



European Association of Co-operative Banks
Groupement Européen des Banques Coopératives
Europäische Vereinigung der Genossenschaftsbanken

ANNUAL REPORT

MORE THAN A BANK, A CO-OPERATIVE BANK



2012

2012
International
Year of



Cooperatives

The voice of 4000 local and retail Banks - 56 million Members - 217 million Customers

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INTRODUCTION

The European Association of Co-operative Banks (EACB) is an international non-profit association which was founded in 1970 and is based in Brussels. As the voice of European co-operative banks in Europe and when necessary at an international level, it is a leading trade association in the financial sector, representing 28 national associations and their member banks. The co-operative banking sector contributes significantly to growth, stability and competitiveness of the European banking industry at a local and regional level. Moreover, in the unique context of the global financial crisis, this sector demonstrated its robustness and resilience, as well as its ability to act as a key driver for the real economy:

- Co-operative banks serve more than 217 million customers
- Co-operative banks are mutual banks, owned by their 56 million members
- Co-operative banks share common values and foster local development and entrepreneurship through their 4,000 member banks with 72,000 branches
- Co-operative banks adhere to the key co-operative principle of “one person-one vote” and apply democratic principles in accordance with the European Co-operative Statute
- Co-operative banks contribute to the competitiveness and stability of the European banking industry. Their performance is a result of their strong focus on retail banking, solid capitalisation, and their high-quality credit portfolio
- Co-operative banks strongly believe that their customer-oriented business model benefits Europe, its banking system, its SMEs, its consumers and its economy
- Co-operative banks have long been an integral and well-established part of the financial system in many European countries and they are an important part of the diversity and plurality in European banking with their own characteristic business models, ownership and governance structures¹.

¹ Ayadi, R., Llewellyn, D.T., Schmidt, R.H., Arbak, E., De Groen, W.P., CEPS (2010) Investigating Diversity in the Banking Sector in Europe



PRESIDENT'S ADDRESS

Christian Talgorn, President



2012 was an important year for the co-operative sector, as it was declared by the United Nations the first International Year of Co-operatives. The success of this year was marked, first and foremost, by the contribution of co-operative banks and the whole co-operative sector all around the world. In this context, the first International Summit of Co-operatives was organised in October 2012 in Quebec at the initiative of Desjardins Group. It was followed in December 2012 by the 5th Convention on Co-operative Banks in Brussels, during which Mr Ban Ki-moon – Secretary-General of the United Nations - and Mr. Herman Van Rompuy - President of the European Council - stressed the economic and social role of co-operative banks in the economy.

It is important to highlight the role and the financial stability of co-operative banks, while the crisis that started in the United States in 2008 still affects employment rates, production, markets and public finances. In a context of market liberalisation and financialization of the economy, prudential regulation is necessary insofar as it strikes a balance between competitiveness and protection. This balance is achieved through respect for the diversity of banking models and the promotion of models anchored in their territory and contributing to the real economy, which are precisely the key features of co-operative banks.

The reforms currently being discussed at international, European and national level aim at rebuilding financial stability, restoring investors' confidence and protecting the savers. The year 2012, just like the previous four years, was therefore marked by new regulatory initiatives. Against this background, co-operative banks would like to emphasize that retail banks, where transformation and intermediation activities prevail, should be subject to specific and adapted prudential regulation that takes into consideration the core of these activities and that is proportionate to their size and juridical structure. It seems therefore inappropriate to apply a 'one size fits all' approach that dismisses the structural diversity of the banking sector. The legislative framework should be set to ensure co-operative banks have the opportunity to support economic growth and job creation.

The year 2012 was also marked by the creation of a banking union within the Eurozone. As regards the division of tasks for the supervision, co-operative banks believe that the Council's approach is going in the right direction. The differentiation between a more direct supervision of the European Central Bank (ECB) for banks with a certain systemic relevance on the one hand and stronger responsibility of national supervisors for smaller banks with sufficient intervention powers of the ECB on the other hand in principle meets the balance. Finally, I would like to highlight the quality of the constructive and open dialogue established by the EACB with the European Authorities. The EACB intends -collectively- to continue and intensify its contribution to debates and public consultations by bringing forward the expertise and knowledge of the representatives of its member organisations.

Please allow me to conclude by paying tribute to my predecessor, Mr. Moerland, always committed to the co-operative cause, to the EACB Vice-President Gerhard Hofmann, to Hervé Guider and to the staff of the secretariat for their availability and intensive work.

This activity report illustrates the work conducted by the EACB in a co-operative spirit combined with the necessary will to make progress in order to serve the interests of the 28 member organizations, whatever their size and wherever they come from.

I wish you a pleasant reading of this work.

Christian TALGORN, *President*

WELCOME TO THE EACB



GENERAL MANAGER'S FOREWORD

The purpose of this report is to provide stakeholders, members, policy makers, and European as well as International institutions with a better understanding of the EACB's core areas of focus and the co-operative banks business model.

Some of the major issues that the EACB focused on in 2012 are highlighted below. More details are provided further on in the report. Our lobbying activities would not be a success without the expertise of the various working groups and task forces, while the involvement and contribution of the chairmen and CEOs of co-operative banks has leveraged the EACB efficiency for the benefit of the 4.000 co-operative banks.

"Building a banking union, protecting consumers of financial services and creating a global level playing field: these are the three key actions that will give Europe a stronger financial sector." Speech by Commissioner Barri er at the 11th annual Financial Services Conference.

EUROPEAN SUPERVISORY AND BANKING LEGISLATIVE FRAMEWORK

Over the past 12 months, the EACB has continually alerted policy makers and banking regulators upon the need to respect the diversity of the banking business models and specifically the co-operative banking business model. It is clear that the "one size fits all" principle is not appropriate to the European banking industry. It is also true that any alignment with the "joint-stock model" weakens in depth co-operative banks and the risk and the danger are growing because of the recent decision of the Basel Committee or the initiatives of the European Commission. The legislative package following the decision of the Basel committee to require more capital in quality and quantity with the need to be compliant with new liquidity rules, may undermine co-operative banks capacity to finance the real economy and specifically households and SME's. In addition, the significant role of the new supervisory authorities and in particular the European Banking Authority – EBA - with regards to the design of technical

binding standards is a serious concern. The new crisis management measures to avoid future bank bail-outs, the proposal for a single supervisory mechanism, as well as the structural reforms for the banking sector (Liikanen recommendation) are among other on the top of the EACB and its members priorities.

RETAIL BANKING REGULATION

In the aftermath of the crisis, several initiatives were launched in the field of retail banking and consumer protection, be it to enhance the information for the clients, to ensure clarity on rights and obligations in selling and buying financial products or to create a safe and efficient payment and securities market. In 2012 many of those initiatives progressed in the EU legislative process. But also new initiatives were brought forward, such as the Commission's Green paper on Cards, Internet and Mobile Payments, its proposal for a Regulation on e-identity and ECBs work in the security of internet payments which clearly marked a new area of activity. In addition, the Commission proposed a new Regulation on Data Protection, ESMA and EBA gained speed and advanced their work programme on retail and consumer issues. With more than 200 million clients in Europe, and a large part of their business portfolio devoted to retail business and SMEs, all those initiatives are of vivid interest to European co-operative banks. In that respect, the EACB underlines once again its availability to continue a constructive dialogue with the European Commission and other stakeholders concerning the consumer protection in the field of financial services. However, it is also true, that co-operative banks are heavily affected by the continuous changes in legislation which lead to additional costs and additional administrative constraints which are not always taken into consideration by the regulators.

CO-OPERATIVE BANKS AS SOCIALLY RESPONSIBLE BANKS

The EU Agenda 2020 and the Single Market Act released by the Commission, have put a new emphasis on the CSR topics, bringing the objective of a sustainable, smart and inclusive growth at the heart of the new EU initiatives. Moreover the economic crisis, environment and the subsequent need to restore confidence have implied for the financial sector, that the terms responsibility and sustainability became more relevant than ever. For co-operative banks however, those are not new features; created to serve members with a long-term stakeholders' value approach, they have been acting in a responsible and sustainable manner for more than two centuries. In this respect, the EACB is particularly involved in the different initiatives



aimed at ensuring responsibility, warning however that sustainability cannot be imposed with legislative measures. While recommending a voluntary approach in this field, the EACB has also warned about the importance of maintaining a certain flexibility. Attempts to standardize either through uniform reporting or uniform CSR standards would be detrimental as this would hamper the ability for co-operative banks to act according to their own governance and statutory principles.

COMMUNICATION AND RESEARCH

The EACB has intensified its efforts to improve awareness of co-operative banks among European and international policy and decision-makers. Several activities took place in 2012 and two events were particularly relevant:

- The International Cooperative Summit organised by the Group Caisses Desjardins in Québec in October 2012 with the support of EACB.
- The 5th Convention on co-operative banks in December in Brussels. The EACB welcomes the survey from Oliver Wyman on 'The outlook for co-operative banking in Europe 2012: banking on values, building on agility' which assesses the role and contribution of co-operative banks to the financial sector and to the wider economy by considering the strengths, the specificities and challenges ahead for this distinct business model.

Finally, and to close the International Year of Co-operatives, the EACB, in collaboration with its academic think-tank, has awarded the winners of the 1st EACB award for young researchers on co-operative banks. The initiative was launched with the aim to raise interest and improve awareness among researchers and specifically, the younger ones, on the co-operative banking sector that is widely neglected by mainstream economic research.

This report is the mirror of the intense activities of this Association and its commitment and engagement to serve the co-operative banking sector in its diversity.

Hervé GUIDER, *General Manager*



ABOUT THE EACB (INTERNATIONAL NON-PROFIT ASSOCIATION)

The EACB Mission Statement:

The EACB is committed to representing, defending and promoting co-operative values and the interests of its members within a competitive environment that allows co-operative banks to best serve their members and clients at a local level. To this end, the Brussels-based association provides information and advice, and ensures that the voice of the co-operative banks is represented in the dialogue between the European Institutions and stakeholders.

A/ OUR ROLE

1. Working with decision-makers

The EACB supports a legislative and regulatory framework based on better regulation principles that accommodate the co-operative banks business model; it voices the unique characteristics of its members in order to enhance the diversity and plurality of the European banking industry for the benefit of Europe's citizens and SMEs.

2. Promoting co-operative values

The EACB promotes the values of the co-operative business model at European level. Central to these values are: the principle of democracy – with the rule of “one person-one vote” at its core materialised by the co-operative share, a strong commitment to social values and proximity through their 72,000 banking outlets.

3. Commitment

The EACB is fully committed to defending and promoting the unique qualities and values of co-operative banks on behalf of its members in the European and international institutions. It is recognized as the official voice of European co-operative banks by policy makers and regulators.

4. Delivering value-added services

Through its conventions, workshops, seminars, publications and dissemination of information, the EACB provides its members and other co-operative organisations with the tools to increase their awareness and knowledge of European issues, keep them up to

date with legislative and regulatory developments and offer them a platform to defend and promote their banking model.

B/ OUR VALUES

1. Transparency

The EACB's governance principles give each full member the same weight in the decision-making process regardless of its size, its country of origin or its financial contribution. In addition, the Secretariat has a commitment to inform, consult, consider and respect all opinions and advice from members under the principle, “everything we do – everything you know”.

2. Trust

Relationships between members and the EACB are based on trust. Members trust the Association to defend their interests, this is the binding principle that drives the activities of the Secretariat and members' representatives on the various EACB bodies. This mutual trust is a key component of lobbying efforts. In addition, the EACB supports the code of conduct on lobbying and is registered in the EU lobby register.

3. Efficiency

The EACB is a leading professional lobbying organisation in the banking industry in Brussels. The expertise and professionalism of its staff allows it to make relevant contributions in European Parliament committees, in the consultations of the European Institutions, in EU expert panels and in other relevant hearings. We provide a high quality, credible voice for our 4,000 member banks.

C/ KEY POLICY MESSAGES

1. Stakeholders model

Co-operative banks are owned and controlled by their members who actively participate in setting policies and making decisions according to the “one person = one vote” principle. They are accountable to members, not to shareholders, with long term orientation and are non profit maximisation oriented.

2. Smart, sustainable, inclusive growth

The EACB fully supports the EU Agenda 2020 for a “smart, sustainable, inclusive growth” and the European model of social market economy that the strategy puts forward. Co-operative banks play an important role in meeting these targets.



3. Consider co-operatives diversity

The EACB supports the Single Market, but calls for a legislative framework at the EU and international level that takes into account the diversity in terms of sizes and organisation forms of the business model in the banking sector, avoiding a one size fits all approach. Not doing so would have a significant impact on local economies.

