

# Annual Report 2015



Berliner  
Volksbank

## Dear madam/sir, dear members, customers and business partners,

In 2015, the German economy followed a significant upward trend, with GDP expanding by 1.7% in real terms. Large parts of the Berlin economy performed well in the financial year 2015. Demand increased moderately at a high level. Both local industry and the fast-growing service sector provided positive economic impulses, which gave a boost to the Berlin labour market. Revenues in the commercial sector and the hotel and catering industry increased thanks to the large number of visitors to the city. On top of this, digital services and distribution channels have become a significant income driver for Berlin-based companies. In the construction sector, extensive demand for residential and commercial property persisted throughout the financial year. Businesses in Brandenburg performed well across all sectors in 2015, although less than a third of all companies reported an improvement of their profit situation. Increasing shortages of skilled workers and competition from e-commerce enterprises are raising uncertainty among local businesses.

In retrospect, this economic environment made 2015 an eventful year for Berliner Volksbank, a year that was dominated by far-reaching political and economic occurrences. The low-interest phase, regulatory require-



Berliner  
Volksbank is  
growing – parti-  
cularly in terms  
of members.

ments and growing competition continued to affect the performance of the banking sector and will remain major challenges in the coming years. Berliner Volksbank can look back on a highly successful financial year 2015, which closed with an improved operating result. Growth at Berliner Volksbank is predominantly supported by its over 156,000 members and its focus on the regional lending business. Our excellent result allows the bank to further boost its asset foundation.

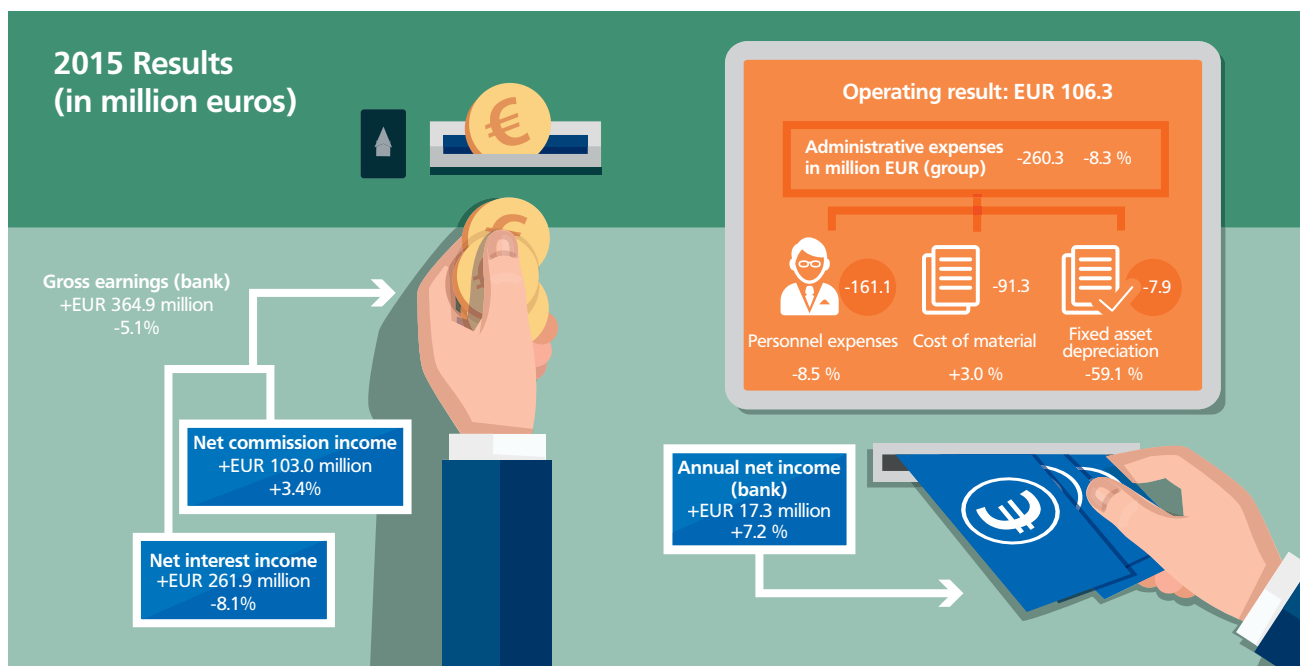
**Your Dr. Holger Hatje**  
CEO of Berliner Volksbank

