

An inventory of cooperative benefits of European cooperative banks

June 2023



EUROPEAN ASSOCIATION
OF CO-OPERATIVE BANKS

The voice of **2.700** local and retail Banks | **89** million Members | **227** million Customers



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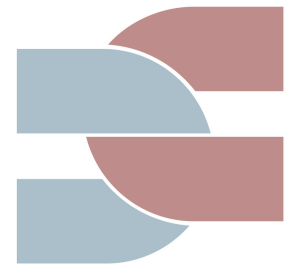
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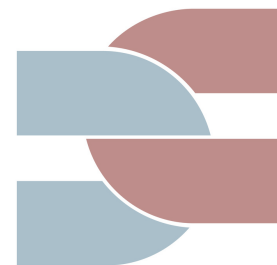
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As part of its overarching mission, the EACB is undertaking studies to provide a basis for discussions and for the promotion of the cooperative model in the public debate.

To that end, the EACB Cooperative Identity Forum launched a focused survey about cooperative benefits among the EACB members. This publication constitutes a leap forward toward substantiating the cooperative benefits for members, local communities and society at large.

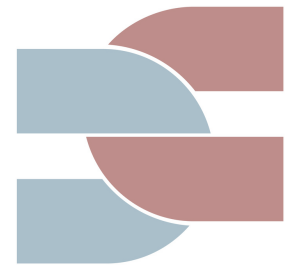
The EACB would like to express their gratitude to Prof. Hans Groeneveld and Ryan van Hout, Chair and member (respectively) of the COOP ID Forum, for analysing the survey results and bringing them to life through this paper.



Executive Summary

This paper sheds light on the benefits cooperative banks provide to their members and society as a whole. The stock-taking is based on a survey among 16 cooperative banking groups. To avoid subjectivity and self-congratulation, cooperative banks had to be able to prove or report on their stated benefits in public communications, e.g., in annual reports or on websites. Besides, the reported benefits had to be significant and offered by the majority of local and/or regional cooperative banks. The survey finds that all cooperative banking groups publicly communicate about their cooperative governance, activities, and performance. The intensity and detail of information disclosure on these three topics vary between the groups. The documented benefits can be divided into four main categories: (i) direct member benefits, (ii) indirect member benefits, (iii) collective benefits for members' community, and (iv) benefits for society at large from the group's perspective. With regard to direct member benefits, there are large differences between banks. Some banks offer – one to five different – financial benefits to members, while others give no individual financial member benefits at all. This variation is partly caused by differences in national – cooperative – legislation. In contrast, all groups grant non-financial direct member benefits, e.g., products and services, admittance to sponsored activities, access to knowledge and information networks for members only.

All groups also showcase indirect member benefits. The latter pertain to formal roles for members in governance bodies, deciding on the allocation of cooperative funds, et cetera. Cooperative banks maintain they do not only grant (in)direct member privileges, but aspire to contribute to the development of members' living environment. This may sound a bit pompous but is substantiated by real examples such as fulfilling a social network function for small businesses, sponsoring of local sport and cultural activities, and consulting and collaborating with local governments and/or organisations. The latter activities and initiatives basically come down to strengthening social cohesion. Finally, all banks express their ambition to contribute to addressing (inter)national issues with a large impact on society. The examples presented under this heading are diverse: from being seen as initiator or frontrunner in public debates on social or environmental issues to offering support to new or existing cooperatives (in developing countries) or providing significant aid in case of national emergency situations.



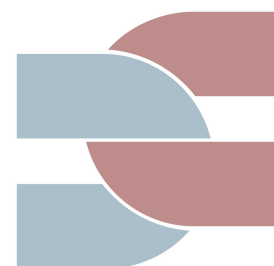
Background and methodology

This paper analyses responses to an identical questionnaire on benefits that cooperative banks (henceforth CBs; see footnote 1)[1] demonstrably create due to their specific features and ownership structure. The sample covers small, medium and large CBs (in terms of total assets) across Europe, thus satisfying the methodological criterion of representativeness. In line with the principle of ‘one-member, one vote’ in CBs, the replies from all banks carry the same weight in the total. This generates a robust picture of cooperative benefits created by all CB groups, without domination of one particular CB group.

CB groups differ in organisational structures and complexity. The number of levels amounts to 1, 2 or 3 (local, regional and central). Each question explicitly states the level in the organisation to which it relates. An important condition was that the provided answers should apply to the majority of the local/regional CBs in the group, and not be based on initiatives of a single CB or just a few local CBs. If certain aspects were not relevant for a particular CB group, this group is excluded from the respective findings.

Finally, we would like to stress that this document centers on published and objectively verifiable aspects and is descriptive in nature. How members and society perceive cooperative benefits in reality is thus beyond the scope of this paper.

