The performance of European cooperative banks

in 2022

-a snapshot

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Key Findings

The EACB is pleased to publish the annual performance assessment of 18 leading European cooperative banking groups, relative to all their banking competitors.

Highlights for this year emphasise the high performance of cooperative banks relative to non-cooperatives and their importance to banking in Europe.

Five key facts can be reported this year:

1. Cooperative banks' market share has risen to record levels - loans are 23.3% and deposits are 22.4%.

2. Economic performance at cooperative banks exceeded that of other banks:

- Return on equity jumped, again outperforming other banks. (7.7% vs 6.8%)
- Cooperative banks are less reliant on fees and commissions for revenues.
- Loan and deposit growth greatly outpaced other banks. (Loans 4.7% vs 2.7%, Deposits 4.2% vs 1%)
- Tier 1 ratios exceeded those of other banks. (17.1% vs 16.8%)

3. Cooperative banks increased employment by almost 1% to over 713,000 full time equivalent positions.

4. Membership of cooperative banks has grown by 0.7 million to almost 89 million, which represents one in five inhabitants of the 13 countries in the review.

5. Cooperative banks continue to be more likely to maintain local branches.

1. Cooperative banks' market share has risen to record levels.

Cooperative banks reached the **highest ever shares** in domestic retail banking markets in 2022. Due to higher loan and deposit growth, cooperative banks strengthened their market position in domestic retail banking markets.

Loan market share increased by 0.2 percentage points to 23.3, whereas the **deposit market share** rose by 0.1 percentage point to 22.4 (Table 1).

The **branch market share** climbed by 0.2 percentage points to 34.9, due to a relatively smaller downsizing of their branch networks in 2022 compared to those of all other banks.

Table 1

Average domestic market shares of cooperative banking groups

	2011	2015	2019	2021	2022	Change in percentage points (2011-2022)
Loans	21.2	22.1	23.0	23.1	23.3	+ 2.1
Deposits	20.9	21.4	21.9	22.3	22.4	+ 1.5
Branches	28.9	31.2	33.2	34.7	34.9	+ 6.0

Source: Calculations based on data from cooperative banks, the ECB, and national supervisory authorities.

2. Economic performance at cooperative banks exceeded that of other banks.

a. Return on equity jumped, again outperforming other banks. (7.7% vs 6.8%)

b. Cooperative banks are less reliant on fees and commissions for revenues.

c. Loan and deposit growth greatly outpaced other banks

d. Tier 1 ratios exceeded those of other banks. (17.1% vs 16.8%)



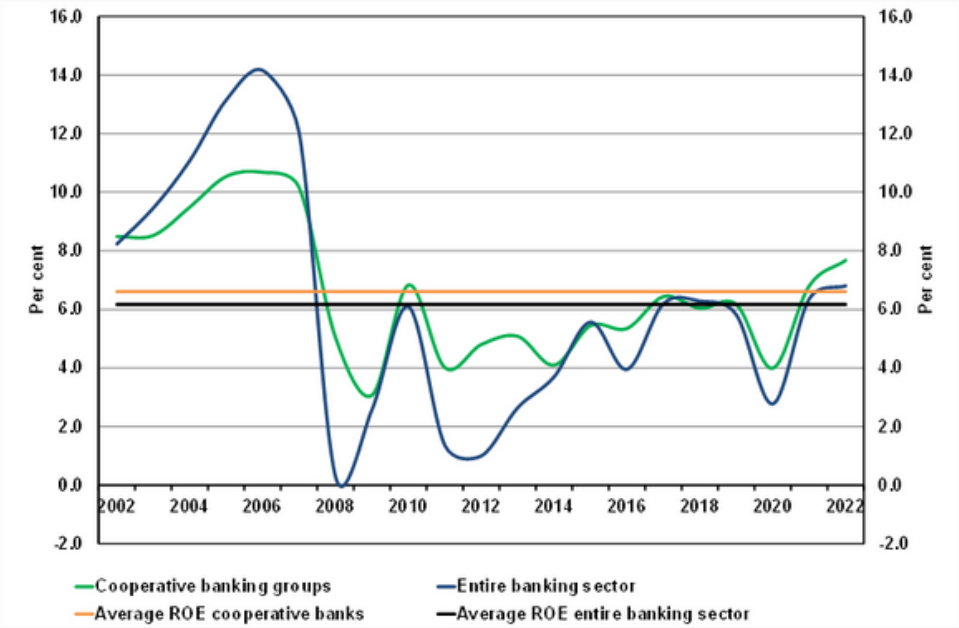
2.a. Return on equity jumped, again outperforming other banks. (7.7% vs 6.8%)

After several years of a very low interest rate environment, all banks managed to improve their net interest margins considerably.

