



21st WSBI WORLD CONGRESS
Kuala Lumpur, Malaysia 20 - 22 September 2006

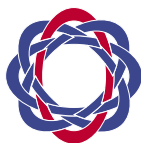
Savings banks: the retail gateway to a global market.
Driving sustainable development

CONGRESS NEWS



21st WORLD CONGRESS OF SAVINGS BANKS
CONGRES MONDIAL DES CAISSES D'EPARGNE
WELTKONGRESS DER SPARKASSEN
CONGRESO MUNDIAL DE CAJAS DE AHORROS

Organised by



WORLD SAVINGS BANKS INSTITUTE

Co-organised and hosted by



Bank Simpanan Nasional

■ SOME IMAGES FROM THE CONGRESS



From left to right: Mr. Olavarrieta, WSBI president, Dato' Abdul Azim, president of Bank Simpanan Nasional, Mr. Tan Sri Noor, Malaysian Minister of Finance, Mr. De Noose, Chairman of the WSBI Management Committee, Mr. Milhaud, President, Caisse Nationale des Caisses d'Epargne, Dr. Berndt, Former WSBI president



The VIP-invitees of the official opening dinner of the 21st World Congress

Savings Banks: the retail gateway to a global market Driving sustainable development



This was the theme of the 21st WSBI World Congress, organised in Kuala Lumpur, Malaysia from 20 to 22 September 2006 by WSBI and Bank Simpanan Nasional. The venue of the event was the brand new and impressive Kuala Lumpur Convention Centre, in the very heart of the city, and in the shadow of the 461 meter high Petronas towers.

The Congress had the ambition to reflect the challenges that savings and socially committed retail banks increasingly face on all markets worldwide. In a global environment, they operate in highly competitive and integrated market places.

As a main anchor of stability for their clients in this changing world, WSBI members banks are committed to be the retail gateway to globalised markets and to drive sustainable development through the delivery of proximity efficient services and high quality products, and the support to local economic and social development.

What is the contribution of savings and socially committed retail banks in a globalising market? How can savings banks bring the benefits of globalization to their customers? How can they enhance their role as drivers of sustainable development? More than 400 delegates from all over the world flocked together to attend

various work sessions and plenary meetings to answer these essential questions. The following pages present an overview of the discussions.

The congress was the occasion of the handing-over of the WSBI presidency from **Dr. Holger Berndt**, to **Mr. José Antonio Olavarrieta**. Both presented globalisation as a tremendous opportunity for savings banks all over the world. Thanks to their dense network and their proximity to their customers, these institutions will be able to bring the benefits of the global market to their clients.

Dato' Abdul Azim, Bank Simpanan Nasional's chairman presented the leading role of his company in the field of CSR in general and access to finance in particular. He urged all WSBI members to embrace the advantages of globalisation while remaining true to the core values of the movement.

Tan Sri Noor, the Malaysian Minister of Finance officially opened the congress. He expressed his support to WSBI and its members to successfully face the challenges brought about by the forces of globalisation and rapid technological change.

Our explicit thanks go here to all people who helped making this congress a success, to the speakers and panellists and to the teams of WSBI and Bank Simpanan Nasional for a flawless organisation!



Globalisation: impact, opportunities and challenges for the financial sector



The strong message that came out of this session, and which was voiced by both WSBI members and external guest speakers, is that globalisation represents an opportunity for the world's financial players in general, and for savings and socially committed retail banks in particular.

But it was made clear that the process of globalisation cannot be avoided, and that the winners will be those that approach it by capitalising on their strengths and experiences, while embracing and anticipating change.

Not least, flexibility and foresight will help us to be better prepared for whatever tomorrow's globalisation will bring. If, as predicted by **Mr. McRae**, Economist and Futurist, we are moving into a world where thrift and saving will become more important, it is not enough to believe that savings banks will naturally benefit without the need to evolve, without the desire to consistently look for ways to stay ahead of the game.