4. Warning against unintended impacts

New regulations and banking reforms should be considered in their cumulative effects. We warn against unintended impacts on the economic growth and on the financing of the real economy.



CO-OPERATIVE BANKS RESILIENCE, FACING FURTHER MEASURES ON BANKING REGULATION AND A BANKING UNION

During the year 2012, the intensive work of legislators on regulation in the banking sector continued. New proposals like the suggestion for a regulation on crisis management were submitted, while the work on the Capital Requirements Directive and related technical standards and guidelines continued. At the same time, reflections on structural reforms in the banking sector began. Beyond this, June 2012 the European Council launched the creation of a Banking Union, which, in a first step, would require the creation of a Single Supervisory Mechanism (SSM) for banks in the Eurozone. These steps may give historic importance to 2012.

A/ THE ESTABLISHMENT OF A SOLID AND STABLE EUROPEAN FINANCIAL SYSTEM

1. Regulatory Proposals for bank's prudential framework and work on technical standards

The capital requirements legislative package (CRD IV-CRR) which implements the Basel III agreement in the European Union was the subject of dynamic debates in the European Parliament and of trilogue negotiations during the Danish and Cypriot Presidency. The European Banking Authority (EBA) has issued many consultations on technical standards over the year and has also directly given its opinion on certain topics of the legislative package.

The Association participated to the debates by putting forward the views of its members relating to their main concerns, especially regarding the overall level of capital and liquidity ratios. Numerous meetings were held with Commission officials, Members of the European Parliament and their assistants, as well as with EBA representatives. On many occasions the Association underlined the particularities of co-operative banks.

On the definition of capital (common equity) in the CRR (Capital Requirement Regulation), important progress has been made and we hope the EBA standards on co-operative shares will meet members' expectations. Diversified rules for smaller banks have

been introduced in the CRR and due to the work of the EACB, specific group structures of co-operative banks may be better reflected in the legal package. While a separate rule on the deduction of holdings in central institutions has been taken into account, by the end of 2012 the treatment of minority interest is still an open and significant issue for co-operative banks.

The transitional floors, which were introduced under Basel II, have become an issue of high interest to co-operative banks, since EBA suggested in November a new methodology for calculating them. The EACB expressed strong reservations against a change of methodology for the calculation of transitional floors.

The preliminary Basel Assessment Regulatory Consistency Report published in October 2012 resulted in the Association taking a strong position to support the specificities of co-operative shares (redeemability of shares, multiple dividends), co-operative structures and European specificities. The Committee does not consider all relevant aspects of the economic realities in Europe. This view is shared by Commissioner Barnier, who expressed strong reservations regarding the Committee's findings.

A major concern still remains the possible impact of the new rules on the "real economy". A reduced risk weight for SMEs is expected to be introduced in the final text, but it is unclear whether there will be restrictions and also what the overall impact will be.

The liquidity rules remained an open issue and will probably be decided upon in the last stages of the trilogue on CRD-CRR. At the international level, the debates on the Liquidity Coverage Ratio continued until the end of December with the updated rules expected to be published in 2013. The Association promotes appropriately addressing the different co-operative structures in the liquidity framework and broadening the definition of liquid assets, noticeably by including standby facilities granted by central banks. Banks have serious concerns regarding the definition of the high liquid assets and continue to claim that the LCR cannot be designed at the detriment of co-operative banks and the financing of the real economy.

Having enough time to implement the new rules is a major concern of our members. In particular, liquidity rules can require significant changes for banks and might have a major impact on the market and the financing of the economy. Most likely the implementation of the new capital requirements will take place in 2014.



During 2012, the Commission also consulted on the need to review the Financial Conglomerate Directive (FICOD) and gathered some first views on the possibility of reviewing the Trading Book rules. The EACB expressed concerns about a hasty review of FICOD before the sectoral rules are fully implemented.

2. European Legal Framework for Crisis Management; DGS

After a consultation in spring, the long awaited Commission proposal for a Directive on a European Framework for Bank Recovery and Resolution was finally published in the summer of 2012. However, only a short time later, the Commission spurred the debate on the Banking Union and Single Supervisory Mechanism. Crisis Management was pushed back on the priority list of the European regulators and of the stakeholders alike until autumn when the European Parliament issued a Draft Report.

Co-operative banks support the Commission's objective to manage bank failures in an orderly way. The financial crisis has underlined the importance of a properly functioning, effective recovery and resolution mechanism. Nevertheless, it seems essential for legislators to ensure consistency across the files relating to the Bank Recovery and Resolution Directive (BRRD). These are the DGS directive and CRD IV/CRR which have been in the legislative procedure for a longer time and for which the state of discussion is more advanced. Co-operative banks especially consider that the BRRD should build on the advanced negotiations status of the DGS Directive of early 2012. In particular, the proposal to recognise the different deposit guarantee scheme models in the EU, amongst which the co-operative solidarity models, should not be changed. With their internal solidarity systems, which are one of their main characteristics, co-operative banks, have fared particularly well during the crisis. The suggestion to establish crisis resolution funds at national level will also have to be compatible with co-operative banks solidarity mechanisms.

Furthermore, there should be a stronger focus on preventive action combined with effective national supervision. A stricter assessment by national supervisors of new and existing players and their business models and activities in Member States' markets, should prevent future calls.

Moreover, in many co-operative banks, preventive action and early intervention via co-operative solidarity mechanisms have proven to be efficient means to maintain financial stability. Co-operative banks

believe recovery and resolution planning is essential. These should be drawn up at the banking group level and not at the level of each individual local bank in order to reflect centralised capital and liquidity management. This would avoid an unnecessary administrative burden.

Entering into resolution and using the bail-in tool (writing down or converting debt into equity) should rather be a second choice than the standard situation. In order to ensure legal certainty, there should be clear conditions and indicators when an institution enters into this state where resolution authorities can intervene. As regards "bail-in", there is a need to be careful when designing this tool in order to ensure continued financing and maintaining investor incentives for bank funding. More specifically, while the bail-in tool should be available on a proportionate basis to all types of banking institutions, the conversion mechanism seems to conflict with the specific governance and business model / balance sheet of co-operative banks. Common Equity Instruments of co-operative banks have many features that make them inappropriate for debt conversion. For co-operative banks which are non joint stock companies, the bail-in options must therefore be limited to writing down debt. Otherwise, it could require a modification of our co-operative structure, our co-operative identity and would be in complete opposition with the co-operative banks' model which is not desirable.

Moreover, especially when used for recap, debt conversion would mean that new shareholders would dilute the existing majority held by "the members" within their co-operative bank, as a result of which the co-operative shareholders would not control their central bank anymore and the bank would lose its co-operative status.

Finally, efficiency should also be the key word when it comes to the financing of resolution. The focus should be on loss-absorbency and on preparation. Loss-absorbency has already been vastly increased (and this will continue), and RRP's aim at reducing the likelihood of banks actually entering resolution. In addition, EU legislation is expected to establish a European Resolution Authority to accompany the SSM. Moreover, in at least 11 Member States a Financial Transaction Tax will be required to build up crisis resolution funds to mitigate the costs of the financial crisis. There is now a need to give time to all the regulatory reforms to be implemented and deliver, and in the future to assess their efficiency and impact. To restore confidence, a stable macroeconomic and regulatory environment is highly necessary.

3. Reflections on Structural Reforms

Commissioner Michel Barnier appointed a High-level Expert Group chaired by former Commissioner Liikanen to determine whether, in addition to on-going regulatory reforms, structural reforms of EU banks would strengthen financial stability and improve efficiency and consumer protection. In preparing the report, the Liikanen Group launched in May 2012 a short consultation paper addressed to banks, corporate customers and retail customers. On 2nd October 2012, the Report of the High Level Expert Group on Reforming the structure of the EU banking Sector or so-called Liikanen Report was released, immediately followed by a public consultation of the Commission on its recommendations.

The main proposal of the report is to ring fence trading activities or 'risky' banking activities from deposit-taking activities, based on a quantitative threshold. If total assets held for trading are greater than 15-20% of the total balance sheet or amount to EUR 100 bn, smaller to medium sized banks would in principle be out of scope. Banks with trading activities fulfilling these conditions shall set up a standalone subsidiary to carry them out separately from the deposit bank.

Co-operative banks have doubts about the method to determine the mandatory ring fence of the trading activities in a separate legal entity. When departing from the point of reasoning of the Liikanen Group, taking the IAS/IFRS categories "held for trading" and "available for sale", it could be concluded that these standards are far too imprecise and would require further adjustments. These categories would include assets held in connection to e.g. customer business, market making, asset/liability management, as liquidity buffers etc. If these lines were further developed, the co-operative sector would foresee and encounter serious difficulties to continue serving their clients. Therefore, suggestions and requests are made for data underpinning thresholds and impact assessment and cost benefit study for the ring fenced entity.

A shared view across the EU banking sector is that the Liikanen report provides very general and broad recommendations which raise doubts regarding their impact (no cost/benefit analysis was made) and the rationale for such a mandatory separation. Further reflections are necessary to find the adequate solution for the EU, respecting the diversity of banking models, taking into account the specificities of co-operative banking groups as well as the emergence of national initiatives on banking structures.

Commissioner Barnier called the Liikanen Report a 'part of an on-going debate' and announced a Commission legislative proposal on banking structures for the 2nd half of 2013.

B/ BANKING UNION

In September, the Commission published proposals for a single supervisory mechanism (SSM) which for banks in the euro area is an important step in strengthening the Economic and Monetary Union (EMU). According to that proposal, ultimate responsibility for specific supervisory tasks related to the financial stability of all Euro area banks will lie with the European Central Bank (ECB). National supervisors will continue to play an important role in day-to-day supervision as well as in preparing and implementing ECB decisions. The Commission is also proposing that the European Banking Authority (EBA) should develop a Single Supervisory Handbook to preserve the integrity of the single market and ensure coherence in banking supervision for all 27 EU countries. The package includes: a regulation conferring strong powers on the ECB for the supervision of all banks in the euro area - with a mechanism for non-euro countries to join on a voluntary basis and a regulation aligning the existing regulation on EBA to the new set-up for banking supervision, especially regarding decision making.

The aim of this new system with the European Central Bank at its core and involving national supervisors, is to restore confidence in the supervision of all banks in the euro area by trying to make banking supervision more effective across all European countries. Once this has been agreed, as a next step the Commission envisages making a proposal for a single European resolution mechanism to deal efficiently with cross-border bank resolution and avoid taxpayers' money going into rescuing banks.

Following the December 13th European Council compromise on both the EBA and the ECB regulation, the EACB issued a press release underlining the historical dimension and "the big step forward" it represented regarding the stability and integration of the European banking market. The EACB welcomed the differentiation between on the one hand a direct supervision of the ECB of banks with a certain systemic relevance and on the other hand stronger responsibility of national supervisors for smaller banks although with intervention powers of the ECB. It finally noted the more realistic deadline of 2014 for the ECB to take responsibilities over.



Over the coming months, the European Association of Co-operative Banks will closely follow the processes, for the development of a “single supervisory handbook” in order to ensure that the particularities of co-operative banks, which are mainly focussed on retail business, are well reflected. Moreover, procedures and methods will have to be appropriate for all sizes. In 2013, the plans for a European resolution mechanism will be of the utmost importance for co-operative banks.

C/ ACCOUNTING AND AUDIT

1. Proposals to replace the Fourth and Seventh Council Accounting Directives or “Company Laws”

As a part of adapting the present and the future needs of preparers and users of financial statements, the European Commission submitted Legislative Proposals, in October 2011 to replace the Fourth and Seventh Council Directive or “Company Laws”. The Legislative text is an important accounting reform that will be the accounting basis for all banks that do not apply IFRS.

The EACB actively worked on these proposals in 2012 and sent several comment letters to the Commission, the Council and the Parliament. There were also meetings with MEPs and officials from the Commission. The main concern of the Members of the EACB is the deletion of some major accounting principles, the requirements of country by country reports and mandatory consolidation rules in the case of special funds. The EACB maintains close contact with the EU institutions regarding the current dialogue negotiations.

2. EU initiative on the reporting of Non-Financial Information

The EU plans for an initiative on the reporting of Non-Financial Information were announced in the CSR communication adopted by the European Commission in October 2011 and previously in the Single Market Act communication adopted in April 2011. The Commission services have engaged in a very extensive consultation process with Member States, companies, investors and other stakeholders, which started with a broad public consultation in November 2010. The Commission services are concluding an impact assessment of possible options, with the view of presenting a balanced proposal allowing for significant progress on useful, transparent reporting by companies, but avoiding an undue administrative burden for the smaller entities.

