

European co-operative banks in 2024: a concise assessment

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This snapshot presents the performance of 18 European co-operative banking groups on the one hand, and all their banking competitors on the other.² In the first place, these co-operative banks welcomed 1.9 million new members in 2024. Their total membership now stands at more than 91 million members. In 2024, the member-to-population ratio reached an all-time high of 21.4. Full-time employment at co-operative banks rose by 2% in 2024, the strongest increase since 2011. Stricter compliance regulations seem particularly responsible for the staff increase in recent years. Additional calculations indicate that employment trends at co-operative banks are less volatile, suggesting they are more stable employers. Co-operative banks managed to stabilize their domestic markets shares at record levels. As in many previous years, loan growth at co-operative banks (2.9%) exceeded that of the banking sector as a whole (1.6%). Except for 2013 and 2024, deposits have also always grown at a faster pace at co-operative banks. Moreover, co-operative banks structurally operate with a significantly larger share of – stable – deposit financing than all other banks in terms of aggregated balance sheet total (52% versus 40% in 2024, respectively). Regarding key banking ratios, co-operative banks' average Tier 1 ratio showed an upward jump of no less than one full percentage point to 19.1%, breaking the 2023 record. Their average return on equity remained high at 9.1%. Finally, their average cost-to-income ratio hit the lowest level in decades (52.2%).

Background

In various respects, co-operative banks deviate from banks with other organisational structures. For instance, they do not have external shareholders. Customers of local banks can become members of the co-operative and can play an active role in the governance at the local and/or central level. Co-operative banks are characterised by a dispersed ownership and they build their equity base primarily through retained earnings.

This document presents aggregated financial data of co-operative banking groups, either compiled manually from public sources or directly provided by individual banks. In parallel, equivalent indicators for the national banking systems in which these co-operative banks operate were obtained or constructed using various reputable databases. This approach allows for a comparative assessment of the consolidated financial performance of co-operative banks relative to their respective national banking sectors. For non-euro area countries included in the sample, all figures were converted to euros using the exchange rate applicable on the reporting date. It should be noted that this research letter does not include a comparative analysis of the equally important non-financial performance of banks and is intended to be descriptive in nature.

Continued membership growth and stark employment increase

In 2024, the collective member base increased by 1.4% to more than 91 million members for the co-operative banking groups mentioned in footnote 2. Their membership base also grew in relative terms. The number of members as a percentage of the total population in the home countries of the co-operative banks concerned reached an all-time high of 21.4. The long-term upward trend indicates the continuing appeal of co-operative banks to customers. It should be noted that membership has not been a requirement for purchasing products and services from most co-operative banks for a long time. So,

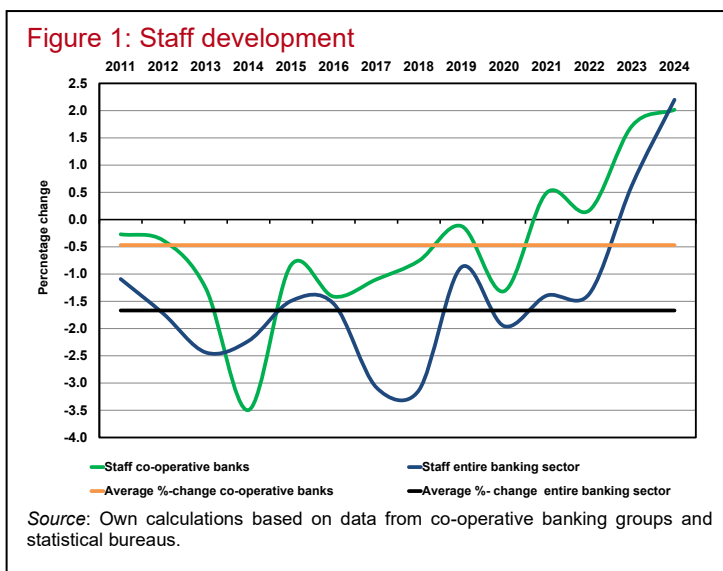
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² Financial Group of the German Volks- und Raiffeisenbanken (Germany), Austrian Volksbanken Group (Austria), Raiffeisenbanken Group (Austria), Federazione Italiana delle Banche di Credito Co-operativo-Casse Rurali ed Artigiane (Italy), Unión Nacional de Co-operativas de Crédito (Spain), Banco de Crédito Co-operativo (Spain), Federação Nacional das Caixas de Crédito Agrícola Mútuo (Portugal), Rabobank (The Netherlands), Banque Raiffeisen Luxembourg (Luxembourg), Raiffeisen Switzerland (Switzerland), Nykredit (Denmark), Crédit Agricole Group (France), Crédit Mutuel Group (France), BPCE (France), OP Financial Group (Finland), Building Societies (United Kingdom), BPS Group (Poland), and SGB Group (Poland).

