Orusts Sparbank

Same ideas, different perspectives

Author: Yasmine Johansson
Supervisor: Professor Thomas Polesie

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Preface

When looking back at the time period in which I wrote this thesis, I am almost surprised as I recognize how much this thesis has developed me as a person. Before this term, I would not have believed in that I should have the strength to walk up to the front row and occupy the seat next to Maud Olofsson. Neither would I dream about picking up the phone and settling a personnel meeting with some of the most respected persons when it comes to the Swedish economy.

I will never forget all the persons I have met through my interviews which all have greeted me with a large smile. It is almost impossible to tell how grateful I am over having been given the opportunity to make all the interviews and share thoughts about the subject. Especially thanks to: Tommy Svensson, former CEO of Orusts Sparbank; Ragnar Udin, former CEO of Sparbanken Alingås; Magnus Flyckt, CEO of Tjörns Sparbank; Inger Nordling, Sparbankernas Riksförbund; Lena Silen, Sparbankernas Riksförbund and Mattias Örnulf, Sparbankernas Riksförbund.

Nonetheless, I have had a great team supporting me throughout every step concerning the process. My supervisor, Professor Thomas Polesie, has always been just a phone call away. Thomas has developed me as a person but also my thesis through invaluable insights, ideas and overall support from the start of the thesis until the final version was ready.

Finally, I will probably not be able to thank my family enough. You have all been the sunshine in my life and always believed in me no matter if the sun was shining or the rain was pouring down. At last, but not least, Xena my beloved cat who stayed up with me during all the late nights and always gave me something to smile about. Not to mention all the times I had studied for far too long and you forced me to at least get some sleep through simply and insistently laying down without moving on the things I worked on at the moment.

Thanks to you all, I owe you all incredibly much!

Yours truly,
Yasmine Johansson
Abstract

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Author: Yasmine Johansson
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Background: During the latest decades, major changes have occurred within the sphere of the Swedish savings banks. New legislations demand increased capital adequacy regardless the type or size of the financial institutions that have to obey the new legislation. Nevertheless, European savings banks further developed the idea of the traditional savings bank and in some countries ousted the commercial banks. As the possibilities for development have differed among the countries and the Swedish savings banks have developed in different ways too. In order to face future changes in the local society, the traditional savings banks future is and needs to be discussed.

Study: This study is based on one of the research proposals given by Olsson (2009); The local society’s influence on the performance of savings bank is discussed with Orusts Sparbank as main participant. Hence, a comparison is made with the modern savings bank Sparbanken Alingsås as well as the traditional savings bank on Tjörn is presented from the CEO, or former CEOs perspective. Connections to the traditional idea of the savings banks are discussed.

Several changes are influencing the sphere of the savings banks. Therefore, the chosen savings banks and their beliefs about the nearest future are discussed.

Method: Qualitative approach is chosen and implemented through the service management system. To determine possible financial influences from the local society among the chosen savings banks, the rectangular model is used.

Conclusion: Through the conference `Days of growth´ and interviews with CEOs, it is revealed that the savings banks today address the traditional ideas of the savings banks but in different ways. Moreover do the savings bank strives to find new options to develop in directions that strengthen the knowledge of how the idea of the traditional savings banks should be interpreted. As a summary; Same idea, but with different perspectives due to the design of the local society.

Orusts Sparbank successfulness is based on the relationship with the local society. Main factors are: Low costs, maintain earned knowledge within the bank, high predictability long-term perspective ensure profitability, customer satisfaction and a joint community involvement.
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1. Introduction

The focus is upon the development of mainly Orusts Sparbank, how the ideas of the savings banks are used and which beliefs the chosen savings banks have about the nearest future. Therefore, this chapter contains a presentation of the background and discussion about the chosen topic. Furthermore is the aim, purpose, formulation of research question and scope presented. Finally, the structure of the thesis is presented.

1.1 Background

One of my earliest memories involving a bank was when I went to visit a bank with my mother. I remember how I admired the noble oak which symbolized the bank. A few months later, as we drove by the same bank, I suddenly recognized how both the oak and the name of the bank looked different. Inquisitive as I was, I had to ask how banks could change the name so rapidly. The answer to the question was that the old bank had to merge with some other banks in the area in order to become more competitive.

Even though this example illustrates how a young person notifies the changes in her surroundings, another angle is clarified too. The change of name was notified but I did think of the bank as an ordinary bank instead of a savings bank. In Sweden, there exists five different categories of banks; Foreign banks, branches of a foreign bank, Swedish banks, member banks and savings banks. One of the things that they have in common is the fact that they all have received a concession of the government and are thereby permitted to provide financial services on the financial market in Sweden (Swedishbankers, 2010). Nevertheless, the differences between an ordinary bank, for instance SEB, and the savings banks are to be found in the traditional idea of the savings banks:

- All savings banks in Sweden share the same origin as they promote thrift, the aid to helping oneself and promote the value of having a healthy economy (Sparbankerna, 2011a).
- Moreover, savings banks operate within the local society and provide the society with a financial infrastructure through their offices in the local society (Sparbankerna, 2011a).
- Instead of handing out dividend, the savings banks invest the profit in the local society or in the bank. Through this, the savings banks operate in order to create growth and wealth in the local society (Sparbankerna, 2011a).

The first savings bank in Sweden was founded in 1820 and several of the savings banks have managed to survive the structural changes in the society and on the financial market through have the ability to adjust. New technology changed the internal conditions for the bankers (Göransson, 2009) but the major changes were external. For instance, the customer demands shifted, a new legislation gained force in 1969 and suddenly all Swedish banks were given the opportunity to compete on equal terms. The deregulation in the 1980s combined with the inflationary economy lead to rapidly increased credit granting. People started questioning the existence of savings banks on the financial market in Sweden due to that the structure of the savings banks were designed to promote thrift, not to compete with

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1 For instance, card dispensing machines provides the local society with cash and savings in the bank is the basis for the credit granting in the area.
other banks. This discussion has once more gained importance due to future implementation of the framework *Basel ii*.  

1.2 Problem Discussion  

The importance of having savings banks in the local society has long been maintained and, as time passed by, the original idea with the savings banks, to promote thrift through give aid to help oneself, seemed to become old-fashioned. But the traditional ideas of the savings banks fulfill an important function in the local society and especially in rural areas which no other bank types are physical attendance. Therefore, on one hand, the necessity of adjust to changes in the local society can be crucial. On the other hand, one proposition emphasize that the only way for savings banks to survive future changes is to regain the lost leadership on the financial market in Sweden (Olsson, 2009; Silver, 2008; Köhler, 1996; Forssell, 1992; Pettersson, 1989).  

The latest trends among the Swedish savings banks were revealed under a debate during the conference ‘Days of Growth’ that occurred on the 17th and 18th of March 2011. Initiators of the conference were *Swedbank* and *Sparbankernas Riksförbund* and the focal themes were how to create growth in Sweden and how the Swedish savings banks should survive their 200th anniversary. The debaters all agreed upon that the idea of the savings banks barely had been more popular than today but also that the needs to further develop the ideas are a necessity (Mårtensson, 2011). During the debate under *Days of Growth* suggestions coping with how to develop the savings banks in Sweden enlightened the existence of various opinions. For instance, one opinion concerned the necessity of profitability and growth combined with supporting the public welfare (Johansson, 2011 & Mårtensson, 2011). Whilst other debaters argued that the savings banks had focus too much upon the public welfare instead of promoting thrift among the households and thereby operations ed too far away from the traditional ideas of the savings banks (Collert, 2011 & Körberg, 2011).  

Today, the savings banks and Swedbank have a profound collaboration but opinions differed whether about the prospective of this collaboration. On one hand Collert (2011) emphasize the necessity of deepen the collaboration with Swedbank whilst Mårtensson (2011) mentions the importance of further develop the collaboration among the savings banks. On the other hand opinions about the necessity of creating a sphere of savings banks that are completely independent of any type of collaboration besides with other savings banks. As a suggestion, Svensson (2011b) mentioned the possibility of forming a collaboration with savings banks in Norway and Finland.  

In this study, the chosen savings banks will be interpreted from the traditional ideas of the savings banks perspective. Initially, the history of the savings banks and the design of the sphere of savings banks today will be described (chapter 2) in order to facilitate to identify factors that influence mainly *Orusts Sparbank*. Hereafter, the possibility of interpreting the beliefs about the nearest future from the perspective of the three savings banks is made. Below, the research question is presented.

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2 Framework concerning capital adequacy quota.  
3 Description of the collaboration and the numerous relationships within the sphere of the Swedish savings banks are to be found in chapter 2.  
4 Briefly described in chapter 1.1 and further discussed in chapter 2.
1.3 Formulation of question

In order to fulfil the aims of this thesis, the following research questions were formulated:

*Which influence does the local society have on the performance of Orusts Sparbank?*

*What will it take to remain independent?*

*What views do the chosen savings banks have about the traditional ideas of the savings banks today?*

*Will the Swedish savings banks survive their 200th anniversary?*

1.4 Scope

The scope is based upon one suggestion for further research provided by Magnus Olsson’s doctoral thesis. The proposition concerned how the local society in which the savings bank operates influences the performance of the savings bank. Hence, this study will focus mainly upon how the local society on Orust influences *Orusts Sparbank* from the perspective of the bank.

The scope of this thesis is confined to established definitions of the savings banks and the traditional ideas of the savings banks. A well-known way of investigating service-based savings banks, such as savings banks, has been combined with a well-esteemed method of examine the financial situation of mainly *Orusts Sparbank*. Due to the little amount of literature concerning Swedish savings banks, the thesis will combine literature concerning Swedish savings banks with literature that also include European savings banks. Nevertheless, suggestions for improvement due to the literature review are not included in the scope of this thesis.

Since various savings banks have defined the traditional idea of the savings banks in different ways, there might not exist one best way to analyze how the traditional ideas of the savings banks are put into practice today. In other terms, the chosen savings banks will affect the view of the traditional ideas of the savings banks in this study. Thereby, the scope of this investigation is constrained mainly to the three chosen savings banks with main focus on *Orusts Sparbank*.

Within this investigation, the view from the CEO or former CEO of the chosen savings banks are presented as well as parts of a debate and the perspective from locals on the isle of Orust. The respondents that participated in this investigation might be representative for the sphere of the Swedish savings banks but whether that is the case is outside the scope of this thesis.

Furthermore, the study has been confined due to practical limitations such as empirical data have been gathered through savings banks located near Gothenburg. Thereby the study focus upon the chosen Swedish savings banks, the definition of the traditional ideas of the

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5 Through the Service Management System
6 Through the Rectangular Model
7 Stated by professor Magnus Olsson and professor Lars Silver among others
savings banks as well as successful factors might be defined differently in other than the chosen savings banks.

1.5 Structure

Further disposal can be diversified in to three parts. Firstly, the base of the thesis is provided through part one since it compose the presentation of the research question (chapter 1) followed by the historical overview (chapter 2), the frame of references (chapter 3) and the method used in the thesis (chapter 4).

Hereafter a description of the thoughts in the sphere of the savings banks (chapter 5) combined with the core of the thesis; the description of the three banks (chapter 6 and 7).

Finally, the interpretation of how the ideas of the savings banks takes action in the three the savings banks are provided (chapter 8) combined with their belief of the nearest future. Contributions made thanks to this study and aspects for further studies are given in the final chapter (9).

The design of this study can be seen as the structure of the Gullmarsfjorden, a threshold fjord located near Orust. Towards the sea, the Gullmarsfjorden face the rest of the world in a similar way that the research question and the previous studies in this thesis does. In the middle, the Gullmarsfjorden reaches its shallowest part and the study reaches its concentration around the three chosen savings banks before a new world opens through the final part of the thesis.
2. The Swedish Savings Banks

Unawareness about one’s history makes it difficult to understand the present time and makes it almost impossible to predict even the nearest future. Thus, the reader is given a review of the development of the Swedish savings banks. The historical section is followed by an overview of the outline of the sphere of the Swedish savings banks today.

The greatest difference is to be found in the original idea of a savings bank. Savings banks are committed to focus on the local society since the original idea of a savings bank is to encourage thrift amongst the general public in the nearby area. This is possible since the savings banks can be compared to a foundation since they do not have any owners (Sparbankerna, 2011a).

Another difference between a savings bank and, for instance, a commercial bank is the fact that a savings bank is governed by 40 trustees. Through this, politics might be able to affect the bank since half of the trustees are chosen by the county (Olsson, 2009). The rest of the trustees are elected by the ones elected by the county and the final 20 trustees can therefore sustain any person from the society which seems proper to the position. The aims with the trustees are, together with their rights and duties, regulated in the Savings banks Act (1987:619) (henceforth Sparbankslagen). Based upon this legislation the trustees are, for instance, the ones to elect the board and choose how the profit shall be disposed. Furthermore, the regulation specifies the number of the trustees (Sparbankslagen 1987:619).

2.1 History of the Swedish Savings Banks

In 1820, the first savings bank in Sweden was established by Eduard Ludendorf after a Scottish prototype. The foundation of Göteborgs Sparbank occurred before all commercial banks in Sweden and was a way to decrease the large-scale unemployment that existed in Gothenburg at the moment. Through the savings bank, poor persons and households should be given the opportunity to put savings a way in order to gain economical security and flexibility through letting the savings yield interest. At the same time, resources available for the benefit of everyone in the society were created since the savings banks made reinvestments within the local society (Sommarin, 1940).

Throughout the subsequent 100 years, savings banks were established all over the country and in 1928 the amount of savings banks in Sweden had reached a quantity of 498. The fundamental success was the fact that the ideas of the savings banks were so simple that they became ingenious (Körberg, 2010). The principles are still today:

- To promote thrift among the general public. Do not buy anything unnecessary; put your savings in a savings bank and receive the highest interest yield (Sparbankerna, 1953).
- Savings banks operated only in the local society.
- The money-lending operations that the savings banks established in the local society helped to create a stronger society.
- Local networks were used in order to facilitate the decision-making process.
- Savings banks operated without a private interest since the profit became reinvested in the bank or the local society.
Between 1920 to 1970, the savings banks developed rapidly since there was a period of powerful growth within the social structure in Sweden at that time. In fact, it is possible to think of the development of the savings banks as a reflection of the development of the society. Furthermore, in 1972 a vigorous collaboration with the Swedish Savings Banks Association and Sparbankernas Bank was established (Hessling, 1990).

Between 1950-1980, there was a time period in which the savings banks had the front position in the banking system. Providing services towards the households were of most importance and the customer orientations were essential. Hence, the development of card dispensing machines and the usage of cards was an effect of the service-mindedness among the savings banks. At the same time, the Swedish savings became well-known as the house-building bank. The legendary Sven G. Svensson was a prime mover and during this time period, the first housing loans on a long-term basis were established thanks to the savings banks (Körberg, 2006).

Nevertheless, until the end of the 1970s, the amount of savings banks decreased from 498 down to approximate number of 300 remaining savings banks. Main reason for this sudden drop was the occurring fusions but still, all Swedish savings banks followed the fundamental principles and the major county savings banks had not yet entered the market. The first major county savings bank was established in 1982 through a fusion between Göteborgs Stads Sparbank and Stockholms Sparbank. During the following two years, several fusions lead to the creation of, for instance, Sparbanken Alfa, Sparbanken Nya and Sparbanken Väst (Körberg, 2006).

Nevertheless, the fusions created disorder and combined with the effects of the new legislation; the deregulations; the inflation and the money-lending operations under the 1980s created a state of disequilibrium on the financial market in Sweden. This turbulent time period ended up in the real estate crisis in the early 1990s and this in its turn forced the fusion between the eleven region savings banks and the Sparbankernas Bank. Thereby, Sparbanken Sverige was created. At that time, the traditional savings were approximately 131 and had autonomous offices that focused on the previous mentioned principles. This situation was created by the abolishment of the traditional savings banks idea among the major county banks. During the 1980s, savings rapidly decreased as the usage of credits became the latest fashion. Old principles concerning operating without a profit interest became untenable as the main shareholders had to dispose some stocks in order to have the ability to handle the consequences of the real estate crisis. Nevertheless, the savings banks foundations possessed the major part of the stocks and should have had the opportunity to effect the developments (Körberg, 2010).

In 1997, Föreningsbanken and Sparbanken Sverige is united into Föreningssparbanken and the fundamental principles were preserved as the bank focused upon operating in a way suitable for customers, personal, society and shareholders. The major change occurred in 2004 as the directors of the board decided to transform Föreningssparbanken into an international commercial bank. The new name of the bank became Swedbank but the major

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8 CEO of Svenska Sparbanksföreningen that, together with his co-workers, created an era of responsibility combined with freedom became the platform for the development of new innovations among the savings banks.

