



THE EUROPEAN VOICE OF
SAVINGS AND RETAIL BANKING



< Looking back

The achievements of 2006

> Looking forward

The challenges of 2007

This publication gives you an overview of ESG's priorities in 2006 as well as an outlook on the programme for 2007.

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The World Savings Banks Institute (WSBI) has issued a separate report on its activities. If you would like to receive it, please visit www.savings-banks.com or contact us at the same e-mail address or phone number.



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Foreword



*Heinrich Haasis
ESBG President*



*Chris De Noose
Chairman of the WSBI
Management Committee*

Why watch TV if there is only one programme?

ESBG calls for a pluralistic banking sector

A broad choice in terms of financial products and providers is an essential condition to create an efficient retail banking market. In this respect, the plurality of banks, whatever their business philosophy, geographical outreach, size and legal structure – be they limited stock, cooperatives, foundations, public banks – reflects not only the plurality of European businesses' goals and priorities but also of European consumers' needs. As there is not a single type of EU consumer, there should not be a standardised type of retail banking offer. ESBG member institutions with their strong retail banking focus accompany their clients in the local community, on a regional and national level and internationally, as the lives and businesses of their clients evolve. In this respect, they play a very specific role in the EU context, and are a crucial component of the retail banking landscape.

ESBG member banks bring competition to the European market and contribute to the diversified offer of banking products, serving consumers with proximity banking services, tailored to their specific needs. ESBG member banks develop their activities in a very competitive environment, at regional, national and European level. They welcome this high level of competition in the retail banking market, which contributes to the dynamism of all players and benefits the final consumers.

Savings banks are very close to their customers; they are part of a regional infrastructure that helps citizens and small and medium sized enterprises, the backbone of our economy, to cope with some of the challenging consequences of globalisation, since our decision-making centres are located in the regions, and not thousands of kilometers from the end user. At the same time, their strong infrastructure allows European savings banks to bring the advantages of globalisation to their customers. That is why ESBG has a key role to play as the European voice of savings and retail banking.

Europe is best served with a pluralistic economic system where different business models and structures compete with each other. One of our most important missions in the coming years will be to encourage an intensive and fundamental debate on the future of our European social and economic model. The European savings banks are an essential part of that model, since our institutions are not exclusively focused on shareholder value, but take into account the interest of all their stakeholders.

Heinrich Haasis
ESBG President

Chris De Noose
Chairman of the
ESBG Management Committee





ESBG's contribution to an efficient and competitive retail banking market

ESBG's views on the European Commission's retail banking sector inquiry

On 31 January, the European Commission issued the final report of its sector inquiry on retail banking, which provides useful information on its intentions in this area.

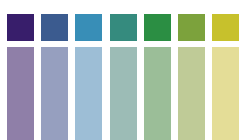
The objective of the Commission is to use competition policy to achieve the goals set out in the White Paper Financial Services policy 2005 – 2010. This includes in particular creating "a more competitive environment between service providers, especially those active in retail markets". The ESBG fully supports the efforts of the Commission to achieve these goals. It should be noted however that in many respects the banking sector is already highly competitive. Although certain measures could and should be envisaged to increase competition in the sector, some initiatives could be counterproductive by being in actual facts detrimental to competition.

The inquiry launched by the European Commission was in many respects a very ambitious project. The ESBG maintains its doubts about the possibility to draw clear-cut conclusions and to identify the appropriate policy actions on the basis of the results of the inquiry, given the question marks related to the methodology followed and the numerous caveats pointed out by the Commission itself. Therefore, the findings of the Commission seem to be largely questionable since they lack strong facts and figures.

Link between competition and fragmentation

In the Commission's view, the fact that the EU retail banking markets remain to a large extent fragmented along national lines provides evidence that competition may not function properly in certain areas of retail banking. The ESBG is concerned about the suggested link between fragmentation and competition. The observed differences in terms of some parameters (such as profit margins or prices) along national lines can to a large extent be explained by economic factors such as differences in living standards. The fact that the retail markets remain largely local should not be interpreted as evidence that these markets are not efficient or competitive, but rather that they are influenced to a significant degree by local factors such as culture, history, language or tax considerations.

In this context, the policy measures envisaged by the Commission should not pursue the objective of reducing fragmentation but should rather be assessed against their actual benefits in terms of enhanced competition. The costs of these potential measures for the banking industry should also be given due consideration, since in the area of retail banking, the introduction of regulatory changes always results in significant expenditures. Taking the time to conduct in-depth impact assessments and cost-benefit analysis is of utmost importance.





Payment systems

It is regrettable that the report fails to acknowledge the progress made by the European banking industry on the path towards a Single Euro Payments Area (SEPA), the objective of which is precisely to achieve a domestic payments area for Euro payments in the Internal Market and should eventually result in a consolidation of existing national retail payment systems. This leads to biased conclusions, in particular as regards payment card systems. Significant changes are indeed already underway in the organisation of the European card market, in line with the requirements set in the SEPA Cards Framework and the scheduled 1st January 2008 SEPA launch date.

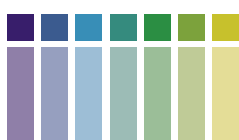
It is also regrettable that the report focuses on cashless payment transactions, ignoring the most important retail payment instrument: cash. Cash payments indeed represent between 80 and 85% of payment transactions in the EU, whilst its supply requires a heavy processing industry and existing cash handling infrastructures are still extremely fragmented along national borders. ESBG believes in this respect that payment cards should not be artificially separated from other cashless payment instruments: it is a retail payment instrument and a regulatory approach should not discriminate between payment instruments.

More generally, as all market participants are currently revising their plans for the future, ESBG wishes to stress that it is of utmost importance that potentially distorting regulatory intervention is avoided so that market participants are allowed to make such critical decisions in a stable regulatory environment.

Mobility

The European Commission seems to be concerned with what it considers to be low levels of customer mobility. The Commission is therefore willing to assess whether certain practices can reduce the intensity of competition.

The Commission should be careful not to promote a banking system based on high customer mobility and low satisfaction, to the detriment of the current business model of many retail banks, which aims at reaching high degrees of customer satisfaction and loyalty, which in turn results in low customer mobility. Reaching high levels of customer mobility should not be an objective per se for the Commission, as this is neither in the interest of the industry nor indeed of its customers.





Cooperation between banks

The European Commission notes that although cooperation between banks can result in economic and consumer benefits, in certain circumstances it can also limit or impede competition. In this context, the communication singles out certain categories of banks, i.e. savings banks and cooperative banks, noting that these entities traditionally have even closer co-operative ties.

It is not clear why certain categories of banking institutions are mentioned in particular as featuring higher degrees of cooperation, to the extent that it would trigger specific competition concerns. The ESBG does not believe that the sector inquiry has resulted in conclusive results in this area. In addition, by privileging certain categories of market participants above the other, the Commission seems to disregard the benefits which result from having pluralistic markets. Such benefits include not only the fact that in pluralistic markets the degree of competition is generally higher, but also the generally lower level of risk featured by pluralistic markets, or the fact that in a decentralised business model customers in remote areas are also catered for.

