

# *Company Profile 2009*

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*Ulrich Kissing,  
Chairman of the Board,  
and  
Dr. Frank Schneider,  
Member of the Board*

## *To our Business Associates*

*Ladies and Gentlemen,*

In 2009, an economically very difficult year, we jointly took over management of Investitionsbank Berlin. The forecasts for the global economy were gloomy. Growth was expected to decline by up to 6 % in Germany and by around 2.5 % in Berlin. It was precisely here last year that our predecessors on the Management Board of IBB wrote that we were facing the biggest challenges in 2009 since we were founded as a subsidy institute.

In the final analysis, taking an overall view, developments have thankfully not been as bad as widely expected. Various support measures for banks and the economy managed to ward off the worst. The Act to Secure Employment and Stability in Germany, for instance, helped to ensure that the feared collapse of the labour market did not take place. At the end of 2009, unemployment in Germany totalled 3.3 million. Although this figure was 5.6 % up against the previous year's figure, and in Berlin a good 9,000 more people (4.2 %) were also out of jobs, compared to the same month of the previous year, this was not the collapse that had been feared. All in all, it can be assumed that real gross domestic product in Germany for 2009 will decline by 5 % and will remain below 2 % in Berlin. In Spring 2010, companies in Germany and Berlin consider their situation to be much more favourable than one year previous. The number of company bankruptcies in Berlin declined slightly in the third quarter of 2009 compared to same period of the previous year.

The situation remains difficult. This means that the relative stability of the private sector, the labour market and the banking sector is largely owed to government aid measures which are quickly pushing up public debt and will make strict saving measures necessary in the years to come. Orders on hand in the building sector and in industry remain low. Credit supply for Germany's economy is still difficult because some banks, due to a weakened capital base, greater requirements for equity levels and stricter demands by supervisory bodies combined with higher risk mark-ups, are still not able to serve credit demand to the extent needed – this is a situation that will not change in the short term.

That's why we were very pleased when Berlin's Senate followed our initiative in November 2009 and drew up a resolution to expand our financing options as a subsidy institute. The IBB growth programme, for instance, which up to now was restricted to the financing of investment, has been expanded to include refinancing and follow-up financing, plant and equipment financing and the pre-financing of receivables, inventories and contracts. This means that we can become active in cases where no

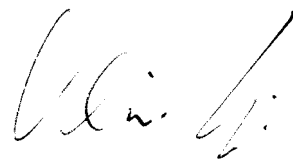
refinancing or follow-up financing is available from a commercial bank alone or where a company's liquidity is insufficient to pre-finance contracts.

In December 2009, Investitionsbank Berlin's subsidy and support mission was expanded to include the financing of public infrastructure measures. With the new "Berlin Infra" programme, we can now finance investments by publicly owned companies in Berlin in which the Federal Land has a majority stake. We also have greater leeway when it comes to granting micro-loans; loans of up to EUR 25,000 can now be applied for in what is called the simplified procedure.

In 2009, Investitionsbank Berlin once again braved the turmoil of the financial markets and proved to be stable. Due to a decline in demand, financing commitments to promote business were down by around a quarter – with around the same number of financing transactions – with IBB in a position to provide financing at all times.

What's remarkable here is that financing commitments under ProFIT, our programme to promote research, innovation and technologies, rose by 44 % against the previous year to a good EUR 53 million.

We would like to thank our customers for the trust which they placed in us in the year under review and assure you and our owners that we will continue to pursue our risk-conscious business and liquidity policy. Investitionsbank Berlin's business policy is geared towards promoting businesses, infrastructure and urban development in Berlin. In doing so, we operate within the scope of a revenue model in which our surplus income provides us with more muscle for additional support measures. This benefits the Federal Land of Berlin and we live up to our motto – Performing for Berlin. We believe that we have found just the right balance between entrepreneurial action with responsibility for revenues and our subsidy and support mission, and we look forward to co-operating further with you.



**Ulrich Kissing**  
*Chairman of the Board*



**Dr. Frank Schneider**  
*Member of the Board*



## Statement by the Chairman of the Administrative Board

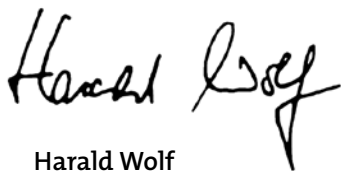
Investitionsbank Berlin can look back on a successful financial year. In 2009, IBB frequently outdid its own goals. No mean feat in light of the global financial and economic crisis. I would like to express my thanks to the staff for their commitment and work in the 2009 financial year.

