

Annual Report
2014



Berliner
Volksbank

Dear Sir or Madam, Dear esteemed members and business associates,

Berliner Volksbank had a very successful and forward-looking business year. Gross profit rose by 12.5 percent while administrative expenses stabilized. Given the challenges faced in the current market environment, this is a remarkable result. A historically low interest environment and a rise in regulatory legislation have come to dominate the market. The resulting pressure on margins is placing a strain on commercial banks in Germany. Berliner Volksbank circumspectly initiated measures to counter these special circumstances at an early stage.

Our excellent result is predominantly driven by the acquisition of 14,435 new members and a stable demand for loans, in particular mortgage loans.

We are convinced that our customers' lively interest in property investments will continue in the next few years, reflecting the crucial importance of the residential building industry not only for our region but also for the metropolis of Berlin and its commuter belt in Brandenburg. Around 250,000 people are expected to move to the German capital by 2030. Berliner Volksbank already established a separate business segment, which provides services to real estate customers and investors, many years ago. We provide reliable services to Berlin's and Brandenburg's residential property companies, housing associations, construction companies, building trade and property developers as well as private customers planning to build or acquire residential property. This business segment is performing exceedingly well and is making a notable contribution to our

overall result. In the future, Berliner Volksbank intends to continue expanding while fulfilling its important role in the field of development support in the capacity of cooperative bank in Berlin and Brandenburg. Since 2009, the bank has financed 35,000 housing units and has helped create approx. 2.6 million square metres of new habitable surface in the process.

Business trend

As a consequence of the rise in members to 146,386, the bank's book equity increased to a total of 800.4 million euros – a 5.6 percent rise. At 10.5 percent, the tier 1 capital ratio is almost twice the 5.5 percent currently required by the supervisory authorities.

The lending business, which rose by 4.8 percent to a total of 7.0 billion euros, remains our main driver of growth. 47 percent of the customers' lending volume is

being invested in land and residential property. Compared to the previous year, customer deposits once again rose significantly by 5.3 percent (459.1 million euros) to a total of 9.1 billion euros.

The customer business and the bank's own investments are driving the increase in gross profits, which rose by 42.6 million euros (12.5 percent). The net interest income, which increased by 33.5 million, includes income from special fund distributions which were utilized to bolster the balance sheet. The net commission income also followed a positive trend, rising by 8.1 million euros (8.9 percent).

The cuts in administrative expenses were consistently pursued and a 5.1 percent decline was achieved in 2014. The result of operations increased substantially by 56.6 million euros to 105.9 million euros.

“Not only does becoming a member of Berliner Volksbank pay off for the individual, it also makes an important contribution to society.”

Dr. Holger Hatje

The bank has used its excellent result to meet past liabilities. The gap in pension liabilities arising from the German Act on the Modernisation of Accounting Law (BilMoG) was closed and the debtor warrant arrangement with the BVR protection scheme settled, thus concluding the restructuring of the bank. On top of this, further funds were allocated to the retirement reserves pursuant to Section 340f HGB [German Commercial Code]. As a result, at 16.2 million euros, the annual net result generated by Berliner Volksbank is on a similar level as in the previous year. A 3 percent dividend (12.9 million euros) was distributed among the members.

As per 31 December 2014, Berliner Volksbank employed 1,986 members of staff, among them 72 trainees. The bank has around 100 branches in Berlin and Brandenburg.