As mentioned in the Communication, cooperation in the banking sector takes place at many different levels. Cooperation is intrinsically related to the fact that banking entails the need to develop infrastructures, which require economies of scale. Cooperation between credit institutions is needed and beneficial to customers and is not an exclusive characteristic of certain types of market participants. Against this background, we urge the Commission to be utterly neutral as regards banking structures, and not orientate its investigations on cooperation towards one predefined direction.

It is our belief that DG Competition should be more concerned about markets with high degrees of concentration, which in general are also those where the presence of savings and cooperative banks is lower, than about pluralistic markets. High levels of concentration are undoubtedly the biggest threat to competition.

EU banking supervision and regulation at a crossroads

In a nutshell, Basel II is a three pillar approach, where the first pillar requires banks to hold capital to cover their credit, market and operational risks; the second pillar imposes a more “qualitative” approach to prudential supervision to both banks and supervisors; and the third pillar requires credit institutions to make public prudential information, in order to enhance market discipline. Importantly, Basel II consists of a menu of approaches, among which banks are allowed to choose.





In 2006, the European Union adopted a text known as the 'Capital Requirements Directive' (CRD), which transposes Basel II into EU legislation. The CRD, although very much in line with the original text, introduces a number of amendments to address some characteristics of the EU banking environment. The ESBG, as the representative of decentralised retail and savings banks, was particularly pleased with some of these changes, such as the introduction of the concept of "partial use", which allows banks to apply the Internal Ratings Based (IRB) approach in general, while using the standardised approach for some of their credit portfolios.

However, the adoption of the CRD was not the end of the story for banks, as the text still had to be transposed into the legislation of the 27 EU Member States, plus the countries of the European Economic Area (Iceland, Liechtenstein and Norway). In this respect, many stakeholders placed high hopes in CEBS, the newly established Committee of European Banking Supervisors (created in 2004), to deliver standards and guidelines, which would ensure a coordinated implementation of the EU text. As of 1 January 2007, CEBS had published 14 sets of guidelines, most of them relating to the implementation of the CRD.

The effective date for the implementation of Basel II in the EU is 1 January 2008. As a result, all the efforts of Europe's credit institutions in 2007 will be on finalising their adaptation to this new prudential environment. The key question at this stage then is: what should come next?

The ESBG participated actively in all the steps that led to the entry into force of Basel II in the EU – drafting of the Basel II framework, adoption of the CRD, publication of the CEBS guidelines. The ESBG is convinced that in general terms, the EU has now in place a fit for purpose supervisory environment, which is adapted to market reality, flexible and addresses the concerns of the different categories of market participants.

The focus for the coming years should be on consolidating the new regulatory environment, avoiding above all the introduction of new rules.

Against this background, the focus for the coming years should be on consolidating this new environment, avoiding above all the introduction of new rules. For both the Commission and CEBS, this means primarily making sure that the introduction of the CRD takes place smoothly. The Commission should also carefully study the possibilities to make progress in the limited number of areas where changes are needed, such as the current review of the EU framework for "Large Exposures". In this specific case, the Commission should at all times keep in mind the goal of not introducing new burdensome requirements, in particular for the smaller entities, which in recent years have had to make particular efforts to adapt to a significantly modified environment, with the introduction not only of the CRD, but also for instance of the Markets in Financial Instruments Directive (MiFID).

Finally, as regards CEBS, the ESBG is very pleased to see a switch of priority from the development of guidelines to their concrete implementation. Likewise, the ESBG would like to encourage CEBS to pursue its recent efforts to publish high-level principles, as opposed to detailed requirements. This approach is the most appropriate response to the rapidly changing environment in which credit institutions operate these days.





Working towards an effective competitive consumer market

During 2006, ESBG was involved in several European initiatives which aim to achieve a greater convergence of consumer protection legislation and thus also a better coherence of civil law in the European Union. These initiatives include mortgages, the revision of the Consumer Credit Directive and the so-called Common Frame of Reference (CFR) in the area of European contract law.

The integration of European mortgage markets



The Commission repeatedly emphasised that any European action in the area of mortgage credit has to demonstrate potential benefits for consumers and the industry alike. In its response to the Commission's Green Paper on mortgage credit (July 2005), ESBG fully endorsed this approach, demonstrating at the same time its willingness to actively participate in the discussions on the integration of mortgage markets in Europe. Along these lines, ESBG contributed to the work of the two new initiatives launched by the European Commission in 2006, the Mortgage Industry and Consumer Dialogue (MICD) and the establishment of a Mortgage Funding Experts Group (MFEG).

During the dialogue, ESBG and other industry representatives engaged in a positive and constructive exchange of views with consumers' representatives on four main areas: pre-contractual information, advice, annual percentage rate of charge (APRC) and early repayment. The final report of the MICD, presented in December 2006, highlights the discussion on how to improve the European Code of Conduct on pre-contractual information for home loans, following consumers' requests, and takes account of the difficulties to achieve an agreement on issues such as duty to advise, early repayment and the calculation of APRC.

ESBG particularly welcomed the recommendation according to which "any regulation should not favour one form of funding above another, since each funding instrument has its own advantages and disadvantages based on its particular product characteristics".

ESBG also followed closely the discussions within the MFEG, which examined the barriers to the funding of mortgages across borders, and the potential role of pan-European funding mechanisms in a European mortgage market. The discussions were focused on loan portfolio issues (early repayment, valuation, indexation, foreclosure and land registration) and investor issues (data and reporting/standardisation of definitions, repos and Basel II).





ESBG believes no regulation in the mortgage market should favour one form of funding above another.

ESBG welcomes the recommendations made by the Funding Experts for both primary and secondary markets in their final report presented in December 2006.

It particularly appreciated the mention that "no regulation should favour one form of funding above another, since each funding instrument has its own advantages and disadvantages based on its particular product characteristics".

Mortgage credit is also a concern for the European Parliament, which in 2006 adopted an own initiative report meant to contribute to the Commission's work. The report asked for a focused and targeted policy mix putting an emphasis on non-legislative activities.

The results of the MICD and the MFEG as well as the European Parliament's report will be considered by the Commission when drafting its White Paper on mortgage credit, the publication of which has been announced for June 2007.

Given the particular importance of the mortgage activity for Europe's retail and savings banks, in 2007 ESBG will continue monitoring closely the evolution of any initiative at European level.

The Revision of the Consumer Credit Directive

Despite all the efforts to reach a compromise on the Consumer Credit Directive (CCD) made by both EU Presidencies- the Austrian during the first half of the year 2006 and the Finish during the second-, the revision of the CCD remains one of the most controversial issues on the European agenda. ESBG and the banking industry as a whole asked for comprehensive improvements of the proposed CCD as a pre-requisite for its adoption, especially with regard to the most controversial topics, which are information requirements, overdrafts, right of withdrawal and annual percentage rate of charge (APRC).

The European Parliament also expressed critical views and confirmed its intention to launch its own impact assessment of the CCD proposal, following the Commission's decision not to undertake such an impact assessment.

The optimisation of EU contract law

In 2006, several events were organised by different European institutions and bodies addressing the European contract law initiative. ESBG actively participated in the discussions on European contract law within the CFR-Net as well as other fora. Moreover, in the summer of 2006, ESBG issued a position paper on the Commission's initiative criticizing the work undertaken so far, regarded as too detailed and too ambitious, and stressing the need to ensure consistency and appropriate coordination between the CFR project and other ongoing initiatives which similarly aim at revising sector and cross-sector *acquis communautaire*.