The EACB follows this process closely and voiced its concerns at

several occasions, in order to ensure a non-mandatory approach in particular for smaller co-operative banks (that may risk to fall under the definition of “large companies” under the pure criteria of balance-sheet, turnover and number of employees). The EACB has highlighted the importance of reporting on non-financial information for companies. Any proposals should not lead for the local, smaller co-operative banks to burdensome and disproportionate requirements both in terms of reporting and certification or auditing of the non-financial information. A proportionate approach is required.

3. International Financial Reporting Standards IFRS 9 Financial Instruments

The financial crisis has highlighted the urgent need to achieve a single set of high-quality global accounting standards. In response to the recommendations of the G20 leaders and issues raised by the European Commission, the IASB has decided to replace IAS 39 financial instruments by IFRS 9 during the year 2011. The EACB is actively involved in this review, which will have significant impact for banks and financial institutions. The key changes are new classification and measurement approaches, new requirements for impairment of financial assets measured at amortised cost and hedge accounting. The new IFRS will have broader implications for banks. The EACB maintains close cooperation on this issue with the European Financial Reporting Advisory Group (EFRAG) and the International Accounting Standards Board (IASB). According to the EACB, accounting standards should remain principle based. The introduction of a new third financial instrument category for debt instruments should not reduce the use of amortised cost measurement category. Finally, the envisaged date of application. That is to say 1st January 2015, does not provide sufficient time for implementation.

4. Commission Proposals reforming the Audit Market

As the current financial crisis highlighted considerable shortcomings in the European audit system, the European Commission issued legislative Proposals on Audit Market in November 2011. The directive is mainly focused on developing significant measures to strengthen the independence and reliance of the auditors and enhancing a Single Market for statutory audits allowing auditors to exercise their profession freely and easily across Europe.

The EACB is closely following the progress of these proposals at the European Parliament and Council and foresees that the final



legislation will have significant impact on the European audit market and on banks. In general the EACB has doubts that mandatory rotation of audit firms and prohibition of non audit services (i.e. Consulting) by audit firms, would be in line with good auditing principles.

D/ TAXATION

1. European Financial Transaction Tax

The EACB took note of the agreement of decision-makers to set a global approach for introducing systems for levies and taxes on financial institutions. After a year of deliberations in the Council among the 27 Member States, no unanimous agreement could be found on the Commission Proposal of September 2011 on a Financial Transaction Tax. Nevertheless, a group of 11 Member States decided to go ahead on the establishment of a Financial Transaction Tax under the rule of enhanced cooperation.

The EACB sent several positions to the EU legislators to draw attention to various negative effects that may impact the co-operative banking network structures from double taxation to liquidity management and risk-reducing hedging transactions.

2. FATCA

The American Foreign Account Tax Compliance Act (FATCA) aiming to improve tax compliance involving foreign financial assets and offshore accounts, may also have an impact on many European banks. Under FATCA, U.S. taxpayers with specified foreign financial assets that exceed certain thresholds must report those assets to the US Department of the Treasury Internal Revenue Service (IRS) or will be subjected to a 30% withholding tax. Banks outside the US may have to prove to comply to the FATCA requirements.

The Working Group Taxation held meetings with the Commission in particular to discuss the intergovernmental agreements between US and EU Member States. The comments of the EACB members have been sent to the IRS and to the Commission. Apart from the overall impacts of the tax, the major concerns of members of the EACB are related to the identification of US accounts, the definition of financial accounts and the additional categories of deemed-compliant Foreign Financial Institutions. The EACB Working Group Taxation will discuss the FATCA Final Regulations released by the IRS and follow their implementation.



NEW DEVELOPMENTS AFFECTING RETAIL BANKING AND CONSUMER ISSUES

In the aftermath of the crisis, several initiatives were launched in the field of retail banking and consumer protection, be it to enhance the information for the clients, to ensure clarity on rights and obligations in selling and buying financial products or to create a safe and efficient payment and securities market. In 2012 many of those initiatives progressed in the EU legislative process. Also new initiatives were brought forward, such as the Commission's Green paper on Cards, Internet and Mobile Payments, its proposal for a Regulation on e-identity and ECBs work in the security of internet payments which clearly marked a new area of activity. In addition, the Commission proposed a new Regulation on Data Protection. ESMA and EBA gained speed and advanced their work programme on retail and consumer issues. With more than 200 million clients in Europe, and a large part of their business portfolio devoted to retail business and SMEs, all those initiatives are of vivid interest to European co-operative banks.

A/ IMPROVED INFORMATION TO CONSUMERS WHEN SELLING FINANCIAL PRODUCTS

1. Pre-contractual information credit agreements relating to residential property as part of responsible lending

Being committed to principles of responsible lending, co-operative banks strongly believe that complete pre-contractual information must always be provided to consumers before they can make a decision as to whether or not they should accept the bank's offer of a mortgage or a home loan. For this reason, the EACB actively contributed to the debate on pre-contractual information in the context of the legislative process concerning the proposed Directive on credit agreements relating to residential property (CARRP) in the course of 2012. It welcomed the choice made by the European Commission to use the European Standardised Information Sheet (ESIS), developed by the banking industry with the active participation of the EACB, as the basis for the new legislation. However, certain ideas proposed by the European Parliament, such as the fixing of a 14-day reflexion period and mixing it with the right of withdrawal, raised the EACB's concerns. In its statements, the

EACB strongly advocated for using a more general concept of 'good time'. Furthermore, the co-operative banks expressed concerns about the idea of imposing ESIS also to banks in Member States that had already chosen to apply to mortgages the information sheet introduced by the Consumer Credit Directive, which works with a different information sheet. In addition, while the EACB appreciates the objectives to offer more comparison possibilities for consumers, it pointed out that currently in the EU there is no business case for cross-border solutions in the area of mortgage. Finally, the EACB warned against a too frequent change in the content of ESIS – made possible by a delegation of power to the Commission - as each change would bring important costs and create legal uncertainty and is still strongly advocating against the possibility for the Member States to introduce a mandatory and free advice service.

2. Accessible, understandable and comparable information on fees for bank account

Having held a leading role² in industry efforts to draft a self-regulatory code aimed at improving the presentation, comprehension and comparability of retail bank account fees, the EACB was keen to contribute to the further reflections of the European Commission on this point in 2012. Co-operative banks consider it essential for any solutions that might be developed at EU level, to balance the need for clear, understandable and comparable information, with the need to recognise the differences in the market conditions of various Member States, which result from different consumer habits, needs and expectations. In June 2012 the EACB provided an extensive response to the European Commission's open consultation on bank accounts, in which it stressed that the EACB members stand ready to implement good practices identified in the principles on transparency and comparability of bank fees as proposed by the industry in September 2011. Those included for example provisions on common terminology developed at national level for the most common services related to a personal current account fees. Finally, the EACB has been continuously stressing that any solutions concerning information on bank fees should not be focused on comparison based purely on price, but should rather take into account other important qualities and consumer preferences, such as proximity, trust and high level of service.

² EACB held the secretariat of a dedicated Bank Fee Task Force of the European Banking Industry Committee (EBIC)

3. Pre-contractual information and selling rules when buying investment products

The most important new developments in retail banking affecting investment products were the release of the European Commission's complete revision of the 2007's Markets in Financial Instruments Directive (or MiFID 2) in 2011 and the release of the Regulation on key information documents for investment products (under its acronym PRIIPS) in June 2012. Both initiatives exemplify the upcoming fundamental changes in how banks will have to interact with their clients when advising on and selling investment products. While the PRIIPS initiative focuses on ensuring that there is proper pre-contractual information present for the retail client in order to compare investments throughout different product ranges, the new MiFID rules try to ensure that there are no conflicts of interests that might see consumers being recommended or sold products that are more in the interest of the seller than of the buyer.

In 2012 EACB was deeply involved in the debate around MiFID 2. It invested into an intensive dialogue with Members of the European Parliament on how this necessary pre-contractual advice is to be structured, financed and how co-operative banks ensure that the best possible products are recommended to their clients. This proved a timely exercise, as during the final stages of negotiations within the Parliament, more far-reaching opinions seemed to prevail that were in favour of banning the (currently existing) model of financing investment advice through post-selling inducements to banks, and only allow the charging of up-front fees to be borne directly by the client. It is positive to note that EACB's proposals for a somewhat alternative approach were taken into consideration by the European Parliament which – in the end - decided in favour of maintaining consumer's choice while increasing transparency, focused on educating consumers and on how advice is financed.

Besides this discussion about advice under MiFID, the EACB has also invested in an intensive dialogue on the proposal for key information documents for investment products (PRIIPS) that is trying to standardise the presentation of key elements of financial products (such as investment goals, costs, etc.) for retail clients. The central question for this important piece of retail legislation is how to combine a multitude of important, technical and legal information from a whole range of financial products into an easily to understand two to four-page Key Information Document (KID). EACB liaised with European Commission officials as well as MEPs to discuss how this

could best be achieved to create a win-win situation for all people involved (product manufacturers, advisers and clients) in order to ensure that this additional information does not strain retailers and product manufacturers unnecessarily without helping clients to better find the best product suited for their needs.

B/ RIGHTS AND OBLIGATIONS OF BANKS VERSUS CUSTOMERS AND VICE VERSA

1. In the context of consumer lending

Credit agreements relating to residential property

The Directive on credit agreements relating to residential property (CARRP) addressed not only the issue of pre-contractual information (mentioned above), but also contains an important number of provisions laying down the rights and obligations of banks versus customers and vice versa. On this subject too, some practical issues arise from the envisaged text for co-operative banks. Again, there is the problem of banks in some Member States which - after having had to implement the Consumer Credit Directive to both consumer and mortgage credit - would be faced with a second round of changes in a very short time. On this point, the EACB asked for the CCD to continue to apply where already implemented. Further, the EACB insisted on the recognition of a specific nature of the co-operative groups in which local co-operative banks act as intermediaries. The EACB also proposed a number of solutions that would allow maintaining the co-operative banks' individualised approach to credit granting process, based on trust and proximity with their clients. Finally, the EACB extensively commented on proposals such as mandatory advice to which it expressed serious objections.

Consumer credit

In the context of the on-going review of the Directive 2008/48/EC on credit agreements for consumers (CCD), the EACB followed the European Parliament's work on revising the implementation of the CCD, including the presentation of a study and an own-initiative report. The EACB welcomed the general conclusion that the directive has been in general well implemented, and supported the recommendation to – rather than revising – give priority to ensuring that the CCD is correctly transposed. In addition, the EACB welcomed the recognition that “too much information can serve to confuse rather than help” consumers.



Following the European Commission decision to issue Interpretative Guidelines for the assumptions underlying the calculation of the Annual Percentage Rate (APR), the EACB engaged with other banking industry stakeholders in providing input to the European Commission. Two sets of comments on the draft and final guidelines were prepared. The issues of most concern for the EACB members referred to the issue of measurement of time intervals and the uniqueness of the APR. In addition, it was rather alarming that the guidelines in some areas seemed to extend the provisions of the CCD rather than interpret them.

In 2012 the EACB has also been in contact with the consultants responsible for the Commission study on the transposition and implementation of the CCD, and commented on the simulator for the calculation of the APR which the Commission decided to review. The EACB called for a non-mandatory nature of the simulator and for taking due account of the APR calculation assumptions.

Over-indebtedness

In 2012 the issue of over-indebtedness of households in the EU has become a point of interest of EU institutions, including the European Commission and the European Banking Authority (EBA). The EACB took note of the identification by the EBA of over-indebtedness as one of the objectives for 2012, and participated in the discussion on the issue at the EBA's Consumer Day in London.

On the side of the Commission, two studies were ordered on over-indebtedness, one in the area of consumer credit, one on debt solutions in the area of mortgage. The EACB liaised between the responsible consultants and the EACB members concerning the response to study questionnaires and – on the study related to mortgage credit in particular - welcomed the interim conclusion of the consultant that there is little evidence that the systems currently existing at national level do not work. The EACB will analyse the final findings of the two studies as soon as they are published.

2. In the context of Bank Accounts

Access to bank accounts

This topic knew two work streams in 2012. To start with, there was the report with which the European Parliament reacted to the European Commission decision of 2011 to issue a Recommendation to Member States on measures to put in place to ensure access to a basic bank account. The EACB had been very supportive of the non-

binding and principle-based approach opted for by the European Commission in its Recommendation, and was concerned about the calls made by some Members of the Parliament for a binding instrument, which in the view of the EACB would not be suitable, given the substantial differences in national situations and needs. Moreover, the recommendation having been put in place in July 2011 only, had hardly time to bring effects. The EACB presented these views to various Members of the Parliament throughout the first half of 2012. While the tone of the final European Parliament Resolution was much more balanced, a number of worrying elements remained, including the obligation to provide access to a bank account for non-residents.