the fact that many new members join co-operative banks each year signal satisfaction with their financial services as well as other aspects that apparently generate member value.

The long-term decline in the number of local or regional co-operative banks continued in the year under review with a drop of 2.1% to 2,333. The branch network of co-operative banks – and all other banks – shrank by about 2.5% in 2024. Viewed over a longer period, the reduction in the branch network was substantially less pronounced for co-operative banks than for all other banks. Since 2011, the number of branches at co-operative banks has fallen by almost 30%, while other banks have closed more than 40% of their branches.

As in the three preceding years, the network consolidation and branch closures at co-operative banks were not accompanied by a decline in total bank employment. Full time employment at co-operative banks increased by around 2% (Figure 1). This is the largest rise in many years. This also applies to the banking sector as a whole, where average employment growth in 2024 was even fractionally higher than at co-operative banks. It therefore seems reasonable to conclude that there has been a trend reversal in recent years, from a reduction in employment to the hiring of additional staff. Additional research has shown that



the employment decline in most years of the sample can probably be attributed to IT developments. Virtualization often went hand in hand with branch closures as well as departures of employees. Based on an analysis of a large number of annual reports, the recent uptick in bank employment seems to be mainly attributable to stricter compliance requirements, and partly linked, geopolitical developments which have contributed to an increasing number of employees tasked with financial security, fraud prevention and customer protection. This also immediately indicates that the composition of the workforce and the nature of the work at banks has changed significantly in recent decades.

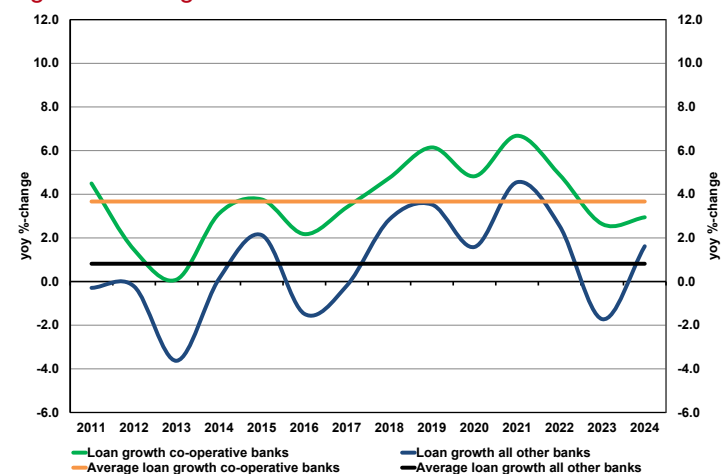
Finally, according to our calculations, average staff reduction at co-operative banks was about 0.6% per year for the period 2011-2024, whereas the staff volume at other banks declined by around 1.7% per year (see horizontal orange and black lines in Figure 1). This also means that co-operative banks' share in total bank staff has increased over time. In this context, it is possible that the less pronounced employment decline in co-operative banks is partly due to their business model and ownership structure. We also find a higher degree of variability in employment changes at all other banks. Since the standard deviation of employment swings is significantly less among co-operative banking groups, one could argue that they are more stable employers.

Robust loan and deposit growth

A favourable economic climate and falling policy interest rates supported stable credit demand of households and businesses. Co-operative banks have accommodated this lending need, resulting in a loan portfolio growth of 2.9% in 2024 (2.6% in 2023). Following a contraction in outstanding loans in 2023, all other banks expanded their lending volume by a modest 1.6% in 2024. In addition to these current developments, Figure 2 reveals a number of other noteworthy aspects. Firstly, the green line representing the annual percentage change in loans granted by co-operative banks has never fallen below zero since 2011 and hovers structurally above the blue line displaying loan developments at all other banks. Hence, co-operative banks have on average always provided the real economy with fresh loans.