2009 was a difficult year for Berlin's economy even though the limited degree of international ties meant that the decline in economic output was less marked than in the rest of the country. The fact that the crisis had only a minor impact on many people in Berlin is due to the massive intervention that took place on all levels of government. In addition to fuelling the economy by investing in schools, university, crèches and energy-related refurbishment, the primary aim was to prevent the credit crunch that was feared by so many for Berlin-based companies. It was here that Investitionsbank Berlin was able to make an important contribution.

The diverse portfolio in the field of business promotion was expanded last year and made more flexible. One decisive improvement is that IBB is now in a position, within the scope of the growth programme, to participate in syndicated loans to finance plant and equipment and in pre-financing and follow-up financing. In addition to that, IBB has raised the cap on the so-called simplified procedure for micro-loan applications to up to EUR 25,000 and has launched a new programme to finance infrastructure projects by publicly owned companies.

It is still not certain how the economic situation will develop in the new year. IBB, however, is in a good position to accompany Berlin-based companies in their projects as a strong and reliable partner.

I wish you all every success!



**Harald Wolf**  
*Mayor and Senator for Business, Technology and Women  
of the Federal Land of Berlin*



**Harald Wolf**  
**Chairman of the  
Administrative Board**

## *Report by the Administrative Board for 2009*

Investitionsbank Berlin is an institution incorporated under public law and the central subsidy institution of the Federal Land of Berlin.

The Administrative Board of Investitionsbank Berlin performed its tasks in the manner required by law, the memorandum and articles of association, as well as the business rules. The six members of the Administrative Board appointed by the Federal Land of Berlin were once again appointed in 2009 by Berlin's Senate; the three employees' representatives were elected by the Personnel Committee. In the year under review, the committee came together for four ordinary meetings and two extraordinary meetings.

The work performed by the Administrative Board focused on the strategic orientation of the bank, the question regarding the diversification of the portfolio, bank-internal risk steering and risk controlling. The Administrative Board discussed in detail the effects of the financial market crisis on IBB and Berlin's economy as well as the related question regarding effective support policy measures for medium-sized enterprises in Berlin.

The Management Board, which was re-appointed by the committee in the financial year, informed the Administrative Board and its committees of the bank's current developments and of important business.

BDO, Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Berlin, performed the mandatory audit of the annual accounts for the 2009 financial year. No objections were raised; the auditors issued Investitionsbank Berlin an unqualified audit opinion.

Following the explanation by the auditor, the Administrative Board acknowledged the result of the audit in its meeting on 14 April 2010.

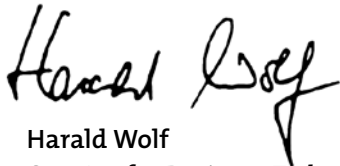
The committee did not raise any objections against the Annual Accounts of Investitionsbank Berlin drawn up by the Management Board. At its meeting, the Administrative Board adopted the bank's Annual Accounts for the 2009 financial year.

The profit for the 2009 financial year minus subsidies for Berlin totals EUR 29.8 million.

The Administrative Board would like to thank all the staff of Investitionsbank Berlin for their dedicated work in the 2009 financial year.

14 April 2010

Chairman of the Administrative Board

A handwritten signature in black ink, appearing to read 'Harald Wolf', with a stylized, flowing script.

Harald Wolf

*Senator for Business, Technology and Women  
of the Federal State of Berlin*

## Business promotion in 2009 in figures

Programme	Business start-ups			Existing companies		
	Volume (in million euro)			Volume (in million euro)		
	Number	Loans and investments, guarantees	Grants	Number	Loans and investments, guarantees	Grants
Berlin Start	89	5.1	0.0	0	0.0	0.0
Berlin Loan	242	42.2	0.0	383	52.6	0.0
Berlin Capital	0	0.0	0.0	4	0.7	0.0
Common task (GRW)	34	0.0	7.4	164	0.0	26.3
SME fund	2	0.3	0.0	6	0.4	0.0
SME fund – micro-loans up to EUR 25,000	147	1.5	0.0	59	0.7	0.0
Growth/consortium loans	0	0.0	0.0	3	26.2	0.0
ProFIT	31	12.9	3.3	100	14.5	22.5
Innovation Assistant	33	0.0	0.6	92	0.0	1.7
Berlin future fund	1	0.2	0.5	21	0.1	9.3
Intermediate financing of film productions	1	1.1	0.0	9	2.9	0.0
CEE Networks	0	0.0	0.0	1	0.0	0.2
Opening up new markets	0	0.0	0.0	60	0.0	2.2
Liquidity assistance	0	0.0	0.0	12	5.1	0.0
<b>Sub-total – support programmes</b>	<b>580</b>	<b>63.2</b>	<b>11.8</b>	<b>914</b>	<b>103.1</b>	<b>62.2</b>
Syndicated loans BBI	0	0.0	0.0	1	310.0	0.0
<b>Total</b>	<b>580</b>	<b>63.2</b>	<b>11.8</b>	<b>915</b>	<b>413.1</b>	<b>62.2</b>
For information:						
IBB Beteiligungsgesellschaft	20	4.5	0.0	6	1.6	0.0
Share of competence fields in support programmes	123	16.2	10.8	372	22.8	49.1

