



President's Foreword

Dear Co-operators,

Last year abounded with various legal activities worldwide. For instance the New Basel Capital Agreement or International Accounting Standards should be mentioned among others. In connection with them the cooperative banking sector proved a remarkable lobbying activity. Unfortunately, as our activity is unappreciated, many times we still encounter obstacles in our way. In the world, plunged into materialism, there are many malcontents watching incredulously a successful, rapid development of co-operative banks, which are faithful to the mission adopted by their predecessors over 150 year ago. In accordance with it, there appears a distinction forcing many people, who are responsible for decisions, to qualify co-operative banks to a wide range of financial institutions without taking into consideration their co-operative identity.

Human mentality cannot be changed from day to day. Hence I appeal again to all co-operative banks, in order to emphasize our co-operative identity on any occasion. Beyond any doubt, common activities will be fruitful for the support of underlining our separate character resulting in a full adjustment to obligatory legal acts as well as to needs of the sector. In this regard, there is also a necessity for collaboration between national institutions representing co-operative banking sector in order to make our point of view consistent and visible.

There are many factors, often external, influencing development of co-operative banks. Therefore, in order to develop an appropriate picture of co-operative banks in the world, there is a need for a co-operative solidarism among members. It can be expressed in different way, but according to our practice the most effective is the exchange of our work experience. Co-operative banks from high-industrialized countries possess a wider range of knowledge concerning technologies, whereas co-operative banks from less-developed countries have better skills regarding recognition and methods of meeting customers' needs. The dialogue, which takes place in public of International Co-operative banking Association should foster equalization of differences between these two groups of banks and enlarge their knowledge. Let this kind of international collaboration be a key to a success of our lobbying activities. Hence, we expect visible results from electronic bulletin of ICBA. Its appearance and content depends on every one of us. Please, feel invited to publish in our common bulletin opinions, suggestions and other information concerning all important events.

Eugeniusz Laszkiewicz

ICBA President



I. Situation among ICBA members in 2003...



Among the objectives that the president of the Desjardins Group had set for himself when taking office in 2001 were the reinforcement of the cooperative identity of our organization and business development.

On the subject of the reinforcement of Desjardins' cooperative identity, an important Congress took place in the spring of 2003. At this occasion, thousands of caisse volunteer officers, general managers and caisse members expressed and shared their views on four important themes having to do with the renewal and affirmation of our cooperative identity: 1) objectives and commercial practices of the Desjardins caisse, 2) scenarios regarding the financial participation of the caisse members, 3) the democratic participation of members and 4) the choice of a mobilizing project for the caisse and the Desjardins Group as a whole which turned out to be a project targeting the youth. An action plan leading up to as far as 2006 was put into place.

Other initiatives, among others establishment of "solidarity funds" and "Capital regional et cooperatif Desjardins", have enriched the quality of our contribution to the development of the people and their collectivities. "Capital regional et cooperatif Desjardins" is a relatively new investment tool, created through an agreement with the Quebec government. This investment product endowed with a fiscal advantage aims at raising venture capital for cooperatives and at supporting businesses from all regions of the province of Quebec. Desjardins is the only financial institution in Quebec who has a specific policy and business plan to accelerate the economic development of the Quebec regions.

As far as business development goes, the achievements were numerous in 2003. Firstly, the Desjardins caisse network continued its transformation into a network of "financial expertise centers" able to efficiently accompany their members in the managing of their financial assets. The members have now access to a fully integrated service offering which includes more specialized and complementary products. The process of consolidation of caisses accelerated in 2003 to the point where at the end of the year, there were roughly 608 caisses in the province of Quebec with some 871 points of service. For comparison purposes, there were, in 1995, over 1.300 Desjardins caisses in the Quebec territory alone. The caisse network was also optimized by ensuring that the choice of locations and types of service outlets better meet the contemporary needs and commuting patterns of its members. This has led to a new generation of Desjardins caisses whose branding is labeled according to the level of services that is offered to the members.

Secondly, the creation within the Federation, of a new business line addressing the specific needs of corporate (business) members was another step taken to foster business development with the corporate members. This move has indeed helped the financial centers dedicated to servicing this clientele. They now feel better equipped in their dealings with entrepreneurs of all regions and of various activity sectors.