The second work stream concerned a Commission consultation on bank accounts, which, among others, addressed the access to bank accounts. Many of the issues discussed in the Parliament report were addressed in this consultation, including the one on bank accounts for non-residents. In its response, the EACB repeated the concerns also raised with the Parliament. On the topic of non-resident accounts in particular, taking the regionally oriented character of co-operative banks as a point of departure, the EACB called for, as a minimum, the need for a link between the consumer and the country where he wishes to open an account (e.g. employment, education, property, etc.) before a right can be assumed. Also, the EACB warned that multi-banking should not be the final objective of the EU policy makers.

Mobility of bank accounts

The earlier mentioned Commission consultation on bank accounts also considered the need to propose binding rules for switching of bank accounts to replace the self regulatory measures currently in place. When answering this consultation, the EACB also commented on the results of the Mystery Shopping Exercise that had been published a few months earlier and which was referenced in the consultation. While the EACB recognised that there was no doubt room for improvement of part of the implementation of the self-regulatory measures, it also found that the study results were prone to misinterpretation with the content of the self-regulatory measures not being correctly represented. As concerns the consultation itself, the EACB objected to making an increase in the number of switches, an objective in itself because the natural consequence of co-operative banking – where clients can become members – is the establishment of a long-standing relationship with clients.



This being the case, the EACB takes the view that it is more important to ensure that consumers receive first quality service, than it is to ensure that they switch as often as possible.

3. In the context of investments funds

European co-operative banks act as custodian banks to securely safeguard financial assets held by European investment funds. Following the Lehman bankruptcy and the Madoff fraud, it became apparent that the national implementation of safekeeping standards varied significantly between each Member State of the European Single Market. In order to remedy this situation, the European Commission set out to harmonise the liability standards for fund depositories within Europe, first through the new Alternative Investment Funds Managers Directive (AIFMD) and as a second step for the already established European UCITS (Undertakings for Collective Investment in Transferable Securities) – now already in its fifth iteration.

During 2012, the EACB brought forward its views both towards the ESMA (European Securities and Markets Authority) and the European Parliament with regards to the co-operative banks' views on how the actual balancing of risk between all concerned parties (fund managers, fund custodians and clients) should function. It was able to make its voice heard on certain important issues such as the alignment between AIFMD and UCITS reforms in order to create unified rules and standards for all types of investment funds.

4. In the context of consumer contracts in general

Consumer redress

The European Commission issued its proposals for a Directive on Alternative Dispute Resolution (ADR) and a Regulation on Online Dispute Resolution on 29th November 2011. The Directive on ADR shall ensure that quality out of court ADR entities exist to deal with any contractual dispute between a consumer and a business.

The aim of the proposal on Online Dispute Resolution is to create an EU-wide online platform ('ODR platform') which will provide consumers and businesses with a single point of entry for resolving online disputes concerning purchases made online in another EU country. As co-operative banks have a strong track record in offering alternative dispute resolution mechanisms and have pre-existing mechanisms in place, the directive on ADR in particular was of special interest to EACB. Some specific, targeted comments were addressed to

Council and Parliament focusing on the need to allow Member States to include, in the scope of the Directive dispute resolution, entities where the natural person in charge of the process is employed or remunerated exclusively by the individual trader. Also, the possibility to first deal with a dispute bilaterally before referring it to the ADR entity, as well as an obligation for the trader to inform consumers about the existence of ADR bodies only when it is committed to its use, were important to the EACB. These concerns seem to have been reflected in the agreement that was reached between the parties involved in the 'trialogue' negotiations by the end of 2012.

Also in the area of consumer redress, the EACB monitored the debate concerning both consumer collective redress and class actions in antitrust cases, and welcomed the careful approach of the policy makers focused on avoiding a duplication of the widely abused US model.

Data Protection

Although processing of personal data is not the core business of the co-operative banks as such, it cannot be denied that almost all the operations in the retail banking sphere will require processing of the client's personal data. This is necessary to be able to provide consumers with services (e.g. assess their creditworthiness or their investment profile), or to fulfil important public functions (such as fraud, money laundering or terrorism prevention). Thus, following the January publication of the Commission protection regulatory package (General Data Protection Regulation and the Directive on data protection for the purposes of prevention, investigation, detection and prosecution of criminal offences or the execution of criminal penalties), the EACB actively engaged in the legislative debate. The EACB led detailed discussions with MEPs and the Danish and Cypriot Presidencies, and prepared amendments and comments on alternative proposals put on the table by other external stakeholders. In general, the main points of concern for the EACB relate to the fact that specificities of the co-operative banking industry and the banking industry in general are not sufficiently taken into account in this cross-sectoral proposal focused on the on-line environment. Also, the extensive use of delegated acts and the increase of obligations of data controllers are worrisome from the legal certainty point of view. Finally, provisions regulating processing of some specific types of data in the context of providing financial services are missing.



C/ SECURITIES BUSINESS

1. New organisational landscape for post trading of OTC derivatives

After two years of hard negotiations, early 2012 finally saw an agreement on a European level that would ensure that almost all derivatives are being cleared via authorised central clearing houses (CCPs). This piece of important financial infrastructure regulation was published in July 2012 and will gradually come into force throughout 2012 and 2013. During 2012, efforts shifted towards European Supervisory Authorities (ESAs) which were tasked with filling out the finer, but still important technical details on how the real-life application of these clearing rules should function in practice.

Of particular concern to co-operative banks were the provisions of the Regulation on OTC derivatives, trade repositories and central counterparties (also often referred to as the Market Infrastructure Regulation (EMIR)) on intra-group transactions and on how this clearing obligation would be carried out in practice by smaller banks with low trading volume. EACB's lobbying focused on ensuring that the EMIR text would accommodate the co-operative business model and the co-operative group structure. EACB formulated messages to the Commission and the European Parliament as well as the Council and was satisfied to see recognition of its concerns in the resulting texts.

The EACB has also focused its attention most prominently towards ESMA, the EU's financial supervisory authority, answering discussion papers and consultations in order to retain the correction which has been brought to the initial Regulation's to ensure co-operative banks the same rights as other banks e.g. an exemption from clearing OTC contracts within their own structures. During the year, EACB took part in many consultations and public hearings in this context.

2. The Single European platform for securities settlement (T2S)

Target2-SECURITIES (T2S) is a milestone project operated by the European Central Bank (ECB) aimed at creating a single pan-European platform for securities settlement in central bank money by 2015.

The biggest milestone that this project saw in 2012 was the signing of the T2S Framework Agreement. It is the contract which governs the legal relationship between the Eurosystem and each Central Securities Depository (CSD) participating in T2S, the future IT platform of the Eurosystem for the settlement of securities transactions in central bank money. A total number of 23 CSDs committed to participating in T2S, including almost all CSDs based in the euro area as well as six CSDs based outside the euro area.

Besides marking the eventual shift towards operational readiness, this new milestone also brought with it new governance changes that required the appointment of new industry specialists to the T2S Advisory Group, which provides market feedback to the Eurosystem on various aspects of the project. As spokesperson of European co-operative banks, the EACB ensured that our voices would continue to be heard in this high-stake group by successfully placing two co-operative post-trading experts in the group as well as continuing the use of its observer seat to actively represent co-operative banks' interests as future users of this infrastructure.



3. Changes to the safekeeping landscape for depositaries of European funds

2012 has also seen future changes to the regulatory landscape for depositaries in Europe. After the passing of the Alternative Investment Fund Managers Directive (AIFMD) in mid-2011, the European Securities and Markets Authority (ESMA) and European Commission have spent most of 2012 readying the technical measures which were finally released a few days before year's end. This push was followed in 2012 by a new revision of the long-standing Undertakings for Collective Investment in Transferable Securities (UCITS) Directive that also focused on this depositary issue. The main question posed in this context was, what level of liability depositaries should carry while safekeeping assets of an investment fund – in case of a loss along its sub-custodian lines. Some more specialised European co-operative banks, which provide these special depositary services for a large number of European and non-European Alternative Investment Funds, are also affected by this directive. The EACB conveyed its important message that the current proposal shifted too much responsibility away from the fund managers and onto the depositaries, making them liable for all acts and omissions of any sub-custodian – even when having acted with all proper care and due diligence. The EACB will continue its efforts in 2013 to ensure that the right balance between investor's safety and depositary's liability is struck.

4. Pan-European Securities Regulator, ESMA, picks up steam in 2012

The European Securities Markets Authority (ESMA), the pan-European Financial Supervisor responsible for a more harmonised supervisory approach to Security Markets, which was founded in 2011, dramatically extended its efforts to create a Single European Rule Book in 2012. The constantly-growing agency released more than 20 consultations on various technical financial topics in addition to its work on providing the European Commission with technical advice (so called level-2 measures) on various areas of financial regulation (such as EMIR and AIFMD). For its main areas of concern, the EACB duly answered its consultation in order to provide ESMA with the co-operative views on these issues as well as presenting their interest at various open hearings held at their headquarters in central Paris.

D/ PAYMENT SYSTEMS AND THE SINGLE EURO PAYMENTS AREA (SEPA)

1. Preparing for SEPA migration

In March 2012, the Regulation establishing technical and business requirements for credit transfers and direct debit in euro entered into force. This regulation sets a series of requirements with which credit transfers and direct debits in euro will have to comply as of – what is also referred to – the migration date. Essentially, what this regulation aims to achieve is the migration of payment flows away from national payment schemes to SEPA compliant payment schemes, thereby creating a true internal market for payments also from a technical perspective.

With the regulation entered into force and a first migration date having been defined as 1st February 2014, the EACB undertook activities to support its members, where necessary, in preparing for the implementation of the Regulation. In particular, the EACB continued the series of best practice exchanges on how to migrate customers to SEPA. In addition, it subscribed to the Guidance document which was issued, jointly with the European Banking Federation, in September 2012 and which aimed at providing high level assistance to banks and their clients in relation to both the interpretation and practical application of the Regulation.

2. Taking SEPA beyond credit transfers and direct debits

In January 2012, the Commission issued a Green Paper called "Towards an integrated European market for card, internet and mobile payments". Having established that the internal market for credit transfers and direct debits was well under way, this green paper explored questions around how to further the integration of the market for card, internet and m-payments and around possible barriers that should be tackled. The EACB spent a good deal of 2012 engaging in dialogues with the Commission and European Parliament on the subject, to voice its concerns. Main issues for the EACB were the need not to rush ahead with standardisation in e- and m-payments as well as the need to consider how the self-regulatory progress in the cards market could be leveraged before engaging in regulation. More in general, the EACB was concerned about taking a too isolated view on these means of payment which need to be seen in the context of the overall payments landscape, which is heavily influenced by differences in culture, customer preference and legislation and the developments at international



level. Finally, the EACB also stressed to recognise that with the migration to the SEPA Credit Transfer and Direct Debits schemes in sight, a natural boost in the integration of also the market for cards, internet and m-payments could be expected. The EACB was comforted that some of its concerns found its way into the report of the Parliament.

3. The legal foundations of SEPA reviewed

The year 2012 marked the start of the public consultation rounds relating to the review of the Payment Services Directive. This review, which was foreseen in article 87 of the directive, started with a study on the implementation and impact of the Directive as well as with two discussion papers drafted by the European Commission with a view to asking stakeholder opinions on various suggestions for change. With the impact of the original Payment Services Directive having been already quite important for banks, involvement in its review carried high priority from the perspective of the EACB. Indeed, EACB participated in two expert group meetings on the subject and commented on discussion papers. Its main concerns were, among others, not to fix what is not broken, not to extend the scope to leg-out transactions, to recognise the realities of the present situation with regard to access to clearing and settlement systems before making any changes, to take care with increasing further information requirements as – often said by the EACB in exchanges with the Commission on information requirements and recognised in the Commission's own discussion paper – users are already overwhelmed by the information they receive today. The review process is expected to continue in 2012 with a proposal from the Commission for a revised directive announced for April 2013.

4. Ensuring the security of internet payments

As part of its mandate the European Central Bank started to work on the security of payments. Indeed, already in 2011 it put in place the European Forum on the Security of Retail Payments (SECUREPAY), composed of supervisors and overseers of retail payment services providers in order to facilitate understanding between authorities but also to address areas where weaknesses or vulnerabilities are detected and formulate recommendations. In 2012 this body issued a first set of recommendations in the security of internet payments for consultation. The EACB's answer to this consultation focused not only on expressing support for the initiative itself but also on asking for consistency in the implementation of the recommendations across

countries, across service providers and other actors in the chain and consistency with other pieces of relevant legislation relating to issues such as data protection. The EACB is now waiting for the finalised set of recommendations to be published by the ECB.