During the same period, all other banks recorded a decline in their aggregated loan portfolios in four years as the blue line illustrates. Moreover, the average annual lending growth of co-operative banks equals 3.7% (horizontal orange line), which contrasts sharply with the average loan expansion of other banks of 0.8% (horizontal black line). In addition, the green line shows less fierce oscillations than the blue line, suggesting that credit patterns at co-operative banks are more stable across economic cycles. Simple statistical calculations confirm that the standard deviation of credit growth at co-operative banks is lower during the 2011-2024 period.

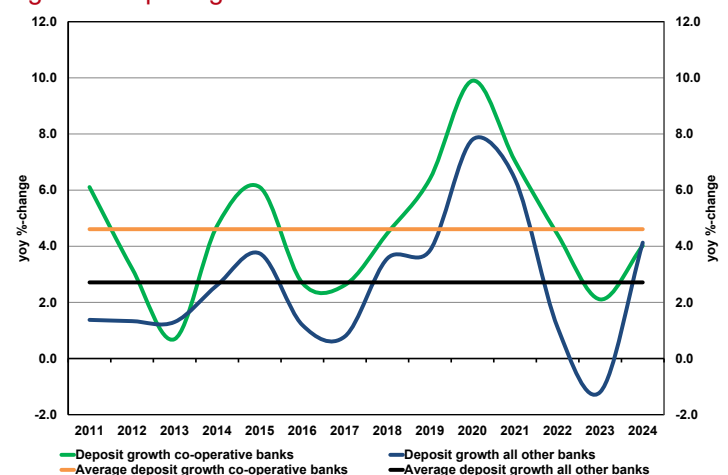
Figure 2 Loan growth



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

Unlike in other years, there were no divergent developments in the deposit base in 2024. Retail deposits expanded by just over 4% for both co-operative and all other banks (Figure 3). However, for co-operative banks, this meant a doubling of deposit growth compared to last year. For all other banks, this meant a sharp turnaround from an exceptional decline in deposits in 2023 to deposit growth in 2024. The deposit expansion took place against a background of falling deposit interest rates. It may be that the private sector has developed a slightly greater preference for saving, given geopolitical circumstances and uncertainties.

Figure 3 Deposit growth



Source: Own calculations based on data from co-operative banking groups, national supervisory authorities and/or central banks. It concerns deposits of the non-financial private sector, excluding government.

Figure 3 shows a high degree of similarity to Figure 2. Deposits have almost always grown at a faster pace at co-operative banks. Their average annual deposit expansion exceeds 4.5% (see horizontal orange line), while the average annual deposit growth at other banks equals 2.4% (see horizontal black line). Cumulatively, the deposit volume of co-operative banks has grown by 76% since 2011. For other banks, cumulative deposit growth during this period amounted to 43%. Additional calculations indicate that co-operative banks operate with a significantly larger share of deposit financing in terms of balance sheet total. Co-operative banks' average deposit-to-total asset ratio stands at 52% in 2024. For all other banks, this ratio is about 40%. This observation is important as retail deposits represent stable funding.

Stabilization of market shares at high levels

Market shares in domestic retail banking markets remained at exactly the same (record) levels as in 2023 (Table 1). In the loan market, co-operative banks retained an average market share of 23.7, which is 2.6 percentage points higher than in 2011. Their market position in the deposit market is somewhat smaller at 22.9, but still 2 percentage points higher than in 2011. Their branch market share traditionally towers far above the aforementioned market shares (34.9). Co-operative banks have a relatively greater physical presence in society, which has also increased considerably in relative terms since 2011. The latter is because co-operative banks have been shrinking their branch networks much less than all other banks over the years.