Indeed, **Mr. Dallara**, Managing Director of the Institute of International Finance, called for financial institutions – including savings banks – to stand ready to new opportunities but also new risks and responsibilities.

For savings and socially committed retail banks, this means on the one hand that efforts must be expounded to maintain competitive advantages, such as for instance those expressed by both **Dato Abdul Azim**, Chairman of Bank Simpanan Nasional, and **Mr. D'Amours**, President of Caisse Desjardins (Canada), of having a wide presence via extensive networks of branches and ATMs throughout a country; while on the

other hand, and parallel to that, there is a need for continuous evolution and innovation, in order to remain relevant, effective and strategic, to paraphrase Tan Sri Nor Mohamed Yakcop, Finance Minister of Malaysia.

And **Mr. Jianqing**, Chairman of Industrial and Commercial Bank of China Ltd (Icbc) gave a very good example of what such an approach could mean in practice, as he described his wish to make ICBC the largest internet financial service company in China, while at the same time reorganising branch resources to set up a tiered physical service network consisting of a variety of different specialised customer outlets. To **Mr. Jianqing**, there is no incongruity in developing a strategy with such widely different aims, in order to reap the benefits of globalisation.

Taking such an approach should not however mean the compromise of what we stand for. As **Mr. Milhaud**, President of Caisse Nationale des Caisses d'Epargne (France) confidently expressed: savings banks can indeed become universal, return oriented banks, effectively competing against commercial banks without compromising on their core values.

Such a message would have reassured **Dr. Supachai Panitchpakdi**, Secretary General, United Nations Conference on Trade and Development, who himself emphasised the responsibility of the international community to ensure that the gains from globalisation are widely shared and that the incidence of poverty, mass unemployment and economic disintegration, which often undermine social cohesion, traditional value and political stability, are eradicated.



The WSBI stand at the exhibition hall displayed all information brochures and studies available

Savings banks and Foundations, contribution to a sustainable society



Social commitment is an integral part of savings banks' and its foundations identity and one of their distinctive features amongst financial players in all regions of the world. Thanks to their long-standing CSR (Corporate Social Responsible) interventions they have gained an exceptional reputation as socially responsible financial institutions, which successfully combine the objectives of achieving both financial and social returns. This positive reputation is a strong asset. It offers large opportunities and challenges for WSBI members. They should seek to further enhance their profile by better disseminating and reporting their community investment actions to the public.

These were the main messages of the work session on "Savings Banks and Foundations, contribution to a sustainable society". The session counted with the participation of representatives from savings banks and foundations who presented examples of their CSR activities in various fields, ranging from social and financial inclusion projects, environment-friendly policies, high-tech and science research support, protection of human rights and community empowerment activities.

Mr. Maia, International Business Manager at Caixa Economica Federal (Brazil), **Mr. Tariyo**, Senior Executive Vice-President at Government Savings Bank (Thailand), **Mrs. Mubarak**, General Manager Microfinance at National Bank for Development (Egypt) and **Dr. Miglio**, Chairman of the Consultative Committee of ACRI Foundations and Chairman Fondazione Cassa de Risparmio di Fossano (Italy), illustrated how WSBI members are increasingly diversifying their CSR interventions and demonstrated how these activities play an important role for the sustainable development of their local communities.

After the concrete examples, the session counted with the views of other stakeholders, who explained from their perspective, how their institutions are contributing to mainstream CSR values in the financial industry. **Mr. Omar**, Director at Malaysia Central Bank, **Mr. Khanolkar**, Platform Strategy Advisor

at Microsoft Corporation (India) and **Mrs. Grossman**, CEO of RepuTex Group of Companies (Australia), also explained how policy support, technology tools and reporting advisory can help WSBI members further support their positive CSR reputation.

