



President's Foreword

Dear Co-operators,

The enlargement of EU and the accession of ten new members which took place 1 May 2004 brings new deal to economic market conditions throughout Europe and world. During the pre-access period ten new countries underwent deep transformation which resulted in becoming modern institutions that are equipped with appreciable capital assets, advanced information technologies, abundant offer of traditional banking services. Nevertheless, in forthcoming future co-operative banks will have to intensify their activity in order to keep traditional markets. In this case cooperation between co-operative banks from newly accessed and older members can bring fruits. Mutual support will be very important when European bank legislation is concerned, in particular while bringing into force the directives of New Basel Capital Accord and parallel directive of European Commission and International Accounting Standards. Summing up, co-operative thought in those cases should raise above particular interests.

In the last decades there has been observed very positive tendency to treat co-operative banks as a subjects of Social Economy. This is a strong confirmation for the fact that despite the development in banking sector co-operative banks are still in line with good traditions of their precursors. Still human being and his welfare both are most important aims for most of them. This generally appreciated value of co-operative banking has not only sentimental aspect but most importantly is a source of potential, development and stability of our sector. Tradition is strictly connected with experience, trust, sometimes custom, but mostly with deeply rooted local identity. Taking into consideration the meaning that is attributed to subjects of Social Economy by EU, it would be advisable for us to highlight the advantages of Social Economy in business activity of co-operative organisations. Keeping up with this tendency protects our rights of acting not only in European frames but also worldwide.

The mission and role of co-operative banks in economic transformations will be the subject of forthcoming ICBA Seminar, which will be held 22 September 2004. The Seminar shell help to identify the challenges facing the co-operative banking sector in different parts of the world as well as strategy, which will help our sector to develop fully end efficiently. The stimulating factor for this process is undoubtedly lobbying, into which we will introduce the most important values of co-operative banking that are demanded by the marked, moreover, we are in line with the economic policy of union and the federation of countries and regions, continents, where we are running our businesses.

Eugeniusz Laszkiewicz

President



I. Let's get to know with each other and build our image



Territory of activity

Canada with a dominant position in the province of Quebec, It is the sixth largest institution in Canada and the first in the province of Quebec, in terms of assets. The Desjardins Group is Also present in the United States through Desjardins Bank NA in the state of Florida.

Primary services

Financial intermediation, General Insurance, Life insurance, trust services and asset management, securities, venture capital and other

Organization's customers

A total number of 5,162,662 members: individuals and corporate clients.

Amount of membership shares

Total shares as at December 31st 2003 amounted to: 869 \$ (Canadian dollars) or equivalent of 504 M euros for assets of 94, 6 G\$ or 54, 8 G euros.

Advantages resulting from membership

On top enjoying an unequalled access to quality competitive products and services, being a Desjardins member entitles to the following benefits which we call the "4 inimitable features"

- The caisses are known to be the most accessible among all financial institutions
- Members may have a share of surplus earnings generated by the activity of the caisse and elect officers from among themselves to orient and monitor caisse administration
- Cooperative values in commercial practices (sound business ethic, unity and mutual assistance, members' interest take priority, access to services without discrimination; understanding for financial difficulties, education and support.

Other values of Desjardins

Desjardins' distinctive philosophies are

- Commitment to local environment(the caisses and other components of Desjardins Group support local development and are involved in a number of economic, social, educational and cultural projects);
- Cooperative, economic and financial education(Desjardins promotes cooperative ideas among members and advise members in the management of personal financial matters;
- Mutual assistance among cooperatives (Desjardines supports other cooperatives from different sectors

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Grupa Crédit Coopératif (France)

Territory of activity

Crédit Coopératif is present in all the French regions with 98 branch offices, which offer the whole range of banking products and services to satisfy the needs of their customers, including a support for their banking operations abroad. This network is strengthened by an on-line branch office and many on-line banking services.

Crédit Coopératif has also developed many foreign partnerships : in Mali with the Kafo Jiginew Network of credit and savings co-operatives, in Poland with BISE, a Polish bank which he created in 1990, in many other European countries (Belgium, England, Germany, Italy, Spain,...) with the European Federation of Ethical and Alternative Banks, in which Crédit Coopératif plays an active part.

