



Cooperative Banking and Regional and Local Development: the Portuguese case

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1. Background

- Cooperative banking has its idiosyncrasies and is different from the rest of the banking sector...
- There appears to be evidence of a positive relationship between the degree of development, territorial density of the banking network, and the availability of financial services in a region or country...
- Besides, the presence of cooperative banking seems to have a more decisive contribution to regional development than traditional commercial banking...
- There are several studies that point in this direction, based on the reality of several European countries, including in southern Europe...

1. Background

- But there is still much to reveal about the Portuguese reality:
 - What is the history?
 - How did it get out of the last financial crisis?
 - What is the impact on regional and local development?

2. Data/approach

- **Secondary**
 - mainly on banking indicators, both at Portuguese and European level
 - mainly general information about cooperative banking in Europe and more detailed information about the Portuguese reality, including a brief historical review.
- **Primary**
 - Exploratory interviews with internal stakeholders (to structure the survey and for the final validation of the questionnaire)
 - Interviews with internal and external stakeholders
 - Surveys were made available in digital format (7,397 valid responses), via e-mail, and on paper (3,524 valid responses), through CA Group's branches.

3. Cooperative Banking Model

- The model proposed by the European Association of Cooperative Banks (EACB), allows us to envisage several differences between the cooperative banking and the rest of the banking sector



4. Cooperative Banking in Portugal

4.1. 3 milestones

- 1576 - Creation of “Celeiros Agrícolas” (agricultural barns), in the reign of King D. Sebastião
- ...
- 1911 - Legal framework of the “Caixas de Crédito Agrícola Mútuo”, or CCAM (Mutual Agricultural Credit Institutions), the year after the establishment of the Republic
- ...
- 1991 - Legal Framework of the “Sistema Integrado do Crédito Agrícola Mútuo”, or SICAM (Integrated System of Mutual Agricultural Credit)

4. Cooperative Banking in Portugal

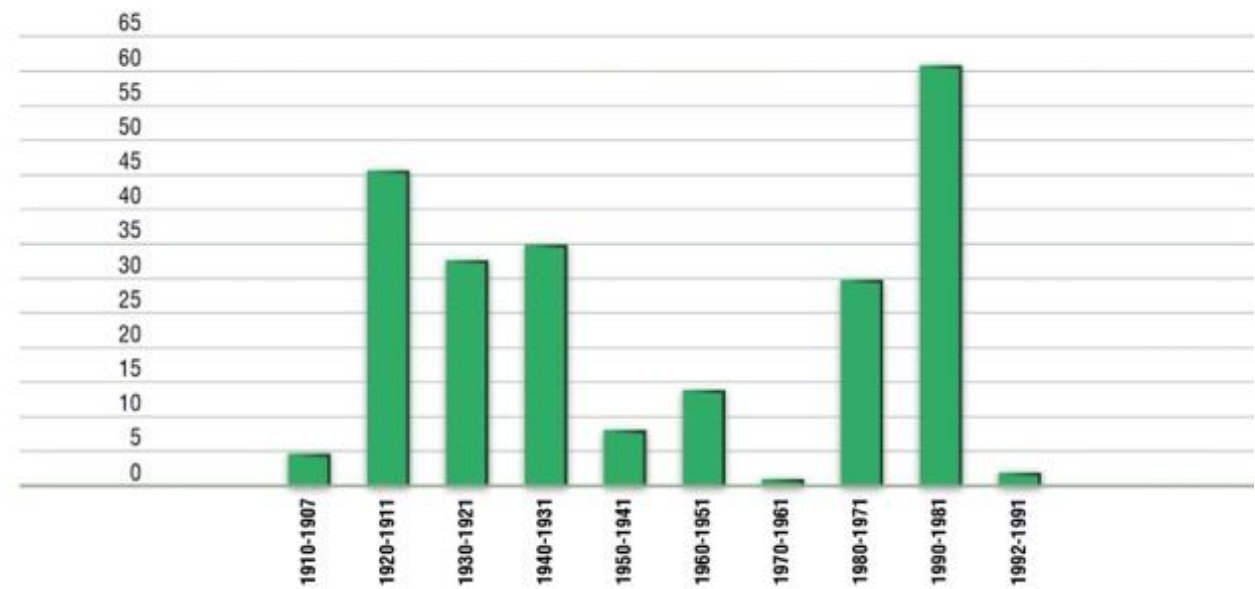
4.2. 4 phases in the modern history

Designation	Period
Creation and expansion	1907 to 1940
Stabilisation and retraction	1941 to 1970
Rebirth and growth	1971 to 1992
Consolidation and integration	Since 1993

4. Cooperative Banking in Portugal

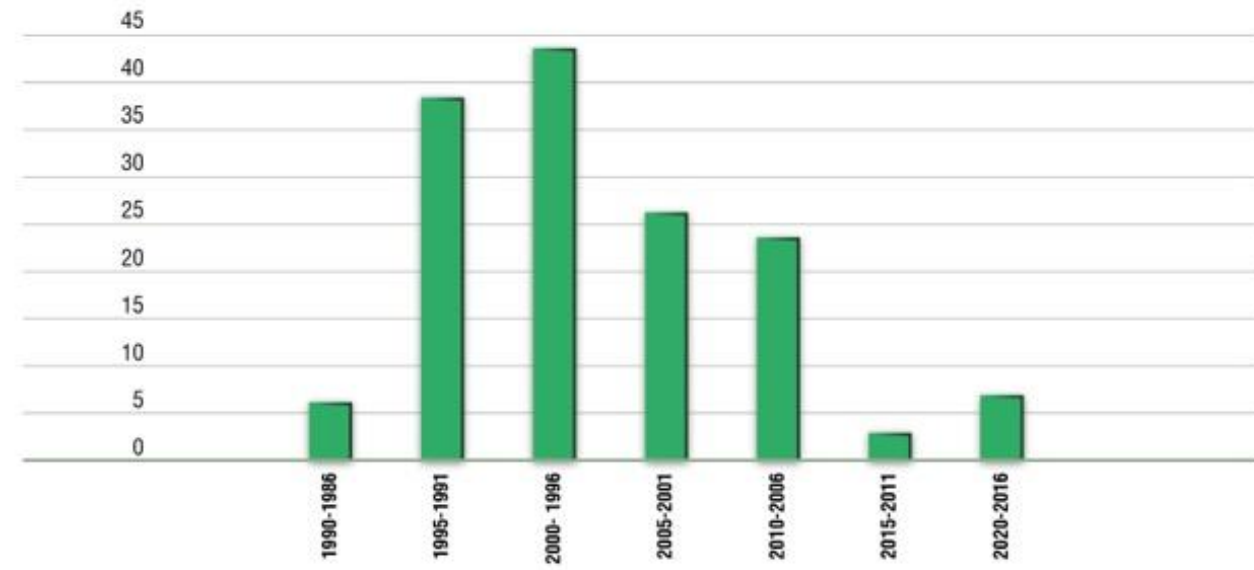
4.3. Creation/Disappearance of CCAM in recent years

Creation of CCAM by decade: 20th century



Source: based on André and Garcia (2011)