Total			Programme	
Volume (in million euro)				
Number	Loans and investments, guarantees	Grants	Number	
89	5.1	0.0	5.1	Berlin Start
625	94.8	0.0	94.8	Berlin Loan
4	0.7	0.0	0.7	Berlin Capital
198	0.0	33.8	33.8	Common task (GRW)
8	0.7	0.0	0.7	SME fund
206	2.2	0.0	2.2	SME fund – micro-loans up to EUR 25,000
3	26.2	0.0	26.2	Growth/consortium loans
131	27.4	25.8	53.3	ProFIT
125	0.0	2.3	2.3	Innovation Assistant
22	0.3	9.8	10.1	Berlin future fund
10	4.0	0.0	4.0	Intermediate financing of film productions
1	0.0	0.2	0.2	CEE Networks
60	0.0	2.2	2.2	Opening up new markets
12	5.1	0.0	5.1	Liquidity assistance
1,494	166.4	74.0	240.4	Sub-total – support programmes
1	310.0	0.0	310.0	Syndicated loans BBI
1,495	476.4	74.0	550.4	Total
For information:				
26	6.1	0.0	6.1	IBB Beteiligungsgesellschaft
495	39.0	59.9	98.9	Share of competence fields in support programmes

## *Real-estate and urban development*

### *Real-estate promotion 2009 in figures*

	Number of approvals	New approvals in million euro		Total
		Loans	Grants	
Home ownership	60	0.0	1.1	1.1
Rented property construction	179	672.3	0.2	672.5
Modernisation and rehabilitation	87	46.7	19.0	65.8
<b>Total</b>	<b>326</b>	<b>719.0</b>	<b>20.4</b>	<b>739.4</b>

## Management Report

### *Subsidy bank for the Federal Land of Berlin*

As the subsidy bank of the Federal Land of Berlin, IBB supports the city's sustainable economic development through tailored financing in the field of business promotion, primarily for small and medium-sized enterprises, and in the field of real-estate and urban development in order to achieve integrated real-estate and urban development.

By accompanying companies with monetary aid, especially in the form of loans and investments, we are determined to push economic growth in the capital, to secure existing jobs and create future-enabled jobs.

Venture capital companies provide financing to young businesses, especially to those working in technology-orientated fields and the creative industry and with a particularly good potential for growth and increase in value. Investing in these companies supports their economic development.

Thanks to its refinancing guarantee, the Federal Land of Berlin as the sole owner of IBB provides the bank with a good position on the money and capital markets. The capital market instruments issued to refinance subsidy business hence have the same credit worthiness as the Federal Land of Berlin.

### *Economic factors*

In the first half of the past year, real gross domestic product in the capital city fell by 2.3%. Berlin, however, recorded the lowest decline of all the federal Laender. On the whole, real economic performance in Germany fell by 6.8% during the same period. Berlin's strong services sectors is the main reason for the comparatively low negative impact of the crisis in Berlin. This sector accounts for more than 80% of Berlin's economic performance and is hit by the crisis to a comparatively limited extent. Growth has been recorded, in particular, by company-near services, i.e. business services: starting with low-qualification jobs, such as cleaning services, security services, call centres, to areas such as personnel services, carriers and rental services, right through to highly qualified, knowledge-intensive services, such as consultancy, architecture, engineering and medical services, as well as research and development. In 1991, only 12.6% of people in Berlin earned a living in these fields. This figure has now risen to 23.4% – around 178,000 new jobs were created here between 1991 and 2009, 7,900 alone in the past year.

The financial market crisis eased over the course of the year. However, the financial markets have still not yet settled completely. An all-clear signal

is still nowhere in sight, especially in light of the huge national deficits in some countries of the European Union and ongoing uncertainty regarding economic developments. Credit supply for Germany's economy is still difficult because some banks, due to a weakened capital base, greater requirements for equity levels and stricter demands by supervisory bodies combined with higher risk mark-ups, are still not able to serve credit demand to the extent needed.