Thirdly, Desjardins is continuing its expansion outside its traditional market, in other Canadian provinces, namely in Ontario. Desjardins is already present in other Canadian provinces such as Manitoba and New-Brunswick through its affiliated caisse populaire networks and such as Alberta and British Columbia through the activities of its subsidiaries providing specialized financial products. In November 2002, Desjardins was instrumental in the "chartering" of a new credit union called "Desjardins

Credit Union», in response to a market opportunity, that is the sale by the Ontario government of the "Province of Ontario Savings Offices".

This purchase was interesting in that it could help Desjardins service the employees of its subsidiaries in Ontario who were Anglophones and who were fast growing in number (over a thousand). It could also help the organization pursue its expansion in Ontario all the while contributing to the reinforcement of the Canadian financial cooperative movement. The "Desjardins Credit Union" with the financial support of the Caisse Centrale Desjardins, won the bid and went ahead with the acquisition in the spring of 2003. "Desjardins Credit Union" will be affiliated to the Desjardins Group.

This acquisition by Desjardins Credit Union (DCU) makes the largest credit union in Ontario and the third largest in Canada with over 2.3 billion Canadian dollars in assets (=1.40 billion euros). DCU owns a network of 25 branches and 3 agencies. For now, it has a limited service offering but it plans on eventually offering the full range of Desjardins services. The former clients are being offered to become "members" of the new credit union. Desjardins is extremely happy with the retention rate of the clientele deposits which approximates 90%.

Furthermore, Desjardins has successfully negotiated a new partnership with the affiliated network of caisses populaires of Ontario, whereby they adopt the same standards, regulations and practices as the Desjardins caisses in Quebec, including financial targets. A regional executive division was set up in Ontario to group ad these caisses and their federation. The latter's status was also upgraded so that it could enjoy the same democratic rights as the caisses in Quebec, including that of having a seat and voting rights at Desjardins' board of directors- This closer partnership between the Desjardins Group and the caisses populaires of Ontario is expected to translate into gains in greater performance and gains in market share.

All of these initiatives are reflected in the 2003 financial and marketing performances. Indeed, the Desjardins caisses (excluding the subsidiaries of the corporate sector) have recorded a 9,3 % growth in their credit activities, thanks to a dynamic domestic economy, particularly in the housing sector for which its loan portfolio has increased by 10.4% (compared to 8.8% in 2002). They have also improved their performance in the area of personal savings products, more significantly in the sales of off-balance sheet products. As to mutual funds, the caisses outperformed the Canadian industry growth with an increase of 16.4% of the Desjardins volume outstanding compared to 12.1% for the industry. Their gain in the securities sector is also significant as the volume outstanding increased by 28.3% compared to an average growth of 11 % for the market in general.

The Desjardins Group for fiscal year 2003 has posted a strong performance with surplus earnings before patronage allocations of 816 MS (or 495 million euros). Moreover, 43 million dollars have been given in donations, bursaries and sponsorships. The caisse members and collectivities have received nearly half a billion Canadian dollars (or 293 million euros) from the Desjardins Group. The return on equity was 13- 8 % in 2003, compared to 15.6% in 2002. More results will be available on March 27th 2004 at the occasion of the Desjardins Group's annual general assembly.

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Crédit Mutuel (France)

Couple of numbers:

- 18 regional federations, 1830 local caisses, 3120 branches
- 10 million customers, among them 9,2 million individual customers
- 5,8 million members, 25 000 members elected
- Net profit: 4,7 mld euro
- Own funds: 13 mld euro
- Credit market share – 9% and deposit market share – 7,6%

(data from: 31.12.2002)

Altogether with our subsidiaries we are:

- Fourth largest French Banking Group
- 35 bank in the world (according to 2003 "The Banker" classification)
- Second biggest retail bank
- First French bancassurer (property and casualty insurance)
- First ranking in France by the numbers of POS credit cards payments
- Second ranking in terms of electronic purse market share (20,5%)
- Third ranking French life bancassurer
- Third ranking in France factoring

Ambition: customer service

On the TNS Sofers' list of prize-winners in relations with customers, Credit Mutuel is preferred by its customers and for the sake of development and its results is an important entity in the financial world.