There needs to be consistency and an appropriate coordination between the CFR project and other ongoing initiatives which aim at revising the sector and cross-sector acquis communautaire.

In 2007, several workshops on contract law are planned and there is a willingness to achieve progress in this field. ESBG will continue to participate in the discussions and will raise the industry concerns on the best way to achieve a coherent and consistent European legislative framework.

Constructing an efficient capital market

Markets in Financial Instruments Directive (MiFID) between Doomsday and Nirvana

The European regulators, in close collaboration with all market participants, have been updating the legislation applicable to financial markets to ensure their proper functioning and global competitiveness. One of the cornerstones of these efforts is framed under the name of Markets in Financial Instruments Directive (MiFID) which is expected to be fully implemented by all businesses concerned by the end of 2007.

In the last few years, the media often linked the MiFID directive with the predictions of an apocalypse, fears of a doomsday and vision of a gloomy world once the MiFID is transposed. At the same time, the European Commission has been greatly optimistic that this ground-breaking piece of legislation could bring about considerable opportunities to investment businesses and even more extensive benefits to investors. But what is the reality?

Seeking to find the balance between these two extremes, ESBG is working closely with its members to identify the opportunities this legislation can offer. ESBG has been actively contributing to various consultations since the first draft of the Directive was published five years ago. In this context, it can be noted that ESBG members are well acquainted with the Directive, but due to the extensive number of provisions to be properly implemented, ESBG welcomes the ongoing efforts of the European Commission and the Committee of European Securities Regulators (CESR) to provide some further guidance on some specific areas of the Directive. Since the implementation deadline is already approaching in November 2007, ESBG called upon all the regulators to deliver their final transposition measures as soon as possible to leave sufficient time for banks to adjust their operations to the new market rules.

There is no doubt that the MiFID will trigger a lot of changes on the European financial markets and that the savings and retail banks are on the best track to be well prepared to face this challenge. But there will certainly be much work to do in the course of 2007 before being able to confidently cope with all the possibilities that MiFID brings.

In the beginning of 2007, the European Commission has set up a website with an overview of the transposition of the MiFID in the Member States.





Securities clearing and settlement: progress is being made

2006 was an eventful year for securities clearing and settlement. Although initially in favour of a Directive, the ESBG has welcomed the pragmatic self-regulatory approach the European Commission adopted with the Code of Conduct. This is a first step towards addressing the main competitive areas of concern to the market and commitments have been taken by the infrastructures to implement the provisions of the code within ambitious timelines.

ESBG is however not happy that the Code of Conduct, a self-regulatory tool that has been negotiated between the infrastructures and the Commission, should state the principle that other service providers, that have not been involved directly in these negotiations, should adhere to the Code. ESBG disputes the underlying assumption that respect of the provisions of the Code could give rise to level playing field issues between market providers.

TARGET-2 Securities

ESBG has participated actively in the ECB consultation of market participants on TARGET-2 Securities (T2S) since last July. The position of ESBG is that it is in favour of T2S, provided that ECB manages to deliver on its intention to provide settlement services for both domestic and cross-border business at a cost that is more favourable than that offered for domestic transactions by the least expensive system in Europe today. It has stated strongly that, as users, banks must be well represented in the governance structure of T2S.

Giovannini Barriers: excellent momentum for implementation

In order to gather and maintain momentum on national plans to implement the recommendations that have been agreed by the European banking industry to harmonise market practices across Europe on such corporate actions as cash dividends, interest payments and maturity redemption, the European Credit Sector Associations (ECSAs) organised two workshops in January and December 2006. Considerable implementation progress is foreseen for 2007 and 2008 also based on common deliverables with ECSDA.

ESCB–CESR Standards: unanimous “no” from the European banking industry

On 19 January 2007, the ECSAs sent a joint letter to all Committee of European Securities Regulators (CESR) members, with a copy to the European Commission, stating the unanimous position of the European banking industry against their Standards for Clearing and Settlement in the European Union and urging them to provide clarity concerning their intentions without delay.





Looking ahead to 2007

The main challenges are to:

- Monitor the implementation of the Code of Conduct and ensure that any user concerns related to the implementation of the Code are taken into account by the Commission;
- Continue the work on the elimination of the Giovannini barriers and particularly Barrier 3;
- Monitor developments on TARGET-2 Securities;
- Make all efforts to stop or delay the implementation of the ESCB–CESR Standards.

Stabilisation as regards the implementation of IFRS

2006 was a year marked by progress in the implementation of International Financial Reporting Standards (IFRSs) in the European Union. The implementation process was supported by the Commission, which organised Roundtables on the consistent application of IFRS. The ESBG strongly supports this initiative. For the years to come, the ESBG believes that more funding at the International Accounting Standards Board (IASB) should be devoted to the International Financial Reporting Interpretations Committee (IFRIC), so that practical problems in the implementation process can be addressed in an appropriate and timely manner. The ESBG is convinced that the focus should at this stage be on implementing the standards and therefore welcomes the announcement made by the IASB that no new standards will be introduced before 2009.

As regards the banking sector in particular, a lot of attention in 2006 was focused on finding a medium to long term solution for the revision of IAS 39 Financial Instruments: Recognition and Measurement. The ESBG considers that the IAS 39 as it currently stands is too “rules-based” and as a consequence that the underlying economics is not always displayed correctly. This is the case for instance for hedging transactions. The ESBG would favour a more principles-based approach, which could be based on the components of financial instruments. The ESBG intends to play an active role in the forthcoming discussions on this issue.

2006 was also an important year for the European Financial Reporting Advisory Group (EFRAG), as a Working Arrangement with the European Commission formalised the role of EFRAG, stating that ‘EFRAG will provide advice to the Commission on all issues relating to the application of IFRS in the EU’. The ESBG and the other ‘Founding Fathers’ of EFRAG have been expressing support for such an official acknowledgement since the creation of EFRAG in 2001.





In 2007, the ESG plans to play an active role in the “fair value measurements” debate. The discussion started formally with a Discussion Paper issued by the IASB in 2006 on this topic. It is generally expected that this question will bring about a lot of controversy on a number of technical questions. It should be noted however that the public discussion on the central question of when fair values should be applied has not started yet. The ESG believes that it would be appropriate to solve the general questions relating to measurement first, before going into the details of the fair value measurement.

Finally, the “Business Combinations II” project, which is a follow-up to the issuance in 2004 of IFRS 3 Business Combinations, will also be high on the accounting agenda in 2007. Important debates are likely to take place concerning the issue of full goodwill recognition, which raises a number of questions relating to the reliability of the figures this generates. The ESG hopes that the IASB will give due consideration to the views expressed by its constituency in this important matter.

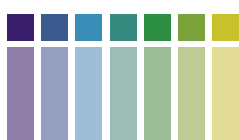
Creating an efficient payments market

The new Legal Framework for Payments: work in progress



In response to the political ambition expressed by policy makers and regulators to create a Europe-wide domestic market for euro payments, the European banking industry committed that by January 2008 it will be as easy, safe and convenient for one to make and receive euro payments anywhere within the Single Euro Payments Area as in the place where one lives. Some legal obstacles nevertheless had to be removed in order to reach that objective, and the European Commission adopted in December 2005 a proposal of Directive on Payment Services (PSD) in the Internal Market that aims at removing the legal obstacles that prevent the creation of such an internal market for payments.