The economic and financial crisis is also resulting in poorer financing conditions for property owners on Berlin's housing market. But this market continues to be relatively stable. The climate for investing in existing buildings (modernisation, conversion) is seen to be relatively good.

Another aspect which resulted in the moderate negative impact of the crisis on Germany's capital city is the mix of different industries. Berlin's industry is less dependent on economically vulnerable sectors than companies in many other metropolitan areas with a focus on investment goods and vehicles. The shocks that were sent out by the crisis were significantly curbed in the capital city with its industrial focus on pharmaceuticals, printed products and foodstuffs.

All in all, industrial turnover in 2009 was down by 6.3 % only. This means that the decline in Berlin was less pronounced than in the rest of the Federal Republic. Whilst domestic turnover in Germany declined by 7.5 %, overall sales to international customers declined by only 4.9 %. Last year, foreign business accounted on average for more than 45 % of sales by Berlin-based companies with 50 or more employees. In 2005, this figure was just 35 %. This development shows that products from Berlin can also hold their ground during the economic crisis on the global market and have become increasingly more competitive. Following extensive structural change, Berlin's industry has been largely consolidated, is competitive, innovative and modern.

The increase in employment in the services sector is also a consequence of brisk start-up activities in the capital city. All in all, the number of company registrations increased by 41,587 between January and November 2009. At the same time, the number of company deregistrations rose by only 30,909, so that in total the balance of company registrations and deregistrations rose to 10,678. On the whole, 88.2 % of registrations were new companies, including 22.6 % major start-ups, i.e. commercial enterprises which at the time of registration can already be seen to be of significant economic importance. Following an all-time low in 2001, the number of start-ups in Berlin has risen again considerably.



## General Business Development in 2009

The overall difficult economic climate also had its impact on IBB's business development. Despite lower demand for financing in the field of business promotion, IBB has proven itself to be a stable partner for its customers and the Federal Land and fulfils its subsidy mission at all time times. Within the scope of the net result, planning for the financial year was surpassed. After earmarking general provident funds, an economic result of EUR 60.4 million remains, 50 % of which can be made available to the Federal Land as government assisted payments.

After considering payments from provisions formed the previous year, a total of EUR 42.6 million went into the subsidy policy of the Federal Land.

These subsidies include activities by IBB on behalf of the Federal Land which – taking into account all the costs incurred in their implementation as well as income generated – resulted in an economic loss for the bank.

## Income statement

EUR million	2009	2008	Change	
			Absolute	In %
Net interest income	143.6	144.2	-0.5	-0.4
Net commission income	14.4	14.6	-0.2	-1.5
Net other operating income / expenses	3.8	25.1	-21.4	-85.1
<b>Total income</b>	<b>161.8</b>	<b>183.9</b>	<b>-22.1</b>	<b>-12.0</b>
Total administrative expenses	-78.3	-78.8	0.5	-0.7
Operating result before risk provisioning / evaluations	<b>83.5</b>	<b>105.0</b>	<b>-21.6</b>	<b>-20.5</b>
Risk provisioning / evaluations	-23.0	-26.3	3.2	-12.3
<b>Economic result</b>	<b>60.4</b>	<b>78.8</b>	<b>-18.3</b>	<b>-23.3</b>
IBB government assistance payments	-30.6	-36.6	6.0	-16.3
<b>Net income for the year</b>	<b>29.8</b>	<b>42.2</b>	<b>-12.4</b>	<b>-29.3</b>

Interest and commission income totalling together EUR 158 million was also on par with last year's excellent result of EUR 158.8 million and is seen to be stable compared to last year. The bank's total interest margin rose against the previous year from 0.675 % to 0.707 %.

Net commission income shows a structural shift towards business promotion. The commission agreements and other handling fees from this segment rose against the previous year by 33 %; revenues from the real-estate and urban development segment declined by a good 10 % as a result of expiring subsidies.

The decline in other operating income and expenses from EUR 25.1 million to EUR 3.8 million is largely due to less liquidation of provisions formed in previous years and due to the necessary provident expenses.

In the fifth year since the demerger, the cost management policy persistently implemented by the bank has resulted in a further reduction of administrative expenditure. With expenditure totalling EUR 78.3 million (previous year: EUR 78.8 million), it was possible to once again remain below the previous year's administrative expenditure. The subsidy cost/income ratio, which is defined as the ratio of administrative expenditure to revenues, increased to 48.4 % (previous year: 42.9 %) as a result of the lower expenditure/revenue balance.

