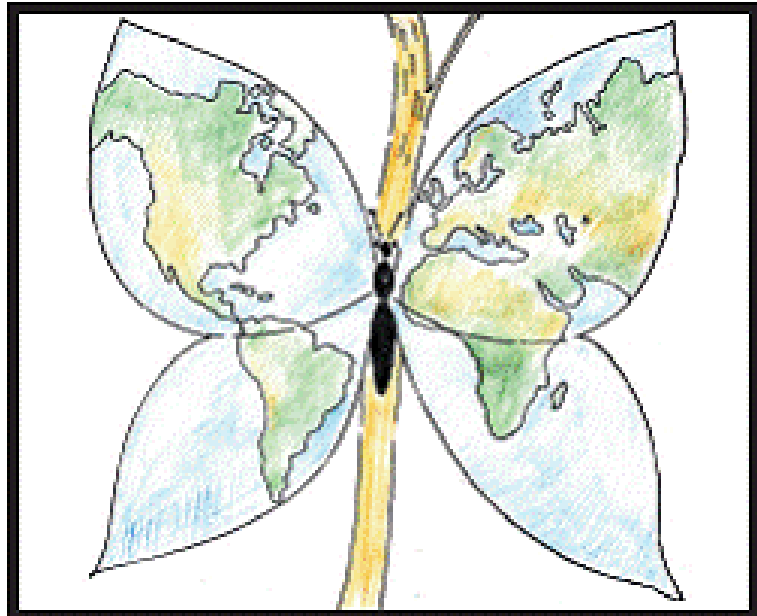




JAK MEMBERS BANK
Interestfree bank

www.jak.se





A Swedish interest-free Bank

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1. WHY INTEREST-FREE?

We regard receiving money in exchange for labour as legitimate; however we do not consider it legitimate to earn money simply with money. In our opinion it is unethical to lend money against interest.

The use of interest also has negative effects on society. It shows up in the prices of services and goods when producers add to their prices to cover their cost of interest on loans. That's why we believe also that the interest rate produces over-exploitation of natural resources, which promotes a unsustainable society. At the same time, in an interest based economy, money is moved from those who have less to those who have more and thereby assets are concentrated in the hands of the few.

Finally, since our modern monetary systems are debt-based and practically all money is debt that has to be repaid with interest, we have a money stock that is always growing exponentially. Today we have exponential growth in both real and financial assets including money. For these reasons the ultimate goal of JAK is an interest-free economy. In order to promote interest-free economics we:

- Offer banking services based on an interest-free savings and loan system.
- Support the JAK Community Dialogue.

2. THE JAK COMMUNITY DIALOGUE

A relationship in which money is involved is always a matter of trust. Knowledge about our interest-free idea and our activities is best spread by word of mouth among people who know each other. Hence our marketing is based on the dialogue that members have with other people about the economy and about interest. Our organization supports all members in this dialogue.

The number of members has been increasing steadily. There were 19,000 members in 1991 and there are now 37,000 members (2009). 600 members want to promote the JAK model actively. Most of them are also members of local JAK branches. These branches are not engaged in our banking activities apart from sharing information about our products. They are mostly engaged in the civil society dialogue about our money and banking systems.

Our magazine Grus & Guld (Gravel and Gold) supports all members' dialogues and seminars while active members also receive financial support from their branch for their local activities. We educate JAK members in interest-free economics, banking and other relevant subjects.

In addition we arrange meetings to support the internal dialogue that is so important for those who really want to talk about JAK with others.

3. OF COURSE WE OWN A BANK!

We needed a bank and we wanted it to operate according to our ethical standards.

And we did not want to be exploited. Therefore we created our own bank.

We want another world – just and fair

JAK is an association that actively engages in the economic rules of our society. Our bank is a practical example of a just and fair economy and that another world is possible. JAK is different because it is interest-free.

Other banks profit from the borrowers by charging a fee. Interest payments are a major part of most people's total payments. Remember that you do not only pay interest directly to the bank. It's also part of the price you pay for goods and services.