5. The governance of European payments development reviewed

The governance of the retail payment sector in Europe has been an issue for debate for some time now. Indeed, it follows the heavy criticism of stakeholders on the way in which the European Payments Council, representing the payment industry, managed the development of the SEPA payment schemes which was echoed in the recitals to the Regulation establishing technical and business requirements for credit transfers and direct debit in euro. In 2012 however, the discussions between Commission/European Central Bank and stakeholders on how to improve this governance became more prominent. The topic featured on the agenda of the SEPA Council in February and June and was the subject of several additional working meetings at the level of SEPA Council experts. The EACB attached great importance to the discussion on this topic as it recognised the need to address the concerns of stakeholders in order to make constructive progress. It also firmly believes though that the proposal for a revised governance should target a 3 layered organisation with the SEPA Council at the top as the body that gives direction to the lower levels as to the priorities that need to be addressed. The governance body would have a certain independence but would be chaired by Commission and the ECB and progress reports would have to be delivered to Parliament on a yearly basis. The SEPA Council would still be composed of supply and demand side representatives – as it is the case today – but would be somewhat enlarged to allow more kind of Payment service providers and stakeholders on board. The EACB has been voicing this message consistently throughout 2012 and is now awaiting the Commission communication on a revised SEPA governance that is expected in Spring 2013.

E/ SERVICES CONTRIBUTING TO THE PUBLIC GOOD

1. Attachment of bank accounts

The European Commission issued its proposal for a Regulation creating a European Account Preservation Order (EAPO) to facilitate cross-border debt recovery in civil and commercial matters in July 2011.

The draft Regulation proposed to allow creditors to preserve the amount owed in a debtor's bank account by preventing debtors from



removing or spreading their assets during the time it takes to obtain and enforce a judgment on the merits. As a result, banks will be obliged to block an amount that is indicated in the order.

The EACB has stressed the importance of the possibility for banks to be compensated for the administrative costs incurred in relation to exercising the EAPO, measures ensuring that EAPO's are not abused by dubious creditors, as well as an appropriate definition of 'bank account'. The EACB addressed its main concerns to the relevant actors within the European Parliament and it seems that a number of these concerns have been taken into account while amendments are being developed. The proposal is deemed to be adopted in the course of 2013.

2. Anti-Money Laundering and the fight against terrorism

The Third Anti-Money Laundering Directive, which aims at the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and had been in place since 2005, is presently under review. The EACB has a leading role within the European Banking Industry Committee (EBIC) on the dossier. This Association therefore actively contributed in developing positions for discussion with the European Commission on the direction in which to take the text of the next Anti-Money Laundering Directive. What can be expected is a move from a rule-based towards a risk-based approach. Taking this new approach into consideration, the EACB, together with other banking industry associations in the EBIC, stressed the need for specific tools and supportive instruments for banks to allow them to successfully pursue the targeted objectives.

Regulation 1781/2006 regarding 'information on the payer accompanying transfers of funds' is a specific regulation, linked to the Anti-Money Laundering and terrorist financing cause, but targeting the tracking of funds more in particular it lays down rules for payment service providers on the kind of information on the payer they have to send with the payment throughout the payment chain for the purposes of prevention, investigation and detection of money laundering and terrorist financing. Like the 3rd Anti-Money Laundering Directive, this Regulation has been subject during 2012 to the Commission's review. A proposal for a revised regulation is expected to be published together with, or shortly following, the publication of fourth new Anti-Money Laundering Directive. The EACB will closely monitor any developments in this piece of legislation as the cost related to implementing the resulting changes are high without any direct benefits for banks.

F/ OTHER

1. Proposal for a Regulation on Electronic Identification and Trust Services

In June 2012, the European Commission issued its draft proposal for a Regulation on electronic identification and trust services for electronic transactions. The proposal on the one hand enables Member States to notify their eID-scheme to the European Commission. By this voluntary notification possibility, the Commission aims for improved interoperability between national eID-schemes and cross-border access to public services. On the other hand, the proposal is a revision of the 1999 eSignature Directive and sets out 'qualified' standards for trust services, among which electronic signatures.

The EACB is monitoring the development of this legislative proposal, paying special attention to the implication that it might have on current banking practices in the sphere of internet banking in terms of level-playing field between practices used and recognized.

2. e-Invoicing

Refused at an earlier occasion, the EACB was given an observer seat in the Multi-Stakeholder Forum on Electronic Invoicing in 2012. The EACB has asked for this observer status as electronic invoicing touches the payments process in banks and thus the development of it at EU level may warrant bank input.

The Forum has been set up by the Commission and brings together key actors from the private and public sector of all Member States. It provides a unique platform to exchange experiences and best practices which can pave the way to the broad-scale adoption of e-invoicing at both national and EU level. The Forum will monitor the uptake of e-invoicing in all Member States. It should also help the Commission in identifying further measures to facilitate the mass adoption of e-invoicing across borders.

2012 saw good progress in the 4 work streams that were identified (Monitoring the e-invoicing uptake in Member States and at EU level, Exchange of experiences and good practices, Propose appropriate solutions for remaining cross-border barriers, Migration towards a single e-invoice standard data model).



CO-OPERATIVE BANKS AS SOCIALLY RESPONSIBLE BANKS

The economic crisis environment and the subsequent need to restore confidence have implied for the financial sector, that the terms responsibility and sustainability became more relevant than ever. For co-operative banks however, those are not new features; created to serve members with a long-term stakeholders' value approach, they have been acting in a responsible and sustainable manner for more than two centuries. In this respect, the EACB is particularly involved in the different initiatives aimed at ensuring responsibility, warning however that a sustainable approach cannot be imposed with legislative measures.

1. Anti-discrimination

In 2012 the EACB continued the follow-up of the Council proposed Equal Treatment Directive. For the EACB, the main element of concern remains Article 2(7) which admits proportionate differences in treatment where, for provision of financial services, the use of age or disability is a key factor in the assessment of risk based on relevant and accurate actuarial or statistical data. In particular, the EACB welcomed the introduction of maximum harmonization of this exception instead of the Member States' option, which is necessary for ensuring the level-playing field across the EU. At the same time, the EACB calls on the Council to ensure that the new explicit obligation imposed on all financial services providers to give explanations of the reasons for the differentiated treatment, where applied based on age or disability, does not compromise the business secrecy rules.

2. Active role in financial education and child and youth finance

Co-operative banks across the EU are committed to raising the levels of financial literacy of their members, their clients and of local communities as a whole. The EACB continues its engagement in this area and follows the relevant developments at EU level. For co-operative banks, it is particularly important to promote financial education among children and youngsters. In this light, the EACB has been a partner of ChildFinance since its inception in 2011. In early November 2012, the EACB co-organised with ChildFinance

and other EU Associations the first Regional meeting that brought together leading experts, practitioners and innovators from Europe and Central Asia who are engaged in the issues of financial access and financial education for children and youth. This event was hosted by the Financial Services & Market Authority (FSMA) and also supported by HRH Princess Mathilde of Belgium, international organisations such as UNICEF, MEPs and financial organisations. At this occasion, the EACB stressed the importance of the reconciliation of economic and social goals and the wider societal responsibility that comes into play when talking about children's and youth's financial education. The EACB believes that for any considered measure, designed to protect consumers, in order to reach its maximum potential, financial education must be enhanced, and thus the EACB regrets that financial education receives little support from consumer advocates.

3. Co-operative social responsibility and related initiatives

With their long-term approach and stakeholders' value orientation, co-operative banks represent an inclusive and sustainable banking model that has proved itself to be responsible and solid during the crisis. Responsibility is one of the key values of co-operative banks, be it towards its members, towards the community to which they belong or towards the environment. In this light, in 2012 the EACB has been involved in several discussions and initiatives at EU and international level in the fields of social responsibility. At the EU level and following the Commission's communication on CSR and the Communication on Social Business at the end of 2011, the EACB has been monitoring the evolution of these files to voice the co-operative banks concerns. In this respect, the EACB participated in the debate on non-financial reporting, aimed at introducing assessments on economic, social and governance performance for companies at EU level. The views expressed by the EACB and its members in those debates can be summarized as follows: co-operative banks have their own specificities and their own responsibility principles that derive from the key objectives of serving the community of the members' interests. While recommending a voluntary approach in this field, co-operative banks also warn about the importance of maintaining a certain level of flexibility and also the importance of avoiding any additional reporting that would result in a non-necessary administrative burden for the small co-operative banks of their decentralised networks. Anticipating the EU initiative that was awaited all along 2012 on non financial reporting, the EACB members have worked on a project to develop an internal list of specific non-



mandatory “co-operative” indicators allowing catching the differences of co-operative banks that could be used on a voluntary basis to report. The EACB has also issued a document aimed at showcasing the “Co-operative banks Social Responsibility”. This report, encompassing the best CSR practices of co-operative banks, was prepared in joint-cooperation with the EACB members. With an innovative format in line with the sustainability principle, the report was divided in two parts: a short ‘PR’ brochure referring to a longer web-version that is available for download on the EACB website. The final outcome of this year long reflection on CSR was presented at the 5th Convention on co-operatives banks in December 2012. Finally, at the International level and in wake of Rio+20 talks (United Nations conference on sustainable development in June 2012), the EACB and its members as socially responsible banks have expressed their support for a more sustainable and green growth as well as the protection of the environment.

4. Financing of Small and Medium-Sized Enterprises

With an average market share of 30% of loans to SMEs, co-operative banks are among the main providers of finance for the sector. In this respect, the EACB is strongly committed to the topics related to SMEs financing. As such, the Association, has been an active player in 2012 in the High Level Forum on SMEs’ Finance (HLF)- set-up by the European Commission in 2010- in order to address the problems of SMEs access to funding. Among the several issues addressed in this context, the EACB has looked with close attention to the new EU instruments for SMEs financing (2014-2020), i.e. COSME and Horizon 2020. The EACB has participated to several consultative meetings organised by the European Commission and the EIB group. Moreover, the Association was invited by the European Parliament’s ITRE (Industry, Research and Energy) Committee at a workshop to discuss with the rapporteurs on Horizon 2020 and COSME. The EACB highlighted the need of simplification of administrative and reporting requirements, whose costs for smaller local banks can be comparatively high. The Association also highlighted that the network structure of local banks prevent from using the EU instruments directly, as the local banks need to pass via their central institution: this is often a limit. Finally, the size of the amounts and the threshold foreseen in the Commission’s proposal have to be adjusted to be more in line with the reality of the needs of the small businesses. Concerning the initiatives stemming from the Action Plan on SMEs Access to Finance that was issued at the end of 2011 by the Commission, the EACB continued its involvement participating in the projects on i) improving European data on SMEs lending and

ii) on transparency and rating systems of SMEs. In parallel, the EACB brought forward the discussions with the EIB (European Investment Bank) group on the topic of facilitating access for smaller banks to EIB’s group facilities. This has led to identification of potential concrete solutions that were discussed at the end of 2012 with representatives of the EIB group.

5. Social Affairs and EU Social Dialogue

Co-operative banks are major employers in Europe at regional and local levels with a total of 860,000 employees. As a consequence, the EACB remains an active player in the European Social Dialogue on Banking (ESDB), the dialogue between employer associations (EACB, EBF and ESBG) and employees (UNI Finance) in the banking sector. During 2012, the European Social Dialogue focused on the project proposal entitled ‘Life Long Learning (LLL): Follow up of the joint declaration and promotion of the EU sectorial social dialogue’ also known as the LLL Enlargement Project. In this respect and for the regular meetings of the European Social Dialogue (ESD), the employers provided the audience with a mapping of skills exercise based on their respective members feedbacks. In the same vein, focus was put on the evolution of training, learning and development, core labour standard, work life balance, internal communication and equal opportunity in the banking sector since the Corporate Social Responsibility Joint Declaration was signed in 2005. Finally, the main work of Social Partners was on the finalisation and submission for EU funds of the LLL Enlargement Project. After two years of long lasting negotiations, the proposal submitted was accepted by the Commission in December 2012 with the project running from December 2012 until November 2013. Social Partners will consequently disseminate a joint questionnaire aiming at doing a follow-up of their previous Long Life Learning declaration (2003). The answers will be used to provide a mapping of the situation in various EU countries. The results of the life long learning follow-up and mapping will be presented by the social partners in the “new” members states, in particular in Bulgaria, Croatia and Romania to inform them about the European Social Dialogue and its discussions. The overall aim of the project is to stimulate social dialogue in those countries by sharing good practices of other “new” member states like Malta and Cyprus and “old member states”. At the end of the project a booklet of good practices will be published and presented during a final ‘dissemination’ conference, taking place with the European Institutions in Brussels.