Mrs. Grossman acted as the panel's moderator and presented the session's main conclusions in a plenary the following day. She mentioned three key points drawn from the presentations and the dialogue held during the session:

1. Social commitment is part of the fabric and essence of WSBI members. They hold a long-standing and positive CSR profile at a local level. Thanks to the proximity to clients and the local approach to business, their CSR practices cater to the specific needs of the communities where they operate. This local development approach is considered one of the main assets and distinctive features of WSBI members. It should be seen as a competitive advantage to other financial institutions.
2. There are linkages between CSR interventions and a company's financial performance. Indeed, it has been observed that those companies that invest in CSR activities present an increased financial profitability. This shows that it is possible to reconcile both objectives of profitability and social commitment. It also indicates that a social responsible company is generally rewarded by good business performance.
3. WSBI members have huge opportunities ahead to benefit from the CSR reputation they hold. In order to seize them, they need to work further to be fully identified as one of the CSR references worldwide. They should disseminate their unique local CSR approach and more specifically enhance their voluntary reporting practices. The recently published report on WSBI members CSR activities is a starting point to convey the message, but WSBI members need to join efforts in communicating a broader perspective of their CSR interventions to the public.

Globalisation and the experience of proximity banking



The objectives of this work session were to examine how proximity banks such as savings banks contribute to ever-globalising markets; how banking networks reconcile a regional focus with the global environment that surrounds them; how savings and retail banks can embody a bridge between the regional and the global economy to bring the benefits of globalisation to their clients and what threats/opportunities exist for proximity banks in an globalised market. Speakers that participated in the panel were **Dato' Azim**, Chairman Bank Simpanan Nasional, **Dr. Bräutigam**, Chairman of the Board, Savings Bank Aachen (Germany), **Prof. Carbo-Valverde**, University of Granada (Spain); **Mr. Méndez**, Secretary General, Spanish Savings Banks Confederation; **Mr. Mohar**, CEO, BANSEFI, (Mexico); **Mr. Rodríguez**, Senior Vice President, Swedbank (Sweden); **Mr. Thomas**, Partner, IBM Global Business Services (Singapore). The panel was moderated by **Mr. Schipper**, Partner, Financial Services, Deloitte Touche Tohmatsu (Australia).

Presentations from the panel covered both the broad trends in retail banking arising from globalisation, as well as specific case studies addressing how WSBI members are responding.

Mr. Thomas took a global view based on his experience as a Partner at IBM Global Business Services. He advised the audience that the challenge in today's high growth market with greater competition lies in how to deliver growth whilst at the same time controlling costs. Unfortunately, today's enterprises in general have reached a plateau in their ability to make progress due to a general lack of focus, lack of flexibility of business functions and infrastructure, and organisational complexity. He argued that by the end of the decade, the world's most successful firms will be specialised enterprises focusing on a few critical components. In light of this, he suggested that savings banks should focus on their core specialisations. Accordingly there may be benefits in partnering or outsourcing e.g., he suggested that consideration might be given to networking of call-centres across a number of banks.

Prof. Carbo-Valverde, and **Mr. Méndez** delivered a joint presentation in which they focused on the institutional diversity of savings banks around the world. They pointed out that globalisation, integration and harmonisation are

compatible with institutional diversity, although they are often presented as being in conflict, and presented slides that demonstrated that high institutional diversity is more efficient, is good for the consumer, and also has the benefit of resulting in higher GDP and higher investment growth. Accordingly, they argue that regulation needs to recognize diversity and avoid regulatory overkill.

Mr. Rodríguez of Swedbank argued that a globalised economy does not only require globalised financial players, but in order to develop and maybe even survive, savings banks must combine a proximity relationship with a role in the global financial market. In order to do this, it is necessary to remain in close contact with local practices and needs, and he demonstrated how Swedbank has achieved this through a comprehensive network of branches and local Boards, and cooperation with independent savings banks. Internationally, Swedbank purchased Hansabank, now the largest financial institution in the Baltic countries. This has made Swedbank the leading Nordic-Baltic banking group with more than 1000 branches outside its home market. Swedbank also has operations in China, Denmark, Finland, Japan, Luxembourg, Norway, Russia, Spain and the USA. In this way, Swedbank believes that they follow customer needs.