Producers, shipping companies, wholesalers, retailers and others in the production chain all pay interest. Naturally they add to their prices to cover their interest costs. In the end the consumer pays most of the interest costs that have accumulated in the production chain. As much as half of any price at any given store may be covering interest costs accrued earlier. In housing it is even higher; estimates come close to 70 percent

A real interest-free bank

Known simply as JAK, the JAK MEMBERS BANK is the first bank in Sweden, and perhaps the world, where members share the benefits of a viable, interest-free banking system that they themselves take responsibility for. JAK was established as a co-operative savings and loan association in 1965 and was granted official bank status by the Swedish government on the recommendation of the state's Financial Supervisory Authority in December 1997. Because JAK is officially recognized as a bank, the savings of members are covered by the Swedish banking system's deposit guarantees. This official recognition also confirms that JAK has an approved structure and management and that it offers a viable, trustworthy and interesting alternative to other banks. The main function of JAK is to provide members with interest-free savings loans. Another important function is to spread information about interest and interest-free economy.

4. A NATIONAL FOCUS... BUT WITH INTERNATIONAL PERSPECTIVE

We accept deposits and we give loans in Swedish Crowns (SEK). We give loans on mortgage or with personal guarantees but the property or the guarantor has to be Swedish. Hence there are few foreigners among our members.

there is growing interest in the JAK system and we do take part in international discussions on interest-free banking.

We have had international friends and contacts since the beginning but we don't have the goal to expand our activities abroad. Instead we would like to spread our ideas over the World and help people in other countries to create their own interest-free projects. It is in this purpose that we have an international newsletter.

5. THE BANK WORK LIKE THIS:

In combination with the interest-free savings account we have two products. Both are interest-free:

The Balanced Savings Loan (best suited for individuals).

The member's deposits finance all loans. There is no external refinancing. Hence the stock of loans cannot exceed the member's deposits plus the equity of the bank. To achieve this in a fair way there has to be a balance between savings and loans on the individual level. We use a system of savings points, where one SEK during one month generates one savings point, to keep track of this.

Most members save before they take a loan but it is possible to get a loan at once. However, when a savings-loan contract is agreed upon, a plan for the repayment and saving deposits are planned so that a balance between savings and loan will be reached 3 months after the last and final repayment. The saving deposits will not be released before this balance has been reached.

For this reason most members begin to save long before they actually take their loan. By doing a considerable part of the total saving in advance they can reduce the amount of payments that will be required regularly. Relatives and friends can also help. Members can transfer savings points to other members.

Example 1

For a loan of 10 000 euro for 10 years the payments per month amount to 177 euro (repayment 83 euro loan fee 11 euro and savings deposit 83 euro).

Example 2

If the borrower had saved 150 euro for 48 months before the loan, then the payments per month would have been 153 euro (repayment 83, loan fee 11 and savings deposit 59).

When the loan is repaid the borrower can withdraw 10 000 euro in the first case and euro 7 084 in the second case.

In both cases the borrower has to make a deposit of 600 euro (6 % of the loan) into JAK during the 10 years which is a "temporary share" in JAK. This temporary share is always the 6% of the total amount of the loan spread out over the entire repayment period. This is what we call "Loan Equity Deposit". When the repayment is done, and if JAK's economic situation is good (which it has always been), the member gets the money back.

The Support Savings Account (for small companies and associations).

Small companies and associations that find it hard to borrow money in a conventional bank can open Support Savings Accounts. A typical situation is a group of small companies and associations on the countryside that wants to buy a house for their activities. They are members of a community association that buys the house. It can afford to pay the amortization and the loan fee but it does not have liquidity to also do the saving as to accumulate saving points. Therefore people and associations can open Support Savings Accounts where they can save money and automatically give away their saving points that are transferred to their common house project.

The economy of the bank

The economy of the bank is relatively simple. As mentioned, the liabilities are the member's deposits and the equity of the bank. The assets consist of the HQ-building, the stock of loans and a liquidity fund that is invested in treasury bills. Three types of income cover the costs. A yearly membership fee of SEK 250 (EUR 23) is an important complementary income and the liquidity fund also brings an additional income. To summarize loan fees cover about 70% and membership fees cover about 20% of operative costs.

