



Healthiness

for Berlin and Brandenburg



Berliner
Volksbank

Dear Sir or Madam,
Dear members and business associates,



Dr. Holger Hatje
CEO of Berliner Volksbank

Business has developed positively for Berliner Volksbank, and it can look back on a successful 2011. Operating results have surpassed original planning targets. Especially the positive development of earnings in the regional client business and the resulting improved interest income have contributed to this. Earnings from securities transactions were raised compared with the previous year, but did not quite reach the results of recent years. This is to be viewed in the context of the on-going public debate about the Securities Trading Act. It is also compounded by the capital markets' dwindling confidence in the stability of the Euro zone. Altogether, this uncertainty was also felt by Berliner Volksbank's clients.

A pleasant development, however, could be recorded in the brokering of mortgages, insurance policies and consumer finance. In 2011, the bank achieved the highest results in its history in this segment.

These altogether pleasing operating results enabled Berliner Volksbank to distribute a dividend of four percent on profit-participation contributions. Furthermore, the positive overall development allowed the bank to allocate provision reserves for general banking risks as per Section 340 Commercial Code. Thanks to additional subscriptions of shareholdings, the equity capital base and thus the risk-bearing ability of Berliner Volksbank was further enhanced. Moreover, net provisions for losses on loans and advances were significantly lower than expected and reflect the quality of the lending business. The bank's capital base was thus strengthened further.

Prospects for 2012

The United Nations have declared 2012 as the "International Year of Cooperatives". Public awareness of values such as solidarity, self-management and helping people to help themselves is thus being raised again. Besides the cooperative support concept, Berliner Volksbank has been taking a key supportive role in social causes for many years, now. For instance, the bank is a founding member of the Tinnitus Foundation at the Berlin University Hospital Charité established in 2011.

Earnings trend in 2011

The significant 3.4 percent improvement in interest income led to an increase in the bank's unadjusted earnings to 336.8 million euros. The bank was able to maintain the commission income almost unchanged. The group's administrative expense increased slightly by 1.0 million euros. Whilst personnel costs fell by 3.1 million euros, the cost of materials rose by 6.2 million euros as budgeted. Besides the investment in improved business processes, the main cost drivers were identified as the regulatory and statutory requirements which had to be met.

The bank was again able to raise its operating results by 5.7 million euros or 8.1 percent to 76.5 million euros.

Berliner Volksbank has continued to fulfil its cooperative mandate of providing the region with adequate lending. Consumer loans taken up increased by 4.3 percent to 5.9 billion euros. In total, new loans amounting to 980 million euros were granted. As much as 803 million euros or 82 percent can be attributed to the buoyant demand from corporate clients. The fact that the bank measures its lending operations against the criteria of quality rather than quantity, is demonstrated by the provisions for losses on loans of more than 3.2 million euros, which is again at a very low level.

Client deposits have also taken an upturn. They rose especially in the sectors of overnight deposits and liabilities with an agreed maturity by 500 million euros to 8.0 billion euros. This result corroborates the strong confidence in the 'cooperative bank' business model.

The bank's equity capital increased following subscription of new capital shares by 25.9 million euros, despite a reduction in the total number of members. In addition to an increase in the core capital, the bank's capital base was further consolidated by an allocation to the provision reserves as per Section 340 Commercial Code of 29.6 million euros.

Security investments have increased by 166.9 million euros. Funds that matured were invested in bonds and debentures issued by the Federal Government and the Federal States. As a result, the direct portfolio of highly liquid assets rose by more than 200 million euros. The volume of special funds mandates recorded a slight decline as planned. The valuation has revealed a total book value for these special funds of 1.39 billion euros, with a lower fair market value of 1.32 billion euros.

Dividends in the amount of 10.8 million euros were proposed to the meeting of representatives and an allocation of 2.7 million euros to reserves from retained profits (13.5 million euros compared with 12.5 million euros in the preceding year).

Berliner Volksbank serves 618,000 retail customers and corporate clients at 130 locations and has 2,200 employees, of which 111 are trainees. It is one of the largest employers in the region.