The conservative valuation method that the bank continues to use, according to which specific and/or portfolio provisions are formed for all recognisable risks according to IAS 39, along with the additional formation of general provident funds, mean a burden of EUR 23 million (previous year: EUR 26.3 million) on the result before risk provisioning and evaluations.

Following deduction of subsidies for Berlin recorded in the Profit and Loss Account to the amount of EUR 30.6 million, net income for the year totals EUR 29.8 million (previous year: EUR 42.2 million) which is carried as a balance-sheet profit.

## Balance sheet and business volume

Business volume (EUR million)			Change	
	31 Dec. 2009	31 Dec. 2008	Absolute	In %
Loans and advances to banks	1,469.7	1,842.3	-372.6	-20.2
Loans and advances to customers	13,216.3	12,781.4	434.8	3.4
Bonds and other fixed-income securities	5,405.8	5,570.1	-164.2	-2.9
Share holdings / shares in affiliated companies	118.0	48.0	70.0	145.8
Other assets	192.1	226.4	-34.3	-15.2
<b>Total assets</b>	<b>20,401.9</b>	<b>20,468.2</b>	<b>-66.3</b>	<b>-0.3</b>
Contingent liabilities	101.2	125.4	-24.1	-19.3
Unconditional loan commitments	593.7	627.8	-34.1	-5.4
<b>Business volume</b>	<b>21,096.8</b>	<b>21,221.3</b>	<b>-124.5</b>	<b>-0.6</b>

and business volume (EUR 21.1 billion) were almost on the same level as the previous year. As per the end of the year, swaps used to steer and hedge against risks resulting from changes in interest rates have a nominal volume of EUR 10.2 billion (previous year: EUR 11.6 billion).

Loans due to banks declined by EUR 0.4 billion to EUR 1.5 billion, whilst lendings to customers increased by EUR 0.4 billion to EUR 13.2 billion, especially due to investments within the scope of comprehensive bank management.

The venture capital funds established in 2007 (VC Fonds Technologie Berlin and VC Fonds Kreativwirtschaft Berlin) were provided with additional funds in the past financial year. This means that shareholdings and shares in affiliated companies rose by EUR 70 million to EUR 118 million. With these additional funds for the venture capital companies, the bank provided Berlin a total of EUR 107 million (previous year: EUR 37 million) in venture capital funds as per the end of the financial year.

The balance sheet volume was refinanced as before primarily by borrowing from institutional investors (69 %) on the money and capital markets and with funds from the Federal Land of Berlin (31 %).

Shareholder's equity shows a balance-sheet profit of EUR 29.8 million (previous year: EUR 42.2 million). Pursuant to section 19 of the Articles of Association of Investitionsbank Berlin, this is to be appropriated in full to the special-purpose reserve unless the Berlin Senate decides otherwise.

The balance-sheet capital ratio of 3.0 % as per the balance-sheet date is slightly up against the previous year (2.9 %); the return on equity, calculated as the relation between the net profit of the bank and balance-sheet equity, declined from 14.5 % in 2008 to 10.3 % in 2009.

## *Developments in the individual segments*

### *Real property and urban development*

In 2009, the development of the existing volume once again surpassed by far the expectations for the year. The balance-sheet stocks from the real estate and urban development portfolio were kept on the same level as last year of EUR 11.5 billion. In addition to the expected decline in stocks in the subsidy programmes from the former promotion of housing by the Federal Land, the expansion of the product portfolio and the special projects initiated by the Federal Land of Berlin had a positive impact on the development of stocks. A continuation of the reduction of overall stocks recorded in previous years was hence brought to a halt by new loans to the amount of almost EUR 800 million (previous year: EUR 327 million).

In the year under review, financing commitments with a volume of EUR 719 million (previous year: EUR 101 million) were made available. In addition to the refinancing referred to, this growth resulted from the first-time sale of syndicated loans amounting to EUR 29 million and from financing within the scope of the “dwellings for the elderly” and the “energy-based building refurbishment” programmes. Financing in the order of EUR 38.7 million (previous year: EUR 5.0 million) was made available under these programmes which were modified in 2008 and for which there was greater demand in the past financial year.

With a stock of real-estate promotion loans to the amount of EUR 11.5 billion (previous year: EUR 11.6 billion), real-estate promotion continues to account for more than 50 % of the bank's overall volume of business.

