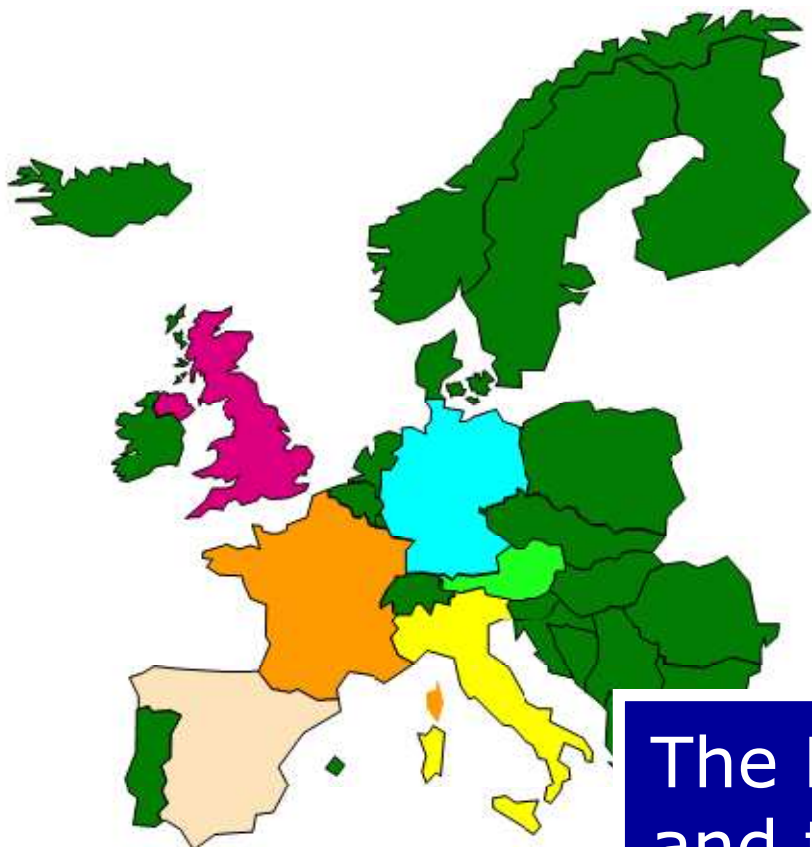




Rabobank



# The European banking sector and the co-operative banks

Economic Research Department

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# Preface



Co-operative banks perform a strong role in the European economies and the banking sectors. They impact the daily life of almost 160 million citizens. In total co-operative banks have more than 4,000 local and regional banks, approximately 60,000 branches, 49 million members and they employ 750,000 staff members.

This report provides an overview of the key figures of the co-operative banks and their structures. Many data can also be found in annual reports but a comprehensive overview has so far been lacking. The report goes on to explain the main features of the banking sectors in which the co-operative banks operate. In this way the data and the market positions can be put in perspective.

We invite you to read the report and take note of the features, similarities and differences of the banks. We are pleased to answer questions you might have.

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# EACB



- The European Association of Co-operative Banks (EACB), or 'Groupement Européen des Banques Coopératives' in French, is the umbrella body and spokesman for Europe's co-operative banks.
- The EACB members are co-operative banking groups from the EU 27 countries. The EACB plays a key role for cooperative banks at the European and international level. Regarding the latter, in 2008 it has welcomed Norinchukin Bank (Japan) and Caisse Desjardins (Canada) as associate members.
- The association represents, promotes and defends the common interests of its member organisations and the co-operative banks. It acts as their representative organ vis-à-vis the European Union's institutions and governing bodies, as well as vis à vis international organisations or bodies such as IMF, World Bank and the International Accounting Standards Board.
- The EACB participates actively in the European decision making process such as about payment systems, accounting standards, and supervision issues.
- The EACB promotes co-operative values towards European Institutions and other relevant stakeholders by producing studies, researches and statistics on co-operative banks and by disseminating them in public events.
- The EACB is also a platform for exchanges of information between co-operative banks and for maintaining good relations.

## Members (in the studied regions)

<b>AUSTRIA</b>	Fachverband der Raiffeisenbanken (RZB) Österreichischer Genossenschaftsverb
<b>BELGIUM</b>	BKCP
<b>CYPRUS</b>	Coop Central Bank
<b>DENMARK</b>	Sammenslutningen Danske Andelskasser
<b>FINLAND</b>	OP-Pohjola Group Central Cooperative
<b>FRANCE</b>	Crédit Mutuel Crédit Agricole Groupe Banques Populaire
<b>GERMANY</b>	BVR DZ BANK
<b>GREECE</b>	Cooperative Banks of Greece
<b>IRELAND</b>	Irish Sea Fisheries Board
<b>ITALY</b>	Banche Popolari Credito Cooperativo
<b>LUXEMB.</b>	Banque Raiffeisen
<b>NETHERL.</b>	Rabobank Nederland
<b>PORTUGAL</b>	Crédito Agrícola
<b>SPAIN</b>	Cooperativas de Crédito
<b>SWEDEN</b>	Landshypotek AB
<b>UK</b>	The Co-operative Bank

## Associate members

<b>SWITSERL.</b>	Raiffeisen Schweiz
<b>Japan</b>	Norinchukin Bank
<b>Canada</b>	Caisse Desjardin

**Economic Research Department**

# The Unico Banking Group



- Unico Banking Group was founded by six co-operative banking organizations in 1977. Unico's mission is to support business cooperation between the member banks and Unico acts as a forum and a platform for its members.
- The Unico general secretariat, based in Brussels, coordinates committees and working groups on various banking business fields like payment systems, capital markets, custodian services, bancassurance, trade finance, leasing, lending activities. Their aim is to explore opportunities for co-operation either group wide or bilaterally and to develop specific products and services that will enhance the member banks' offering to their clients. This means clients remain with their own bank.
- Specific activities of Unico are Unicash, an international cash management service developed by Unico in co-operation with its members and external third parties (16 banking partners covering 27 countries in Europe in the US), Unico Car lease a fleet management European service and Lease network (crossborder lending activities).
- Unico also offers its members training facilities for executives and managers. Main seminars and workshops are: Unico Training program on European Affairs, Workshops on bancassurance, Trade Finance, Risk Management, Retail Banking.



## Key statistics 2007

Total assets (€bn)	3,736
# of branches	35,200
# of employees	548,000
# of clients (m)	105

## Market shares

Deposits	20,1%
Loans	21,5%

## Members

AUSTRIA	RZB Group
FINLAND	Pohjola Bank plc
FRANCE	Crédit Agricole
GERMANY	DZ BANK
ITALY	ICCREA Holding
NETHERL.	Rabobank

## Associate members

SPAIN	Banco Cooperativo Español
SWITSERL.	Raiffeisen Schweiz

# CIBP



- The International Confederation of Popular Banks (CIBP), founded in 1950, is an international, non-government organisation recognized by the United Nations (UNO), which associates banking and financial institutions and organisations, to encourage the development medium-sized companies, entrepreneurs and individual customers.
- Most of the member institutions of the CIBP have a cooperative structure including solidarity and guarantee mechanisms. Their main advantage is their network of regional banks closely involved in local economic life.
- See for more information [www.cibp.be](http://www.cibp.be).

## Members (in the studied regions)

<b>AUSTRIA</b>	<b>Volksbank AG</b>
<b>BELGIUM</b>	<b>Local bank of proximity</b>
<b>FRANCE</b>	<b>Banque Populaire</b>
<b>GERMANY</b>	<b>BVR</b>
<b>GREECE</b>	<b>Panellinia Bank</b>
<b>ITALY</b>	<b>Banche Popolari</b>
<b>SPAIN</b>	<b>Banco Popular</b>



# The Austrian banking sector



- The Austrian banking sector is similarly structured as the German banking sector, with large market shares of the savings banks and co-operative banks. However, it is not as fragmented as in Germany, due to sudden consolidation in the second half of the nineties. At that time, some of the larger banks merged and Bank Austria and Erste Bank were created. The state-owned bank PSK was sold to BAWAG, which created a new sizeable domestic competitor. The Austrian banking market is very competitive and the larger banks are therefore looking abroad for possibilities to expand. Bank Austria, Erste Bank and Raiffeisen Zentralbank (RZB) have all acquired substantial positions in Central and Eastern Europe.
- Savings banks and co-operative banks play an important role in the Austrian banking sector. Erste Bank is the central institution of the savings banks. The savings banks focus on private and SME customers and provide a broad range of products, including asset management, mortgages and insurance.
- The co-operative banking sector consists of the Raiffeisenbanken and the Volksbanken, which are not part of the same network. The Raiffeisenbanken are by far the largest with a share of 25% in total banking assets. The Volksbanken control 8% of the assets. The network of Raiffeisen banks has a three-tier structure with Regional Raiffeisen Banks that provide those services that cannot be carried out by the local banks on their own. The central institution of the Regional Raiffeisen Banks is RZB, which also operates as a commercial bank. The Raiffeisen banks offer a complete range of products through specialized entities, including insurance, asset management, leasing and building society savings. The Volksbanken have a two-tier structure with Volksbanken AG (VBAG) as their central institution.