Best regards,
Dr. Holger Hatje

4 Assets

Balance sheet as of December 31, 2011				2011	2010
	€	€	€	€	T€
1. Liquid funds					
a) Cash			142,165,545.04		126,759
b) Balances with central banks thereof: with Deutsche Bundesbank	297,327,118.46		297,327,118.46		239,592 (239,592)
c) Balances with postal giro accounts			–	439,492,663.50	–
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 exchange			–	–	–
3. Receivables from banks					
a) Due on demand			237,489,563.16		280,099
b) Other receivables			107,272,272.95	344,761,836.11	215,196
4. Receivables from customers				5,918,507,393.09	5,676,036
thereof: secured by mortgage charges	2,505,933,279.79				(2,206,611)
thereof: municipal loans	231,766,789.84				(305,231)
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	383,863,715.16	383,863,715.16			172,629 (172,629)
bb) issued by others thereof: eligible as collateral at Deutsche Bundesbank	233,543,701.91	233,543,701.91	617,407,417.07		233,757 (233,757)
c) Own debt securities Nominal amount	13,374,000.00		13,539,626.31	630,947,043.38	14,936 (14,839)
6. Shares and other variable-yield securities				1,933,906,528.40	1,985,022
6a. Held for trading				18,204,447.51	9,803
7. Investments and capital shares with cooperatives					
a) Investments thereof: in banks thereof: in financial service institutions	2,837,373.72 –		73,116,902.97		80,304 (2,795) (–)
b) Capital shares with cooperatives thereof: in cooperative banking institutions thereof: in financial service institutions	0.00 –		77,833.88	73,194,736.85	80 (0) (–)
8. Shares in affiliated undertakings				30,667,302.78	30,557
thereof: in banks	–				(–)
thereof: in financial service institutions	–				(–)
9. Trust assets				4,267,671.96	4,415
thereof: trust loans	4,267,671.96				(4,415)
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			1,117,082.95		617
c) Goodwill			–		–
d) Advance payments			–	1,117,082.95	–
12. Tangible fixed assets				101,152,374.15	106,932
13. Other assets				11,733,677.60	13,814
14. Prepaid and deferred items				2,421,996.40	3,279
15@ Deferred tax assets				59,882,843.00	51,708
Total assets				9,570,257,597.68	9,245,535

Liabilities and equity

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Balance sheet as of December 31, 2011				2011	2010
	€	€	€	€	T€
1. Liabilities to banks					
a) Payable on demand			12,978,624.74		18,651
b) With an agreed term or notice period			491,232,135.54	504,210,760.28	647,652
2. Liabilities to customers					
a) Savings deposits					
aa) with an agreed notice period of three months	1,125,608,995.99				1,142,584
ab) with an agreed notice period of more than three months	16,558,791.41	1,142,167,787.40			14,283
b) Other liabilities					
ba) payable on demand	6,614,870,143.32				6,211,992
bb) with an agreed term or notice period	287,398,060.27	6,902,268,203.59		8,044,435,990.99	190,179
3. Certificated liabilities					
a) Debt securities issued			196,353,188.69		219,536
b) Other certificated liabilities				196,353,188.69	–
thereof: money market paper	–				(–)
thereof: own acceptances and promissory notes outstanding	–				(–)
3a. Held for trading				265,000.00	–
4. Trust liabilities				4,267,671.96	4,415
thereof: trust loans	4,267,671.96				(4,415)
5. Other liabilities				25,118,698.02	27,871
6. Deferred items				14,773,563.18	17,853
6a. Deferred tax liabilities				–	–
7. Accrued expenses					
a) Pensions and similar commitments			60,128,048.84		58,118
b) Tax accruals			3,385,127.00		2,936
c) Other accrued expenses			97,719,961.97	161,233,137.81	99,359
8. no longer applies				–	–
9. Subordinated liabilities				–	–
10. Capital with participation rights				–	–
thereof: due within two years	–				(–)
11. Special items from currency conversion				–	–
thereof: special item pursuant to Section 340e (4) HGB	–				(–)
12. Equity					
a) Subscribed capital			285,397,840.00		259,564
b) Capital reserve			–		–
c) Revenue reserves					
ca) legal reserve	150,897,083.21				149,667
cb) other revenue reserves	169,804,663.54	320,701,746.75			168,575
d) Unappropriated earnings			13,500,000.00	619,599,586.75	12,300
Total liabilities and equity				9,570,257,597.68	9,245,535
1. Contingent liabilities					
a) Contingent liabilities from the endorsement of bills rediscounted		–			–
b) Contingent liabilities from guarantees and indemnity agreements	241,139,113.74				175,806
c) Contingent liabilities from sureties pledged as collateral security on behalf of third parties	–	241,139,113.74			–
2. Other commitments					
a) Liabilities from non-genuine repurchase agreements		–			–
b) Placement and underwriting commitments		–			–
c) Irrevocable lines of credit granted	766,601,923.50	766,601,923.50			625,086
thereof: delivery obligations from interest-related forward transactions	–				(–)