All banking is centralized at the Skövde head office and is available through Internet and telephone access. Bank deposits in May 2009 totalled about 938 million SEK (EUR 86 million) and outstanding loans about 901 million SEK (EUR 82 million).

6. THE LOCAL ECONOMY

Urbanization and over-heated big cities are unsolved problems. The financial sector is part of a global economic system that disinvests in rural areas while investing in big cities and university cities. Banks are growing by mergers and rationalizing by reducing staff and branch offices. As a result the access of small companies to financial services is diminishing. And reduced access means a reduction in the supply of loan capital.

Local branches, for a just and fair economy

Membership contact is maintained through local representatives and local offices. The activities at the local branches are not part of the banking system. Here, members help other members make up their savings and loan plan. They also work with information, study groups, action groups and exhibitions.

There is also a magazine for members called Grus & Guld (Gravel and Gold). Grus & Guld features reports on the activities of the local divisions, serves as a forum for open and lively discussions between JAK members and management, and offers in-depth articles about issues related to personal finance and to JAK's vision of a just and fair, sustainable economy for all. There is also a website at www.jak.se.

JAK is for a just and fair economy. By this we mean a sustainable economy that takes all environmental costs and gains into account and aims to increase long-term prosperity for everyone. Through its savings and loan program and its efforts to spread information about the ill effects of interest on money, JAK is working actively to promote an economy that does not exploit people or nature.

7. QUESTIONS AND ANSWERS ABOUT JAK

1. Was JAK created in 1965?

Yes. The idea came from an existing bank in Denmark, called also J.A.K. that was not established in Sweden. Instead, a group of Swedes created an independent association which was the seed of the Swedish JAK Medlemsbank (Members Bank). You can see an interview with Åke Moberndt here:

(<http://video.google.it/videoplay?docid=185445983418284652&q>) one of the pioneers of JAK.

2. Has JAK been a registered Swedish bank since 1997?

Yes, since December 1997.

3. Who is the director?

The CEO of the bank is Johan Oppmark and the chairman of the board is KarinMalin Ekström. The bank members democratically elect the members of the board at the annual meeting and then the board chooses a CEO.

4. How many local agencies do you have in Sweden? How many employees? How many volunteers?

We have a main office in Skövde and a local office in Orsa. There are 26 employees working in the main office and 2 in the local office. Another 4 employees work in different parts of Sweden, but not in JAK offices. They are so-called "distance employees"

Apart from the employees of JAK, there are 27 local groups organised by volunteering members. These groups organise activities to spread the idea of JAK and an interest-free economy. The local groups are more or less autonomous because they set up a plan of activities that they want to pursue during the whole year and present a budget to JAK's main office. It is up to the local groups to decide what activities they want to engage in.

In order to support the local groups (as well as other members who are not organised in groups), JAK has a department of 7 employees who, among other things, organise 5-6 JAK Schools per year. During the JAK Schools, the active volunteers participate in minor courses where they receive more information about how JAK works, discuss different aspects of an interest-free economy, get tips on how to present JAK in public and, perhaps most importantly, they meet other members from all over Sweden. It is not only the active volunteers who are welcome to the JAK Schools: in fact all the JAK members are welcome.

The number of volunteers is now around 700, and it is growing.

