Pressemitteilung

Cooperative banks deliver strong operating performance in 2022 / impairment losses only temporary and well manageable thanks to strong capital base

Frankfurt, March 7, 2023 – The 737 German cooperative banks demonstrated the strength of their operating business once again in 2022. Net interest income rose by 8.2 percent, net fee and commission income by 2.1 percent. Operating income was up by 12.5 percent to €8.1 billion. Temporary impairment losses on securities investments and an increase in loss allowances for loans and advances resulted in a manageable net loss of €4.5 billion in gains and losses on valuation.

“We can look back on 2022 as a challenging year in which the cooperative banks once again did exceptionally well in the customer business. We are experiencing further demand from our customers and members, and this is reflected in the figures for operating earnings,” said Marija Kolak, President of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks]. At the end of the year, the institutions registered temporary fair value losses on securities investments as a result of the abrupt turnaround in interest-rate policy. But as Kolak explains: “We will be able to manage these effects quite comfortably because we have been very profitable in recent years and have continued to build up capital reserves. Over the coming years, the institutions are likely to benefit from reversals of impairment losses on securities.”

The BVR President believes that the international competitiveness of German industry is in jeopardy. “Germany needs to pick up more

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momentum overall," said Kolak. "We now need to see the enhanced depreciation specified in the coalition agreement and tax incentives for companies that are willing to invest."

Kolak believes that the local cooperative banks are able and willing to play a significant role in creating sustainable forms of employment in the regions and a climate-friendly economy, but they need a stable environment in which to operate: "Policymakers and banking regulators have to make sure that banks' ability to lend and businesses are not overwhelmed by the ever-rising costs of regulation or excessive red tape." The BVR President was particularly critical of the EU's proposed supply chain legislation: "The objective of ensuring compliance with sustainability targets and observance of human rights along the supply chain will only be achieved if it is practical for banks and their mid-sized business customers to implement the directive. There should also be an assumption of conformity, at least for products and services that are purchased within the European Union."

Breakdown of business performance in 2022

The customer business proved robust in 2022 with growth in the lending and deposit-taking businesses. The decline in financing inquiries as the year progressed had only a modest impact on the upward trajectory of lending for 2022 as a whole. Overall, lending was up by 6.5 percent to €757 billion; the market share remained more or less unchanged, at 17.8 percent. Loans to retail customers grew by 5 percent to €358 billion. The volume of lending to corporate banking customers (including other customers) increased by 7.9 percent to €399 billion. Deposits from customers went up by 3.4 percent to €861 billion.

The cooperative banks added 270,000 new cooperative members in 2022. The overall number of members fell by 231,000 to 17.95 million in the same period due largely to demography-related losses. Attracting new members remains a top priority.

The cooperative banks' net interest income rose by 8.2 percent to €17.7 billion in the year under review. Net fee and commission income was up by 2.1 percent to €6.3 billion. General and administrative expenses climbed by 3.7 percent to €15.8 billion. Operating income grew by 12.5 percent to €8.1 billion. The cost/income ratio improved from 67.8 percent to 66.0 percent. Operating profit before gains and losses on valuation amounted to €9.1 billion, a year-on-year increase of 15 percent.

At the end of 2022, the abrupt turnaround in interest-rate policy resulted in temporary impairment losses on securities amounting to €5.8 billion, which will be reversed in subsequent years in accordance with the maturities. In the credit business, the institutions recorded moderate depreciation/amortization and impairment losses amounting to €581 million. Taking into account the change in the allowance for general banking risks, this resulted in an overall net loss of €4.5 billion in gains and losses on valuation. Profit before taxes came to a healthy €4.4 billion. A sum of €930 million is scheduled to be transferred to the fund for general banking risks in order to strengthen the already solid level of capital adequacy. After taxes, net income for the year therefore stood at €2.2 billion.

Despite the challenging environment, the cooperative banks managed to once again improve their solid levels of capital and liquidity adequacy last year. Equity rose by an impressive 5.2 percent to €62 billion. Reserves increased by 3.3 percent to €45.8 billion. In order to further strengthen the equity base, the institutions issued additional shares to members. Paid-up shares in cooperatives (subscribed capital) grew by 10.7 percent to €16.5 billion as a result. Regulatory own funds in accordance with CRR climbed to €107.3 billion. Tier 1 capital increased to €99.3 billion. The Tier 1 capital ratio edged up to a still comfortable 15.3 percent as a result of the sharp rise in capital. The total capital ratio in accordance with CRR was 16.5 percent at the end of 2022, which was considerably higher than the regulatory requirement.

The cooperative banks' combined total assets grew by 2.7 percent year on year to reach €1,175 billion. The average total assets per institution stood at just over €1.6 billion at the end of 2022. ■