## Key statistics 2007

Total assets (€ bn)	891
# of banks	803
CR5	43%
RoE	17%
Cost/income ratio	62%

## Market structure

Savings banks	17%
Commercial banks	28%
Co-operative banks	32%
Reg. mort. banks	10%
Other	13%

## Top 5 (assets) (€, bn)

Raiffeisen Banken Gruppe	236
Erste Bank	202
Volksbanken	95
BAWAG PSK Group	45
Hypo Alpe-Adria	28

Sources: OECD (2006), The Banker (2008), S&P (2008), EBF (2007), ECB (2008), EACB (2008)

# The Raiffeisenbanken



- The Raiffeisen Zentralbank (RZB) is the central institution and supporting institution of nine Regional Raiffeisen Banks (Raiffeisenlandesbanken) the 548 local Raiffeisen banks in Austria, which dominate the Austrian retail banking sector with a market share of around 25% in deposits and loans. The local Raiffeisenbanken offer a broad range of products, which are partly provided by subsidiaries of RZB and nine Raiffeisenlandesbanken. RZB holds a fund manager, leasing company, building society and it has a 32% share in the UNIQA insurance group.
- The most important subsidiary is Raiffeisen International, which holds the international activities. These international activities consist mainly of its retail network in Eastern Europe, where it is one of the major players. It is also planned to further invest in the Eastern European activities. Raiffeisen International is a fully-consolidated subsidiary of Raiffeisen Zentralbank Österreich AG (RZB). RZB owns about 69 per cent of the common stock, the balance is free-float. The shares are traded on the Vienna Stock Exchange. RZB is for 87,80% owned by the nine Raiffeisenlandesbanken. The Österreichische Volksbanken AG is with more than 5% the largest outside shareholder.
- The Austrian Raiffeisenbanken have a three-tier structure with nine Regional Raiffeisen Banks that carry out those services that cannot be carried out by the individual member banks. The central institution of the Regional Raiffeisen Banks (RLB) also operates as a commercial bank on its own. The Raiffeisen group has a cross-guarantee in which 78% of the banks participate. The main performance indicators (cost/income, growth of profit, risk and capitalisation compared to market average) for 2006 - 2007 are strong and Raiffeisen International has demonstrated that it is successful in setting up of banks in Eastern Europe.



## Key statistics 2007

### Facts Raiff. Banks

Total assets (€bn)	236
Deposits (€bn)	132
Loans (€bn)	145
# Raiffeisen banks	548
# of branches	2,294
# of empl. AT	23,870

### Facts RZB

Total assets (€bn)	137
Tier-1 cap.(€bn)	7
Profit (€m)	1,190
ROA	1.2%
Cost/income ratio	57%
NPL to total loans	n.a.

### Ratings

Moody's	Aa2
Standard & Poor's	A+

Sources: Annual Report 2007, Corporate website, EACB (2008)



# The Volksbanken



- Volksbanken (VBAG ) is the central bank for the 64 Volksbanken, which have their roots in the small and medium-sized urban areas. Furthermore, it acts as a commercial bank for the larger customers and as a service provider for the primary banks. It is also responsible for the strategy of the Volksbanken network. This strategy entails the development of an allfinance strategy for the group. The Volksbanken have a stable franchise, with a market share of around 5% in deposits and loans.
- To realise its allfinance strategy, VBAG has sought co-operation with other financial institutions. The Volksbanken have strong ties with the German DZ Bank (which owns 25% of VBAG). The insurer Victoria Group is another strategic investor (10%) in VBAG. Victoria Group, which is owned by Munich Re, sells life insurance and company pensions through the Volksbanken channel. Like RZB, VBAG is expanding its presence in Eastern Europe. Its retail network will also be used by the Italian, French and German co-operatives, as well as Victoria Versicherung.
- Furthermore VBAG works together with other co-operatives within Volksbank International AG (VBI). VBI is an international joint venture Österreichische Volksbanken-AG 51%, Banque Fédérale des Banques Populaires 24,5% and DZ-Bank / WGZ-Bank 24,5%. The French participation in VBI is interesting, as it is an example of a cross border investment.



## Key statistics 2007

Total assets (€bn)	95
Tier-1 cap. (€m)	2,767
Profit (€m)	220
# Raiffeisen banks	64
# of branches	546
# of employees	7,705

## Ratio's

ROA	0.48%
Cost/income ratio	63.20%
NPL to total loans	0%

## Ratings

Moody's	Aa3
Standard & Poor's	A+

Sources: Annual Report 2007, The Banker (2008), EACB (2008)

# The Belgian banking sector



- The Belgian banking sector has witnessed significant consolidation from 1998 until 2008, which has resulted in a high concentration index (CR5 ratio). The market is now dominated by four large banking groups (Fortis Bank, Dexia, KBC, ING Bank België). However, the competition on the Belgium market is strong for which the main reason is the active mid-sized players. The strong competition has as a consequence that margins and profitability are relatively low (S&P). Branch density is very high.
- All the major players are now joined-stock companies. The Belgian banking system used to have significant players under the co-operative status (the Bacob group and the Cera group), but the merger of both into larger organisations was followed by the disappearance of the co-operative structures. The Bacob group became a part of Dexia. Cera is now part of KBC.
- Aside from the largest Belgian banks, there are also some smaller banks with a more regional or agricultural focus, such as BKCP and Landbouwkrediet.



## Key statistics 2007

Total assets (€ bn)	1,298
# of banks	110
CR5	83%
RoE	26%
Cost/income ratio	54%

## Top 5 (assets) (€, bn)

Fortis Bank	775
Dexia	610
KBC Bank	359
Axa Bank Belgium	22
Euroclear Bank	11

Sources: The Banker (2008), EBF (2007), OECD (2006), S&P (2007), ECB (2008)

# The Cyprus banking sector



- The Cypriot banking sector is made up of three major components. The Commercial Banks, the Cooperative Credit Institutions (CCIs) and the International Banking Units. Domestic banking is dominated by three banks which together hold about 70% of the system's assets.
- The financial results of the Cypriote banks were particularly satisfactory as they improved significantly in 2007, according to the Central Bank. The improvement of the financial results was among others due to the growth of the Cyprus economy and the increase in the rate of credit growth. Furthermore the successful expansion of the Cypriote banks in overseas markets like Greece contributed to the results. Also, the quality of their loan portfolio improved and operating costs were reduced.



## Key statistics 2007

Total assets (€ bn)	92
# of banks	215
CR5	65%
RoE	15%
Cost/income ratio	49%

## Top 3 (assets) (€,bn)

Bank of Cyprus	23
Marfin Popular Bank	20
Hellenic Bank	6

Sources: The Banker (2008), ECB (2008), CCI (2008), Annual Report Central Bank 2007

# Coop Central Bank



- The CCIs constitute an important part of the Cyprus banking sector administering a considerable market share in deposits and loans. The CCIs have presence virtually in every major town and village in the Government controlled area of the island through their dense network of almost 500 outlets and branches. The Cooperative Central Bank (CCB) is the apex of these CCIs acting as their banker and lender of the last resort for liquidity and general support purposes.
- The cooperative movement is made-up of co-operatively owned and controlled institutions at three levels of organisation: primary, secondary and tertiary levels operating in the agricultural, banking, consumer, trading and services sector. The cooperative movement in Cyprus has a century old vibrant history.
- In 2006 there were operating 360 CCIs while by October 2008 their number has been reduced to 118. This is due to an ongoing merging process between geographically neighboring cooperatives. This ongoing effort is expected to help the CCIs to attain critical mass, strengthen their competitiveness and at the same time to develop a more appropriate management and organisational structure.
- As from 1/1/08 the CCB has undertaken an additional role by becoming the “central body” of the CCIs. CCIs became affiliated to the CCB by applying the relevant provisions of Article 3 of the Directive 2006/48/EC regarding central body arrangements whereby the CCB guarantees their obligations whereas solvency and liquidity are monitored as a whole on a consolidated basis. The affiliated cooperatives maintain their autonomy and independence. The CCB as the “central body”, is legally empowered to issue instructions to and obtain information from all affiliated cooperatives as provided in the Cyprus cooperative legislation and the relevant directives issued by the Competent Supervisory Authority for Cooperative Societies – the Authority for the Supervision and Development of Cooperative Societies.



## Key statistics 2007

Co-operative banks	119
Branches	470
Employees	2,000
Deposits (€bn)	10.3
Loans (€bn)	8.9

## Market shares

Deposits	20%
Loans	22%

Sources: Annual Report 2007, EACB (2008)

# The French banking sector



- BNP-Paribas, Crédit Agricole (including Crédit Lyonnais), Société Générale (SG) and Crédit Mutuel are the largest French banks. With three banks in the top 5 the co-operative banks have a strong position in the banking sector. Also Caisse d'Épargne, and Banque Populaire have substantial market shares. The co-operative banks operate independently of each other. The French banking system does not comprise a savings bank sector, with exception of the co-operation in Natixis (BP and Caisse d'Épargne) . Scope for further consolidation of the major banks is limited after the acquisition of CL by CA. However, consolidation between the other banks and within local bank networks is still possible.
- Although the sector is mainly private in nature (only Caisse des Dépôts is still government-owned), the government has still quite some influence in the banking sector. Caisse d'Épargne and Crédit Mutuel for example provide government-sponsored savings accounts. Due to pressure of the European Commission this will be extended to all banking networks in France from January first 2009.
- As the main performance indicators show, the French banks performed rather well in 2006 and 2007 on the main indicators of cost/income, growth of profit, risk and capitalisation compared to market average.