Best regards,

Dr. Holger Hatje



Dr. Holger Hatje
CEO of Berliner Volksbank

Assets

Balance sheet as of December 31, 2014				2014	2013
	€	€	€	€	T€
1. Liquid funds					
a) Cash			134,501,491.32		142,362
b) Balances with central banks thereof: with Deutsche Bundesbank	325,317,815.91		325,317,815.91		235,582 (235,582)
c) Balances with postal giro accounts			–	459,819,307.23	–
2. Debt instruments issued by public bodies and bills of exchange eligible for refinancing with central banks					
a) Treasury bills and non-interest bearing treasury notes and similar debt instruments issued by public bodies thereof: refinancable at Deutsche Bundesbank	–		–		– (–)
b) Bills of exchanges			–	–	–
3. Receivables from banks					
a) Due on demand			255,252,728.20		136,846
b) Other receivables			158,520,411.48	413,773,139.68	74,543
4. Receivables from customers				7,044,409,866.37	6,722,868
thereof: secured by mortgage charges	3,671,193,964.19				(3,409,834)
thereof: municipal loans	280,986,803.48				(309,487)
5. Debt securities and other fixed-interest securities					
a) Money market paper					
aa) issued by public bodies thereof: eligible as collateral at Deutsche Bundesbank	–	–			– (–)
ab) issued by others thereof: eligible as collateral at Deutsche Bundesbank	–	–	–		– (–)
b) Bonds and debt securities					
ba) issued by public bodies thereof: eligible as collateral at Deutsche Bundesbank	612,608,831.52	612,608,831.52			779,829 (779,829)
bb) issued by others thereof: eligible as collateral at Deutsche Bundesbank	210,487,680.28	228,730,498.28	841,339,329.80		224,143 (201,484)
c) Own debt securities Nominal amount	600,400.00		618,041.17	841,957,370.97	748 (733)
6. Shares and other variable-yield securities				1,424,611,110.67	1,400,562
6a. Held for trading				–	0
7. Investments and capital shares with cooperatives					
a) Investments thereof: in banks thereof: in financial service institutions	4,288,821.99 0.00		191,935,086.97		165,879 (2,789) (1,500)
b) Capital shares with cooperatives thereof: in cooperative banking institutions thereof: in financial service institutions	– –		66,050.00	192,001,136.97	66 (–) (–)
8. Shares in affiliated undertakings				39,864,167.79	33,326
thereof: in banks	–				(–)
thereof: in financial service institutions	–				(–)
9. Trust assets				3,798,604.47	3,701
thereof: trust loans	3,798,604.47				(3,701)
10. Compensation receivables from public bodies, including debt securities arising from their exchange				–	–
11. Intangible assets					
a) Self-produced industrial property rights and similar rights and values			–		–
b) Purchased concessions, industrial property rights and similar rights and values as well as licenses thereto			1,714,787.39		2,020
c) Goodwill			–		–
d) Advance payments			32,714.35	1,747,501.74	286
12. Tangible fixed assets				67,811,470.34	79,238
13. Other assets				9,443,372.18	17,657
14. Prepaid and deferred items				612,547.37	933
15. Deferred tax assets				97,949,762.61	84,183
16. Excess of plan assets over pension liability				0.00	18
Total assets				10,597,799,358.39	10,104,790

Liabilities and equity

Balance sheet as of December 31, 2014				2014	2013
	€	€	€	€	T€
1. Liabilities to banks					
a) Payable on demand			11,038,617.38		3,530
b) With an agreed term or notice period			382,630,536.36	393,669,153.74	372,917
2. Liabilities to customers					
a) Savings deposits					
aa) with an agreed notice period of three months	1,067,725,010.81				1,116,566
ab) with an agreed notice period of more than three months	11,970,611.76	1,079,695,622.57			14,775
b) Other liabilities					
ba) payable on demand	7,846,661,911.92				7,427,835
bb) with an agreed term or notice period	178,542,135.57	8,025,204,047.49		9,104,899,670.06	86,643
3. Certificated liabilities					
a) Debt securities issued			13,444,323.97		84,342
b) Other certificated liabilities				13,444,323.97	–
thereof: money market paper	–				(–)
thereof: own acceptances and promissory notes outstanding	–				(–)
3a. Held for trading				–	0
4. Trust liabilities				3,798,604.47	3,701
thereof: trust loans	3,798,604.47				(3,701)
5. Other liabilities				18,047,509.69	17,891
6. Deferred items				11,815,255.05	12,151
6a. Deferred tax liabilities				–	–
7. Accrued expenses					
a) Pensions and similar commitments			109,401,943.69		78,647
b) Tax accruals			4,509,680.77		4,785
c) Other accrued expenses			137,845,355.56	251,756,980.02	123,267
8. no longer applies				–	–
9. Subordinated liabilities				–	–
10. Capital with participation rights				–	–
thereof: due within two years	–				(–)
11. Special items from currency conversion				6,326.64	6
thereof: special item pursuant to Section 340e (4) HGB	6,326.64				(6)
12. Equity					
a) Subscribed capital			454,839,788.00		417,212
b) Capital reserve			–		–
c) Revenue reserves					
ca) legal reserve	155,207,083.21				153,807
cb) other revenue reserves	174,114,663.54	329,321,746.75			172,715
d) Unappropriated earnings			16,200,000.00	800,361,534.75	14,000
Total liabilities and equity				10,597,799,358.39	10,104,790
1. Contingent liabilities					
a) Contingent liabilities from the endorsement of bills rediscounted			–		–
b) Contingent liabilities from guarantees and indemnity agreements	176,812,741.48				176,753
c) Contingent liabilities from sureties pledged as collateral security on behalf of third parties	–	176,812,741.48			–
2. Other commitments					
a) Liabilities from non-genuine repurchase agreements			–		–
b) Placement and underwriting commitments			–		–
c) Irrevocable lines of credit granted	886,438,056.21	886,438,056.21			916,345
thereof: delivery obligations from interest-related forward transactions	–				(–)