This Directive is of key importance for savings and retail banks, as its customers - mostly individual customers and SMEs - are directly affected by the draft Directive, payment services being an essential part of retail banking. However, the proposal unfortunately went far beyond what the banking industry required to deploy the three pan-European payment instruments (credit transfer, direct debits, payment cards), setting a wide framework for payment execution, covering transactions not only in non-euro but also in non-EU currencies, proposing to recognise a new category of payment service providers (payment institutions) whilst allowing them to receive funds for and from their customers without any obligation to protect these and dramatically altering conditions for payment product management.





ESBG has been advocating a genuinely balanced Directive, that enhances consumer protection, ensures the stability of the financial system and promotes competition

In response, ESBG has been advocating towards the European Parliament and the EU Council of Ministers for the necessity of a genuinely balanced Directive, that enhances consumer protection where necessary, provides the appropriate framework to ensure the stability of the financial system and promotes competition that will entice the market to develop innovative products and services. In essence, this entailed to restrict the scope of the PSD to what is required for operating the pan-European payment instruments in 2008, notably and above all: a common Europe-wide disposition regulating how refund for direct debits has to be handled, and to require payment institutions to guarantee funds in transit, in order to preserve confidence in the payment system for customers and a level playing field for banks.

Although the initial ambition was to have the PSD adopted before end June 2006, in order to allow for sufficient time for transposition before SEPA launch (1st January 2008), it rapidly appeared that the breadth of issues to be resolved would not allow it. The Report of the European Parliament adopted in September 2006 was deemed globally more positively balanced towards the realities of the payments industry than the initial Commission proposal and was thus welcomed by ESBG.

In February 2006 the European Commission also issued what it called an "Incentives Paper". The objective was to assist the banking industry in making SEPA a success, by identifying possible obstacles, which the Commission would then address through a further legislative proposal. The paper however affected the scope of the SEPA project, creating uncertainties on a number of objectives, and ESBG reacted in strong terms, highlighting the project risk it triggered for the SEPA deliverables through its potential to demobilise stakeholders. The Joint Statement issued by the ECB and the European Commission on 4 May outlined their common vision for SEPA and the process leading to its realisation and responded to these concerns. The scope of the approved SEPA schemes and framework was in particular accepted by the European Commission and ECB, whilst the breadth of their adoption will be monitored closely and enhancements brought in a "Phase 2". The Incentives Paper was debated between representatives of the market and the Commission in March 2006, but there has been no further communication on this subject during 2006, the priority having moved to the swift adoption of the Payment Services Directive.

On 24 April 2007 the Plenary of the European Parliament approved the text of the Payment Services Directive agreed by the Council of Finance Ministers at the end of March. This closes the first stage of a process initiated end 2001 by the European Commission to create an internal market for payments, with the intent of fostering competition between service providers, enhancing consumer protection, and treating all (non-cash and non-paper) payment instruments equally.

Since the launch of the European Commission initiative the European Savings Banks Group (ESBG) has been a constant contributor in the endeavour to develop a Legal Framework that enables a genuine internal market for payments services - turning the European





Union into the most efficient payment area in the world. Whilst ESBG welcomes the end of the uncertainty created by the continuing debate about the draft Directive, ESBG nevertheless notes that prior concerns remain valid:

- The Directive risks weakening public confidence in electronic payments. How effectively consumer funds will be protected by dispositions regarding “payment institutions” remains to be tested;
- The Directive fosters “responsibility without fault”. All payment service users will bear the consequence of the carefree or fraudulent behavior of very few;
- The Directive strengthens obligations and increases costs for providers of electronic payment services, whilst omitting cash - the most expensive means of payment for society as a whole - from its scope.

Improving access to credit for small and medium-sized enterprises

The relationship between European savings banks and SMEs stands as an important part of the savings banks’ core business. Given the importance of this relationship, ESBG takes an active part in the discussions at EU level and contributes the expertise of EU savings and retail banks to help achieving efficient legislation in this field.

Identifying the most appropriate ways to improve access to credit for SMEs has for some time been a top priority in the debate at EU level. Against this background and in light of the adoption of the new Capital Requirements Directive (CRD), the Commission addressed transparency in rating as well as new forms of finance in its 5th Roundtable between bankers and SMEs. During 2006 ESBG representatives have actively participated in the Roundtable. The first issue to be discussed was credit decision transparency and dialogue between bankers and SMEs. The Commission’s intention was to establish an inventory of good practices. In this context ESBG attached great importance to illustrating the work continuously accomplished by savings banks in this area. The final report contains a number of illuminating examples of practices in savings banks focusing on enhancing a reciprocal dialogue as well as transparency in the relation between savings banks and their SME clients.

The roundtable will continue during spring 2007 by discussing the potential of mezzanine finance (a term referring to different kinds of finance in the range between equity and debt) and securitisation as a way of improving SMEs access to finance, in particular when it comes to innovative SMEs and/or SMEs with a lack of collateral. ESBG will continue to play an active role within the roundtable as regards these issues. The final discussions of the roundtable will be followed by a high-level meeting in Berlin in May.





The fight against money laundering and terrorist financing

The fight against money-laundering and terrorist financing continued to gain importance on the agenda of international, European and national regulators in the past years. This will eventually lead to increased coherence and thus quality of the legislation in this field. Close cooperation between the regulators and the banking industry is of utmost importance to create a regulatory system which can provide all affected parties with an increased protection from financial crime. ESBG is therefore dedicated to continue an open dialogue with other industry participants as well as with regulators at all levels in the years to come.



Imposing an exhaustive list of Customer Due Diligence criteria would prevent the possibility to make an independent assessment on the basis of the individual business structure and experience of the entities.

In the course of 2006, ESBG focused its attention on the drafting of the implementing measures for the third Anti-Money Laundering Directive (3rd AML). Following the concerns expressed by ESBG and by the rest of the banking industry, the implementing measures finally adopted contain a number of improvements in comparison with the initial draft, most notably regarding the definition of Politically Exposed Persons (PEPs). ESBG nevertheless continues to argue that the implementing measures should also introduce the obligation to establish an official list of PEPs. Such a list could be helpful in order to avoid diverging interpretations at national level and to provide legal certainty for banks.

As the European Commission began its assessment of the need for additional implementing measures, in particular regarding enhanced Customer Due Diligence (CDD), ESBG sent a firm message arguing against additional measures. Indeed, ESBG supports the view that the principle of a risk-based approach requires flexibility as regards its implementation by the credit institutions. Imposing an exhaustive list of criteria would eliminate the possibility to make an independent assessment on the basis of the individual business structure and experience of the entities.