In the kingdom of customer's satisfaction, Credit Mutuel appears to be a favorite Frenchmen's bank. We are estimated by following criteria: service, proximity, ability to hear, confidence. Customers' expectations are connected with products and high quality services. Credit Mutuel still not only tries to stand out with innovative, competitive and profitable services, but also as a co-operative bank, based on mutuality, is an example company, which exemplifies through:

- A network organisation
- structural proximity with customers
- an original and interactive management
- its philosophy
- its deeds and commitment to social economy

As a bank, Credit Mutuel approaches companies in a humanistic way.

In regard to law matters, decisions more often are taken in Brussels. These reforms in our banks have often a structural nature, because it enables to intensify a consolidated and reliable vision from the point of view of risk, obligations, and commands of inner control...

Cooperative banks should prepare themselves simultaneously and actively to the consequences of acceptance of reform concerning solvency ratio and international accounting standards (IAS).

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Crédit Coopératif Group (France)

Credit Coopératif Group went into institutional and structural changes in 2003, which were led according to the calendar announced in 2002.

In 2003, Credit Coopératif joined Banque Populaire Group, which is the fourth co-operative banking Group in France. Crédit Coopératif took the legal status of *société cooperative anonyme de banque populaire à capital variable* and became a shareholder and affiliated to *Banque fédérale des Banques Populaires*, the common subsidiary of Banque Populaire Group's co-operative banks.

As a consequence, Crédit Coopératif now benefits from the same rating than all the members of Banque Populaire Group (according to Fitch Ratings: A+ on the long term, F1 on the short term, Outlook stable).

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BANCO CREDICOOP COOP. LTDO (Argentina)

During 2003, neither the Economy nor the Argentine financial system showed significant improvements, after the deep crisis suffered in 2001. The Economy increased 8,4%, inflation was only 4% P.A, deposits increased significantly. An incipient process of credit recovery to private sector started and interest rates showed a significant reduction.

In such context Banco Credicoop Coop. L. showed clearly a better performance than the average of the financial system. We have increased our financial market share; we have been on top of the process of credit recovery and active interest rates reduction; we have obtained a great number of new accounts of small and medium sized companies, cooperatives of different sectors and individuals.

We have developed a strong commercial action focused on selling of banking services (checking and saving accounts, foreign trade, credit and debit cards, among others) and related services (personal and corporate insurance, mutual funds, pension funds).

Within a context of general losses in the financial system, Banco Credicoop Coop. L. went beyond the balance point and achieved a modest positive profitability. Patrimonial situation and liquidity of our Bank made possible to meet all our obligations with foreign correspondent Banks even during the most difficult periods of the crisis.

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Cooperativa Nacional de Ahorro y Credito (Uruguay)

Key-financial data:

Own Funds: USD 7.5 millions

Number of members: 254.757

Number of clients: 161.000

Amount of deposits: USD 249 millions

Number of deposits: 181.000

Amount of loans: USD 185 millions

Number of loans: 268 000

Market Share in the banking sector in Uruguay: 9%

Additional data:

General characteristics:

Starting in 1999, the Uruguayan economy has undergone a deep recession. Specifically, during 2002 the largest economic decline in the last 15 years came about with a drop in GDP of 9.4% and an unemployment rate that reached almost 20% of the working population for a few months of the year. Real salary levels fell by 20% during this time. This heightened the problem of emigration which reached a record figure of 70.000 Uruguayans leaving the country in that year.

During 2003, in the main activity variables, COFAC performed significantly better than the rest of the market. This has allowed COFAC to rise in the ranking of institutions, finding itself in 5th place in business volume, 7th place in assets, 7th place in deposits and 5th place in loans to customers.

Structure:

Legal structure:

Cooperativa Nacional de Ahorro y Crédito - COFAC, is a co-operative entity which conducts business as a financial intermediation company under the legal framework established by Decree No 15.322 dated September 17, 1982 and its further amendments.

Description of capital and shares:

Given the legal nature of our institution, the common stock is comprised of Co-operative Shares paid in by our 254.757 members totaling \$244,712 (December 31, 2003).

Mission Statement and Vision:

COFAC is a co-operative institution which provides financial services in an integral way to small and medium-sized Uruguayan economies, promoting co-operative values, continuously improving service quality and acting in a socially responsible manner.