Dr. Bräutigam of Savings Bank Aachen, Germany, opened his presentation by making a similar point that following the customer is very important to Aachen Savings Bank. The Aachen region of Germany is directly feeling the impact of globalization as traditional industries have moved elsewhere. The region has therefore adjusted structurally to become a high-tech centre. Aachen companies are mostly medium sized companies that operate on an international scale. Accordingly, the Savings Bank of Aachen provides a full range of banking products for international commercial business. The retail banking market has similarly been affected by globalization, e.g., the closure of a picture tube factory leading to the loss of 1000 jobs. He concluded his presentation by stating that there are both risks and opportunities for a savings bank in a globalised market.

Dato' Azim of BSN, Malaysia commented that Malaysia is expected to benefit from global

growth. The financial market in Malaysia is facing liberalisation, which is expected to result in new players, banks and investment houses entering the market, which will in turn bring intense competition, including in the retail market. BSN will respond by capitalising on brand recognition and technology will be used to increase efficiency. The bank will develop more sophisticated products, including in particular in the area of Islamic banking, in line with the Central Bank's aim to transform Malaysia into a regional Islamic banking centre. BSN also seeks to develop its Microfinance base; and will seek to develop more competitive pricing. Internally, there is a specific organisational focus on speed and efficiency of delivery channels, including through the establishment of mobile banking and automated banking. Other internal focuses include staff training and empowerment. Through these measures, **Dato' Azim** is confident that BSN will retain its market share in spite the impending impact of globalization.

Mr. Mohar of BANSEFI discussed market failure in Mexico, which in part led to the creation of BANSEFI based on German and Spanish models, in order to widen access to financial services to the majority of the population. Traditional banking in Mexico focuses on the top end of the market leaving about 80% of

the population unbanked. The government has sought to transform the banking market to bring the unbanked into the formal sector. Mr. Mohar introduced into his presentation the issue of migrant remittances, which have increased eightfold through his institution over the past 4 years, (BANSEFI currently opens some 25000 new accounts per month) and he explained how BANSEFI has contributed to bringing migrants and their families on both sides of the Mexican / American border into the banking system. Amongst the excellent questions that were raised from the floor, one participant asked how to balance the conflicting demands of returns and the cost of providing affordable banking to a large number of small account holders? The answer offered was to seek to reduce the cost of transactions through simple networks and by investing in technology.

Mr. Schipper, moderator of the session, concluded that to be successful in the near future, a financial institution has to build a global outlook. Among the various drivers of success, a stronger customer relationship is essential, whatever the size and shape of the financial institution. Being retail banking institutions, savings banks are ideally positioned to benefit from globalisation and to provide global links to their clients.



Savings Banks and foundations as supporters of communities, municipalities and local authorities



The focussed session at the end of the first congress day examined the way savings banks and foundations act as supporters of communities, municipalities and local authorities. The session was chaired by Dato' Dr. Gan Khuan Poh, member of the board of Bank Simpanan Nasional. Speakers were Mr. Heinrich Haasis, President of the German Association of Savings Banks (DSGV), Mrs. Nyambura Koigi, Managing Director and Board Member of Postbank Kenya and Mrs. Loreta Vas, Joint Secretary to the Government of India, National Savings Institute.

Mr. Haasis pictured WSBI as one of the pioneers of globalisation, since its members have created a network and a global force for over 80 years.

If we want globalisation to be a progress factor for the worldwide population, Mr. Haasis continued, we need structures that allow people to take their future in their own hands. They cannot just be a small piece of a globalised machine. That is why local structures and especially regions and municipalities, need to be strong. Savings banks are an integral part of these local structures because they offer competitive services and products to their regions. All over the world, savings banks develop the local economy since their basic mission is to gather the capital of their region and to channel it towards productive regional investments. In this way, they offer the basis of growth and development. Only by offering access to modern financial solutions, Mr. Haasis declared, economic development can be reached.