## Key statistics 2007

Total assets (€ bn)	6,682
# of banks	808
CR5	52%
RoE	20%
Cost/income ratio	61%

Market distr.	(# of)
Commercial banks	294
Co-operative banks	124
Savings banks	0
Finance companies	409
Specialized financing institutions	8

Top 5 (assets) (€, bn)	
BNP-Paribas	1,711
Crédit Agricole	1,541
Société Générale	1,082
Crédit Mutuel	553
Caisse d'Épargne	438

Sources: The Banker (2008), EBF (2007), OECD (2006), S&P (2007), ECB (2008)

# Crédit Agricole



- Crédit Agricole (CA) is the largest co-operative bank in France and after the completion of the acquisition of Crédit Lyonnais, it will also be one of the largest banks in Europe. CA is particularly strong in retail banking. CA is active in seventy countries outside France.
- CA has a three-tier structure, which consists of a central body (Crédit Agricole S.A.), 39 regional banks and 2,570 local banks. The Regional banks have the majority of the ownership of Crédit Agricole S.A.. The central body of CA has been listed on the stock exchange, in order to raise capital and - amongst other priorities - to finance international growth.
- CA's financials are strong, which is reflected in its rating. The efficiency (cost/income ratio) and the capital ratio (Tier 1) are better than de French market average. However, the worldwide financial crisis has reduced CA's profit.



## Key statistics 2007

Total assets (€bn)	1,541
Tier-1 cap. (€m)	46,700
Profit (€m)	4,556
# of branches	>11,000
# of employees	163,126

## Ratio's

ROA	0.38%
Cost/income ratio	65%
BIS capital ratio	9.60%
NPL to total loans	2.40%

## Ratings

Moody's	Aa1
Standard & Poor's	AA-

Sources: Annual Report 2007, The Banker (2008), EACB (2008)

# Caisse d'Epargne



- Caisse d'Epargne (CE) is the third largest co-operative bank in France. It has only recently (1999) become a co-operative bank. Before 1999, it was a group of non-profit savings banks. Half of the French population has an account at CE, which is largely the result of the government-sponsored Livret A-accounts that it provides. In recent year CE has transformed into a bank that offers the full range of banking and financial services. Most of these services are offered by joint ventures. CE has for instance a joint venture with Bank Populaires for their wholesale activities. They both hold 34.45% interest in this joint venture.
- CE has a three-tier structure, which in practice operates in a rather centralized way. The Caisse Nationale des CE is the central institution providing guidance for the CE Group as a whole. The individual CE own 65 per cent of the capital, with the remaining 35 percent held by the Caisse des Dépôts, which is a government-owned bank. CDC got this stake in 2004 due to the merger of its joint-venture Eulia with CE. This joint-venture of CE and CDC held among others the shares of CDC IXIS, which later on merged with BP's Natexis.
- CE is a financially sound institution, which is reflected in its ratings. Looking at the financial performance, the profitability (RoA) and efficiency (cost/income ratio) are below the French average.



## Key statistics 2007

Total assets (€bn)	438
Tier-1 cap. (€m)	22,029
Profit (€m)	1,460
# of branches	4,252
# of employees	52,000

## Ratio's

ROA	0.13%
Cost/income ratio	88%
BIS capital ratio	n.a.
NPL to total loans	n.a.

## Ratings

Moody's	A1
Standard & Poor's	AA

Sources: The Banker (2008) Annual Report 2007, Corporate Website, Fitch (2008)

# Crédit Mutuel



- Crédit Mutuel (CM) is the second co-operative bank in France. The bank has grown considerably since 1998, the year when it acquired 'Crédit Industriel et Commercial' (CIC). After the acquisition, CIC continued to operate independently from CM. The banks kept their branch networks intact and both brands still offer their own products.
- In the past ten years CM expanded in Belgium, Luxembourg and Switzerland. Recently CM announced that it will takeover the retail activities of Citibank Deutschland. With this takeover CM gets a 7 percent market share on the German retail banking market, this market will become the second home market of CM.
- CM has a three-tier structure, that is mainly controlled by the Caisses Régionales. Some of the regional banks have created their own central bank and control their own subsidiaries to provide allfinance services. CIC was a listed co-operative bank when it was acquired in 1998. It kept its notation on the stock exchange to give CM access to the capital market.



## Key statistics 2007

Total assets (€bn)	553
Tier-1 cap. (€m)	24,651
Profit (€m)	2,417
# of branches	5,149
# of employees	59,450

## Ratio's

ROA	0.50%
Cost/income ratio	62%
BIS capital ratio	11%
NPL to total loans	2%

## Ratings

Moody's	Aa3
Standard & Poor's	AA-

Sources: The Banker (2008), S&P (2008), Annual Report 2008, NYT (2008), EACB (2008)



# Banque Populaire



- Banque Populaire (BP) is the third co-operative bank in France. BP is organized in a centralized way. Contrary to market developments in many European markets, BP is expanding its branch network to strengthen its market position.
- In 2002, BP acquired Crédit Coopératif (CC), which is another French co-operative bank. CC stayed operating under its own name and it will follow its own strategy. Most of CC's customers are institutions from the social economic sector.
- Natixis is the listed entity of BP, which serves the corporate customers. This is a joint venture with Caisse d'Épargne (CE) both parties own 34.45 percent of the company. Natixis is a French corporate and investment bank created in 2006 from the merger of Natexis Banque Populaire (BP) and Ixis (CE). The listed entity Natixis has several subsidiaries that provide specialized financial services such as insurance, asset management and investment banking.
- BP has a two-tier structure with a Banque Fédérale and 20 regional banks. In total there are 3,338 branches. The regional banks on average comprise of more than 90 branches.



## Key statistics 2007

Total assets (€bn)	349
Tier-1 cap. (€m)	15,264
Profit (€m)	191
# of branches	2,938
# of employees	40,855

## Ratio's

ROA	0.30%
Cost/income ratio	78.5%
BIS capital ratio	12.7%
NPL to total loans	n.a.

## Ratings

Moody's	Aa3
Standard & Poor's	AA-

Sources: Annual Report 2007, S&P 2008, The Banker 1000, EACB (2008)

# The German banking sector



- Germany has the largest banking sector in Europe, based on the total number of banks. The banking sector is very dispersed, with a CR5 ratio of only 22%. The branch density is the highest in Europe. The sector consists of broadly three pillars, which are the savings banks, the co-operative banks and the commercial banks.
- The commercial banks have a relative low market share in deposits compared to other European countries. The most important commercial banks are Deutsche Bank, HypoVereinsbank (UniCredit), Commerzbank and Dresdner Bank, which are referred to as the 'big four'.
- The savings banks sector consists of three layers, which are the central DGZ DEKA Bank, the landesbanken and the local sparkassen. The landesbanken focus on the corporate clients. The sparkassen are retail banks that operate close to their customers with an extensive branch network. The savings banks sector is the largest part of the German banking sector. It is particularly strong on the retail level. The savings banks offer a broad range of products, which are delivered by the various specialized subsidiaries (leasing, insurance, asset management, bauparen, etc.).
- The co-operative banks form the third pillar of the German banking sector. An important characteristic of the German co-operative banks is their decentralized nature. The local Volks- und Raiffeisenbanken are independent institutions that buy services from one of the two central banks (DZ BANK and WGZ BANK) when needed. The central banks also cater to the corporate clients.
- The performance of German banking sector has improved after the disappointing results between 2001 until 2004, during the economic downturn. However, the average ROE of German banks is still well below the European weighted average.



## Key statistics 2007

Total assets (€ bn)	7,562
# of banks	2,026
CR5	22%
RoE	6.6%
Cost/income ratio	66%

## Market distribution

Big Five	15%
Co-operative banks	19%
Savings banks	27%
Mortgage banks	7%
Regional/Landes	24%
Other	8%

## Top 5 (assets) (€, bn)

Deutsche Bank	2,040
Commerz/Dresdn.	1,127
Landesbank Baden-Württemberg	448
DZ BANK	431
Bayerische Landes.	420

Sources: OECD (2006), EBF (2007), S&P (2008), ECB (2008), Deutsche Bundesbank (2008)

# The co-operative banking sector



- The co-operative banks form an important part of the German banking sector. The German co-operative system has been an example for the creation of co-operative banks in many countries, such as Rabobank in the Netherlands. The systems evolved in different ways in Europe, as this overview of cooperative banks shows.
- The German co-operative system has a two-tier structure, which consists of the local co-operative banks and DZ BANK and WGZ BANK. DZ BANK and WGZ BANK are the central banks for the local cooperative banks, they operate as commercial banks for the corporate clients, and support the local banks with advice and financial services when needed. They do not supervise the local banks and the strategic course to follow is also not determined or initiated by these central banks. The local co-operative banks are completely independent.
- In September 2008 DZ BANK and WGZ Bank announced a merger.
- The local banks and central banks are partners within the FinanzVerbund, which is the name for the total of all co-operative financial institutions. The FinanzVerbund also consists of non-bank financial institutions, such as R+V Versicherung, Leasing companies and mortgage banks. The partnership between these various co-operative institutions enables the local co-operative banks to operate as allfinance institutions. All German co-operative institutions are members of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR). This institution represents and defends the interests of the co-operative institutions nationally and internationally. It also controls the guarantee-fund (there is no cross-guarantee system) and co-ordinates the strategy within the FinanzVerbund. The co-operative banks are the main customers of the central banks and also their main 'shareholders'.