5. How many members does JAK have?

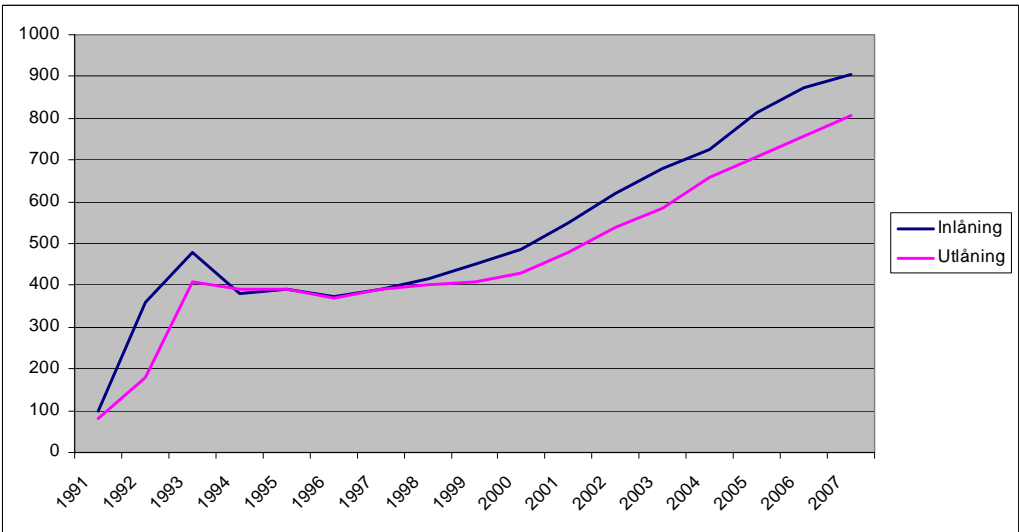
36,300 members

6. How much is the annual membership fee? It is the same for everyone or is it dependent on the age or status of the member?

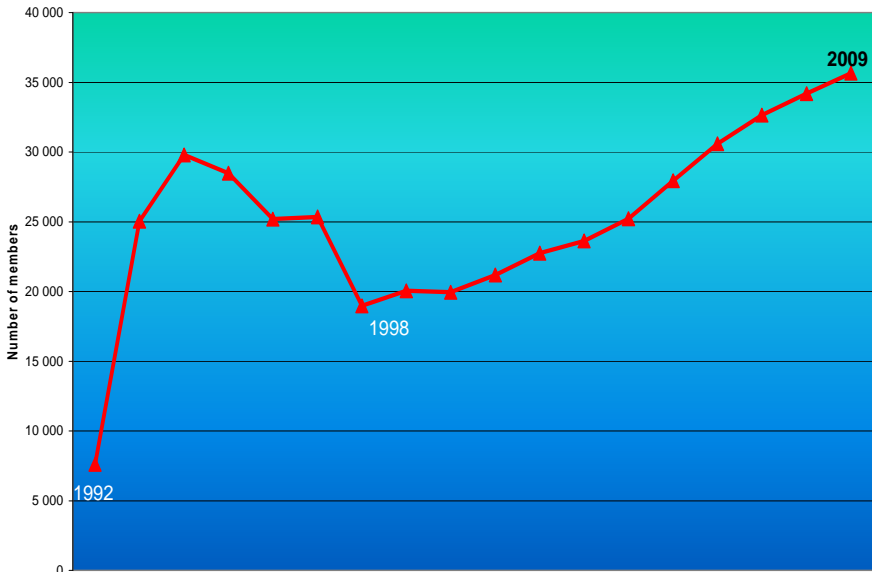
The annual membership fee is 250 SEK (≈ 23 euro) for the primary member in a family. Other members in the same family pay 200 SEK and children (up to 18 years old) don't pay a membership fee.

7. From 1997 to 2009: loans growth? Savings growth? Membership growth?

Pink – Loans, Blue – Savings ; Y-axis = millions SEK



JAK Members from 1992



8. What are the total financial amounts for 2009 for the following aspects of JAK?

- Loans
901 000 000 SEK
- Savings
938 000 000 SEK
- Post-savings
407 000 000 SEK
- Pre-savings
531 000 000 SEK
- Liquidity
65 000 000 SEK
- Operative costs
27 500 000 SEK

9. Which parts of your operative costs do you cover with the membership fees?

We have two kinds of fees in JAK: membership fees and loan fees. In 2008, the membership fees covered 20% of the operative costs whereas the loans fees covered 70% of the operative costs. The rest of the operative costs are covered by the interest we receive from the money that we place in Swedish Bonds.

10. What size are the smallest, largest and average loans?

5 000 SEK, 6 000 000 SEK and 160 000 SEK

11. What are the shortest, longest and average repayment times?

2 years, 30 years and 11 years.

12. What is the interest rate for loans?

The effective rate of interest is mostly between 2,3% and 2,4%

13. Is there a warranty amounting to a certain percentage of the loan that the member has to credit their account (equity share)?