COFAC Vision:

- To be a national financial institution, integrated into a regional and international financial co-operative network.
- To consolidate a financial co-operative conglomerate.
- To be one of the top five banking institution in the provision of services to the Uruguayan non-financial sector.
- To be one of the main facilitators of development in each of the locations in which it operates.

Strategic Planning:

Consistent with its mission to offer solutions for all the financial needs of Uruguayan families and companies, COFAC has promoted over the course of time, the creation of specialized subsidiary companies. This is the case of CABAL Uruguay, INTEGRACION AFAP, SURCO and FOGAR. They integrated the COFAC Group.

- CABAL URUGUAY - Is a payment processor whose main purpose is to offer a variety of both credit and debit cards. As such it administrates the CABAL Credit card, CABAL ATM network and Red CABAL debit card.

- INTEGRACIÓN AFAP - Its the only pension fund manager (AFAP) of private shareholders to have maintained its presence in a market best by mergers. INTEGRACION is also the only AFAP which is co-operative
- SURCO - Is a Co-operative Insurance Company
- FOGAR is a guarantee fund, set up in order to facilitate the loaning process by co-operative financial institutions. FOGAR has the backing of several institutions such as its founding cooperatives, several City Halls, The MEVIR - European Union program, plus entities of promotion and development (Anmype, Youth Vorum, IPRU, The Cardijin Program, and the Swedish Co-operative Center). COFAC has a 39% capital holding in this initiative.

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National Union of Co-operative Banks (Poland)

National Union of Co-operative Banks (KZBS) represents business of co-operative banks' sector in Poland. Statutory activity of the Union is founded upon three main pillars. The first of them means a representation of co-operative banks towards the Government of Republic of Poland, national administration, international authorities and sectoral organizations. The second one comprises monitoring as well as support the development processes of co-operative banks. The third of them means a participation in forming legal acts, regulations and general image of the sector as well as caring for its history and tradition. Affiliating banks, co-operative banks and audit unions are among members of the Union.

Co-operative banks' sector in Poland has a tier-two structure. At the top level, there are 600 co-operative banks, whereas 3 affiliating banks are the second part of the structure. In accordance with this segmentation co-operative banks are affiliated as below:

- Bank of Polish Co-operative Movement affiliates 364 co-operative banks
- Banking Co-operative Group affiliates 157 co-operative banks
- Mazowiecki Regional Bank affiliates 78 co-operative banks

Krakov Co-operative Bank operates outside above affiliations. Its own funds amounts to over 5 million euro and therefore this bank is eligible to operate on its own.

Previous year, 2003, was another period when co-operative banks improved their rank in the market share. Their share in total assets of the sector reached 5,3% of market share e.g. 25,69 billion PLN, what means an increase of 9,7% in relation to previous year. An increment concerning assets of co-operative banks was over double in size comparing to commercial banks. Own funds of co-operative banks grew by 19% at the same time. In the end of the year co-operative banks showed also a better level of credit activity than commercial banks. Receivables of customers and the budget sector increased by 17,6%, whereas in commercial banks by 9%. A pace of an increase of deposit's value was also double in size.

According to development of the sector, KZBS executes a lobbying activity as well as implements initiatives for the benefit of the sector, which should lead to an increase of strength of the capital. An important enterprise took place last year, which brought into existstnace National Credit Guarantee Fund of Cooperative Banks (Krajowy Fundusz Poręczeń Kredytowych). Its goal is to support credit activity of co-operative banks by means of allowing credit guarantees to both small and medium enterprises and individual customers. By reason of the fact, that Poland is going to join European Union, the Fund should raise competitiveness of co-operative banks in relation to commercial banks and other financial institutions.

KZBS activity for the benefit of co-operative banks means, in some measure, a lobbying movement in the sphere of legislation. Last year the Union became firmly involved in works concerning two legal acts, which have an influence on both the future form of the sector and its competitiveness. The act about running of co-operative banks, their affiliating and affiliating banks is the first one among them. Both a direct participation of the Union representation in meetings of Parliament's Committee, which was responsible for the amendments to the bill, and numerous conversations between President of the Union and politicians and representatives of authorities, were essential to implementation of beneficial records for the sector. The matter of capital level requirements is going to be settled. The second bill is the Postal Act. In this case, in spite of strong objection from the part of the sector, the issue went wrong. In June the low was adopted. The Post Office was given a wider range of rights resulting in privileges to execute banking, financial services, which, regardless the Post Office's activities are dangerous to co-operative banks. National Union of Co-operative Banks sued this act to the Constitution Court of Justice for not being conforming to the principle of equality. We have been waiting for the judgment.