Primary services

Crédit Coopératif commercialises the whole range of banking products and services, from the most common to the most elaborate.

Crédit Coopératif has many subsidiaries which bring their specific know-how to the Group : BTP Banque (The Building and Public Works Bank), a financial tool devoted to companies and institutions of the building and construction industry, Inter-Coop and Sicomi-Coop for equipment leasing, Coopamat for movable leasing, BTP Capital Investissement for equity financing, Ecofi Investissements, its asset management company, which manages a wide range of investment funds, with a recognized professionalism in many fields, notably for ethical and socially responsible investments.

Crédit Coopératif has developed other specialized services : in the field of financial engineering and corporate transfer with Crédit Coopératif Conseil ; in the field of financial management consulting with Crédit Coopératif Consultants for local communities and local entities (local public enterprises, public hospitals,...).

Credit Coopératif also commercialises the products of Interépargne and Factorem, two subsidiaries of Banque Populaire Group, in the fields of pension funds and factoring respectively.

Organization's customers

Our main customers are co-operatives, retailers' or purchasing groups, SMEs, charities and NGOs, non-profit-making organizations and services of general interest in many fields of activity (health, welfare, arts, social housing, mutual insurance companies, local public enterprises, trade unions and work committees.

The share of private individuals in our banking activity, which used to be rather small, is growing more and more with two main fields of activity: specific banking accounts for people under administrative supervision (mentally injured persons, for example) and community investing or sharing financial products, which allow the holder to invest or to give part of his or her annual gain to a non-profit-making organization.

Amount of membership shares

By the end of December 2003, membership shares reached the amount of 190, 4 million euros.

Advantage resulting from membership

All the members have a voting right, according to the cooperative principle "one member, one vote". Common shares (Parts A) are not remunerated. Members with common shares (Parts A) can also subscribe specific shares (Parts B), which are remunerated, the rate being determined each year at the General Assembly (3% in 2003).

Other values of organization

Crédit Coopératif shares all the co-operative values which are expressed in the ICA Statement of Co-operative Identity and promotes the involvement of its members in the life of their bank, on a local, regional and national level.

Credit Coopératif is strongly involved in regional, national, European and international organizations and institutions to put forward the interests of its members and their specificities.

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Cooperativa Nacional de Ahorro y Credito (Uruguay)

Territory of activity

Cofac includes all the country, it has 40 houses and its specialization is in micro urban and rural companies and families. (Wage-earning and retired people)

Primary services

Services of financial intermediation in general, pick up of deposits in current account, savings banks and fixed term, loans of short and long term for turn capital and investment.

Clients of organization

More than two hundred thousand partners, micro companies and families, in general of low average and average income. Amount of the actions of the partners - the share capital of the Cooperative ascends to 13 million dollars.

Advantages resulting from being partners are i.e. acceding to financial services in zones of the country where the supply is reduced to individuals and micro companies in general neglected by the private bank.

Other values of its organization the only deprived financial intermediary of national capital. It handles 5% of the market of deposits and has 2nd more extended network of financial services.

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BANCO CREDICOOP COOP. LTDO (Argentina)

Territory of activity

Credicoop has a presence only in Argentina. Its 225 branches are located in Buenos Aires city and in 17 of 24 Argentine provinces.

Primary services

Credicoop has been duly authorized as "commercial bank" and therefore it is duly authorized to offer all banking and related services that financial legislation accepts for this kind of entities. The activity of co-operative bank is focused on assistance to the small and medium sized companies, either in the field of industry, commerce, services and agri-business. The following services are given: payment instruments, credit (working capital, investments, foreign trade financing), investments, foreign trade, credit cards for companies and insurance. As far as banking for individuals is concerned, also services of payment

instruments are offered, as well as services related to savings, investments, loans (personal loans, pledge loans, mortgages loans), personal insurance, credit cards, debit cards, pension funds.

Amount of membership shares

Credicoop is a cooperative in first degree. Its number of members amounts to: 558.478. Either companies (micro, small and medium sized companies or cooperatives) or individuals (owners of small and medium sized companies, workers, professionals, employees, artisans, etc) .

The current number of social shares amounts to: 700.724. The value of each social share is: one Argentine peso (0, 35 USD).