Mr. Haasis stressed the importance of the Corporate Social Responsibility efforts of savings banks, developed at local and regional level, an effort that has existed for over 200 years in Germany, where savings banks are the most important contributors to social and cultural life. He concluded his contribution by saying that savings banks are essential to bring the benefits of globalisation to where they should arrive, in the regions and the municipalities where the people live.

As a postal savings bank, Postbank Kenya (KPOSB) is actively involved in supporting community initiatives. For Mrs. Koigi, this involvement is only logical. KPOSB is convinced that businesses and the wider community are interdependent and the strengths or weaknesses of one also affect the other. Companies that only pursue profit, without giving something back to the community they live in, will not be able to thrive in the new business environment. Or, to put it with her words: "One should merge its profit centres with its passion centres".

Concrete initiatives of KPOSB include savings education for fishermen, investment training for –the very successful – Kenyan athletes but also donation of books in arid areas of the country and the financing of street lighting in poor areas of Nairobi, the country's capital.

Mrs. Vas of India's National Savings Institute presented the wide coverage of the NSI network. The promotion of small savings schemes by her institution is mainly intended to bring as many people as possible in the formal financial system and to reduce dependence on informal systems like money lenders. The 155 000 post offices, 8000 commercial bank branches and 500 000 agents for door-to-door marketing constitute a key asset to work in close partnership with municipalities and local administrations.

Initiatives of the institute comprise savings education for students and employees. One recent initiative among the many examples quoted by Mrs. Vas was a pilot project where self-help micro-credit groups link with the Savings Institute to obtain credits. Mrs. Vas concluded that in certain situations, State intervention is necessary, since market mechanisms are not sufficient to combat poverty and exclusion. She stressed the positive results of the cooperation between her institution and communities in this combat. The benefits of the programmes reach the intended beneficiaries in a transparent and efficient manner and empower those in vulnerable situations to gain self-reliance.

Before closing this last session of the first day, **Dato' Gan Khuan Poh**, briefly exposed the essential role of its institution, Bank Simpanan Nasional, in the development of rural and isolated regions of the country, where they are often the only financial institution to be present. He also explained the concrete development initiatives its institution takes, for example by building and funding schools.



An Asian perspective on developments in the region



Developments in Asian retail banking were approached from three distinct angles: the academic, the regulatory and the business points of view – all taking a genuine Asian perspective of the situation since all three speakers were from the region. This allowed shedding a new light on the issue and identifying a number of important trends as regards the future of financial services in Asia.

The business point of view was developed by **Mr. Nixon**, Financial Services Leader from PwC Singapore. He highlighted that economic growth and changing demographics will drive growth in Asia's financial institutions. Both organic and inorganic (alliances and joint ventures) strategies will be key in this respect. According to the results of a recent PwC survey, 68% of Asian financial institutions expect to undergo significant mergers and acquisitions (M&As) in the next five years, with this trend expected to be the strongest in China and India. Competition is a key external driver, with M&A seen as the best way to entering new geographical markets and increase market share. Economies of scale are however difficult to achieve in Asia due to regulatory and cultural obstacles and there is no "holy grail". In order to win, **Mr. Nixon** advised, financial institutions shall be customer centric and must focus on IT, human capital and metrics.

Taking a more academic point of view, **Mr. Yoshino**, Professor of Economics at Keio University in Japan, emphasised the contribution of savings banks to economic development and financial stability. Savings banks are indeed key actors for the collection of savings and their investment into the domestic economy, as illustrated by the example of the Japan Post: its unique 10-year time deposit product

is very popular in Japan whilst the Post invests about 80% of collected savings in government bonds. The success of the Japan Post is due to the combination of economies of scale, thanks to its nationwide network of branches, and economies of scope, with its three main lines of business (mail service, postal savings and post life insurance). According to a survey that the Central Bank of Japan conducts every year on households' savings, closeness and convenience are the top criteria used by Japanese customers for choosing their financial institutions – two criteria that the Japan Post thus fully meets. These elements should be taken into consideration in the context of the privatisation of the postal savings business in Japan.