Promotion of co-operative values and tradition is another important sphere of KZBS activity. Among effective initiatives are:

- Honorable decorations for remarkable merits to co-operative banking development given to presidents and employees of co-operative banks
- Promotional emblem "Trustworthy partner of KZBS", given to institutions and organizations for high quality services to the co-operative sector
- Co-operative Banking Holiday, dedicated to integration among co-operative banks
- Franciszek Stefczyk Patron Days, in order to support the tradition and mission of co-operative banks
- A competition "Co-operative bank as a partner of local societies" in order to promote social mission of co-operative banks in local environments.

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II. Our opinion...

New Basel Capital Agreement

International Accounting Standards...

New Basel Capital Agreement and International Accounting Standards affect the whole financial world. Thanks to their implementation, financial and cooperative institutions will be granted new global features. The opinions concerning direct consequences of their implementation for particular organizations are different and depend on capitalization and general economic situation in a country. In accordance with it we decided to carry out an sounding among our members regarding an influence of New Basel Capital Agreement and International Accounting Standards, national authorities' approach as well as any preparations in order to their implementation in particular membership organizations.

The opinions we collected, are presented below.

First question: Do you think these regulations are dangerous for your organization and why?

Crédit Mutuel, France – In accordance with New Basel Capital Agreement, Tax Supervision Basel Committee submitted agreement concerning own funds (1998) for thorough reform. Also European Commission is working on this reform and should correlate its project with the project of the Basel Committee. Thanks to this reform, banking sector will be strengthen, but co-operative banks should have and still have to defend own point of view, which sometimes was left out of account.

Plenty of attitudes have been put forward to Basel Committee since 2001: remaining of ratio at the level of 8% of all co-operative banks' capital, consideration of incomes of middle banks to avoid a more difficult situation, precise definition and beneficial risk balance to co-operative banks.

As decentralized banking groups, which are active in the filed of providing finances to small and medium companies, co-operative banks and Credit Mutuel have a double work to do. On one hand together with EACB they have to continue lobbying works, on the other they have to assure genuine preparation works, which involve many people. It is necessary in a co-operative network of Credit Mutuel to change a relative heterogeneity to unification of methods. As a matter of fact, implementation of reforms requires organization and solid information systems, what results in financial means and time (creation and development of information systems, creation of data bases and definition of procedures...).

In connection with International Accounting Standards Europe has tried to harmonize all European accounting standards by its instructions since seventies. Uniform market's ambitions were connected with implementation of common accounting model in order to facilitate of Trans-European investments and exchange.

European Commission turned to IASC (International Accounting Standards Committee) in London, the only, non-American accounting entity worldwide.

European regulation of 19 July 2002 and the instruction of 6 May 2003 make "considerations" of accounting standardization official to UE towards IASB (International Accounting Standards Board).

IAS accounting model, which ideological frameworks are not new (1989), partly takes pattern by the American model (US GAAP, comprised in the form of FASB system – Federal Accounting Standards Board) and privileges meeting the information needs of stock exchange investors.

Financial statements are constructed to reflect financial situation of a company (exemplified by a new technology of international standards: IFRS-International Financial Reporting Standards) and to ensure a joint-stock method of management.

In accordance with this rule, IAS/IFRS standards privilege fair value in fixing of the price of assets and liabilities, in the place and position of the asset accountancy "historical costs". It expresses a totally different vision from the European approach of measuring a company's value and results.

Finally, IASB is going to acknowledge member's shares as "under the obligation instruments" (IAS 32), what could result in an obvious and simple questioning of co-operative method of management.

Credit Mutuel objects to such vision of co-operatives' book-keeping and has presented its attitude towards national authorities on many occasions.

Acceptance of IAS 32 standards by UE would lead to changes in classification of members' shares in co-operatives (basic capital) converting them into liabilities.