Five-Year disappearance of CCAM: 1986-2020



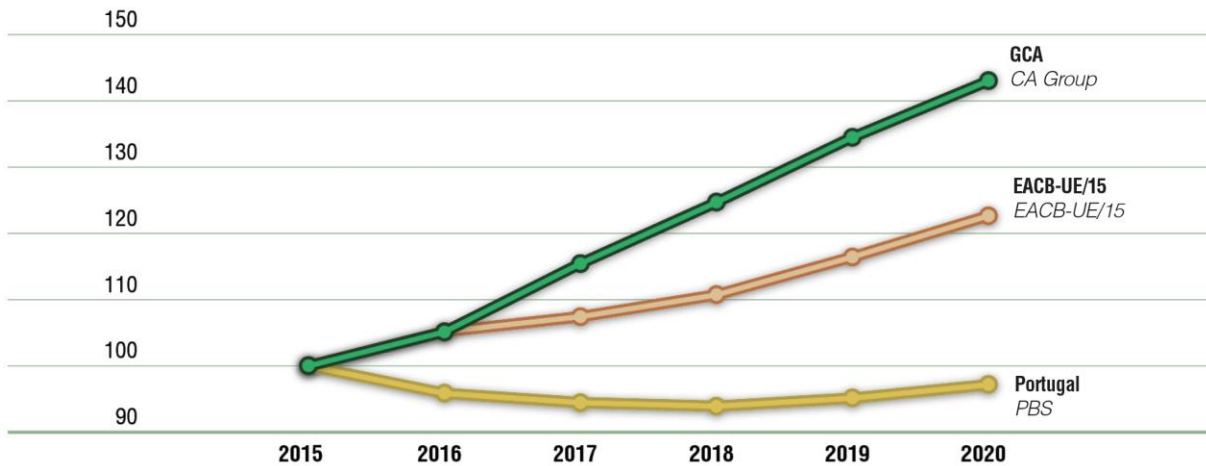
Source: André and Garcia (2011), BdP and CA Group Reports and Accounts

