



WSBI • April 2009 • ESBG  
The global voice of savings and retail banking



# NEWS & VIEWS



## The Global Impact of the Crisis The savings and retail bank model as a remedy for the ailing financial sector

**W**HILE SAVINGS AND RETAIL BANKS were not generally involved in the risk taking in the mortgage markets which precipitated the crisis, all of our businesses and activities are being affected. This is because WSBI and ESBG members are closely linked to the real economy which has suffered due to mistakes made in the financial markets. This crisis has shown that, as the global economy has become more interconnected, problems in the financial sector in one region can very quickly spread to other regions and finally affect the world economy.

Not so long ago, working in the banking sector was thought of as a process which involved discussing long-term projects with customers and granting credit for these private or professional projects on the basis of sound risk analysis and on trust. This trust was based on long-term, solid knowledge of the customer, the business environment and the macro-economic context. Efficiency was seen as the art of balancing long-term assets – the credit granted to the clients – with short-term liabilities – the deposits entrusted by the clients to the financial institutions. Efficiency was understood as a way of minimising risk, in order to make the financial institutions as solid and trustworthy as possible.

During the last two decades, however, banking has become a frenetic search for quick returns. Great quantities of risk were put on the balance sheets of the financial institutions to maximise short term shareholder profit. Finally, reality set in and reminded us that no mathematical model, no sophisticated financial product can generate a sustainable profit if it is not based on real, concrete and value-adding transactions between trustworthy and solid partners.

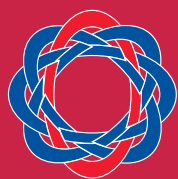
It is clear that we must fundamentally rethink our financial system in such a way that the added value it creates benefits all stakeholders, and not just the shareholders. At the same time, we need to build on the existing framework and certainly not scrap what has proven to work well. We need to take a comprehensive look from a global perspective. The solid and at the same time flexible business model of savings banks can serve as a source of inspiration. Indeed, savings banks are firmly rooted in the real economy, in the regions and countries, serving the general interest of the people.



SPECIAL EDITION

The financial crisis  
and its impact on  
economies around  
the world.

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banking stories



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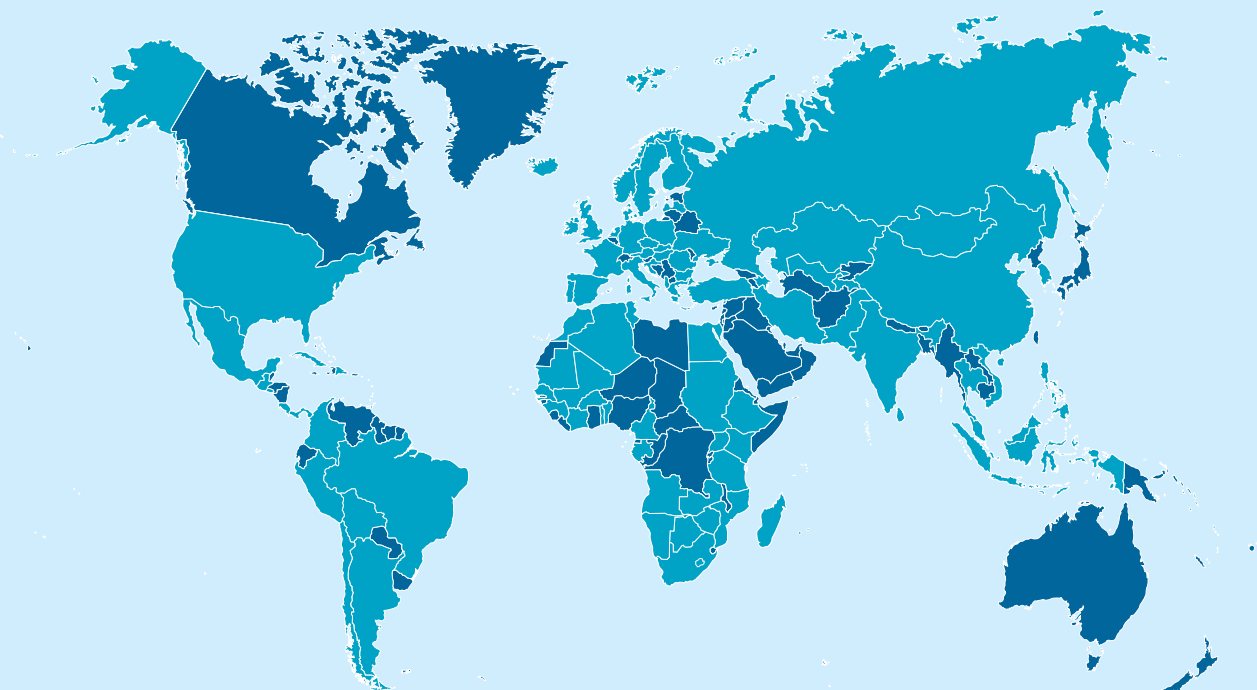
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 countries with WSBI members



They have overcome many crises, steadily providing services to society and taking part in the economic successes of the markets in which they operate.

Much has been written by the media and analysts about the effect of the crisis on the United States and Europe. Since the impacts have been and continue to be global, this issue of News & Views explores the effect that the economic and financial crisis is having in various regions throughout the world— particularly Latin America, Asia, and Africa which have not been extensively covered. At the same time, we examine the crisis from the point of view of savings and community banks. Thus, this issue contains interviews with the Independent Community Bankers of America from the U.S. and Banque et Caisse d'Épargne de l'État from Luxembourg.

This issue of News & Views also discusses Corporate Social Responsibility and whether the crisis is having an impact on the ability of WSBI members to continue to contribute to their communities. Another article offers some historical perspective about the impact of the Great Depression on savings banks in Europe and in the United States.

In the second half of this issue we highlight a number of retail/ savings banks which are of different sizes in different parts of the world. This includes looking at smaller banks in Norway and the U.S. and larger banks in Mali, Thailand, the Philippines, Tajikistan and Iran. The purpose of this section is to highlight that retail banking is a universal and scalable business model. It can be successful in very different cultural and economic circumstances as well as at different scales – from a few branches to a nation-wide network of branches with millions of depositors.

This year and next year, savings banks in various European countries will celebrate their 200 years of history. Many things have changed during these two centuries but the basics of our business model have not. Savings banks have always favoured a customer-oriented, long-term investment into the real economy over an irresponsible quest for immediate return on equity. While previously we were considered by some critics as relics of the past, we are now more and more considered as a model for the future. We stand ready to take on another 200 years!

Chris De Noose  
Managing Director WSBI-ESBG

# The Resilience of Latin America to the Crisis

## The relevance of savings for economic growth and stability

### Growth Based on the Fundamentals

Latin American economies have flourished in the very favourable external environment - strong world growth, high commodity prices and benign financial conditions - prevailing in recent years. In fact, 2008 marked the sixth consecutive year of growth and the end of a period which has very few precedents in the economic history of the region. Real GDP growth averaged nearly 5% per year, with regional per capita output increasing by over 3% on a yearly basis. This growth dynamic induced a sustained expansion in labour demand, social spending and a significant reduction in poverty in the region.

Nevertheless, this strong performance is largely attributed to a substantial improvement in the fundamentals. One of the most remarkable achievements has been the priority granted by policy-makers to keeping macroeconomic balances, and the high degree of social consensus built around this policy. This has helped generate important fiscal savings and current account surpluses. With those savings, several countries reduced their external debt and at the same time central banks increased their reserves and set up special funds both at home and abroad. Some of these countries have even become net creditors.

In addition, the gross investment rate on fixed capital increased continuously from 17% to 22% between 2002 and 2008, financed by an equivalent expansion in gross national savings, as percentage of GDP, mostly generated by domestic corporations. This development confirmed once again the extensive evidence on the positive association between savings, investment and growth.

### Economic Crisis is Slowing Growth

These remarkable performances will not be repeated this year, however. The annual growth rate for Latin America and the Caribbean has been recently revised downwards and projected to be around 1.0%. What is surprising is that, in spite of the sharp recession in the U.S. and the decline in commodity prices (nearly 50% since mid-2008), these economies are going to be able to grow at all. Growth in Latin America will come from internal sources, notably consumption, investment and public expenditures.

Although the improvements in fundamentals allow the region to be less vulnerable to adverse external shocks and financial crises, the effects of the present crisis will be transmitted to Latin economies through seven channels:

- Export volumes are naturally falling as a result of reduced world demand;
- Prices of commodities have fallen dramatically and a decline of about 8% in the terms of trade has been predicted for this year by the Economic Commission for Latin America and the Caribbean (ECLAC );
- Remittance flows from migrant workers to the region are also falling;
- Reduced revenues from tourism;
- Expected contraction in foreign direct investment flows (FDI);
- Higher costs of external loans; and
- Reduced availability of international financing.

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## Getting Through the Downturn

Yet even as nations await the full impact of the evolving global crisis, Latin America is better placed today to weather the downturn than at any other time in the past half century. These countries have also implemented a wide variety of countercyclical policies to stabilize aggregated internal demand and keep trust in financial markets. In particular, the larger the savings a country has accumulated, the more aggressive it can be on the implementation of its stabilization policies. Countries that have had the capacity and flexibility to implement such policies are the ones that resisted the temptation of taking comfort in times of bonanza and designed policies that accounted for cycles in the international economy, commodity prices and world financial markets. At the same time, however, some nations in Latin America are being forced to cut spending in the face of the current crisis because of their insufficient savings.