In addition to the work on implementing measures for the 3rd AML Directive, the year 2006 was also marked with the adoption of another significant piece of legislation: the Regulation on the information on the payer accompanying transfers of funds. According to the new Regulation, every transfer of funds needs to be accompanied with information about the originator of a payment for the purposes of the prevention, investigation and detection of money laundering and terrorist financing. The concerns expressed by ESBG and the European Payments Council (EPC) during the co-decision procedure resulted in the text of the regulation being considerably improved. In particular, ESBG supports the agreement to align the transposition deadlines with those foreseen by the 3rd AML Directive. On this basis, ESBG welcomes this legislative measure which transposes Special Recommendation VII of the Financial Action Task Force (FATF) into EU law.





The EU/US Retail Banking Forum: keeping up with the Joneses or living apart together?

In 2005, WSBI-ESBG launched the EU-US Retail Banking Forum, the first initiative of its kind, bringing together stakeholders from both sides of the Atlantic in order to foster a dialogue on issues of importance to retail banks.

In the current of 2006, the study "A comparative analysis of the US and EU retail banking markets" was published. The study was written to clarify and inform on the similarities and differences between the US and EU banking markets, in response to the many commentators in Europe keen on identifying best practices to devise better regulation for Europe's banking markets. With this study ESBG has provided a solid contribution to an educated debate about what exactly the European Union should attempt to emulate as it devises future financial services policy and what it has to offer itself in the transatlantic debate.

Competition through diversity

Diversity or pluralism in the banking market has proven to be highly desirable in both the US and the EU. Apart from commercial banks, savings banks/thrifts and cooperative banks/credit unions continue to co-exist and compete, providing American and European consumers with a broad range of financial products and services.

Proximity banking is key

Banking consolidation has resulted in large falls in the number of credit institutions in the last two decades in both the US and the EU, with the consequence of fairly high banking concentration in both markets. Parallel to this however, both markets have also experienced an increase in the number of branches over the same period: a sign that in the age of globalisation, local market representation and proximity to customers is deemed essential by both American and European banks.

Regulatory competition vs level playing field

While both markets share a common central aim which is that of assuring the stability of the banking sector, the means by which they achieve it are different. The US has in place a system of regulatory competition, whereby credit institutions are regulated and supervised by distinct bodies, according to their charter types; in Europe on the other hand, all credit institutions irrespective of their legal form are bound by the same EU laws and regulations and are supervised by the same bodies at the national level.





At the occasion of the presentation of the study, a half day seminar was held in Brussels, during which the challenges of banking regulation and supervision in the US and EU were debated in the presence of Charlie McCreevy, Commissioner in charge of the Internal Market and Services within the European Commission, Ms. Diane Casey-Landry, President and CEO of America's Community Bankers (ACB) and Mr. Jonathan Evans, Member of the European Parliament and Chairman of the European Parliament's delegation for relations with the United States.





ESBG and its members at the forefront of Corporate Social Responsibility

A warm welcome to the voluntary approach adopted by the European Commission

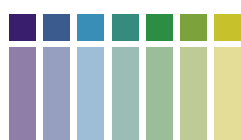
ESBG welcomed the adoption of the European Commission's Communication on Corporate Social Responsibility (CSR) in March 2006. It strongly supported the voluntary approach proposed and the focus put on companies, to drive progress towards more sustainable and responsible growth, in line with the objectives of the Lisbon agenda. This will encourage EU companies, including savings banks, to integrate CSR principles in their strategy and implement CSR processes at their own pace and following their own priorities.

However, ESBG called for further EU recognition of CSR projects developed at regional and local level. As proximity banks, ESBG members develop a CSR focused project policy, based on their close relationship with stakeholders and beneficiaries. They favour the financing and supporting of projects with a targeted outreach, tailored to the local and regional citizens' needs. The multiplicity of these focused actions create decisive input for local economic dynamism and place savings banks in a unique position to act as catalyst for local action. This local, medium and small-scale dimension of CSR reflects the plurality and richness of the European businesses and entrepreneurs' community, and their specific approach to CSR.

The CSR concept should mirror the diversity of business practices developed throughout the European Union, and put on an equal footing the achievements of multinational, listed companies and the contribution of other businesses.

ESBG also called attention on the fact that the CSR concept should mirror the diversity of business practices developed throughout the European Union, and put on an equal footing the achievements of multinational, listed companies and the contribution of all other business actors -SMEs, local companies, non-limited stock companies, publicly-owned companies, foundations, etc. They are an integral part of and contribute to the dynamism, growth and competitiveness of the corporate European landscape.

On the basis of these arguments, ESBG took part to the European Parliament debate. A consensus emerged in favour of the business-led CSR approach adopted by the Commission. Some support was also expressed to a CSR reporting framework, at least for large companies. ESBG argued that small and medium-sized CSR projects contributing to local economic and social development should not be impaired by disproportionate reporting requirements. The final Report of the European Parliament was voted in March 2007. The report suggests that Corporate Social Responsibility policies should be promoted on their own merits, neither as a substitute for appropriate regulation in relevant fields, nor as a covert approach to introducing such legislation. The text is thus in line with the Commission's definition of CSR as "the voluntary integration of environmental and social considerations into business operations, over and above legal requirements and contractual obligations".





ESBG also expressed its public support to the European Alliance on CSR, launched by the Commission with the ambition to work in closer partnership with business players and contribute to the promotion of CSR throughout Europe. Businesses are invited to define joint operational projects to address CSR challenges. In this context, ESBG decided to initiate some work, in partnership with stakeholders, on “Business’ involvement to enhance social inclusion at local level”. The main objective of the 2007 work on this topic will be to further reflect the essential role played by ESBG members to drive local dynamism.

ESBG participation to CSR focused projects at European level



As an organisation with a particular interest in the field of CSR, ESBG was formally invited by the European Commission to take part to the review of the 2004 recommendations of the European Multistakeholder Forum on CSR. This was a step forward in raising the profile of member banks as CSR key players at EU level, and enabled ESBG to communicate on its CSR achievements in relation to the Forum’s recommendations, and to outline lessons learnt.

ESBG also intensified its dialogue with the European Commission and EU stakeholders on more specific CSR fields and contributed to the ongoing debates on:

- Awareness-raising of CSR for SMEs, through a presentation of members’ experience, and especially the French product Cordé, to DG Enterprise Expert Group on Mainstreaming CSR among SMEs;
- Financial education, through the publication and dissemination of a number of members’ case studies covering different aspects and targets (youngsters, work force, socially excluded, households etc). Enhancing financial capabilities was identified as one of the EU financial services priorities for the coming years, and ESBG was invited to present the European Stock Market Training initiative at the high-level conference on financial education organised by DG Internal Market in March 2007. ESBG is also listed as one of the reference organisations in the field of financial education by OECD.

In parallel to its contribution to the EU debates, ESBG pursued its activities to promote the CSR projects developed by members, through the publication of an update of the CSR Report “Savings banks’ socially responsible activities, a wealth of experience”, based on members’ concrete experiences, and the launch of dedicated CSR webpages.

The organisation of the public event “European Savings Banks: from social commitment to Corporate Social Responsibility”, jointly with Spanish member CECA, also contributed to highlight from a historical perspective, savings banks’ ability to innovate and to diversify their socially responsible initiatives to anticipate stakeholders’ needs and demands .