## Key statistics 2007

Total assets (€bn)	995
Deposits (€bn)	574
Loans (€bn)	515
# Raiffeisen banks	1,232
# of branches	13,625
# of employees	186,848

## Market shares

Deposits	18.3%
Loans	16.0%

Sources: Annual Report 2006, Wagemakers (2003), EACB (2008), DZ BANK (2008)

# DZ BANK



- The DZ BANK is part of the German cooperative financial services network (CFSN), which comprises around 1,232 local cooperative banks and is one of Germany's largest banking group as measured by consolidated assets. Within the CFSN, DZ BANK AG functions as a central institution for around 1,000 cooperative banks and their 12,000 branch offices and as a corporate bank with an increasingly international focus, especially on Europe.
- The DZ BANK includes companies for home loan savings, mortgages, private banking, insurance, consumer loans, asset management, leasing and various other specialized service providers. With their strong brands, the companies of the DZ BANK are central pillars of the CFSN. Cooperation among the DZ BANK companies makes it possible to optimize the network's market offerings for the benefit of the local cooperative banks and their base of around 30 million customers.
- This combination of banking, insurance, and asset management services has a long tradition in the CFSN and cooperative banks in Germany offer their customers a complete range of financial services.

Note:

Financial indicators only relate to DZ-Bank, not to the affiliated local banks.



## Key statistics 2007

Total assets (€bn)	431
Profit (€m)	897
# Raiffeisen banks	1,000
# of employees	24,210

## Ratio's

ROA	0.21%
Cost/income ratio	54%
Tier 1-ratio	7.7%
BIS capital ratio	n.a.

## Ratings

Moody's	Aa3
Standard & Poor's	A+

Sources: Annual Report 2007, Wagemakers (2003), corporate website

# WGZ BANK



- WGZ BANK is the central bank for 228 local co-operative banks in Nordrhein-Westfalen and therefore has a strong regional focus. Before the creation of DZ BANK, WGZ acted as a regional bank (in a three-tier system). WGZ BANK is a relatively small bank, number 16 in Germany based on The Banker Top 1000 2008 edition. WGZ plays a similar role as DZ BANK and is a partner of the local banks in the FinanzVerbund. The banks that are affiliated to WGZ BANK get many of the specialized financial services that they sell from the specialized subsidiaries of the FinanzVerbund.
- The main financial performance indicators (cost/income, growth of profit, risk and capitalisation) for 2006 - 2007 are around the German market average. The cost income ratio is better than market average, which indicates that WGZ is operating more efficient.

Note:  
Financial indicators only relate to WGZ-Bank, not to the affiliated local banks.



## Key statistics 2007

Total assets (€bn)	89
Profit (€m)	170
# Raiffeisen banks	228
# of employees	1,137

## Ratio's

ROA	0.19%
Cost/income ratio	45%
BIS Capital ratio	8.4%
NPL to total loans	n.a.

## Ratings

Moody's	Aa3
Standard & Poor's	n.a.

Sources: The Banker (2008), Annual Report 2006, Wagemakers (2003)

# The Greek banking sector



- The Greek banking sector is less developed than its European peers. However, it is maturing quickly. From 1998 through 2001, the sector witnessed a wave of consolidation and restructuring, which has resulted in a CR5 ratio comparable with that of Portugal and the Nordic countries. The five largest commercial banks are NBG, Alpha, EFG (Eurobank), Emporiki (Crédit Agricole) and Piraeus Bank. Several banks were also privatized in this period. Only the Agricultural Bank of Greece, the Postal Savings Bank and the Consignments and loan bank are still state-owned. These banks represent 17 percent of the systems total assets.
- Greece is still considered to be an underbanked country. The indebtedness of the Greek people is low compared to the EU average. This combined with the high GDP growth offers good potential for further growth of the sector
- The Greek banking sector is expected to consolidate, which may result in a national 'champion'. The Greek banking sector has also attracted the attention of foreign banks, with which they have formed strategic alliances. Crédit Agricole, for instance, sells its insurance products through CBG and assists the bank in its development. On other alliances is that of ING Group with Piraeus Bank.
- The Greek co-operative banking sector is relatively small. The 16 co-operative banks control a small percentage of the total banking assets.



## Key statistics 2007

Total assets (€ bn)	383
# of banks	63
CR5	68%
RoE	19%
Cost/income ratio	50%

## Market structure (# of)

Dom. Commercial	21
Specialized credit inst.	2
Foreign banks	22
Co-operative banks	16

## Top 5 (assets) (€, bn)

National BoG (NBG)	91
Alpha Bank	55
Piraeus Bank	28
Emporiki	28
Agricultural BoG	25

Sources: The Banker (2003), OECD (2006), EBF (2007), ECB (2008)

# Co-operative banking sector



- The co-operative banking sector is relatively small in Greece. This is largely the result of its short history, which started only in the second half of the 1990s. The co-operative banking sector currently consists of 16 independent co-operative banks, which together account for less than one percent of the total banking assets. The banks are all members of the 'Association of Cooperative Banks in Greece', which protects the interests of the sector nationally and internationally and is a member of the European Association for Co-operative Banks.
- The local co-operative banks operate independently in separate regions. Most of the bank do not have more than five branches and less than 100 million euro assets. Only one of the co-operative banks has more than one billion, some facts regarding the 'Pancretan Co-Operative Bank ' are presented below:
  - Deposits (in € m): 1,120
  - Loans (in € m): 961
  - Employees: 371
  - Branches: 51
  - Products: savings and loans



## Key statistics 2007

Co-operative banks	16
Branches	145
Employees	974
Total assets (€m)	2,570
Deposits (€m)	2,135
Loans (€m)	1,935

## Market shares

Deposits	0.8%
Loans	1.0%

Sources: EACB (2007), The Association of Co-operative Banks of Greece (2008), EACB (2008)

# The Italian banking sector



- Although the Italian banking sector has experienced considerable consolidation in the last couple of years, it remains fragmented. The largest banks in the country are Unicredit, Intesa San Paoli and Banca Monte dei Paschi di Siena. The co-operative banks are another important factor in the Italian retail banking sector. The savings bank sector is very small in Italy. The co-operative banking sector consists of two types of banks. There are the rural Banche di Credito Cooperativo (BCC), which have Iccrea as their supporting institution and central bank. Then there are the Banche Popolari, which, on average, have a bigger size and a broader dimensional variability (some are among the largest banks in the country); they operate independently of each other.
- The consolidation process in the Italian banking sector is far from completed. Although the Bank of Italy now has placed restrictions on mergers among the three largest institutions, further consolidation is expected. The smaller banks are also participating in the consolidation process. Only a few Banche Popolari were acquired by commercial banks while Banche Popolari have acquired more than 30 local focused joint stock banks. The number of BCC banks has also declined quickly in the last few years. The number of branches, in contrast, is still rising.
- Many banks in Italy still focus on the traditional banking products. Large bank assurance institutions are not as common as in the rest of Europe. Many banks are only now broadening their product offering, which is often done with alliances with local insurance companies or asset managers. Foreign banks, like Crédit Agricole and BNP Paribas have done takeovers in Italy. This was unthinkable until a few years ago due to opposition of the Italian Central Bank. They only allowed transactions in which the Italian party was at least on level footing. The takeover of Antonveneta by ABN Amro has been important in this respect too.



## Key statistics 2007

Total assets (€ bn)	3,332
# of banks	821
CR5	33%
RoE	18%
Cost/income ratio	59%

## Market structure

Commercial banks	244
Co-operative banks	473
of which BCC-banks	436
Foreign institutions	71

## Top 5 (assets) (€, bn)

UniCredit	1,032
Intesa Sanpaolo	578
Banca Monte dei paschi di Siena	164
Banco Popolare	130
UBI Banca	123

Sources: The Banker (2008), OECD (2006), S&P (2007), EBF (2007), ECB (2008), EACB (2008)



# The credit co-operatives and ICCREA



- The Banche di Credito Cooperativo (BCC) is a network of small rural co-operative banks that focus on farmers, craftspeople, retailers and small firms. Iccrea Banking Group is their supporting institution. The Group consists of an holding company, a central bank and several subsidiaries that produce specialized financial services for the local BCC-banks, such as private banking, asset management, insurance, leasing and management of non performing loans. Among them are the already mentioned Iccrea Banca which is the BCCs central bank and clearing house and Baca Agrileasing representing the leasing company and corporate bank. However the BCC banks focus mainly on savings & loans. Besides its own subsidiaries, ICCREA also co-operates with other institutions to expand its product offering. For instance, it sells the asset management products of Robeco.
- The BCC's are organized in a decentralized way. BCCs are fully autonomous in their decisions but cooperate intensively through network institutions. BCCs are grouped into 15 regional federations, which report to Federcasse, the national association. The regional federations provide technical assistance and internal auditing to their members. Federcasse is in charge of the strategic planning and institutional affairs. In addition to the national network institutions, represented by the federative associations on one side and the banking group on the other one, there are several consortia providing BCCs with back office services in order to help them exploiting economies of scale. BCCs deposits are covered by a specific deposit guarantee fund. Banca Sviluppo, also owned by network, acquires and manages BCCs in difficulty to prevent problems deteriorating to the point that the fund needs to be activated.
- The main BCC performance indicators are in line with other European co-operative banks compared to their market average. The efficiency ratio of the BCC is almost equal to the Italian average. Profitability is lower than market average and capitalisation is above market average.