Another relative strength has been these countries' financial systems. Their regulatory structure and oversight have been substantially improved. In addition, the latest available financial indicators continue to point to the overall robustness of banks across the region. Capital remains adequate, in part still reflecting relatively low levels of impaired assets. Meanwhile coverage against potential losses on identified nonperforming loans is sufficient, while banks' income and profits remain at sound levels. However, some risks are increasing over financial stability prospects in the region given the recent deterioration on asset quality, especially in weaker banks, and because lending by global banks in the region has slowed more than credit from local banks.

## Looking ahead

Looking ahead, regional financial institutions face important challenges in the short- and long-run. **To minimize the immediate consequences stemming from the ongoing global crisis, it is critical to improve the banking transmission of monetary policy; allocate available financial savings to those activities and projects with the highest economic and social returns – preserving, at the same time, an adequate level of credit and market risk in their portfolios; and keep the real value and safety of the resources deposited and trusted to the banks over time.** Public institutions have already played an important role in reinforcing

the public confidence during the process of “flight to security” and the typical expansion of “precautionary savings” carried out by different economic agents, particularly occurring in turbulent and uncertain times.

At the same time, the regional banks' actions for the medium- and long-term should be focused on mobilizing domestic savings efficiently to finance development and reduce their countries' dependence on foreign savings; deepening internal markets via financial inclusion, continuous innovation and the widespread use of electronic means; setting countercyclical loan provisions along the lines adopted in Spain; and, last but not least, by promoting a “savings culture”, especially among households and young people.

Finally, it is relevant to underscore that a strong commitment to these strategic objectives and actions will result in more socially-efficient financial systems that progressively contribute to moving Latin American economies towards a faster, more stable and equitable growth path.

### José Luis Mardones

Chairman of the WSBI Latin America & Caribbean Regional Group and President of BancoEstado, Chile



# The Crisis and Domestic Savings in Africa

## A role for savings banks in mobilizing savings

The financial crisis which has been prominently visible since mid 2007 in the United States of America has become a global phenomenon with the failure, merger or conservatorship and state's bailouts of several large financial institutions. As a result of this global financial crisis, both large and small financial institutions in the US, Western Europe and some parts of Asia have incurred heavy losses and significant financial write-offs.

As of the beginning of 2009, African economies have been spared to some extent from the first round of casualties because for the most part banks on the African continent are generally well capitalised and they have stayed clearly away from the complex financial products that hastened the world into this global crisis. Despite the fact that African economies have remained relatively unaffected, they are certainly not immune to external shocks. The impact of the crisis on Africa is occurring via a number of channels.

Stock markets have steadily declined since October 2008 - Kenya 25%, Egypt 48%, South Africa 30%, Nigeria 24% and Mauritius 27% - as foreign investors have pulled out of "risky" African stock markets to their safe havens. However, perhaps the worst is yet to come. The African Finance Ministers' conference on November 12, 2008 in Tunis noted that: ***"this crisis could not have come at a worse time for the African continent... It is undermining the significant progress made over the last ten years and further exacerbates the impact of the recent sharp increase in food prices and volatility in the oil markets."***

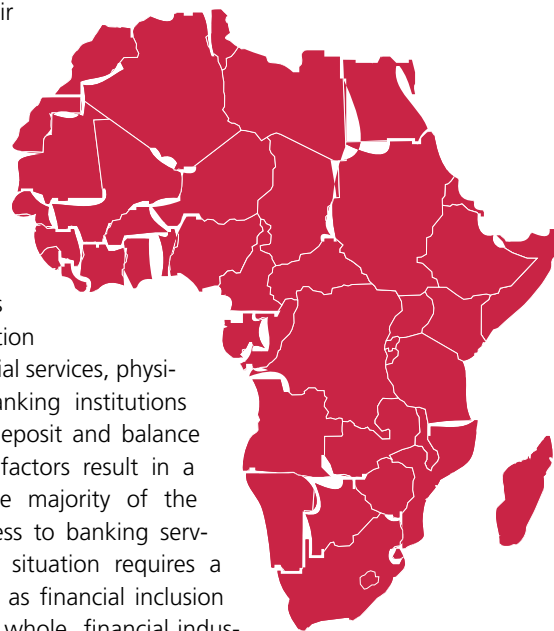
Africa's export earnings are expected to decline due to both the downturn in the developed world which affects the effective demand for imports, and due to very low growth in major emerging market economies such as China, India, and Brazil, compared with recent historical trends. In addition, capital inflows are predicted to fall dramatically because of the collapse in Foreign Direct Investment (FDI), downward adjustment in Overseas Development Assistance (ODA), and setbacks in migrant remittances flows.

Such a challenging scenario raises serious concerns about medium and long-term economic prospects with some predicting that countries could fall back into the debt trap to finance their development. However, this gloomy picture may also encourage Governments to value alternative sources of capital.

The relevance and importance of domestic savings in the current economic environment calls for effective actions. In addition, savings rates remain low in many African countries despite some progress. A major portion of the people on our continent

still keeps most of their savings in tangible assets (e.g. livestock, stockpiles of goods for trading, grain, jewellery, construction material, etc.).

Among the reasons explaining this situation are inadequate financial services, physical distance from banking institutions and high minimum deposit and balance requirements. These factors result in a situation wherein the majority of the population lacks access to banking services. Addressing this situation requires a sector-wide approach as financial inclusion is a challenge for the whole financial industry.



### The Role of the Savings Banks

The role of savings banks is certainly crucial in this regard. As socially responsible institutions they should spontaneously embrace this challenge. In addition, most savings banks have also been given mandates of mobilizing savings for national development with a specific emphasis on offering financial services to the poor. What is the best strategy for servicing this market?

Indeed, to tap into the unbanked population, it is necessary to introduce new financial products or instruments that respond to the saving needs of households:

- Transaction accounts that "permit easy accessibility" and allow for small transactions at frequent intervals as well as "zero-deposit" accounts allowing people to open accounts without initially putting in any money are products with features that would encourage households to shift to the formal system.
- Deployment of an appropriate service delivery model is also fundamental.
- Finally, financial education is potentially a cost-effective tool for a long term strategy to enhance the mobilization of savings.

To invest more, countries must tap assets that are currently outside the banks. It is equally important to stress that this route has the additional advantage of empowering citizens and engaging local communities directly in the overall development of the financing process. In conclusion, I encourage savings banks from Africa to assume leadership in savings mobilization. The scope of their operations could wisely be expanded to lending within the respective regulatory framework.

Our continent has entered a very challenging economic period indeed but I also see opportunities for our institutions to encourage people to save. It is at difficult times like these that savings help get people through the storm. In this way, savings banks will play their rightful role in encouraging thrift and thus gain national and international recognition.

**A. Nyambura Koigi**

President  
WSBI Africa Region Group



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# An Asian Perspective



## The financial crisis and role of savings banks in economic recovery

Although Asia is not at the epicentre of the global financial crisis, it has been affected indirectly. The crisis in Asia is an economic crisis rather than a financial one, as Asian economies are pulled down due to the shrinking of demand from the EU and US. The shocks are the result of Asian economics' high reliance on foreign trade and consumption, which on the other hand has led to spectacular development in recent decades.

The distress of the Asian banking industry is not as severe as in other parts of the world. This means that the government has not been forced to bail out or nationalize tremendously troubled banks. Most of the Asian banks are not exposed to a large portion of US toxic financial assets. They have maintained their retail financial services at a stable and profitable level, though some mega banks have suffered from a large fall in net profit. Quite the contrary, the savings banks in Asia are receiving more deposits, as they are trusted to be sustainable and stable in their business model during the current financial turbulence.

Weak exports have already pushed Japan, Hong Kong and Singapore into recession, while in the fastest growing countries in economic terms, China and India, economic growth has been slowing for several consecutive quarters.

### Potential Threat to Banks from Weaker Economies

However, the credit crunch can threaten the banking sector in Asia. As the ratio of bad loans in portfolios increases, banking sector actors are more cautious in lending. The credit crisis has also already resulted in stock market volatility. In stock markets in Hong Kong, Korea, etc. investors have been the biggest victims of the financial crisis. Bank runs and public protests against declining asset values as well as

panics have taken place in some parts of the region. Asian currencies have also weakened, which could worsen the stability of the region.

Asia is facing greater risk if the global economic and financial crisis becomes severe and long-lasting. Export levels have dropped by double-digit percentages since 2008, while the number of unemployed is rising by millions. Weak exports have already pushed Japan, Hong Kong and Singapore into recession, while in the fastest growing countries in economic terms, China and India, economic growth has been slowing for several consecutive quarters. Australia seems to be one of few countries well positioned to weather the crisis with minimal disruption, expected to sustain more than 2% GDP growth in 2009. The pressure of intensified international competition and the potential rise of trade and investment protectionism in international markets may put Asian exports in a more difficult situation.

### An Opportunity to Boost Domestic Demand

Every coin has two sides. The crisis time could also be an opportunity to boost domestic demand in Asia. In this sense, Asia's policymakers can view the crisis as an opportunity to expand investment in desperately needed public goods which would allow Asia to continue to grow even as exports decline.

Governments across Asia and around the

world are pushing to cut interest rates, come up with economic stimulus packages to support their economies, stimulate growth and avoid slipping into recession. Asia is undertaking a leading role in the global recovery process. The government leaders of Asian countries have already responded to the challenges of the tough economic times and have started to strengthen domestic demand through the announcement and implementation of a set of monetary and fiscal policies.