4. Cooperative Banking in Portugal

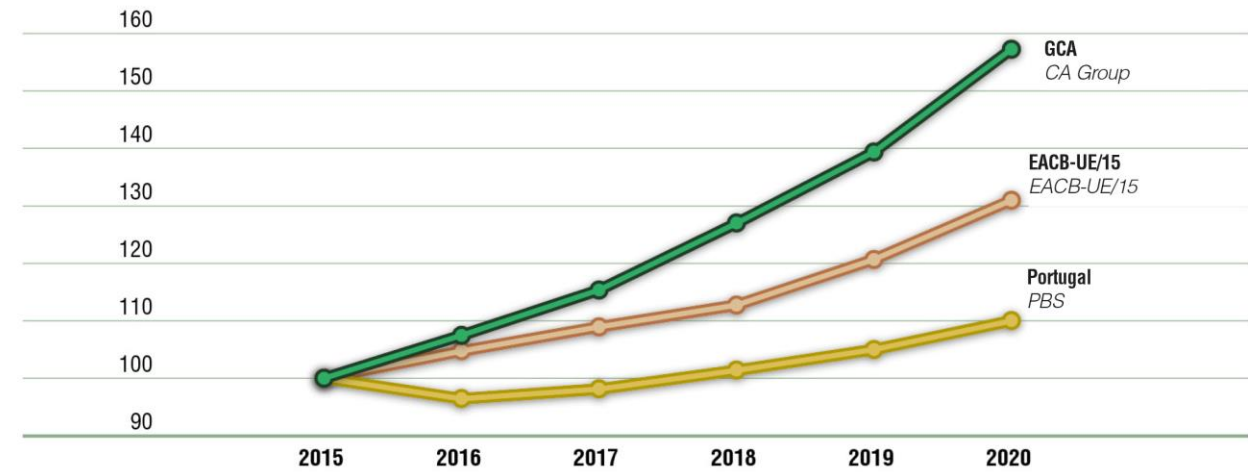
4.4. Relative Performance

CA Group, European Cooperative Banking and Portuguese Banking

Credit Index: 2015-20



Deposit Index: 2015-20

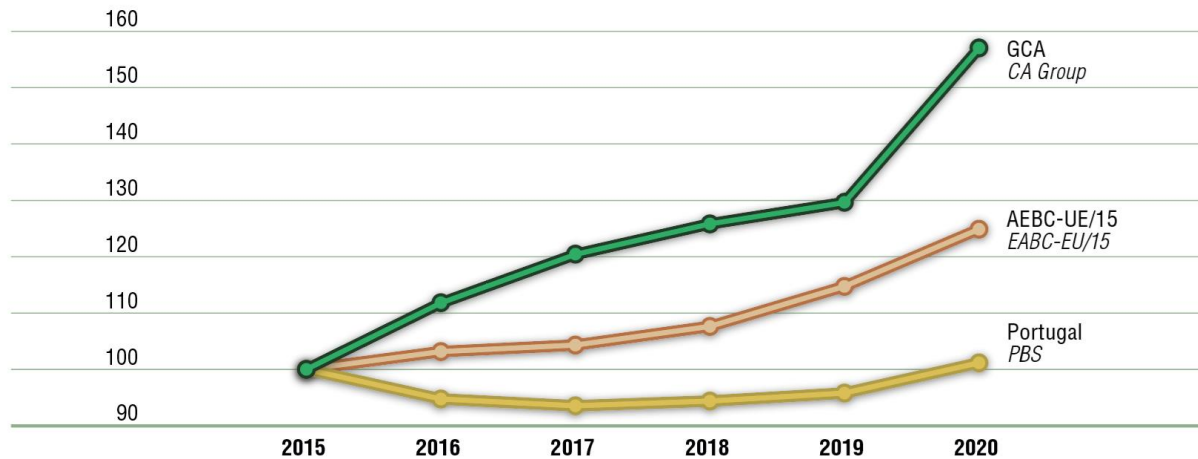


4. Cooperative Banking in Portugal

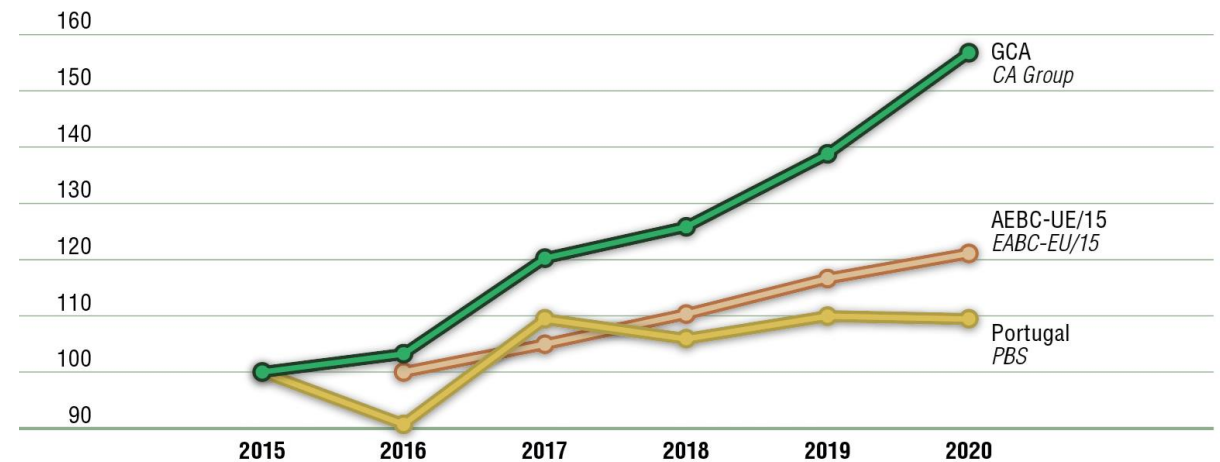
4.4. Relative Performance

CA Group, European Cooperative Banking and Portuguese Banking

Total Net Assets Index: 2015-20



Equity Ratio Index: 2015-20

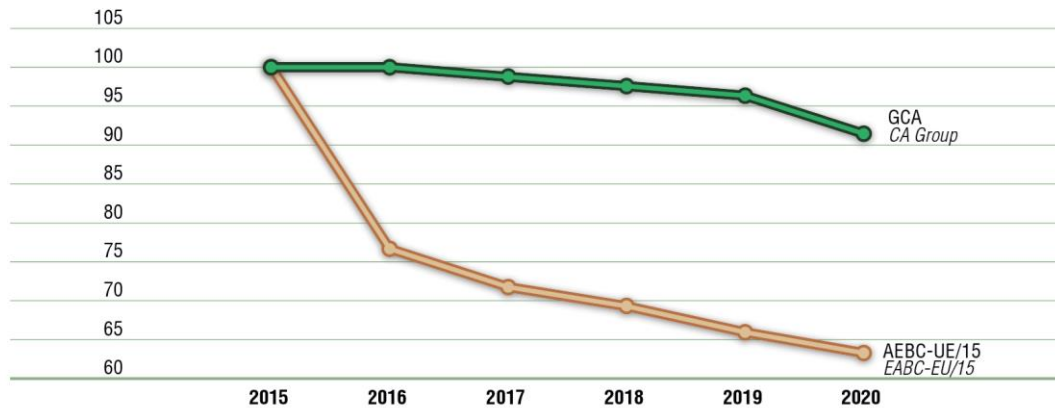


4. Cooperative Banking in Portugal

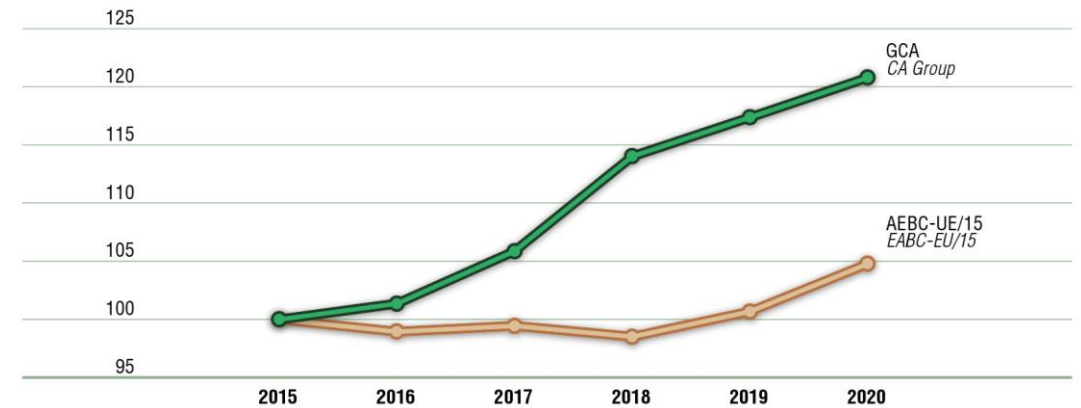
4.4. Relative Performance

CA Group and European Cooperative Banking

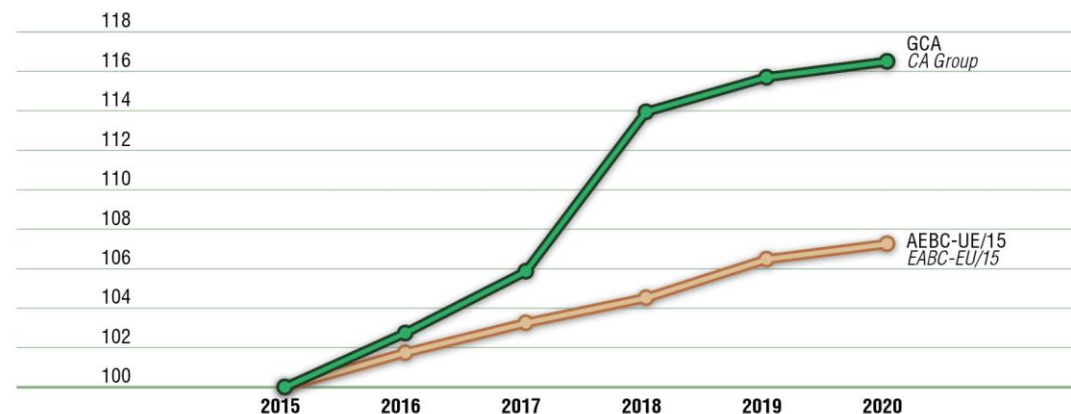
Index of the number of entities: 2015-20