9 In Swedish: Länssparbank

10 In 1968, the savings banks were allowed to approve loans to savings banks. This allowed the savings banks to compete on the same terms as the commercial banks.
change was the fact that the directors of the board chose to invest 20 billion in risk capital within the Baltic States. The main shareholders, that is to say the savings banks foundations, had the possibility of taking action but instead, they focused on promoting thrift and achieving salutary operations. As the foundations did not think the dividends where enough, they also chose to lend money on the stocks in Swedbank in order to gain even more power. Soon, action not in line with the traditional savings banks ideas almost forced Swedbank to file for bankruptcy. Today, Swedbank instead enlightens the connections to the traditional history and origin from the savings banks (Swedbank, 2011).

2.2 The Sphere of the Swedish Savings Banks

The sphere of Swedish savings banks contains several various actors and the relationships between them are not easy to understand. This section is designed as an overview of the sphere in order to facilitate for the reader to understand the interrelationships in the sphere.

- The Swedish savings banks are an unique form of business association that obeys under the Sparbankslagen. The lack of owners ensures that the profit is reinvested with the main goal to develop the local society.
- Limited savings banks are former savings banks that have chosen to transform into a limited bank. Even though the transformation is a irreversible act, some savings banks finds this solution a necessity as it becomes possible to regenerate equity capital from the share holders. This type of bank provides dividends to the foundation that is in charge of the shares. Limited banks can be completely owned by the foundation or partly owned by the foundation and Swedbank. Nevertheless, the limited bank still focuses upon the traditional idea of the savings banks.
- The savings banks foundation is a foundation that is established when a savings bank transforms in to a limited savings bank. This type of foundation have two aims, firstly, to promote thrift and wealth within the local society and, secondly, to fulfil the role as the owner of a savings bank.
- When it comes to membership, 62 out of 64 savings banks are members of The Savings Banks Association. The main goal of the association is to act as a negotiator on behalf of the savings banks. For instance, the savings banks association negotiated with Swedbank about the terms of the new agreement. Moreover, the association represent the savings banks when contact with the government is necessary.
- The Savings Banks Academy is a non-profit savings bank that promotes the history and the values of the savings banks through, for instance, supporting research that is beneficial for the members of the sphere.
- The insurance company Folksam and the savings banks own a minimum of 20 percentages of the shares in Swedbank. Through this ownership, the savings banks are benefited by a collaboration that covers financial services abroad, automatic transaction machines and also providing a solid IT-platform. Thereby, possibilities of economics of scales help ensuring that the countryside of Sweden is provided with a stabile financial infrastructure.

11 Sparbanken Öresund is the result of the fusion between Sparbanken Finn and Sparbanken Gripen. There is no existing type of collaboration between Sparbanken Öresund and Swedbank or the savings banks association. Despit the fact that Sparbanken Öresund do not obtain any benefits based on economies of scales have Sparbanken Öresund managed to increase market shares from commercial banks in Malmö.
3. Frame of references

This chapter provides the theoretical framework that is essential in order to address the aim and answer the research question. In the first part, the capital structure development and the profit allocation through projects among the European savings banks are described. In the second part, the reasons for why some Swedish savings banks chose to convert whilst other remained as traditional savings banks. In the final part, the method to describe the position of todays Swedish savings banks is presented. This method is used in combination with two financial models that are to be found in chapter 4.

“Can we know the risks we face, now or in the future? No we cannot. But yes, we must act as if we do” (Douglas & Wildavsky, 1992)

3.1 Capital structure

The history of European savings banks enlightens several examples of severe problems with regenerating equity capital may cause limitations of handling unexpected credit losses as well as expected credit losses (Forsell, 1992). One main reason for this problem is that savings banks only can regenerate capital through profit deposits that origins from deposits from the general public and the equity capital (Rodriguez & Andersson, 2006; Olsson, 2009). With minimal abilities to regenerate equity capital, some researchers argues that the traditional savings banks are to be seen as dionouars that with the current design no longer fulfill a function on the financial market in Sweden (Pettersson, 1989). Those who disagree with this idea may assert that the Swedish savings banks are, on one hand fulfill an important function since financial infrastructure is ensured in rural areas without physical presence of commercial banks (Silver, 2008). On the other hand, savings banks are very resistent due to high margins between borrowings and credit granting strengthen the equity capital in the bank (Carbó, Gardener, Williams, 2002; Olsson, 2009). This way of strengthen the financial situation in Swedish savings banks is possible since the trustees that govern the savings bank must the profit be disposed through reinvestments in the bank or projects that are beneficial for the local soicety that surrounds the bank (Sparbankslagen 1987:619).

If a traditional savings banks wishes to expand the activies through, for instance, a new office, the need of regenerating capital might be an urgent matter. Drastic final outcome among the savings bank is that traditional savings banks can be forced to convert in to a subsidary bank to find a way to regenerate capital (Forssell, 1992). Todays design of the legislation do not handle a traditional savings bank differently in comparision to a subsidary bank but this might change in future legislation (Silver, 2011).

European savings banks have had the same problems concerning regenerating capital but different solutions have occurred. For instance, in Norway, the savings banks have implemented savings banks shares which almost fulfill the same functions as ordinary trustees or shareholders. Shareholders are able to buy shares in the savings bank but the total amount of shares owned by shareholders can not exceed 40%. In return savings bank provides dividend and the right to vote concerning future directions of the savings bank.
Through this, shareholders are able to provide new capital to the savings bank if necessary (Silver, 2011; Köhler, 1996).

German savings banks are equal to the savings banks in Sweden but the German savings banks are protected by the law combined with the prohibition against transform in to a subsidiary savings bank (Köhler, 1996; Williams, 2002). Nevertheless, legislation do not prohibite merges between German savings banks which recently decreased the amount of German savings banks. Main reasons for merges are advantages in terms of economies of scales and enlarged volumes which decrease costs connected to technology use and facilitates for the customers which can make bank errands on more bank offices than previously (Silver, 2011; Carbó-Valverde, 2003). Economies of scales combined with ideas of becoming an addition to commercial banks have aggravated the trend of mergers among German savings banks as well as American savings banks (Jagtiani, 2008; De Young, et. al, 2004).

During the latest decades, aggressive expansion and profit maximization have created a radical growth among the Spanish savings banks. Traditional credit granting to households have shifted towards providing credit to business (Illueca, et. al. 2007). The direction of which the Spanish savings banks have taken is a result of governance from the perspective of the management in the banks and the bankers, not from the customer perspective (García-Cestona, et. al. 2008). Critics argue that the Spanish savings banks have abandoned the traditional ideas of the savings banks since the commercial banks in Spain have been ousted. In EU, a committee examines whether a new legislation concerning savings banks is a necessity due to the competitiveness and effectiveness the Spanish savings banks possesses (Williams, 2002). Main reason is that the savings banks capable of buying other banks but cannot be bought itself contradicts to the principles of EU (Silver, 2011).

Still, it is more common among the savings banks to fight for the survival instead of buying other banks. For instance in Austria, the savings banks have disappeared from the financial market in Austria since the decision was made to join the commercial banks in Austria. Today, a commercial bank have chosen to start a small-scale type of bank that provides financial services to customers that no other bank wishes to handle (Köhler, 1996; Silver, 2011).

One of the reasons why savings banks remain on the financial market is linked to the local connection. Through local presence, savings banks are provided superior information about the customers as well as the operative market that makes it possible to compete, or in some cases oust, commercial banks (De Young, et. al., 2004). Research enlightens the negative trend concerning personal connection between bankers and customers, regardless if the customer is residential or not (Ding, et. al., 2007). Therefore, savings banks in Sweden also possess a unique situation in Sweden since there do not exist another type of financial institution with focus upon strengthen the locals society through various activities (Silver, 2011).

3.2 Profit Allocation through Projects

Among the European savings banks, there exists several different ways of interpretation of how profit allocation through projects supports the society in the most proper way. For instance, German savings banks invest in order to improve the financial awareness among
the customers. Through influencing the way the customers view the financial environment and promote thrift in the local society, the German savings banks way of allocate profit creates a base for entrepreneurial savings banks and university students (Silver, 2011).

The newly re-started Austrian savings banks fulfil the original idea of the savings banks, to provide financial support and promote thrift among the ones that no other bank would accept as customers. This way of acting differs widely from the Spanish savings banks way of acting. The legislation concerning Spanish savings banks ensures that 50% of the profit allocation shall sponsor projects, such as culture and camps for youth, which are beneficial for the future development of the society in terms of public welfare. Reminding 50% of the profit allocation is reinvested in the bank (Crespi, et. al., 2004). Through this, Spanish savings banks strive to support financial welfare on local as well as regional levels, prevent monopoly among the commercial banks through having a well-performing workforce (García-Cestona and Surroca, 2008).

Critics may assert that focus upon having a high performing work-force is only a way and increase effectiveness and profitability in the bank, not a way to improve profit allocation (Hasan, Lozano-Vivas, 2002; Grönnroos, 1992; Normann, 2000). Another aspect is that the projects can become more precise and unique if the management of the bank participates (Silver, 2011) and thereby more value for the customer is provided (Fiordelisi, Molyneux, 2006). Since the management in general has more influence on the projects than others (Olsson, 2009) one risk is that the management could try to use resources in the bank to finance projects that are in lines with preferences that do not match what is best for the general public (Olsson, 2009).

Swedish savings banks obey a legislation that ensures that a minimum of 5% of the profit is reinvested in projects that are beneficial for the local society (Sparbankslagen 1987:619). Pioneering spirit have over the era of the Swedish savings banks have influenced the profit allocation to benefit the principal categories of customers; the households and small savings banks. Infrastructure development, contributions to start new business, provide house loans with extra beneficial terms if the house is built to ease the pressure on the environment (Williams & Gardener, 2000). Still, critics may assert that the alternative options on how to allocate the profit from Swedish savings banks might not even be considered due to strong management. If so, the use of resources is not as effective as possible. For instance, if politicians gain too much influence, resources in the bank and the bank itself could be used as a second municipality (Olsson, 2009).

3.3 Traditional Savings Bank – Modern Savings Bank

In his doctoral thesis, Forssell (1992) strives to answer what made some savings banks convert into limited bank. It is possible to observe that the traditional savings banks which did not chose to convert often operates in areas where strong social bonds makes it difficult to accomplish the great structural change that was necessary. Through a strong relationship with the customers, the traditional savings bank did not have to proceed with a large structural change in order to survive the changes in the society. Furthermore, Forssell (1992) notified that several of the traditional savings banks operated in areas with mostly elderly persons that did not appreciate to severe changes. This made it possible for the savings banks to proceed as usual without any major changes.
Still, several savings banks chose to convert into a limited bank and the main reason for this great change was the fact that these savings banks operated in an area that was based on growth (Forsell, 1992; Silver, 2011). As the society grew, the savings bank in the area of growth needed to grow in order to maintain the ability to support the persons and savings banks in the area. As the bank grew, more personnel were needed and this event facilitated to more or less abandon the traditional idea of the savings banks. In order to survive in an area of growth, the savings banks expanded to be able to regenerate capital. Through convert into a limited bank, the banks could issue the stock. Thereby, the savings banks become more businesslike and focused on rapid decisions and power to act to be able to expand further (Forssell, 1992, Pettersson, 1989). Major difference between the two types of banks were that the customers in traditional savings banks saw themselves as member of an association whilst the customers to modern savings banks did not feel the tight belonging to their bank. Thereby, the focus of a modern savings bank is more businesslike and emphasizes to maximize profit in a different way than the traditional savings banks (Forssell, 1992).

3.4 Service Management

Potential uncertainty in relations unique; thereby financial decisions based on judgment capacity of the bankers have an important function in banks (Normann, 2000). New technologies quicken the information flow and new regulatory frameworks changes the financial arena in which the savings banks operates. To survive, the savings banks have to adjust to the changes and new uncertainties that continue to develop. As the knowledge-based awareness increase (Power, 2007) and financial decisions have to be taken on a more or less unknown foundation.

Over the years, a trend within the service business is that the focus has started to shift from the actual product to the services surrounding the product. Increased importance of new technology and new ways to interact makes it possible to include the customer participation in new ways in order to create value for the customer (Normann and Nordfors, 1999). When it comes to service business, a popular model is The Service Management System which emphasizes that successfullness is to be found in the harmonization between the five different aspects that are to be found in the model. Meaning, a service-based business is to flourish if manages to combine one market segment, one service idea, one service system and one image of an savings bank such as a savings bank.
Harmonization is created through a number of steps. Firstly, no matter what type of business a savings bank operates, a definition of the primary market segment is essential to know which customers the company shall focus upon. Therefore, in some cases, a definition of which the secondary market constitutes is also suitable to perform (Woodruff, 1997; Normann & Nordfors, 1999). When the principal market or market segments have been chosen, the savings bank has to focus on the core competences and ensuring that suits the demands from the customers in the best way (Prahalad and Hamel, 1990). Therefore, the savings bank needs to focus upon finding and further develop strengths in order to be able to offer services and products that no one else can offer (Normann, 2000, Normann, 2001). For instance, close relationship with the local society have been proven to be a necessity for the Swedish savings banks since they mainly compete with counselling and local presence (Silver, 2008).

The design of the products might vary since products can establish connections on physical level or on an emotional level. Moreover, the services and products can contribute to the bank in the essence, or measureable, way or in a periphery and way impossible to measure (Normann, 2000).

Even though a savings bank have a suitable market segment and the competence to handle it in a successful way, the savings bank still have to have a well-functioning delivery system. For instance, a bank can focus upon having a devoted and competent number of staff (Woodruff, 1997). One way of maintaining focused and devoted personnel is to give the personnel further education and the opportunity to handle customers' situations more flexible. Nevertheless, the personnel must be supported by, for instance mentorship, further education and functional technology in order to be successful (Normann, 2000; Normann, 2001).

The image of the bank can be used in an internal direction but also in an external direction. Therefore, the internal perspective is essential concerning maintaining a high quality standard throughout the service process. Further, motivated personnel are an important source when it comes to promote sales and when it is time to recruiting new personnel. Overall, a high level of internal image is cost-efficient since competent and motivated personnel are most likely to be more productive than non-motivated personnel (Normann, 2000). A key to success is gained by a company if it mange to focus and mobilize human resources necessary for the business (Normann, 2001).
The external image can be used to maintain an important strategic position and increase the market-efficiency. One way to succeed with the external image is to create an image that the customer, and the personnel, can relate to. If a bank succeeds creating the mental feeling of belonging to the bank among customers and bankers, much is gained (Normann, 2000).

The culture and the philosophy of the bank are savings banked by an existing adjustment among the five different components within the Service Management System. Culture within a bank is a creation of the local society surrounding the bank in combination with the history and context of the bank which creates dominating ideas and norms within the bank (Normann, 2000). If succeeding to create an orientation towards excellence and quality through customer orientation and believe in investing in human resources, the possibility of creating new connections and roles increases drastically. As the personnel seem more free and flexible to handle their customers, the bank can be interpreted as centralized and decentralized at the same time.

Through combining the market segment, the service concept and the delivery system, the customer is creating an image of the bank and decides which expectations is suitable to have. Since growth is to be created through optimizing the financial services from the customers' point of view, one way that helps the savings banks to strengthen the connection to the customers is through having more offices than the commercial banks generally have (Silver, 2008). The connection between the bankers and the customers are essential since it is 'The Moment of Truth', in other terms; the origin of when quality and services are brought together (Normann, 2000). When the moment of truth occur, the connection between the customer and the banked is essential. Through the meeting, the banker must be able to transform the information given by the customer into quality or adjust the situation so that it suits the customer (Grönroos, 1992). In order to succeed with the adjustment, the savings bank itself needs to be adjustable in order to suit the customer (Grönroos, 1997).
4. Current trends in the sphere of the Swedish savings banks

Chapter number 3 provided an important theoretical framework and chapter 4 contributes with the ongoing discussions among the Swedish savings banks. The discussions enlighten several aspects of how the traditional ideas of the savings banks can be develop.

Major changes due to the new capital adequacy framework Basel iii\(^2\) have been enlightened the necessity of investigating new way in which the Swedish savings banks can regenerate capital more rapidly and, thereby, gain competitiveness. At the moment, a sudden need to regenerate capital can force the savings banks to transform into a limited savings bank. One risk is that this action is followed by a fusion and, eventually, the enlarged units have lost connection to the local society and thereby weakened the financial structure in an area previously operated by a savings bank (Neiman, 2010). This process have occurred in numbers of European countries and as a result, savings banks have disappeared even in the country of origin; Great Britain. (Silver, 2011; Köhler, 1996)

Through The Savings Banks Association, an opportunity for the traditional savings banks to regenerate capital without transforming into a limited bank was proposed through the suggestion of implementing an equity proof\(^3\). Owners of an equity proof have the freedom to elect up to 40% of board of directors in the bank but if a single owner exceeds 10% of the total amount of the equity proof, the act shall be approved by the Financial Inspection. In countries as Norway and Spain, the implementations of the equity proof have proven to be successful. At the moment, result from an ongoing investigation will show whether implementation of an equity proof among the Swedish savings banks is possible or not (Sparbankerna, 2011).