Despite economic stimulus plans, in order to prevent the situation from deteriorating, policy makers should take care to monitor the financial markets and ensure there are adequate provisions of liquidity to prevent a credit crisis. Savings banks in the region, whose core business is retail banking with unrivalled geographical and social outreach, have played a key role in the national economy recovery process by:

- increasing loans to individuals and SMEs to rescue them from bankruptcy;
- offering preferable loan rates to exporters to help them survive through difficulties;
- restructuring loan conditions for those whose income has shrunk;
- restoring investors' confidence in the banking industry.

From this perspective, I would encourage savings banks in Asia to:

- continue their commitment to social and financial inclusion and help the poor to cope with the crisis;
- provide sufficient financial resources to stabilize the financial market and prevent any credit crunch;
- assist in the implementation of their country's stimulus plan.

2009 is a year full of tremendous chal-

allenges for Asia. However, I believe that Asian economies are dynamic and will recover from the gloom of the financial crisis. This will occur as long as policy makers undertake timely and effective policies to shift from an export led model to a domestic demand model, act quickly to stop liquidity from drying up, stabilize the domestic financial market, and continue with regional collaborations - which certainly is not an overnight job but will occur over several years.

**Yongyuth Tariyo**

President  
 WSBI Asia/Pacific Regional Group  
 Senior Executive Vice President  
 Government Savings Bank of Thailand



I believe that Asian economies are dynamic and will recover from the gloom of the financial crisis.

**Join WSBI/ ESBG’s LinkedIn group: “Responsible Retail Banking”**

WSBI/ESBG is beginning a social networking group focused on retail/ savings banks called “Responsible Retail Banking” through LinkedIn.

- If you are not registered with LinkedIn, go to [www.linkedin.com](http://www.linkedin.com) to register, fill in your details (as much or as little as you would like), and then you can join the group
- If you are registered, you can search for “Responsible Retail Banking” on [www.linkedin.com](http://www.linkedin.com) and join after clicking on the group.
- Forward this information to colleagues and contacts who are interested in Responsible Retail Banking.

The virtual network can serve as a global listserve, a document posting site, a resource to identify consultants, an advertising venue for events, and many other possibilities.

By being a part of the “Responsible Retail Banking” online group, participants will have the opportunity to:

- network and communicate informally with each other at various levels of organizations around the world on topics related to retail banking – sharing experience, expertise, opinions, opportunities, etc.
- be informed about the services, resources, and people within WSBI/ESBG
- advertise events, meetings, etc. to a wider audience than previously possible.

For questions, contact: Seth Landau at [seth.landau@savings-banks.com](mailto:seth.landau@savings-banks.com).



# Focus on the United States

## The financial crisis and the role of community banks

The financial and economic crisis has probably attracted the most attention within the United States, where problems in the commercial banking sector related to mortgage backed securities on Wall Street led to problems throughout the U.S. economy and then throughout the world. WSBI/ESBG talked to Camden Fine, the President and CEO of ICBA – The Independent Community Bankers of America – to discuss the role of retail/savings/ community banks in the United States.



**Can you talk about the role of community banks versus the larger banks which have had significant problems within the context of the financial / economic crisis?**

In the United States there are roughly 8000 Community Banks – those with assets of USD 10 billion or less. They are throughout the country and in every state. Our organisation represents 5000 of these banks as members. It is critical to distinguish between these community banks – which operate on “Main Street” throughout the country – and the much larger commercial and investment banks who participated in the very risky lending practices which led to the sub-prime mortgage crisis and the subsequent financial and economic crisis. Community Banks in the U.S. date back to the 1770’s. They have been and continue to be responsible lenders and holders of deposits in communities across the country. In fact, while the economic situation has become more difficult, ICBA members continue to be the backbone of local economies – providing lending to small businesses and families.

**What is ICBA’s impression of the actions which have been taken by the U.S. government to address the crisis? What has been/ will be the effect on community banks?**

The financial system thrives because of diversity among institutions and products. One of the biggest problems has been that a few companies have become “too big to fail”. Thus, the government has had to support them at whatever cost. Essentially, these “too big to fail” companies are holding the nations economy hostage. At the same time, the smaller community banks and the taxpayers are being forced to pay for the mistakes of those on Wall Street.

For example, new rules are being implemented that increase the premiums for the deposit insurance system as a percentage of the total deposits of a bank. Community banks rely on deposits for 88% of their funding, which means that their rates will go up significantly. Meanwhile, the large commercial banks with over USD 50 billion in assets rely much less on their deposits for funding – some as low as 16%. This means that, in order to pay for the losses of the larger banks, the smaller banks - which were not responsible for the problems - are being forced to pay much more. Meanwhile, the banks that were overextended and suffered huge losses are paying proportionally much less. ICBA argues that the premiums should be paid based on total assets rather than just deposits – which would shift the burden of risk back to the larger banks which have been taking the risky actions.

At the same time, deposits at these larger, “too big to fail” banks are in fact 100% insured by the federal government BECAUSE they are “too big to fail” while individual deposits at community banks are only insured up to USD 250,000.

**Has the financial crisis led to a “credit crunch” among community banks in the U.S.?**

Community banks have been facing some issues related to the normal flow of credit. It seems that this has been due less to the lack of capital available and more due to the fear of enforcement actions. Bank examiners have now become extremely strict in overseeing the lending activities of community banks. This has led to community bankers not providing loans because they are worried that examiners will come down hard on them. This is a major reason for the so-called “credit crunch” within community

**“We strongly believe that the federal administration should unwind companies that are “too big to fail” and PREVENT companies from becoming “too big to fail” in the future**

**What role do you see retail / community banks having in the future? Has the financial / economic crisis made retail / community banks more relevant?**

We should not forget that community banks are not only important for private banking, but are also the backbone of the commercial banking financial system of the U.S. They account for 40% of all loans to small businesses which are the primary engine for economic growth and job creation in this country.

Throughout this crisis, community banks have made up the only part of the financial services sector that has continued to operate effectively in the U.S. Community banks are also going to be the main driver that pulls us out of the crisis. I am confident that community banks will emerge from these troubled times stronger and with an enhanced reputation.



banks. While in many places in the U.S., credit is flowing relatively smoothly, in other places, community banks are afraid to give loans due to overly strict oversight.

Again, it is important to note that community banks are not the banks that caused the problem so overly strict enforcement by examiners is out of place. However, enforcement actions on community banks have increased by ten times in the last year while there has been no change in the number of enforcement actions taken against institutions with assets over USD 10 billion.

**There is consistent talk of new regulations and oversight over the banking industry. What is ICBA's opinion about what needs to be done to insure that similar crises do not occur in the future?**

We strongly believe that the federal administration should unwind companies that are “too big to fail” and PREVENT companies from becoming “too big to fail” in the future. Never again should we allow five or six companies to become so big that they hold the entire U.S. economy hostage. It is a good sign that the Chairman of the Federal Deposit Insurance Corporation (FDIC) Sheila Bair agrees with this position.

At the same time, we believe that current actions being taken to secure the financial system should not hinder competition and undermine the strength of community banks which are the backbone to Main Street economic activity throughout the country.



# Focus on Luxembourg

## Banque et Caisse d'Épargne de l'État de Luxembourg and the financial crisis

Our Luxembourg WSBI/ESBG member BCEE (Banque et Caisse d'Épargne de l'État de Luxembourg) can proudly boast 150 years of presence in the Grand-Duchy. Over this time period, the bank has served private people, the business world, the local authorities and eventually the national economy. News & Views chatted with Joseph Delhaye, senior vice-president at BCEE and president of the WSBI-ESBG Coordination Committee about the impact of the financial crisis on their operations

### How has your institution weathered the financial crisis?

Well, I am proud to say that BCEE has been a factor of stability in our country, whilst other big players suffered considerable difficulties and spread enormous shockwaves among the inhabitants of our country and the many foreigners that work here. If I compare the situation in Luxembourg with other European states, I am happy to say that the diversity of the Luxembourg financial landscape and the stability provided by institutions such as ours was a distinctive factor that saved us from major turmoil.

### So what makes BCEE so unique?

Our institution is first and foremost concentrated on retail banking in Luxembourg and abroad. We are firmly linked to the real economy and have a thorough, long-term knowledge of our customers. Our stable shareholder structure – BCEE is fully owned by the Luxembourg State – is also a distinct advantage. This is especially the case since the Bank has always been able to maintain clear management autonomy. Our excellent rating – BCEE is one of the few banks that boasts a triple A-rating – our prudent risk management and our stable business model are highly appreciated by our clients in these difficult times. We have seen bank deposits increase by 24% over the year 2008. These deposits have been reinvested in the national economy in the form of credits, which increased by 17.7% over the same period. This shows clearly that BCEE has not at all closed the credit tap!

### Could you please provide us with your analysis of the crisis?

The crisis is a global phenomenon and very few institutions will escape it unscathed. What started as a financial crisis in the US has become a worldwide contraction of the “real” economy. To avoid new crises of this kind, regulators and supervisors should consider whether some institutions have become too big to fail and eventually too big to rescue. A concentration of assets in the hands of only a few institutions, combined with the creation of an inextricable network of contracts on evermore complicated derivatives has brought the international banking system to its knees. This is simply unacceptable. BCEE has a strong market position in the Grand-Duchy, but this is the result of decades of hard work and steady, organic growth. It is the result of a perfect understanding of the needs of the client, in combination with the long-term interest of the shareholder and the commitment of the management and the staff of the bank. That has not at all been the case for other financial institutions that favoured short-term shareholder interest over long-term growth. Consolidation for the sole sake of consolidation does not make any sense. It only creates “giants with feet of clay”.