Total revenues (after deduction of the balance of other operating expenditure and revenues) was down by 23 % against the previous year to EUR 52.6 million due to lower interest and commission income from the former promotion of housing by the Federal Land of Berlin, the necessary commission fees incurred in conjunction with the expansion of new business, as well as the necessary general provident measures. Thanks to lower administrative expenses and lower provident measures required in lending business, the economic result declined by 14 % and at the end of the year totalled EUR 33.6 million (previous year: EUR 39.0 million).

### *Business promotion and subsidies*

Due to the overall reluctance in relation to bigger investment projects, which resulted in commercial banks demanding fewer refinancing funds from global loans, a decline in approval volume for promotion and subsidy programmes was also recorded. Commitments declined by more than a quarter to EUR 240 million. At the same time, with financing for Berlin-Brandenburg International (BBI) Airport, the bank was able to demonstrate its competence, also when it comes to accompanying complex financing projects.

Together with this important financing for the overall region, financing commitments rose against the previous year by 26 % to EUR 550 million.

EUR 74 million of this sum was granted for purely grant-related business (previous year: EUR 113 million), whilst EUR 476 million was for dormant and open partnerships, as well as loans and guarantees (previous year: EUR 324 million). The share of loan-based and equity financing in overall commitments was once again increased in the past financial year. The share of redeemable funds now totals 86 % (previous year: 74 %) of overall support measures.

Technology-orientated support under the ProFIT programme fared very well in this context. The commitments made in 2009 rose once again against the previous year's high by 44%, reaching a volume of EUR 53 million. Despite the economic crisis, the support programme with the highest volume, i.e. the "Berlin loan" with commitments of almost EUR 95 million (previous year: EUR 101 million), was made available via banks once again in 2009.

Total commitments were strongly influenced by business with syndicated loans, and in this case, especially by involvement in the financing for Berlin-Brandenburg International (BBI) Airport. All in all, financing made available through successful co-operation with other commercial and subsidy banks rose from EUR 90 million in 2008 to EUR 336 million in 2009.

Interest and commission income from business promotion totalled EUR 5.1 million in the year under review (previous year: EUR 3.1 million). This increase of 66% clearly highlights the expansion of business in this segment compared to previous years.

Due to the financial and economic crisis, the growing volume of business in this segment made higher provident expenses for lending necessary. After taking this conservatively calculated item into consideration, a negative economic result for the year of EUR 11 million (previous year: + EUR 2 million) remains.

## Miscellaneous

The "Miscellaneous" segment includes the control and service functions as well as balance-sheet structure management. Non-interest bearing balance-sheet items, such as fixed assets, provisions and equity, are shown here.

Balance-sheet structure management is controlled by the Treasury unit. This includes all activities to secure the required refinancing funds, liquidity at all times and the transactions to steer interest rate risks.

Funds taken out on national and international money and capital markets to which the bank had full access at all times were taken out exclusively in euro. Through intensive market cultivation activities, IBB warrants the liquidity of its bonds on the secondary market, thus making the titles very attractive for investors. As a subsidy bank with public-sector responsibility and the explicit refinancing guarantee of the Federal Land of Berlin, the bank has the same credit rating as the Federal Land of Berlin.

The economic result of this segment remains unchanged against the previous year at EUR 37.9 million.

The number of employees in the “Miscellaneous” segment rose against the previous year by 15 to its current 422. 147 of these employees (previous year: 147) work in the central units and steering functions (including organisation and IT) and 274 (previous year: 260) have back-office functions. All of the functions that can be assigned to the market segments are distributed within the scope of performance accounting to the market segments so that the allocation of employees from these functions has no impact on the overall results of the respective segments.

### *Events after the balance-sheet date*

No events of significant importance took place after the conclusion of the financial year.

## *Annual Accounts*

as per 31 December 2009

The Annual Accounts of Investitionsbank Berlin (company accounts) as per 31 December 2009 contained in this Annual Report were prepared in line with the German Commercial Code. In addition to the foregoing, Investitionsbank Berlin also drew up consolidated annual accounts as per 31 December 2009 on the basis of International Financial Reporting Standards (IFRS) which can be found on the Internet at [www.ibb.de](http://www.ibb.de).