## Key statistics 2007

Total assets (€bn)	150
Deposits (€bn)	121
Loans (€bn)	106
Profit (€m)	1,455
# Raiffeisen banks	442
# of branches	3,926
# of employees	29,066

## Ratio's

Cost/income ratio	63%
Capital ratio	16%
NPL to total loans	2.6%

## Market share

Credit	6.8%
Deposits	8.6%

## Ratings

Standard & Poor's	A
Fitch	A

Sources: S&P (2007), The Banker (2008), EACB (2008), IMF (2008)

# Banche Popolari



- The Banca Popolare are the second element (besides the BCCs) of the Italian co-operative banking sector. The Banche Popolari are the oldest representatives of the Banking Cooperation in Italy, dating back to the mid half of XIX century. Their size can vary widely from local to regional to national, three of them are among the top 5 banks in the country. They operate independently of each other and in total they represent about one fourth of the whole banking sector. They are the most active Banks in areas where SMEs are prevailing and in the southern part of Italy.
- All Banche Popolari are members of Associazione Nazionale fra le Banche Popolari, which protects the interests and promotes the values and principles of Credito Popolare. Specific category bodies, which join several Banche Popolari of different dimensions, were created in order to produce and manage of products related to payment services, IT, asset management and insurance (ARCA). The major Banche Popolari often realize all these products through their subsidiaries.
- The key performance indicators (cost/income, ROE, risk and capitalisation) vary between Banche Popolari but the overall trend of the sector is structurally better than the Italian Banking system average.



## Key statistics 2007

Total assets (€bn)	409
Deposits (€bn)	221
Loans (€bn)	319
# of popolari	89
# of branches	7,808
# of employees	80,300

## Market shares

Deposits	21.9%
Loans	20.1%

## Top 5 2007 (€ bn)

Banco Popolare	130
UBI Banca	122
BP dell'Emilia Romagna	49
BP di Milano	44
BP di Vicenza	28

Sources: EACB (2008), The Banker (2008)

# The Irish banking sector



- The Irish banking sector is highly consolidated, and no major M&As are expected in the near future. Many banks have (head) offices in Ireland but have their activities abroad. These banks are excluded in the calculation of CR5. These banks are attracted by low corporate tax rates. DEPLA bank is an example of such a bank. Profitability is very good and the sector is expected to grow resulting from the high economic growth in the country. Irish banks are among the most profitable in the world. As measured by the pretax operating margin, profitability has averaged 46% over the past 10 years, with very little variation within that period.
- The Allied Irish Bank and Bank of Ireland are the largest banks in Ireland and building societies also have strong market shares. The influence of foreign institutions has grown on the Irish market in the past years. The key overseas competitors are Ulster Bank Ltd. (RBS) and Bank of Scotland (Ireland, HBOS PLC). Since late 2006, the latter has been broadening out its existing SME banking operation into a full scale retail banking offering (under the Halifax brand). Some of the newer players have established a footprint through acquisition, for example Nordic Investment Bank, while others have targeted more specialized segments.
- Since 1989, building societies compete on the same terms as banks in the retail sector. Some of the Irish building societies have followed the example of their UK counterparts and have changed into limited liability companies. The demutualization of Irish Permanent paved the way for its merger with Irish Life. ICS Building Society was acquired by Bank of Ireland. Only two building societies remain, which are EBS and Irish Nationwide. The Irish banking sector also holds some co-operative banks, which are the formerly state-owned ACC Bank and the credit unions. The Post Office Savings Bank is the only remaining savings bank in Ireland. TSB Bank used to be a savings bank, but it has been acquired by Irish Life & Permanent in 2001.



## Key statistics 2007

Total assets (€ bn)	1,337
# of banks	81
CR5	46%
RoE	20%
Cost/income ratio	45%

## Top 5 (assets) (€, bn)

Bank of Ireland	214
Allied Irish Bank	180
Merill Lynch Int.	173
Anglo Irish Bank	94
Irish Life & Perm.	81

Sources: The Banker (2008), OECD (2006), S&P (2008), EACB (2008), EBF (2007), ECB (2008)

# The Irish building societies



- EBS is Ireland's largest remaining building society. The society offers savings, investments, mortgage and insurance products and services. However, its loan book consists largely of mortgages. Besides its branch network, it also uses the telephone and internet channels for distribution of its products. EBS Group has a market share of residential mortgages of circa 10% and circa 8% for deposits. And since three year EBS first entered the broker market. It has achieved a market share of 6.3% of new business in 2007. Public-sector workers are a large proportion of the client base. EBS business is particularly focused on the Dublin area. EBS plans to broaden its product range and is determined to keep its mutual identity.



## Key statistics 2007

Total assets (€bn)	19
Profit before tax (€m)	67
Cost/income ratio	56%
Employees	641
Offices	102
Moody's	Aa3

- INBS is a building society that primarily focuses on the provision of mortgages (residential and commercial), alongside savings and investment products. It has a market share of 5% on the residential mortgage market. The society shows considerable growth. This growth was achieved by expansion of its own branch network and the acquisition of other building societies. INBS is not committed to maintaining its mutual status. INBS has a low cost base, which largely results from its limited product offering.



## Key statistics 2007

Total assets (€bn)	16
Profit before tax (€m)	391
Cost/income ratio	9%
Employees	398
Offices	50
Moody's	A3

Sources: Moody's (2008), Corporate websites

# The Irish credit unions



- A credit union is an organisation of people that save together and lend to each other at a fair and reasonable rate of interest. It exists to serve its members. The credit unions play an important role in the Irish market for financial services. They do not need a banking licence and are organized in the Irish League of Credit Unions (ILCU). This league 1) promotes the credit union idea, 2) provides central services to credit institutions, and 3) guards the interests of the credit unions.
- The credit unions also provide other products, like insurance and pensions. For the offering of these products, the league co-operates with other financial services providers. However, the product offering of credit unions is limited in scope.
- The credit unions are well-rooted in the Irish society, with a penetration rate of 48% (total number of members divided by total population).



## Key statistics 2007

Credit unions	521
# of members (m)	2.9
Savings (€bn)	13.4
Loans (€bn)	6.5
Total Assets (€bn)	15.1
Penetration	48%
Volunteer	9,400
Employees	4,300

Sources: Annual Report 2007, The Banker (2008)

# The Luxembourg banking sector



- Despite the small size of the domestic market, Luxembourg's financial sector is among the most important worldwide, and is particularly vital to the local economy. Luxembourg has a favourable fiscal and regulatory environment, which has attracted many foreign banks. Private banking is a key component of Luxembourg's financial industry. The country holds 6 to 8% of the world's offshore wealth. The favourable fiscal conditions are somewhat under pressure, because of the attempts to harmonize tax systems in the European Union. However, this threat of an outflow of foreign deposits and capital is long-term in nature.
- The domestic banking market is dominated by three major players: Banque et Caisse d'Épargne de l'État (BCEE), Banque Générale du Luxembourg (BGL) and Dexia BIL. These banks together hold a share of the retail market of 80%. BCEE is strongly linked to the government. BCEE also has the largest branch network in the country. BCEE also has a public mission (to contribute to Luxembourg's social and economic development). BGL and Dexia BIL are both owned by foreign banks. BGL is owned by Fortis Bank and Dexia BIL by Dexia Group.
- Other banks with a branch network in Luxembourg are Kredietbank SA Luxembourgeoise, ING Luxembourg SA, Banque Colbert Luxembourg (part of Achmea) and the co-operative banking group Banque Raiffeisen. Banque Raiffeisen is a collection of the caisses rurales and a central supporting institution, which are considered to be a single credit institution according to law.



## Key statistics 2007

Total assets (€ bn)	915
# of banks	156
CR5	28%
RoE	22%
Cost/income ratio	43%

## Top 5 (assets) (€, bn)

Deutsche Bank Lux.	64
Dexia BIL	55
Fortis Banque Lux.	47
BCEE	41
Société Générale	36

Sources: The Banker (2008), OECD (2006), S&P (200), Luxembourg Bankers' Association (2007), EBF (2007), ECB (2008)

# Banque Raiffeisen



- The Raiffeisen organisation is composed of 13 co-operatives (the central Banque Raiffeisen and 12 local caisses Raiffeisen). The Banque Raiffeisen group is relatively strongly centralized for a co-operative bank. The legislator treats the group as one entity. Banque Raiffeisen offers all the products and services of a modern financial institution. The organisation is decomposed in the following business lines: retail banking, private banking, loans & companies, financial markets.
- Banque Raiffeisen has alliances with the insurance company Le Foyer for the distribution of insurance and with Bausparkasse Schwäbisch Hall (part of the German co-operative system, FinanzVerbund) for the distribution of mortgage savings plans. Together with Banque & Caisse d'Epargne de l'Etat (BCEE), Banque Raiffeisen offers a range of investment funds to its customers.