6 Statement of income

for the period January 1 to December 31, 2011			2011	2010
	€	€	€	T€
1. Interest income from				
a) Loans and money market transactions	304,809,975.64			302,778
b) Fixed-interest securities and government-inscribed debt	8,299,599.77	313,109,575.41		14,677
2. Interest expense		90,863,017.19	222,246,558.22	91,459
3. Income from				
a) Shares and other variable-yield securities		20,510,516.05		7,766
b) Investments and capital shares with cooperatives		1,009,825.16		2,129
c) Shares in affiliated undertakings		1,112,500.00	22,632,841.21	1,000
4. Income from profit pooling, profit transfer and partial profit transfer agreements			660,910.98	590
5. Commission income		103,030,493.93		105,159
6. Commission expense		11,805,811.22	91,224,682.71	12,265
7. Net income from financial trading operations			-303,539.41	-130
8. Other operating income			17,987,719.56	18,971
9. no longer applies			-	-
10. General administrative expense				
a) Personnel expense				
aa) wages and salaries		114,263,494.20		112,082
ab) social security contributions, pensions and welfare expense thereof: for pensions	3,644,609.54	22,566,906.43	136,830,400.63	28,188 (9,152)
b) Other administrative expenses			114,034,894.74	250,865,295.37
11. Amortisation, depreciation and write-down of intangible and tangible fixed assets			9,443,821.37	11,587
12. Other operating expenses			22,793,371.78	20,301
13. Write-downs of and provisions against receivables and certain securities and additions to accruals relating to the credit business		34,076,338.80		34,525
14. Income from reversal of write-downs of receivables and certain securities and income from release of accruals relating to the credit business		-	-34,076,338.80	-
15. Write-downs of and provisions against investments, shares in affiliated undertakings and securities treated as non-current assets		9,521,422.62		9,525
16. Income from reversal of write-downs of investments, shares in affiliated undertakings and securities treated as non-current assets		-	-9,521,422.62	-
17. Expense from losses assumed			-	-
18. no longer applies			-	-
19. Result from ordinary operations			27,748,923.33	25,230
20. Extraordinary income		-		-
21. Extraordinary expense		5,531,706.20		8,182
22. Extraordinary result			-5,531,706.20	(-8,182)
23. Income tax		8,070,239.67		4,459
thereof: deferred taxes	-8,175,291.00			(-570)
24. Other taxes, if not included under caption 12		727,792.27	8,798,031.94	388
25. Earnings for the year			13,419,185.19	12,201
26. Earnings/loss carried forward from previous year			80,814.81	99
			13,500,000.00	12,300
27. Transfers from revenue reserves				
a) From legal reserve		-		-
b) From other revenue reserves		-	-	-
			13,500,000.00	12,300
28. Transfers to revenue reserves				
a) To legal reserve		-		-
b) To other reserves		-	-	-
29. Total income			13,500,000.00	12,300

Company profile in brief

- A privately organized financial institution and one of the largest regional cooperative banks in Germany with more than 102,000 cooperative members
- Over 618,000 business and private customers serviced
- 2,200 competent and friendly employees
- An extremely dense network of 125 branches in the German Federal States Berlin and Brandenburg
- Traditional association with and particular obligation to small- and medium-sized enterprises
- Fitch-Rating: A+, 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 FinanzVerbund (Cooperative Finance Network). The decentralized association system offers a wide range of services without centralized administration. The following enterprises are part of the FinanzVerbund:

- Bausparkasse Schwäbisch Hall AG
- R+V Versicherung AG
- The Union Investment Group companies, among them Union Investment Real Estate AG
- 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
- GVA Geno-Vermögens-Anlage
- RV Touristik

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