

Annual Report 2016



Berliner
Volksbank

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

In 2016, Germany's economy continued on its expansion course of recent years and with a predicted rise of 1.9 per cent reported the strongest growth since 2011. The main forces behind this development are the rising employment figures and a persistently strong domestic consumption.

Forecasts even predict that Berlin's gross domestic product will grow by 3 per cent in 2016. Higher sales in the construction and service sectors continue to be the drivers. This is supported by the dynamic development of Berlin's labour market, which shows the strongest growth in employment among all federal states. Demand on the Berlin real estate market also remained high in 2016, as demonstrated by the ongoing upward purchase price trend.

The majority of Brandenburg's companies also rate their business outlooks as generally positive. Like in Berlin, the main drivers in 2016 were construction and trade.

Challenges that persisted in this economic environment were the continuing low interest rates and the regulatory environment. Moreover, the behaviour of customers also continued to change. Our customers are increasingly using our online offerings, app banking and our telephone service. This requires a change of thinking. In the past business year, we have therefore continued on established paths but also broken new ground.



„Berliner Volksbank is continuously developing, with the expectations of our members and customers playing a central role.“

In 2016, we have laid the necessary foundations for this by again successfully concluding our business year. For example, our lending business clearly grew stronger than our deposit business. We see this as proof that we are taking our promotional mandate for the region very seriously. In addition, we were able to convince almost 15,000 new customers to become members.

One of our essential tasks in the coming years will be to adapt consistently to our customers' wishes for an extensive range of digital services, while at the same time providing a personal point of contact in our branch offices.

Your

Dr. Holger Hatje
CEO of Berliner Volksbank

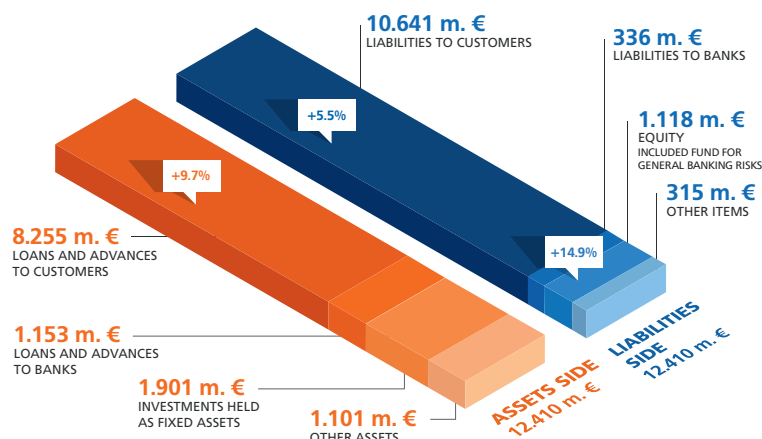
Key Figures

Facts	Berliner Volksbank Group	
	2016	2015
Business Figures		
Balance sheet sum in m. EUR	12,374	11,681
Customer credit volumes in m. EUR	8,247	7,517
Customer deposits in m. EUR	10,594	10,036
Employees	2,213	2,247
Gross surplus in m. EUR ¹	346	361
Cost/ income ratio in percent ¹	73.7	69.0
Dividends in percent	./.	./.
Equity capital		
Total capital ratio ² in percent	16.0	14.2
Tier1 capital ratio ² in percent	13.6	10.8
Members	171,055	156,418

¹ Internal calculation of CIR

² Calculated for the Group after determination of the companies to be included in consolidation in terms of financial supervisory law

2016 Balance sheet Berliner Volksbank eG



2016 operating results

The balance sheet equity capital of Berliner Volksbank increased by EUR 144.6 m, or 14.9 per cent, to EUR 1,117.9 m in 2016. In particular due to the subscription of new cooperative shares and the attraction of some 15,000 new members, the bank's subscribed capital increased by a total of EUR 114.0 m. At the end of the year, 171,055 customers were already members of Berliner Volksbank. The bank transferred a total of EUR 27.4 m of the operating results to the fund for general banking risks. As of the balance sheet date, the Tier1 capital ratio was 13.5 per cent, which is clearly higher than the currently applicable minimum requirement of 6.75 per cent.