Number of customers index: 2015-20



Membership Index: 2015-20

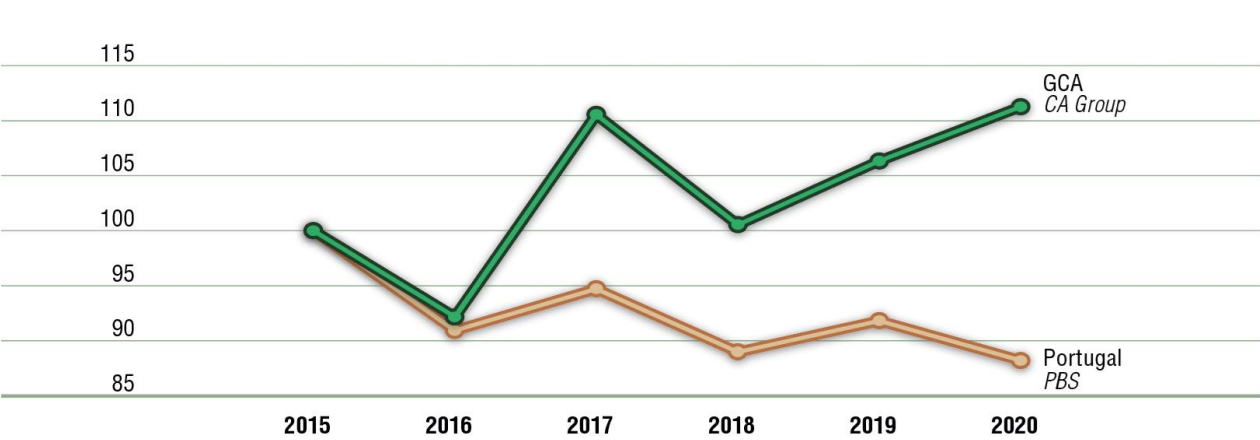


4. Cooperative Banking in Portugal

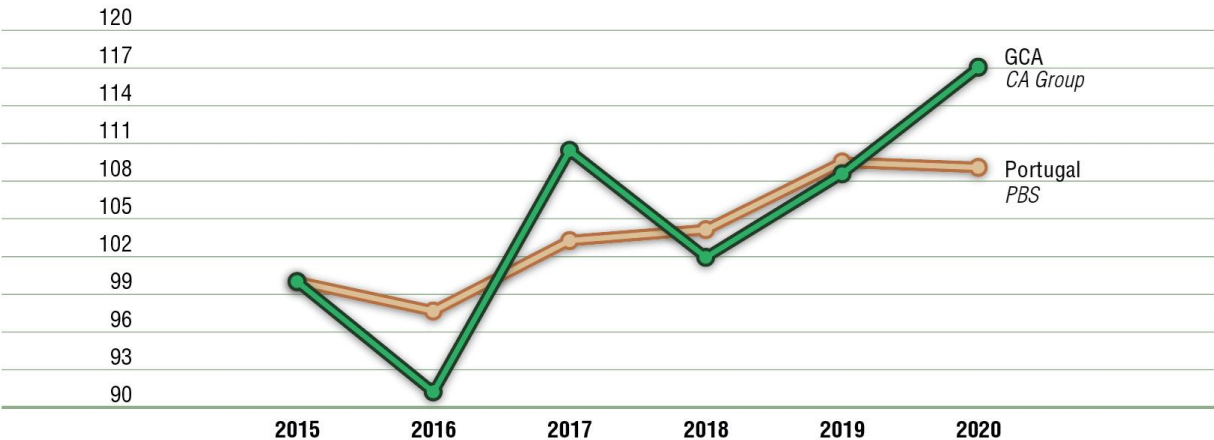
4.4. Relative Performance

CA Group and Portuguese Banking

Index of Banking Income per Employee: 2015-20



Index of Banking Income per Branch: 2015-20

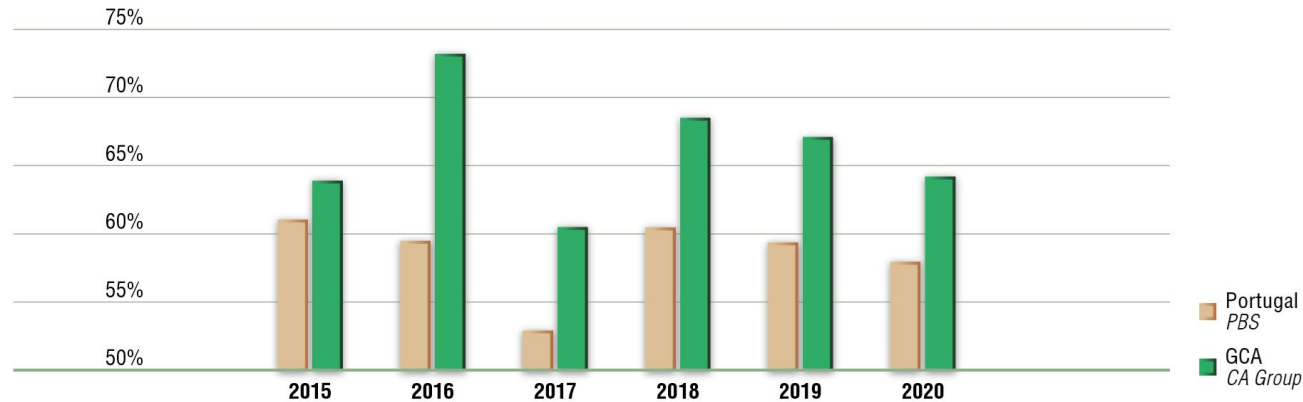


4. Cooperative Banking in Portugal

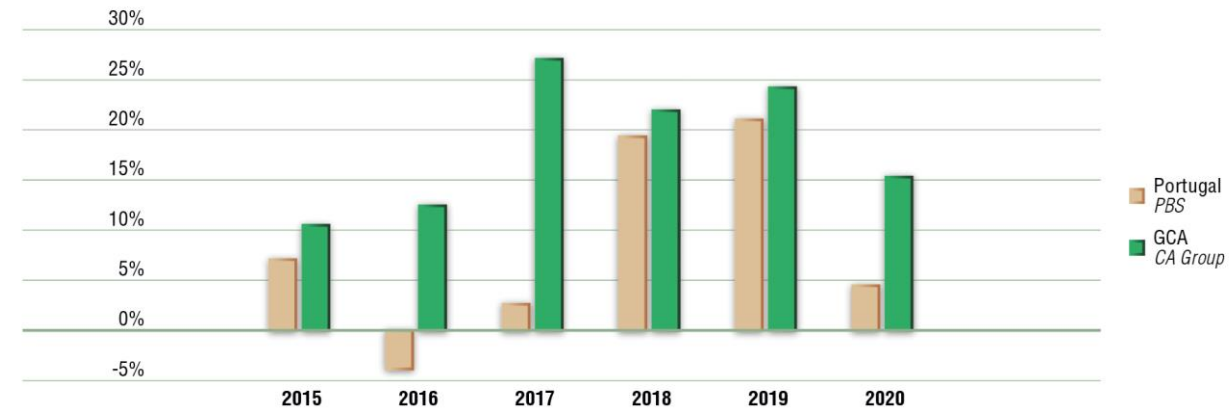
4.4. Relative Performance

CA Group and Portuguese Banking

Cost-to-income Ratio: 2015-20



Net Income / Banking Income: 2015-20

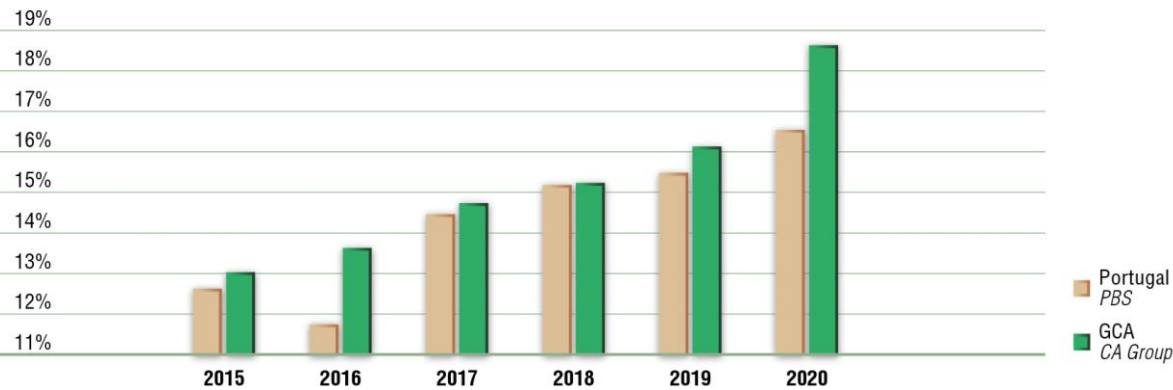


4. Cooperative Banking in Portugal

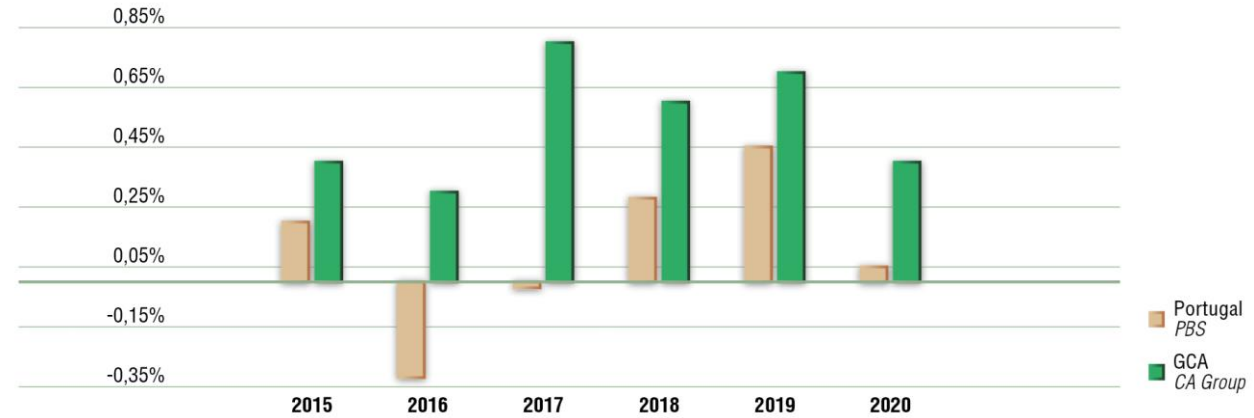
4.4. Relative Performance

CA Group and Portuguese Banking

Solvency Ratio (Tier 1): 2015-20









































Return on Equity (ROE): 2015-20



4. Cooperative Banking in Portugal

4.4. Relative Performance (2015-20)

	PBS	CAG	ECB
Credit Index			
Deposit Index			
Total Net Assets Index			
Equity Ratio Index			
Number of Entities Index			
Number of Customers Index			
Membership Index			
Banking Income Index			
Net Income Index			
Banking Income per Employee Index			
Banking Income per Branch Index			
Operating Costs/ Banking Income			
Net Income / Banking Income			
Return on Equity (ROE)			
Return on Assets (ROA)			
Solvency Ratio (tier 1)			
Complaints per 100,000 deposit accounts			

5. CA Group's Impact on Regional and Local Development

5-1. Territorial Distribution of the Banking Network and Regional and Local Development

- **General Indicators**

In this first level of analysis, three main aspects should be addressed: i) the network size; ii) the structural similarity evident in the territorial distribution of this network; iii) the degree of concentration of the branch network.

i) the network size

- There are 3,440 branches in Portugal.
- Of these, 628 belong to CA Group (18.3% of the total, more than double the respective market share, whatever the indicator), making it, by far, the largest national banking network.
- The second and third largest banks, also the two with the highest market shares, fall short of 500 branches - 495 in the case of CGD and 456 in the case of BCP. Next, with 337 and 325 branches, respectively, come BST and BPI.
- These numbers are, in themselves, expressive and reveal the importance of CA Group's banking presence in Portugal.