4.1 The conference `Days of Growth´

“No growth without trust...Each one of us can be community builders”
—His Royal Highness Prince Daniel

The history of the Swedish savings banks contains events that have influenced the development in the sphere in a positive or in a negative way. Therefore, the focus must be to avoid unhealthy principles, or values, since that type of value will fail to create a healthy savings bank in the longer run\(^4\). For instance, the strength in the sphere of the savings banks has been connected to event in which the savings banks have stuck together and thereby benefitted from economies of scales. Today, leadership and customer satisfaction need to be combined in order to not only focus on private banking for rich customers. Diversification between banks is something that the general public covet and thereby a new area of innovation, that also find less wealthy customers interesting as customers to the bank, might become the future\(^5\). This “All onboard!”-theme would combine the traditional principles of the savings banks with increasing amount of savings among the individual persons. My belief is that the trend of consumption based on borrowed money will transform

\(^{12}\) Framework based on capital adequacy requirements.
\(^{13}\) In Swedish: Egenkapitalbevis alt. sparbanksaktie
\(^{14}\) The principles of a savings bank are described in chapter 2
\(^{15}\) This idea is successfully implemented in, for instance, Grameen Bank by the Nobel Prize winner M. Yanus
in to a new and more beneficial trend: savings. To build for the future, visions and leadership must be combined with the courage to break the current trends in the society. (Collert, 2011)

Futuristic plans of the savings banks include discussing the ideas and fundamental values of the savings banks and how these shall be not only preserved but also further developed. Until the end of the 1970s, the general public voted the savings banks to be the most forward bank of all categories. During the 1960s to the 1970s, the development among the banks in Sweden was lead by the savings banks but some of the savings banks grow fast and chose to merge under the 1980s. As the banks continued to grow in size and gained power, the connection to the local society disappeared. Abolishment of the local characterization and develop in contradiction to the traditional ideas of the savings banks caused a chaotic period since the great savings banks had not thought of the necessity of regenerating capital, major credit losses caused an situation too difficult to handle. (Körberg, 2011)

Today, several savings banks still operates in line with the traditional principles, nevertheless the proportions are skewed since some areas do not have an operating savings bank in the society. Remaining savings banks face some major threats due to the corporatisation since this action, from a historical point of view, have been the first step in a process that often ended with the abolishment of the traditional ideas of the savings banks. Another risk is that the savings banks tend to put too much effort in making contributions to the society instead of improving the main area: banking. The surplus that the savings banks provide shall be reinvested in the bank to increase the equity capital; instead a major part of the surplus is used as contributions to compounds and stunt. If the contributions were limited and a greater part of the surplus was reinvested in the bank with the aim of improving the banking, the savings bank would be more benefited. Better rates, improved service and promoting savings would enlighten the original idea of the savings banks; to promote thrift among the general public. In some areas, the savings banks seem to have abolished their main aim. Therefore, the savings banks should increase the focus upon banking in order to compete effectively with other banks (Körberg, 2011)

4.2 Local connection, customer satisfaction and focus upon the traditional ideas of the savings banks, is this the general view among the actors in the sphere?

When it comes to the amount of savings banks, this is less relevant in comparison with, for instance, the amount of customers to the bank and the type of market the bank operates on. In Borås, the bank is a limited bank in which the foundation Sjuhårad is the majority shareholder and thereby the main owner. Our belief about community involvement is that these actions are essential but also part of a moral, ethical and brilliant business idea. Sjuhårads ambition is fine contributions through excellent work in the society combined with a genuine and true community involvement increase the profitability in the bank. Therefore, over time, expertise and value-creation will contribute to shape the fortune of the bank (Johansson, 2011).

Community involvement can occur in various outcomes, for instance, the bank provides dividend to the foundation that owns the bank but contributions to the society is also made. Another outcome is visible through that the bank stimulates new business in the society as 2 to 3 newly started business are financed each week. Nevertheless, this basis is not only in
the best of the society and to create growth in the nearby surroundings, these actions means fine business for the bank as well. For instance, a current CEO moved from Chalmers and Gothenburg to start his business in Borås. Through the fact that Sjuhärad provided financial support at an early stage to make a dream come true, this CEOs business is today a flourishing company in the garment industry. Therefore, if the banks aim at maximizing customer satisfaction, community involvement and profitability, this must be the best for the local society (Johansson, 2011).

Even though the savings bank in Åtvidaberg diversify from Sjuhärad in a structural aspect, it is difficult to find something to debate with Sjuhärad due to the fact that the two banks share the same belief. The typical traditional savings bank Åtvidaberg, a little bank with one office and barely 20 bankers. The amount of total assets estimates only a few billion SEK, in other terms the bank is not one of the major banks on the Swedish financial market. Nevertheless, in Åtvidaberg this bank is systemically important since the bank delivers money to the society and about 80 to 85% of the market is customers in the bank. Therefore, Åtvidaberg is a typical savings banks not only due to the size but also due to the fact that we operate close to the market and close to our customers (Mårtensson, 2011).

The core sentence of what Körberg states is something that Mårtensson totally agrees with; that a savings bank shall deliver a competent base to all customers regardless if it concerns private banking or companies. If a bank fails to deliver this, nothing else can be discussed. Nevertheless, if a bank successfully fulfils the necessity to deliver services to the society, then Mårtensson disagree with Körberg about the fact that a savings bank shall not actively participate in the development within the local society. The main reason to why Mårtensson disagrees is that the community involvement creates cash-flow higher up in the statement instead of leaking money at the bottom of the statement. Thereby, community involvement is a profitable business idea that Åtvidaberg supports as these types of actions have created a thriving centre through, for instance, investments in the municipal building. The central focus is that the public events in the business idea, not the amount of SEK, enlighten that the local society is ensured that the bank is highly interested in the development in the local society. Nevertheless, the aim of the bank is not supposed to be the second municipality and impel the society, instead the bank shall be an actor that highlights the necessity of developing the community Åtvidaberg. This position and way of acting also generates cash-flow for the bank. (Mårtensson, 2011)

4.3 In municipalities that struggle with aging population and a relocation that exceeds the amount moving to the municipality, what purpose can the savings bank fulfill in the development?

Even today, several savings banks in Sweden operate in rural municipalities and contribute to the development of the society. Two examples of savings banks that operate in rural municipalities is Westra Wermlands Sparbank and Sparbanken Nord, these banks contributes to develop the society in general through using a wide strategy. Major commercial banks left the rural areas and further weakened the financial structure in the already concerned areas. Never during the latest 100 years have the need of new local savings banks been more urgent. Resources on the country-side are of tremendous size and fundamental in order to build for the future. In the savings bank Småkom, a discussion about the need to build and develop new savings banks in collaboration with the existing ones have
been brought to the surface. If a financial infrastructure is too weak, the whole society is in great danger. Through new savings banks an excellent way to create trust among the ones that creates work opportunities occurs: the small- and mid-sized companies. The savings banks are today more needed than ever before (Svensson, 2011).

4.4 Are fine terms for the customers more essential than generous contributions?

Beneficial terms when it comes to interest, or “An extra quarter”, on the savings account is something that Sjuhärad have had during a numerous amount of years. The main reason is that Sjuhärad finds it a necessity of promoting savings since savings is the origin of the savings banks the foundation for the future. When thinking about the future, the cash-flow becomes essential and Sjuhärad have 1 billion SEK more borrowings than lendings. Still we are continuously reminder is the need to further sharpen the borrowings offers as stability and profitability is the components that will build the future (Johansson, 2011).

Åtvidaberg might not have the same good borrowings offers but during the latest years, the borrowings development has been positive and the amount of borrowings exceeds the amount of lendings with 25%. Perhaps the idea of offering a quarter more on the savings borrowings in comparison with the competitors is something to keep in mind. Nevertheless, the balance between customer satisfaction and being profitability is essential in order to survive. Unprofitability is not a state in which a savings bank cannot exist any longer than any other bank, nor will unprofitability ease the required development of business idea that occurs in the sphere of the savings banks. Delicate understanding for the customer satisfaction in combination with maximizing profitability is therefore essential (Mårtensson, 2011).

4.5 Does the balance between the community involvement and providing fine offers to the customers contain a contradiction?

Generally speaking, there is no contradiction between the community involvement and providing good offers to the customers. Of course, generosity has limitations but if the local savings banks had not participated actively in numerous branches of community involvement, negative effects would have been influencing the customer satisfaction and the amount of customers in the bank. Instead, the community involvement is to be seen as a successful concept that diversifies the savings banks from the commercial banks (Svensson, 2011).

The situation of today’s savings banks has positive and negative aspects. One major negative aspect is the strong relationship with Swedbank since this relationship limit, for instance, the possibilities for the foundation to have specific terms on all instruments. If the savings banks were allowed to have more freedom and thereby personalize terms on funds, instruments in terms of interest rates and offers connected to households and small- and mid-sized companies. Terms, similar to the previous mentioned, would develop the Swedish savings banks in a similar direction in which as the Norwegian savings banks have developed. In Norway, one group of savings banks is completely independent from having any type of close connection to Norwegian commercial banks. Almost the same situation was to be found among the Swedish savings banks twenty years ago when the Sparbankernas
bank still operated. Through this, establishment of a niche would be a suitable development due to the general public has had enough of the commercial banks risk-taking on the financial market. Probably is the general public eager to find a savings bank but do not know if or where the savings banks exists. In the future, the savings banks will be even more dependent on a potent partner. One possible solution would be collaboration between savings banks in Sweden, Norway and Finland. Increased freedom combined with an overall strengthened sphere of savings banks would also provide new paths when it comes to supporting small- and medium-sized business. This could be the answer that the general public search after but it is also important to remember the important base that exists today (Svensson, 2011).

The fact that the collaboration with Swedbank should be limiting everyday business in the savings banks is not noticeable in Åtvidaberg. Philosophical discussion whether it would benefit to solve some questions on our own could be interesting. Nevertheless, the fact that someone else decides the products, interest rates or behaviour on the market are not something that bothers as the specifications are made in the bank. Savings banks in Sweden are in general small actors and it would be an utopia to believe that a completely functional system would be possible to build on our own, there by the savings banks are tied to the strong collaborator that exists today (Mårtensson, 2011).

4.6 Commercial banks are driven by profit; the savings banks are driven by customer satisfaction but how to measure customer satisfaction? How is it possible to know if the resources in the bank could be used in a more beneficial way?

From the perspective used in Sjuhärad, no contradiction exists between customer satisfaction, profitability and profit. Instead profit is philosophically beautiful that requires free competition due to the fact that resources is put in the business, value from the customers point of view is created so that the customers is willing to pay more that the process in total cost. Therefore, customer benefits are created through the fact that the diversification has created profit in the society. In Sjuhärad, profit, profitability and the creation of customer benefits occurs through the fact that new enterprises are beneficial for the local society and thereby beneficial in the longer run for the bank. Through the foundation contributions to culture, research and development and education are benefited due to the fact that customer benefits and profits are optimizing each other (Johansson, 2011).

According to the bank in Åtvidaberg, customer satisfaction is hard to measure and is an area that needs continuously maintenance. Bank customers in Sweden tend to be very faithful towards their banks even though the customers would benefit from switching to another bank (Mårtensson, 2011).

Without customer satisfaction no profit is generated. Profit can be measured statistically and customer satisfaction was previously measured continuously. If high customer satisfaction was combined with high benevolence among the bankers, the office became very profitable. Nevertheless, the fact that the establishment of new savings banks would increase, for instance, customer satisfaction is an utopian thought. Instead the savings banks needs to work forward in the same way that the sphere did during the profitable years and thereby deepen the collaboration with Swedbank in order to benefit from economies of scales.
Instead, *Swedbank* could use the experience within the sphere of the savings banks since most of the traditional ideas were abandoned when the *Sparbankernas bank* was established. In order to create a feeling that even customers living on the country-side is valuable, *Swedbank* should re-establish local boards able to provide credit granting instead of having all top directors located in Sundbyberg (Collert, 2011).

Close collaboration between the Swedish savings banks and *Swedbank* makes it almost impossible to separate the involved actors. Therefore if something happens to *Swedbank*, it would be a necessity to find a new collaborator. Each bank has several old traditions, which also include collaborating, not competing with other nearby savings banks. This is very central but problems can occur if *Swedbank* merge with *Nordea* and the savings banks find themselves competing with offices belonging to *Nordea*. Thereby, it is essential to continue to move forward, keep together and ensure benefits from economies of scales but also remember to think big (Collert, 2011).

Savings and promote savings are crucial parts of the future, therefore it is important to seek every opportunity such as creating new savings banks. One possibility is the creation of small units that focus on promoting thrift. Since this event would benefit the local society, it is wrong to condemn an initiative that would benefit the sphere of the savings banks through aiming at the traditional ideas of the savings banks (Körberg, 2011).

If savings banks would be created in, for instance, Västerbotten this new bank will start a conflict with the already established bank offices from *Swedbank*. To start a war is easy, as we all know the difficult part is to put an end to the war. Today, about 60 savings banks struggles with increased capital adequacy requirements that demand the banks to have more capital available in order to operate in the same way as before. Another factor to be aware of is the fact that business customers tend to move more, for instance, if the business starts in Åtvidaberg within a few years the customer expand to a city. Therefore, customers can rapidly become too great for a savings bank to handle from a credit granting point of view. The question is, how shall this be handled? (Collert, 2011).

Local examples of the customer satisfaction in Åtvidaberg consist of the administrational collaboration between two savings banks. Through this, the demands about competence requirements in the bank essential to handle the profit capital are fulfilled. Nevertheless, the most important work today is taking place in *The Savings Banks Association* and concerns the possible implementation of the equity proof (Mårtensson, 2011).

4.7 Are the savings banks moving towards or away from the traditional ideas of the savings banks?

The type of framework that *The savings banks association* support is not influencing the traditional ideas of the savings banks at all. Instead, the equity proof is a way to ensure the deliverance of the ideas (Collers, 2011).

The requirements that the banks struggle with in order to continue to operate are tough. New legislation as the *Basel iii* demands further increase the requirements on capital, liquidity and duration on financing. Therefore, tiny banks face a more difficult future than before. *Swedbank* eases the existence but without *Swedbank*, the difficulties of being a tiny bank on today’s financial market would increase further (Johansson, 2011).
4.8 In order to have a great party in 2020, what is the most important ingredient?

The creation of a free, independent sphere that operates on a Nordic basis is required as the ideas of the savings banks demands much freedom and not dependency of a great partner as today. Partnership with Norwegian and Finnish savings banks would improve the strength among the savings banks in combination with the fact that the households and financial market would benefit from the new type of collaboration. The time period until the 200\textsuperscript{th} anniversary will consist of the possibility that \textit{Swedbank} might be merged with a foreign great bank. In order to handle that type of event, the sphere of the savings banks need to grow and develop further strength (Svensson, 2011).

On the one side there is the traditional idea of the savings bank, an idea that has never been as modern and popular as it is today. On the other side, the savings banks cannot rest and risk forgetting the idea of the savings banks. Today and in the future, the idea needs to become further developed and maintained in order to stay modern and create profitability (Mårtensson, 2011).

There is an essential need to combine community involvement with managing to determine the business in these types of events as well as handling the new challenges in terms if a changed legislation. One thing is sure; there is one tricky road in front of the savings banks. To survive, the savings banks must aim at being as effective as possible (Johansson, 2011).

The survival of the savings banks depends on having a focus on being a bank for the households in combination with act through a traditional customer oriented perspective. At the same time it is essential to keep the sphere together and further deepen the relationships in the sphere. Other thought will lead to disaster (Collert, 2011).

In order to survive, it is essential to define the needs that the ordinary person has when it comes to banking. To vitalize the debate about the fundamental ideas of the savings banks; to promote savings, must be the aim of every savings bank (Körberg, 2011).

Savings banks are systematically important and have a history filled with visionary leadership and close interaction with the local society. Still, several perspectives are discussed on how expertise and value-creation are optimized in through contributions to the local society but at the same time remain a profitable bank.

Through active participation in community involvement, the savings banks benefits from an event that creates cash-flow in the statement but also distinguish the savings banks from the commercial banks. Future challenges raise the demands of further development of the traditional ideas of the savings banks. One way of ensuring the future of the savings banks might be through implementing an equity proof.

Even though it is possible to state that the number of perspectives is equal to the amount of savings bank, main factors to have a flourishing bank are: customer satisfaction, community involvement and profitability. This study enlightens how \textit{Orusts Sparbank} uses the traditional ideas of the savings banks in comparison with mainly the \textit{Alingsås Sparbank} and \textit{Tjörns Sparbank}. The following chapter describes how this study is designed.
5. Method

The aim of this chapter is to describe and analyze the most suitable choice of method. How the relevant data have been collected will be described as well as choices the author has made. Hereafter, some concluding thoughts about the method used are given.