The lending business grew by 9.7 per cent to a total of EUR 8.3 bn, not counting the contingency reserve. With about EUR 730 m of new volume, the bank's growth in the lending business was higher than in the deposit business. As in the previous year, the major part of the lending business was real estate financing, with a focus on residential properties. All in all, this positive development is indicative of a sound and well-functioning business model.

Compared to the previous year, customer deposits increased by 5.5 per cent, or EUR 558.6 m, to a total of EUR 10.6 bn. In these times of continuously low interest rates, Berliner Volksbank sees this rise as proof of its members' and customers' confidence in the bank's stability and the cooperative bank deposit guarantee scheme.

Net interest income decreased by EUR 10.8 m, or 4.1 per cent. In particular, this was due primarily to the fact that revenues continued to drop as a result of the continuously low interest rates. Despite a slight decline in Net commission income by EUR 4.2 m, or 4.1 per cent, to EUR 98.8 m, the surplus remained at a high level. The major part of the commissions was earned from payment transactions and account-keeping. The slight decline compared to the previous year is due in particular to the changed behaviour of customers who increasingly use online banking to handle their

payment transactions. By contrast, mortgage broking again exceeded the prior year's figures and the easy-Credit business also developed positively. Gross surplus decreased slightly by EUR 15.0 m, or 4.1 per cent, due to the declining net interest income from the deposit-taking business.

As customers are increasingly using online banking and our telephone service, we adjust our human resources planning to the changed customer behaviour and safeguard the future success of our bank. This requires socially compatible human resources management measures, which are reflected in the one-off costs for the allocation of provisions for redundancy programmes in an amount of EUR 23.1 m. In the future, these measures will have a cost-reducing effect. All in all, administrative expenses increased by EUR 17.1 m, or 6.6 per cent. If we exclude exceptional items, the operating result is EUR 97.4 m, but with them, the result is lower, namely EUR 74.3 m.

The results, which on the whole are fair, were used to further strengthen the bank's reserves. The transfer to the fund for general banking risks meant an increase of the disclosed reserves to nearly EUR 153 m. Altogether, at EUR 17.1 m, the net income for the year of Berliner Volksbank remains almost at the previous year's level. It was used to distribute a 2.5 per cent dividend to the members, which means a total of EUR 13.6 m.

Outlook

For 2017, Berliner Volksbank expects the low interest rate environment to persist and, as a consequence, a lower Net interest income. In the present business year, the main task is to continue and intensify our strategic measures introduced in 2016. They include the further development of our extensive network of branch offices, the extension of our range of digital services and strict cost discipline. And that is also what our members and customers expect from us", says Dr. Holger Hatje.

Balance Sheet

as of December 31, 2016

Assets

	EUR	EUR	EUR	2016 EUR	2015 TEUR
1, Liquid funds					
a) Cash			118,253,025.22		129.340
b) Balances with central banks			568,854,196.09		82.578
thereof: with Deutsche Bundesbank	568,854,196.09				(82.578)
c) Balances with postal giro accounts			–	687,107,221.31	–
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, Loans and advances to banks					
a) Due on demand			696,420,184.64		903.677
b) Other receivables			456,134,235.51	1,152,554,420.15	414.726
4, Loans and advances to customers				8,254,999,481.28	7.525.782
thereof: secured by mortgage charges	4,242,890,133.67				(3,721,560)
thereof: municipal loans	274,202,529.23				(256,249)
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		1,078,916,998.45			1.470.500
thereof: eligible as collateral at Deutsche Bundesbank	1,078,916,998.45				(1.470.500)
bb) issued by others		–	1,078,916,998.45		–
thereof: eligible as collateral at Deutsche Bundesbank	–				(–)
c) Own debt securities			–	1,078,916,998.45	263
Nominal amount	–				(258)
6, Shares and other variable-yield securities				822,071,727.89	809.592
6a, Held for trading				–	–
7, Investments and capital shares with cooperatives					
a) Investments			193,340,494.56		191.722
thereof: in banks	2,788,846.99				(2.789)
thereof: in financial service institutions	–				(–)
b) Capital shares with cooperatives			66,050.00	193,406,544.56	66
thereof: in cooperative banking institutions	–				(–)
thereof: in financial service institutions	–				(–)
8, Shares in affiliated undertakings				47,575,597.79	47.576
thereof: in banks	–				(–)
thereof: in financial service institutions	–				(–)
9, Trust assets				3,459,401.37	3.626
thereof: trust loans	3,459,401.37				(3.626)
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			579,993.34		1.283
c) Goodwill			–		–
d) Advance payments			115,078.95	695,072.29	–
12, Tangible fixed assets				63,718,466.50	56.992
13, Other assets				13.568.421,38	6.767
14, Prepaid and deferred items				7,895,065.97	2.969
15, Deferred tax assets				84,529,686.51	70.617
16, Excess of plan assets over pension liability				–	–
Total assets				12,410,498,105.45	11,718.076