5. CA Group's Impact on Regional and Local Development

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- **General Indicators**

- ii) the structural similarity evident in the territorial distribution of this network

- But a more precise analysis of the role in RLD requires looking not only at the aggregate size of the number of branches but also, and fundamentally, at their territorial distribution.

Structural similarity of banking networks - Krugman index, by municipality

	B. CTT	BCP	BIC	BPI	BST	CEMG	CGD	NB	GCA CA Group
B. CTT	-	0,2646	0,3021	0,2977	0,3056	0,2880	0,3856	0,2789	0,5931
BCP	0,2646	-	0,3271	0,2546	0,2496	0,2636	0,2335	0,2274	0,5010
BIC	0,3021	0,3271	-	0,3501	0,3617	0,3117	0,4235	0,3169	0,5378
BPI	0,2977	0,2546	0,3501	-	0,2345	0,2755	0,2975	0,2183	0,5061
BST	0,3056	0,2496	0,3617	0,2345	-	0,2614	0,2709	0,2255	0,4907
CEMG	0,2880	0,2636	0,3117	0,2755	0,2614	-	0,3492	0,2560	0,5515
CGD	0,3856	0,2335	0,4235	0,2975	0,2709	0,3492	-	0,2868	0,3792
NB	0,2789	0,2274	0,3169	0,2183	0,2255	0,2560	0,2868	-	0,5114
GCA CA Group	0,5931	0,5010	0,5378	0,5061	0,4907	0,5515	0,3792	0,5114	-

5. CA Group's Impact on Regional and Local Development

5-1. Territorial Distribution of the Banking Network and Regional and Local Development

- **General Indicators**

- iii) the degree of concentration of the branch network

- A final element of appreciation at this general level has to do with the degree of spatial concentration of the banking network of the various banks.

Degree of concentration of the territorial distribution of the banking network

Bancos <i>Banks</i>	C25 <i>C25</i>	C50 <i>C50</i>	C100 <i>C100</i>	IHH <i>HHI</i>
B. CTT	60,10%	73,40%	98,03%	380,74
BCP	50,66%	67,11%	82,89%	262,87
BIC	45,75%	62,09%	94,77%	170,45
BPI	51,38%	67,38%	82,77%	243,41
BST	47,18%	63,20%	78,34%	213,35
CEMG	51,53%	69,47%	88,55%	197,82
CGD	40,20%	51,52%	64,04%	178,06
NB	49,83%	65,89%	82,61%	246,19
Outros <i>Others</i>	84,40%	95,39%	100,0%	1.199,89
GCA CA Group	24,36%	40,29%	62,10%	55,53

Cn - Discrete concentration indicator

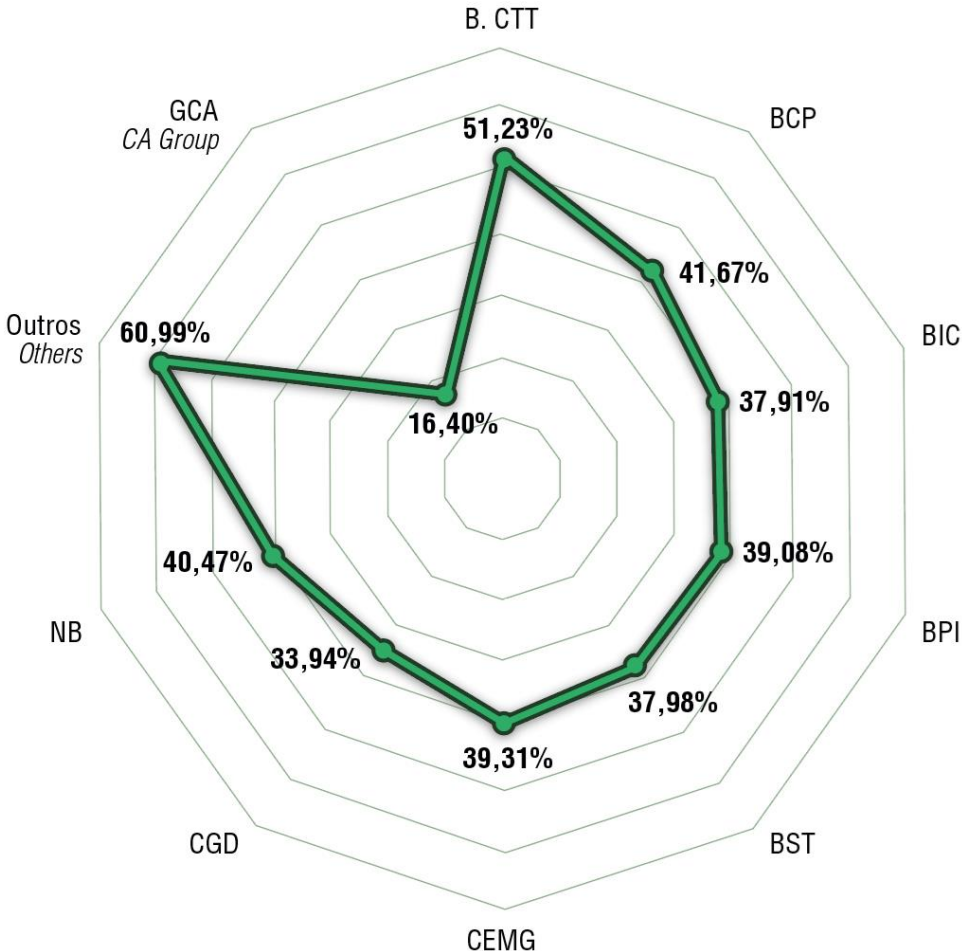
HHI - Herfindahl-Hirschman index

5. CA Group's Impact on Regional and Local Development

5-1. Territorial Distribution of the Banking Network and Regional and Local Development

- Indicators per territorial unit

Distribution of the banking network (weight of Lisboa and Porto districts)

