
23,500
TOTAL OF LOANS



IN ALL

20 ITALIAN REGIONS

FOR THE NEEDS OF INDIVIDUALS, FAMILIES, COMPANIES AND ORGANIZATIONS IN THE FIELD OF ENVIRONMENTAL PROTECTION, FAIR TRADE, INTERNATIONAL COOPERATION, SOCIAL AND HEALTH SERVICES, THE FIGHT AGAINST EXCLUSION AND INCLUSION WORK, LEGALITY, QUALITY OF LIFE, SPORTS, ARTS AND CULTURE



15 YEARS OF FINANCING FOR THE COMMON GOOD

SOCIAL IMPACT ACCORDING TO THOSE FINANCED*



1 LOAN OUT OF 2

WAS GRANTED AFTER BEING REFUSED BY ANOTHER BANK

96%
OF THOSE INTERVIEWED

“the loan granted was suited to our needs”



“we established a positive and transparent relationship with our bank”

84%
OF THOSE INTERVIEWED



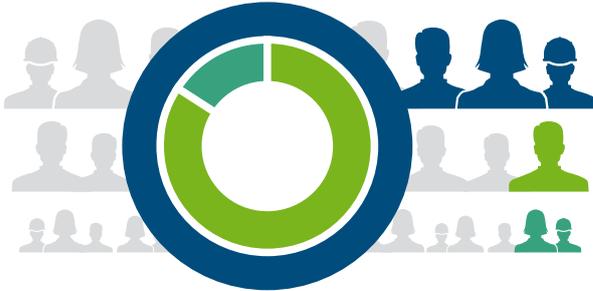
82%
OF THOSE INTERVIEWED

“the loan was necessary for continuing our activity”



BANCA ETICA 15 YEARS LATER

DATA UPDATED IN DECEMBER 2013



36,888 MEMBERS IN TOTAL

30,991 INDIVIDUALS

5,897 LEGAL PERSONS

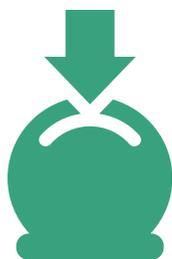
17 BRANCHES



25 FINANCIAL PROMOTERS



200+ EMPLOYEES



€ 883,277,000

IN SAVINGS AND LOANS ACTIVITIES

VS.



€ 774,565,000

APPROVED LOANS

7,142 LOANS _ DISCOVER THEM AT WWW.BANCAETICA.IT/FINANZIAMENTI