Financial institutions should stay aware of the economic fundamentals and have a sound knowledge of the real potential of their client base. A bank can only prosper if it works in full harmony with its clients. That has always been the basis of the business model of BCEE and that is why I see the future with a great deal of confidence!

# The Crisis and Corporate Social Responsibility

## Does the financial and economic crisis mean that Corporate Social Responsibility must be put on hold?

**With the international financial and economic crisis affecting the banking sector and businesses world-wide, many people are asking the question – Can businesses continue to support Corporate Social Responsibility (CSR) given the difficult economic times?**



ASTRID HAGENAH

**Savings and retail banks around the world are responding with a resounding “Yes!”**

### Committed to and a Part of the Community – Through the Good and Bad Times

Savings and retail banks have always been committed to being responsible members of their communities. This idea pervades every action and decision. They recognise that both the financial profit of their operations and the societal benefit of their involvement in the community are important. This “double bottom-line” allows them to stand firmly in the midst of turbulent economic times. From their inception and creation, savings and retail banks have acted in a socially responsible manner and have been committed to making their communities a better place.

The commitment of savings and retail banks to CSR is unwavering in the face of the global financial and economic problems. Some other companies will undoubtedly respond to immediate financial difficulties by reducing or altogether eliminating CSR commitments. However, WSBI and ESBG members have already stated their intentions to continue working towards bettering their communities which includes supporting efforts in areas such as financial education, social and financial inclusion of otherwise marginalised populations, environmental sustainability, and cultural development.

### Less Money? Perhaps...

### Less Impact? Not a chance.

The global financial and economic problems will of course likely have an impact. However, WSBI and ESBG members say they are firmly committed to continuing in their roles as active partners in the development of the communities they live and work in. Some members expect that the amount of money available for CSR activities will be somewhat restricted in the upcoming year,

but this actually provides a good opportunity to think strategically about how their banks can have the most positive impact on their communities.

They will definitely continue to partner with community leaders, groups and citizens to get through these tough times and make the community stronger in the long term.

### A Long-Term Vision and Commitment

The long-term commitment and vision of the retail and savings banks to their communities and CSR is a fundamental characteristic of the sector. WSBI and ESBG members understand that the local communities in which they operate are not markets to be explored or exploited, but rather partners to grow with.

Thus, the long-term commitment of savings and retail banks means that short term gains in profit which may be obtained by shutting down CSR operations are shunned because of their negative impact over the longer term. Savings and retail banks are a part of the community and thus want to be a positive force when the economic times are not as easy. In the long term, WSBI/ESBG members know that both the community and the banks themselves will be better off if CSR activities continue.

In short, savings and retail banks will continue to support CSR activities because it is a fundamental part of their identity and their commitment to the communities of which they are members. It is what they have always done and what they will continue to do – through the good times and the bad.

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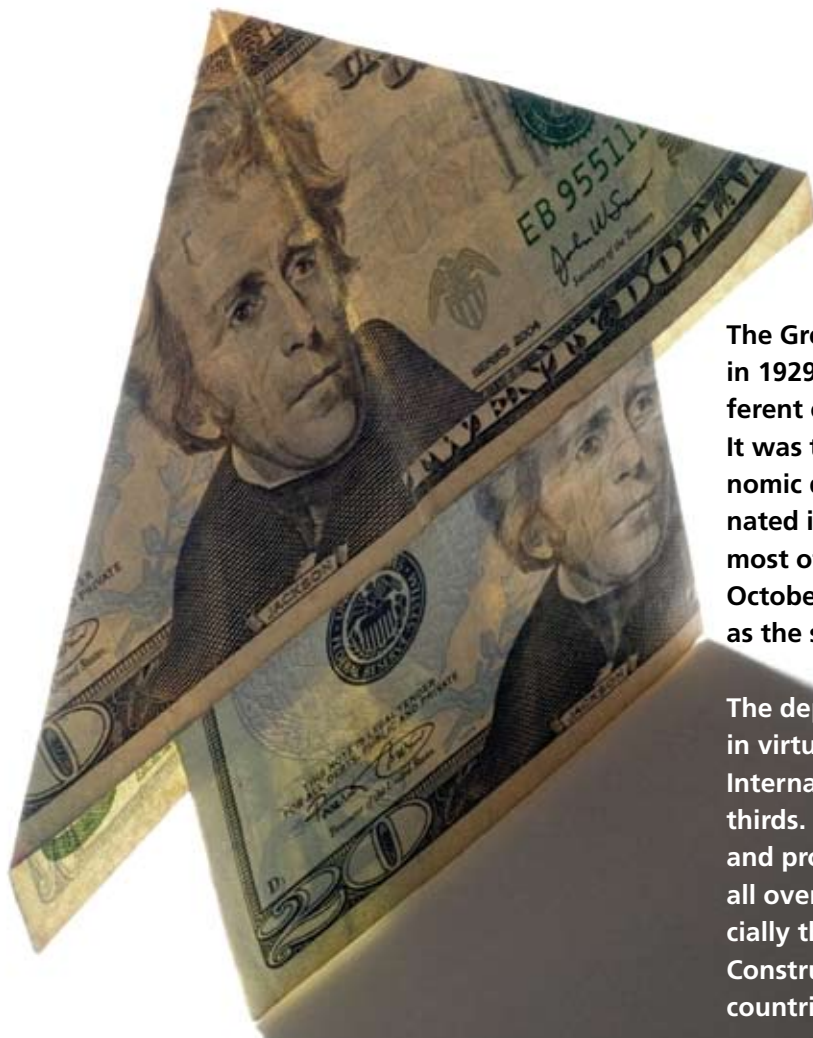


The commitment of savings and retail banks to CSR is unwavering in the face of the global financial and economic problems.

WSBI and ESBG members understand that the local communities in which they operate are not markets to be explored or exploited, but rather partners to grow with.

# A Historical Perspective

## Savings banks during the Great Depression



The Great Depression started in most places in 1929 and ended at different times in different countries in the 1930s or early 1940s. It was the largest and most important economic downturn in the 20th century. It originated in the United States and historians most often use the stock market crash on October 29, 1929 - known as Black Tuesday - as the starting date.

The depression had devastating effects in virtually every country, rich and poor. International trade plunged by half to two-thirds. Personal income, tax revenue, prices and profits also fell dramatically. Countries all over the world were hit hard, especially those dependent on heavy industry. Construction was virtually halted in many countries. Farming and rural areas suffered as crop prices fell by roughly 60 percent. Unemployment figures grew drastically.



NANCY LOCKKAMPER

## Savings Banks and the Economic Crisis

The World Thrift Journal - a publication from the International Savings Banks Institute – provides some interesting information on how the crisis affected savings banks in Europe and in the U.S.

### Savings banks in the US

In the United States during the depression savings banks deposits increased by 592.6 million dollars (68 billion in 2009 USD) - with an especially drastic increase in the first half of 1930. The number of depositors increased by 550,000. This was despite growing competition from commercial banks. Bank deposits and unused commercial capital were moved to the savings banks, which proved to be sound in the period following the Wall Street crash and commercial bank failures. About 1000 banks failed in this period - 4.5% of the total number of existing banks. In 1931, the savings levels continued to thrive despite of the difficult circumstances of industry, increased unemployment and the failure of many commercial banks. During the first ten months of the year 1753 banks closed down, with deposits totalling 1.462 billion dollars (20.67 billion in 2009 USD). During this time, only four savings banks experienced runs which were promptly met thanks to the reciprocal aid of other savings banks despite rather considerable losses suffered.

Overall, savings banks enjoyed growing confidence on the part of the public, which was mistrustful of “commercial” banks.

### Savings banks in Europe

The strength of savings banks was also evident in European countries. In France, 1931 was a remarkably good year for the savings banks. In total, savings banks registered an increase in deposits of upwards of 11.8 billion francs (8.4 billion in 2009 USD – a 43% increase in one year). This exceptional result is explained by the “confidence crisis” which paralyzed business and drove people to economize.

The public, frightened by bank failures, the drop in industrial stocks and the exploitations by speculation in businesses, real estate and farm produce, sought to place their money in safety.

In Germany in 1930, the savings banks increased their deposits but later, during the financial crisis of July 1931, German savings were hit hard. The savings banks whose deposits increased during the first five months of the year proceeded to lose 1.5 billion Rms (5.0 billion 2009 USD) in deposits during the next seven months. The continued withdrawals made at the savings banks were mostly the consequence of an acute “confidence crisis” rather than the general economic depression. Despite heavy decreases in their deposits, the savings banks were able to survive with their continued public outreach. Their close link with the local economy and decentralized credit policy proved sound and profitable.

In 1931, the increase of funds of the savings banks in the United Kingdom - exceeding 11 million pounds sterling (70.5 million 2009 USD) - was truly remarkable. This has only been surpassed twice in the course of the 125 years of the existence of these institutions. The increase in the

number of accounts (576,513 in 1930) was further proof of progress. This is partly accounted for by the fact that the customers of the savings banks profited from the Act of 1929, which allowed more than one account. Financial volatility did not shake the perseverance of the British savers.