# Key Figures

Facts	Berliner Volksbank Group	
	2015	2014
<b>Business Figures</b>		
Balance sheet sum in m. EUR	11,681	10,583
Customer credit volumes in m. EUR	7,517	7,005
Customer deposits in m. EUR	10,036	9,075
Employees	2,247	2,312
Gross surplus in m. EUR <sup>2</sup>	361	356
Cost/ income ration in percent <sup>2</sup>	69.0	72.8
Dividends in percent	./.	./.
<b>Equity capital</b>		
Total capital ratio in percent <sup>1</sup>	14.2	14.3
Core capital ratio in percent <sup>1</sup>	10.8	10.6
Members	156,418	146,386

<sup>1</sup> Calculated for the Group after determination of the companies to be included in consolidation in terms of financial supervisory law

<sup>2</sup> Internal calculation of CIR



## Net operating profit 2015

Shareholders' equity increased by 21.6% to EUR 973.3 million due, on the one hand, to a partial reallocation from the § 340f HGB provisions and an allocation to the general bank risk fund from the operating result totalling EUR 125.4 million. On the other hand, the bank's equity increased by a total of EUR 43.0 million thanks to the subscription of further cooperative shares and the acquisition of new members. As many as 156,418 customers are currently members of the bank. At over 12.0%, the tier 1 capital ratio significantly exceeds the 6% ratio currently required by the regulator.

The bank's lending business expanded by 5.3% to a total of EUR 7.5 bn excluding § 340f HGB provisions. Growth was particularly pronounced in real estate financing focussing on the residential property field. A total of 48% of the retail credit volume is being invested in land and residential properties.

Customer deposits increased by 10.7% (EUR 977.5 million) over the previous year and totalled EUR 10.1 bn in the reporting year. Given the sustained low-interest environment, customer demand focuses both on investment banking and on overnight investment products. The bank considers this increased demand to be a reflection of the customers' trust in the bank's stability and its cooperative business model.

Net interest income dropped by EUR 23.1 million (8.1%). Income declined further due to the sustained low-interest environment. Net commission income rose by EUR 3.4 million (3.4%), exceeding the EUR 100 million threshold for the first time. Payment transactions and account management still make up the largest portion

of commissions earned. Brokerage income, arising predominantly from mortgage brokering and the introduction of a commercial instalment credit, rose by an impressive 9.6%. Gross earnings dropped slightly by EUR 19.6 million (5.1%) due to declining net interest income from the deposit business.

This drop was compensated by a further cut in administrative expenses by EUR 20.1 million (7.2%). In the past financial year, Berliner Volksbank generated an operating result of EUR 106.3 million – a slight increase of EUR 0.4% over the previous year.

For the first time, the balance sheet reports an open reserve of EUR 125.4 million. At EUR 17.3 million, the annual net income generated by Berliner Volksbank is slightly higher than in the preceding year. In June, a total of EUR 13.9 million of this income was distributed to the members in the form of a 3% dividend.

## Outlook

Given the persistence of the low-interest phase, Berliner Volksbank expects a lower net interest income in the current financial year while anticipating a further increase in its net commission income. All in all, the cooperative bank forecasts a slight decline in its operating result. Irrespective thereof, Dr. Holger Hatje considers Berliner Volksbank to be well prepared for the future. As a member bank, we will continue to boost the bank's equity base. In the face of rising regulatory requirements, we will maintain our strict cost discipline and advance innovative digitalisation projects to increase our competitiveness.'

