



## Company Profile

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### **DEUTSCHER GENOSSENSCHAFTS - UND RAIFFEISENVERBAND E.V.** (GERMAN COOPERATIVE AND RAIFFEISEN CONFEDERATION)

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### **DGRV AND THE GERMAN COOPERATIVE ORGANISATION**

DGRV - Deutscher Genossenschafts- und Raiffeisenverband e.V. (German Cooperative and Raiffeisen Confederation) is the national apex organisation and top-level auditing federation of the German cooperative sector. About 5,400 primary cooperatives and additional 5,000 subsidiary companies work under the roof of DGRV in three sectors (agriculture, banking, small-scale industry commodities and services). Some 450,000 full-time staff members help to serve the interests of their members and customers every day.

Cooperatives are the largest business organisation in Germany in terms of membership. Every fifth German is a member of a cooperative. More than 17.6 million members are united under the roof of DGRV, in addition about 2,000 of housing cooperatives exist in the construction sector with approx. 2.8 Mio. members.

The focus of all cooperative activities is the individual member and his economic needs (as private person or as entrepreneur). They are open to everyone if their business purpose permits. Therefore, private individuals, employees and workers, farmers, owners of all types of enterprises, especially small and medium enterprises are typical members in our cooperatives.

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The cooperatives at local level, their central enterprises and federations have to serve the economic interests of their members. Membership is voluntary. Cooperatives promote their members through joint business activities. This fundamental mandate has been clearly defined in the German Cooperative Act.

Cooperatives are economically and legally independent enterprises, autonomous, and not subject to governmental influence. Cooperatives can only be successful in fulfilling their obligations towards the members if they are efficient and profitable. They have to be competitive in their market and shall not be used or even misused as instruments to serve single interests of individuals, groups, politicians or governments.

Cooperatives have a long and successful tradition, dating back to the 19<sup>th</sup> century. The founders Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch helped to establish the first cooperatives some 140 years ago. Since then, individual cooperatives as local self-help organisations of farmers and small craftsmen developed into a complex system of cooperatives on three levels (local, regional, national).

Cooperatives have significantly contributed to the development of the German economy as a whole, especially to the strengthening of the rural areas. Despite all fundamental changes in the overall economy and the increasing globalization, still today, local cooperatives, supported by regional and national cooperative central enterprises and a system of federations, are an integral part of the German economic system.

### **THE COOPERATIVE BANKING SYSTEM**

Within the German cooperative movement, the largest group in terms of members (16 million) and clients (approx. 30 million customers) are the 1,255 People's Banks and Raiffeisen Banks (Volksbanken and Raiffeisenbanken). Together with the 2 Cooperative Central Banks they form a banking-network of 13,765 branches with a balance-sheet total of approximately 900 billion euros. As universal banks, they offer both to members and non-members alike, the whole range of state of art of banking services.

The cooperative banking group is decentrally organised. All institutions at local level are autonomous. All cooperative banks and financial institutions at regional and national level (e.g.

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Deutsche Zentralgenossenschaftsbank – DZ BANK AG, German Cooperative Central Bank) have to support the local level (principle of subsidiarity).

The German cooperative banking system is organised in three tiers. Its strong basis is the network of the 1,255 cooperative banks with their branches (volume of business approx. 608 billion € in 2006, 9.34 billion € paid-in member capital) which include not only the Volksbanken and Raiffeisenbanken but also several cooperative banks which focus on certain professions such as public servants, clerical workers, and members of medical professions. The group also includes some 214 Raiffeisen cooperatives with commodity transactions (multipurpose cooperatives) which are involved in banking and commodity transactions under one roof. Today, the average balance-sheet total of a cooperative bank is approx. 484 Mio. €. This figure has increased significantly over the time, due to mergers in the sector and the general increase in business (1970: 7,100 coop. banks - 40 Mio € average balance-sheet total, 1990: 3,340 coop banks - 298 Mio. € average balance-sheet total). Market shares today range from 20 % (loans) to 25.5 % (deposits).