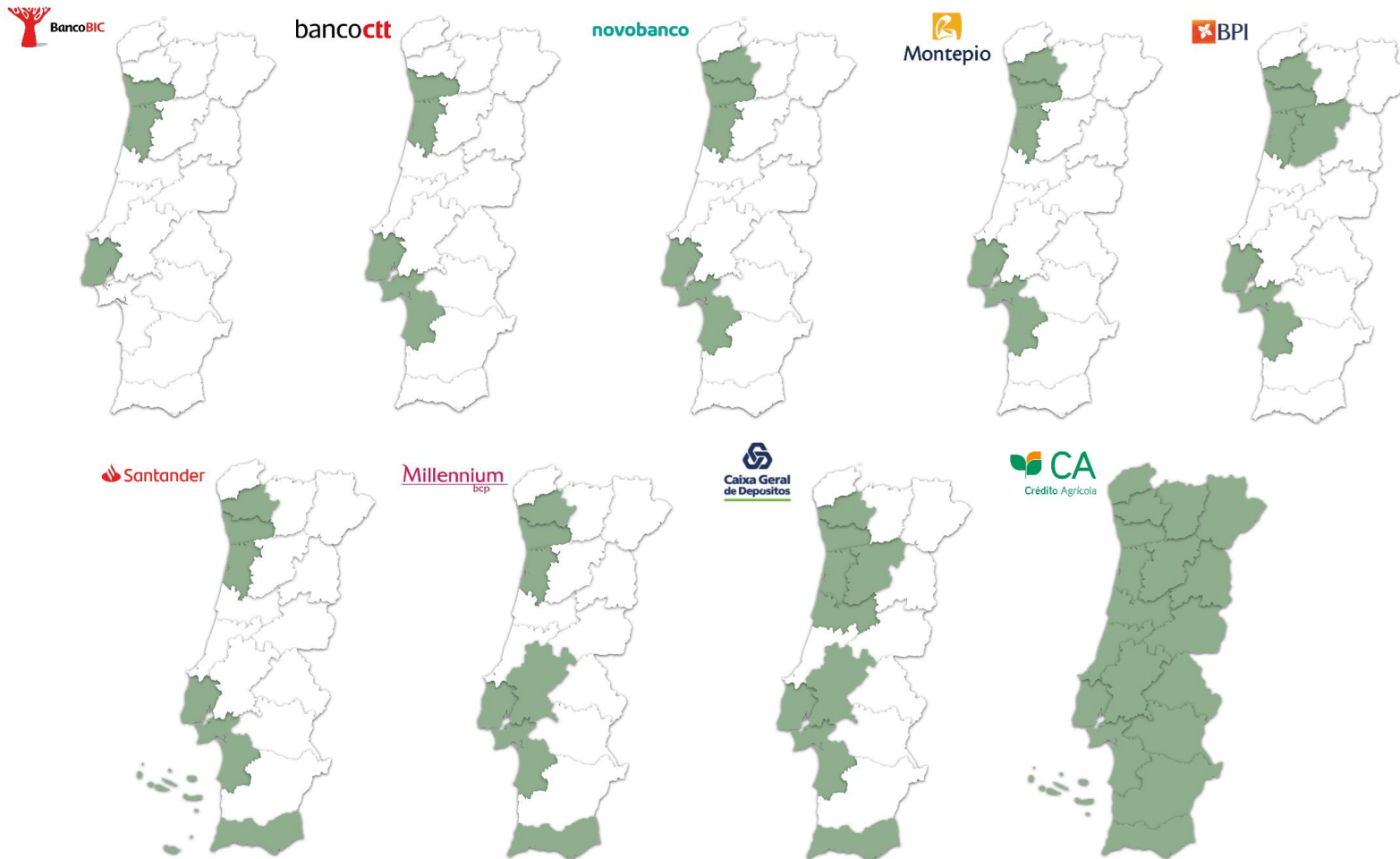


5. CA Group's Impact on Regional and Local Development

5-1. Territorial Distribution of the Banking Network and Regional and Local Development

- Indicators per territorial unit

Banking network by bank - districts with more than 15 branches



5. CA Group's Impact on Regional and Local Development

5-1. Territorial Distribution of the Banking Network and Regional and Local Development

- Correlation with socioeconomic variables

Correlations with branches (purchasing power and population density) - municipalities

	B. CTT	BCP BC	BIC	BPI	BST	CEMG	CGD	NB	Outros Others	GCA CA
Poder de compra <i>Purchasing power</i>	0,9578	0,9584	0,8700	0,9287	0,9464	0,9397	0,9513	0,9465	0,8552	0,2690
Densidade populacional <i>Population density</i>	0,6456	0,6111	0,5834	0,5943	0,5881	0,6125	0,6109	0,6231	0,5291	0,0632

5. CA Group's Impact on Regional and Local Development

5-2. CA Group's Social Responsibility

Donations from the seven largest banks: 2020

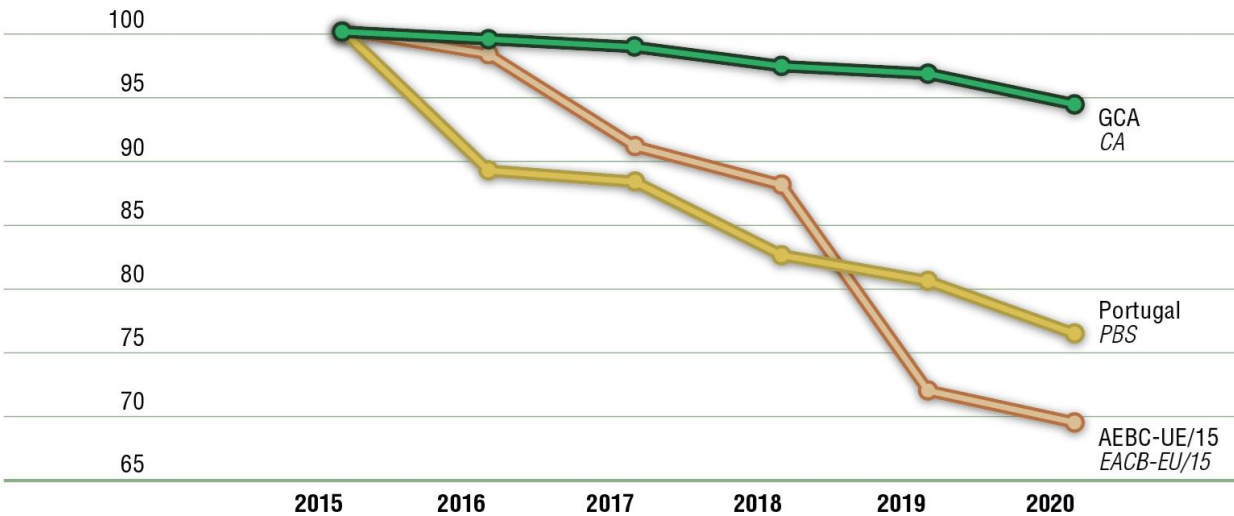
	Capital Próprio <i>Equity</i>			Ativo Líquido <i>Net Assets</i>			Donativos* <i>Donations*</i>
	€10^6	cf. GCA <i>cf. CA Group</i>	Rank	€10^6	cf. GCA <i>cf. CA Group</i>	Rank	€10^6
Banco A <i>Bank A</i>	8 646	4,6	1	91 284	4,0	1	2,0
Banco B <i>Bank B</i>	7 353	3,9	2	85 804	3,8	2	2,0
Banco C <i>Bank C</i>	4 720	2,5	3	54 631	2,4	3	2,0
Banco D <i>Bank D</i>	3 256	1,7	4	37 786	1,7	5	0,9
Banco E <i>Bank E</i>	3 141	1,7	5	44 718	2,0	4	0,5
GCA <i>CA Group</i>	1 885	1,0	6	22 841	1,0	6	2,0
Banco F <i>Bank F</i>	1 327	0,7	7	17 941	0,8	7	n.d. <i>n.a.</i>

* Only Portugal, no Higher Education
Source: Annual Reports and Accounts or Sustainability Reports