COMMUNICATION, RESEARCH AND TRAINING ACTIONS

In the context of its communication policy, the European Association of Co-operative Banks has continued to put its efforts to improve the awareness of co-operative banks among policy- and opinion makers.

As the year 2012 was declared the “United Nations International Year of Co-operatives”, there were several events that highlighted the vital role co-operatives play in the economy and put emphasize on their resilience during the crisis.

A/ PUBLIC EVENTS

1. 5th Convention on Co-operative Banks

On 6th December 2012, about 200 co-operative bankers, policy makers, regulators, academics, journalists and other guests met at the 5th Convention on co-operative banks entitled “Co-operative Banks: reconciling economic and social needs” organised by the European Association of Co-operative Banks (EACB) at “la Bibliothèque Solvay” in Brussels. The event took place at the closing of the United Nations’ International Year of Co-operatives (IYC) with its motto “co-operatives build a better world”. In this context, the 5th Convention opened with an encouraging message from the UN Secretary General Ban Ki-moon, that underlined “the UN are heartened by the performance of European co-operative banks, which experienced remarkably limited losses in the global economic crisis”. In the same vein, the President of the European Council, Herman Van Rompuy emphasised the crucial role of co-operative banks to restore confidence in the European financial system in the context of the upcoming EU reforms. The three panels that took place during the day focused on the following topics: i) “Banking legislation proposals and the project of the European Banking Union: what implications for co-operative banks?”; ii) “Co-operative banks: committed players for sustainable and equitable growth” and iii) “The way forward: what future for co-operative banks and co-operatives in the context of the International Year of Co-operatives”. Besides the roundtables, the event included speeches of distinguished speakers such as Commissioner Michel Barnier who underlined the important

role that co-operative banks play in the economy and that the co-operative spirit is precursor of the European spirit. He also reinsured on the need to take into account co-operative banks specificities in current designing of legislation. Moreover, the new study by Oliver Wyman’s consulting group entitled “The outlook for co-operative banking in Europe 2012: banking on values, building on agility” was discussed and distributed to participants. Finally, the EACB 5th Convention was an occasion to honour the four winners of the first EACB research award for young researchers on co-operative banks whose purpose is to stimulate the scientific work on the sector. The high level panellists, the enthusiasm of the participants and the level of the debates all contributed to make the 5th Convention a great success.

2. First International Summit of co-operatives – EACB active partner

In 2012 a milestone event was organised at the initiative of Caisses Desjardins in Quebec: “The International Summit of co-operatives” entitled “the amazing power of co-operatives”. More than 3.000 participants from various co-operative organisations joined the event that took place in October 2012. As partner of the event, the EACB organised a lunch debate on the 9th of October which focused on “*Banks Stability and Economic Growth: The Co-operative Banks Contribution*”. During this debate Oliver Wyman consulting presented – in *avant-premiere* – their latest study on co-operative banks ‘The outlook for co-operative banking in Europe 2012: banking on values, building on agility’. For more information on this study please see the section C on “Research and Surveys” of this Annual Report. This high level event was attended by more than 200 participants from the co-operative banking sector, finance ministries, regulators, academia and consultancy. Moreover, on 10th October, the EACB lead a specific session on co-operative financial institutions organised. More than 700 participants attended the session characterised by dynamic debates. This is a sign of growing interest in the sector in the aftermath of the crisis. The visibility for the co-operative banking sector is particularly important at a time of reduced trust and search for sustainable models in the economy. In this respect, the Summit was a precious opportunity to set up a worldwide network to create a real sphere of influence in economic and political arenas, and ensure that co-operatives and mutuals take their rightful place on the world stage. High level speakers, including a number of nobel prize winners, were invited to reflect on the amazing power of co-operatives and challenges ahead. The



EACB fully supports the official Declaration that was released at the closing of the Summit (see www.2012intlsummit.coop).

3. European Co-operative Week: EACB Dialogue with academics and stakeholders

At the occasion of the European Co-operative week (23rd -28th April 2012) that took place in Brussels, the EACB organised on the 25th of April the first co-operative banks dialogue with academics and stakeholders that was hosted by Sven Giegold, Member of the European Parliament. Entitled 'Co-operative banks: a model for more sustainable and inclusive growth', this was also the occasion for the researchers and professors belonging to the EACB Think Tank on co-operative banks to present their latest work on the topic. This EACB event successfully fostered participants' reflections (researchers, academics, policy makers, co-operative banks and relevant stakeholders) and discussions on their expectations for the future. The panellists and key note speakers delivered inspiring presentations and speeches, addressing strong and encouraging messages to co-operative banks. As a result, the EACB received positive feedbacks and a strong demand to conduct another dialogue with academics and stakeholders in the future. Moreover, at this occasion an appeal was launched by the international academic community with the signatures of more than 100 professors, including prestigious names like Romano Prodi (former Italy's Prime Minister and Professor of Economics) to draw the EU decision makers attention to the importance of co-operative banks for future growth in Europe. The pictures as well as the presentations performed during this event can be found on the EACB dedicated webpage.

4. EACB - EURICSE 3rd International Conference on Co-operative Finance and Sustainable Development

The EACB joined forces with Euricse (The European research Institute on Co-operatives and Social Enterprises) and Federcasse (Italian Association of Credit Co-operatives) to organise the 3rd International Conference on co-operative finance and sustainable innovation that took place in June 2012 in Trento, Italy. More than 60 researchers from various countries attended the conference and discussed a number of research papers on various issues. Topics under discussion ranged from competition policies, governance, membership and the role of co-operative banks in local development. Moreover, speakers from the national central bank of Italy, Germany, Austria and the Netherlands expressed their views on the future of

co-operative banking in Europe.

5. Other events: participation of the EACB in the framework of the International Year of Co-operatives (IYC) in Members and external conferences

The United Nations have proclaimed 2012 the International Year of Co-operatives (IYC). As declared by the UN Secretary General Mr Ban Ki-moon "Co-operatives are a reminder to the international community that is possible to pursue both economic viability and social responsibility". In this respect, 2012 has been a milestone Year for the co-operative sector in general but also for the co-operative banks. The EACB was invited to bring its expertise and voice in various public events, organised at European and International level by the United Nations but also by externals (co-operative) bodies and the EACB member organisations.

The European kick-off of the International Year of Co-operatives took place on the 12th January in Brussels. To mark this occasion, a press conference was organised in conjunction with the other co-operative sector representatives (Co-operatives Europe, EACB, Cogeca, Cecodhas Housing Europe, Cecop and Eurocoop). This co-operation was repeated during the European Co-operative Week (23rd -28th April 2012) during which the EACB participated in the dedicated events organised by its fellow co-operative organisations but also organised its own event taking place in the European Parliament (first dialogue with academics and stakeholders). Finally, the EACB was present at the conferences, fairs and workshops organised by the International Co-operative Alliance (ICA)-umbrella organisation for all co-operative organisations- such as Co-operatives United & ICA expo in Manchester. The EACB fully supports the Footprint for a Co-operative Decade issued by ICA at the beginning of November 2012 that suggests a vision for the co-operative form of business to become by 2020: i) the acknowledged leader in economic, social and environmental sustainability, ii) the model preferred by people, iii) the fastest growing form of enterprise.

The EACB was also present at IYC milestones events held by its member organisations. In particular, the EACB General Manager was invited to speak and moderate various sessions such as in Germany at the International Raiffeisen Conference (May 2012), in Austria at the International Conference on Co-operative Studies and in Brussels at the Congress of the Fédération Nationale du Crédit Agricole.



B/ INTENSIFYING ONLINE COMMUNICATION

In 2012 the EACB has launched a brand-new website with the aim of intensifying on-line communication about its activities. This new portal contains comprehensive information on the co-operative banks sector, key figures, studies, external researches, interviews, press, articles and videos. It demonstrated a powerful tool when looking at the number of visitors that were reached since the launch in May 2012. Moreover, the EACB has established its presence on social media in tune with the needs and appetite of Member Organisations and stakeholders alike.

C/ RESEARCH AND SURVEYS

1. The Think Tank on co-operative banks in Europe

The network of about 20 academics from 11 countries that composes the Think Tank on co-operative banks in Europe, is an important platform to exchange and stimulate research work on the sector. During 2012, a number of papers were produced and discussed by the researchers. Topics included the analysis of the comparative performance of co-operative banks before and after the crisis, the impact of governance and organisational structures on sustainability or long-term member orientation. Moreover, the EACB has intensified its co-operation with other International think tanks specialised on financial co-operatives such as the European Research Institute on Co-operatives and Social Enterprises (EURICSE), the US based Filene Research Institute and the Canadian based HEC Montreal. New contacts were also established with UK based think tanks, namely the European Policy Network and the New Economic Foundations. Both investigate on sustainable models in banking in the aftermath of the crisis and look with keen interest to co-operatively owned financial institutions. The EACB has also remained involved in the activities of the Brussels based think tank CEPS (Centre for European Policy Studies). In this context, co-operative banks representatives were invited to discuss several topics under the overarching theme of “Bank business models, diversity and the future of regulation “ that addresses the issue of the regulatory impact and the risks of a “one size fits all” approach that puts the same requirements for all banks regardless of their risk levels and structures. As highlighted by the CEPS this raises concerns especially from the perspective of co-operative banks with retail business models that have an important role as lenders to the economy, in promoting economic growth.

2. The EACB Award for young researchers on co-operative banking

In 2012 the EACB, in collaboration with its academic think tank, has awarded the winners of the 1st EACB award for young researchers on co-operative banks. The initiative was launched with the aim to raise interest and improve awareness among researchers - specifically, the younger ones - on the co-operative banking sector that is widely neglected by mainstream economic research. It is estimated that only 1% of existing economic research is devoted to co-operative banks. However, they play a key role in the European financial and banking systems with 20% average market share and 4.000 banks in Europe. Several applications were received from various countries on a broad range of subjects such as regulatory challenges of co-operative banks, co-operative banks and financial stability, co-operative banks and social and environmental responsibility, and governance aspects of co-operative banks. Following a careful examination, the scientific committee selected four winners. The selected winners of the first EACB research award were 1) Dr. Monika Lopez Puertas-Lamy whose work is entitled “Commercial banks versus Stakeholder banks: same business, same risks, same rules?”, 2) Angelo Leogrande with his work on “Co-operative banks vs. Financial crisis”, 3) Diana Lima whose work dealt with the subject “Forecasting bank insolvencies of Portuguese Agricultural Credit co-operatives” and 3 ex-aequo) Pf. Davide Salvatore Mare who worked on “Predicting small bank failures using macroeconomic factors”. They were celebrated and awarded with their prizes in December 2012 in the context of the EACB 5th Convention on co-operative banks. Their articles were published and distributed to participants. They can be found online on the EACB website.

3. The Outlook for Co-operative Banking in Europe 2012: Banking on Value, Building on Agility by Oliver Wyman Consulting

In 2012 a new research on co-operative banks was released by the consulting group Oliver Wyman in the context of the International Year of Co-operatives. The EACB collaborated to this research, that was an update of the previous Oliver Wyman's report entitled “Co-operative Bank: Customer Champion”, published in 2008. The 2012 study is entitled “The Outlook for Co-operative Banking in Europe 2012: Banking on Value, Building on Agility”. It sheds light on the role and contributions of co-operative banks to the financial sector and the wider economy by highlighting the lessons from the co-operative



model in terms of stability, customer focus and proximity, a business mix that is mainly oriented to financing the real economy. It also highlights the challenges faced in the new regulatory and competitive environment, in terms of ensuring the member engagement that is key to governance, financial resources management and allocation, responding to the new legislative requirements. The study finally looks at the future priorities and possible evolutions of the sector, by providing a number of recommendations and policy implications. The report was presented and distributed in the context of EACB events and the International Co-operative Summit in Quebec.

D/ VISITS AND TRAINING SESSIONS

There is a growing appetite for more information on European affairs, co-operative banks in Europe as well as the role and missions of the EACB. To cater for this demand, the Secretariat has organised both information sessions within its premises and 'locally'.