The result of such presentation is negative (what would say a shareholder taking care of financial liquidity of a bank after reading a balance sheet, where basic capital would equal zero?). However the regulation authorities (Banking Committee) declared, that they wouldn't raise a question apart from accounting approach, integration of members' shares with basic own funds. Finally the rating agencies (S&P, Fitch and Moody's) should also adopt this approach. For its part, IAS 39 would lead to a considerable increase of volatile own funds and results. At the moment IASB doesn't recognize the macro cover, which so far has been applied in France. Specifically it means:

- according to application period, amortization of capitalization should follow
- implementation of norms is connected with changes regarding configuration of accounting information systems and management
- finally the change of financial communication between offices

The sphere of IAS comprises in the field of Mc Donough ratio. Approximately there will be a need of 5 – 10 years to implement this model by banking network the more so many points need to be explained.

Taking into consideration the consequences, Credit Mutuel would declare for an agreement with co-operatives as well as French and European banks in order to defend common attitude. Credit Mutuel, which is in the chair of EACB (European Association of

Co-operative Banking) and CCACE (Coordination Committee of Associated Co-operatives in Europe) led the struggle in the name of defense of statute of members' shares. Following arguments have been put forward:

- concerning IAS norms: decrease of own funds, fall of own funds' ratio, more difficult and more expensive access to financial means and funds, decline of ratings, or even a possible influence on perception of members' shares by Basel Committee. In some countries a new founded co-operative will not have capitals, what raises a question of statutes of co-operatives.
- on the subject of logics and conversion of members' shares into debt: legal conflict between IAS 32 standard and acts concerning co-operatives (law from 1947, France) and with all recently European regulations (discrepancy with European law), discrepancy with the rule of European public interest (in general), (legislation 1606/2002 dated 19th July 2002), technical arguments (reminder of the key-points differentiating member's shares from debts: maturity, assignment of annual profit by General Assembly, conditions of repayment of members' shares). As a consequence, the co-operatives turn to IASB to add a mention concerning IAS 32, indicating, that members' shares will be considered as a part of capital. IASB assumes that approach of members' shares is a problem, but privileges the quick acceptance of IAS 32 referring to IFIRC's explanations.

Lobbying action is fruitful because European Commission postponed the acceptance of IAS 32 and IAS 39 for September 2004. The Commission prefers waiting until a project of changes of these standards will end. Supplement of IAS 39 standard (regarding macro cover) is expected until March 2004 at the latest. Finally, in accordance with 32 standard, IFRIC/IASB explanation should enable co-operatives to see acceptance of their arguments. However, so far, despite progresses of conversations, these two standards are the basis of unanimously disapproval from the point of view of co-operative banks.

Desjardins Group, Canada – With respect to the New Basel Capital Agreement our answer is no. In fact, we are of the opinion that it is in the best interest of both the financial institution and its members/clients to improve its practices in the area of sound financial and integrated risk management. The market is moving in this direction and rating agencies are increasingly paying attention to the corporate position taken by financial institutions in this regard. If Desjardins wants to maintain its high credit ratings and maintain its competitiveness, it must follow the new rules. This is why Desjardins decided in 2002 to comply with the advanced methodology proposed by the Accord. This will take place over a few years.

Some 44 million euros have been set aside in preparation. Based on our analyses, we concluded that compliance with the requirements of the Basel Accord will enable us to free up more than 300 million euros in capital which the another benefit derived from the future application of the new rules. A representative from Canada has a seat on the Basel Committee and obviously supports the new Accord. For the moment, the Inspector General for Financial Institutions (IGIF) of the province of Quebec has not yet tabled his position on this issue.

The IAS 32 norm has little impact on the Desjardins organization. Its qualifying shares, of a fixed par value of 5\$, are non-remunerated and payable to the member only when he or she leaves the cooperative. Following negotiations with the regulatory authorities, the Desjardins caisses obtained in 2003 the right to classify these social shares in their tier-two capital, within the limit of one share by member and per caisse. Above these limits, these social shares are considered as debts. The total amount of

these shares equaled 26 millions Canadian dollars (16 million euros), namely barely 1% of the total equity of 5.6 billion dollars (or 3,4 billion euros).