Organization's customers

In order to be able to open a checking account, saving account or to get a credit card or a loan it is necessary to become a member of the Bank. Those who are not members can only make investments in the Bank.

Advantage resulting from membership

Values guiding the activity of Banco Credicoop Coop. are as follows:

- To satisfy financial needs of its members, offering to them services of good quality and under competitive conditions.
- To encourage democratic participation of members in the administration and also permanent training of its Directors, staff, members and employees in cooperative and banking subjects.
- To promote the strengthening of cooperation within the Argentine society as well as the spreading of its principles and humanitarian and caring cultural contents.
- To develop institutional and operational integration with cooperatives of different activities as well as with other entities making the social economy. This process is mainly developed at a national level, but also within the MERCOSUR, Latin America and at an international level.
- To promote a process of economic and social transformation having as a major goal to build up a democratic, fair and caring society which assures the good quality of life of all of its inhabitants. To that

purpose our Bank takes part through its Federation -the *Instituto Movilizador de Fondos Cooperativos*- in different social movements sharing these same goals.

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Union of Co-operative Banks (Poland)

Co-operative banking in Poland

Territory of activity

The rules of functioning co-operative sector are clearly framed by The Cooperative Banks, Affiliation and Affiliating Banks Act dated 7.12.2000, which was amended 27.06. 2003.

Furthermore, The Act defines the operating territory of co-operative banks. Due to the Act, co-operative bank is entitled to operate on the administrative district where it is based and also on those administrative districts where it had its subsidiaries the day the Act came into force. Moreover, the co-operative bank which owes own funds higher than equivalent of 1 000 000 euro, but lower than the equivalent of 5 000 000 euro is entitled to operate on the territory of province, where it is based and also on the territory of administrative districts where it has subsidiaries. When the bank owes own funds in the amount equal or higher than the equivalent of 5 000 000 euro it can operate on the territory of whole country.

Primary services

The Act states that the primary services are:

- Current account deposits and fixed term deposits opening
- Other banking accounts

- A credit line opening
- Providing and certifying bank guarantees
- Loans
- Consumer credits and loans issuing
- Cheque and bill of exchange operations
- Debit card issuing
- Liabilities purchasing and selling
- Depositing valuables, securities, extension of strongboxes
- Providing bank guarantees and certificates
- Other banking services on the behalf and in favour of co-operative bank

In addition, co-operative banks owning own funds in the amount higher than the equivalent of 1 000 000 euro and after the legal permission of Bank Monitoring Commission are entitled to amortize and account electronic cash.

Organization's customers

Customers and members of co-operative banks are mostly private persons and small and medium enterprises. Among the individual clients the most numerous group are farmers. Co-operative banks provide services for more than 10 000 000 customers.

Amount of membership shares

The amount of membership shares is decided on General Assemblies of co-operative banks. On average the value of one share amounts 300 PLN.

Advantages resulting from membership

Membership in co-operative bank has many advantages. In general they could be divided into two sections: material advantages and personal advantages. Parting in profits generated by bank as dividends, favourably rated credit lines, modern products could be numbered among the material advantages. For personal advantages are close or even friendly relations with the Board and personnel as well as direct participation in management.

Other values of KZBS

Above all, co-operative bank is the bank with human face, with personnel who is deeply interested in customers' real needs, which knows local markets conditions and beside this has a trustful approach to customer. Instead of unnecessary formalities it offers indispensable help. The aim of co-operative bank is not only to maximise profit but also to gain the top utility. In practice they are trying to combine effectively economic targets with social aspects, as it could be observed in supporting cultural, sport and educational activities. Co-operative banks are strongly involved in local communities' activities. They participate in financing their development. During the accessing period Polish co-operative banks were actively involved in informative campaign and various programs concerning despatching the financial help from EU for agriculture and small and medium enterprises.

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**Territory of activity**

United Kingdom

Primary services

Corporate & Personal Banking

Organization's customers

The bank has a customer base of over 2 million personal customers and over 50,000 corporate clients. The personal customer current account base represents about 2% of the UK market and is concentrated in the upmarket socio-economic grouping and the middle to older age bands. It has also launched a stand-alone Internet based bank smile which is now attracting younger upmarket clients. Amongst the corporate client base the bank is the dominant banker for the UK co-operative retail sector and holds over 30% of UK local

government banking. The bank handles the banking needs of over 60% of British credit unions along with share of "general" corporate businesses.