Statement of income

for the period January 1 to December 31, 2014			2014	2013
	€	€	€	T€
1. Interest income from				
a) Loans and money market transactions	288,763,048.82			286,332
b) Fixed-interest securities and government-inscribed debt	5,426,161.45	294,189,210.27		5,508
2. Interest expense		33,334,533.19	260,854,677.08	46,741
3. Income from				
a) Shares and other variable-yield securities		20,938,847.98		3,331
b) Investments and capital shares with cooperatives		2,984,917.01		1,833
c) Shares in affiliated undertakings		212,750.00	24,136,514.99	217
4. Income from profit pooling, profit transfer and partial profit transfer agreements			683,598.16	1,012
5. Commission income		111,470,280.74		103,676
6. Commission expense		11,862,415.76	99,607,864.98	12,182
7. Net income from financial trading operations			0.00	39
8. Other operating income			21,812,159.02	21,030
9. no longer applies			–	–
10. General administrative expense				
a) Personnel expense				
aa) wages and salaries	123,206,708.84			120,033
ab) social security contributions, pensions and welfare expense thereof: for pensions	8,806,788.62	28,735,112.70	151,941,821.54	52,285 (33,114)
b) Other administrative expenses		115,270,363.86	267,212,185.40	112,798
11. Amortisation, depreciation and write-down of intangible and tangible fixed assets			11,509,671.15	8,627
12. Other operating expenses			39,719,948.50	20,452
13. Write-downs of and provisions against receivables and certain securities and additions to accruals relating to the credit business		21,282,774.79		24,105
14. Income from reversal of write-downs of receivables and certain securities and income from release of accruals relating to the credit business		–	–21,282,774.79	–
15. Write-downs of and provisions against investments, shares in affiliated undertakings and securities treated as non-current assets		–		–
16. Income from reversal of write-downs of investments, shares in affiliated undertakings and securities treated as non-current assets		6,902,023.70	6,902,023.70	2,537
17. Expense from losses assumed			–	–
18. no longer applies			–	–
19. Result from ordinary operations			74,272,258.09	28,292
20. Extraordinary income		–		–
21. Extraordinary expense		54,363,790.51		2,417
22. Extraordinary result			–54,363,790.51	(–2,417)
23. Income tax		3,392,907.33		11,574
thereof: deferred taxes	–13,767,109.68			(–7,884)
24. Other taxes, if not included under caption 12		344,549.61	3,737,456.94	357
25. Earnings for the year			16,171,010.64	13,944
26. Earnings/loss carried forward from previous year			28,989.36	56
			16,200,000.00	14,000
27. Transfers from revenue reserves				
a) From legal reserve		–		–
b) From other revenue reserves		–	–	–
			16,200,000.00	14,000
28. Transfers to revenue reserves				
a) To legal reserve		–		–
b) To other reserves		–	–	–
29. Total income			16,200,000.00	14,000

Berliner Volksbank

Company profile in brief

- A privately organized financial institution and one of the largest regional cooperative banks in Germany with 146,386 cooperative members
- 1,986 competent and friendly employees
- An extremely dense network of about 100 branches in the German Federal States Berlin and Brandenburg
- Traditional association with and particular obligation to small- and medium-sized enterprises
- Fitch-Rating: AA–, outlook: stable
- Standard + Poor's Rating: AA–, outlook: stable

The perfect basis for a partnership

- As a cooperative financial institution, partnership-based cooperation with our international customers and correspondent banks has always been a matter of course for us.
- The combination of our choice location in the heart of Europe, our optimum size and our many decades of experience in international banking have made us an ideal partner in Europe.
- As one of the largest regional cooperative banks in Germany, we guarantee cost-effective, efficient and rapid handling of your international business and transactions.
- At the same time, we are flexible enough to offer our partners and customers individual solutions whenever needed.

Mortgage loans, insurance, leasing, home loan and savings transactions, investment or real estate funds – all cooperative banks, irrespective of their size, offer their customers the entire range of financial services provided by the Volksbanken Raiffeisenbanken cooperative financial group. The decentralized association system offers a wide range of services without centralized administration. The following enterprises are part of this network:

- Bausparkasse Schwäbisch Hall AG
- R+V Versicherung AG
- The Union Investment Group
- Deutsche Genossenschafts-Hypothekenbank AG
- Münchener Hypothekenbank eG
- TeamBank AG
- The cooperative's central institutions: DZ BANK AG and WGZ Bank AG
- VR LEASING AG and VR FACTOREM GmbH

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