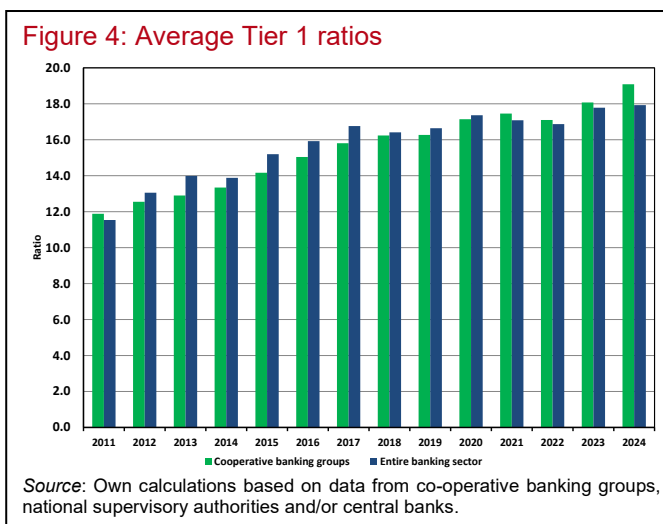
Table 1 Average domestic market shares of co-operative banking groups

	2011	2015	2019	2023	2024	Change in percentage points (2011-2024)
Loans	21.1	22.0	22.9	23.7	23.7	+ 2.6
Deposits	20.9	21.4	21.9	22.9	22.9	+ 2.0
Branches	28.9	31.2	33.2	34.9	34.9	+ 6.0

Source: Own calculations based on data from co-operative banks, the ECB, and national supervisory authorities.

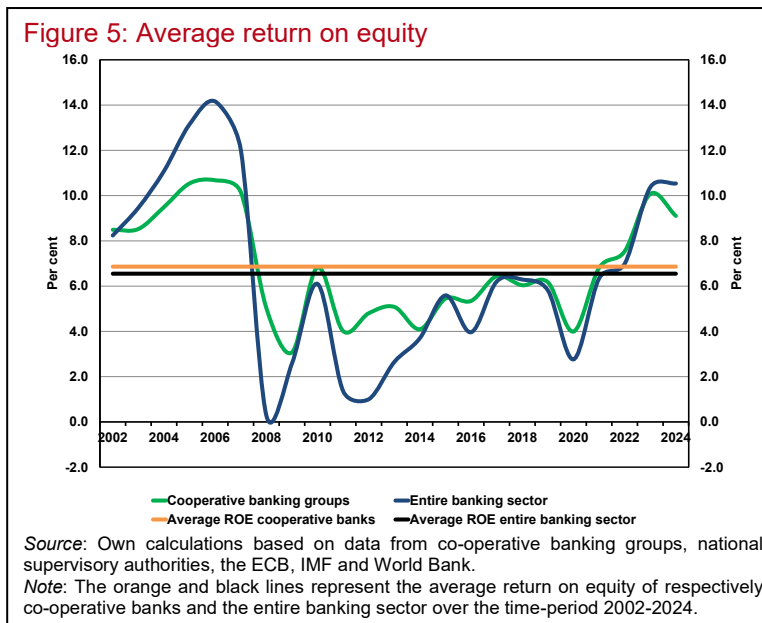
A new record Tier 1 ratio

The Tier 1 ratio compares the Tier 1 capital with the total of the risk-weighted assets (RWA) of banks. As in 2023, the average Tier 1 ratio of co-operative banks showed an upward jump of no less than one full percentage point to 19.1%, breaking the 2023 record (see Figure 4). This achievement naturally reflects strong performance, but also signifies a high degree of solidity. Underlying data reveal that Tier 1 capital growth surpassed RWA-expansion. Other banks' Tier 1 ratio remained stable at 17.9%, i.e., also the highest level ever. These strong ratios clearly indicate that the entire banking sector is well equipped to withstand potential negative economic and/or financial shocks in the current uncertain international geopolitical and trade climate.



Stable high return on equity

The average return on equity of co-operative banks remained high at 9.1%, but was slightly lower than in 2023 (10.1%). The return on equity of other banks stabilized around 10.5% in 2024. This somewhat divergent development in profitability is probably partly due to the greater reliance on net interest income of co-operative banks because of their focus on retail banking. During the reporting year, official policy rates declined, the effects of which on operating income at other banks appear to have been partially offset by an increase in non-interest-related income. Underlying data demonstrate that the equity base (i.e., the ROE-denominator) increased by around 6.3% at both categories of banks.



Lowest cost-to-income ratio ever

The cost-to-income-ratio (CI-ratio) is calculated by dividing net operating expenses by net operating income. In 2024, the average CI-ratio of co-operative banks fell slightly to 52.2, reaching its lowest level since 2011. The CI-ratio of all other banks increased fractionally to 51.9.