Firstly, groups of visitors from local or regional banks from a number of countries have been received throughout the year 2012. From this perspective, the EACB has welcomed delegations from Brasil, Australia, United-States, Japan, South-Korea, Italy, Germany and France, both in the context of training programmes organised by member organisations with a specific focus on the European institutions, but also for specific interests on on-going activities. On another note and echoing the interest in the co-operative bank model generated by the IYC, the EACB expertise was also brought at international level in Japan, South-Korea, New-Zealand, US and India. At the occasion of these interventions about the European co-operative banks experience specifically in terms of regulation, exchanges about the challenges and concerns for the co-operative banking sector took place and thus contributed to foster relationships with major international co-operative banks.

Furthermore, the EACB secretariat has been invited to bring its expertise in the field of European affairs to a number of training programmes organised by its members at a national level. In this respect, national representations in France, Italy and Germany were visited and provided with an overview on European affairs and related key issues as well as topics for the co-operative banks.

E/ RELATIONS WITH OTHER CO-OPERATIVE BODIES

The EACB is a member of Co-operatives Europe, the umbrella body gathering European and national co-operative organizations and ICA (the International Co-operative Alliance). The collaboration and involvement of the EACB in the two bodies has been particularly intense in 2012 for the International Year of Co-operatives. The EACB is a member of the steering committee set-up by ICA has ensured a fruitful 2012 IYC in close co-operation with the United Nations. The EACB participated in the events organised by both bodies in the context of the IYC (European launch of IYC, European co-operative week, ICA Expo and Co-operatives United). The EACB members views were also brought in during the consultations and discussions initiated by Co-operatives Europe on certain European files (i.e. revision of the Co-operatives statute). The EACB is also a member of the International Raiffeisen Union (IRU).

As the voice of co-operative banks, the EACB also maintains close relationship with other bodies that regroup certain co-operative banks with the purpose of enhancing business co-operation such as UNICO and CIBP (Confederation Internationale des Banques Populaires). In particular the EACB has brought its expertise on regulatory issues and was invited at several occasion by CIBP and UNICO to explain the impact of regulatory developments on co-operative banks.

F/ RELATIONS WITH OTHER EUROPEAN BANKING INDUSTRY REPRESENTATIVES

The EACB is a founding member of the European Payments Council and the European Banking Industry Committee (EBIC). In this respect, in 2012, the EACB took up the responsibility for the secretariat of European Banking Industry Committee's (EBIC) which rotates among three of the EBIC member organizations on a yearly basis. During its Secretariat, EBIC addressed 17 letters and position papers to different regulators on topics such as CRD 4, crisis resolution, banking supervision, the Bank Account Package, the Anti-Money Laundering Directive and the guidelines on the application of the Consumer Credit Directive. Moreover, the EACB seats in the European Financial Reporting Advisory Group (EFRAG).



G/ INSTITUTIONAL RELATIONS AND EDUCATION SESSIONS WITH EUROPEAN AND INTERNATIONAL INSTITUTIONS

The EACB has intensified its institutional relations with the aim of increasing the awareness and understanding of the co-operative banks business model. Following a previous workshop in Brussels in 2011, in 2012 the EACB has organised an education session in Washington at the IMF (International Monetary Fund). About 40 experts from the IMF and World Bank attended the session on the co-operative banks business model, characteristics, governance and structure. Similar sessions have been organised with EBA (European Banking Authority). Moreover, two sessions were organised in April and November 2012 with the Basel Committee in order to explore the issues of co-operative shares, liquidity and in general the impact of regulation on the co-operative banks network structures.

H/ RELATIONS WITH NATIONAL AUTHORITIES

In the 2012, the EACB was invited by Member Organisations to meet with national authorities in support of structural developments and regulatory challenges. In this context, the EACB General Manager took part in a hearing at the Italian Parliament in March 2012, where he underlined the impact of Basel 3 requirements on the growth perspectives in Europe and the need to carefully take into account the importance of diversity in banking in Europe while abandoning the logic of "one size fits all". The EACB also participated in meeting with Ministries of Economics and National Central Banks, supervisory authority organized in Cyprus and Greece with the aim to demonstrate the robustness and solidity of the co-operative banks business model.



ANNEX – GLOSSARY OF ABBREVIATIONS

ADR: Alternative Dispute Resolution	IASB: International Accounting Standards Board
AMLD: Anti-Money Laundering Directive	IAS 39: International Accounting Standard
APRC: Annual Percentage Rate of Charge	ICA: International Co-operative Alliance
CCD: Consumer Credit Directive	IFRS: International Financial Reporting Standards
CCPs: Central Counterparties (clearing houses)	MEP: Member of the European Parliament
CRR: Capital Requirement Regulation	MiFID: Markets in Financial Instruments Directive
COSME: Programme for Competitiveness of Enterprises and SMEs	ODR: Online Dispute Resolution
CRD: Capital Requirements Directive	OTC: Over-The-Counter
CSDs: Central Securities Depositories	PRIPS: Packaged Retail Investment Products
CSR: Corporate Social Responsibility	PSD: Payment Services Directive
DG MARKT: Directorate General Internal Market and Services	SEPA: Single Euro Payments Area
EAPO: European Account Preservation Order	SMEs: Small and Medium- Sized Enterprises
EBA: European Banking Authority	T2S: TARGET2-Securities
EBIC: European Banking Industry Committee	UCITS: Undertakings for Collective Investments in Transferable Securities
ECB: European Central Bank	
EFFRAG: European Financial Reporting Advisory Group	
eID: electronic Identification	
e-Invoicing: electronic Invoicing	
EP: European Parliament	
EPC: European Payments Council	
eSignature: electronic Signature	
ESIS: European Standardised Information Sheet	
ESMA: European Securities Markets Authority	
FATCA: Foreign Account Tax Compliance Act	
FATF: Financial Action Task Force	
FICOD: Financial Conglomerates Directive	



1. KEY STATISTICS (COOPERATIVE INDICATORS) 2012 ON 31.12.2011

(When not specified figures refer to the domestic / local banks)

	Governance	Employment		SME's financing		Territory coverage	
Full Member Organisations ^(a)	Members / clients ratio (%)	Nr. of New employees hired this year	Expenses staff training / payroll (%)	SMEs loans on total loans (%)	Market share of loans to SME (%)	Nr. of clients / Nr. branches	Market share of ATM's (%)
Austria							
Österreichische Raiffeisenbanken	48%	n.a	1,74%	n.a.	37,0%	2.142	40,1%
Bulgaria							
Central Co-operative Bank	n.a.	149	0,5%	13,14%	n.a.	n.a.	6,3%
Cyprus							
Co-operative Central Bank	69,37%	41	n.a.	13,57%	n.a.	2.099	31,03%
Denmark							
Nykredit	27%	113	n.a.	4,0%	5-15%	718	0,02
Finland							
OP-Pohjola Group	40,0%	1015	2,5%	n.a.	n.a.	7.781	n.a.
France							
Crédit Agricole	32,3%	4.070	5,7%	n.a.	28,0%	4.655	n.a.
Crédit Mutuel ^(b)	71,0	13.374	5,0%	n.a.	9,1%	n.a.	0,25
Germany							
BVR/DZ BANK	56,7%	50	2,1%	26,2%	29,0%	2.247	32,2%
Greece							
Association of co-operative banks of Greece	54%	n.a.	n.a.	n.a.	15,0%	2.075	n.a.
Hungary							
National federation of Savings Co-operatives	7,5%	n.a.	n.a.	49,8%	8,8%	740	0,2
Italy							
FEDERCASSE	n.a.	n.a.	n.a.	n.a.	n.a.	1.360	11,4%
Lithuania							
Lithuanian Central Credit Union	100%	44	0,5%	18,68%	n.a.	2.006	n.a.
Luxembourg							
Banque Raiffeissen	6,9%	n.a.	n.a.	21,7%	n.a.	2.297	n.a.
Netherlands							
Rabobank Nederland	24,5%	956	2,6%	14,0%	42,0%	11.467	n.a.
Poland							
Krajowi Ziazek Bankow Spółdzielczych	n.a.	n.a.	n.a.	40,0%	20,0%	n.a.	n.a.
Portugal							
Crédito Agrícola	34%	99	0,3%	34,6%	4,7%	1.685	0,1
Romania							
Central Cooperatist Bank Creditcoop	61,52%	209	0,11%	0,25%	n.a.	1.398	n.a.
Slovenia							
Deželna Banka Slovenije	n.a.	1	1,16%	36,0%	n.a.	992	2,23%
United Kingdom							
The Co-operative Bank	46	645	n.a.	0,7%	0,7%	14.388	0,04
Associate Member Organisations^(a)	Members / clients ratio	Nr. of New employees hired this year	Expenses staff training / payroll (%)	% of SMEs loans on total loans	Market share of loans to SME (%)	Nr. of clients / Nr. branches	Market share of ATM's (%)
Canada							
Desjardins Group	100	2.984	2,51%	n.a.	n.a.	4.288	47% ^(b)

^(a) Selected members whose co-operative data are available ^(b) in Québec



KEY STATISTICS (FINANCIAL INDICATORS) 2012 ON 31.12.2011

(When not specified figures

Full Member Organisations	Economic indicators			Profitability indicators			Capital solidity	
	Total assets (EUROmio)	Total deposits (EUROmio)	Total loans (EUROmio)	ROA (%)	ROE (%)	Cost/Income (%)	Tier 1 capital ratio (%)	Total capital ratio (%)
Austria								
Österreichische Raiffeisenbanken	269.629	161.151	171.166	0,60	5,54	68,19	8,5	11,30
Österreichischer Genossenschaftsverband ^(b)	65.167	29.588	45.021	0,3	5,1	62,5	11,4	17,00
Bulgaria								
Central Co-operative Bank ^(d)	1.535	1.318	728	0,48	4,34	79,32	14,0	14,0
Cyprus								
Co-operative Central Bank	20.714	14.468	14.820	0,01	0,11	48,47	11,2	5,69
Denmark								
Nykredit	187.364	7.722	156.470	0,10	2,00	62,10	13,9	17,1
Finland								
OP-Pohjola Group	92.287	45.974	60.331	0,49	6,50	63,00	14,0	14,0
France								
Crédit Agricole	1.879.536	833.000	929.800	n.a.	n.a.	61,60	10,5	11,7
Crédit Mutuel	605.096	584.300	338.400	0,36	7,95	67,84	11,2	4,6
BPCE ^(c)	1.138.000	537.700	583.100	n.a.	n.a.	n.a.	10,5	n.a.
Germany								
BVR/DZ Bank	1.058.479	646.760	606.820	0,54	8,91	71,2	12,1	14,0
Greece								
Association of Cooperative Banks of Greece	3.610	2.879	3.181	0,01	0,09	n.a.	10,7	12,2
Hungary								
National Federation of Savings Co-operatives	4.654	3.885	2.103	0,44	5,66	69,87	14,9	16,5
Italy								
Assoc. Nazionale fra le Banche Popolari ^(b)	481.472	425.375	378.391	0,70	5,10	57,6	7,90	11,2
FEDERCASSE	181.263	139.356	130.891	0,20	1,70	69,80	14,1	15,0
Lithuania								
Association of Lithuanian credit unions	415	351	246	-0,24	-2,01	105,04	16,7	19,7
Luxembourg								
Banque Raiffeissen	6.054	5.131	4.292	0,28	7,60	74,00	8,0	9,6
Netherlands								
Rabobank Nederland	731.665	329.892	448.337	0,38	7,60	65,20	17,0	5,2
Poland								
Krajowi Związek Bankow Spółdzielczych	17.600	13.400	9.729	1,24	11,88	67,4	13,3	14,2
Portugal								
Crédito Agrícola	13.030	9.884	8.587	0,40	5,10	64,70	12,3	12,7
Romania								
Creditcoop	198	127	122	1,02	4,75	95,68	36,2	21,5
Slovenia								
Dezelna Banka Slovenije d.d.	893	806	504	0,99	11,63	82,95	10,9	11,9
Spain								
Unión Nacional de Cooperativas de Crédito	126.891	93.489	93.793	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden								
Landshypotek ^(a)	4.648	n.a.	4.123	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom								
The Co-operative Bank	61.781	45.962	42.612	0,11	2,48	60,70	9,6	4,2
Total (EU 27)^(f)	6.951.981	3.932.516	4.033.568					
Associate Member Organisations								
Canada								
Desjardins Group	144.124	93.539	94.867	0,83	12,20	71,10	17,3	19,3
Japan								
The Norinchukin Bank / JA Bank Group	653.180	396.750	133.476	0,09	1,40	92,66	18,2	24,8
Switzerland								
Raiffeisen Schweiz ^(e)	128.940	101.053	112.659	n.a.	6,20	60,50	12,9	16,4
Total (Non EU 27)	926.244	591.342	341.002					

(a) 2009 Data (b) 2010 Data (c) After merger with Banque Populaire and Caisse D'Epargne (d) EUR 1 = BGN 1.9558 (e) € 1 = 1,2090 CHF (f) Please note the merger of BPCE, Banque Populaire and Caisse d'Epargne in comparison to the 2010 figures.



