

Interview of Mario Crosta, General Manager of Banca Popolare Etica.

(By Stéphan Darimont. *Banking Boulevard*. Padova [Italy], January 2012)

S. Darimont (SD): Mario Crosta, hello.

You are General Manager of Banca Popolare Etica, a bank which has its headquarters in Padua, and branch offices all over Italy.

A bank which operates differently to traditional banks in that it specialises in ethical finance. To begin this interview, I would like to ask you what the founding principles and values of Banca Etica are.

Mario Crosta (MC): Banca Etica emerged from the social and international cooperation movement in the mid-1980s, and was the logical outcome of a process taking place within the economy. (This process) already existed in the real economy, and the next step was for it to be reflected in the world of finance. This is where the idea came from to set up a bank.

What are the fundamental principles which originally inspired the creation of the bank? Well, essentially the focus has been and is on the non-economic factors of the economy.

We believe that this is absolutely fundamental, and we translate it through both transparency and participation. We want all of the bank's relationships, actions and operations to be based on the utmost transparency. We are probably the only bank in the world which publishes a list of the loans it has granted on its website. This is in response to the need for complete traceability over where the money deposited with the bank by organisations and members of the public ends up. The other key factor is participation. We have more than 36,000 members across the entire country who play an important role in the governance of the bank.

SD: Your results from the end of 2011 show that you have more than 35,000 members and capital of around EUR 35 million; the direct savings of your customers amount to more than EUR 700 million, an increase of EUR 75 million, or 11.7 percent, on 2010. At the same time, loans taken from other banks are minimal, unlike traditional banks. These figures suggest confidence among your customers and investors, particularly at a time when interbank loans are scarce. Would you agree?

MC: I would agree, and the fact that there is a freeze on the interbank market stems from the fact that there is a lack of confidence between banks. Highly sophisticated systems become frozen whenever something as fundamental as confidence is lacking, and this cannot be expressed in any mathematical formula. Yet a lack of confidence causes the market to freeze up, and the interbank market is frozen at the moment. It is very important, and I share the observation underlying the question. The fact that we are not reliant on other banks, on entities which are difficult to control, represents one of the strengths of Banca Etica. This reflects the bank's original goal of never engaging in speculation. It is something which has influenced the bank's entire operation, with members and customers located throughout the country. Right now, in such turbulent, difficult markets, they represent a strength, since Banca Etica can rely on its own resources. It knows what its

strengths are but does not have to answer to any of the financial superpowers at a national or international level.

SD: Who are your members? What is the typical profile of a member of Banca Etica?

MC: On the whole, the members of Banca Etica can be placed in one of two categories. On the one hand there are individuals. They are mainly based in northern and central Italy, as well as in other parts of the country. Then there are organisations which predominantly have access to credit through the bank.

There is a core of founding members who represent the major cooperatives and non-governmental organisations: these are entities which operate in the fair trade sector, as well as organisations which support the arts. What our 36,000 members have in common is that they are divided into 70 local groups. We more or less have one local group – which we call a GIT, or regional initiative group – in every province of Italy. By working in partnership with the bank's branch offices and our travelling banking specialists, who are the bank's operatives on the ground, they are responsible for the bank's association and promotional activities, and are a major asset to the bank itself.

SD: Now, like any bank you collect savings so that you can offer loans to individuals and organisations in the real economy. How would you describe your lending policy? Can you give us a few examples that would illustrate this policy?

MC: Yes, Banca Etica lends to four sectors. The first three consist of the social cooperation sector, which is still the main sector, associations which support the arts and non-governmental organisations (which takes us beyond national borders, with cooperation at an international level). The fourth sector has more to do with sustainability and the environment, which has seen a massive effort in recent years to support investment in renewable energy.

A feature of the credit policy of Banca Etica is the use a model named the VARI (values, requirements, indicators) model whereby any loan granted by the bank is firstly subject to the usual economic and financial analysis. This is however accompanied by analyses which take into account the social and environmental impact as well as the *democratic* values of the loan applicant. As a matter of fact, we believe these to be factors which ensure the long-term sustainability of the companies. So as a bank, we have an advantage (over traditional banks) as the sustainability over the medium to long term of these companies and individuals is reflected in the quality of our credit portfolio. As a matter of fact, we have a net default rate of 0.5 percent compared with 3 percent across the wider banking sector. So for us, this approach is not something which is merely nice to have, it is something which contributes to good conduct and good governance within the bank.

SD: Finally, what challenges do you face in terms of HR management?

The main challenge at the moment is to maintain a high level of motivation among our staff. Most of the people who come to work for Banca Etica have had to make a financial sacrifice, as they are paid less than they would be in other organisations, in the banks where they worked before, and yet we cannot afford for them to become demotivated. These tend to be people who are highly professional, and a high level of professionalism is an intrinsic part of the bank's mission. This is why we want to keep morale high and encourage teamwork.

We have a few operational issues to address; the first that springs to mind is that we need to encourage continuing professional development for people in an organisation which has 200 employees and 20 travelling staff. However, the 200 people are not confined to a small area, because we have branch offices everywhere from Turin to Palermo, in other words all over Italy.

Now there are undoubtedly operational issues to address, and we will address them, but our current focus, along with HR, is on striving to maintain a high level of motivation among our staff.

SD: Mario Crosta, thank you.

MC: Thank you.