## Key statistics 2007

Total assets (€m)	4,067
Deposits (€m)	3,417
Loans (€m)	2,439
# Raiffeisen banks	13
# of branches	51
# of employees	471

## Market share

Credit	10%
Deposits	10%

Sources: Annual report 2007, EACB (2008)

# The Dutch banking sector



- The Dutch banking system has displayed resilience through the challenging economic conditions of recent years. The sector is highly concentrated and internationalized. The three largest players; ABN AMRO/Fortis Bank, ING Bank N.V., and Rabobank Nederland, dominate the market with a combined domestic market share of about 75%. This concentration, together with low domestic growth potential, has over time led the three largest banks to look outside of The Netherlands to broaden and increase revenue streams. ING for example is nowadays more an international than a Dutch bank.
- Although the banking sector is quite concentrated, this concentration has not led to a lack of competition. Lending margins have been squeezed over the past decade, and the Dutch banking sector lags behind many other European banking sectors in terms of profitability. Due to the low credit loss history on Dutch retail lending, however, relatively low levels of capital need to be allocated to domestic business. Consequently, risk-adjusted return on capital (RAROC) on Dutch banking is generally high. One could say that the three largest banks have used these earnings from their strong domestic businesses to fund overseas expansion.
- Domestic concentration in the banking sector has led to international expansion over time, particularly by the three largest players. Of the big-three banks, about 40% of revenues are sourced internationally. While the reasons prompting each institution to expand internationally were the same--a highly concentrated and mature domestic market requiring expansion into other markets to generate increased revenues--each bank has responded in different ways. In the main, this international expansion has provided a platform for profitable growth and diversification of revenues.



## Key statistics 2007

Total assets (€ bn)	2,195
# of banks	341
CR5	86%
RoE	14%
Cost/income ratio	70%

## Retail Market (deposits)

Rabobank	28%
ING	27%
Fortis/ABN Amro	20%
SNS	5%
Other	20%

## Top 5 (assets) (€, bn)

ING Bank	1,004
Rabobank Group	571
SNS Reaal	103
BNG	93
NIB Capital	33

Sources: The Banker (2008), OECD (2006), S&P (2008), EBF (2007), ECB (2008), Own market Research (2008)



# Rabobank



- Rabobank Group is a full-range financial services provider that operates on cooperative principles. Its origins lie in the local loan cooperatives that were founded in the Netherlands nearly 110 years ago by enterprising people who had virtually no access to the capital market. The Rabobank Group comprises 174 (year end 2007) independent local cooperative Rabobanks in the Netherlands plus their central organisation Rabobank Nederland (RN) and its subsidiaries.
- Rabobank has a two-tier structure. The local banks are members and shareholders of the supralocal cooperative organisation, RN, which advises the banks and supports their local services. RN further acts as an (international) wholesale bank and as a bankers' bank to the Group and is the holding company of a large number of specialized subsidiaries such as; Interpolis Eureko (39%), Robeco and Rabo Bouwfonds (100% owned subsidiaries). Rabobank Group is represented in 43 countries.
- The financial performance and efficiency of Rabobank is approximately at market average. The ROA is with 0.47 just higher than the Dutch market average of 0.45 percent. The cost income ratio is with 67 percent just below (= positive) the market average of 70 percent. For international standards this is a high figure nonetheless. The dense and therefore costly network of banks and branches in the Netherlands is the main reason. However, it is also the main asset of the banks.
- The Co-operative Affairs Department can provide information about the structure of the local banks and issues such as membership policies, local development and local governance.



## Key statistics 2007

Total assets (€bn)	571
Deposits (€bn)	101
Loans (€bn)	356
Profit (€ m)	2,662
# Raiffeisen banks	174
# of branches	1,159
# of employees	54,737

## Ratio's

ROA	0.47%
Cost/income ratio	67%
Tier-1-ratio	10.7%
NPL to total loans	n.a.

## Ratings

Moody's	Aaa
Standard & Poor's	AAA

Sources: Annual Report 2007, S&P (2008)

# The Portuguese banking sector



- The recent history of the Portuguese financial system is marked by two major events: the almost complete nationalization of the system in 1975 and the start of the banking system reform in 1984-1985. The nationalization has slowed the development of the Portuguese banking sector. In the early nineties, the sector was still fragmented, almost entirely state-owned, closed to competition and subject to tight regulation.
- Presently, Portugal has a fairly consolidated and modern banking sector, which is majority owned and managed by the private sector. The sector has witnessed three waves of consolidation, which have resulted in a high CR5-ratio (87%). The margins in Portugal (which were very high) have dropped in the last decade, but the profitability remains good. Efficiency (as expressed by the cost/income ratio) is also good.
- The market is dominated by four private commercial banks (BCP, BES, Totta (Banco Santander) and BPI) and the Caixa Geral de Depositos (CGD), which is the only remaining state-owned bank. In addition there are some small banks that operate in niche markets. The co-operative banks service mainly the customers in rural areas. Their overall market share is small. Savings banks are of no importance in the Portuguese banking sector. Foreign institutions control a growing share of banking assets. Especially Spanish banks are looking for growth opportunities in Portugal.
- The Portuguese co-operative banking sector has a two-tier structure, with one central bank (Caixa Central de Credito Agricola Mutuo) that serves and supervises the local co-operative banks.



## Key statistics 2007

Total assets (€ bn)	440
# of banks	175
CR5	68%
RoE	18%
Cost/income ratio	54%

## Market structure (# of)

Commercial banks	30
Co-operative banks	112
Savings banks	5
Foreign inst.	38

## Top 5 (assets) (€, bn)

Caixa Geral de Depositos	105
Millennium BCP	89
Banco Espirito Santo	69
Banco BPI	24
Crédito Agricola	11

Sources: The Banker (2008), S&P (2008), OECD (2006), EBF (2007), ECB (2008), EACB (2008)

# Crédito Agrícola



- The Portuguese Cooperative banks are represented national and internationally by an apex institution named FENACAM (Crédito Agrícola National Federation). Crédito Agrícola Group is member of the European Association for Co-operative banks.
- Crédito Agrícola Group is a national full range financial services provider. The banking activity of the Group is developed by 100 local co-operative banks organised in a two tier structure. The local banks are associated members and shareholders of Caixa Central de Crédito Agrícola Mútuo which has functions of supervision and guidance of local co-operative banks' activity. Furthermore, Caixa Central manages the treasury and the liquidity of all co-operative banks as well as represents them near Banco de Portugal (Portuguese central Bank).
- Caixa Central together with all its associated local co-operative banks, constitute an entity named Crédito Agrícola Integrated System (SICAM). This entity works like an universal bank in Portugal. Besides its banking activity, the Crédito Agrícola Group counts with several companies covering different business areas such as insurance, asset management or consulting.



## Key statistics 2007

Total assets (€m)	10,566
Deposits (€m)	9,158
Loans (€m)	7,188
# Raiffeisen banks	100
# of branches	627
# of employees	4,166

## Market share

Credit	3%
Deposits	5%

## Ratio's

ROE	13.9%
Cost/income ratio	54.1%
BIS capital ratio	14.4%
NPL to total loans	3.5%

Sources: The Banker (2003), Annual Report 2007, S&P (2008), EACB (2008)

# The Scandinavian banking sector



- The banking sectors of the different Scandinavian countries are very integrated. This is largely the result of the cultural linkages between these countries. Many companies are active in Scandinavian countries outside of their own and the banks have therefore followed their customers, which has led to the creation of pan-Scandinavian banks.
- Norway, Sweden and Finland witnessed a major banking crisis in the early 1990s. The crisis was the result of a sudden deregulation and changing economic circumstances. Denmark did not witness such a crisis. Denmark's deregulation of the banking sector began in the 1970s, which is why the Danish banks were better able to cope with the recession. The Scandinavian banking crisis led to a major restructuring of the banking sector. The crisis has been dealt with and currently the Scandinavian banks are healthy.
- The Scandinavian banking market is very small, with a population of only 25 million spread over four countries. This situation has resulted in extremely high concentration ratios (CR5) for the individual countries. The Norwegian banking industry is more fragmented than those of other Nordic countries, which is the result of political influence on and intervention in the industry.
- The largest banking groups in Norway are DnB NOR Bank ASA and Nordea. The largest banks in Sweden are Nordea, SEB, Svenska Handelsbanken and Swedbank. The largest banks in Finland are Nordea, OP-Pohjola Group and Sampo Bank, of which OP-Pohjola Group covers 229 independent member cooperative banks. The largest banks in Denmark are Danske Bank, Nordea and Nykredit Realkredit. In addition to the dominant position of the commercial banks, the Scandinavian banking sector also has a savings bank sector with a sizeable market share.