(refer to the banking groups)

indicators			Other indicators					Market share	
Long term rating			Nb Employees	Nb Clients	Regional / Local Banks	Banking Outlets	Nb members	Market share deposits (%)	Market share credits (%)
S&P	Moodys	Fitch							
A	A1	A	26.054	3.600.000	530	1.680	1.720.000	29,7	25,7
n.a.	A	n.a.	12.980	1.500.000	80	1.042	701.643	7,2	7,3
n.a.	n.a.	n.a.	2.109	1.308.394	30 ^(b)	264	n.a.	4,9	2,5
n.a.	n.a.	n.a.	2.761	902.774	102	430	626.263	20,64	19,53
A+	A2	n.a.	4.139	1.065.000	1	1.483	291.000	5,0	32,0
n.a.	n.a.	A+	12.352	4.162.742	206	535	1.328.101	34,4	32,9
A	Aa3	A+	160.000	54.000.000	39	11.600	6.800.000	23,4	20,9
A+	Aa3	A+	77.979	28.800.000	18	5.898	7.300.000	14,8	17,1
A	Aa3	A+	117.000	36.000.000	36	8.000	8.100.000	n.a.	n.a.
A+	n.a.	AA-	188.256	30.000.000	1.121	13.350	17.000.000	19,4	17,5
n.a.	n.a.	n.a.	1.126	342.429	13	165	184.614	0,9	0,9
n.a.	n.a.	n.a.	7.060	1.100.000	105	1.487	82.749	8,3	2,9
n.a.	n.a.	n.a.	84.500	9.593.158	100	9.514	1.212.739	26,9	24,7
n.a.	n.a.	n.a.	32.000	6.000.000	412	4.411	1.156.711	7,0	7,0
n.a.	n.a.	n.a.	531	127.383	62	123	124.830	4,2	6,2
n.a.	n.a.	n.a.	530	121.780	13	53	8.547	n.a.	n.a.
AA	Aaa	AA	59.670	10.000.000	139	872	1.862.000	39,0	32,0
n.a.	n.a.	n.a.	32.000	10.000.000	573	4200	2.000.000	6,0	4,0
n.a.	n.a.	n.a.	4.284	1.162.934	86	690	400.000	4,1	3,2
n.a.	n.a.	n.a.	2.291	1.096.374	47	784	674.420	n.a.	n.a.
n.a.	n.a.	n.a.	362	84.358	1	85	260	2,8	1,6
n.a.	n.a.	n.a.	20.036	10,819,586 ^(a)	74	4.928	2.438.052	6,78	5,46
n.a.	A2	n.a.	100	69.216	10	n.a.	57.606	n.a.	n.a.
n.a.	A3	A-	9.630	4.920.856	n.a.	342	2.290.921	n.a.	1,6
			857.750	216.620.944	3.807	71.936	56.360.456		
AA-	Aa1	AA-	44.645	5.617.000	422	1.310	5.617.000	42,7	23,7- 41,9
A+	A1	n.a.	220.781	n.a.	710	8.715	4.720.000	10,5	6,8
n.a.	Aa2	n.a.	9.770	3.577.313	321	1.098	1.747.000	19,8	n.a.
			275.196	9194313	1.453	11.123	12.084.000		



MEMBER ORGANISATIONS ON 31.12.12

Full Members

Austria

Fachverband der Raiffeisenbanken

Am Stadtpark 9 | A - 1030 WIEN

Tel.: +43 1 717 07 12 70 | Fax: +43 1 717 07 24 96

www.raiffeisen.at

Österreichischer Genossenschaftsverband (Schulze-Delitzsch)

Löwelstrasse 14-16 | A - 1013 WIEN

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www.oegv.volksbank.at

Bulgaria

Central Co-operative Bank

103, G.S. Rakovski Street | BG - 1000 SOFIA

Tel.: +359 2 92 66 107/122 | Fax: +359 2 98 88 107

www.ccbank.bg

Cyprus

Co-operative Central Bank Ltd.

8, Gregory Afxentiou Street | CY-1096 NICOSIA

Tel.: +357 22 74 30 00 | Fax: +357 22 67 02 61

www.coopbank.com.cy

Germany

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www.bvr.de

DZ BANK AG

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Greece

Association of Co-operative Banks of Greece

50, Skoufa Str Kolonaki | GR - 106 82 ATHENS

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www.este.gr

Finland

OP-Pohjola Group

Teollisuuskatu 1b - P.O. BOX 308 | FIN - 00101 HELSINKI

Tel.: +358 10 252 011

www.op.fi

France

Confédération Nationale du Crédit Mutuel

88-90, rue Cardinet | F - 75017 PARIS

Tel.: +33 1 44 01 10 10 | Fax: +33 1 44 01 12 30

www.creditmutuel.fr

Fédération Nationale du Crédit Agricole

48, rue La Boétie | F - 75008 PARIS

Tel.: +33 1 49 53 43 23 | Fax: +33 1 49 53 44 81

www.credit-agricole.fr

BPCE

50, avenue Pierre Mendès | F - 75201 PARIS Cedex 13

Tel.: +33 1 58 40 41 42 | Fax: +33 1 40 39 60 01

www.bpce.fr

Hungary

National Federation of Savings Co-operatives

Fogaskerekü u. 4-6 | H – 1125 BUDAPEST

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Italy

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www.assopopolari.it

Federazione Italiana delle Banche di Credito Co-operativo- Casse Rurali ed Artigiane

Via Lucrezia Romana, 41 – 47 | I - 00178 ROMA

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www.creditocooperativo.it

Luxembourg

Banque Raiffeisen Luxembourg

Rue Charles Martel, 46 | L - 2134 MERL

Tel.: +352 24 50 1 | Fax: +352 22 75 41

www.raiffeisen.lu

Netherlands

Rabobank Nederland

Croeselaan 18 | NL - 3500 HG UTRECHT

Tel.: +31 30 216 18 54 | Fax: +31 30 216 00 00

www.rabobank.nl

Poland

Krajow Zwiasek Bankow Spoldzielczych - KZBS

ul. T. Boya-Zelenskeigo 6 Apt. 22/23 | PL- 00 – 621 WARSAW

Tel.: +48 22 875 30 30 | Fax: +48 22 875 30 40

www.kzbs.pl

Portugal

FENACAM – Federação Nacional das Caixas de Crédito Agrícola Mútuo, F.C.R.L.

R. Professor Henrique Barros, Nº 4, 7º | P - 2685-338 PRIOR VELHO

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www.creditoagricola.pt

Romania

Central Co-operatist Bank Creditco-op

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www.creditcoop.ro

Slovenia

Deželna banka Slovenije d.d.

Kolodvorska ulica 9 | SI-1000 LJUBLJANA

Tel.: +386 1 4727 100 | Fax: +386 1 4727 405

www.dbs.si

Spain

Unión Nacional de Cooperativas de Crédito

Alcalá 55, 3º derecha | E - 28014 MADRID

Tel.: +34 91 781 94 18 | Fax: +34 91 578 38 24

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Sweden

Landshypotek AB

Strandvägen 1, 1st floor | S – 10441 STOCKHOLM

Tel.: +46 8 459 04 00 | Fax: +46 8 459 01 21

www.landshypotek.se

United Kingdom

The Co-operative Bank p.l.c.

1 Balloon Street | UK - MANCHESTER M60 4EP

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www.co-operativebank.co.uk

Associate Members

Canada

Mouvement des caisses Desjardins

100, avenue des Commandeurs | Lévis (Québec) G6V 7N5

Tel. : +1 866 835-8444, poste 2612

www.desjardins.com

Denmark

NYKREDIT

Kalvebod Brygge 1-3 | DK – 1780 COPENHAGEN V

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www.nykredit.dk

Lithuania

Lithuanian Central Credit Union

Savanoriu 363-211 | LT - 49425 KAUNAS

Tel.: +370 8 3720 0584 | Fax: +370 8 3720 0454

www.lku.lt

Japan

The Norinchukin Bank

13-2, Yurakucho 1-chome, Chiyoda-ku | TOKYO 100-8420

Tel.: +81 (0)3 3279 0111

www.nochubank.or.jp

Switzerland

Raiffeisen Schweiz

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MEMBERS OF THE BOARD AND EXECUTIVE COMMITTEE ON 31.12.12

PRESIDENT

P. MOERLAND (up to June 2012), *Fédération Nationale du Crédit Agricole*
CH. TALGORN (as of June 2012), *Fédération Nationale du Crédit Agricole*

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A. DELL' ERBA, *BCC – Cassa Rurali ed Artigiana Castel*
A. PANGL, *Fachverband der Raiffeisenbanken*

MEMBERS

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R. BORNIS, *Österreichischer Genossenschaftsverband(Schulze-Delitzsch)*

Bulgaria

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Canada

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Finland

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B. CORBEAU, *Fédération Nationale du Crédit Agricole*
A. AUCOIN, *Fédération Nationale du Crédit Agricole*
F. PEROL, *BPCE*
E. PFLIMLIN, *Confédération Nationale du Crédit Mutuel*

Germany

U. FRÖHLICH, *Bundesverband der Deutschen Volksbanken und Raiffeisenbanken – BVR*
G. HOFMANN, *Bundesverband der Deutschen Volksbanken und Raiffeisenbanken – BVR*
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A. BÜCHEL, *Genossenschaftsverband Bayern e.V.*

Greece

N. MYRTAKIS, *Association of Co-operative Banks of Greece*

Hungary

A. VARGA, *National Federation of Savings Co-operatives*

Italy

A. DELL' ERBA, *BCC – Cassa Rurale ed Artigiana Castel*
G. DE LUCIA LUMENO, *Associazione Nazionale fra le Banche Popolari*
R. DE BRUYN, *Associazione Nazionale fra le Banche Popolari*
M. COMOLI (until June 2012), *Associazione Nazionale fra le Banche Popolari*

Japan

N. TAKAHASHI, *The Norinchukin Bank*

Lithuania

F. DIRGINCIUS, *Lithuanian Central Credit Union*

Luxembourg

G. HOFFMANN, *Banque Raiffeisen Luxembourg*

Netherlands

A.J.A.M. KUJPEERS, *Rabobank Nederland*
W. BOONSTRA, *Rabobank Nederland*
G. SILVIS, *Rabobank Nederland*

Poland

J. ROZYNSKI, *Krajowy Związek Bankow Spoldzielczych*

Portugal

F. SILVA, *Caixa Central de Crédito Agricola Mutuo*

Romania

A. MORAR, *Central Cooperatist Bank Creditcoop*

Slovenia

S. ANADOLI, *Deželna banka Slovenije d.d.*

Spain

M. DE CASTRO APARICIO, *Union Nacional de Cooperativas de Crédito*

Sweden

K. HEDMAN, *Landshypotek AB*

Switzerland

H. GERNET, *Raiffeisen Schweiz*

United Kingdom

F. FLOWERS, *The Co-operative Bank p.l.c.*



WORKING GROUPS AND THEIR CHAIRPERSONS ON 31.12.12

Banking Regulation

PANGL, *Raiffeisen Zentralbank*

Banking Supervision

A. KUIJPERS, *Rabobank*

Payment Systems

N. YOU, *Crédit Agricole S.A.*

Consumer Policy

R. SIEDLER, *Bundesverband der Deutschen Volksbanken und Raiffeisenbanken – BVR*

Social Affairs

S. DE TOMMASO, *Federcasse*

Financial Markets

M. GARCIA DE EULATE, *La Unión Nacional de Cooperativas de Crédito – UNACC*

Accounting and Audit

A. PEZZOTTA, *Federcasse*

Corporate Social Responsibility and Co-operative Affairs

E. PFLIMLIN, *Crédit Mutuel*

Corporate Governance and Company Law

F. BROGLI, *DZ Bank AG*

Taxation

J. TISCHBEIN, *Bundesverband der Deutschen Volksbanken und Raiffeisenbanken – BVR*

SME's Financing

R. DE BRUYN, *Associazione Banche Popolari*



SECRETARIAT GENERAL AND PRESIDENT ON 31.12.2012



Mr. Christian TALGORN President			
Mr. Hervé GUIDER General Manager h.guidier@eurocoopbanks.coop			
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