5.1 Selection of Method

In order to conclude which method would be the most suitable for the subject, previous studies concerning Swedish savings banks were analyzed. Rather rapidly, it became clear that not much literature has been written about the Swedish savings banks\(^{16}\). In fact, most scientific literature about savings banks concern European savings banks and generally, might not even include the Swedish savings banks. Moreover, the European savings banks are all different and none of them has had a development comparable to the development of the Swedish savings banks. Even literature concerning the history of the European savings banks was difficult to find. For instance, the first book covering this subject was written in the late 19\(^{th}\) century and was republished under the 1990s. After that, the need for an updated version of the previous book was obvious and a new edition was published in 1996. A copy of this book had to be ordered from Germany. Due to this background, combined with the fact that this is a case study with a main participant, a qualitative method was chosen (Blumberg, 2008).

5.2 Data Collection

Due to the difficulties in finding information, personal interviews with key respondents were considered to be necessary in order to investigate the banks more deeply. Another reason for conducting personal interviews was that it would provide the opportunity of having a deeper discussion with the respondents. Moreover, another benefit was the fact that the respondents’ could speak more freely and new angles could be discussed. This would not have been possible if questionnaires had been used for gathering the primary data instead of personal interviews (Merriam, 1994).

Furthermore, data were gathered during the conference ‘Days of growth’ (henceforth Days of Growth). The focus of the conference was how to create growth in Sweden and how to manage the resources in Sweden on order to gain competitiveness in the future. Thus, possible and appropriative development of the Swedish savings banks sphere was discussed. Whilst attending to the conference, opportunities were given to converse with leading persons within the financial world and the sphere of the savings banks.

5.3 The Interviews

Main focus of this study has been Orusts Sparbank since this bank is renowned for its success and has several times received the award ‘The Best Savings Bank in Sweden’\(^{17}\). Over the years, Orusts Sparbank continues to maintain a strong and consistent growth

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\(^{16}\) This remark is mentioned in Silver, 2011) but also mentioned in a doctoral thesis Olsson, M. 2009. *Fast rotad är den trygghet som bygges på sparade slantar - En analys av sparbankernas värdeskapande på den avreglerade bankmarknaden i Sverige.* Handelshögskolan vid Göteborgs Universitet.

\(^{17}\) The winner of this award is elected by the other savings banks in Sweden
regardless of what financial state the world is in. Since Orusts Sparbank is a traditional savings bank, it would be appropriate to use a modern savings bank in order to emphasize the differences and similarities between the two types. Therefore, the Sparbanken Alingsås was chosen since this is the first and only Swedish savings bank that has adopted a part of the structure that is to be found within the Spanish savings banks. Meaning, Sparbanken Alingsås has converted into a limited savings bank and replaced the previous foundations with a brand new foundation that uniquely owns the bank. Thus, Orusts Sparbank and Sparbanken Alingsås can be viewed as each other opposites. So on the one hand, a typical traditional savings bank in terms of Orusts Sparbank and on the other hand a modern, visionary savings bank as Sparbanken Alingsås. To further enlighten factors that constitute the successful journey of Orusts Sparbank, another traditional savings bank was required. Since Tjörns Sparbank is located on an island with environment similar to the one on Orust, Tjörns Sparbank was chosen as a suitable bank to investigate. The main reason for choosing Tjörns Sparbank was the fact that the environment on Tjörn is similar to the environment on Orust, thereby Tjörns Sparbank is suitable to investigate.

5.3.1 Selection of Respondents

After choosing the participating banks, focus was on finding suitable respondents to interview. Some important aspects to have in mind whilst choosing respondents was to ensure that the respondents had long-term knowledge and experience from the sphere of the savings banks and the ability to speak freely about the subject. Thereby, contact was established with the CEOs of the chosen savings banks. Opportunities were also given to interview professor Magnus Olsson and the vice CEO of Tanums Sparbank. The meetings with the CEOs of the chosen savings banks were successfully settled by phone.

To be able to follow how the development of the island of Orust had influenced the bank and vice versa, local persons familiar with Orusts Sparbank and the society on the island were interviewed. The persons were chosen through advises of the previous interviewed persons. In order to give the respondents the opportunity to speak freely about the topic, they are given anonymity. Moreover, the interviewed persons have or had a customer relationship with Orusts Sparbank. These interviews were also conducted and organized in the same way as the interviews with the CEOs. Meaning that the interviews were conducted through personal meetings but in one case, did not the respondent have the ability to have a personal meeting. Therefore, that particular interview were conducted by phone. The interviewed persons represented different customer segments in Orusts Sparbank as well as persons that previously had worked at Orust Sparbank.

5.3.2 Structure of the Interviews

As previously mentioned, interviews were performed through personal meetings and each meeting was between 90 to 120 minutes. Before the interviews, an interview guide that contained the main subject areas and related interview questions was prepared. The purpose of the interview guide was to gather relevant information in order to answer the research question. Even though the interview guide contained several questions, the respondents were given enough space to be able to talk freely about the subject. The respondents were aware of the chosen topic but had not seen the interview guide before the meetings. Since the interview guide consisted of both main subject areas and direct interview questions, it can be possible to determine that a structural design as well as an unstructured design. With this approach, the interviews gave the respondents the opportunity to include
angles that were specific to the represented bank. Due to the fact that the respondents had long-term experience within the investigated area there was possible to also receive a more experience-based content. This angle was very important since the literature review only provided theoretical-based information (Holme, 1997).

5.4 Previous Studies

Within the frame of references, information from a number of peer-reviewed sources have been used. For instance; doctoral theses, scientific articles, legislations, propositions, reports and working papers have been analyzed. In order to gather as relevant information as possible, resources at the Library at Gothenburg University has been used. Search engines as Business Source Premier, ScienceDirect and BankScope have been used to gather information. Keywords such as savings banks, Swedish savings banks Spanish savings banks, capital structure and profit distribution were used in various combinations.

Whilst data were gathered, the aim was to find relevant information from various authors and texts that were well-citied. The author also strived to find relevant information that involved Swedish savings banks as far as possible. Nonetheless, due to the limited amount of scientific information about the subject\textsuperscript{18}, the author had to include texts based on European savings banks that concerned the relevant topic.

5.5 Analysis of the Gathered Data

To be able to go through the debates and interviews afterwards were a recorder used and notes were taken during the interviews and the interviews were typed out directly after the interviews. Since every rewriting of a statement increases the peril of unconsciously changing its content, thereby the respondents were given the opportunity to read through the interviews afterwards.

After the debates and interviews were typed out, similarities and differences between the responding persons were sought-after. Through this, major parts of the empirical chapters were founded but the data from the interviews are presented as a compilation in the empirical chapters.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{diagram.png}
\caption{Description of the models and how the models are used. Developed by the author from (Jansson & Polesie, 2011, Normann, 2000))}
\end{figure}

The analyse of the gathered data the Rectangular Model was used in order to receive an overview of the resources used and examine the inner actions in combination with how the chosen savings banks responded to changes within the society.

\textsuperscript{18} Concluded by Olsson, 2009 and Silver, 2011.
Data from the balance sheet is to be found on the vertical sides and the posts from top-down perspective are the fastest ones to transform into cash. Revenues and losses located on the top of the model and the costs and eventual profit is to be found at the bottom. Between equity capital at the bottom and the cash-balance a line makes the border between the financial part of the model and the operations. Balance between finance and operations is essential for the survival of the savings bank since the value-creation occurs on the financial side but the resources used and the costs is related to the operative-side (Polesie, et.al., 1995).

Financial strength in a bank will be analyzed through exploring the financial strength through taking a closer look at some parts of the rectangular model. To start with, costs in relation to revenues enlighten the efficiency and competitiveness in the bank. Sometimes optimizing this relation is not in focus since educate personnel and rebuild offices influence the relation in a negative way. Still, costs cannot exceed revenues in the longer-run without the bank has to finally file for bankruptcy. Since being a bank means operating on deposits and provide loans, the ability to avoid credit losses as far as possible is crucial. Therefore, the development of credit losses is essential since this level show wheatear or not it is likely that the bank will receive payments from the borrowers (Bessis, 1998).

Recent frameworks have increased the demands concerning the risks that exist in the capital. The greater risks, the higher demands on having a buffer that great enough to cover possible expenses. If this ratio decreases questions about the reason are raised. But if the ratio is too high, top management in the bank might have to reconsider how to administer the capital in a more suitable approach. Another sign of how the capital is managed through exploring the return on equity. This ratio shows the amount of dividend the used capital creates in order to yield profit. Finally, the business volume is of great importance to explore since the amount of lending contains several risks. If the business volume suddenly increases, the quality of the approved credits must be taken in to consideration. Otherwise nonperforming loans, bonus programs or loans to a very specific industry might cause severe problems if the bank cannot get refunds (Bessis, 1998).

Through examine the size of the rectangular model over a suitable amount of years, it becomes possible to determine changes in the financial flow as well as in the physical flow that occurs in the savings bank. Nevertheless, even the rectangular model has a flaw in the fact that personnel and experience-based knowledge within the personnel is not taken into consideration within the model. If the rectangular model is combined with the triangle, this flaw is solved as the triangle model divides thriftin to object and subject. In this model, the object describes the savings bank and the events within the savings bank, for instance production of goods or service-based products. Subject consists out of the personnel and their competence. It is possible to summarize the relationship between finance, subject and object in a similar way as within the service management system: Central in the savings bank is what is being produced regardless if it is goods or services. Therefore, the personnel fulfill an essential role since their work and experience is needed to generate income. Through this, the events that occur in the savings bank and the relationship between the savings bank and the customers constitute the base for the economical wealth in the savings bank.
Through analyzing previous studies concerning successful service-based savings banks, the Service Management model was used to describe how the traditional savings banks idea had been hollowed and outmoded (Pettersson, 1989). The blend of these models made it possible to solve the research question. Finally, the frame of references and the empirical chapters were combined in order to analyze the gathered data and thereby solve the research question.

5.6 Thoughts from the author

The main focus of this study was to investigate the development of the traditional savings banks idea, mainly in Orusts Sparbank. In order to decrease the peril of receiving answers that were not applicable on the chosen savings banks in general, comparisons with two other banks were conducted.

In order to gather as relevant information as possible, the respondents had to fulfil some fundamental requirements. For instance, the respondents had to have long experience and knowledge from the sphere of the savings banks. Otherwise respondents and the answers would be limited since a respondent with experience of how the responding savings bank has managed through several crisis provides answers from a long-term perspective.

Moreover, in order to gather comparable information, the same design of the interviews was used whilst interviewing the traditional savings banks. Only minor adjustments of the interview guide were necessary before interviewing the respondents. For instance, differences between the modern traditional savings bank and the traditional savings banks required some minor adjustments in the preparations.

As previously mentioned, some persons were given anonymity and the thought of giving the responding banks anonymity identities were considered but through revealing the identities of the banks and interviewed bankers might facilitate for the reader to understand why Orusts Sparbank were to be used as the main participant. Since Orusts Sparbank is a renowned traditional savings bank and the winner of Best Savings Bank of The Year, it was natural to use Orusts Sparbank as a main participant. Another contribution factor to have Orusts Sparbank as the main participate was that the information about the development on the island Orust and the development in the bank was possible to collect through visiting the island. Therefore, a fine opportunity to investigate how the traditional savings banks idea had developed over time was given.

Through comparing the traditional savings banks Orusts Sparbank and Tjörns Sparbank with Sparbanken Alingsås, the differences and similarities between the two types, a modern savings bank and a traditional savings bank, were elucidated and possible to examine. As a result, the main comparison occurred between Orusts Sparbank and Sparbanken Alingsås.

Personal interviews decreased the risk of using data influenced by other persons were minimized. Nonetheless, if more savings banks where to be used in the study, the results might be influenced. Inquiry could be used instead of personnel interviews but the inquiries would have a disadvantage as no subsequent questions could be asked. Therefore, essential information about unique differences might not be taken in to notice if an inquiry would have been used.
Other models could have been used, for instance the principal-agent theory. In order to solve the research question in the best possible way, the choice was made to proceed with the previously mentioned models. Main reason to proceed with the rectangular model and the service management system is the unique combination of financial aspects and service-based factors as the personnel. This combination allows an overview that includes the financial strengths, or weaknesses, of the banks combined with observations from the border between the bank and the local society.

Throughout almost any observation, alternatives must be taken into consideration. Whilst choosing methods, approaches or making decisions in general, a completely optimal solution is not to be found. Hence, chapter 6 enlighten how the current situation of Orusts Sparbank followed by chapter 7 in which Sparbanken Alingsås and Tjörns Sparbank perspective on the current situation and the nearest future is presented.
Chapter 6 and chapter 7 illustrate the current situation of the chosen savings banks and what the respondents believe about the nearest future. First, Orusts Sparbank, and the environment on Orust is illustrated in chapter 6.

Orusts Sparbank was founded in 1887 and has remained a traditional savings bank with 4 offices on Orust. Location of the main office is Henån and the other 3 offices are located in Ellös, Varekil and Svanesund. Eight of ten inhabitants on Orust have Orusts Sparbank but a major part of the business volume origins from customers on the mainland. Often, these customers have moved away from Orust or have a summer resident on the island. Orusts Sparbank focuses upon rapid decisions, personal service, provide fine terms to the customers and make bank errands as straightforward as possible for the customers. Over the years, Orusts Sparbank has several times been awarded ‘Most successful bank in Sweden’ (Orusts Sparbank, 2012).

6.1 The History of Orust\(^{19}\)

6.1.1 Orust – Before the Bridge
Beautiful nature with natural harbours created excellent terms for a flourishing fishing industry and also settled the location of the first main town, Nösund, on Orust. Since Nösund location near the open sea facilitated for boats to arrive and depart, the news of the beautiful island reached wealthy persons living in the cities. Urgent need to flee the hectic life in the cities created a luxurious spa and relax resort named Stillingsön in 1865.

The previous great amount of herrings sudden dropped and fishermen needed to find new ways of earn the living. Some became agriculturist but the main part started building boats. Business was flourishing until the industrialization decreased the amount of required workers which forced islanders to settle down on the mainland where the employment opportunities occurred. Remaining islanders found a need of an institution to manage the savings and in 1887 Tegneby Sparbank was established.

Meanwhile, previous islanders returned to the island and combined with an increased amount of summer residents a network of roads all across the island developed. Tourism flourished but the amount of residents continued to drop until after the end of the 2\(^{nd}\) world war when summer guests turned summer residents in to ordinary residents.

6.1.2 Orusts – After the Bridge
Petro-chemistry industry in Stenungsund combined with the first experiments of building plastic boats created available occupations on the island and people started returning to the island. Communications improved as Tjörnbron was finished in 1966 and the roads were further developed. Discussions about create one mutual municipality for the whole island finally reached an agreement and the main office of Orusts Kommun was founded at Henån. This event, in combination with a natural cross road occurred at Henån and a decreased need of closeness to open sea, made Henån the new capital of Orust. Still, the main office of Tegneby Sparbank remained for some time in Nösund until the main office was settled in

\(^{19}\)Information that the history section is built on was gathered through 7 personal interviews with persons from the culture section on the municipality on Orust and the folklore society.
Henån. Now, customers to *Tegneby Sparbank* represented the whole island and therefore the name *Orusts Sparbank* was found more suitable.

Already since the beginning, *Orusts Sparbank* and Orusts Kommun have already since the beginning established a close collaboration. For instance, new inhabitants and the shift towards produce only plastic boats required investments and *Orusts Sparbank* attempted to provide financial support as far as possible whilst Orusts Kommun provided building permits.

Several of the interviewed respondents also remember the influence that Per Ossian Nilsson, the CEO of *Orusts Sparbank*, had on the bank as well as the island. Through the best solution for the bank and the local society, P. Nilsson managed with an outgoing attitude to assist the municipality when a crisis struck the boatbuilding industry. The amount of capital that was required by far exceeded the amount of capital available in the bank at the moment. Still, P. Nilsson managed to find a solution and was able to provide a loan that facilitated for the boatbuilding industry to survive the crisis.

6.1.3 ORUST – TODAY

Boatbuilding industry still has a strong position as the main income for several business as well as family business on the island. Meanwhile, tourism advances rapidly and a new wave of newly arrived families has discovered the fine opportunities to raise a family the island provides. Regardless of crisis, residential prices continue to rise from an already high level and new permanent residents are built on several locations on the island (SCB, 2011)

![Figure 2: The development of residential prices on the West coast (1981=100) (SCB, 2011).](image)

Due to the high property prices, living on Orust requires two salaries. Several of the ones living on the island are entrepreneurs that focus their business on the shipyards or the tourism. The interviewed persons believes in the fact that persons that have moved away in order to study do mostly return to the island due to the environment and the fact that they want their children to have the similar childhood as themselves. Through this and the fact that the commuting traffic has been further developed, the amounts of commuters have increased on Orust.

The interviewed persons believes that the amount of inhabitants on Orust will increase due to new houses are once more being built on the island and the fact that the public transport will be further developed within less than a year. Moreover, the interviewed persons believe that the industries on Orust will be benefited by the fact that the main road, road 160, is under reconstruction. This particular road had the wrong dosage already from the beginning and
the interviewed persons think it is a relief that it finally becomes reconstructed. In addition, the traffic will probably increase since the new road will have a pavement and a cycle path that will benefit for the tourists during the summer period.