Finally, the regulatory point of view was presented by **Dato' Zamani Abdul Ghani**, Deputy Governor of the Central Bank of Malaysia. Asia is the fastest growing region in the world and its strong performance is notably driven by trade expansion, whilst the continued recovery and increasing openness of Japan and China are to benefit regional trade even further. Increasing vulnerabilities arising from the changing global environment and high commodity prices are certainly a challenge, but there are many opportunities that Asia can tap from globalisation. He notably recommended to further enhance mutually reinforcing growth by promoting intra-regional trade and regional financial integration (bonds, equities...), tapping opportunities from China (investments notably), strengthening domestic demand (e.g. through micro-finance) and developing new growth areas (e.g. Islamic finance). Asian economies need to develop more efficient, competitive, resilient and innovative financial systems, but at the same time achieve macroeconomic stability and preserve confidence.

The Kuala Lumpur declaration as conclusion of the Congress



In his conclusions of the congress, Mr. De Noose, Chairman of the Management Committee stressed once again the great opportunities of globalisation for savings banks, on the condition that they are able to create a competitive edge without compromising on their core values. “In an ever more international environment, savings banks represent stability and security for individual customers and local entrepreneurs, thanks to their proximity relationship and their in-depth knowledge of local contexts”, he explained the audience.

He called upon all WSBI members to translate the possibilities offered by the global market, such as innovative products and new technologies into local financial solutions. This will enable savings and socially committed retail banks to effectively play a gateway role and bridge the needs of local customers with the opportunities offered by the global market.

Mr. De Noose also promoted the specificity of savings banks towards policy makers and regulators. “Thanks to their socially responsible banking activities and practices, savings and socially committed retail banks play a unique role in financial markets. This role needs to be recognised, especially at European level, since a diversity of retail banking providers is a strength which stimulates competition, especially in a global market”, he said.

Mr. De Noose then presented the details of the Kuala Lumpur declaration, which was unanimously approved by all WSBI members and which will be a reference document for all WSBI’s future activities. The Kuala Lumpur Declaration represents the joint commitment and the ambition of all WSBI members to bring the benefits of globalisation to the largest part of the population and to drive sustainable development.¹

In the Kuala Lumpur declaration, WSBI members call upon policy makers to support savings and socially committed retail banks’ initiatives to build a bridge between global and local economies. This can be done by recognising the need for a diversity of financial services providers, by making all efforts to bring savings into the formal financial sector and by developing adapted policies which foster proximity banking. WSBI will define concrete proposals based on cooperation between its members to transform this paper declaration into practical initiatives.

Mr. De Noose thanked all the participants for an excellent congress and closed his speech with a call to enhance collaboration between the members and offered his help and cooperation to define appropriate actions to reach objectives, improve market positions and develop business.



¹ English, French, German, Spanish or Italian copies of the Kuala Lumpur declaration can be downloaded at www.savings-banks.com or are available at info@savings-banks.com.

Basic principles to ensure that globalisation benefits local markets



Kuala Lumpur Declaration

- Economic and financial globalisation must offer benefits to all citizens and entrepreneurs of the world.
- A global economy is not the exclusive playground of global players. Various retail banking models and structures are needed to serve a wide range of customers.
- Local financial institutions are an essential interface between the global economy and the retail customer.
- A strong presence of savings and socially committed retail banks increases access to finance for all.
- Access to financial markets should be encouraged by an enabling environment which removes existing barriers to access to finance.
- All efforts should be made to bring savings into the formal financial sector.
- Savings and socially committed retail banks seek to provide both a profit and a return to society, making a key contribution to sustainable development.
- Savings and socially committed retail banks support and call for the development of innovative, responsible banking activities.

WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banks. Founded in 1924, it represents savings and retail banks and associations thereof in 86 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via the European Savings Banks Group).

It works closely with international financial institutions and donor agencies and facilitates the provision of access to financial sectors worldwide – be it in developing or developed regions.

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. 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-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.

IMPRESSUM

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