[1] The Cooperative Identity Forum of the European Association of Co-operative Banks (EACB) has carried out the survey. The following co-operative organisations completed the survey: Raiffeisen Banking Group (Austria); Volksbanken (Austria); Nykredit (Denmark); OP Financial Group (Finland); Crédit Agricole (France); BPCE (France); German Volks- and Raiffeisenbanks (Germany); BCC Federcasse (Italy); Banque Raiffeisen (Luxembourg); Rabobank (The Netherlands); Raiffeisen Switzerland (Switzerland); Building Societies Association (United Kingdom); KZBS (Poland); Credito Agricola (Portugal); BCC (Spain); UNACC (Spain).



Information and reporting on cooperative governance aspects

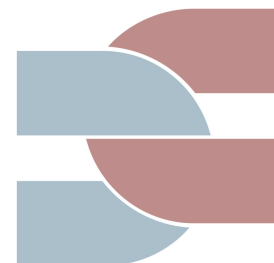
Cooperative benefits ensue from the specific ownership and governance structure of CBs. In this regard, the survey asked CBs about their public reporting or disclosure on their characteristics, i.e., in annual reports or on websites. Communication and information about governance and cooperative benefits are important, because only a fraction of all members are active in governance bodies and have direct insights into the functioning of the governance and/or eventual cooperative benefits. The majority of members have to rely on other sources to acquire information on these subjects. Table 1 presents a number of governance elements on which CBs do or do not divulge information.

Each CB reports on member base development, but communication on other basic governance elements varies. Member influence via voting on important decisions constitutes a key feature of CBs, but slightly more than half of CB groups accounts for the voting aspect in public communications. The same holds for disclosure of paid remunerations to member representatives. For reporting on important governance aspects and the position and significance of member bodies, the picture looks a bit rosier with a score of around seventy per cent affirmative answers. In around sixty percent of cases, explanations on member rights and responsibilities are provided to members and available in public sources.

Table 1: Public reporting on cooperative governance aspects

Reporting on governance item	YES	NO
Total number of members	100%	0%
Voting activities or meetings held by members	56%	43%
Discussion of key governance issues and developments in the year under review	69%	31%
Paid remunerations to member representatives	50%	50%
Overview of member bodies on local, regional or central level	69%	31%
Explanation of (statutory) rights and/or responsibilities of members	63%	37%

Note: the table contains answers for 16 CB groups.



Individual member benefits

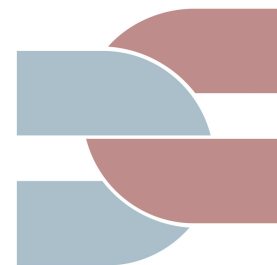
Studies and reports convincingly show that the presence of individual member benefits is a key driver for customers to become members. Individual member benefits fall into direct and indirect privileges for members versus non-members. Direct member benefits can be financial or non-monetary in nature and are associated with the relationship between member and CB. We surveyed the presence or absence of 11 forms of direct member benefits. The results are shown in Table 2.

The first five potential benefits relate to direct financial member privileges regarding products and services. Whether CBs can offer these benefits at all depends on national legislation. Some countries prohibit price discrimination between members and non-members. Moreover, 3 out of 16 CB groups do not have member shares which renders item 1 irrelevant for them. With these qualifications in mind, it appears that CBs offer 5.5 direct member benefits on average. The variation around this average is wide. At one CB, members seem to come off poorly with only 2 direct member benefits. By contrast, one CB ticked the boxes for all 11 benefits.

Table 2: Direct benefits for members (compared to non-members)

#	Financial benefits	YES	NO
1	Dividend on member shares	69%	31%
2	Higher interest rates on savings	36%	64%
3	Lower interest rates on loans	29%	71%
4	Discount on costs of services (only for members)	71%	29%
5	Cash back (patronage dividend or loyalty program)	29%	71%
Immaterial benefits			
6	Special products and services for members only	79%	21%
7	Activities (e.g., lectures, presentations, music, food and drinks, entertainment, sport)	86%	14%
8	Access to knowledge and information (e.g., targeted – financial – education, regular magazines)	64%	36%
9	Digital benefits (e.g., admission to apps with information or interaction opportunities)	29%	71%
10	Member's pass providing discounts at regional/national businesses	50%	50%
11	Miscellaneous	14%	86%

Note: the table summarises the answers of 16 CB groups. If a member benefit was irrelevant for a particular CB group, its reply was excluded from the calculation. CB groups serving only members were also excluded.



For CBs with member shares, around seventy per cent pay a modest fixed percentage compensation per member share annually. Favourable rates for basic banking products such as savings and loans are not widespread and only offered to members in thirty five and thirty per cent of all cases, respectively. Discounts on service charges for members are more common (71%), while patronage dividends are paid by almost a third of the CBs.