In general, despite several years of the economic crisis, savings banks throughout Europe and the U.S. were able to prove their soundness as safe havens for depositors. Even where savings banks faced a decline in their deposits through numerous withdrawals, they overcame the crisis and were able to meet their obligations. The traditional values of the savings banks proved to be efficient in times of economic crisis. Savings banks administrators had not aimed to gain more profit at the expense of being able to protect the savers.

### State regulatory actions

In different countries, the banking crisis triggered several essential reforms by Governments trying to regulate the financial market in order to protect savers. This regulation manifested itself in two main ways:

- More clearly defining existing banking institutions – including the savings banks
- Developing a central supervisory organisation

In the United States, reaction to the collapse of a large part of the American commercial banking system, two separate laws known as the Glass-Steagall Act were passed. The first Glass-Steagall Act was passed in February 1932 in an effort to stop the deflation. The second Glass-Steagall

Overall, savings banks enjoyed growing confidence on the part of the public, which was mistrustful of “commercial” banks

gall Act was passed in June 1933 and was officially named the 'Banking Act of 1933'. With the Banking Act, the United States introduced the separation of bank types according to their business and established the Federal Deposit Insurance Corporation (FDIC) and other banking reforms designed to control speculation.

In France, 1931 marked an important year in the history of French Savings Banks legislation. The Finance Act raised the maximum deposit limit to 20,000 francs (11,000 2009 USD) for private persons and 100,000 francs (55,000 2009 USD) for corporations. It also increased the limit of the safeguard clause and extended the methods of investment, which favoured the French savings banks. This actually resulted in a decrease of business for commercial banks – who considered these increased limits unfair competition. Therefore, they tried unsuccessfully to get measures passed which would restrict savings banks' activities.

In Germany, the bank crisis of 1931 was one of the main stimuli for developing savings banks into modern, universal credit institutions. For the first time in history, the German Reich became directly involved in the law governing savings banks, an area that until then had been the sole preserve of the individual Länder (region). In 1933, a banking inquiry prompted by the banking crisis became a competitor instigated inquiry into the savings banks. This inquiry ended in a positive outcome for the savings banks. The German Savings Banks and Giro Association succeeded in refuting the criticisms levelled at the "banking" activities of the savings banks, and in warding off calls to put a stop to or restrict the short-term business activities of the savings banks. Indeed, the Inquiry Report recognised the right of Savings Banks to pursue these business activities. The German President issued three Emergency Decrees to bring about fundamental changes in the legal, organizational and business policy of the savings bank system in order to separate savings banks once and for all from the financial sphere of the local authorities and to secure their present and long-term liquidity. The principal outcome of all of

this was the granting of independence to the savings banks by converting them into institutions with their own legal identity.

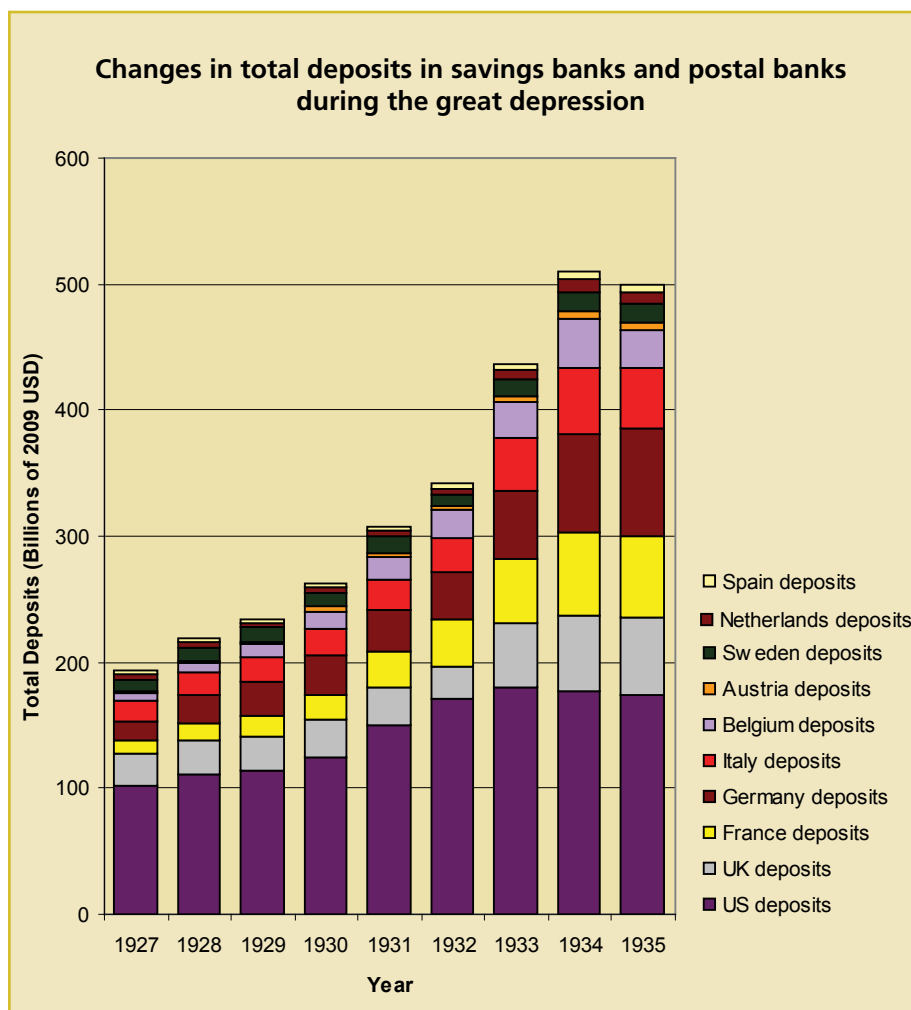
## General Conclusions

During the years of economic crisis, the International Savings Banks Institute (ISBI) saw only a worsening of "the gloomy picture drawn of the world economy obscured by a horizon in process of unceasing contraction due to the thousand barriers of all kinds which States are raising up around themselves." Therefore, they denounced the 'protectionist' actions of various states and urged nations to ensure that their currencies were stable in order to create the preliminary conditions for economic collaboration. This, they considered, is the most important duty of all governments in times of economic crisis.

At the Third International Thrift Congress held in 1935 in Paris, the ISBI adopted a number of resolutions and recommendations which are still applicable today – related to everything from helping with community development, using credit to aid poorer people, encouraging financial education among children, and other topics. The ISBI concluded that the savings banks as a whole were only slightly affected by the economic crisis. The savings banks, therefore, constituted an important element in lessening the disturbance caused by economic crisis and, consequently, the governments of the different countries were requested to support the savings banks and to avoid any undue intervention in their activities.

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**RETAIL BANKING STORIES:** In this issue of News & Views we highlight a number of retail banking stories which look at banks of different sizes in different parts of the world. While we often share descriptions of members within these pages, this section is specifically aimed at demonstrating that retail banking is a universal and scalable business model. This model can be successful in very different cultural and economic circumstances as well as at different scales – from a few branches to a nation-wide network of branches with millions of depositors.

# Banque de l’Habitat du Mali

## A roof for everyone

**News & Views had the opportunity to meet Mr Mobido Cissé, President Director General of la Banque de l’Habitat du Mali (BHM, Mali’s Bank for Housing), one of WSBI’s member institutions.**

### Mr Cissé could you briefly present your institution to us?

The Banque de l’Habitat du Mali was detached from the Malian Post five years ago and has been granted a universal banking licence. Our main objective is to offer financial support for the promotion and improvement of housing in Mali as well as to collect and remunerate people’s savings. In this context, we pay particular attention to the underprivileged segment of the population; those who do not have access to the banking system due to their limited resources or because of their geographic isolation.

The citizens of Mali have reacted very positively to our mission. One can even talk about real enthusiasm. The demand for mortgage loans for new construction or for the renovation of existing houses is so important that our deposits are not sufficient. We had to seek external financing - for example a loan from the Islamic Bank for Development. I would also like to emphasise the quality of our portfolio of mortgage loans: the default rate is extremely low.

### Did the separation of BHM from the Malian Post go smoothly?

Not really. This separation has meant in fact a radical change of structure and approach. The civil servants of the Post are not bankers. They do not have the required commercial approach and the necessary knowledge and experience to commercialise banking services and products. We now have a team of 127 people that we continuously train in order to best respond to our customers’ needs. Similarly, we have developed a network of independent branches in addition to the wide postal network. At the moment we have 7 branches located in the main cities of the country.

### You also have branches outside Mali?


Indeed. We have branches in several African countries as well as a branch in Paris and one in New York. The objective of these branches are of course to serve the important Malian community which is living and working abroad. This network of expatriate Malian workers is an important source of deposits for us and also

constitutes a large part of our demand for mortgage loans. Even while working abroad, Malians enjoy having a house in their home country.

### What do you think of the cooperation with WSBI?

Being part of WSBI allows us to be part of a network and to benefit from the know-how of other members. I would like to point out that through our WSBI membership we have signed an agreement with the Caisse Nationale des Caisses d’Epargne (CNCE) in France. Thanks to this agreement, the seven countries of WAEMU (West African Economic and Monetary Union), to which Mali belongs, will benefit from targeted banking training. The Groupe Caisse d’Epargne - a WSBI member in France of which CNCE is a member - also committed itself to facilitating access to its network of branches in order to allow Malians living in France to deposit money and make transactions.

