

Rebuilding Trust

by Staff Reporters

Sustainability is no longer an option for LatAm banks, who are increasingly responding to calls from investors to prove good governance, according to a *LatinFinance* study in association with Madrid-based consultancy Management & Excellence (M&E). The detailed assessment of ethics, corporate social responsibility (CSR) and corporate governance (CG) at the region's 40 biggest listed financial institutions shows Brazilian institutions continuing to pull ahead.

"Sustainability is no longer an option, but a need," says William Cox, managing director at M&E. He adds that sustainability is a synonym for solid financial management. "More than ever, banks are seeing sustainability as a tendency and not a fashionable term. LatAm banks are increasingly interested in increasing profit though their reputation with investors."

This year's survey from M&E, which has increased its scope, shows overall compliance dropping to 59.82% this year, from 69.36% in 2008. This year's study is 40% bigger in terms of criteria, owing to the financial crisis which has increased the need for transparency. And besides changes caused by consolidation, the sample group – the top 40 listed banks – has altered with shifting market capitalization.

Nonetheless, Bradesco and Itaú are still on top, with joint first place and a score of 98.68%, versus 96.33% last year. Both are expected to continue to tie, although the distractions of Itaú's merger with Unibanco gives Bradesco an edge over its competitor, says M&E. However this is counterbalanced by the fact that both Itaú and Unibanco can claim all the points they got last year, when the former was joint first and the latter ranked eighth.

Our fifth annual survey of ethics and sustainability at LatAm's leading banks shows standards getting tougher as investors demand more. Brazilians continue to stand out.

Most Sustainable Banks				
Brazilians continue to lead				
Rank	Bank	Country	Score	Rank vs 2008
1	Bradesco	Brazil	98.68%	↔
	Itaú-Unibanco	Brazil		↔
3	Santander	Mexico	92.05%	↑
4	Banco do Brasil	Brazil	91.39%	↑
	Santander-Real	Brazil		↑
6	BCI	Chile	89.40%	↓
7	BBVA Chile	Chile	88.08%	↑
8	BBVA Banco Provincial	Venezuela	86.75%	↓
9	BBVA Colombia	Colombia	86.09%	↓
10	Banco Galicia	Argentina	85.43%	↑
11	BBVA Banco Continental	Peru	84.11%	↓
12	Ixe	Mexico	79.47%	↑
13	Banco de Chile	Chile	78.15%	↓
14	BBVA Banco Frances	Argentina	77.48%	↓
15	Bancolombia	Colombia	74.17%	↑
16	Banorte	Mexico	71.52%	↑
17	Banco de Crédito del Perú	Peru	68.87%	↑
18	Nossa Caixa	Brazil	66.89%	↑
	Santander	Chile		↓
20	Banesco	Venezuela	66.23%	New
21	Banco Macro	Argentina	62.91%	↑
22	BBVA Bancomer	Mexico	61.59%	↓
	Average		59.82%	↓
23	Scotia Inverlat	Mexico	56.29%	↓
24	Scotiabank	Peru	54.97%	↑
25	Mercantil Servicios	Venezuela	54.30%	↓
26	Banrisul	Brazil	50.99%	New
27	Corpbanca	Chile	49.01%	New
28	Banco de Bogotá	Colombia	41.06%	↓
	Santander	Colombia		New
30	Banamex Accival	Mexico	39.07%	↑

Source: Management & Excellence

"Both are very committed to sustainability," says Cox. "They developed a culture of thinking long term, and discovered that the social and environmental impact are important too," he adds.

The dynamic Brazilian duo is the pair to beat in the region. "Banks as competitive as Bradesco and Itaú-Unibanco are bound to tie," says Cox. "The new Itaú-Unibanco is likely to be working hard to integrate personnel and sustainability systems."

M&E notes that Brazilian banks continue to improve practices in sustainability. Besides the leaders, Banco do Brasil, Nossa Caixa and Santander-Real have improved their position versus last year.

"When we talk about Latin banks we must separate Brazilian banks from the other countries," says Cox. "While Brazilian banks are more mature and prepared for foreign investments, the others need to understand that sustainability is a demand of the market."

According to M&E, the