## Key statistics 2006

Total assets (€ bn)	1,653
# of banks	792
CR5	45-82%
RoE	14-21%
Cost/income ratio	53-56%

## Top 5 (assets) (€, bn)

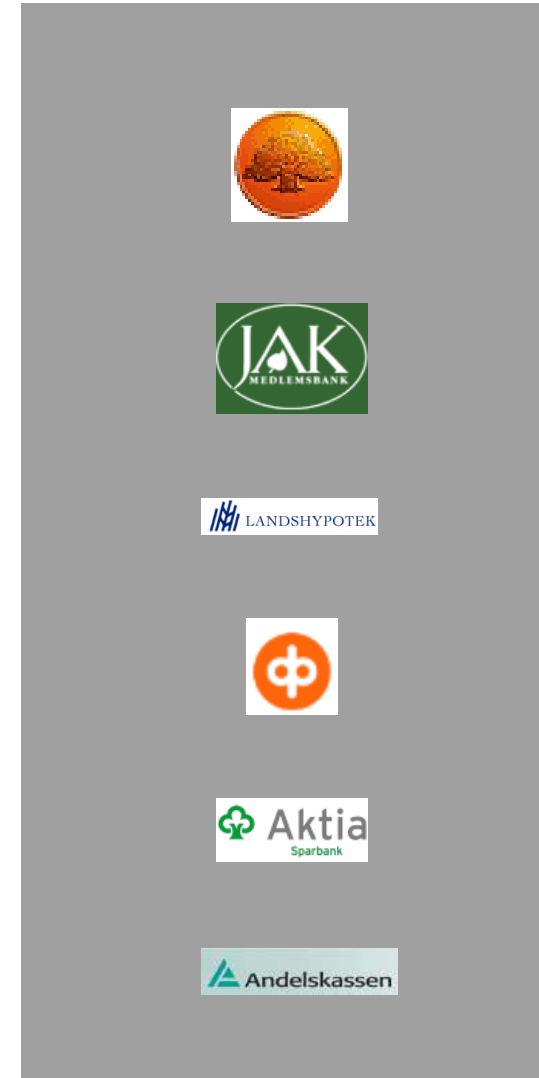
Danske Bank	453
Nordea	393
Skandinaviska	
Enskilda Banken	251
Svenske Handelsb.	198
DnB NOR Group	184

Sources: Bikker et al. (2006), The Banker (2008), OECD (2006), S&P (2007), EBF (2007), ECB (2007)

# Scandinavian co-operative banks



- Norway
- Norway does not have co-operative banks. The Norwegian banking market is divided between commercial banks and savings banks.
- Sweden
- Sweden's third (commercial) bank, FöreningsSparbanken (Swedbank), is the result of a merger between the savings bank 'Sparebanken Sverige' and the agricultural co-operative bank 'Föreningsbanken'. It no longer has a co-operative status. Two co-operative banks are still active in Sweden, which are JAK and Landshypotek. JAK is a very small bank based on the ideology of interest-free banking (97 million euro savings), which is mostly run by volunteers. Landshypotek is also quite small (hundred employees).
- Finland
- The second largest bank in Finland is the OP-Pohjola Group. Besides the banks that operate under the Pohjola umbrella, there are 42 independent co-operative banks that have a market share of 4% in the deposit market (the Finnish banking sector is already very small). The independent co-operative banks use the central institution of the savings banks (Aktia Bank) as a central bank.
- Denmark
- Although the large commercial banks dominate the Danish banking sector, there are also many independent locally and regionally focused banks active in the Danish retail market. These banks are small commercial banks, savings banks or co-operative banks, which co-operate in the 'The Association of local banks in Denmark' or the 'Regional Banker's Association' (depending on their size). Danske Andelskasser, which is a member of the Groupement, is a co-operative bank.



Sources: Annual Report 2007, The Banker (2008), Finnish Local Cooperative Bank Group (2008)

# Landshypotek



- Landshypotek is a provider of mortgage loans to the Swedish farming community. Landshypotek is a small lender with a market share of just above 2% of total Swedish household lending. In its area of specialization, first mortgage lending to owners of Swedish agricultural and forest properties, it has a market share of about 40%-45%, however Its major strength is its good knowledge of the farming and forestry industries. Landshypotek's ambition is to offer the lowest rates for farmers, while growing the group's equity base on the back of retained earnings. Mortgages are sold through its ten regional branches and the branches of Lansforsakringar with which it has an alliance. With this alliance, Landshypotek wants to compensate for its lack of branches and together with Lansforsakringar it tries to offer farmers all the financial services they need.
- Landshypotek is a borrower-owned (mutual) bank with around 60,000 members/customers. Landshypotek is a member of the Groupement. The bank has several subsidiaries, but these subsidiaries do not produce specialized financial services such as asset management or insurance. Landshypotek's financial performance is with 2.5% return on equity far below the market average of 21%. The efficiency is with a CI ratio of 59 also weaker than the market average of 54 percent.



## Key statistics 2007

Total assets (€m)	4,648
Tier-1 cap. (€m)	3,253
Profit (€m)	162
# of branches	19
# of employees	100

## Ratio's

ROE	2.5%
Cost/income ratio	59%
NPL to total loans	0.05%

## Ratings

Moody's	A2
Standard & Poor's	A-

Sources: Annual report 2007, S&P 2008, EACB (2008)

# Pohjola Bank



- OP-Pohjola Group made up of independent member cooperative banks and the Group's central institution, OP Bank Group Central Cooperative with its subsidiaries and closely related companies, is the second largest bank in the country (after Nordea Finland). The Finnish co-operative is rather similar with that of the Rabobank. Both systems have a cross-guarantee scheme and report on a consolidated (group) basis. The central institutions are relatively strong (compared to the German system). OP Pohjola Group focuses on its customers in Finland. Pohjola Bank plc has Representative offices in Estonia and St. Petersburg. Pohjola Bank has several subsidiaries that enable it to operate as an allfinance institution.
- OP Pohjola Group consists of 225 member co-operative banks. The Central Co-operative controls the daily operations and develops the strategy, which has to be approved by the members. Pohjola Bank is the central bank of the group, which is listed on the stock exchange. Pohjola Bank plc is a member of Unico and OP-Pohjola Group Central Cooperative is a member of the European Association of co-operative banks. Pohjola Bank is a financially strong and profitable bank. The deposits in the end of the year 2007 were 3.006 billion EUR. The ROE is slightly lower than the market average but the ROA is with 1.5 higher than the market average of 0.95 percent. The CI ratio is better than the market average.



## Key statistics 2007

Total assets (€bn)	66
Tier-1 cap. (€m)	5,318
Profit (€m)	1,005
# of branches	630
# of employees	12,471

## Ratio's

ROE	13.7%
ROA	1.2%
Cost/income ratio	50%
BIS capital ratio	13.8%
NPL to total loans	0.30%

Sources: S&P (2008), Corporate website, Annual Report 2007, The Banker (2008), EACB (2008)

# Danske Andelskasser



- Sammenslutningen Danske Andelskasser consists of 23 co-operative banks in the regions Jutland and Funen. These co-operative banks play a limited role in the Danish banking sector as they hold only a market share of 0.5% in both deposits and loans. The local co-operative banks are the shareholders of Danske Andelskassers Bank (DAB), which functions as the central bank of the co-operative banking sector. The central institutions of the system are very important, since the local co-operatives are very small.
- Andelskasser has several Danish partners that provide specialized products, such as asset management and insurance.



## Key statistics 2007

Total assets (€m)	1,774
Deposits (€m)	1,285
Loans (€m)	1,146
# Raiffeisen banks	23
# of branches	80
# of employees	700

## Market share

Credit	0.5%
Deposits	0.5%

Sources: Annual Report 2007, The Banker (2008), EACB (2008)



# The Spanish banking sector



- The Spanish banking sector was liberalized in a for European standards late stage. However, it has developed very quickly and is now a stable, competitive and consolidated sector. The largest banks are Banco Santander (BS) and Banco Bilbao Vizcaya Argentaria (BBVA). However, these banks do not dominate the retail banking market. Retail banking is dominated by the savings banks (caja's). The caja's, for instance, control 55% of the deposits. Credit co-operatives play a limited, though not unimportant, role in the retail sector.
- The savings banks have a particularly strong position in the retail segment, although they also serve the larger corporations (especially the large caja's). The two largest caja's are la Caixa (which is the caja from Barcelona) and Caja Madrid. The caja's have gained market share in the last 13 years, which results from their expansion in other areas of Spain then their home-region.
- The credit co-operatives (84) mainly consist of rural savings banks (caja's rurales), which are all members of the National Union of Credit Co-operatives. Most of these co-operatives (83) are also members of Banco Cooperativo Espanol, which functions as a central bank for its members.
- The Spanish banks broadened their products and services past then 10 years. Thanks to the economic growth Spanish banks could increase their sales volumes and profits. Furthermore, the asset quality indicators increased as well.



## Key statistics 2007

Total assets (€ bn)	2,945
# of banks	357
CR5	41%
RoE	20%
Cost/income ratio	48%

## Market structure

BS+BBVA+Popular	31%
La Caixa + Caja Madrid	16%
Other Caja's	30%
Credit co-operatives	5%
Foreign banks	3%
Other	18%

## Top 5 (assets) (€, bn)

Banco Santander	922
BBVA	507
La Caixa	251
Caja de Madrid	160
Banco Popular	108

Sources: The Banker (2008), OECD (2006), S&P (2008), EBF (2007), ECB (2008)

# Credit co-operatives



- The Spanish sector of credit co-operatives is made up of 84 Cajas Rurales and 8 Cajas Populares y Profesionales. The Cajas Rurales control around 51% of the total volume of assets. The system is more or less designed for the Cajas Rurales and the Cajas Populares also make use of it. The system comprises three supporting institutions, which are:
- Banco Cooperativo, which functions as a central bank for the credit co-operatives
- Rural Servicios Informaticos (RSI), which provides IT-services for the credit co-operatives
- Seguros RGA, a co-operative insurance company
- The Cajas Rurales together also form a group. Their Association is used for the determination of priorities, strategy, business policy and the co-ordination of co-operation within the group. It also manages the mutual solidarity-based guarantee fund established by the Cajas Rurales.
- The central bank of the credit co-operatives, Banco Cooperativo Espanol, is owned by the credit co-operatives and DZ Bank, which holds a 15% share in the institution. The total assets of the institution were € 8,2 bn end 2007. Banco Cooperativo Its activities are payments services for the credit co-operatives, capital market transactions, private banking, international relations and commercial banking activities where non-competitive with the member banks.