“We support Global Compact”

ESBG became an official partner of the United Nations Global Compact (UN GC) in 2005. This international, voluntary network of companies seeks to develop business-led solutions to the challenges of globalisation and sustainable development. ESBG participation to the UN GC demonstrates further the commitment of its members to socially responsible activities and the collective support of members to the 10 UN GC principles in the fields of human rights, labour, environment and anti-corruption.

To the manner born: the European Stock Market Training



The European Stock Market Training is part of the savings banks' collective efforts to contribute to financial education, and one of their socially responsible initiatives in favour of youngsters. It is coordinated by ESBG at European level and encompasses currently 7 European countries and their respective savings banks: Austria, France, Germany, Italy, Latvia, Luxembourg and Spain.

This unique, pan-European financial education initiative involves teams of 14-19 year olds each autumn in a ten-week internet simulation of managing a virtual securities portfolio, using indexes from the Frankfurt, Milan, Madrid, Paris, Vienna and London stock exchanges (www.stockmarket-training.com). The goal is to familiarise the students with the functioning of stock markets. It is highly valued by the participating schools as a key tool to help youngsters understand economics and financial markets, experience portfolio investment and the prudent and sustainable management of financial risk, through a “learning by doing” process. The use of the internet contributes to make financial education more appealing to young people. By being part of a team, students also learn how to make strategic decisions as a group.

The 2006 edition welcomed more than 43,500 teams and 250 000 students and their teachers across Europe. It received the Patronage of Baron Lamfalussy, a prominent EU financial market figure and was selected by the European Commission as one example of financial education programmes for young people. It will be presented as such during a high-level EU Conference on increasing financial capability in March 2007.

After both regional and/or national ceremonies for the participating teams, a European prize giving event is traditionally organised for the national winning students. ESBG hosted the 2006 ceremony in Brussels, under the Chairmanship of Mr. Vincent Van Dessel, Executive Director at Euronext, and gave the opportunity for students to get an onsite overview of the EU and its institutions. The 2007 European prize giving event was also hosted by ESBG, with the participation of Baron Lamfalussy, who saluted this initiative for its positive contribution to the financial education of European youngsters.





European Savings Banks : from social commitment to CSR

Being close to the communities they are active in and bringing these a return is part of the savings banks historical values and business approach. This forms the basis of savings banks stakeholder model, through which they seek to bring a dividend to the whole community of stakeholders which surround them: investors, suppliers, customers employees and the local communities. This was the conclusion of the 9th European symposium on Savings Banks History, organised by ESBG in collaboration with Spanish member Confederación Española de Cajas de Ahorros (CECA) under the title "European Savings Banks – From Social Commitment to Corporate Social Responsibility". The different contributions to this symposium have been published and are available at ESBG.

A second pillar of the European savings banks' identity, their regional roots, will be the central theme of the next conference, that will take place in Brussels in May 2008 under the theme "Savings Banks: Promoters of Regional Development".

Researching the past to harness for the future

With a study on the system of personal loans as one of the reasons for the foundation of savings banks and another study on the corporate restructuring of French and Italian savings banks at the end of the 20th century, the first edition of the "Savings Banks Academic Award" achieved its objective of researching the major historical legacy of European savings banks and highlighting the impact on the current and future retail banking environment.

The studies of the two laureates will be published in the Perspectives series and ESBG is working on the next edition of the "Savings Banks Academic Award", foreseen for 2008.

Applicants can check ESBG website for all further information.





Demography and its implications for the European banking sector



The Impact of Demography on Human Resources Policies in the Banking Sector

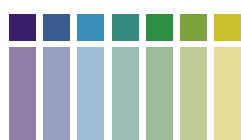
Brussels, November 2006



Europe is facing the considerable challenge of an ageing population and its implications for the sustainability of its welfare and pension systems. Various responses to this phenomenon are being discussed: policies targeting birth rates, housing, and immigration but also combating unemployment or raising the age of retirement to restore the balance between active and non active population.

What is exactly the situation in the banking sector and how is the demography issue perceived and addressed in the different member states? This was the topic that the social partners of the banking sector have analysed in 2006 with the support of the European Commission. This quantitative and qualitative analysis shows that financial institutions are progressively putting in place policies to adequately and timely address the issue of demography.

As regards recruitment, the European banking sector does not seem to experience difficulties thanks to its appealing character, even though some concerns are raised with respect to the near future, when the number of young people trained in business and administration may be insufficient compared to the needs of the banking and insurance sectors. Accordingly recruitment techniques must be adapted in order to attract and retain talents essential for the bank's development.





Creating added value through business cooperation



The International Business Network is an excellent opportunity to capitalise on the local strength, similar business approach and global outreach of ESBG and WSBI members.

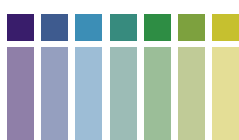
The international business network: a new impetus for business cooperation

2006 was marked by a new impetus for business cooperation as a result of a decision taken by the ESBG President's Committee to set up a high level Task Force with a mandate to relaunch business cooperation activities. The Task Force focused on creating added-value and cutting costs. Accordingly, work has concentrated on identifying viable business cooperation projects that have a real chance to be implemented successfully in a relatively short time frame. The priority sectors that have been identified are: small and medium-sized enterprises (SMEs), a common brand, human resources, private customers and the Single Euro Payments Area (SEPA).

The first project that has emerged from these deliberations is the creation of an International Business Network (IBN) based on an Internet/Intranet platform which has been created and will be maintained at a central level by ESBG and contains information that has been provided by the participating savings and retail banks. The first application of the IBN is designed to support small and medium-sized (SME) customers in their business abroad with a trans-national service offer. Targeted at SME account managers, the main focus is to provide quick and easy access to reliable and useful information on account opening conditions, the timeframe required to open an account as well as access to a network of contact persons who can provide a tailor-made service for account opening and the establishment of related banking services. The Network also provides participating banks with the possibility of promoting other banking as well as para-banking services should they so wish. The para-banking consultancy and technical assistance service offer developed by EURO-SOFAC, the subsidiary of the savings banks in 6 European countries, is available for use by the participating savings banks, as required. Work is now underway to provide a similar account opening service for private customers.

The International Business Network is considered to be an excellent opportunity to capitalise on the local strength, similar business approach and global outreach constituted by ESBG and selected WSBI member banks and to stimulate cooperation and generate business flows between the partners in the Network. Furthermore, it has been decided to use the ESBG logo to identify this Network and the underlying service offers.

In parallel progress is being made in establishing joint educational and networking opportunities in order to create a new generation of dedicated European managers with specific knowledge on international business issues and the values linked to the ESBG/WSBI member banks and plans are being made to encourage greater involvement by the savings banks in availing of EU programmes to provide SME access to finance. In the inter-bank space, concrete proposals are on the table to work together to meet the challenges and opportunities arising from SEPA.





SINGLE EURO PAYMENTS AREA (SEPA)

Payments throughout Europe as if at home: a strong value proposition

The "Single Euro Payments Area" (or SEPA) is the space comprising the European Union, the European Economic Area, and Switzerland where payments are made and received in euro between individual customers, merchants and authorities and public entities, regardless of the currency in which the underlying accounts are maintained. In response to the political ambition expressed by policy makers and regulators, the European banking industry committed that by January 2008 it will be as easy, safe and convenient to make and receive payments anywhere within SEPA as in the place where a customer lives.