However, the average return on equity of cooperative banks (ROE COOP) **increased by almost 1 percentage** point to 7.7. The 0.4 percentage point uptick in the return on equity at other banks (ROE EBS) to 6.8 lagged significantly behind this.

Figure 1

Average return on equity



Source: Own calculations based on data from cooperative banking groups, national supervisory authorities, the ECB, IMF and World Bank.

Note: The orange and black lines represent the average return on equity of respectively cooperative banks and the entire banking sector over the time-period 2002-2022.

2.b. Cooperative banks are less reliant on fees and commissions for revenues.

Figure 2. displays the average distribution of the three main sources of bank earnings as a percentage of total revenues for the period 2019-2022.

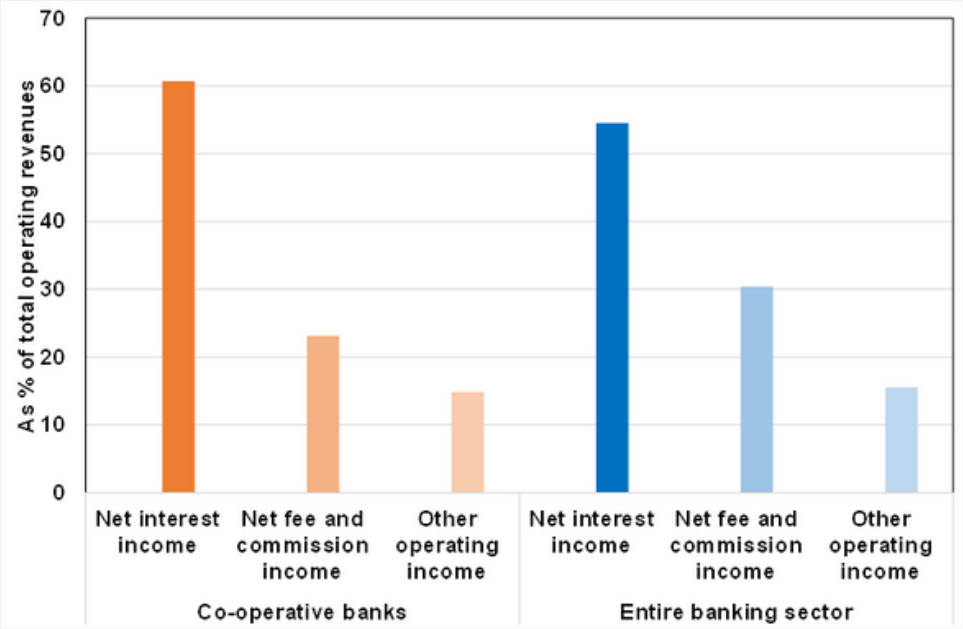
On average, more than 60% of net operating revenues stem from interest related business (mainly loans and deposits) at cooperative banks. This share is 55% for the collective banking sector.

On average, other banks generate almost 30 per cent of their net income from fees and commissions, while for cooperative banks this percentage is around 23.

These figures are a manifestation of the different nature and business model of cooperative banks.

Figure 2

Distribution of income sources as % of total revenues



Source: Own calculations based on data from cooperative banking groups, national supervisory authorities, the ECB, IMF and World Bank.

Note: The Figure shows the share of the three revenue components in total net operating income over the period 2019-2022.

2.c. Loan and deposit growth greatly outpaced other banks.