## Key statistics 2007

Total assets (€bn)	108
Deposits (€bn)	91
Loans (€bn)	90
# Raiffeisen banks	92
# of branches	4,822
# of employees	20,368

## Market share

Credit	5.2%
Deposits	5.0%

Sources: EACB (2008), Annual Report 2007

# The Swiss banking sector



- The Swiss banking sector can be divided in six categories, which are: the two largest banks (UBS, Credit Suisse Group), cantonal banks, private banks, Raiffeisen banks, regional and savings banks, and 'other' banks (incl. small commercial banks and foreign banks).
- The retail market is dominated by the two large banks, which together account for between 35% of the market. The cantonal banks (24 in total) form the second largest group with a market share of 30%. These banks tend to focus on mortgage lending and savings deposits, but they also provide other financial products. Most cantonal banks operate under regional government guarantees and their main mission is to finance the local economies. The Raiffeisen banks are the third largest banking group. These local credit co-operatives have the most dense retail network in Switzerland (1,150 locations). They control 15% of the total deposits and mortgage market. The retail banking sector also comprises small regional and savings banks, which have joined forces under the umbrella of RBA-Holding. Their activities are similar to those of the cantonal banks.
- Private banking is an important element of the Swiss banking sector. The market is dominated by UBS and Credit Suisse, which together have a market share between 25%. Foreign-owned banks have a share of 20-25%. Additionally, Switzerland has many small specialist private banks (80), which together have a market share of 46%. Sarasin of which Rabobank has 46% of the shares and 69% of the voting rights, also falls in this category. The discussion on Swiss banking secrecy (which has been preserved for the foreseeable future) can put pressure on the private banks' offshore activities. Furthermore, the Swiss banking sector is fragmented and consolidation can be expected.



## Key statistics 2006

<b>Total assets (€ bn)</b>	<b>1,988</b>
<b># of banks</b>	<b>331</b>
<b>CR5</b>	<b>65%</b>
<b>RoE</b>	<b>16,4%</b>
<b>Cost/income ratio</b>	<b>60%</b>

## Market structure (retail)

<b>UBS and Credit Suisse</b>	<b>35%</b>
<b>Catonal banks</b>	<b>30%</b>
<b>Raiffeisen banks</b>	<b>15%</b>
<b>Regional &amp; savings</b>	<b>9%</b>
<b>Other</b>	<b>11%</b>

## Top 5 (assets) (€, bn)

<b>UBS</b>	<b>1,385</b>
<b>Credit Suisse Group</b>	<b>829</b>
<b>Zürcher Kantonalbank</b>	<b>75</b>
<b>Schweizer Verband der Raiffeisenbanken</b>	<b>69</b>
<b>EFG Bank</b>	<b>63</b>

Sources: The Banker (2008), OECD (2006), S&P (2007), Annual Report Rabobank 2007, EBF (2007)

# The Raiffeisen banks



- The Swiss co-operative banking sector consists of 390 Raiffeisen banks that are all part of the 'Schweizer Verband der Raiffeisenbanken'. The tasks of the central institution are to co-ordinate the activities within the group, to support the banks with services that are cheaper to produce on a central level, and to protect the common interests of the co-operative banks. The central institution co-operates with other financial institutions to broaden the group's product offering.
- The local Raiffeisen banks and the central institution together own several subsidiaries. The central institution is a member of UNICO. The groups financials are sound and Raiffeisen has a moderate level of profitability and a higher than Swiss-average efficiency.

## RAIFFEISEN

### Key statistics 2007

Total assets (€bn)	69
Profit (€m)	424
# Raiffeisen banks	390
# of employees	7,208

### Ratio's

ROA	0.78%
Cost/income ratio	58%
Tier 1-ratio	7.7%
BIS Capital ratio	18.7%
NPL to total loans	0%

### Ratings

Moody's	Aa2
Standard & Poor's	n.a.

Sources: The Banker (2008), Annual Report 2007, EACB (2008)

# The UK banking sector



- The British banking sector is the largest in Europe measured by assets: the assets of the British banks are 5 times larger than the GDP. The banking system is a consolidated and rather concentrated sector that still contains sufficient competitive pressures (the low CR5 ratio reflects the character of London as the financial capital of Europe, where many foreign banks are located). The most important British banks are HSBC, Royal Bank of Scotland (RBS), Barclays, HBOS, Lloyds TSB. Further consolidation between these parties is unlikely.
- The competitive UK retail market is dominated by four banks: HSBC, Barclays, Lloyds TSB and NatWest (part of RBS). The two largest mortgage lenders, HBOS and Abbey National (Banco Santander), also have substantial branch networks and follow an aggressive strategy to gain market share in traditional banking products (current accounts and personal loans). Several of the large British banks are important players in the insurance business.
- Retail banking is still more profitable than the European average (19% ROE compared to 17%), but due to competitive pressures profitability is somewhat declining. Other sources of the decline are changes in product mix, increased wholesale funding costs and growth of products with lower margins, like mortgages. The efficiency of the British system is very good. However, the low cost/income ratio is largely the result of the high income stream and less of the low costs.
- Another important factor in the British banking system are the 'building societies'. Building societies are financial institutions, whose main business is the offering of savings accounts and mortgages (20% market share). They used to (and some still do) have a mutual status. The next sheet deals with them in more detail.
- The only other substantial British bank that has a mutual status is 'The Co-operative Bank', which is a niche-player in the market for sustainable financial services.



## Key statistics 2007

Total assets (€bn)	10,093
# of banks	390
CR5	41%
RoE	19%
Cost/income ratio	40%

## Top 5 banks (assets) (€m)

RBS	2,612
Barclays Bank	1,687
HSBC Holdings	1,615
HBOS	916
Lloyds TSB Group	486

Sources: The Banker (2008), OECD (2006), S&P (2008), KPMG (2008), EBF (2007), ECB (2008)

# Building societies



- A building society (BS) is a financial institution that offers savings accounts and mortgages as its main business. Many of the building societies have diversified and now offer a wide range of personal financial services. Building societies have a mutual status. However, since 1986 it is possible for the societies to become limited liability companies that float on the stock exchange. Many of the larger institutions have indeed changed their structure.
- Abbey National, Halifax and Bradford & Bingley PLC are examples of institutions that have changed their structure and some have now been acquired by large banking groups. Those that abolish their mutual status are protected for five years against hostile take-overs. Several BSs have converted in 1997 and therefore have lost their protective status last year (2002). The building societies that still have a mutual status are dedicated to keep it that way. The largest of the mutuals is Nationwide.
- There are currently 59 building societies in the UK, which account for 20% of all outstanding residential mortgages and 18% of all personal deposits. It is a highly concentrated sector, and is dominated by Nationwide Building Society, which expanded further in 2007 through its merger with the Portman Building Society. The three largest societies together hold two-thirds of sector assets.
- Societies lack the diversification from which higher rated banks benefit, the sector's cultural differentiation remains its strength and, with more cautiously managed institutions having returned to fashion in the current market climate, its franchise appears stronger now than it has been for some time. The building societies will remain a significant part of the British banking sector.



## Key statistics 2007

Total assets (€bn)	>475
# of building soc.	59
# of branches	2,016
# of employees	38,652

## Market share

Mortgages	20%
Deposits	18%

## Top 5 building soc. (%)

Nationwide	50%
Britannia	11%
Yorkshire	6%
Coventry	4%
Chelsea	4%

Sources: S&P (2008); Website Building Societies Association (2007)

# The Co-operative Bank



- The Co-operative Bank is a financial institution that offers banking products to individuals and business. It is the only UK bank with a clear ethical policy which tells its customers the business it will and won't support in line with its customers' views. The bank has 90 branches across the UK and also has a comprehensive telephone banking network and internet website. The Co-operative Bank was the first to offer a full internet banking operation through its internet arm, smile. It also has a network of corporate centers and its customers can also use the Post Office of over 14,300 post office counters in the UK. The bank's profile is determined by its clear ethical and environmentally conscious ethos.
- The Co-operative bank is wholly owned by the Co-operative Group. It is also part of The Co-operative Financial Services, the parent company of The Co-operative Insurance Society and The Co-operative Investments. Together they provide customers with a broad variety of products.
- The 2007 financials ratio's of the bank are below the UK average, with an efficiency ratio of 65 percent compared to UK average of around 40 percent and ROA of 0.25 percent compared to 0.8 percent. By this figures must be noticed that many UK banks with low cost income ratios (e.g. Northern Rock) merged or no longer exist in the same structure. These banks also used different business models.

## The co-operative bank

### Key statistics 2007

Total assets (€bn)	17
Deposits (€bn)	14
Loans (€bn)	12
Profit (€m)	109*
# of branches	90
# of employees	2,815

### Ratio's

ROA	0.25%*
Cost/income ratio	65%
Tier-1 cap. ratio	8.8%
BIS capital ratio	13.50%
NPL to total loans	1%

### Ratings

Moody's	A2
Standard & Poor's	n.a.

Sources: The Banker (2008), EACB (2008), S&P (2008), Annual Report 2007

\*Before tax, significant items and impairment write downs

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## Notes:

- Exchange rate CHF EUR on 31-12-2007: 0.6049
- Exchange rate GBP EUR on 31-12-2007: 1.3608
- Exchange rate SEK EUR on 31-12-2007: 9.44
- Exchange rate USD EUR on 31-12-2007: 0.6858





Additional information?

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