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PRESS RELEASE

Cooperative Financial Network maintains its profitability and further strengthens its capital base

The Volksbanken Raiffeisenbanken Cooperative Financial Network with its 1,078 primary banks, its central institutions, and specialized service providers achieved a net profit after taxes of €6.9 billion in 2013, driven by the success of its customer business. The Cooperative Financial Network thereby sustained the good level of profitability attained in the previous year. Before taxes, net income for the year had actually advanced by 2.6 percent to €9.6 billion. "Our cooperative business model continued to be successful in 2013 despite a fiercely competitive market. We also considerably strengthened our capital base," said Uwe Fröhlich, president of the National Association of German Cooperative Banks (BVR). Referring to the recently completed consultation on the assessment of contributions to the European mechanism for the restructuring and resolution of banks, Fröhlich warned against pooling liability risk in Europe: "The Cooperative Financial Network is not willing to cover the risky transactions of large European banks. Europe's proposal for financing the resolution fund is completely misguided from a regulatory perspective." He added that the Commission needed to urgently correct this error by adjusting the contributions to the fund, i.e. by setting a threshold of €500 million and introducing an appropriately graduated scale of contributions.

The equity attributable to the Cooperative Financial Network remained at a very robust level in 2013, climbing by 10 percent to €79.4 billion on the back of the net profit generated.

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Another factor in the Cooperative Financial Network's profit for 2013 was net interest income, which went up by 1.9 percent to around €20 billion. In 2013, the squeeze on margins was again more than offset by increases in the volume of customer business. Allowances for losses on loans and advances remained at a low level, declining by 25 percent to €0.8 billion (2012: €1.0 billion). Net fee and commission income amounted to €5.1 billion. This year-on-year increase of 4.1 percent was driven by much brisker cooperative network business.

Gains on trading activities came to €0.5 billion, compared with €0.9 billion in 2012. It should be noted that the prior-year figure had been pushed up by an exceptionally high valuation of securities held for dealing purposes as a result of the narrowing of spreads. Gains and losses on investments and other gains and losses on the valuation of financial instruments were again influenced by the recovery in the financial markets in 2013. The level of gains and losses on investments amounted to a loss of €0.5 billion, compared with a gain of €0.4 billion in the previous year. Whereas the figure for 2012 had been boosted by significant reversals of impairment losses, the 2013 figure was mainly due to the rise in the long-term level of interest rates. By contrast, other gains and losses on the valuation of financial instruments advanced to a gain of €1.1 billion, predominantly as a result of positive effects from the remeasurement of bonds of eurozone peripheral countries.

The volume of customer lending business rose by 2.5 percent to €648 billion in 2013. The primary banks were the main contributors to this growth with an increase of 4.1 percent. Despite a decline in lending to corporate customers in the market as a whole, the primary banks were able to achieve a year-on-year gain of 4.1 percent in this business too. In the retail customer business, the volume of lending grew at a faster rate than the market as a whole, above all due to long-term real-estate finance.

There was also an increase in customer deposits, which advanced from €665 billion to €693 billion in 2013. Given the interest-rate situation, customers invested the lion's share of this amount in short-term demand deposits, i.e. deposits in current accounts and overnight money, at the cooperative banks.

The number of employees in the cooperative banking group stood at 191,243 at the end of 2013, a small year-on-year rise of 0.6 percent. This was due to the cooperative banks expanding their customer business but also to the increase in regulatory requirements. Accordingly, administrative expenses went up by 0.8 percent to €16.5 billion (2012: €16.3 billion).

Current income taxes of €2.5 billion made up the bulk of the total income taxes of €2.7 billion. Owing to the regional structure of the network of local cooperative banks, most of this substantial sum is spent where it benefits the cooperative members and customers: in the respective local communities where the banks are situated.

Consolidated total assets were at almost the same level as in the previous year at €1,081 billion. The encouraging growth in customer business was particularly beneficial to the primary banks' balance sheets, which meant that their share of the consolidated total assets climbed to 59.3 percent (December 31, 2012: 57.8 percent). The share attributable to individual institutions in the Cooperative Financial Network changed accordingly, with the DZ BANK Group at 30.6 percent (December 31, 2012: 31.6 percent), the WGZ BANK Group at 7.2 percent (December 31, 2012: 7.5 percent), and Münchener Hypothekenbank at 2.9 percent (December 31, 2012: 3.1 percent).

For further information, see: www.bvr.de/KJA

Background information about the Volksbanken Raiffeisenbanken cooperative financial network:

The local cooperative banks, Sparda banks, PSD banks, the cooperative church banks, and the specialized institutions hold virtually all of the capital of the cooperative financial network – including its two central institutions, DZ BANK AG and WGZ BANK AG. They have more than 30 million customers, over 17.7 million of whom are members of the local cooperative banks and therefore their shareholders. The ownership structure of the cooperative banking group is therefore very broad and the group is entirely in private hands.

The central institutions and specialized service providers within the Cooperative Financial Network, which include Bausparkasse Schwäbisch Hall AG, DG HYP – Deutsche Genossenschafts-Hypothekenbank AG, Union Asset Management Holding AG, and R+V Versicherung AG as well as Münchener Hypothekenbank eG, WL BANK AG Westfälische Landschaft Bodenkreditbank, VR-LEASING AG, TeamBank AG Nürnberg, and DZ PRIVATBANK S.A., provide the local cooperative banks with financial products and services, from which each local bank compiles a package that is tailored to its positioning in the market and meets the needs of its customers. The BVR is the strategic competence center of the cooperative banking group. As an umbrella organization for the banking sector, it represents the interests of the cooperative banking group at both national and international levels. The BVR also operates a protection scheme that guarantees that deposits are safe by protecting the banks.