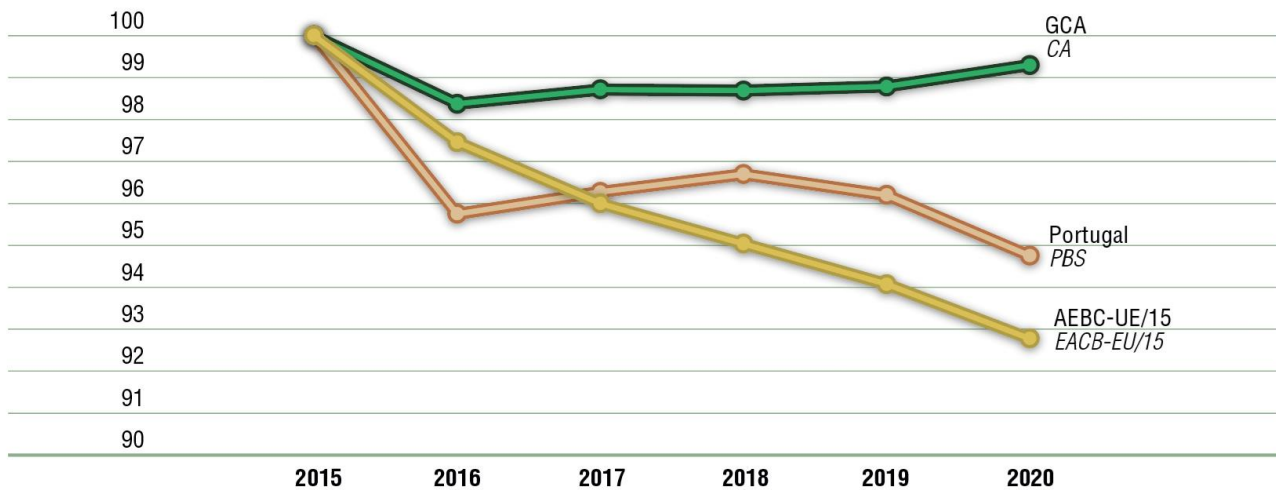
5. CA Group's Impact on Regional and Local Development

5-2. CA Group's Social Responsibility

Index of the number of branches: 2015-20



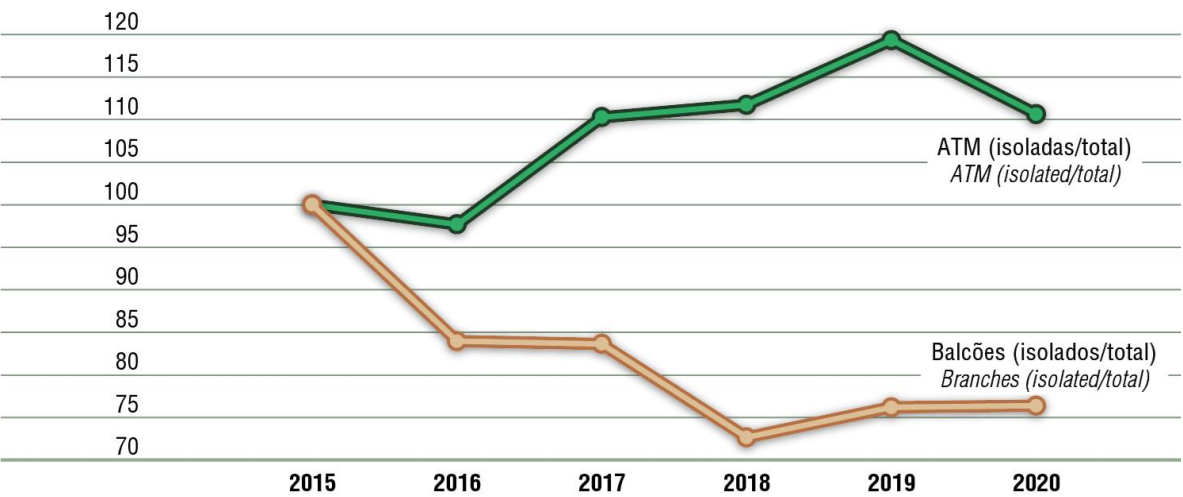
Index of the number of employees: 2015-20



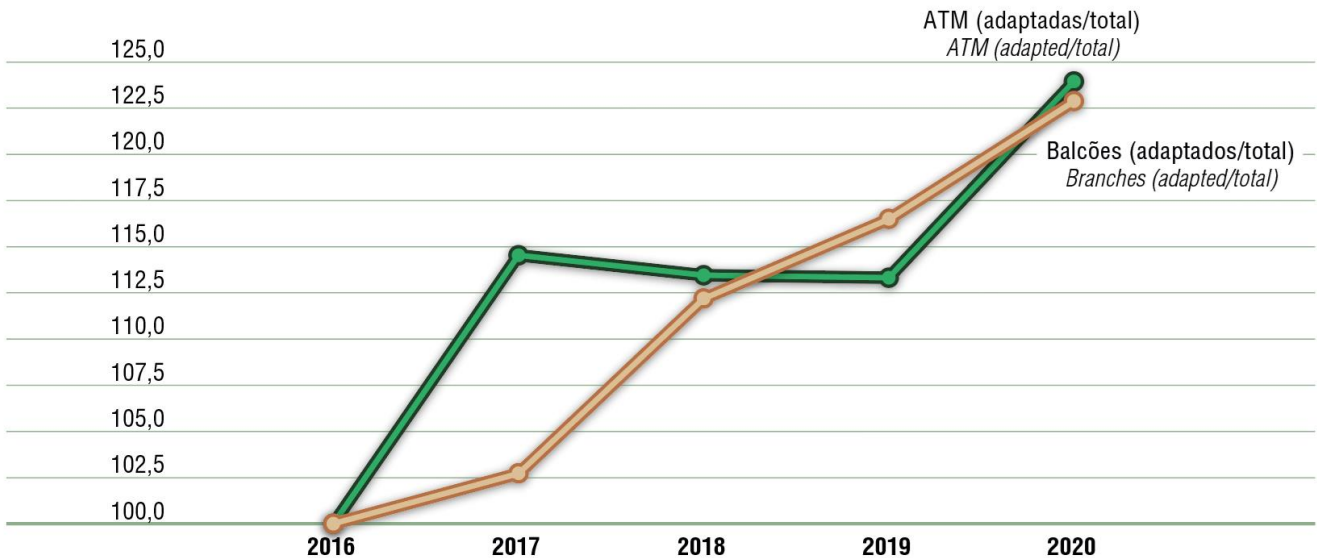
5. CA Group's Impact on Regional and Local Development

5-2. CA Group's Social Responsibility

Index of isolated ATMs and isolated branches



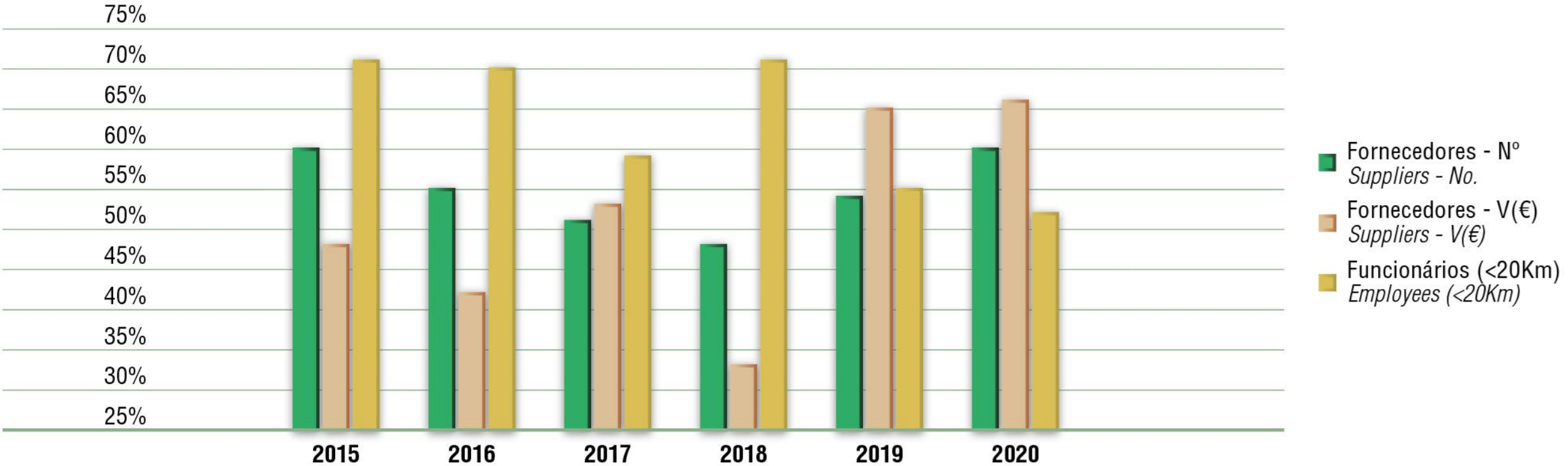
Index of adapted ATMs and adapted branches



