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PRESS RELEASE

AN IMF WORKING DOCUMENT¹ FINDS THAT COOPERATIVE BANKS ARE MORE STABLE THAN COMMERCIAL BANKS

Cooperative banks are an important, and growing, part of many financial systems. An IMF working document empirically analyzes the role of cooperative banks in financial stability. Contrary to some suggestions in the literature, the document finds that cooperative banks are more stable than commercial banks. This finding is due to the lower volatility of the cooperative banks' returns, which more than offsets their lower profitability and capitalization. This is most likely due to cooperative banks' ability to use customer surplus as a cushion in weaker periods. The EACB² Chairman Dr Ch. Pleister considers these findings as an important contribution in the debate about the consolidation of the European banking industry.

Moreover, regarding competition, Dr Ch. Pleister reminds that “Co-operative banks run their business in a market oriented way without any administrative privilege”. The possibility of offering products at preferential prices is closely linked to our capital structure. Capital is held by member-customers – which allows for reductions in costs and an efficient *business model*. The primary mission of co-operatives is to maximize customer value. For this reason, co-operative banks stimulate efficiency and competition in the banking sector. It is thereby rendered more competitive, which is a positive contribution.

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¹ IMF working document : **Cooperative Banks and Financial Stability**; Hesse, Heiko | Cihák, Martin; January 2007

² The EACB is one of the main trade associations in the financial sector at the European level voicing the interests of 4.500 co-operative banks in Europe, 60 million members and 140 million customers.