Liabilities and equity

	EUR	EUR	EUR	2016 EUR	2015 TEUR
1, Liabilities to banks					
a) Payable on demand			17,591,627.36		12.905
b) With an agreed term or notice period			318,487,947.08	336,079,574.44	354.110
2, Liabilities to customers					
a) Savings deposits					
aa) with an agreed notice period of three months	888,719,246.30				986.236
ab) with an agreed notice period of more than three months	5,927,166.85	894,646,413.15			11.801
b) Other liabilities					
ba) payable on demand	9,310,068,344.02				8.956.707
bb) with an agreed term or notice period	436,338,724.04	9,746,407,068.06		10,641,053,481.21	127.697
3, Certificated liabilities					
a) Debt securities issued			–		4.406
b) Other certificated liabilities			–	–	–
thereof: money market paper	–				(–)
thereof: own acceptances and promissory notes outstanding	–				(–)
3a, Held for trading				–	–
4, Trust liabilities				3,459,401.37	3.626
thereof: trust loans	3,459,401.37				(3.626)
5, Other liabilities				20,035,762.93	19.205
6, Deferred items				8,954,555.63	9.644
6a, Deferred tax liabilities				–	–
7, Accrued expenses					
a) Pensions and similar commitments		115,845,687.26			118.863
b) Tax accruals		4,614,925.80			11.653
c) Other accrued expenses		137,467,709.77		257,928,322.83	127.954
8, no longer applies				–	–
9, Subordinated liabilities				25,128,361.65	–
10, Capital with participation rights				–	–
thereof: due within two years	–				(–)
11, Fund for general banking risks				152,819,326.64	125.424
thereof: special item pursuant to Section 340e (4) HGB	6,326.64				(6)
12, Equity					
a) Subscribed capital		611,897,572.00			497.883
b) Capital reserve		–			–
c) Revenue reserves					
ca) legal reserve	158,567,083.21				156.827
cb) other revenue reserves	177,474,663.54	336,041,746.75			175.735
d) Unappropriated earnings		17,100,000.00		965,039,318.75	17.400
Total liabilities and equity				<u>12,410,498,105.45</u>	<u>11.718.076</u>
1, Contingent liabilities					
a) Contingent liabilities from the endorsement of bills rediscounted			–		–
b) Contingent liabilities from guarantees and indemnity agreements		166,663,322.09			202.402
c) Contingent liabilities from sureties pledged as collateral security on behalf of third parties		–		166,663,322.09	–
2, Other commitments					
a) Liabilities from non-genuine repurchase agreements			–		–
b) Placement and underwriting commitments			–		–
c) Irrevocable lines of credit granted		899,430,043.92		899,430,043.92	825.011
thereof: delivery obligations from interest-related orward transactions		–			(–)