6.1.4 From a Customer Perspective
As mentioned before, all the interviewed persons have or have had a customer relationship with the Orusts Sparbank. All persons mentioned the benefit with the fact that the bankers, in most cases, had their origin on Orust. The customers felt secure by knowing that they had known the bankers families for generations and that they did not have to explain their situation over and over again if they were in need of a loan. For instance, one of the interviewed persons mentions that the bank helped their company through a rough period when no other banks were willing to accept their loan application. Through the fact that Orusts Sparbank had faith in their business, the person is now an owner to a flourishing savings bank on Orust instead of being a former business owner.

One of the interviewed persons explains that previously had a customer relationship with the bank but did not have it any longer as their savings bank did not recover after the latest financial crisis that struck hard on the boatbuilding industry. Nevertheless, the bank assisted for a long period but the owner felt that unnecessary since the savings bank had a far too weak customer basis. Now, the bank and the person have discussed some new business opportunities that might suit and complement the existing industry on the island.

Moreover, the interviewed persons mentions another benefit with having a traditional savings bank as Orusts Sparbank on the island is that all events takes place rapidly. If they have a question, the bankers have a broad competence and are most certain able to provide a direct answer. Another benefit with the bank is the fact there exists several all over Orust, this simple thing have facilitated for the customers since they never have to travel far in order to make an errand or make a withdrawal.

The interviewed persons do not think of switching to another bank since they do not think that any other bank could take as good care of them as Orusts Sparbank. Several friends in Gothenburg were afraid of what their commercial bank was doing under the latest financial crisis but the customers of Orusts Sparbank had trust in their bank and did not feel anxious at all. They know that the bank provides the best terms and enjoy visiting the bank, especially under the traditional “Week of the Savings Bank” (hence forth Sparbanksveckan) when they can drop by and have coffee, cake, a present besides a nice talk.

6.2 Orusts Sparbank – The Bank for All Times

In this sector, the data is gathered through interviews with the CEO for Orusts Sparbank, Tommy Svensson who started working at Orusts Sparbank in 1965. T. Svensson became the CEO in 2003 and retired in 2011 in order to become the director of the board.

6.2.1 Traditional Savings Bank
Even though Orusts Sparbank is a traditional savings bank, T. Svensson mentions that they always emphasized to maintain the unique form of association. The major reason for this.

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20 Translation of the slogan: Orusts Sparbank – Alla tiders bank

21 T. Svensson was the CEO of Orusts Sparbank until the 26th of April 2011.
decision is that there has never been need to change into a limited bank and since T. Svensson thinks that this form of association is better since the traditional idea of the savings banks are protected by the legislation (Sparbankslagen 1987:619. Another reason for why Orusts Sparbank has not converted into a limited bank is the fact that there do not exist a customer or savings bank on Orust that is too great for the bank to handle (Svensson, 2011c). If the bank would like to expand outside Orust, that might be a reason for converting to a limited bank but T. Svensson declares that the bank do not have the attention to do so. The present form of the bank is suitable since there do not exist too great expenses. For instance, the only major expense for the bank is related to the technology and product development but these are proven through the collaboration with Swedbank. This is also the reason for why the bank does not to become completely independent of a major collaborator as Swedbank. In order to maintain the independency, it is essential for the bank to have a solid equity capital. The nearest future does not, according to T. Svensson, contain anything that Orusts Sparbank should not be able to handle. For instance, the Basel iii is not anything that will influence the bank in any other way than they might need to adjust their policies and control system but the bank already fulfil the requirements concerning most of the competence that the new legislation demands (Svensson, 2011d).

Whilst having the latest technology, there exists also another essential angle. According to T. Svensson is it essential for the development on the island that the bank strives to have the latest technology. For instance, the fact that the island Orust always have ready cash is provided by the bank. Further, T. Orusts Sparbank has four full-service offices located on Orust and T. Svensson emphasize the importance of ensuring that the offices remains in order to provide for a good financial infrastructure on Orust. The bank emphasizes to have the latest technology in the bank as well. For instance, they had a Reuter-screen installed already during the 1980s.

In terms of being a traditional savings bank Orusts Sparbank emphasizes to take care of their customers through every phase in their life. For instance, they give every newborn baby a donation of 500 SEK and T-shirt that says; ‘I have already begun saving in order to get my first million!’ as the parents open up a savings account for their infant. In the 1950s the popular Sparbanksveckan started and have remained a popular event among the customers. For instance, as a young family is about to buy their first house, several have remembered how they ran to the bank in order to eat cake and receive a present. Nevertheless, this week is the major annual event that the bank has but T. Svensson says that it is an excellent opportunity to maintain and develop the relationship with the customers. Furthermore, the Week of the Savings Bank is the only event that is held by Orusts Sparbank, nevertheless, T. Svensson thinks the event is worth the price since it is an excellent marketing opportunity instead of performing expensive customer analysis.

T. Svensson believes that the best way to notify if a customer is satisfied or not, is to perform on top all the time so that the customer returns in the future. The overall belief is the fact that ‘A happy customer is a satisfied customer’ and one way of having satisfied customers is, according to T. Svensson to have the highest possible borrowings rate and the lowest possible lending rates. One example of the fact that the customers appreciated a solid balance sheet and traditional banking was, according to T. Svensson, visible to determine during a 2 week period in 2008 when Orusts Sparbank received 1200 new customers.
6.3.2 Customers and Personal

As mentioned above, the size of the bank suits the island but another benefit with the size is that a customer that would be a minor customer in a commercial bank is a great customer in Orusts Sparbank. Moreover, T. Svensson describes how their customers’ values the fact that the personnel in Orust Sparbank know them by name but the fact that the bank knows the customers creates value to the bank too. As a family has used the bank for generation, the knowledge about the customer facilitates for the bank to make a correct risk analysis of the customer. Thereby, the close relationship with the customer is an essential factor as the bank strives to help the customer as far as possible. This leads to the reason why the bank wishes that all customers have a connection to the island of Orust. Meaning, if you do not have any connection at all to the island, the bank is unable to make the same sort of risk analysis that is possible to do if the origin of the customer is to be found on the island of Orust. The necessity of making the right decisions and choices becomes further emphasized as T. Svensson says: ‘There will be a time when all of us will need help. No matter who you are, there will always be a time when you will need assistance through a rougher time’

Furthermore, T. Svensson declares that it is not a problem for the bank if one customer end up in trouble as long as not all customers face bankruptcy at the same time. Due to this, the customer segment is defined by the fact that the persons, or savings banks, have a relevant connection to the island. As far as possible, Orusts Sparbank strives to have personnel that have their origin on, or near, Orust. Through this, T. Svensson thinks that the customers appreciate to meet a competent counsellor that speaks with the same dialect as the customer does. T. Svensson also highlights a unique support that the bank offers; the customer is able to reach every office also by phone. This opportunity is something that most competitors have outsourced and according to T. Svensson is this opportunity very appreciated among especially the customers that have moved away from the island but maintained the financial connection at Orusts Sparbank. Moreover, this helps preserving the knowledge about the bank and the society it operates in since the positions in the bank follows a certain order of succession. When the CEO retires, the successor is the deputy CEO and this helps, according to T. Svensson, to preserve the competence and the traditional idea of the savings banks within the bank.

6.2.3 Profit Allocation

As Orusts Sparbank is a traditional savings bank, the profit is reinvested in the bank or in the local society. Lately, the rapid increased business volume has lead to the fact that the profitability and margins have not managed to increase in proportion to the amount of business volume. The main reason is to be found in the fact that they have had almost too fine terms on the borrowings and lending from the bank perspective. Nevertheless, this makes it even more important to make the right choices concerning the profit allocation (Svensson, 2011d)

When it comes to the profit allocation, Orusts Sparbank emphasize in investing as much as possible within the society and the bank. The reason for this is, according to T. Svensson, the fact that ‘If an investment is beneficial for the society, then the bank is benefited too’. In other words, T. Svensson sees the investments in the society as a way to ensure the future of the bank.
The projects that Orusts Sparbank supports are in general involved with developing the infrastructure on Orust. For instance, the greatest project at the moment is the 10-million donation that the bank made in order to make the reconstruction of main road 160 possible. Another project that the bank established during the 2010 is a stipendium of 25,000SEK that the municipality hands out to persons from Bohuslän that has contributed in an extraordinary way to benefit for the knowledge of Bohuslän. Previously, the bank has ensured that the local school has computers, the victims of the storm Katarina had their excess donated by the bank. In order to teach youth to handle their economy, the bank starts visiting the school already in pre-school. Previously, the bank used to give donations to books that were written in an area that involved Orust or the bank but as a number of books have been written, T. Svensson declared that there existed better ways to support the island.

When it come to chose which projects that were relevant to support, Orusts Sparbank had a deep and long-term collaboration with the local municipality. Through this, the bank and the municipality have had the opportunity to work side by side in order to develop the environment on the island. The latest collaboration with the municipality was the previously mentioned road 160 (Svensson, 2011c).

6.3 Economical Description over the Latest 15 Years in Orusts Sparbank

In this section, the Rectangular Model is used to describe the economical situation of Orusts Sparbank during the 15 latest years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Orusts Sparbank</th>
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<tbody>
<tr>
<td>1995</td>
<td>3311</td>
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<td>1996</td>
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<td>2007</td>
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<td>2009</td>
<td>13054</td>
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<td>2010</td>
<td>14090</td>
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<td>2011</td>
<td>14630</td>
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</tbody>
</table>

Figure 3: Development of Business Volume 1995-2011

The financial system in Sweden continued to recover after the financial crisis in 1991-1993. The decrease in credit losses improved the profit gained after the credit losses, nonetheless, the result before credit losses continued to decrease. Main reasons are to be found in lowered margins and barely noticeable change in volumes. One positive outcome was that
the government proposed to abolish the bank guarantee.
In 1995 and 1996, an increased level of credit losses is possible to determine. Nevertheless, the net interest rate and the amount of commission remain at a stable level. Between 1995 and 1998, the securities increase with 100 million SEK and the business volume increase with almost 1 billion up to 4billion (Annual Reports 1995, 1996, 1997 1998).

1999:
In this year, the borrowings from the general public exceeded the amount of lending from the general public with 100 million SEK but the amount of debts to credit agencies decreased with 60 million SEK when compared to the same post in 1998. Further, the amount if business volume and equity capital increased with 553 million SEK and 35 million SEK up to an amount of 4562 and 251 (Annual Report 1999).

2000:
This year, the business volume continued to increase but only with 3.2% (144 million SEK). Further, the amount of remaining assets increased due to the fact that the shares increased from 49 million SEK to 87 million SEK. The amount of lending surpassed the amount of borrowings with approximate 100 million SEK and credit losses increased with 2 million SEK. Still, the net interest and commission increased and lead to the fact that the revenues increased with 19 million SEK and the profit became 40 million SEK in this year (Annual Report 2000).

2001:
In 2001, the amount of borrowings from the general public is once more greater than the amount of borrowings from the general public. The value of the shares have decreased and affected the result in a negative way. Nonetheless, the profit increased to 42.2 million SEK due to decreased amount of credit losses combined with the decreased amount of debts to credit agencies.

2002:
The amount of borrowings from the general public continues to exceed the amount of lending from the general public, this year the difference is 278 million SEK. Since the administration cost increased, the revenues became a bit lower in this year even though the net interest continued to increase. Further, the equity capital has increased slightly but the business volume increase with 250 million SEK and has now reached 5.4 billion SEK (Annual report 2002).

2003:
The net interest and the commission maintain at approximately the same levels and the credit losses increases but the revenues increases due to the positive effects that the financial transactions created. The post that contains the securities continues to grow and now constitutes approximately 28.3% of the asset side of the Rectangular Model. The amount of debts to credit agencies and the lending to credit agencies have increased (Annual Report 2003).

2004:
In 1995, the business volume was 3.3 billion SEK and in 2004 the business volume has
became more than twice that amount, 6.8 billion SEK. The equity capital has increased with 42 million SEK but does not increase in proportion to the business volume. Credit losses maintain at the same high level as in 2003 and the borrowings exceeds the amount of lending with 17.2%. In comparison, the amount of lending was 578 million SEK in 1995 and has now increased to almost 1.5 billion SEK (Annual report 2004).

The total amount of securities has decreased with 3.2 million SEK but combined with the fact that the business volume have increased rapidly, the amount of assets constitute out of a lesser percentage of securities (Annual Report 2004).

2005:  
Föreningssparbanken became `Bank of 2005`and provided a 5,6 mSEK dividend to Orusts Sparbank. This event in combination with a periodisation fund that been admitted for taxation created a 117 mSEK profit. Overall, the business volume has increased with 300 mSEK from 2004 and the deposits to the general public have increased rapidly. This is a sign that enlighten a flourishing and well-reputed bank. Moreover, the deposits show the types of customers; households and family business (Annual Report 2005).

2006:  
The operative profit after credit losses was a new record for the bank as it reached 74 mSEK. Net interest margins decreased but the possible negative influence was exceeded by the increase in business volume combined with the 20 mSEK dividend that origins from the shares in the new bank, Swedbank. A settlement between the savings banks and Swedbank constituting of an common IT-platform, Swedbank Robour and Swedbank Hypotek was established(Annual Report, 2006).

The high level of credit losses, 4 mSEK was under control as the borrowings by far exceeded that amount combined with the fact that the equity capital that reached 622 mSEK. The municipality and Orusts Sparbank settle the sponsor agreement of road 160 in order to facilitate for the flourishing boatbuilding industry on Orust (Annual Report, 2006).

2007:  
Strong economic situation combined with low rates created a flourishing business on Orust. The operative profit became 75 mSEK and the increased business volume surpassed 10 billion SEK did the net interest income increase despite low marginal (Annual report, 2007).

New customers lives both on and off Orust and Orusts Sparbank have gained media attention in terms of the title `Sveriges bästa bank´ combined with headlines that describes the sponsorship agreement involving road 160 and the support during the overflow that struck Orust in 2002. To handle unexpected losses in the local society, the bank need to remain profitable. Another expense is the head quarter which received a new design more suitable to the new way of working; through counsellors (Annual report, 2007).

In 2007, the equity capital increased due to the decreased credit losses and the increased amount of reinvested capital. Another reason for why the equity capital has increased is to be found in the changed accounting principles that have influenced the value of the shares in a positive way (Annual Report 2007).

So far, 2007 was the best year in the history of Orusts Sparbank. Strong economy and growth in general in Sweden was combined with low interest rates were beneficial for the
industry on Orust and the profit in the bank increased to 71.8 million SEK. Moreover, the business volume passed 10 billion SEK had had a positive influence on the net interest (Annual Report 2007).

2008:
Ongoing financial crisis strikes the financial market but Orusts Sparbank flourishes. Fine terms, low or none fees, high service-standard and competent bankers have increased the business volume with 876 mSEK, the total business volume is now 11 400 mSEK. Nevertheless, the result became -66,6 mSEK after adjustments (115,4 mSEK) made on the shareholding in Swedbank (Annual Report, 2008).

Equity capital decreased with 129 mSEK to 610 mSEK but predictions about 2009 show an operative profit in line with previous years, 60 mSEK (Annual Report, 2008).

2009:
Despite the financial crisis, 2009 became the best year in the history of Orusts Sparbank. The main reason for this success is to be found in the active finance management that the previous CEO Bo Olsson implemented in the bank. Due to this strategy that was implemented during the autumn 2008, the decreased key interest rate from 4,75% to 0,25% became very beneficial for Orusts Sparbank during 2009. The radical increased net interest rate is also due to the decreased policy rate (Annual Report 2009).

Customers continued to switch to Orusts Sparbank due to very beneficial influences on solidity, return on equity, continuity and fine terms with short decision-making process and competent personnel. The possibility of visiting any of the four offices was also appreciated by the customers. Positive relationships between the bank and the customers have created a increase in borrowings that exceeds the total amount of lending with 1 billion SEK. Still, T. Svensson raise a prediction that falling house prices might have a negative influence on the lending portfolio during 2010 (Annual Report 2009).

The office in Svanesund has had maintenance and this cost has influenced the operating profit as well as the second emission of shares in Swedbank caused. Today, the total amount of shares in Swedbank is 3 mSEK after Orusts Sparbank have provided 35 mSEK to the emission. Project Road 160 received a 2 mSEK donation from the bank since what is beneficial for the isle, benefit for the bank (Annual Report, 2009).

Moreover, the business volume was in 2002 5 billion SEK and has increased to become 13 billion SEK in 2009. The main reason for this growth is due to new customers and increased business with stale customers. In other terms, the increased volume consists of borrowings, lending and intermediated volumes to Swedbank (Annual Report 2009).