ESBG is one of the founding members of the European Payments Council, the banking initiative that has developed the rules and standards that will make SEPA a reality. During 2006 work defining the rules and standards to use throughout SEPA four core payment instruments (payments and withdrawals with cards, cash, credit transfers, direct debits) has been completed:

Payments and cash withdrawals with cards:

The SEPA Cards Framework (or SCF) has been developed under the leadership of ESBG. The SCF will be instrumental in enabling that both cardholders have access to a wide choice of payment cards which ultimately will be accepted in many more locations throughout SEPA, and that merchants and retailers have a choice of acquirers to process transactions. In addition, with the principle of separation of card scheme governance and management from other scheme activities, notably processing, the SCF creates the conditions for greater competition in the marketplace.

Wholesale cash:

The SEPA Cash Framework (or SECA) has also been developed under the leadership of ESBG. The SECA recognises that although many European citizens today carry euros in their wallet, the "Single Euro Cash Area" does not exist yet, as the rules and conditions under which cash is being made available and handled by National Central Banks differ from country to country, and as the cross-border transport of cash by professionals is generally prohibited. The Cash Working Group has worked with the Eurosystem to address differences between euro countries. In addition the Working Group has formulated a set of recommendations to make cash handling more efficient.

Unfortunately the removal of barriers to cross-border transportation hinges on legislative obstacles.





Credit transfers:

From January 2008 onwards customer credit transfers can be executed throughout SEPA under a single set of rules (the SEPA Credit Transfer Scheme) which provides for certainty as regards execution time, the amount that will be credited to the beneficiary, the information that will reach the beneficiary, and the data required to initiate the credit transfer. This Credit Transfer Scheme, an evolution of the current "Credeuro Convention", is due to replace the schemes that currently exist at national level.

Direct Debits:

When the Payments Services Directive currently being finalised by European Parliament and Council will have been transposed into all national legislations of the European Union it will be possible to collect direct debits throughout SEPA under a single set of rules (the SEPA Direct Debit Scheme). The Direct Debit Scheme provides for certainty as regards mandate format and handling, direct debit execution cycle, the amount that will be collected and credited, the information that will reach the creditor, and the data required to initiate it. This Direct Debit Scheme is due to replace the schemes that currently exist at national level.

During 2007 banks and national banking communities will continue their preparations for being ready to support these Frameworks and Schemes from January 2008 (or at a later stage as regards the Direct Debit Scheme).





Providing banking expertise worldwide through consultancy services



The provision of consultancy services is one of the practical ways in which WSBI-ESBG facilitates business cooperation between its members whilst at the same time assisting members in building capacity so that they may operate as proficient, efficient and competitive financial service providers within well functioning financial sectors. Consultancy also profiles WSBI-ESBG and its members positively before a wide range of external stakeholders, including the European Commission, major multilateral financial institutions (e.g., the World Bank, regional development banks), governments and regulators in countries where projects are delivered, as well as involving a broad number of industry related professional companies and firms. In this way, the delivery of consultancy contributes to WSBI/ESBG's aim of supporting international efforts to improve access to finance.

With the aim of expanding the volume of undertakings performed by ESBG Consultancy Services against a continued background of tough international competition, the plan followed during 2006 was closely aligned to internal assessments of market potential and built upon ESBG's ability to win contracts internationally. Priority was given to effective business development activities with a continued focus on conversion rates on tender proposals, as well as maintaining a constant grip on the delivery of high quality project management and expertise. Rigorous procedures were followed in prioritising leads and opportunities identified, as well as for selection of the most highly qualified experts suitable for assignments. Business development activities included targeted missions to the World Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank and other funding agencies.

This focus continues to bear fruit. ESBG Consultancy Services won five new contracts during 2006, as well as continued the delivery of existing contracts. More than 3,500 person days of consultancy were delivered on projects in Azerbaijan, China, El Salvador, Honduras, Kyrgyzstan, Mongolia, Nicaragua, Russia, Vanuatu, and Vietnam, as well as many countries of the European Union. The largest contract, the EU-China Financial Services Cooperation project, a major 4 year assignment performed by a consortium led by ESBG, was finalised on 31 December 2006 to much acclaim, and "provided a sound foundation upon which the EU can continue it's interaction with China's regulators and market practitioners in the years ahead" (Serge Abou, Ambassador of the EU Delegation of the European Commission to China). Details of all contracts performed in 2006 are included in the table that follows.

Despite a continued background of political instability in some parts of the world, the outlook remains positive. Access to finance remains a high priority in international financial institutions, and a sizeable list of firm opportunities are being targeted for which ESBG Consultancy Services anticipates tendering during 2007 and 2008. Additionally, a particular focus in 2007 will be given to developing new business opportunities in Latin America.





In September 2006, the WSBI Board approved a workplan that builds on ESG Consultancy Services' past success. With this in place, ESG looks forward to a continued growth in projects performed worldwide, to the benefit of WSBI-ESBG members everywhere.

The following table provides an overview of contracts managed during 2006:

Region	Project Name	Contracting Authority	Contract Duration	Project Objective	Consortium Partners
Africa					
Sudan	Access to Finance	FIRST Initiative	December 2006 – March 2007	Support Access to finance initiatives for farmers in the Gezira region	■ WSBI-ESBG
Asia - Pacific					
China	EU-China Financial Services Cooperation Project	EuropeAid	Originally 31 December 2002 – 30 December 2005, subsequently extended to 31 December 2006	To provide Technical Assistance to assist China in its efforts to restructure its financial services industry (banking, insurance and securities) in line with its international commitments following WTO accession.	<ul style="list-style-type: none"> ■ WSBI-ESBG (leader) ■ CNCE (France) ■ Lloyds TSB Bank (UK) ■ Swedbank (Sweden) ■ GDV (German Insurance Association) ■ Vienna Stock Exchange (Austria)
Mongolia	Central Bank Financial Regulation and Governance	Asian Development Bank	8 September 2006 – 7 November 2007	Capacity building for financial sector reforms programme	<ul style="list-style-type: none"> ■ CAPMEX (lead) ■ WSBI-ESBG
Vanuatu	Needs Assessment Technical Assistance	EuropeAid	December 2006 – February 2007	Vanuatu Financial Services Commission (VFSC) to comply with OECD/EU Good Governance standards: <ul style="list-style-type: none"> a) Analyse current weaknesses b) Deliver report and roadmaps 	■ WSBI-ESBG