Direct non-financial member benefits come in all shapes and sizes (items 6-11 in Table 2). Four out of five CB groups offer special financial services and products for members only. In addition, almost all groups organise a variety of local activities for their members (86%), e.g., lectures by famous speakers, music activities with food and drinks, entertainment and sports events. A significant portion of CBs assert they give members access to knowledge (networks) and information (65%). At fifty per cent of CBs, members can obtain membership cards that grant discounts at local or national businesses.

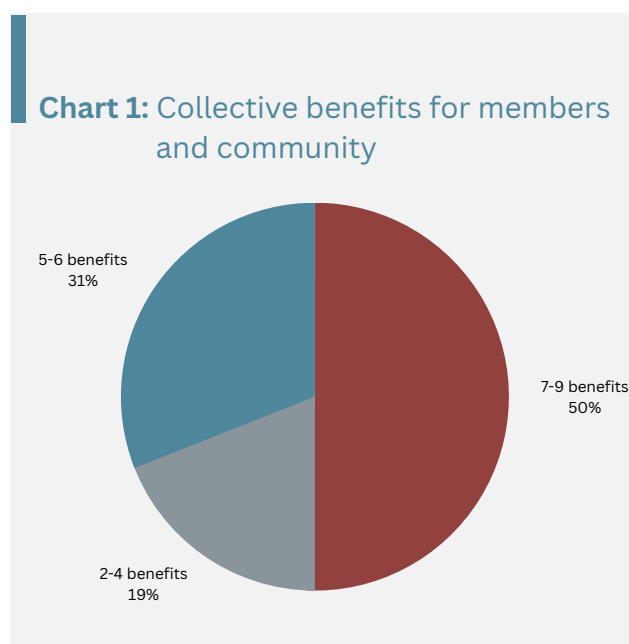
The indirect member benefits of CB groups mainly pertain to the rights and responsibilities of members in the formal governance. Members have decided to build up the bulk of the equity of CBs via retained earnings and are therefore entitled to act as owners. This implies that they have voting rights and a say in the governance of all CBs. This governance feature can be deemed an advantage of CBs since customers of listed banks do not have a statutory role.

At three-quarters of CBs, active members on governance bodies receive specific information on the local economy, and on cooperative and financial developments of their CBs.

Indirect member benefits can also comprise the annual appropriation of a modest portion of net surpluses (mostly labelled as 'cooperative funds') by member delegates in local communities. Members have this determination right in 50 per cent of CBs.

Collective benefits for members' community

The survey distinguishes nine categories of collective benefits for members' communities. Chart 1 shows the distribution of all CBs by these identified collective benefits. Half of the CBs plausibly deliver 7 to 9 of these benefits.





It turns out that all CBs undertake activities to ameliorate members' living environment. This exemplifies the long-standing importance of proximity and locality as well as CBs' broader social orientation other than just satisfying the banking needs and other interests of member-customers. These actions are targeted towards different client segments with positive spin-offs to members' communities by enhancing social cohesion. Almost all CBs donate to local charities, sponsor local sport and cultural clubs, engage in various environmental initiatives, advise and collaborate with local governments or NGOs on a wide range of issues (e.g., improving the local environment, stimulating the local economy, addressing depopulation, promoting affordable housing).

Furthermore, seventy five per cent of the CBs maintain a social network for local businesses. These networks facilitate mutual knowledge sharing or joining efforts towards local authorities. Finally, almost seventy per cent of CBs have policies in place to prioritise the purchase of products and services from local vendors to support local economies.

Benefits for society at large from a group perspective

The fourth category of cooperative benefits refers to the (inter)national level. The overarching ambition to contribute to tackling (inter)national issues is primarily motivated from a strategic standpoint to spotlight the cooperative character and/or original roots as well as to differentiate themselves from other financial players. The central level of CB

groups generally formulates these common themes. All CB groups appear to pursue one or more cooperative benefits for society at large. Around seventy per cent of CBs claim with substantiation that they are drivers or forerunners in public debates on socio-economic or environmental issues with a national dimension. Included under this heading are, for example, issues such as promoting affordable housing, providing financial education, contributing to the food and energy transition. In addition, more than half of the CB groups support new or existing cooperative firms in emerging sectors (energy, health care and housing) or developing countries (via Foundations). Most CBs take their responsibility in alleviating distress in case of (inter)national emergencies (90%). Social or financial aid are provided in case of natural disasters (e.g., floodings, bush fires, and earth quakes) or to mitigate the impact of international calamities (e.g., supporting refugees, food aid).

Concluding remarks

All CB groups deliver a range of benefits specific to their cooperative nature and roots, though the number and scope of these benefits differ from CB to CB. This means that some advantages can hardly be copied or imitated by other banks. Cooperative benefits are thus of great importance for market positioning and in competition. In particular, the social capital embedded in the member-based governance and – local – networks is a strong but not always recognised distinctive asset that CBs should treasure and bolster.



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