# Balance Sheet

as of December 31, 2015

Assets	EUR	EUR	EUR	2015 EUR	2014 TEUR
<b>1, Liquid funds</b>					
a) Cash			129,340,337.06		134,501
b) Balances with central banks			82,577,566.41		325,318
thereof: with Deutsche Bundesbank	82,577,566.41				(325,318)
c) Balances with postal giro accounts			–	211,917,903.47	–
<b>2, Debt instruments issued by public bodies and bills of exchange eligible for refinancing with central banks</b>					
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			–	–	–
<b>3, Receivables from banks</b>					
a) Due on demand			903,676,553.43		255,253
b) Other receivables			414,726,229.06	1,318,402,782.49	158,520
<b>4, Receivables from customers</b>				7,525,781,566.34	7,044,410
thereof: secured by mortgage charges	3,721,560,119.54				(3,671,194)
thereof: municipal loans	256,249,267.38				(280,987)
<b>5, Debt securities and other fixed-interest securities</b>					
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		1,470,500,051.77			612,609
thereof: eligible as collateral at Deutsche Bundesbank	1,470,500,051.77				(612,609)
bb) issued by others		0.00	1,470,500,051.77		228,730
thereof: eligible as collateral at Deutsche Bundesbank	0.00				(210,488)
c) Own debt securities			262,792.08	1,470,762,843.85	618
Nominal amount	258,200.00				(600)
<b>6, Shares and other variable-yield securities</b>				809,591,895.62	1,424,611
<b>6a, Held for trading</b>				–	–
<b>7, Investments and capital shares with cooperatives</b>					
a) Investments			191,721,789.97		191,935
thereof: in banks	2,788,846.99				(4,289)
thereof: in financial service institutions	0.00				0
b) Capital shares with cooperatives			66,050.00	191,787,839.97	66
thereof: in cooperative banking institutions	–				(–)
thereof: in financial service institutions	–				(–)
<b>8, Shares in affiliated undertakings</b>				47,575,597.79	39,864
thereof: in banks	–				(–)
thereof: in financial service institutions	–				(–)
<b>9, Trust assets</b>				3,626,431.75	3,799
thereof: trust loans	3,626,431.75				(3,799)
<b>10, Compensation receivables from public bodies, including debt securities arising from their exchange</b>				–	–
<b>11, Intangible assets</b>					
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			1,283,426.28		1,715
c) Goodwill			–		–
d) Advance payments			0.00	1,283,426.28	33
<b>12, Tangible fixed assets</b>				56,992,313.23	67,811
<b>13, Other assets</b>				6,767,724.10	9,443
<b>14, Prepaid and deferred items</b>				2,968,787.52	613
<b>15, Deferred tax assets</b>				70,616,724.45	97,950
<b>16, Excess of plan assets over pension liability</b>				–	0
<b>Total assets</b>				<b>11,718,075,836.86</b>	<b>10,597,799</b>

## Liabilities and equity

	EUR	EUR	EUR	2015 EUR	2014 TEUR
<b>1, Liabilities to banks</b>					
a) Payable on demand			12,904,834.62		11,039
b) With an agreed term or notice period			354,109,891.82	367,014,726.44	382,630
<b>2, Liabilities to customers</b>					
a) Savings deposits					
aa) with an agreed notice period of three months	986,236,035.01				1,067,725
ab) with an agreed notice period of more than three months	11,801,040.43	998,037,075.44			11,971
b) Other liabilities					
ba) payable on demand	8,956,706,734.59				7,846,662
bb) with an agreed term or notice period	127,697,367.06	9,084,404,101.65		10,082,441,177.09	178,542
<b>3, Certificated liabilities</b>					
a) Debt securities issued			4,405,776.67		13,444
b) Other certificated liabilities			–	4,405,776.67	–
thereof: money market paper	–				(–)
thereof: own acceptances and promissory notes outstanding	–				(–)
<b>3a, Held for trading</b>				–	0
<b>4, Trust liabilities</b>				3,626,431.75	3,799
thereof: trust loans	3,626,431.75				(3,799)
<b>5, Other liabilities</b>				19,205,082.54	18,047
<b>6, Deferred items</b>				9,644,084.33	11,815
<b>6a, Deferred tax liabilities</b>				–	–
<b>7, Accrued expenses</b>					
a) Pensions and similar commitments			118,863,476.92		109,402
b) Tax accruals			11,652,694.00		4,510
c) Other accrued expenses			127,953,525.73	258,469,696.65	137,845
<b>8, no longer applies</b>				–	–
<b>9, Subordinated liabilities</b>				–	–
<b>10, Capital with participation rights</b>				–	–
thereof: due within two years	–				(–)
<b>11, General bank risk fund</b>				125,424,326.64	6
thereof: special item pursuant to Section 340e (4) HGB	6,326.64				(6)
<b>12, Equity</b>					
a) Subscribed capital			497,882,788.00		454,840
b) Capital reserve			–		–
c) Revenue reserves					
ca) legal reserve	156,827,083.21				155,207
cb) other revenue reserves	175,734,663.54	332,561,746.75			174,115
d) Unappropriated earnings			17,400,000.00	847,844,534.75	16,200
<b>Total liabilities and equity</b>				<u>11,718,075,836.86</u>	<u>10,597,799</u>
<b>1, Contingent liabilities</b>					
a) Contingent liabilities from the endorsement of bills rediscounted			–		–
b) Contingent liabilities from guarantees and indemnity agreements			202,401,669.63		176,813
c) Contingent liabilities from sureties pledged as collateral security on behalf of third parties			–	202,401,669.63	–
<b>2, Other commitments</b>					
a) Liabilities from non-genuine repurchase agreements			–		–
b) Placement and underwriting commitments			–		–
c) Irrevocable lines of credit granted			825,010,636.74	825,010,636.74	886,438
thereof: delivery obligations from interest-related orward transactions					(–)