Mali	Mali is located at the heart of West Africa
	Population: 12.67 million
	Area: 1.24 million square kilometres
	Capital: Bamako
	GDP: 8.78 billion USD / 14.48 USD PPP
	GDP per capita: 692 USD/ 1200 USD PPP



# The Philippine Postal Savings Bank

## Serving the “Global Filipino” at home and abroad

The Philippine  
Postal Savings Bank

**Creation:** 1906, phased out in 1976,  
re-opened in 1994

**Total assets:** 133 million USD

**Total deposits accounts:** 74,476

**Number of branches:** 24

Mr. Virgilio A. Mortera is President and CEO of the Philippine Postal Savings Bank (PPSB) and was the moderator at the WSBI Postal Savings Banks Forum in November 2008 when this interview with News & Views was held.

**Mr. Mortera, could you please introduce The Philippines Postal Savings Bank to our readers?**

The Philippine Postal Savings Bank is one of the oldest national financial institutions of The Philippines. Re-opened in 1994, our institution's mission is to be strong, dynamic and competitive, to mobilise savings, and promote the value of entrepreneurship, thrift and prudent financial planning – especially among the younger population. We provide Filipino citizens with a full range of professional banking and financial services regardless of their social status or geographical location. PPSB's total assets represent about 133 million USD. Last year PPSB issued 29,576 loans via its 24 branches across the country. These branches are complemented by a network of 28 ATMs. PPSB currently employs 346 people.

**Are citizens from The Philippines living abroad an important part of your clientele, and are remittances an important business for you?**

PPSB's mandate includes serving what we call the “Global Filipino.” We are very proud to adapt our services to this newly empowered part of the population - notably by offering efficient international remittances services. To this end, PPSB has secured strategic business partnerships with some of the crucial players in the money remittances business.

**What do you think about WSBI's International Remittances Capability Agreement?**

The IRCA is a commendable policy which in the end will benefit all the stakeholders of the remittances industry, especially the senders and the recipients whose rights the IRCA intends to protect.

**Could you explain what a ‘jeepney’ loan is?**

Jeepneys have become one of the tourist attractions of The Philippines. Jeepneys were originally US military jeeps left over from World War II that were turned into taxis. They are now nationally produced but are still very colourful and still have the capacity to transport large amounts of people. The ‘jeepney’ loan was designed by PPSB as a way to address issues such as climate change and the need for fewer and greener vehicles. The loan is intended for transport companies or entrepreneurs willing to purchase public utility vehicles, such as jeepneys, to bring commuters into town.

**You offer online banking services to your clients. Could you tell us a bit more about this?**

PPSB launched its Internet Banking Facility in May 2008. With this facility, PPSB cardholders can carry out banking transactions through various channels such as the internet, mobile phones, self-service kiosks and personal digital assistants (PDAs). This system also supports online shopping through tie-up arrangements with merchants. It can also be used in the remittances business. The online Interbank Fund Transfer Transaction system offers lower charges than what is generally available on the market.

**The Philippines is a large country with lots of small islands. How do you tackle this geographical dispersion?**

Reaching out to the Filipino people in all areas of the country and overseas is, as I mentioned earlier, core to the mission of the PPSB. To achieve this, we design our products and services to suit the needs of the different market segments, especially the unbanked and the overseas workers. We are putting up more branches, particularly in remote areas. We should, for example, open 5 new branches in 2009. We also partner with other governmental and non-governmental organisations which promote social enhancement, economic development and access to finance.

“The financial crisis will attract more customers [...] to postal savings banks in particular provided a strong governmental deposit guarantee scheme is in place”



**Could you tell us more about your cooperation with Aflatoun which has had a partnership with WSBI since the end of 2008?**

PPSB is committed to supporting Aflatoun's social and financial enhancement programmes for youth. The programme has been under implementation since September 2008 in The Zapatera Elementary School. This school has around 3,000 pupils and was chosen notably because of its proximity with a PPBS branch. The teachers were trained to understand the concept and methodology of the Aflatoun programme. PPSB will adopt the Child-Friendly Banking approach allowing children to open an account with a minimum of 100 pesos (+/- 2 USD) as an initial deposit. Upon opening an account, children will receive their own pass-book and they can save a minimum of 50 pesos (1 USD) a week.

**Do you think that in the end the current financial crisis will attract more clients to your Bank?**

More banks are being established in the Philippines but, surprisingly, only a limited portion of the population has access to or is inclined to open savings accounts or seek loans from banks. The challenge that we face is a cultural one. Many Filipino households are accustomed to saving their money in the "privacy" and "security" of their homes rather than with banks, where, in fact, their money should be earning interest. Furthermore, when pooled together, these deposits can then be channelled by banks to lending activities creating more business and jobs

and helping the economy grow. The financial crisis will attract more customers, particularly the poorer ones, to the banks and especially postal savings banks, provided there is a strong deposit guarantee scheme by the government.

**What is the greatest benefit in your view of bringing together like-minded organisations such as savings and socially committed retail banks in an international association like WSBI?**

The exchange of information and best practice is essential especially in open economies. As a bank operating in a global environment, we have to stay informed of new trends, new technologies and innovations in banking so that we can keep up with the demands of the market. We do not want to miss the train. Fora like WSBI are very important in allowing us to develop state-of-the-art retail banking.



**The Philippines**

The Philippines is a large archipelago of 7,000 islands in the Western Pacific Ocean

**Population:** 98 millions; 11% living abroad

**Area:** 300,000 square kilometres

**Capital:** Manila

**GDP:** 168.6 billion USD/320.6 billion USD PPP

**GDP per capita:** 1720 USD/3300 USD PPP



# Post Bank Iran

## State of the art retail banking in the Middle East

**News & Views met with Mr. Mahmoud Afzali, Chairman of the Board and Managing Director of Postbank of Iran (PBI), on the occasion of the 2008 WSBI Postal Savings Banks Forum.**

### PostBank of Iran

**Creation:** 1995; detached from Post of Iran in 1998

Full banking licence in 2004; international banking licence in 2005

**Number of branches:** 400 main branches and 6,000 sub-branches or rural branches

**Number of deposit accounts:** 2 million

#### Mr. Afzali, how would you describe your institution?

Post bank Iran is a fully-fledged, modern, customer-oriented and profitable financial institution with some 400 main branches and 6,000 sub-branches throughout the country. We have about 2 million accounts and managed last year, just in rural areas, some 40 million transactions. Our full banking and international banking licences allow us to hold accounts in foreign currencies and have helped us develop our activities in merchant and commercial banking.

#### PostBank of Iran has undergone quite a lot of changes since its creation. What would you say was the key to making PBI a profitable universal banking financial institution?

Post bank Iran has indeed undergone a lot of changes – notably since 2005. In the three years since then we have changed our structure from ‘head to toe’, from the Board to the branches. We have set up a Strategic Planning & Management System, switched to the most suitable payments system for financial businesses available in Iran, adopted Liquidity and Asset & Liability Management Systems, fully automated our operations and introduced a performance related pay system for our employees. Not to mention the 4-year plan to develop access to finance in Iran. We can honestly say that we have been quite busy these last few years.

#### Can you give us more details on the performance related pay system you have put in place for your staff?

This has to be seen in the wider framework of our Strategic & Planning Management System that allows us to plan, assess

and evaluate the work of each unit, each department, and each branch within PBI. Every 3 months we compare achievements against objectives and evaluate the performance of our staff on that basis. 35% of each employee’s pay is related to performance. This has proven for us a very useful tool in motivating our staff to offer top quality service to our customers.

#### What about the liquidity and the asset & liability management systems? How did this help your institution progress?

The liquidity management system is a system by which we determine exactly how much cash each PBI unit must hold. Above that limit, money must be used to offer more loans to customers and thus generate new profit for the Bank. This system optimises our liquidities. The asset & liability management system makes it possible to estimate and take risk into account as much as possible.

#### You said PBI’s operations are fully automated?

Yes, they are. This is notably thanks to the hard work our teams. In particular, the ICT team was formed to create our own core banking software. It is not an easy thing to do but it allows us to integrate all the accounts we hold, plus offer all the modern services that a customer can expect from a bank. This software is used by our 400 main branches and is to be extended to our 6,000 sub-branches.

#### You also mentioned a 4-year plan on Access to Finance?

Access to finance has been recognised as one of PBI’s strategic objectives. The plan you are referring to started in 2006. We are

### Iran

**Population:** 66.4 million; 40% under 25

**Area:** 1.6 million square kilometres

**Capital:** Tehran

**GDP:** 382.3 billion USD/872 billion PPP

**GDP per capita:** 5600 USD/12,800 USD PPP



پست بانک ایران  
POST BANK IRAN

working towards developing access to finance in rural areas and are aiming to open 10,000 new branches. We plan to invest a total of about 50 billion USD to achieve this. Our rural branches mainly offer deposit, loan and intermediary services but insurance services are also available. I would like to stress the importance of rural deposits for PBI. We have indeed noticed that over the last three years rural deposit growth accounted for a great portion of the total deposit growth at PBI.

**What is for you the greatest advantage of being part of the World Savings Banks Institute?**

WSBI is a reservoir of experiences in a wide variety of fields. By helping share this knowledge amongst members, WSBI is clearly helping them develop their business.