Furthermore, Desjardins created in 1990 the "permanent shares" which, because of their characteristics are classified as tier-one capital. These shares have a par value of 10\$. They do not carry any voting rights and cannot be redeemed. They can however be transferred between members. Their remuneration is limited by a ruling of the federation which sets a maximum rate. Stabilization reserves have been constituted by the caisses to guarantee the remuneration of shares, should surplus earnings were insufficient at a given time. The total amount of these shares in 2002 was evaluated at 802 M \$ (516 million euros). There have been nine share issues but none in the last four years.

Thus, all things considered, the qualifying shares and the permanent shares combined amounted to only 15% of the total equity in 2002. Desjardins would not be at much risk should it be forced to classify these shares as debt in the future, given the importance of its reserves making up roughly 76% of the equity. Also, through the subsidiary Desjardins Capital inc., the Group can issue subordinated debentures which are considered as tier-two capital. These issues after amortization totaled 973 M\$ (627 million euros).

Crédit Cooperative Group, France - Both regulations have significant impacts on banking activities and imply important investments, that small and medium banks have more difficulties to support than big banking groups, as these investments have a high fixed cost which is the same for every bank, regardless of its scale.

The main danger of the International accounting standards, as far as co-operative banks are concerned, is that they do not recognize the status of cooperative shares as capital but consider that they should be accounted for as liabilities. This is a serious issue for co-operative enterprises (not only for co-operative banks), as it will have a negative impact on their balance sheet and complicate their access to finance.

As far as cooperative banks are concerned, a decrease of their capital could also have a negative impact on their activity, as the solvability ratio fixed by the Basel Capital Agreement set the amount of loans that can be undertaken by each bank according to the amount of capital withheld, a decrease of this capital having a direct impact on its banking activities. Even though European prudential regulations still consider cooperative shares as capital, it cannot be excluded that the new IAS framework will imply, on the long run, basic changes in these regulations which would have a strong negative impact on co-operative banks financial ratios.

National Union of Cooperative Banks, Poland – At the present time Capital Agreement and IAS regulations are dangerous for cooperative banks in Poland. Any problems resulting from adaptation of New Basel Capital Agreement appear to be connected with finance and technology. Fundamental difficulty arises from the fact that the international legislator tries to adjust criteria of big financial holdings to small cooperative banks. Adjustment of estimation concerning capital adequacy to basic elements of banking risk and an increase of effectiveness of inner method regarding measurement of risk, will bring out, that cooperative banks in Poland will be forced to generate additional means at the cost of own funds. In accordance with necessity of obtaining capital thresholds (500 000 euro by 31.12.2005 and 1 million euro by 31.12.2010) this problem acquires other meaning. The same thing concerns IAS 32 norm, which, in relation to cooperative banks, means a decrease of own funds and transfer of members' shares

to liabilities. An acceptance of this standard may lead to many adverse changes, including changes in statuses of co-operative banks, rapid changes of capital in relation to liabilities as well as adulteration of co-operative bank's image. The consequences regarding above changes may result in liquidation of many co-operative banks, because they won't be able to meet specified requirements and compete with commercial banks.

Banco Credicoop Coop. Ltda., Argentina - Much more severe regulations than those of Basel entered in force in Argentina as of 1995. However, this did not prevent the outbreak of a banking crisis originated in macro economic unbalances.

As of the crisis of 2001 Central Bank of Argentina set up new regulations for capital which are in line with principles of Basel I, though with the difference of establishing similar capital requirements on national public debt to those in force for the loans to the private sector.

So far the entering in force of Basel II regulations is not planned.

For Banco Credicoop Coop., in particular, the current capital requirements are not a problem as we count on a considerable excess of capital integration face to the minimum requirements.

National Agricultural Cooperative Federation, Korea - We estimate that if the NBCA is applied, our BIS ratio will decrease by 0.8% and so as to meet the same level of BIS ratio of peers in the financial market, we need additional capital amounting of KRW 5.5 trillion due to the increase of credit risk and new operational risk.

COFAC, Uruguay - Yes, they are dangerous; there is a risk which implies that these regulations stop the cooperatives working on micro enterprises.

Second question: - Has your Government made any efforts to diminish disadvantages caused by implementation of these regulations?