If a member takes a loan of 100.000 SEK to be repaid in 10 years, he/she has to make a 6.000 SEK (6 % of the loan) deposit into JAK during the 10 years. Every new member has a 250 SEK share in JAK (which is the membership fee of the first year). However, the members who receive a loan have to acquire an extra "temporary" share in JAK, which is 6% of the total amount of the loan spread out over the entire repayment period. This is what we call "Loan Equity Deposit". When the repayment is done,

and if JAK's economic situation is good (which it has always been), the member gets the money back.

14. What is the average saving time?

It is the same as for the loans. In other words, if a member repays a loan during a period of 10 years, the saving time is also 10 years.

15. How many savings points are there in JAK bank today? (positive or negative balance?)

There is a negative balance. However, this is "by default" because we have more savings than loans. The savings generate saving points and the loans consume saving points but, as we have more savings than loans, the members as a whole have a positive saving points balance and, thus, JAK has a negative balance. When the negative balance is too high, JAK's board changes the saving factor for the savings thereby making the gap smaller.

16. What is the allocation factor today?

We abandoned the allocation factor a couple of years ago when we changed the system.

17. Can you always get your money back three months after the loans have been repaid in full?

Yes, if the repayments have been made in accordance to the original plan you can get your money back around three months after your last repayment.

18. Do you still invest 20 % of your pre-savings in Swedish Bonds?

The internal goal is 15%.

19. How do you determine the size of the maximum loan? Do you change this maximum each month or year?

The maximum loan for members who do not have any prior savings changes depending on our liquidity. It can be changed at any time.

20. What types of people apply for loans from JAK Bank? (families, companies, students?)

All of the above. Co-operatives and associations also apply for loans. We have an option called "Support saving tools" which is useful when a group of people wants to support the same project. For further information, see the "Saving point mechanism in JAK".

Families tend to have an “informal” support saving process, for example parents or grandparents who give their saving points to their children or grandchildren.

21. What percentage of your loans goes to companies?

About 10%

22. Could you give me an example of a loan repayment calculation?

Example: A member takes a loan of 10.000 Euro to be repaid over a period of 10 years.

Loan Equity Deposit: 600 euro

Loan Fee *total*: 1.300 euro

Loan Fee per month: 10,8 euro

Repayment of loan per month: 83,3 euro

After-saving per month: 83,3 euro

Total payment per month: $10,8 + 83,3 + 83,3 = 177,5$ euro

...and after 20 years:

The member is debt-free.

The member has 10.000 euro in savings.

The member receives 600 euro back from the Loan Equity Deposit [JAK can not offer any guarantee but there has never been any problem with repaying this deposit].

There is a Loan Calculator (an excel file) on the website with which you can make your own calculations.

23. Could you give me an example of credits to enterprises?

As we are bound by bank secrecy, we cannot provide specific details about our loan beneficiaries, apart from those participating in our support saving projects. Apart from private individuals, common loan beneficiaries include small businesses and associations.

24. What kind of articles you publish in Grus&Guld?

Grus&Guld covers all kinds of topics related to alternative economies, in Sweden as well as abroad, ranging from an interview with Naomi Klein to a report about Fair Trade or the microcredits of www.kiva.org. In every Grus&Guld issue there are information pages about JAK where we inform our members about courses and bank news. If you want more information

about Grus&Guld you can write to Karin Backström, editor in chief (karin.backstrom@grusoguld.com)

25. How many copies do you print?

Every member household receives one magazine. In other words, members living in the same household share one issue.

Certain people, associations and libraries subscribe to Grus&Guld even though they are not members of JAK.

In total, we print **30 000** copies.

8. CONTACT AND LINKS

If you have questions about JAK you can contact Miguel Ganzo. You can ask questions in Portuguese, Spanish and English.

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You can find more information about JAK Medlemsbank at our international webpage (www.jak.se/int) and you can subscribe to our international newsletter writing an e-mail to Miguel Ganzo (miguel.ganzo@jak.se)

Other interest-free projects:

Danmark

www.jak.dk

Germany

<http://ozb-stg.de>

Belgium

www.rentevrij.be

Italy

www.jakbankitalia.it

United Kingdom

www.reciprocalbank.org

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