Amount of membership shares

The Co-operative Group is a co-operative society registered under the Industrial and Provident Societies Acts 1965 to 1978. It is not a company. They have shares but their value doesn't fluctuate, they can't be traded and it doesn't matter how much members invest - money doesn't buy power in the Co-operative Group. The Co-operative Bank and Co-operative Insurance Society (CIS) are both part of the Co-operative Group. In 2002 Co-operative Financial Services was created to bring the bank and CIS together under common leadership to ensure customers of each can benefit from what the other offers.

It costs just £1 to become a member of the Co-operative Group one of the biggest consumer co-operatives in the world. Members of the Society have a say in how the Business is running as co-owners, together with the hundreds of thousands of other members of the society and that means the Co-operative Group is accountable to individual members, not city shareholders who may only care about profit.

This membership gives the Co-operative Group a co-operative vision a different outlook. Making money is not the sole goal. Profit that's reinvested in its community members is making a real difference to the lives of the members, their neighbors, friends and people they see on the street - that's what matters to them. By being on the Co-operative Group area committees, regional boards and the Board of Directors, the members make sure that the Group is pulling in the same direction - towards a co-operative vision.

Advantage resulting from membership: See above

Other values of organization

The bank's Ethical Policy was introduced in 1992 to set out precisely what ethical standards would govern the types of businesses the bank would and would not offer services to. When looking to determine 'what ethics to embrace', it was necessary to consider 'whose ethics to embrace'. The bank chose to base its Ethical Policy on the concerns of its customers, on the basis that it is generally their money that is being

used, and they should have a say in how it is used. More than a decade later, the bank continues to be the only high street bank that gives customers a say in how their money is used and which encourages their input into the ongoing development of its Ethical Policy.

As well as representing the values of its customers, the principles of The Co-operative Bank Ethical Policy also reflect our heritage. The commitment to social responsibility that underlies the policy is part of the values that have been passed through the Co-operative Movement since its creation in 1844.

When the bank launched the policy, more than 80% of customers thought that it was a good idea to have a set of ethical principles guiding its investments. By 2001, this support had increased to 97% of customers who participated in the review. This level of support provides the bank with a clear mandate to implement the Ethical Policy and the bank has committed to consult with its customers every three years to obtain a new mandate.

The resulting policy sets out those types of business activities that are of such concern to its customers that they don't want the bank to provide banking services to them. The policy also contains a number of positive statements that commit the bank to pursue business opportunities with customers engaged in socially or environmentally beneficial activities.

To ensure that the bank's Ethical Policy is implemented effectively, Ethical Policy compliance systems are integrated into our everyday bank procedures.

On applying for banking services with The Co-operative Bank, all business customers are required to complete an Ethical Policy questionnaire. These questionnaires are passed through to a Business Relationship Manager, and/or a member of the bank's New Business Center, who undertakes an assessment of the proposal, against the Ethical Policy.

If an issue of concern or potential policy conflict is identified, the business is referred to the bank's Ethical Policy Unit for further investigation. The Ethical Policy Unit reviews the acceptability of the business application against the policy statements and against the 1,700 plus case studies held on file. Where appropriate, further in-house research will be carried out and appropriate external sources consulted before a decision is taken.

Only where no conflict with the policy is identified is a business offered banking facilities. This means that the bank will decline investment opportunities, regardless of any potential financial gain - the bottom line is ensuring that customers' expectations, as expressed through the Ethical Policy, are upheld. In line with this, in 2002, the bank declined 29% of businesses referred to its Ethical Policy Unit.

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**THE CO-OPERATIVE BANK
OF KENYA LTD.**

Territory of activity:

Kenya

Primary services:

Banking services, Fund management, Corporate and Investment Banking.

Organization's customers:

Co-operative Societies, Institutions, General public

Amount of membership shares:

KES 1.2 Billion

Advantage resulting from a membership:

Dividends, Capital growth

Other values of organization:

Advisory services to the co-operative movements.