2010:
Afterwaves from the financial crisis did not have great influence the operations in Orusts Sparbank. The operating profit became 82 mSEK and the gross profit reached 92 mSEK. Even though the business volume increased from 13 billion SEK to 14 billion SEK combined with a well-managed bond portfolio did not the net interest income increase more than 10%. But the amount of customer grew as well as the transactions made by both old and new customers. Other operating incomes grew from 29 mSEK to 40 mSEK due to a decreased dividend from shares in Swedbank. The equity capital increased marginally but the operative costs increased from 0,2 mSEKk to 62 mSEK and the reason was redevelopment due to
increased safety demands and preparations for the implementation of *Basel iii* (Annual Report 2010).

In 2010, a new collaboration with Swedbank was signed as the previous contract expired. This action enlightens the trust and belief of a common future that *Orusts Sparbank* have with Swedbank. Customers to *Orusts Sparbank* also share a bright perspective on what the future might bring. The borrowings increased with 232 mSEK and have now reached 4110 mSEK. The lending increased with 440 mSEK and reached the total amount of 3220 mSEK. The increase in lending also enlightens that the crisis is soon to be over since the business environment on *Orusts Sparbank* flourish once more (Annual Report, 2010).

This was the final year with Tommy Svensson as the CEO. During his time, *Orusts Sparbank* have drastically grown, for instance the business volume have increased from 5 billion SEK to reach 14 billion SEK. Moreover, the equity capital has doubled from 450 to 950 mSEK. (Annual Report 2010).

2011:
This was the first year in which *Orusts Sparbank* received a female, Birgitta Pettersson, as CEO. Former CEO, Tommy Svensson, was elected chairman of the board (Annual Report, 2011). The new CEO and deputy CEO have previously worked as deputy CEO and administrative manager. Nevertheless, B. Pettersson is in charge of a flourishing savings bank. After credit reservation (0,7 mSEK) did the operation profit become 100 mSEK, the second best result in the history of *Orusts Sparbank*. New customers and increased transactions with old customers have created an increase in the business volume with 600 mSEK. Nevertheless, the net interest income did not increase more than 7% due to the increased costs related to the borrowings (Annual Report, 2011).

During 2011 have the bank increased the total amount of shares in Swedbank with 200 000. The total amount consists of 4,3 million shares and had at the end of 2011 a value of 383 mSEK. Dividends from the shares influenced the net income with 12 mSEK. The amounts of borrowing (+310 mSEK) and lending (+532 mSEK) have continued to increase as well as the equity capital which reached 960 mSEK at the end of the year. This is a sign that the customers appreciate the beneficial terms, the service provided by the bankers and the long-term perspective that the bank have even though the amount of funds connected to Swedbank Robour have decreased to 1527 mSEK(Annual Report, 2011).

To facilitate and stimulate the school youth to focus upon the studies did the bank sign a sponsor agreement with a local school. The amount of 2 mSEK shall provide technology and IT-support to the school (Annual Report, 2011).

The outcomes for 2012 seem darker as B. Pettersson predicts decreased house prices and business failures. If the policy rate continues to decrease, falling in real estate prices would not be as drastic. Nevertheless, *Orusts Sparbank* has financial strength and the operating profits, including dividend from shares in Swedbank, will probably create a result in 2012 that is similar to the result in 2011 (Annual report, 2011).
7. Banks for comparison

Chapter 7 provides a illustration about the two banks; Sparbanken Alingsås and Tjörns Sparbank, that were chosen to be compared to Orusts Sparbank.

7.1 Sparbanken Alingsås

Sparbanken Alingsås was established in 1833 and has since then been a source of inspiration and a powerful savings bank which has always emphasized to operate in what is the best for the society and its inhabitants. Main office is located in Alingsås but the bank has offices in Lerum, Herrljunga, Vårgårda and Sollebrunn as well. Customers to the bank operates in an area of growth, thereby Sparbanken Alingsås enlighten the necessity of providing the same services as commercial banks and it is possible through the collaboration with Swedbank. Nevertheless, Sparbanken Alingsås strength is founded in the local bank and is required due to continues events. For instance, in 2007 Sparbanken Alingsås expanded since the office in Lerum was purchased. In late 2011, Sparbanken Alingsås became the first savings bank in Sweden that transformed in to a limited bank that is owned by the foundation. Sparbanken Alingsås find themselves as a modern savings bank that strives to stay in the frontline concerning development (Sparbanken Alingsås, 2012; Annual Report 2007).

Respondent for Sparbanken Alingsås is Ragnar Udin, CEO of the bank for 25 years but now recently retired. Mr R. Udin is now the director of the foundation that owns Sparbanken Alingsås.

7.1.1 Customers and Personnel

Since the municipality contains several of customer segments such as numerous of industries but also households, Sparbanken Alingsås there is a necessity in finding flexible solutions for their customers and it can be challenging since the bank have a wide span of customers. For instance, in the company sector customers comes from several different industries and a complete standardization of the available products are therefore impossible to perform. In order to reach satisfy the varying demands from their customers, the aim of the bank is to provide as good counselling as possible in order to meet the specific needs a customer might have. Since the bank has several different customer segments, the personnel have to be able to find product and services that suits the customer as good as possible. That is also a reason for why the bank has personnel that is specialized in different areas and thereby fulfil the requirements from the Basel iii concerning the employees. Nevertheless, in order to succeed to offer the same or better terms as the competitors on the market is a necessity. Almost as important as having fine terms is the collaboration with Swedbank since it provides the bank with the latest updates concerning, for instance, the IT-system (Udin, 2011).

Nevertheless, as the future demands increased the need of having flourishing savings banks that had the resources to provide financial support even in the future, Sparbanken Alingsås decided to convert into a limited bank. In order to avoid the risk of being bought up in the future, Sparbanken Alingås became one of the first savings bank in Sweden to adopt the structure of a Spanish savings bank. Meaning, a foundation was established that not only managed all the projects but also owned the bank since the foundation bears all the shares. The main idea of creating a substitute for an owner is, according to R. Udin, the fact that it
would create a put pressure on the director of the board that they need to report to a type of owner and that relationship do not currently exist in any other savings banks in Sweden besides in Sparbanken Alingsås. From now on the bank must emphasize to be as efficient and profitable as possible since the return on equity that is not needed in the bank will be sent to the foundation. In that way, the foundation is able to increase their capital and support more projects in the local society. Through this, the Sparbanken Alingsås do not risk being bought up in the future but there might be a risk that a successor to R. Udin will have different perspective of how to handle the foundation. As the Sparbanken Alingsås have chosen to convert, they cannot transform into a traditional savings bank in the future. Nevertheless, even though Sparbanken Alingsås never will be a traditional savings bank again, they will ensure that the idea of the savings banks is continue to exist through the work done by the bank and the foundation (Udin, 2011).

7.1.2 Profit Allocation
As the location of the municipal facilitates for commutes to live in Alingsås and commute to, for instance Gothenburg or Borås, there exists plenty of opportunities for a savings bank to support the municipal. For instance, R. Udin and the municipal have had a long-term collaboration in order to facilitate for the customers on the market. Thereby, projects and commitments that strive to develop the municipal have been a highly relevant area for the bank. It is essential to reach potential new customers in an early stage, and therefore have R. Udin put a lot of effort in establishing a good relationship with the youth in the society. Through this aim, the bank manages most of the savings banks that the youth have established. Another area in which the bank plays a major role is when it comes to develop the town centre and have a collaboration with several of the local entrepreneurs. This collaboration has also resulted in several meetings in which it is discussed possible projects. Through one meeting, the latest project was settled. In this project, the AB Balder Fastigheter and the foundation to Sparbanken Alingsås agreed to a new type of settlement; the Sparbanken Alingsås became shareholders in a future occasion hall. In other words, the bank will among other things receive dividends from the new hall in the future. Other projects that the Sparbanken Alingsås have supported are such as; supporting the local college, having a collaboration with a university and make improvements at the local hospital.

7.2 Tjörns Sparbank

Tjörns Sparbank was established in 1874 and has remained a traditional savings bank with one office located on the island Tjörn. Local connection to the households and business on the island is important for Tjörns Sparbank. Therefore, the bank strives to provide bank services to competitive prices but also provide care, quality through the local presence (Tjörns Sparbank, 2012).

Respondent for Tjörns Sparbank is Magnus Flyckt, CEO of the bank. Previously, Mr. M. Flyckt worked for a competitor on the mainland but started his banking career at Tjörns Sparbank.

7.2.1 Customers and Personnel
The traditional savings bank Tjörns Sparbank operates under almost the same circumstances as Orusts Sparbank. One difference in the environmental area is the fact that most of the inhabitants on Tjörn have their own savings banks but without the connection to a specific industry as the savings banks on Orust have. Another difference between the two
islands is the fact that Tjörn, instead of a boat-building industry, have several shipping companies in the island. According to M. Flyckt are the shipping companies by far too big for Tjörns Sparbank to handle. Therefore, the most of the customers are mainly to be found among the smaller savings banks and households on the island (Flyckt, 2011).

Since the bank in total have 31 employees compared to the 5-6 employees that a competitor on the island have, the customers of Tjörns Sparbank are willing to pay a bit more for having the opportunity to visit a full-service office and to have the opportunity to visit a competent counsellor. Tjörns Sparbank provides generous opening hours and is, according to M. Flyckt, the only location at which the inhabitants can make borrowings and withdrawals on the island. In order to survive, the bank is not able have the best possible rates since it is expensive to educate personnel and maintain the high amount of employees (Flyckt, 2011).

At the moment, M. Flyckt does not see any reason for why the bank should convert in to a limited bank. Great savings banks such as shipyards, are to huge to only have a small savings bank as a financial institution. For instance, one freighter can cost between a few hundred million SEK up to 1 billion SEK to buy. Further, the shipyards have proven to be under strong influence of the world economy. Thereby, the shipyards are too big and risky for Tjörns Sparbank to handle (Flyckt, 2011).

According to M. Flyckt, the ongoing discussion about how even the traditional savings banks shall have the opportunity to regenerate capital is a necessity. For instance, the credit losses in 2009 occurred due to the fact that a smaller freighter suddenly needed to be repaired. Therefore, in order to be able to handle unexpected events, M. Flyckt finds it essential to investigate the possibility to regenerate capital without abandoning the traditional form that Tjörns Sparbank has today.

Nevertheless, when it comes to changes in the nearest future M. Flyckt do not think that the Basel iii framework will affect the bank too severe since the bank only act as an intermediare when it comes to funds and shares. In order to fulfil every requirement concerning the employees, the bank is hiring at the moment. Therefore, when it comes to changes in the nearest future, M. Flyckt believes more in an increased collaboration among the savings banks within the Västra Sveriges Sparbanksförening than changes due to the new legislation (Flyckt, 2011).

7.2.2 Profit Allocation
When it comes to creating a flourishing local society, Tjörns Sparbank emphasize in supporting projects that add a bonus to the society. If the bank would support projects that are similar to projects that the local municipality supports, M. Flyckt believes that there is an overwhelming risk for the bank to be seen as a second municipality. Instead, the bank supports projects that would not otherwise be possible. For instance, the collaboration with the local school means that the bank visits the school to teach the children to handle their economy wisely and creating an opportunity to establish a contact with the youth at an early age. Moreover, the bank personnel and a class spent a day on a beach to tidy it up together

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22 Västra Sveriges Sparbanksförening is a member association that constitutes out of all the 20 savings banks. These banks are located from Halland in the South to Dalsland in the North. The association exist in order to create opportunities for the CEOs of the member banks to meet and exchange ideas and knowledge.
and the class received a donation to a class trip due to the excellent work they did (Flyckt, 2011).

Concerning culture on the island, *Tjörns Sparbank* finds it necessary to help preserve knowledge that otherwise risk being lost forever. One example is that they support the Taube-award or that the bank supports books that are being written about subjects that involves the history of Tjörn.

Another relevant project is the fact that *Tjörns Sparbank* contacted the municipality in order to establish a collaboration that lead to the reconstruction of an unfortunate road on the island. This project was chosen in order to lower the amount o accidents and a 2.5 million donation from the bank created the possibility to make the road safer as a roundabout are now being built.
8. Analysis

In the chapter, gathered data analyze the gathered empirical data in chapter 4 and chapter 6 through using the frame of references.

8.1 Capital Structure

Traditional savings banks that operated in an area in which the social relationship, instead of growth, was in focus were more likely to not convert into a limited bank since the local society did not appreciate to sever changes (Forssell, 1992). Empirical data shows that the traditional savings banks thoughts whether the future might bring upon them in the longer-run but none of interviewed savings banks were willing to convert into a limited bank today or in the nearest future. Still, they both Orusts Sparbank and Tjöms Sparbank were anxious over if they would be able to regenerate the necessary amount of capital if needed. This consavings banks that the savings banks finds it difficult to expand the equity capital if needed (Rodriguez and Andersson, 2006). Further, since the Sparbanken Alingsås perceive that they would most certainly need more capital in the future, they choose to convert in order to have another possibility to regenerate capital. The fact that there were no differences between a limited bank and a traditional savings bank today but differences might occur in the future was not anything that R. Udin was not especially anxious about despite the warnings from Silver (2008).

Orusts Sparbank could see why savings banks such as Sparbanken Alingsås decided to convert but they did not feel the need to convert. Nevertheless, Tjöms Sparbank could felt comfortable about thinking of the possibility to merge or maybe convert into a limited bank in the future. The main reason for this was if it ensured their survival. As a result, none of the banks were directly against the decision to convert, the traditional savings banks just did not think it was necessary for them to take a great step as that at the moment. This way of reasoning is directly against the will of Körberg (2011).

Through the collaboration with Swedbank, the investigated savings banks experienced benefits due to economies of scale and were able to lower their expenses since they did not have to buy, for instance an information system on their own. Furthermore, the savings banks found it essential to lower their costs by having a mutual product development (Williams, 2002, Carbó Valverde et al., 2003).

8.1.1 Profit Allocation Through Projects

Whilst a Orusts Sparbank emphasize to maximize the value created in the society and declares that anything that is good for the society is good for the bank. In comparison, Tjöms Sparbank seems to maximize the experienced created value but at the same time optimize the profitability in the bank. Sparbanken Alingsås distinguish from the traditional savings banks since they emphasize to maximize profitability in order to maximize the dividend to the foundation and thereby maximize the contribution to the local society. Perhaps, the possibility of declaring that Sparbanken Alingsås strives to maximize their profit. Still, there is difficult to declare that Sparbanken Alingsås only want to maximize profit and that the dividend is a side effect. Instead, the author finds the explanation in the way the projects are chosen. Projects that Orusts Sparbank and Sparbanken Alingsås supports, is often created through a profound collaboration with the local municipality. This perspective is supported by Fiordelisi
and Moluneux (2006) and Olsson (2009). It could be stated that infrastructural projects that the traditional savings banks supports can be a sign of the fact that politicians in the society are using the bank as an additional way of financing their own projects as according to Silver (2008). Still, the author does not think that is the case with neither Orusts Sparbank nor Tjörns Sparbank. The reason for this belief is due to the fact that the main road since the main road 160 has been a troubled road for a long time.

When comparing the investigated banks with savings banks in Europe, the possibility of finding similarities and differences in the way they allocate their profits are possible. For instance, Sparbanken Alingsås and the savings banks in Spain share both the same structure but it is also possible to find similarities in their projects. The latest project in Sparbanken Alingsås constitutes of the occasion hall in which there will be opportunities to have both conferences and exhibition rooms where art can be presented. In the same line, Spanish savings banks supports culture, facilitating for establishing new meeting places etcetera. Still, difficulties to determine whether Sparbanken Alingsås emphasize profitability in order to maximize their disposal to projects that are beneficial for the society (Williams, 2001) or it they strives to maximize their possibilities to contribute to the society through the using liquidity from the bank (García-Cestona and Surroca, 2008) (Hasan and Lozano–Vivas, 2002). The author believes that it seems to be more likely that Sparbanken Alingsås is best located somewhere in between since they strive to maximize profitability to be able to support the local society. Still, their major purpose is to support the society, not maximize the profitability itself and hand just a fling of liquidity to their new foundation.

Nonetheless, difference between the Spanish savings banks and the Sparbanken Alingsås occurs; firstly, the fact is that the savings banks in Spain have become one of the tenth greatest financial institutions in the world. Secondly, discussions about the Spanish savings banks have been the subject of several debates in the European Union since they have almost manages to drive the commercial banks in Spain out of business (Silver, 2011). Finally, the greatest difference between Sparbanken Alingsås and the Spanish savings banks is that Sparbanken Alingsås only can dispose 5% of the annual profit to projects that are beneficial for the society (Sparbankslagen 1987:619). In comparison, the Spanish savings banks are able to dispose up to 50% of their annual profit to public utility projects (Silver, 2011).

The traditional savings banks in Sweden have several similarities with the German savings banks. Both types are small, focus upon promoting thrift, education and economical awareness among the general public and inform their customers how they can minimize the environmental influences. This far, the German savings banks seem identical to the traditional savings banks but the German savings banks have never been permitted by the law to either expand or convert into a limited bank (Silver, 2011, Williams, 2001).