# Government Savings Bank of Thailand (GSB)

## Champion of proximity banking

**News & Views met with Mr Yongyuth Tariyo, Senior Executive Vice-President of Business Operations at GSB and the President of the WSBI Asia/Pacific Regional Group, on the occasion of his participation in WSBI's International Remittances Workshop in Brussels in November 2008.**

### Thailand

The Kingdom of Thailand lies in the heart of Southeast Asia

**Population:** 65.9 million

**Area:** 513,115 square kilometres

**Capital:** Bangkok

**GDP:** 272.1 billion USD/553.4 billion USD PPP

**GDP per capita:** 4129 USD/8500 USD PPP

**Mr Tariyo, your institution is the oldest WSBI Member in Asia and you are also personally leading the WSBI Group in Asia/Pacific. What do you think WSBI priorities should be for serving the members in the region?**

As the person responsible for the WSBI Asia/Pacific Group, I am particularly attentive to the benefits that all members can derive from their membership. I am quite convinced and pleased to see that WSBI has become a network which brings business inflows and opportunities to savings banks in the region. For example the WSBI Asia/pacific Group is initiating concrete projects like the setting up of a common ATM network, which will avoid the necessity of using an external provider. The Group also wants to take the advantage of the International Remittances Capability Agreement (IRCA) to develop our businesses linked to remittances. I would also encourage members to use the WSBI network to share experiences, know-how, information, etc. For instance, the activities of the Asia/Pacific Region Group are becoming more visible not only within but also beyond the Group through WSBI's network. Some of WSBI members in other regions are even visiting us to learn about our micro-finance activities or our 'school bank' project.

**For those who do not know GSB yet, could you give us an idea of the size of your organisation?**

GSB is a long-established bank in Thailand, founded in 1913. Our mission is to be a secure and reliable financial institution offering savings, loans, and investment services to the Thai people, to communities and national development projects. One can say that we are quite successful at achieving our mission as 1 Thai out of 3 finds us trustful enough to be his/her business partner. We indeed have the pleasure of serving some 20 million customers

ranging in age from 7 year old children to elderly people. On average 35% of our clients are pupils and students. However, we also serve SMEs, large landholders who very much appreciate the security we offer them and are often heavy savers with us. We have 580 million bahts in deposits (13 million EUR) and 680 million bahts in total assets (15 million EUR). 10,000 people work for GSB in our 600 branches.

**Besides savings what are GSB's other main activities?**

Besides savings, our activities can be divided as follows: 1/3 of our portfolio goes to investment and the remaining 2/3 goes to loans. Our lending activities are almost equally divided between housing loans, personal loans, commercial loans and loans for governmental projects. We also have a strong portion of our activities dedicated to Corporate Social Responsibility (CSR) - for instance our initiatives aimed at instilling a savings culture among the Thai people.

**Could you tell us more about those programs encouraging savings and about the 'school banks' project in particular?**

The 'school banks' are model banks set up in schools and operated by the students with their teachers and GSB staff playing an advisory role. Selected students act as the manager, finance officer, counter service officer, and teller. Deposit and withdrawal services are provided before morning classes or during the lunch hour. GSB performs auditing and collects savings after the opening hours of the school-based bank. GSB's support notably includes training on banking operations and the provision of equipment. GSB also provides students participating in the scheme with scholarships, educational material, and organises study tours for them. Started 6 years ago, this project has been introduced in 250 schools and led to the opening of 600 000 new accounts with 300 million

### Government Savings Banks of Thailand

**Creation:** 1913

Full service state-owned financial institution.

Member of WSBI for almost 30 years

**Number of branches:** 600 main branches and 200 outlets

**Deposits :** 13 million USD

baths (6 million EUR) in deposits which is really a big sum. And we still want to expand the project. Besides the school banks we have also developed special competitions and “savings days” or “savings weeks” to try and raise awareness amongst the youngest ones about the importance of savings.

**GSB is also famous for going a long way in order to reach out to its customers. Could you tell us about your network and the systems you have put in place to best serve your customers wherever they live?**

As I said earlier, our nationwide network consists of 600 main branches. This is complemented by 200 outlets or mini-branches. We also have 1,500 ATMs throughout the country. We plan on doubling our distribution channel within the next two years. Indeed, we are not short of innovative ideas when it comes to reaching out to our customers. For example, we have a series of mobile branches: 30 which are on buses and – something quite unique in the banking world I think - two on boats. We also use other means of transportation. For example, we offer a “motorbike service” to our best clients. Customers who have registered for this service can get in touch with a call centre, provide a code and GSB arranges for a motorbike to be sent to the client to deliver – for example - some checks. So we really go where our customers are!



## Kalamazoo County State Bank in Michigan, USA

### “They know us and we know them”

Kalamazoo County, located in the south-west of Michigan (United States) is home to 240,000 people. “The land of rolling hills and crystal-clear lakes, Kalamazoo is easy to get to and hard to leave”, says the website of the County Convention & Visitors Bureau.

We talked to James McPhee, Chief Executive Officer of the Kalamazoo County State Bank, and Vice Chairman of WSBI-Member ICBA (The Independent Community Bankers of America). The Kalamazoo County State Bank was founded over a century ago, in 1908. Its main office is in Schoolcraft, and there are two other branches: one in Mattawan and another in Vicksburg. The bank is active in rural and suburban markets and has 75 million dollars in assets. It offers a full range of payment services, savings and loan products and insurance.

A lot of clients of Kalamazoo County State bank are private households, interested in personal and home improvement loans, car and consumer loans, or savings products. However, the many small and medium sized enterprises (SMEs) in the region also constitute an important client base. These SMEs are often active in the machine tool industry, though many restaurants, retail shops and autodealers are also clients.

The staff of the Kalamazoo County State bank consists of 39 people. “The average officer is employed here for over 25 years, while the average staff person is being employed for over 12 years,” replies James McPhee when asked why customers are better off at his community bank than at a big commercial bank that is active nationwide. “Our clients know us all on a first-name basis, just like we know them,” he continues. “We pride ourselves on the fact that our clients are not a number. They can call me or any of my colleagues directly, and we will all do our best to help them.” Unsurprisingly, the motto of the bank is “Local, Reliable, Friendly.”

A bank like Kalamazoo County State Bank is a real growth engine for its region, where it enjoys a very good reputation. The bank and its employees are well integrated in their communities and participate in various fundraisers throughout the year.

In conclusion, James McPhee shares his definition of retail banking with us: “Helping the customers – households and SMEs – to finance their dreams.”

# AMONATBONK –

The State Savings Bank of the Republic of Tajikistan

The bank of the people of Tajikistan both at home and abroad



**Ms. Gulnora Kenjaevna Hasanova is the First Deputy Chairman of AMONATBONK. She was in Brussels for the workshops related to the WSBI programme with the Bill and Melinda Gates Foundation entitled “Working with savings banks to double the number of savings accounts for the poor.”**

## Tajikistan

Tajikistan is a republic in Central Asia

**Population:** 7.3 million with an estimated 1 million living abroad – especially in Russia

**GDP:** 4.79 billion USD/15.4 billion USD PPP)

**GDP per capita:** 655 USD/ 2100 USD PPP

**Area:** 143,100 square kilometres

**Capital:** Dushanbe

**Ms. Hasanova, could you please introduce the AMONATBONK to our readers?**

The State Savings Bank of the Republic of Tajikistan, or “AMONATBONK” is the leading national financial institution in the Republic of Tajikistan. We have been operating since 1925. In 1998, AMONATBANK gained status as a State Bank. We consider ourselves to be the bank for the people of Tajikistan – and we serve over 2 million customers out of the total population of 7 million people. In addition to working to mobilise savings, we also facilitate payments of over 500,000 pensions as well as facilitate all government social assistance programs. We provide a full range of banking and financial services for everyone from children to the elderly. We are located throughout the country with 75 branches and 503 agencies. It is especially important that we are present all over our mountainous country. AMONATBONK’s total assets represent about 139 million USD.

**Are citizens from Tajikistan living abroad an important part of your clientele, and are remittances an important business for you?**

The population of Tajikistan citizens living abroad is substantial – approximately 1 million people. That represents almost 15% of the total population and almost half of the working population. Many of our citizens live abroad in Russia and send home remittances. For this reason, remittances are a very important part of our business.

At the same time, we are continually expanding our outreach to people in Tajikistan – which has meant increasing the number of depositors and the total amount held in deposits, increasing the number of credits in our portfolio, and providing comprehensive financial services to the people of Tajikistan throughout the coun-

try. We consider ourselves the bank for the people of Tajikistan – both at home and abroad.

**Tajikistan is a mountainous country that can be quite spread out. How do you tackle this geographical dispersion?**

AMONATBONK has branches in 75 different places as well as over 503 agencies. This means that we are able to provide services where people live throughout the country. In most places, we are the only bank that is present and we are proud to be able to serve our people throughout the country. This is why we consider ourselves “The People’s Bank”.

**Is your bank being affected by the current economic crisis?**

While the Tajikistan economy itself is not connected directly to the problems which led to the current global economic problems, the economic downturn in places like Russia has meant that remittances have decreased. However, this part of our business is still important and will probably continue to be so for the foreseeable future.

**What is the greatest benefit to your organisation of being a member of WSBI?**

We have been members of WSBI since 2004. We have participated in various training sessions and meetings in the Philippines, Thailand, and Peru as well as the World Congress in Malaysia, and we have also had the opportunity to share experiences with other members. In recent years, we have been modernising our systems including being connected to the SWIFT network as well as increasing contact with other banks world-wide. We believe that WSBI can help provide a platform for increasing communication with banks in other countries and in other regions.

