

This dissertation consists of four essays dealing with the financial performance of European cooperative banks. We focus on a comparison between the performance of cooperative banks and that of shareholder-owned commercial banks. Furthermore, we compare different cooperative banking models in Europe, paying special attention to the Czech credit union sector. In the individual essays, we examine different performance measures depicting profitability, stability and cost efficiency. The topic of the financial performance of cooperative banks is highly relevant, as cooperative banks are structurally different from the standard commercial banking model and they have a significant market share in several European countries, while most of the empirical literature focused on banking financial performance is devoted solely to commercial banks.

The first essay of this dissertation thesis empirically assesses the financial performance of Czech credit unions compared to that of cooperative banks from 15 European countries in terms of their profitability and stability. Employing dynamic panel data methods, we reveal that the performance of Czech credit unions in terms of both profitability and stability is worse than that of their European peers.

In the second essay, we compare the financial performance of cooperative and commercial banks in a low interest rate environment. We find that commercial banks maintain superior profitability compared to cooperative banks in an environment of low interest rates. Secondly, commercial banks decreased their loan loss provisioning in a low interest rate environment to maintain their profitability. Thirdly, decreased provisioning is present mainly in smaller institutions. Fourthly, cooperative banks are significantly more stable than commercial banks in terms of their Z-score in a low interest rate environment.

The third essay investigates the size–efficiency relationship of European cooperative banks. Our results show that smaller European cooperative banks are significantly more cost-efficient than their bigger peers and that the size–efficiency relationship is linear. Our results imply that no significant consolidation of European cooperative banks induced by a drive for efficiency can be expected in the near future. We conclude that it is more efficient for cooperatives to remain small in size rather than to expand.

The fourth essay assesses the situation of Czech credit unions in the context of their past development, changing environment and legislative framework evolution. We compare contemporary credit unions' performance with the performance of their predecessors, together with the performance of commercial banks. We conclude that the Czech credit unions behave like small and risky commercial banks, which is in contradiction to the business models of credit cooperatives operating in the EU.