8.2 Traditional savings bank – Modern savings bank

Under the circumstances that Forssell (1992) declares, there exist several differences between a traditional savings bank and a modern savings bank. The Service management Model is used by the author in order to show how a traditional savings bank and modern savings banks fits into the model.
According to Normann (2000), a necessity in order to succeed is to find a suitable market segment. As the principles of the traditional savings banks emphasize, the market segment for a traditional savings bank is the local society in which the bank operates. Both CEOs for the two investigated traditional savings banks admit to the fact that their customer is by far connected to their local society. According to Forssell (1992), the typical operating area for a traditional savings bank is often defined by households and one type of industry which is accurate when it comes to Orust and Tjörn. The CEO for both banks declares how what influences their islands influences the banks. For instance, when the latest financial crisis struck the boatbuilding industry on Orust the amount of credit losses arose immediately and increased the expenses/revenues ratio.

As the market segments for Orusts Sparbank and other traditional savings banks mainly is based on the relationship between the inhabitants and the bankers, the feeling of solidarity increases as the origin of the bankers are the same as the customers origin; Orust. Additionally, the fact that the personnel knows the name and the history of the person that walks tin through the doors makes the customer feel like a member of the bank instead of being just a customer (Forssell 1992).

Furthermore, the number of households on Orust by far exceeds the amount savings banks, the same proportions are to be found in the categories of customer in the bank. As the pricing levels concerning residences on Orust are rising\(^\text{23}\), the real estate market creates a solid financial market in the society. Both T. Svensson and M. Flyckt emphasize the necessity of having a functional environment since the environment on the island is to be seen as a fine area for children to grow up in. Thereby, both banks strive to assist the local municipality through ensuring that the roads are safe and emphasize to assist the customers through financial distress as far as possible.

In contrast, Sparbanken Alingsås defines a typical modern savings bank. According to Forssell (1992), the market segmentation that modern savings banks operates on an area that is defined by growth and wide span of different customers and is more likely to be seen

\(^{23}\) See Figure 1
as a market instead of a local society. One of the benefits that R. Udin emphasize is the fact that the municipalities in which Sparbanken Alingsås operates contain a number of different industries, associations and households. Thereby, the market-approach that the bank has, is suitable for the various categories of customers that the bank has.

8.2.2 The Service Concept
As the banks have decided the most suitable market segment, the need to locate their strengths in order to determine what specific products or services they can offer that will outrange the competitors’ products (Normann, 2000, Prahalad and Hamel, 1990).

Traditional Savings Banks
Since customers to traditional savings banks in general contains in a group that are less diversified than customers belonging to a modern savings bank, the main focus of a savings bank is to be an asset manager and credit granter (Forssell, 2000). Orusts Sparbank declares and is known to support their customers even through tough times by providing financial services. The customer have stated that they are provided with excellent financial terms and they are ensure that the bank do not take upon too much risks. The bank put effort in assisting the municipality as far as possible since if the society is benefitted, so is the bank. Moreover, Orusts Sparbank emphasizes to benefit for the overall industry and environment on the island through focusing on developing the infrastructure. As the bankers mainly have their origin from the island, the bank emphasize in ensuring that most of the personal is from Orust since they believe that the customers appreciate to be served by someone that they can relate to. According to Prahalad (1990), this is one way of offering something that the competitors in most cases cannot offer. As a comparison, the market conditions on Tjörns Sparbank contains more diversification than Orust and this is visible through the fact that Tjörns Sparbank supports the island through ensuring a good financial structure but not to the best possible terms (M. Flyckt 2011). Instead, the focus of Tjörns Sparbank is to offer something that the

Modern Savings Bank
The service system in Sparbanken Alingsås differs from the ones used by the two traditional savings banks and the reason is to be found in the different market circumstances. Since Sparbanken Alingsås operate on a market based on growth, their strength lays in offering the right products and services in combination with the right counseling. Therefore, Sparbanken Alingsås focuses on having updated personnel which are able to offer the right products and services to each customer. The personnel is essential as this is the point where the moment of truth takes place.

8.2.3 The Service System
When it comes to the service system, Normann (2000) emphasize the need in having well-functioning delivery system. The essential resources could constitute out of, for instance, personnel or products.

Traditional Savings Banks
Both Orusts Sparbank and Tjörns Sparbank emphasizes the necessity of having competent personnel combined with full-service offices in the local society. The customers appreciate the opportunity to walk in to the bank and meet a banker instead of only use technology to get in contact with the banks. Further, both banks strive to have personnel that manage
numerous of areas in the bank and having short answering time. The local connection through having full-service offices provides a financial structure in the local society and strengthens the relationship between the customer and the banks since the customers, according to T. Svensson, becomes ‘a great customer in a small bank’. Nevertheless, Orusts Sparbank emphasize that as many as possible from the personnel shall origin from the island since the bank believe that the joint origin strengthen the relationship between the bankers and the customers’. In contradiction, Tjörns Sparbank focuses on having as competent personnel as possible even though the personnel do not origin from the island. Nonetheless, both ways strives to fulfil the requirements that Normann (2000) finds essential.

Modern Savings Bank
Since Sparbanken Alingsås market contains different types of customer segments, the bank emphasize in having full-service offices and competent personnel that are specialized in different areas. Therefore, the main focus is to ensure that the bank is able to offer the customers products and packages of products that suit the customer as good as possible. In general, the customers’ in a modern savings bank is to be seen as customers instead being members of an savings bank as they are in a traditional savings bank. Due to the fact that Sparbanken Alingsås emphasize in having professional personnel that rapidly understands what the specific customer need under the Magical Moment, Sparbanken Alingsås have a more businesslike approach to the customers’ but also that the savings bank of the bank can be adjusted since different customers requires different combinations of services and products. Through finding a proper solution for the customer, the bank also becomes cost-efficient (Normann, 2000, Forssell, 1992, Grönroos, 1997, Grönroos, 1992, Hasan and Lozano–Vivas, 2002).

8.2.4 The Image
According to Normann (2000), one to succeed with the image is to create an image that the customers’ can relate too. Another way to succeed with the image is through having motivated personnel (Normann, 2000).

Traditional Savings Banks
In both traditional savings banks the focus is upon having motivated and competent personnel in order to create bonds to the customers. According to T. Svensson, most of the personnel are originally from the island whilst Tjörns Sparbank emphasizes to have a high ratio between the personnel and the customer’. Both of the traditional savings banks have trustees that govern the director of the board. Since half of the amount of trustees is elected from the municipality and the other half is elected from the inhabitants in the local society, the trustees represent the customers. Therefore, as the projects the banks shall support are chosen, the boards of directors and the trustees in both banks have an active role throughout the decision-making process (Flyckt, 2011, Svensson, 2011c). Still, there exists a difference between the two traditional savings banks since Orusts Sparbank have a deep collaboration with the municipality and Tjörns Sparbank emphasize to support the society and contacts the municipality if the bank have a suggestion that involves the municipality (Flyckt, 2011).

Modern Savings Bank
Since Sparbanken Alingsås have elected representatives instead of trustees, the risk that the municipality shall use the bank as a second source of finance decreases. The representatives are chosen savings banks and private persons that represent the local society in which the bank operates. As the Sparbanken Alingsås operates on a market where
they, according to R. Udin, must emphasize to have the same, or better, terms than their competitors and it facilitate to have persons among the elected representatives that sees the market through a business perspective (Forssell, 1992).

When it comes to choosing projects, the board of directors in Sparbanken Alingsås is not involved in the decision-making process. The reason for this is that the foundation handles all projects and the necessary events surrounding the projects (Udin, 2011).

**The Rectangular Model**

In this section, analyze of the Rectangular Model is constituted. Since the design of the Rectangular Model adjusts after the type of business it is applied on, the shape determines how the savings bank have been financed and operated (Lorentzon, 2011). The Rectangular Model for Orusts Sparbank is high and thin which symbolizes that the investigated object is capital-intensive. (Polesie et al., 1995). This is correct since the business in a bank relies on money and securities, meaning that the business in the bank relies on assets that are created through savings or lending. In other worlds, the way in which a bank is operated is depending on the ability of the customer pay interest and amortization.

From the income statement, the most important posts in revenue are the interest income from the lending and the commission revenues which are from the products that the bank offers besides the lending. The expenses constitute of the administration costs in which the expenses for the personal and the IT-system are the greatest. These two constitutes the width of the Rectangular Model but since this is a bank, the greatest difference is to be found in the height it the model since the major amount of products in a bank are financial services such as borrowings, lending and services related to those (Sparbankerna, 2011).

Whilst using the Rectangular Model, the asset side is the origin to the revenues and the liability side is the origin to the expenses. The difference between the revenues and the expenses generate the profit (Polesie et al., 1995). Therefore, the diagram over the revenues and expenses reveal the difference in width in the Rectangular Model. Further, the diagram over the assets, liabilities and equity capital reveals how the height of the Rectangular Model have differed over the years.

*In the table above, it is possible to determine that the net interest\(^24\) for sure is the major income. The credit losses and written-down financial assets have also effected the income statement. In year 2008, the savings banks had to write down the shares they had in Swedbank due to the financial crisis. Overall, the credit losses do not differ much from time to time which is a sign of great knowledge of the customers since the bank is able to make correct judgments. Some states that the Swedish savings banks increases the amount of credit risk since the savings banks prefer to focus on creating more public welfare and therefore have incitement than other banks would have done in the same situation. Instead, an investigation among the Swedish savings banks emphasize that the degree of credit risks decreases due to competent personnel (Silver, 2008).*

Above, it is also possible to determine how the local society influenced the bank. For instance, in 1995 the surges after the real estate crisis increased the amount of credit losses. Between 2003 to 2005, the amount of credit losses increased due to the ongoing crisis in the

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\(^24\) The difference between the lending and the borrowings
boatbuilding industry. Since most of the small-enterprises on the island are related to the boatbuilding industry, the number of credit losses got a break-through.

The fact that the net interest exceeds maintains on a consistent high level over the years is a sign of good risk management within the bank. In order to maintain a high level of net interest, the bank must have the ability to match the lending and the borrowings in relation to each other. The lending and the borrowings must consist of the same amount of risks otherwise the whole yield can be lost (Bessis, 1998).

<table>
<thead>
<tr>
<th>Year</th>
<th>Orusts Sparbank</th>
<th>Alingsås Sparbank</th>
<th>Tjörns sparbank</th>
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<tbody>
<tr>
<td>1995</td>
<td>0,34</td>
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<td>1996</td>
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<tr>
<td>2011</td>
<td>0,38</td>
<td>0,52</td>
<td>0,57</td>
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**Figure 6 Expenses / Revenues (henceforth K/I)**

Competitiveness and effectiveness of a bank can be measured through determining the difference in percentage between costs and receipts (Bessis, 1998). Ordinarily, the lowest possible number is the most preferable concerning this ratio. Nonetheless, the aim of receiving a low K/I ratio is not always the goal since a bank might appreciate having more offices or staff in order to consolidate customer service and quality than optimizing this ratio.

**Sparbanken Alingsås**

It is possible to notice a slightly enhanced ratio in 2007 since Sparbanken i Alingsås merged through buying the office in Lerum previously owned by Föreningssparbanken (Sparbank, 2007, Alingsås, 2007). The major increase in 2010 occurred due to the transformation into a limited bank which increased the costs.

**Orusts Sparbank**

In 2002, an enhanced ratio is possible to determine and the reason for the enhanced level of K/I is the fact that a storm hit Orust and caused a sever submersion. Since Orusts Sparbank remitted the excess to the victims of the storm, this effected the K/I ratio (Svensson, 2011a, Sparbank, 2002, Sparbank, 2007). Enhanced security requirements caused supplementary costs in 2007 and 2008 as the
offices needed to be rebuilt. Furthermore, a donation of 10 million in order to make a reconstruction of road 160 was made. Another factor which lowered the K/I ratio was that the fact that a sudden drop fall on the stock market during the autumn in 2007 had a negative effect on the result.

**Tjörns Sparbank**

It is easy determined the downturn which the shipyards and freighting industry experienced during the early 21st century. The negative trend was broken at the beginning of 2007 but as the situation of the world economy worsened during 2008, savings banks dependence on exports were negatively affected.

**Capital Adequacy**

Capital in relation to the risks taken is required from the BASEL ii framework, in other terms the banks are required to have a certain level of capital to be able to handle their commitments even under recession. The greater risks the bank takes, the greater amount of capital is needed in the buffer. Due to the Basel ii framework, the banks is required to have at least a quota of capital coverage that exceeds 1.0. Nevertheless, several banks strive to have a high quota as possible.

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<tr>
<th>Year</th>
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*Figure 6 Capital Adequacy Quota*

The decrease in the level of capital adequacy is explained by the increased lending since the lending and the borrowings must be in proportion to each other concerning the risks taken. If not, the banks need to use the equity capital in order to handle the situation and by that reason decreases the capital adequacy quota. A hypothetical example; If a customer settles a loan that matures in 6 month to a rate of 3%, the bank receives 3% in payment on the loan. Saver receive 2.5% on their savings, the bank pays 2.5% but gain 0.5%. If the key interest rate increase to 4%, the rate on the savings accounts increases to 3.5% but the bank still receives only 3% from the borrower, then the bank must use the equity capital to be able to handle the 0.5% loss until the loan has matured.

T. Svensson mention that the reason for why the business volume have increased but the profitability and net interest margins have not managed to increase in proportion to the volume. This have lead to increased risk since the development of the key interest rate have been hard to predict. Since Orusts Sparbank and Sparbanken Alingsås emphasise in having the best terms possible for their customers’, the capital adequacy curves shows a great difference over the time period (Svensson, 2011d, Udin, 2011). The strategy of Tjörns Sparbank is to provide their customers’ with benefits such as generous opening hours and a great number of competent employees instead of the best possible terms (Flyckt, 2011).
**Level of credit losses**

Credit loss is not equal to the fact that a customer is not able to pay the amortization of a loan or handle the interest rates. Instead, a credit loss occurs when something unprepared happens to a customer or a customer segment (Sparbank, 2010).

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<th>Year</th>
<th><strong>Orusts Sparbank</strong></th>
<th><strong>Sparbanken Alingsås</strong></th>
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**Figure 7 The development of credit losses, in other terms, level of verified and reservations for losses.**

All the investigated banks consistently analysis the possibility for unplanned events to occur as the degree of reservations affects their society or customers and the level assessment of rates and amortization in the bank. When the level of credit losses is negative, repayments of previous credit losses have been made. Furthermore, the possibility of comparing the different markets becomes reality since both **Orusts Sparbank** and **Tjörns Sparbank** level of credit losses occurs at the same time. The reason for why this occurs is the fact that the shipping companies and the boatbuilding industry are influenced in the same way.

**Orusts Sparbank**

As **Orusts Sparbank** operates on a limited area, a crisis for a larger customer or in the boat industry becomes perceivable in the level of credit losses. As a flooding occurred on Orust in the autumn/winter 2002, the level of credit losses in 2003 is observable enhanced. It is also possible to notify when the repayment is done in 2007 as the level of credit losses rapidly decreases. The amount of credit losses increases as the financial crisis strike Orust in 2008. Due to the fact that the boat building industry has had some problem during 2008, 2009 and partly 2010, the amount of credit losses has been influenced. Nevertheless, the trend seems to have been broken as the boat building industry started to re-employ during the autumn of 2010 (Annual report, 2010).

**Tjörns Sparbank**

As mentioned above, **Tjörns Sparbank** have a similar local society as **Orusts Sparbank** and it
is therefore possible to determine several possibilities in their curves. For instance, in 2004 it is still possible to see a slightly increased level of credit losses in the curves of both Tjörns Sparbank and Orusts Sparbank. M. Flyckt explained that the credit losses in 2009 were caused by the fact that a relatively new boat needed an expensive repair.

**Alingsås Sparbank**

R. Udin emphasized that Sparbanken Alingsås had a wide range of customers such as households and several types of industries. Thereby, the influence of a single customer segment is lesser in this curve than in the curves that belongs to the other two banks. Nevertheless, the financial crisis in 2008 created a slight increase in the credit losses.

*Development in the Business Volume*

![Figure 8 Business Volume in the Banks](image_url)

In the diagram above, it is possible to determine the development in the business volume. When it comes to Orusts Sparbank, it is possible to determine a great increase in the business volume from 2003 to 2010. The reason for the development is according to T. Svensson the increased amount of customers combined with the fact that the number of business with the old customers have increased. Moreover, a good reputation and fine terms have also contributed to the rapid development (Annual Report 2007). But the equity capital and the margins have not managed to increase in proportion to the increase in the business volume. The reason for this is, according to T. Svensson, that they have too great terms; the bank gives the savers great rates but also the borrowers. Nevertheless, all the investigated savings banks have had a development in their business volume and a common factor is that the increase is mainly to be found among the households. The growth in the curve that belongs to Sparbanken Alingsås is due to the fact that they have expanded in to new areas in 2002 and 2007 (Annual report 2007). Further, a slight increase in the curve belonging to Tjörns Sparbank is possible to determine. The reason for this is, according to M. Flyckt, the new way of marketing the bank. Recently, Tjörns Sparbank launched a collaboration with the local municipality concerning the reconstruction of a road. Moreover, Tjörn Sparbank started

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25 Detailed overview of each banks change in assets, liabilities and equity capital concerning Orusts Sparbank is to be found in the appendix
to focus on projects that adds a bonus to the island and makes people aware of the bank but at the same time also the values that the bank stands for.