## AMONATBONK

**Creation:** 1925, in 1998 became a State Bank

**Total assets:** 139 million USD

**Total number of customers:** 2 million

**Number of branches:** 75 and 503 agencies



# Environmental Responsibility as an Opportunity

## Workshops in Brussels

### Carbon Footprint of Financial Institutions

15/06  
2009

Climate change emissions from businesses are becoming more and more important to society, the environment, and the market-place. This workshop will provide the opportunity for WSBI/ESBG members to exchange information, experience and best practices on the challenges and opportunities presented by the introduction of climate change strategies in their organizations. It will focus specifically on the establishment of a carbon footprint for a financial institution and how it applies to property and facilities management, including business travel.

#### TARGET AUDIENCE

Persons responsible for climate change-related activities in WSBI/ESBG member banks, including Head of Corporate Responsibility, Sustainability, Environment, Climate Change Committee member, persons with specific environment responsibility in properties and facilities management as well as business travel.

### Environmental Risk Assessment & New Business Opportunities

16/06  
2009

With the Green Economy becoming more and more important – including being a big part of many economic stimulus packages – this workshop should not be missed. The event will focus on incorporating environmental risk into a bank's overall risk management strategy and the new markets and business lines or opportunities opened by climate change.

#### TARGET AUDIENCE

Representatives of ESG member banks, including managers responsible for risk management, product development and management, market strategies, fund management, lending officers, human resources, etc.

#### LANGUAGE

Simultaneous interpretation will be provided.

- Registration for both workshops is 200 euros per person
- Fees do not include VAT at 21%.

#### REGISTRATION

- 150 euros per person or 100 euros per person for multiple registrations from the same organisation.

To register or for questions: Email [ana.garcia@savings-banks.com](mailto:ana.garcia@savings-banks.com)



# Aurskog Sparebank in Norway

## “Stor nok for folk fest”

English: “Big enough for most of the people”.

This is the slogan of Aurskog Sparebank that you will find on its website and all printed materials. For CEO Odd Nordli, this baseline is the perfect summary of retail banking: bringing day-to-day financial services and products in an efficient way to the customers.

Aurskog is a region approximately 50 kilometers east of Norway's capital city Oslo. “It is an excellent region to do banking,” says Odd Nordli. “Aurskog is a wealthy region that is well connected to the rest of the country. Oslo Airport is not far away.”

Aurskog Sparebank has 51 employees in four branches: the head office in Aurskog,

as well as branches in Bjorkelangen, Arnes and Jessheim. The balance sheet total is 5.7 billion Norwegian Crowns or 668 million euros strong.

*“Our typical customer is a married couple with two jobs and two children”, says Odd Nordli. Aurskog Sparebank targets private households and small and medium sized enterprises. Our services include savings accounts, checking accounts, payment services, credit cards, mortgages, personal loans, life insurance, asset insurance, investment funds, investments transaction services and pension services. The typical corporate customer is a small retail business in the region.”*

People are clients at Aurskog Sparebank because everyone knows the bank. Their parents were often already clients. The institution is also very closely linked to its region. The people of the Aurskog region trust Aurskog Sparebank because the management of the bank values a long-term relationship with its customers. The services of the bank are highly competitive because its employees and the management can build on their extensive knowledge of the local market to offer clients exactly the products and services they require and because the decision processes within the bank are very short.



# Kenya Post Office Savings Bank (POSTBANK)

## Launch of the new business model

Kenya Post Office Savings Bank [Postbank] recently introduced a new service delivery platform in order to deliver improved services to customers and enhance its competitive position in the Kenyan financial services market. These changes are now being implemented at both the front end and support areas resulting in Postbank operating in a New Business Model (NBM).

The introduction of the New Business Model on 27 October 2008 transformed Postbank to fully automated operations and made Postbank the first bank in Kenya to use the Point of Sale (POS) terminals at the teller station. The official launch of the new service delivery system marked Postbank's commitment to innovation and the use of technology to enhance service delivery to customers through paperless banking. The use of Postbank's Cash Xpress debit card, Point of Sale Terminal and the Personal Identification Number (PIN) are the key drivers of the new system that has been installed in all the 88 Postbank branches. The launch has been covered extensively in the local media and has already gained significant attention.

The Permanent Secretary, The Treasury, Ministry of Finance of the government of Kenya, Mr. Joseph Kinyua, during the official NBM launch on November 27th 2008, noted with delight that Postbank's new service delivery platform was a key milestone and a turning point as it brought to an end what has for many years been synonymous with the bank, manual operations. He added, **"It takes vision, commitment, courage and discipline to plan for such innovative delivery systems that have not been used in the local environment before."**

The Chairman of the Board of Directors, Mr. Wilson Kinyua during the same occasion described the launch as a key milestone that had taken several months and great effort by the Postbank team, to implement. To accomplish this dream, it took several workstreams headed by the Project Steering Committee that was chaired by the Managing Director, Nyambura Koigi. The workstreams included Process Re-engineering, Systems Construction, IT Infrastructure, Systems Interface, Organization Preparedness, Change Management, Governance, Service Delivery and Support, Stakeholder Management, Data Migration, User Acceptance Testing and the Help Desk.

Such innovative services require extensive training of both customers and staff in financial literacy and on how to use the technology. To close this gap, all customers with passbooks accounts were trained on how to use the new delivery platform through various media channels. They were encouraged to return their passbooks in exchange for the more efficient and convenient cash x-press debit card. The key benefits from the new system include; reduced service time at the counter to about 2 minutes, instant issuance of cards, automated funds transfer and linkage of all accounts a customer may have to a single card. The system also

allows customers to generate their own Personal Identification Numbers which implies greater responsibility and security.

The services offered through the POS terminals include deposits, withdrawals, opening new accounts, funds transfer, mini-statement, balance enquiry and PIN change. The use of Point of Sale terminals has enhanced the bank's ability to expand its outreach to customers through seamless connectivity to agents who provide financial services on behalf of the bank. This has resulted in the decongestion of the banking halls and in the ability to offer fast and affordable services conveniently and in an efficient manner.

Postbank is leveraging on existing national ATM network and has entered into partnership with Kenswitch and PesaPoint ATM networks giving customers access to their funds from 310 ATMs countrywide. This includes the 20 ATMs that Postbank has installed to date. This is another example of collaborating locally to benefit from the synergies in such relationships.

With the introduction and roll-out of the New Business Model, banking has indeed been made easier at Kenya Post Office Saving Bank (Postbank). This resonates well with the bank's mission of **'Providing accessible and sustainable banking and other related financial services, through innovative delivery systems for wealth creation for the benefit of customers and other stakeholders.'** It also affirms the bank's vision **'To be the bank of choice.'**



*Unveiling the Postbank New Business Model: From left to right; The Permanent Secretary of the Ministry of Finance, Kenya- Mr. Joseph Kinyua, Economic Secretary of the Ministry of Finance, Dr. Geoffrey Mwau, Postbank Managing Director, A. Nyambura Koigi and the Chairman of the Postbank Board of Directors, Wilson Kinyua applaud the milestone.*



# Our Members

**AFRICA:** [Algeria] Caisse Nationale d'Epargne et de Prévoyance (CNEP) [Angola] Banco de Poupança e Crédito (BPC) [Benin] Caisse Nationale d'Epargne (CNE) [Botswana] Botswana Savings Bank [Burkina Faso] Société Nationale des Postes (SONAPOST) [Cameroon] CAMPOST [Cape Verde] Caixa Económica de Cabo Verde (CECV) ■ Correios de Cabo Verde, S.a.r.l. (CCV) [Comoros] (Islamic F.R.) Société Nationale des Postes et des Services Financiers (SNPSF) [Côte d'Ivoire] Caisse Nationale des Caisses d'Epargne (CNCE) [Egypt] National Bank for Development (NBD) [Ethiopia] Construction & Business Bank [Gabon] Gabon Poste [Ghana] HFC Bank (Ghana) Limited [Guinea (Republic of)] Office de la Poste Guinéenne [Kenya] Kenya Post Office Savings Bank [Lesotho] Lesotho PostBank (LPB) [Madagascar] Caisse d'Epargne de Madagascar [Mali] Banque de l'Habitat du Mali [Mauritania] Société Mauritanienne des Postes – MAURIPOST [Morocco] Caisse d'Epargne Nationale ■ Caisse de Dépôt et de Gestion [Mozambique] Cooperativa de Crédito para o Desenvolvimento Rural - CCDR [Namibia] Namport Savings Bank [Senegal] POSTEFINANCES [South Africa] Postbank [Sudan] Savings and Social Development Bank [Tanzania] Tanzania Postal Bank [Togo] Banque Populaire pour l'Epargne et le Crédit [Tunisia] Office National des Postes, La Poste Tunisienne [Uganda] PostBank Uganda (PBU) [Zambia] National Savings & Credit Bank of Zambia [Zimbabwe] People's Own Savings Bank of Zimbabwe

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\* also member of ESBG - European Savings Banks Group

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## WSBI - ESBG The global voice of savings and retail banking

WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banking. Founded in 1924, it represents savings and retail banks and associations thereof in 92 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via ESBG, the European Savings Banks Group). It works closely with international financial institutions and donor agencies and promotes access to financial services worldwide – be it in developing or developed regions. At the start of 2006, assets of member banks amounted to more than €8,081 billion, with operations through more than 209,000 branches and outlets.

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European

retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of € 5,215 billion (1 January 2006). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

WSBI and ESBG members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. WSBI and ESBG member banks have reinvested responsibly in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



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