## Balance sheet as per 31 December 2009

Assets (EUR thousand)	31 December 2009	31 December 2008
<b>1. Cash</b>	<b>29,314</b>	<b>66,770</b>
b) Balances with central banks	29,314	66,770
of which: at Deutsche Bundesbank:		
66,770,000 (31 December 07: 25,766,000)		
<b>3. Loans and advances to banks</b>	<b>1,469,726</b>	<b>1,842,316</b>
a) Payable on demand	198,144	155,285
b) Other loans and advances	1,271,582	1,687,031
<b>4. Loans and advances to customers</b>	<b>13,216,276</b>	<b>12,781,445</b>
of which:		
Secured by liens:		
7,699,696,000 (31 December 07: 8,409,887,000)		
Public-sector loans: 3,253,979,000 (31 December 07: 4,119,349,000)		
<b>5. Bonds and other fixed-income securities</b>	<b>5,405,801</b>	<b>5,570,050</b>
a) Money market paper		
ab) from other issuers	218,654	253,375
b) Bonds and notes		
ba) Issued by public institutions	342,412	265,583
of which: eligible as collateral at Deutsche Bundesbank	342,412	265,583
bb) from other issuers	4,844,635	4,971,092
of which: eligible as collateral at Deutsche Bundesbank	4,712,833	4,804,032
c) Own bonds	100	80,000
Nominal amount	100	80,100
<b>7. Participations</b>	<b>11,165</b>	<b>11,190</b>
of which:		
In banks EUR o thousand (31 December 07: EUR o thousand)		
<b>8. Shareholdings in affiliated companies</b>	<b>106,849</b>	<b>36,822</b>
of which:		
In banks EUR o thousand (31 December 07: EUR o thousand)		
<b>9. Trust assets</b>	<b>97,828</b>	<b>89,601</b>
of which: Trust loans	97,828	89,601
<b>11. Intangible assets</b>	<b>633</b>	<b>836</b>
<b>12. Tangible assets</b>	<b>37,660</b>	<b>40,223</b>
<b>15. Other assets</b>	<b>3,775</b>	<b>17,274</b>
<b>16. Prepaid expenses</b>	<b>22,842</b>	<b>11,670</b>
<b>Total assets</b>	<b>20,401,870</b>	<b>20,468,197</b>



Liabilities and shareholders' equity (EUR thousand)		31 December 2009	31 December 2008
<b>1. Liabilities to banks</b>		<b>5,650,784</b>	<b>5,382,938</b>
a) Payable on demand	280,560		220,514
b) With an agreed term or notice period	5,370,224		5,162,424
<b>2. Liabilities to customers</b>		<b>8,295,309</b>	<b>8,113,961</b>
b) Other liabilities			
ba) Payable on demand	429,338		389,138
bb) With an agreed term or notice period	7,865,971		7,724,823
<b>3. Securitised liabilities</b>		<b>5,087,167</b>	<b>5,628,815</b>
a) Bonds issued	5,087,167		5,628,815
<b>4. Trust liabilities</b>		<b>97,828</b>	<b>89,601</b>
of which: Trust loans	97,828		89,601
<b>5. Other liabilities</b>		<b>6,279</b>	<b>45,509</b>
<b>6. Deferred income</b>		<b>188,314</b>	<b>201,777</b>
<b>7. Provisions</b>		<b>242,911</b>	<b>202,107</b>
a) Provisions for pensions and similar obligations	81,013		75,648
c) Other provisions	161,897		126,459
<b>9. Subordinated liabilities</b>		<b>75,000</b>	<b>75,000</b>
<b>11. Funds for general banking risks</b>		<b>144,311</b>	<b>144,311</b>
<b>12. Shareholders' equity</b>		<b>613,968</b>	<b>584,178</b>
a) Share capital	300,000		300,000
c) Revenue reserves			
cd) Other revenue reserves (special-purpose reserve)	284,178		242,019
d) Net retained profit	29,790		42,159
<b>Total liabilities and shareholders' equity</b>		<b>20,401,870</b>	<b>20,468,197</b>
<b>Off-balance sheet items</b>			
<b>1. Contingent liabilities</b>		<b>101,233</b>	<b>125,380</b>
b) Liabilities in relation to guarantees and warranties		101,233	125,380
<b>2. Other obligations</b>		<b>593,710</b>	<b>627,765</b>
c) Irrevocable loan commitments		593,710	627,765
		<b>694,943</b>	<b>753,145</b>