# Statement of income

for the period January 1 to December 31, 2015

	EUR	EUR	EUR	2015 EUR	2014 TEUR
<b>1, Interest income from</b>					
a) Loans and money market transactions	264,135,629.04				288,763
b) Fixed-interest securities and government-inscribed debt	2,387,842.93	266,523,471.97			5,426
<b>2, Interest expense</b>		17,690,017.92		248,833,454.05	33,334
<b>3, Income from</b>					
a) Shares and other variable-yield securities		9,596,857.82			20,939
b) Investments and capital shares with cooperatives		3,510,860.74			2,985
c) Shares in affiliated undertakings		0.00		13,107,718.56	213
<b>4, Income from profit pooling, profit transfer and partial profit transfer agreements</b>				570,064.76	684
<b>5, Commission income</b>		114,907,280.09			111,470
<b>6, Commission expense</b>		11,896,401.33		103,010,878.76	11,862
<b>7, Net income from financial trading operations</b>				–	0
<b>8, Other operating income</b>				22,881,429.75	21,812
<b>9, no longer applies</b>				–	–
<b>10, General administrative expense</b>					
a) Personnel expense					
aa) wages and salaries	111,906,500.29				123,207
ab) social security contributions, pensions and welfare expense	29,143,530.33	141,050,030.62			28,735
thereof: for pensions	10,841,939.79				(8,807)
b) Other administrative expenses		110,292,422.79		251,342,453.41	115,270
<b>11, Amortisation, depreciation and write-down of intangible and tangible fixed assets</b>				7,283,236.08	11,510
<b>12, Other operating expenses</b>				33,043,864.11	39,720
<b>13, Write-downs of and provisions against receivables and certain securities and additions to accruals relating to the credit business</b>		–			21,283
<b>14, Income from reversal of write-downs of receivables and certain securities and income from release of accruals relating to the credit business</b>		103,700,761.10		103,700,761.10	–
<b>15, Write-downs of and provisions against investments, shares in affiliated undertakings and securities treated as non-current assets</b>		312,849.00			–
<b>16, Income from reversal of write-downs of investments, shares in affiliated undertakings and securities treated as non-current assets</b>		–		-312,849.00	6,902
<b>17, Expense from losses assumed</b>				–	–
<b>18, no longer applies</b>				–	–
<b>19, Result from ordinary operations</b>				200,121,904.38	74,272
<b>20, Extraordinary income</b>		–			–
<b>21, Extraordinary expense</b>		0.00			54,364
<b>22, Extraordinary result</b>				0.00	(-54,364)
<b>23, Income tax</b>		57,046,932.06			3,393
thereof: deferred taxes	27,333,038.16				(-13,767)
<b>24, Other taxes, if not included under caption 12</b>		322,417.74		57,369,349.80	345
<b>24a, Expenditure from allocations to the general bank risk fund</b>				125,418,000.00	–
<b>25, Earnings for the year</b>				17,334,554.58	16,171
<b>26, Earnings/loss carried forward from previous year</b>				65,445.42	29
				17,400,000.00	16,200
<b>27, Transfers from revenue reserves</b>					
a) From legal reserve		–			–
b) From other revenue reserves		–			–
				17,400,000.00	16,200
<b>28, Transfers to revenue reserves</b>					
a) To legal reserve		–			–
b) To other reserves		–			–
<b>29, Total income</b>				<b>17,400,000.00</b>	<b>16,200</b>

# Berliner Volksbank

## Company profile in brief

- ◆ A privately organised financial institution and one of the largest regional cooperative banks in Germany with 156,418 cooperative members
- ◆ 1,912 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 decentralised association system offers a wide range of services without centralised 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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## Important note

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