Statement of income

for the period January 1 to December 31, 2016

	EUR	EUR	EUR	2016 EUR	2015 TEUR
1, Interest income from					
a) Loans and money market transactions	251,132,106.63				264.136
b) Fixed-interest securities and government-inscribed debt	267,254.78	251,399,361.41			2.388
2, Interest expense		9,145,141.87		242,254,219.54	17.690
3, Income from					
a) Shares and other variable-yield securities		3,751,165.99			9.597
b) Investments and capital shares with cooperatives		3,677,243.28			3.511
c) Shares in affiliated undertakings		1,507,750.00		8,936,159.27	–
4, Income from profit pooling, profit transfer and partial profit transfer agreements				498,492.43	570
5, Commission income		111,524,540.14			114.907
6, Commission expense		12,731,418.02		98,793,122.12	11.896
7, Net income from financial trading operations				–	–
8, Other operating income				23,959,366.37	22.881
9, no longer applies				–	–
10, General administrative expense					
a) Personnel expense					
aa) wages and salaries	123,521,354.80				111.907
ab) social security contributions, pensions and welfare expense	34,049,901.34	157,571,256.14			29.144
thereof: for pensions	13,195,791.13				(10.842)
b) Other administrative expenses		110,794,237.76		268,365,493.90	110.292
11, Amortisation, depreciation and write-down of intangible and tangible fixed assets				7,311,905.26	7.283
12, Other operating expenses				22,688,711.59	33.044
13, Write-downs of and provisions against receivables and certain securities and additions to accruals relating to the credit business		2,660,816.70			–
14, Income from reversal of write-downs of receivables and certain securities and income from release of accruals relating to the credit business		–		-2,660,816.70	103.701
15, Write-downs of and provisions against investments, shares in affiliated undertakings and securities treated as non-current assets		8,266,817.85			313
16, Income from reversal of write-downs of investments, shares in affiliated undertakings and securities treated as non-current assets		–		-8,266,817.85	–
17, Expense from losses assumed				–	–
18, no longer applies				–	–
19, Result from ordinary operations				65,147,614.43	200.122
20, Extraordinary income			–		–
21, Extraordinary expense			–		–
22, Extraordinary result				–	(–)
23, Income tax		20,452,013.95			57.047
thereof: deferred taxes	-13,912,962.06				(27.333)
24, Other taxes, if not included under caption 12		232,152.31		20,684,166.26	322
24a, Expenditure from allocations to the Fund for general banking risks				27,395,000.00	125.418
25, Earnings for the year				17,068,448.17	17.335
26, Earnings/loss carried forward from previous year				31,551.83	65
				17,100,000.00	17.400
27, Transfers from revenue reserves					
a) From legal reserve		–			–
b) From other revenue reserves		–		–	–
				17,100,000.00	17.400
28, Transfers to revenue reserves					
a) To legal reserve		–			–
b) To other reserves		–		–	–
29, Total income				17,100,000.00	17.400

Berliner Volksbank

Company profile in brief

- ◆ A privately organised financial institution and one of the largest regional cooperative banks in Germany with 171,055 cooperative members
- ◆ 1,876 competent and friendly employees
- ◆ An extremely dense network of about 90 branches and more than 360 cashpoints in the German Federal States Berlin and Brandenburg
- ◆ Traditional association with a particular obligation to small- and medium-sized enterprises
- ◆ Fitch Ratings: AA–, outlook: stable
- ◆ Standard & Poor's: 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 institution: DZ BANK AG
- ◆ VR LEASING AG and VR FACTOREM GmbH

How to reach us

Berliner Volksbank eG, International Division
 Kurfürstenstraße 87, 10787 Berlin, Germany
 Telephone: +49 30 30 63-14 90
 Telefax: +49 30 30 63-15 40
 E-mail: auslandscenter@berliner-volksbank.de
 Internet: www.berliner-volksbank.de
 SWIFT: BEVO DE BB

Important note

This Summary Report is for information purposes only and has no legal binding character. Our legally binding German Annual Report 2016 is obtainable at address shown on the left or on our website www.berliner-volksbank.de/geschaeftsbericht

Imprint

Summary Report 2016
 Berliner Volksbank eG
 © Berliner Volksbank eG
 Wittestraße 30 R
 13509 Berlin
 Germany
 Concept, Design and Realisation:
 FFE media, Berlin
 Photography: Peter Adamik



Berliner
Volksbank