5. CA Group's Impact on Regional and Local Development

5-2. CA Group's Social Responsibility

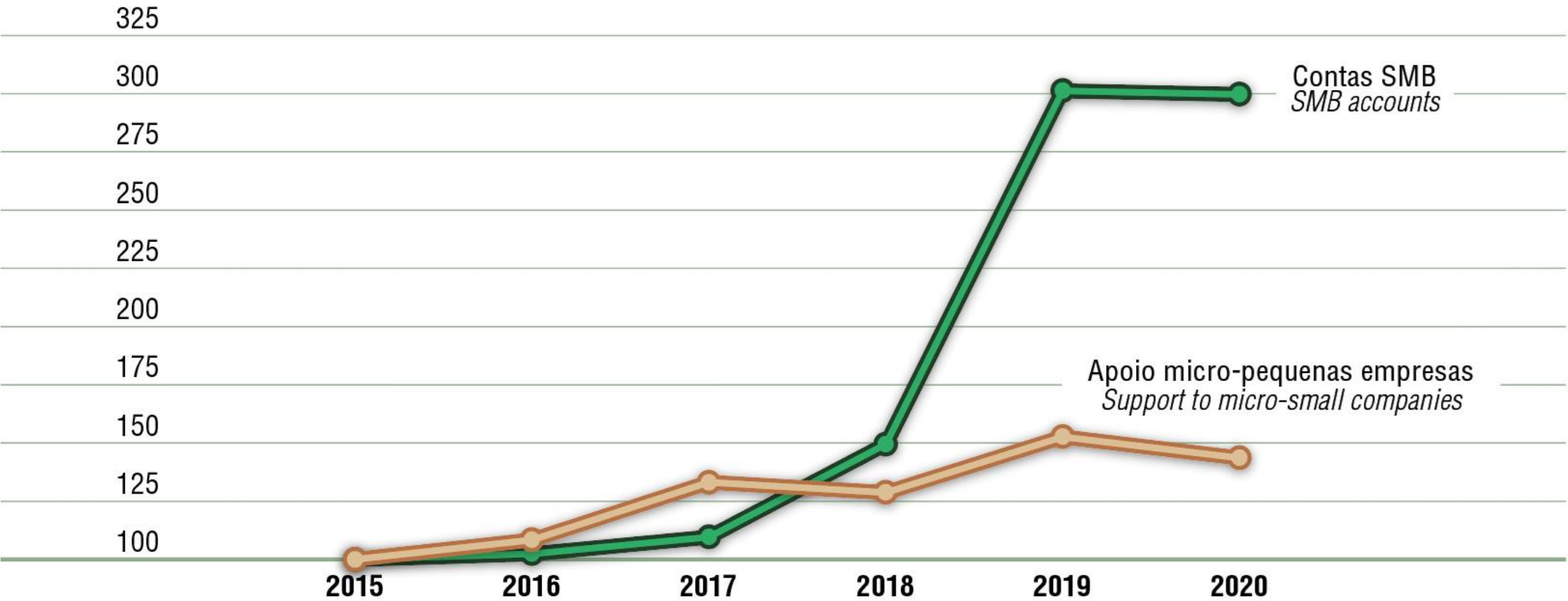
Local procurement and recruitment



5. CA Group's Impact on Regional and Local Development

5-2. CA Group's Social Responsibility

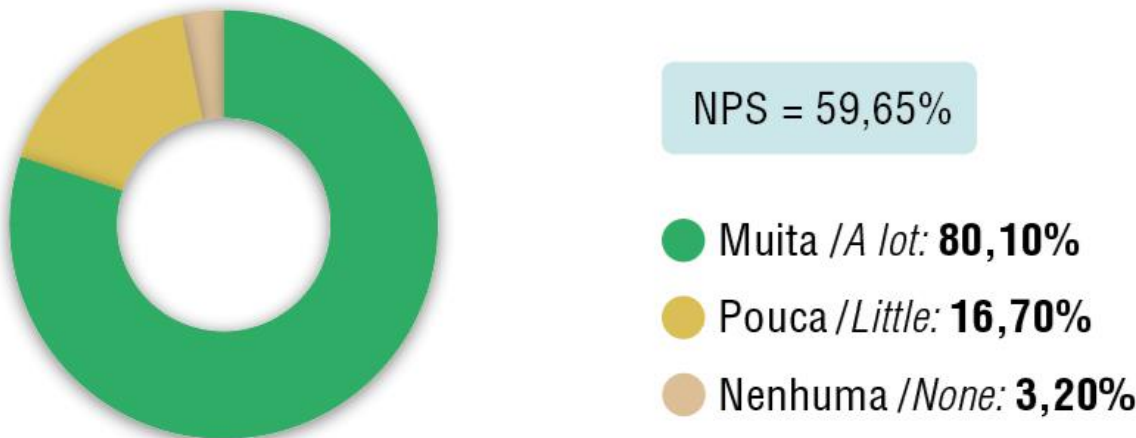
SMB account index and micro-small business financing



5. CA Group's Impact on Regional and Local Development

5-2. The Importance of the CA Group in Regional and Local Development (customers view)

Evaluation of the impact of CA Group on
Regional and Local Development



Net Promoter Score - reading grid

Valor Value	Interpretação Interpretation
75 a 100 75 to 100	Excelente Excellent
50 a 74 50 to 74	Muito Bom Very Good
0 a 49 0 to 49	Razoável Fair
(- 100) a (-1) (- 100) to (-1)	Mau Bad

5. CA Group's Impact on Regional and Local Development

5-2. The Importance of the CA Group in Regional and Local Development (customers view)

Reasons - CA Group's high importance to Regional and Local Development



5. CA Group's Impact on Regional and Local Development

5-2. The Importance of the CA Group in Regional and Local Development (customers view)

Most important bank for Regional and Local Development



Crédito Agrícola

78,74%

Banco 2
Bank 2
10,56%

Banco 3
Bank 3

Banco 4
Bank 4

Banco 5
Bank 5

Banco 6
Bank 6

Banco 7
Bank 7

5. CA Group's Impact on Regional and Local Development

5-2. The Importance of the CA Group in Regional and Local Development (customers view)

Absolute and relative evaluation of CA Group's impact on Regional and Local Development

		Avaliação relativa Relative evaluation	
		Outros bancos Other banks	Crédito Agrícola Crédito Agrícola
Avaliação absoluta Absolute evaluation	Nenhuma None	2,19%	0,97%
	Pouca Little	7,78%	8,92%
	Muita A lot	11,30%	68,84%

6. Main Conclusions

- Performance

The CA Group compares favorably with European Cooperative Banking and the rest of Portuguese Banking Sector.

- Regional and Local Development

The CA Group's contribution to Regional and Local Development is significant and multidimensional.

- Portuguese context

The CA Group not only weathered the financial crisis better than the rest of the Portuguese banking sector...

... but also continued to play a central role in providing banking services where other banks withdrew, including the state-owned and biggest bank in Portugal.

Thank you for your attention

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