Desjardins Group, Canada – The government does not intervene at all in the normalization process of such activities in Canada

Credit Cooperative Group, France – As far as France is concerned, our President Jacques Chirac sent a letter to Romano Prodi in order to point out the dangers that IAS 32 and 39 could have, were they implemented in their actual form. It was taken into account by the European Commission, which urged IAS Board to improve dialogue and consultation with the representatives of the banking sector, including co-operative banks on the question of co-operative shares. Even though it gave us the possibility to express the position of co-operative banks, it is not yet sure whether we would finally obtain what we are fighting for or not.

National Agricultural Cooperative Federation, Korea – Government formed the Task Force Team consisted of representatives of each bank in Korea to prepare for the Basel II implementation in April last year.

After evaluating the impact of New Basel Accord to the domestic banks and comparing with foreign countries, at the end of this year Government will announce provisional official application method.

COFAC, Uruguay – No, unfortunately, the strategy of Uruguayan government, has being to obey precisely, the New Basel Capital Agreement

Third question – Has your organization already made any preparations regarding implementation of these regulations?

Desjardins Group, Canada – Regarding the New Basel Accord, Desjardins is currently working towards the objective of meeting various levels of standards corresponding to different timeframes.

Credit Cooperative Group, France – Crédit Coopératif is well prepared to the implementation of the New Basel Capital Agreement and invested significant human and financial resources in 2003 in order to build an internal ratings-based approach (IRB), in co-operation with the experts of *Banque Fédérale des Banques Populaires*.

As far as the International Accounting Standards are concerned, little can be done yet as many points still need to be clarified, in particular but not exclusively the status of our shares.

National Union of Cooperative Banks, Poland – First of all, Polish cooperative banks conduct an intensive campaign informing about threats concerning these regulations. Different meetings with representatives of banking supervision, National Bank of Poland and national authorities have been organized. We believe that thanks to this dialogue we will be able to diminish negative results of implementation of these regulations.

National Agricultural Cooperative Federation, Korea – NACF has developing New Credit Management System since April of last year and will finish the development of new system in the latter part of this year. We expect that by using this new system, we can manage the credit risks to come up with the New Basel Accord

COFAC, Uruguay - Yes, The CACIF, Cámara de Cooperativas de Intermediación Financiera, -which join all cooperative banks in the country - is working on make a different proposal to the Uruguayan Central Bank (BCU).

III. From agenda of ICBA Executive Committee's members...

Banco Credicoop informs...

This year we are going to celebrate the 25th anniversary of Banco Credicoop Coop. as it was founded on March 19th 1979 as the result of the merging of 44 societies of co-operative credit. In order to celebration of this important event in the life of our organization this important event in the life of our Organization different acts are being organized in each branch as well as a series of regional acts in different places of our country. The goal of such activities is to strengthen our institutional life, reinforcing the ties with our members, with the members of the local communities (municipalities, cooperatives of other sectors, mutual associations, business associations, working associations) and with the national and provincial authorities.

Fédération des caisses Desjardins du Quebec announces...

The Desjardins Group will hold its Annual General Assembly on March 27th 2004

Groupa Crédit Coopératif would like to outline...

In 2004, Crédit Coopératif has adopted an ambitious plan to develop its activities, taking advantage of the new facilities offered by its recent membership in Banque Populaire Group. New fields of co-operation will be explored, in order to broaden our offer of banking products and services, seek functional improvements and reduce operating costs with scale economies on many technical issues.

In the field of co-operation and social economy, Crédit Coopératif will play an active part in all the events which will take place in 2004, one of which being the organization of the Krakow Social Economy Conference in October 2004.

Agenda of National Union of Co-operative Banks presents itself as follows:

26-27 June – Co-operative Banking Holiday in Konin, dedicated to integration among co-operative banks

1-3 July – Annual journey of co-operative banks' delegation to Lwów, (Ukraine) to pay a tribute to Franciszek Stefczyk memory at his grave (the patron of Polish co-operatives)

End of September – General Assembly of National Union of Co-operative Banks

27-29 October – II Social Economy Conference for Middle and East European Countries together with the Seminar "Cooperative Banks: partners of rural development" under the auspices of National Union of Co-operatives Banks

Together we will meet at:

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

23 - 24 September - ICA European Regional Committee Assembly in Warsaw

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