The second tier of the cooperative banking system consists of one regional central bank (Westdeutsche Genossenschaftszentralbank – WGZ BANK, West German Cooperative Central Bank) and the regional offices of DZ BANK AG. The regional level balances amongst other surplus liquidity of local cooperative banks and serves as a source of liquidity (refinancing) and handles international trade operations. Originally, a larger number of regional banks existed, once established by the local banks. In order to serve the interests of their members and clients in the best possible way, as well as due to the need to adjust to overall changes in the German banking sector, regional banks as well as primary cooperative banks increasingly merged. This is a still ongoing process.

Primary cooperative banks and WGZ BANK are also the main shareholders of DZ BANK AG, representing the third and top-tier of the cooperative banking system, which also includes a number of institutions which offer special financial or other specialised services. Most of these "integrated enterprises" are jointly owned subsidiaries of the WGZ BANK and DZ BANK AG. The balance-sheet total of the so-called cooperative "Finanzverbund", including cooperative mortgage banks, Bausparkasse Schwäbisch Hall (the biggest cooperative building society in Europe), R+V Versicherung (insurance company) and Union Investment (Asset Management) surpassed 1,000 billion € by the end of 2006. All enterprises of the cooperative banking system

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are members of regional cooperative auditing associations and of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR) as their national federation.

### **COOPERATIVES IN THE AGRICULTURAL SECTOR**

Within the agricultural sector of the organisation, a total of 3,188 cooperatives and central enterprises serve the economic interests of their approx. 680,000 members. Some 1,145 cooperatives supply their members with agricultural input as commodity and service cooperatives, they advise on questions of production, and collect, process, and market the members' products. The commodity side of operations of the 214 Raiffeisen banks with commodity transactions (multipurpose cooperatives) is taken as part of the group of agricultural cooperatives. An additional 904 cooperatives operate in various types of business (fruit, vegetable, gardening, water-management, electricity, fishery, cooling, machinery etc.). Specialised central cooperative companies operate at regional and national level in all fields of business. As a consequence of German re-unification, there are today 925 agricultural productive cooperatives affiliated to the organisation and working successfully in the market.

Market shares of the cooperatives in agriculture range from about 30 % as regards meat and wine, 50% in grain, vegetables etc. to up to 75 % in the dairy business. Total turn-over in 2006 reached 38.3 billion €.

### **SMALL-SCALE INDUSTRY COMMODITY AND SERVICE COOPERATIVES AND CONSUMER COOPERATIVES**

The third and fourth pillar of cooperatives in Germany are some 996 small-scale industry commodity and service cooperatives and their 7 central enterprises as well as some 108 consumer cooperatives, also working with 7 central cooperatives. Serving about 900,000 members (individuals and companies), their total turn-over was approx. 87 billion € in 2006. In this sector, a wide variety of cooperatives serve their members. Cooperative supermarket chains, purchasing cooperatives for bakers and roofers, and cooperatives of medical doctors represent only a part of a growing segment of cooperative activities.

### **COOPERATIVE FEDERATIONS**

All cooperatives in Germany are obliged by Law to be audited every year. The auditing mandate was delegated to DGRV and the regional cooperative auditing federations. Thus they are subject to statutory compulsory audits by these federations. Other major tasks of the federations are the provision of advice to cooperatives, particularly in business management, legal and fiscal questions, and the organisation of activities in human resource development. Additionally, they offer a wide spread of different further reaching services (e.g. specific consultancy in electronic data processing and management information systems). Training for cooperative managers and staff (especially bank managers) as well as cooperative auditors is carried out at highest professional level with modern training tools and methods at the Academy of German Cooperatives at Montabaur (ADG). ADG offers a wide range of demand and client oriented training programs organised as in-house training, e-learning, and bachelor / master programs in co-operation with universities.

At national level, four sector-orientated federations take care of the interests of their member cooperatives (advice, coordination, information and lobbying activities):

- Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. - BVR (German Federation of People's Banks and Raiffeisen Banks), which is responsible for the interests of all People's Banks and Raiffeisen Banks;
- Deutscher Raiffeisenverband e.V. - DRV (German Raiffeisen Federation), which advises the Raiffeisen commodity and service cooperatives as well as agricultural productive cooperatives in questions connected with their activities;
- Zentralverband Gewerblicher Verbundgruppen e.V. - ZGV (Central Federation of Industrial Service, Craftsmen and Trading Link-Up Groups), dealing with small-scale industry commodity and service cooperatives;
- Zentralverband deutscher Konsumgenossenschaften e.V. – ZdK (Central Federation of Consumer Cooperatives).