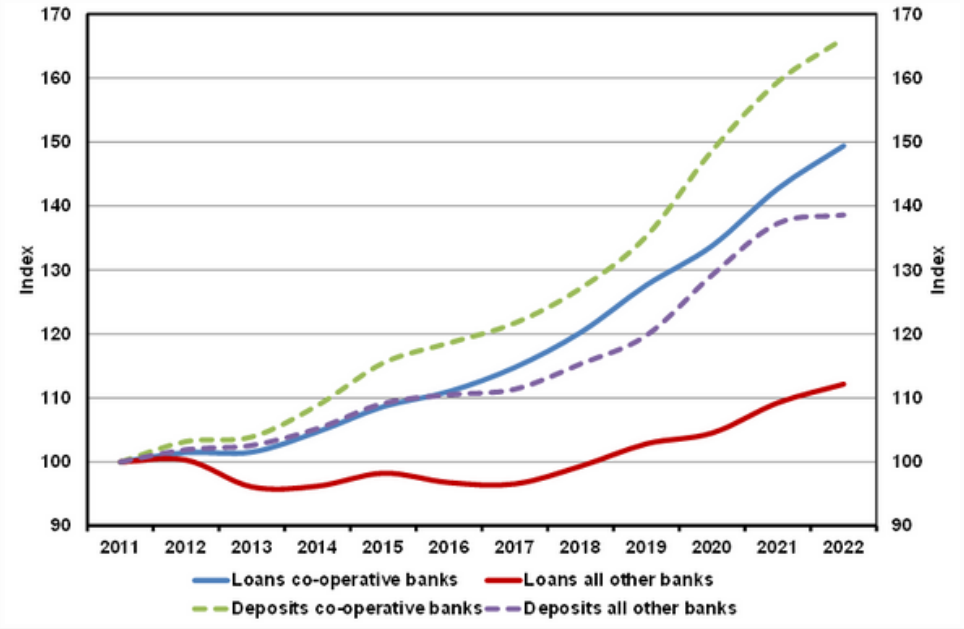
2022 saw a sustained credit demand by both SMEs and households. The total loan portfolio of cooperative banks grew by 4.7% compared to 2.7% at all other banks.

This disparity in lending growth is a structural phenomenon (see Figure 3). The solid blue line towers over the red one. Since 2011, the cumulative lending growth of cooperative banks stands at 49%. The credit volume of other banks was 12% higher than in 2011.

Deposit growth at cooperative banks equalled 4.2%, compared to just 1% at other banks. Like the loan portfolio, the deposit base of cooperative banks has expanded much more rapidly since 2011. Over the period 2011-2022, the deposit base of cooperative banks increased by 66% compared to 39% of other banks.

Figure 3

Loan and deposit development (2011 = 100)



Source: Own calculations based on data from cooperative banking groups, national supervisory authorities and/or central banks. It concerns loans and advances to the non-financial private sector, excluding government.

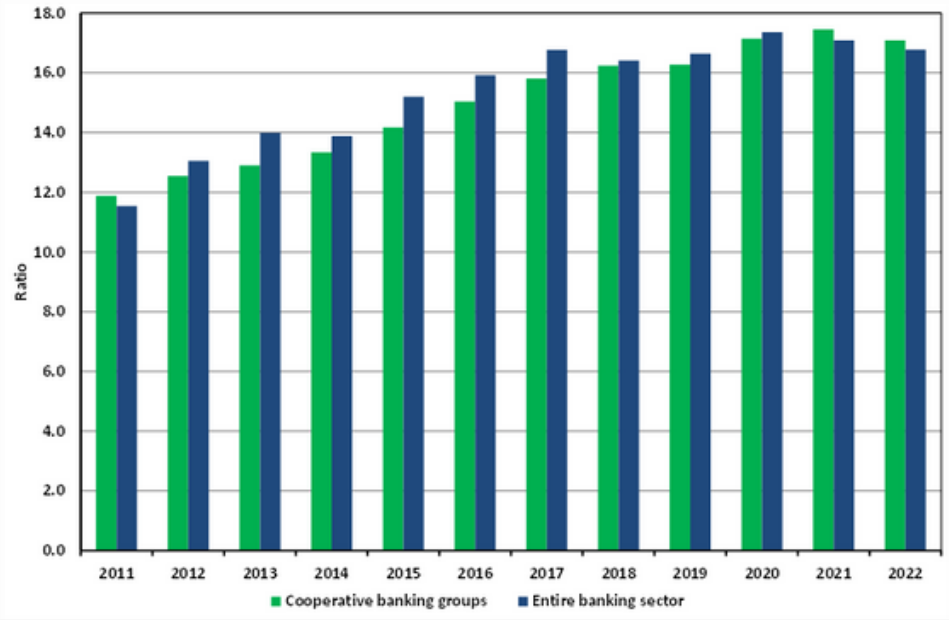
2.d. Tier 1 ratios exceeded those of other banks.