<table>
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<td>2011</td>
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**Figure 9 Through the Return on Equity the Possibility of Observing How the Banks Have Managed to Create Revenue on Their Assets**

The diagram above, emphasize how the banks manage to create yield on their equity capital. Since the savings banks in Sweden are not allowed to use more than 5% of the annual profit to investments outside the bank (Sparbankslagen 1987:619), it is possible to determine that the investigated banks are well-capitalized if not an unexpected event occurs (Forssell, 1992). For instance, the industries in general had some difficulties in the early 21st century and, for instance Orusts Sparbank reconstructed an office and Sparbanken Alingsås bought a new office in 2002. Nevertheless, the return on equity curve recovered until the financial crisis struck the world economy in 2007/2008. In 2010, the return on equity have been decreased due to the fact that Orusts Sparbank have invested in the reconstruction of an office and the main road, and Sparbanken Alingsås transformed in to a limited bank during 2010 (Annual Reports 2010).

9. Conclusion

_In this chapter, discussion about the investigation, conclusion and contribution of the investigation are given. Additionally, suggestions for further research are given._

9.1 Which influence does the local society have on the performance of Orusts Sparbank?

Numerous of factors have contributed to the success of Orusts Sparbank. For instance, the market conditions on Orust are almost perfect as the households provide a solid base, much thanks to the consistently increasing residential prices. Further, the boat building industry has a long history on Orust and has proven to recover relatively rapidly after changes in the environment on Orust as well as financial crisis. As T. Svensson declare; there do not exist a customer on Orust that is too great for Orusts Sparbank to handle.

Another beneficial factor is how knowledge has been inherited through the recent order of succession in Orusts Sparbank. For instance, the vice CEO was chosen to become the next CEO as the previous CEO retired and was chosen director of the board. This recent order of succession facilitates to maintain and strengthen the relationship with the customers’ since sharing the same origin; Orust, facilitates for the customers to relate to the personnel and the
CEO at Orusts Sparbank (Svenssson, 2011d). Unique relationships between the bankers and the customers are also found in the fact that bankers and customers are familiar to each other since generations. This circumstance facilitates for the bankers to make rapid and mainly correct decisions (Grönroos, 1997, Silver, 2008, Hasan and Lozano–Vivas, 2002, Normann, 2000).

Moreover, close collaboration between Orusts Sparbank and the local municipality is another factor which creates success. Since the local society in which Orusts Sparbank operates has a natural border; water, it is a natural choice for the bank to focus upon developing the environment on the island (Svensson, 2011c). The strategy of the bank is: ‘What is beneficial for the environment on Orust, is beneficial for the bank’. For instance, Orusts Sparbank made it possible to start the reconstruction of the main road. When the road is done, it will facilitate for the tourism since a pavement and a cycle path is also built. Moreover, the boatbuilding industry will be facilitated as a better road makes it possible to freight greater boats on the road (Forsell, 1992).

Another factor for the success of the Orusts Sparbank is to be found in the Rectangular Model. The increase of borrowings and lending clarifies that the bank has a good reputation even during financial crisis. Since the only way for a traditional savings bank to increase the equity capital is through the profit (Rodríguez and Andersson, 2006), the fact that the equity capital has not increased in proportion to the business volume could be a futuristic problem. Nevertheless, T. Svensson (2011c) declares that the reason for this occurrence is due to the fact that the bank has had too great terms for their customers combined with the decreased key interest rate.

Furthermore, Orusts Sparbank focus upon making investments in the society combined with reinvestments in the bank instead of expanding to new areas. Neither does the bank do any major marketing event besides the ‘Week of the Savings Bank’. Therefore, the bank does not have any major fixed costs. When compared to, for instance Sparbanken Alingsås, differences between the Rectangular Model can relate to the continuous increased amount of offices which do not occur at Orusts Sparbank or at Tjörns Sparbank (Flyckt, 2011).

As a conclusion, Orusts Sparbank has a well-functioning service management system; one market (the inhabitants on or connected to Orust), one delivery system (Savings that transforms into credit granting in the area), one service system (the local connection between the customer and banker due to the offices) and one image (trustees/top management) that together creates harmonization and the values of the business Orusts Sparbank.

9.1.1 What will it take to remain independent?

According to the Service Management Model, if a bank shall be successful harmonization within the service management model is inevitably (Normann, 2000). To be able to succeed, the savings banks must focus on their strengths that will secure their future position in the local society. For instance, traditional savings banks ought to focus upon their strong bonds to their customers in order to survive (Forsell, 1992). If the bank manages to establish a feeling among the customers that the bank is a savings bank in which the customers are member, possibilities to survive as independent savings banks in the future increases (Grönroos, 1992, Forsell, 1992, Normann, 2000). Since most traditional savings banks, for instance Orusts Sparbank and Tjörns Sparbank operates in minor societies and therefore customers mainly are not too great for the savings banks to handle. Hence Orusts Sparbank
and Tjöns Sparbank do not have to proceed with any great changes in order to survive and maintain independent (Svensson, 2011d). The locals do not expect them to act in a different way since the society is based on social relationships instead of growth (Forssell, 1992). Therefore, a traditional savings bank have, in most cases, an excellent opportunity to survive if the focus on the relationship to the customer and emphasize to have personnel that rapidly understand which sort of financial services that the customer need in relation to the main products; borrowing and lending (Normann, 2001).

Nevertheless, the market circumstances for a modern savings bank as Sparbanken Alingsås have a different design when compared to the market in which traditional savings banks operate. According to Forssell (1992), a modern savings bank operates in societies based on growth and the society in which Sparbanken Alingsås operates in corresponds to the theory. Therefore, order to succeed in an area based on growth, the bank must focus on finding the most suitable business-solutions (Pettersson, 1989).

Savings banks are often well-capitalized since the savings banks are forced by the law to reinvest 95% of the annual profit in the bank (Rodriguez and Andersson, 2006, Sparbankslagen 1987:619). Still, the ability to stay independent in the future is based on if the savings banks can generate enough profit. Since all of the examined savings banks believe that ‘What is beneficial for the society benefits the bank’ does Körberg (2011) not have any support in his believing that projects that the savings banks supports is a step away from the original idea of the savings banks; to promote thrift. Main reason is that projects instead generate incomes which, as a subsidiary effect, increase the thrift as well (Mårtensson, 2011).

Through supporting projects such as reconstructing roads, building event halls, supporting education et cetera, the Swedish savings banks have several factors in common with their relatives in Europe (Silver, 2011). Thereby, the opportunity to increase thrift in the local society also increases the opportunity to growth as the savings can be converted into credit granting in the local society. Nevertheless, the traditional ideas of the savings banks have not been more popular than it is today (Mårtensson, 2011), instead the ideas have been translated differently. For instance, in the traditional savings banks the CEO, directors of the board and the trustees are the ones that make the decisions concerning the projects. In Sparbanken Alingsås, decisions concerning the projects are taken by the director in the foundation. Therefore, the traditional ideas of the savings banks can be said to be active in the traditional savings bank as well as in the modern savings bank. Main discrepancy is that traditional savings banks utilize the ideas in the old-fashioned way and thereby emphasize to develop the bank in order to stay true to the original idea. Whilst modern savings bank as the Sparbanken Alingsås has decided to leave the traditional form of the savings banks behind and focus upon developing the ideas themselves in order to create ensure that the traditional ideas of the savings banks will stay competitive even in the future.

As a conclusion, the savings banks needs to focus upon their strengths and promote thrift in ways that suits the actual bank in the best possible way to stay independent. Nevertheless, generating profit and thereby equity capital is a necessity. The most proper way to generate profit is through promote thrift, maintain a strong balance-sheet and support projects that suits both the bank and the local society seems to be a way for the savings banks to stay independent at the moment.
9.1.2 **What views do the chosen savings banks have about the traditional ideas of the savings banks today?**

The chosen savings banks attract customers in various ways still, similarity is to be found in the joint idea of emphasize to optimal offers to the customers. For instance, *Orusts Sparbank* offer mainly better terms than other savings banks in general and strives to provide assistance to customers through rougher times. Or, as *Orusts Sparbank* banner on the front page states: “Alla tiders bank” which relates to that *Orusts Sparbank* is a successful savings bank regardless financial conditions (Svensson, 2011c).

*Tjöms Sparbank* emphasizes to assist the society through offering competent personnel and providing the island with a functional financial infrastructure. Since these events tend to become increasingly unique, these services are expensive. Still, these services maintain high customer satisfaction and therefore the main focus is knowledge and availability instead of competing through optimizing financial offers (Flyckt, 2011).

*Sparbanken Alingsås* differs from the two traditional savings banks since they strive to maximize profit to support as many suitable projects in the society as possible. Main reason for this act is the fact that the developing the society is more beneficial as well as the bank from a long-term perspective (Udin, 2011).

9.1.2 **Will the Swedish savings banks survive their 200th anniversary?**

Without any doubt, the question above as well as the conference “Days of growth” are controversial since the 200th anniversary is not far away. Even though the Swedish savings banks often are the market leaders in the local society, it is still important to have competitors. Thereby, the customers are given an opportunity to choose between the two banks but the savings banks also need to perform on top even in the longer run and adopt to changes in the local society (Normann, 2000).

During the process of this thesis, the awareness of the fact that the Swedish savings banks are rather well-prepared for the nearest future has arisen. Moreover, the Swedish savings banks need to ensure that they continue to remain unique otherwise they do not have any reason for why they should not join, for instance, Swedbank. In order to succeed, the author believes that the successful journey of the Swedish savings banks will continue if the savings banks to focus on having highly competent counselling personnel, better terms than the commercial banks but continue to ensure that focal point is the relationship with the customer.

9.2 **Summary**

The aim of this investigation was to investigate and discuss the influences that the local society had on the performance of *Orusts Sparbank* from the perspective of the CEO. Since there did not exist a major amount of academic literature about the Swedish savings banks, the investigation has its founding in interviews with experienced persons from the sphere of the savings banks, the *Growth of Days* and relevant literature.

There exist an ongoing change in the sphere of the savings banks but the change is not directly connected to the new framework *Basel iii*. For a long time, the savings banks have struggled with the fact that they cannot regenerate equity capital if it is rapidly required. Therefore, a necessity is to examine all possible solutions and even prepare for a change in the savings banks legislation (Sparbankslagen 1987:619).
The investigate savings banks do not believe that the implementation of the framework *Basel iii* or other factors in the nearest future will create any greater changes in the sphere of the savings banks. Nevertheless, one result of this study is that the traditional savings banks emphasize to find a future solution that do not require them to abandon the old traditional form of association or force them to convert in to a limited bank. *Sparbanken Alingsås* have already solved the problem with not being able to regenerate equity capital through converting in to a limited bank. Moreover, *Sparbanken Alingsås* have also established a foundation that completely owns the bank through the shares. Thereby, the *Sparbanken Alingsås* do not face any trouble with the fact that a future owner would like to convert the bank in to a commercial bank. Still, one risk is that a successor to R. Udin does not have the same goals for the foundation as the ones that exist today. In the sphere of the savings banks, there are no differences between a traditional savings bank and a limited savings bank but future legislation might change that. If so, a limited savings bank can never become a traditional savings bank again (Silver, 2011). Still, not long ago some declared that only through abandon the traditional form of association would the savings banks winners in the future (Pettersson, 1989).

European savings banks have developed in different ways. On one hand, the German savings banks have been protected (or prevented) by the law and have therefore remained true to their original structure. On the other hand, the Spanish savings banks have almost driven the commercial banks in Spain out of business. In order to succeed, the Spanish savings banks have established foundations that manage the projects that support the public welfare. Another example is to be found in Norway. Some of the Norwegian savings banks have established a savings banks share that allows the bank to issue capital if needed. Moreover, the owners of the shares have insight into the bank and are able to have up to 40% of the votes (Sparbankerna, 2011a).

Savings banks in Sweden are symbolized by an old oak and I believe that the oak is a symbol for the actual banks. The root system and trunk of the oak represents their joint history and development, whilst the tree branches savings banking the mighty crown have grown into different directions; just like the Swedish savings banks have. Will the oak survive? Well, that depends on how well the branches/banks can transform the essential sap/history to fulfil the specific future requirements each branch/bank are to face.

Regardless of what happens in the future, it is not possible to ensure that the traditional idea of the savings banks will continue to flourish or even exist. For instance, the origin of the Swedish savings banks is said to be found in Scotland but today, there do not exist any savings banks at all in England today (Silver, 2011). One thing is certain; you never know what the future might bring (Douglas & Wildavsky, 1983).

### 9.3 Contribution

Through this thesis, empirical, theoretical and practical contributions are made. Firstly, the empirical contribution constitute of the investigation of how the savings banks practices the savings banks idea previous and today, what their financial situation can tell about their position and expectations for the future and how the importance of a harmonized relationship between the savings bank and the local society.

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Secondly, a theoretical contribution is made through testing the Rectangular Model and the service management model and investigating and explaining the symbiotic relationship between a flourishing local society and a thriving savings bank. But the thesis do not leave a contribution to developing the existing models, nevertheless, the thesis can be used to develop theories in the future.

Thirdly, a possible practical area for this thesis is a contribution to the existing discussions in the sphere of the Swedish savings banks. Through the writing process, the author has been asked to describe, explain and discuss the development of the savings banks and their future possibilities. Therefore, this study can be used to further discussions in the subject.

Through this, the thesis has contributed to the existing literature but can also be part of a platform for future studies. Finally, inhabitants that are customers to a savings bank might increase and facilitate their understanding for the ongoing change in “their” savings banks and the current discussion in the sphere of the Swedish savings banks. Further, ordinary banks and savings banks can use this study to discuss the on-going development among the Swedish savings banks.

9.4 Propositions for future studies

For the first time in the history of Orusts Sparbank, a female has become the CEO. After a couple of years, it would be interesting to examine possible differences and influences in the leadership especially since the previous CEO retired from a period based on success.

The Norwegian idea of a savings banks stock might be a possible solution to secure that the Swedish savings banks are able to face future capital-adequacy requirements. Today, if a savings bank is given the opportunity to expand through buying a bank office located near their existing office, it might be impossible if they do not have enough equity. Through a savings bank stock it would be possible to issue the equity capital and consequently be given the opportunity to seize the opportunity to expand. On a scientific basis, a research of how the principle of similar solution as the Norwegian savings bank stock could be implemented in the Swedish sphere of savings banks would be highly relevant.

Another interesting idea for future studies is to investigate the possibilities of establishing a new savings bank in, for instance, an area in which a savings bank or Swedbank do not occur on today. A reason for why this study would be interesting is the fact that the several communities in the northern Sweden strives with a sever emigration. Thereby, it would be interesting to investigate how the presence of a savings bank would influence the financial structure in the local area. Nevertheless, this is a study that would be necessary to delimit harsh as there otherwise will be numerous of variables to take in to consideration (Compa with Williams, 2001).

Since Sparbanken Alingsås has created a new foundation in which the ownership of the bank lays, an investigation of what the result has been after a few years have passed. Another idea for future studies is to investigate if the banking business is essential or not. In other words, to promote the traditional idea of the Swedish savings banks, is it really a necessity to have a banking business or is it enough to generate a good return on the existing capital within the foundation itself? For instance, the Nobel Foundation is an example that a foundation can survive on the yield only.
When it comes to *Tjörns Sparbank*, one single boat almost caused the bank to shiver. What if they have 10-15 similar boats in the lending stock and a tragic event strikes the boat industry? Therefore, it would be interesting to analyze the content of the lending stock as well as how the savings banks secure themselves against such uncertainties (Compare with: Power, 2007). Another interesting aspect would be to examine the net interest incomes. One reason is that the net interest income seems to improve continuously over time regardless economic situation in the world.
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Annual Report 1996
Annual Report 1997
Annual Report 1998
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Annual Report 2002
Annual Report 2003
Annual Report 2004
Annual Report 2005
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Annual Report 2011

Sparbanken Alingsås
Annual Report 2004
Annual Report 2005
Annual Report 2006
Annual Report 2007
Annual Report 2008
Annual Report 2009
Annual Report 2010

Tjörns Sparbank
Annual Report 2004
Annual Report 2005
Annual Report 2006
Annual Report 2007
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**Appendix – Orusts Sparbank**

**Profit (mSEK):**

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