Region	Project Name	Contracting Authority	Contract Duration	Project Objective	Consortium Partners
Vietnam	Support to the State Bank of Vietnam (SBV)	EuropeAid	15 December 2005 – 14 June 2007	To assess the extent to which Vietnamese banks are compliant with prevailing regulations and are reporting information reliably Assess the usefulness of current information reported Provide training to SBV inspectors	<ul style="list-style-type: none"> ■ WSBI-ESBG (lead) ■ CNCE (France) ■ LloydsTSB (UK) ■ Ernst & Young (Vietnam)
Central Asia					
Azerbaijan	Collection of public utility fees	National Bank of Azerbaijan (World Bank funded)	December 2005 – December 2006	To review the options and the cost of improving the collection of public utilities fees in Azerbaijan	<ul style="list-style-type: none"> ■ WSBI-ESBG
Kyrgyzstan		National Bank of the Kyrgyz Republic (NBKR)	29 June 2005 – 31 March 2007	Assist NBKR with the introduction of a RTGS system	<ul style="list-style-type: none"> ■ WSBI-ESBG
Europe					
European Union, European Economic Area + EU Accession countries	Impact of the Basel II Accord on Small and Medium size enterprises (SMEs)	European Commission DG Enterprise and Industry	31 March 2004 – 31 January 2006	Information dissemination through the organisation of conferences and relevant background material of the impact of Basel II Accord on SMEs WSBI-ESBG delivered 60 conferences in 30 countries.	<ul style="list-style-type: none"> ■ WSBI-ESBG (leader) ■ Lloyds TSB Bank (UK) ■ UEAPME (Belgium)





Region	Project Name	Contracting Authority	Contract Duration	Project Objective	Consortium Partners
Mainly Spain, Belgium and Estonia	INNOBANK	EU (e-Ten Programme)	30 December 2004 – 31 December 2006	Market validation under real market conditions of intelligent new branch office technologies	<ul style="list-style-type: none"> ■ La Caixa (Spain) – (leader) ■ Fortis Bank (Belgium) ■ WSBI-ESBG ■ Fujitsu (Spain) ■ TBS (Spain) ■ FhG-IAO (Germany) ■ University of Stuttgart (Germany) ■ Siemens (Belgium) ■ Wincor Nixdorf (Belgium)
Central and Eastern Europe	EU-EBRD SME Finance Facility	European Bank for Reconstruction and Development (EBRD)	April 2001 – April 2006	Framework Contract relating to technical assistance programme to introduce SME lending methodologies and systems to banks participating in a EBRD SME credit line	<ul style="list-style-type: none"> ■ WSBI-ESBG (leader) ■ CNCE (France) ■ SBFIC (Germany) ■ Swedbank (Sweden) ■ Lloyds TSB Bank (UK) ■ Enterplan Ltd (UK) ■ GFA Management (Germany)
Central and Eastern Europe	EU-EBRD Municipal Finance Facility	European Bank for Reconstruction and Development (EBRD)	March 2004 – March 2007	Framework contract relating to TA programme to introduce methodologies and systems for lending to municipal authorities by banks participating in a EBRD credit line	<ul style="list-style-type: none"> ■ WSBI-ESBG (leader) ■ CNCE (France) ■ Swedbank (Sweden) ■ Ernst & Young (Belgium)
Russian Federation	IFRS	EuropeAid	November 2006 – February 2009	Application of International Financial Reporting Standards in the Russian banking sector	<ul style="list-style-type: none"> ■ PwC (Russian Federation) (Lead) ■ WSBI-ESBG-FBK (Russian Federation)
Latin America					
Honduras, Nicaragua, El Salvador	Evaluation of microcredit funds	EuropeAid	March 2006 – May 2006	Evaluation of exit strategies of microcredit funds in Honduras, Nicaragua and El Salvador	WSBI-ESBG





Region	Project Name	Contracting Authority	Contract Duration	Project Objective	Consortium Partners
Global					
	FIRST Initiative	Multi-donor	April 2005 – February 2007	A Multi-donor programme to support capacity building and policy development projects in financial sectors in developing countries	<ul style="list-style-type: none"> ■ WSBI-ESBG
	EU Global Framework Facility, Lot 10	EuropeAid	16 September 2005 – 15 September 2007 with a further 2 year extension possible	Framework contract for relatively small and short-term (less than 1 year) assignments in the area of "Support to Industry / Commerce / Services (Lot 10)" in countries benefiting from EU external aid.	<ul style="list-style-type: none"> ■ Pohl Consulting and Associates (Germany) (Leader) ■ WSBI-ESBG ■ Environmental Resources Management Ltd (UK) ■ WienerBörse AG (Austria)
	EU Global Framework Facility, Lot 11	EuropeAid	16 September 2005 – 15 September 2007 with a further 2 year extension possible	Framework contract for relatively small and short-term (less than 1 year) assignments in the area of "Macro Economy, Public Finances and Regulatory Aspects (Lot 11)" in countries benefiting from EU external aid.	<ul style="list-style-type: none"> ■ Pohl Consulting and Associates (Germany) (Leader) ■ WSBI-ESBG ■ BDA (Estonia) ■ Crown Agents (UK), Danish Patent and Trademark Office (Denmark) ■ Development Researchers' Network (Italy), Environmental Resources Management (UK), GDSI (Ireland) ■ PKF (UK) ■ LLP ■ Swedish Institute for Public Administration (Sweden)





Optimising banking skills via professional training services



Ten years of cooperation and exchange

In 2006, WSBI and ESG have celebrated ten years of provision of training for their members. One key characteristic of the WSBI/ESBG training programme is that all courses are given by experts from the savings banks community. This guarantees the quality, the practical focus and the affinity with the local circumstances of the participating trainees. Before presenting the activities of the past year and looking to the near future, a word of thanks goes to the WSBI/ESBG members that have continuously shown technical or financial support to our projects: the French National Federation of Savings Banks (FNCE), the Rhenish Savings Banks Association (RSGV – member of our German member organisation DSGV), Swedbank, the German Savings Banks Association (DSGV), the Spanish Confederation of Savings Banks (CECA) and the Japanese Postal Savings Bureau (JPSB). Our thanks go also to the multilateral organisations that have participated in our trainings, such as the Central-American Bank for Economic Integration (CABEL), the Inter-American Development Bank (IDB) or the Central Bank for Western African States (CBWAS). Last but certainly not least, we are also very grateful to our members for their trust in our experience and expertise and we commit to continue fulfilling their expectations by means of designing and delivering increasingly customised solutions.

The traditional workshops and seminars become more customized, more tailored to the specific needs.

Indeed, a noteworthy evolution is the fact that the traditional training tools: workshops and seminars become more customised, more tailored to the specific needs. This was the case for the “Segmentation policies workshop for the Government Savings Bank of Thailand, the Risk Management workshop for the Vietnam Postal Savings Company, the Basel II workshop for Mutual Companies in Bolivia or the Change Management workshop for Postefinances in Senegal. For this member, 2006 was a landmark year, both for its domestic and international activities. After its carve-out of the general post services to become its financial subsidiary, Postefinances benefited from training on change management, especially designed to meet the challenging requirements for Postefinances to become a bank within a three year period. The decision has been taken to make the training part of a wider institutional cooperation agreement, by the signature of a protocol between Postefinances, FNCE (French Federation of Savings Banks) and WSBI. With this initiative, the signatories want to achieve a detailed identification of Postefinances’ training needs and deliver in a second phase training and assistance in the field of the creation of savings products, with a main focus on mobilizing migrant remittances.

A variant of workshops will be for the first time offered in 2007: the Practice-Based Trainings or PBT. These trainings will take the form of a workshop followed by on-site coaching and mentoring by an expert with proven track record in the topic.

Last but not least, the bank and branch management simulations will continue having a key presence in WSBI training programmes for the next year, targeting African members on the one hand and Central and Eastern European ones on the other.



ESBG – The European Voice of Savings and Retail Banking

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.

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. 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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