Banks possess strong capital buffers to cope with economic headwinds if necessary.

The average Tier 1 ratio of cooperative banks was 17.1 in 2022, while this ratio at all other banks was 16.8 (see Figure 4).

Figure 4

Average Tier 1 ratios



Source: Own calculations based on data from cooperative banking groups, national supervisory authorities and/or central banks.

3. Cooperative banks increased employment by almost 1%.

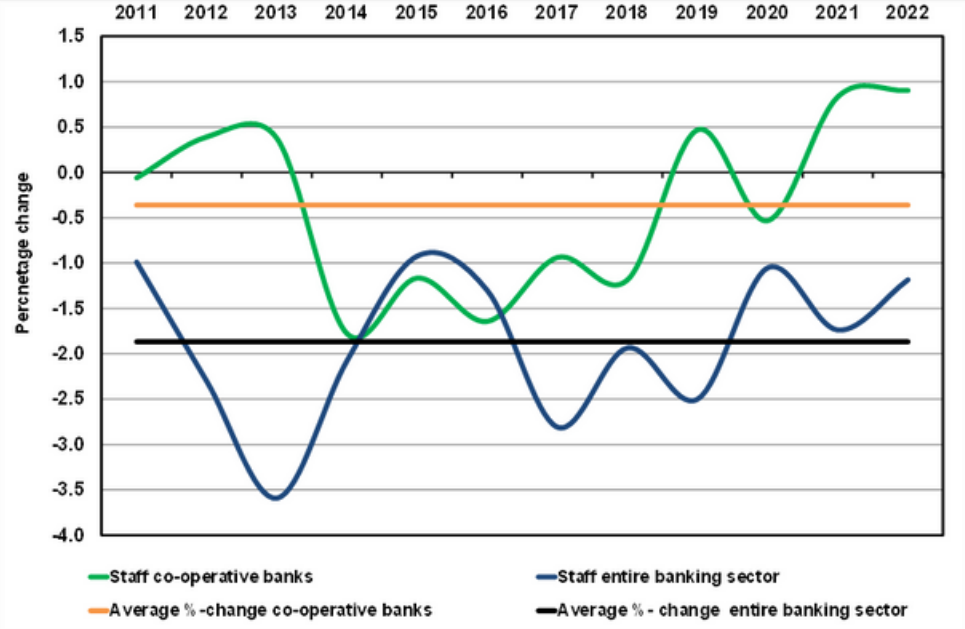
Cooperative banks have continued to consolidate through mergers, with 2,468 local or regional banks operating in 2022. This consolidation has not been accompanied by a fall in bank employment.

In 2022, as in 2021, cooperative banks increased employment by almost 1% to over 713,000 full time equivalent positions.

Figure 5 also shows that employment in the entire banking sector has decreased continuously and always at a faster pace than in cooperative banks. In the period 2011-2022, the annual average staff reduction at all other banks (solid **black** line) was almost 2% as compared to about 0.5% at cooperative banks (solid **orange** line).

Figure 5

Staff development



Source: Own calculations based on data from cooperative banking groups and statistical bureaus

4. Membership of cooperative banks has grown by 0.7 million to almost 89 million, which represents one in five inhabitants of the 13 countries in the review.

The average long-term expansion of the number of memberships lies around 2 per cent per year, continuing its **upward long-term trend**.

Because membership is not required to receive financial services, this indicates increased **customer satisfaction** and a willingness to participate in the ownership and governance of their cooperative bank.

5. Cooperative banks continue to be more likely to maintain local branches.

Ongoing digitalisation renders branch networks less important for the provision of standard financial services. However, cooperative banks also consider the on-site business to remain important to cater to members' and customers' needs and to ensure **embeddedness in society** as is evidenced by their high branch market shares.

Data on bank closures illuminate important general banking trends, but also persistent differences between cooperative banks and other types of banks. The **branch network of cooperative banks** over the past decade, **has reduced at a slower rate compared to other banks**. (In 2022, a reduction of 4%, compared to around 4.6% at other banks). The number of branches of cooperative banks amounted to more than 43,000 by the end of 2022. This also implies that the number of customers per branch is much lower at cooperative banks.

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