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III. Important events of last quarter....



The first international meeting of Social Economy leaders

Between 29 April and 1 May in Morziene, as a part of "Mont-Blanc" meetings, the historical assembly of world leaders of Social Economy took place. In the meeting participated more than 50 representatives of Social Economy sector from Japan, Brazil, Asia, Africa, Canada and Europe. Among them there were the representatives of alter global movements, Union members(European Conference on Labour Union), representatives of different institutions(International Employment Agency), non- government organisations and high-ranking officers such as Secretary of State for Solidarity Economy from Brazil. The honourable participant and the unique representative of newly accessed countries was the Board President of KZBS and the President of ICBA, Eugeniusz Laszkiewicz. They all met in order to work out methods used for overcoming the problems and challenges for the future, establishing homogenous and stable strategy of Social Economy development, as well as identification those areas which would be helpful for creation the world with "a human face", more stable and more "adjusted to life". As a result of three-day meeting participants defined the main challenges, for which the Social Economy gives satisfactory answers, in particular:

- fight against poverty and social exclusion
- fight for social cohesion and the including fundamental rules and human rights
- wider access to new working positions
- access to high quality, modern products and services for as extend group as possible and on the best conditions.

The President sounded off throughout these meetings, not only during the planar session, but also during the meetings of working parties and brought attention to various aspects and conditions of Social Economy

development in Central and Median Europe, taking into particular consideration the example of Polish co-operative banks. Furthermore, he encouraged to less enthusiastic and more realistic approach towards the possibilities of development of Social Economy in particular countries. He referred to some economic factors, and even system factors, which may be influential on developing of social sector of economy. In his speeches he also mentioned the European challenges for co- operative sector. In this case he highlighted some difficulties resulting from International Accountancy System (IAS 32 and 39) and the decisions of New Basel Capital Accord.

While facing the new challenges, which were clearly defined by the subjects taking part in Mont Blanc meetings, there were established common fields of cooperation on the international scene. Those are mainly concerning:

- Health (in particular in Southern countries)
- Financial mechanisms, fund management (own funds, retirement funds)
- Company evaluating: social balance, comparing tools

Moreover, the participants decided to take up initiatives as follows:

- Creating the International Research, Experimental and Analytic Centre
- Establishing of the International Advisory Centres on the field of management, entrepreneurship in the Social Economy sector
- Starting up the platform of exchanging of the best practices and experiences
- Creation of fixed system of cooperation(i.e. cooperation offers in the field of providing services for individuals
- Creating of efficient communication tool, which shall be easy available for everybody

Encouraged by the results of meeting, the organizers of the assembly in Mont Blanc decided to continue works started in the Alpine town Morzine, as though the issues of Social Economy could become widely known. Next meeting from this series will be held in 2005.

In Cracov, between 27 and 29 October will take place an event characterized by the similar meaning in the European aspect the Conference of Social Economy titled "Social entrepreneurship & economic efficiency". Within this Conference framework 29 October there will take place the seminar coordinated by KZBS, titled

"Co- operation banks- development partners for rural areas". Since we are the organizers we kindly invite you to take part in this seminar. Detailed information is available in foreign cooperation department of KZBS.

1st May 2004 European Union welcomed 10 new members: Poland, Cyprus, Hungary, Czech Republic, Slovakia, Latvia, Lithuania, Estonia, Slovenia, and Malta

8th May 2004 the Secretary of ICBA received ICBA membership declaration from The National Railway Cooperative Limited of Malaysia.

Founded: 1973, Type of organization: Cooperative lodging & transport

Description: The National Railway Cooperative Limited of Malaysia is a transport co –operative which offers financial and consulting services to its members. This organization is legally recognized as operating in the railroad, ports, goods depots, hospitals, tourism and the related services (transport, housing etc.) the services offered by the National Cooperative Limited of Malaysia are characterized by very low prices and the best level of comfort and of possible security.

Together we are meeting at:

21-22 September- Executive Committee Meeting and ICBA Seminar in Warsaw

23-24 September- Regional ICA Committees for Europe Assembly in Warsaw

27-29 October – The Second European Conference on Social Economy titled "Social entrepreneurship & economic efficiency" in Cracov.

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