## Profit and loss account for the period 1 January 2009 to 31 December 2009

Expenses	EUR thousand	EUR thousand	EUR thousand	Previous year EUR thousand
1. Interest expenses			424,904	663,078
2. Fee and commission expenses			4,710	4,142
3. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	38,747			37,201
ab) Social security contributions and expenses for pensions and other benefits	<u>12,442</u>			9,675
Of which: for pensions EUR 2,796,000 (previous year: EUR 2,489,000)		51,189		46,876
b) Other administrative expenses		<u>22,583</u>		26,788
			<u>73,772</u>	73,664
4. Depreciation, amortisation and write-downs on intangible assets and tangible assets			4,520	5,177
5. Other operating expenses			30,133	16,456
6. Amortisation and write-downs on receivables and specific securities, as well as provisions for loans			32,370	0
7. Amortisation and write-downs on investments, shares in affiliated companies and securities treated as fixed assets			0	42,303
9. Other taxes not report under item 5			8	13
10. Net income for the year			29,790	42,159
<b>Total expenses</b>			<b>600,205</b>	<b>846,992</b>
1. Net income for the year			29,790	42,159
2. Appropriation to other revenue reserves (special-purpose reserve)			<u>0</u>	<u>0</u>
3. Net retained profit			29,790	42,159

Income	EUR thousand	EUR thousand	Previous year EUR thousand
<b>1. Interest income from</b>			
a) Lending and money market transactions	445,781		551,440
b) Fixed-income securities and Book-entry securities	<u>122,733</u>	<u>568,514</u>	<u>255,788</u> <u>807,228</u>
<b>3. Fee and commission income</b>		19,113	18,766
<b>4. Revenue from additions to receivables and certain securities as well as the dissolution of reserves in loan business</b>		0	13,586
<b>5. Revenue from additions to investments, shares in affiliated companies and securities treated as Fixed assets</b>		9,334	0
<b>6. Other operating income</b>		3,244	7,412
<b>Total income</b>		<b>600,205</b>	<b>846,992</b>

## *Notes to the Financial Statements for the 2009 Financial Year*

### *General notes*

Investitionsbank Berlin prepared the annual accounts as per 31 December 2009 in line with the German Commercial Code and in adherence to the Ordinance Regulating Reporting by Banks (RechKredV). The generally accepted accounting standards were observed.

The format of the balance sheet and of the profit and loss account is in line with the forms of the Ordinance Regulating Reporting by Banks.

### *Accounting and valuation methods*

Assets, liabilities and pending transactions were valued in accordance with the regulations of articles 252 seq. of the German Commercial Code in conjunction with sections 340 seq. of the German Commercial Code. The Ordinance Regulating Reporting by Banks (RechKredV) was observed.

Loans and advances to banks and customers are generally carried at their nominal amount. Zero bonds are carried at market value.

Premiums and discounts are appropriated to prepaid expenses and deferred income, respectively, and written back as scheduled.

Pro-rata interest on interest rate swaps is recognised on an accruals or deferrals basis, respectively. It is carried under loans and advances to banks and liabilities to banks or customers. Income resulting from interest rate derivatives is carried in the bank's interest result.

Adequate account is taken of identifiable lending risks through the establishment of itemised allowances for bad debts and provisions. General allowances were made for bad debts in the receivables portfolio. In the current financial year, itemised allowances were calculated for the first time pursuant to IAS 39. This change results in revenues of EUR 13 million with no impact on result due to the formation of risk provisioning. Flat-rate itemised allowances and general allowances have been calculated since the previous year pursuant to IAS 39.

Financial assets are valued at their cost of acquisition. If sustained impairment of value is expected, write-downs are always performed to the strict lower of cost or market principle. If impairment of value is only temporary, the value is retained pursuant to Section 253 (2) of the German Commercial Code in conjunction with Section 340e of the German Commercial Code.

The securities of the liquidity reserve are valued at the strict lower of cost of market principle.

Individual units of accounting are documented and each unit of accounting is evaluated in a compensatory manner. Provisions for impending losses are formed when the evaluation of a unit of accounting is negative.

Scheduled write-downs are made on assets with a limited useful life. Low-value assets are written off immediately.

Liabilities are carried at their repayment amount.

Reserves for pension obligations were calculated using Prof. Dr. Heubecks 2005G tables and based on the rules of the so-called Defined Benefit Obligation according to IAS 19. Future salary and pension developments were also considered. The interest rate, which was reduced to 4.5 % in the past in consideration of the development of long-term capital market interest rates, was used again.

The interest share of the sum added to pension reserves is carried in interest expenditure.

Other provisions are carried at the amount required in line with prudent business consideration.

### *Principles of currency translations*

All transactions of Investitionsbank Berlin are shown in euro.

## *Imprint*

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### – *Conceptual design and layout*

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Feurigstraße 54  
10827 Berlin, Germany  
[www.adjouri.com](http://www.adjouri.com)

### – *Translation*

GOLDIN, DALTON & WITTGREBE  
Prager Str. 3  
10779 Berlin, Germany  
[www.g-d-w.de](http://www.g-d-w.de)

### – *Print*

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