### **DGRV AS NATIONAL APEX CONFEDERATION**

DGRV is the national confederation of the German cooperative sector, comprising all cooperatives in agriculture, savings and credit and small-scale industry commodities and services, regional and national cooperative institutions, federations and associations as well as specialised cooperative enterprises.

As top-level organisation of the German cooperative system, DGRV covers the following fields of activities:

- (1) DGRV is the national auditing confederation for the cooperative sector. DGRV carries out audits of cooperative banks and enterprises at national and regional level.
- (2) As national apex, DGRV is responsible for all matters pertaining to the organisation as a whole, i.e. problems of economic, legal and fiscal policies that are common to all kinds of cooperatives. It advises and assists the German cooperative organisation in the fields of auditing, cooperative law and by-laws, human resource development, and business organisation. DGRV keeps contact with other organisations and institutions at national and international level.
- (3) In addition, DGRV is involved in cooperative development activities worldwide. DGRV has the mandate of the entire organisation to perform international development and consultancy projects in order
  - ♦ to strengthen partner cooperative organisations (cooperative systems and institution-building),
  - ♦ to promote cooperative know-how transfer,
  - ♦ to strengthen savings and credit cooperatives including microfinance,
  - ♦ to establish and promote cooperative auditing systems,
  - ♦ to advise national governments, banking supervisory authorities and other public bodies on cooperative law, auditing and supervision of cooperatives.

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DGRV has profound experience in building and supporting cooperative systems in many transition countries in East Europe and CIS. In addition, DGRV is active in Latin America, Africa and Asia for a long time.

In its international activities, DGRV is especially supported by Deutscher Raiffeisenverband (DRV), Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR), Zentralverband Gewerblicher Verbundgruppen (ZGV) and by Zentralverband deutscher Konsumgenossenschaften (ZdK) as national federations, by the regional auditing federations, by the German cooperative apex bank DZ BANK AG, by the regional WGZ BANK, by the specialised institutions (i.e. R+V Insurance Company, Bausparkasse Schwäbisch Hall, Union Investment etc.), and by many primary cooperatives and regional centres. Thus DGRV can benefit any time of the know-how of a huge organisation in its development activities.

As national apex organisation, DGRV maintains relations with various international cooperative organisations such as IRU – International Raiffeisen Union, ICA – International Cooperative Alliance, European Association of Cooperative Banks, COLAC – Confederación Latinoamericana de Cooperativas de Ahorro y Crédito, ILO – International Labour Organisation, WOCCU – World Council of Credit Unions.

## SUMMARY AND OVERVIEW

### DGRV - Deutscher Genossenschafts- und Raiffeisenverband e.V.:

- top-level organisation of the German cooperative system and
- national auditing federation for the cooperative sector with the following fields of responsibility
  - ⇒ all aspects relating to the organisation as a whole (e.g. economic, legal, fiscal)
  - ⇒ consultancy in the fields of cooperative law, auditing, human resource development, business organisation, and data processing
  - ⇒ co-operation with cooperative movements in other countries, especially support for cooperative institution building, cooperative auditing and training, strengthening of savings and credit cooperatives, and microfinance.

### Key-Data on the German Cooperative System: (as of 31.12.2006)

- approx. 5,400 cooperative enterprises in 3 sectors:
 

<u>agriculture:</u>	3,188 primary cooperatives + central cooperatives + 1 national federation. turnover: approx. 38.3 billion €
<u>banking:</u>	1,255 primary cooperatives + 2 cooperative central banks, several specific financial institutions + 1 national federation balance-sheet total: approx. 900 billion €  9.34 billion € paid in member capital
<u>small-scale industry commodities and services, consumers:</u>	1.104 cooperatives + 14 central institutions + 2 national federations. turnover: approx. 87 billion €
- 17.6 million members (out of 80 million inhabitants)
- 8 regional auditing federations + 6 specialised auditing federations
- training centres at regional and national level
- division into cooperatives with commercial activities and a system of cooperative federations
- no public interference, no public financing