



## **A Snapshot of European and Canadian Co-operative Banking**

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This is a summary of preliminary findings of a study on the consolidated cooperative banking sector in 12 European countries and Canada in 2015.<sup>2</sup> An immense amount of data from 16 cooperative banking groups was collected and analysed for the report. Simultaneously, identical indicators were gathered or constructed from various sources for national banking systems in which these cooperative banks operate. This enabled us to put the consolidated performance of cooperative banks into perspective, and moreover, to compare that with the financial performance of all banks collectively. Needless to say, we acknowledge that bank performance cannot and should not be judged on financial metrics alone. Nonetheless, the analysis offers key insights for cooperative bankers, policy makers and regulators. Striking is that the financial performance of cooperative banks generally deviates from that of other banks. This implies that they contribute to the diversity – and consequent stability – of the entire banking system. Below, a number of other salient results are highlighted.

In 2015, total membership of these 16 cooperative banking groups grew by nearly 2% to around 60.5 million. With this development, the long-term trend of increasing member numbers has continued. Also in relative terms, membership has shown a continuous growth for nearly 20 years now. Since 1996, the member-population ratio has risen from around 14 to nearly 19 in 2015. In other words, nearly 1 in 5 inhabitants of the countries concerned are a member of a cooperative bank to date. In a sense, increasing membership numbers reflect the popularity and/or appeal of cooperative banks. Indeed, in most countries in our sample, cooperative banks also serve a large number of non-members for quite some time already.

Over the last 20 years, cooperative banks have strengthened their market positions. Since 1997, their average market shares in loan and deposit markets rose by around 6 percentage points to nearly 25 in 2015. Cooperative banks operate with relatively dense branch networks, although in recent years they have closed bank offices. In 2015, cooperative banks possessed around 32 per cent of all branches. This reflects an important feature of cooperative banks: they are – physically – closely connected with the local living environment of their members and customers. For that matter, the relatively expensive distribution concept of cooperative banks does not result in an on average higher cost-income ratio compared to the entire banking sector. In 2015, the average cost-income ratio of cooperative banks amounted to 62, compared to an on average 61 of the entire banking sector.

Cooperative banks focus strongly on retail banking, which in turn is closely related to the real economy. Ever since the Financial Crisis in 2008, credit growth of cooperative banks has been considerably higher than that of all other banks. This credit expansion proved possible because of their relatively strong capitalisation. Furthermore, credit development at cooperative banks is demonstrably less volatile.

Since 2008, the average Return on Equity of cooperative banks has been significantly higher than that of the entire banking sector. Although cooperative banks do not strive for profit maximisation, sound profitability is vital for cooperative banks. After all, for their capitalisation they are largely dependent on retained earnings. The ROE for cooperative banks and the whole banking sector amounted to 6.3% and 5.9% respectively in 2015.

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<sup>2</sup> The report 'A snapshot of cooperative banking in 2015' will be published soon.