



Public hearing Sustainable Finance

Values based banking

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Why Values Based Banking?

A fair transition to a low-carbon economy





What is values based banking?

- Long term and integrated **social, environmental and economic** development in communities and in wider societies we serve
- **Vibrant and diverse mix of individuals and enterprises**, work to be socially, environmentally and culturally conscious in ways that contribute to the happiness and **well-being** of our stakeholders
- Local, regional and global leaders who provide progressive and **visionary models for the banking system**
- Innovate for continuous renewal and development in the real economy whilst placing a priority on building **long-term human-based relationships, consistent with what our planet can support.**

How do we do that?

1. **Positive value & Real economy:** Does the entrepreneur or project add positive value to society, in a way that doesn't harm other people or the planet?
2. **Adaptability & Agility:** Is the entrepreneur or project flexible enough to adapt to changing circumstances and markets and still be profitable?
3. **Resilience & Redundance:** Is the entrepreneur or project embedded in a community that will back up under stress or adverse conditions?

How do we perform?

2015	SFBs	GSIFIs
Real Economy		
<i>Loans/Assets</i>	76.8%	41.6%
<i>Deposits/Assets</i>	81.7%	52.2%
Capital Strength		
<i>Equity/Assets</i>	8.1%	7.3%
<i>Tier 1 Ratio</i>	12.8%	14.0%
<i>RWAs/Assets</i>	61.6%	44.2%



How do we perform?

Compound annual growth rates

NPL Italian banks
2016: 10,4%
NPL Banca Etica:
3,0%

	5y (2011-2015)		10y (2006-2015)	
	SFBs	GSIFs	SFBs	GSIFs
Loans	11.3%	4.9%	13.9%	6.2%
Deposits	12.4%	5.1%	14.2%	7.5%
Assets	8.9%	1.9%	12.9%	5.2%
Equity	9.3%	5.7%	14.5%	9.8%
Total Income	7.6%	0.5%	10.4%	4.9%

Advice to HLEG SF

1. Diversification of the financial system and full transparency requested from banks.
2. Capital support for sustainable assets and surcharges for unsustainable exposures
3. Employee incentive systems & mandatory training for sustainability assessments

Crucial: impact assessment & monitoring

Does finance serve society?

