

Company Profile 2011


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A photograph of two men in business suits standing in front of a modern, multi-story office building. The building has a grey facade with many windows and the name 'Investitionsbank Berlin' is displayed in large white letters on a dark horizontal band near the top. The man on the left is wearing a dark suit, a white shirt, and a red and white striped tie. The man on the right is wearing a dark pinstripe suit, a white shirt, and a solid red tie. Both men are smiling and looking towards the camera. The sky is overcast and there are some bushes in the foreground.

Investitionsbank Berlin

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

To our Business Associates

Ladies and Gentlemen,

Following a survey of around 1,100 medium-sized enterprises in Berlin that was conducted together with Creditreform Wolfram KG, Investitionsbank Berlin published its first 2011 SME report on medium-sized enterprises in July 2011. This report is now to be published annually. The aim is not only to assess economic prospects and to learn about investment plans by companies, but also to cast light on financing habits and demands by enterprises.

The financing habits of enterprises generally differ strongly from sector to sector. Enterprises in the processing industry, for instance, have made much more intensive use of all forms of outside and equity finance than the average of all companies surveyed. This was particularly striking with regard to public funds which 53% of industrial enterprises had already used compared to 29% of all businesses. This already shows that Berlin's business development efforts are clearly focused on industry which also serves as a growth engine for other sectors, such as the services sector.

Although 14% of the companies surveyed rated the current financing terms and conditions as good and 37% as satisfactory, around two fifth of businesses, chiefly small ones, considered them to be difficult. However, in 2007 we already introduced our micro-loans specifically for smaller companies with a lower finance demand which have since proved to be very popular.

The survey also showed that almost half of the companies saw a need to improve the consultancy service offering in Berlin and that many businesses also considered the transparency of subsidy offerings to be insufficient. We have already launched more offers to serve this need: Under the heading "Financing company growth", we started a new event series in January 2012 which supplements the existing consultancy portfolio for founders with offerings that address the needs of existing businesses. The aim of the monthly information event is to present IBB's financing instruments and consultancy services for growth-orientated companies. We have updated our website and can now offer product briefs for all our programmes enabling quick orientation as well as a subsidy finder that shows the way to offers which address a company's specific needs.

But this is not the only area where we have upgraded our business subsidy offering. In September 2011, we launched the "Berlin Innovative Loan" programme. The new programme is specifically designed for small and medium-sized enterprises (SMEs) active in Berlin's clusters and future fields or planning to go international. Loans of up to EUR 500,000 max. are available for investment and working capital. Besides favourable terms and conditions, the programme offers the applicant's intermediary bank a 60% redemption from liability. In spring 2012, our new mezzanine capital programme, which is implemented under the "Berlin Capital" roof and co-financed with ERDF money, was also approved. Within the

scope of the enlarged fund, we will offer silent partnerships from EUR 1m to EUR 5m which can be financed with outside capital.

With financing pledges of EUR 463m for business development projects in the year under review, we are a quarter above the previous year's figure. This includes global loans of EUR 100m which we make available to commercial banks for loans to Berlin-based enterprises. Especially towards the end of 2011, commercial banks showed much stronger interest in these financing instruments. We believe that this to be due to the distortions on capital markets which are making it significantly more difficult to refinance loans without collateral. In the field of our subsidy and support programmes too, both loans and participations as well as grants are slightly above the previous year's levels. Growth and syndicated loans almost managed to keep pace with previous year's high level. A financing result of more than EUR 100m was achieved for the second time. Although financing pledges of EUR 33m remained below the previous year's result for the "ProFit" programme, the result recorded nevertheless illustrates the enormous importance of technology support in Berlin. The result corresponds exactly to the ten-year average. The subsidy share of "ProFit" has fallen significantly over the time and is now down to close to 50%.

In the field of real property support programmes, we managed to increase financing pledges from EUR 694.7m by another 7% to EUR 744.2m on the basis of a very successful 2010. Global loans for real property financing were also in strong demand so that we recorded an increase from EUR 15m for the previous year to EUR 80m in the year under review. The same applies to syndicated loans which we grant in co-operation with applicants' banks. These loans totalling EUR 77m contributed towards the financing volume in real property promotion.

Our programmes for the energy-efficient refurbishment of Berlin's residential buildings are a special focus of both our real property promotion efforts and of this annual report. The programmes help to achieve the ambitious climate protection goals of the Federal Land of Berlin which foresee a 40% reduction of carbon emissions by 2020 against the base year 1990. During the year under review, we invested a good EUR 80m within the scope of various energy efficiency programmes and are determined to intensify these efforts in the coming years. We are hence very pleased to note that the Berlin administration has agreed to IBB replacing the "KfW housing modernization" programme that was phased out at the end of 2011 with its own IBB programme in order to ensure the continuity of support for comprehensive modernization projects (including energy efficiency measures) and repair programmes in Berlin. Better still, our many years of experience have shown that the economic efficiency of energy saving measures increases significantly when these are combined with comprehensive rehabilitation programmes. This is also supported by a study on the economic efficiency of energy-efficient refurbishment programmes in Berlin's existing leasehold flats which IBB published in March 2010.

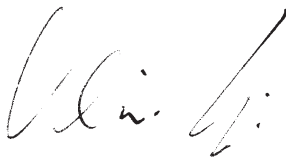
When we conducted the survey for the SME report in spring 2011, the mood in Berlin's business community was excellent and far better than the German ave-

rage. 50% of Berlin-based businesses expect turnover to rise, 43% also expect earnings to rise, and 30% are planning to hire new people. Since 2007, Berlin has already been recording above-average growth rates in terms of economic growth and employment, and many companies in Berlin have recently managed to expand their equity base. However, although scepticism has grown in light of the European sovereign debt crisis, Berlin's economy is still in robust shape. Although we expect that the 2.5% growth seen in the previous year will not be reached again this year, we are not expecting a recession. Despite uncertainty triggered by the European sovereign debt crisis, we still expect both employment and the economy in general to record moderate growth of 1.5% in 2012. This is supported by the fact that order books and turnover figures for Berlin's industry are still very satisfactory.

Due to the five-year financial and debt crisis, regulators have tightened their requirements for all banks in terms of capital base and liquidity. But we do not currently expect a credit squeeze. Although significant reluctance is still apparent in inter-bank business and many banks are expanding their credit business at a very moderate rate only, many banks have taken several steps in order to strengthen their equity base, and the resilience of many businesses has also grown in recent years so that we are not expecting any more wide-spread effects in Berlin. In response to changed requirements, IBB has also expanded its offering of working capital financing as well as pre-financing and re-financing products which are meeting with strong interest. We not only see ourselves as a direct support and business development bank for medium-sized enterprises in Berlin, but also are an active partner for commercial banks. This allows us to fulfil our task as a lender for medium-sized business via the additional instrument of global and syndicated loans.

The bank's good revenue situation and a further reduction in administrative expenses contributed to an economic result of EUR 55.5m, similar to that of the previous year, despite significantly higher risk expenditures. After deducting financing of EUR 33.2m for the Federal Land of Berlin, we posted net income of EUR 22.3m for 2011. We continue to consider ourselves to be well prepared for the challenges of 2012 and are looking forward to working successfully with you.

Yours sincerely



Ulrich Kissing
Chairman of the Board



Dr. Frank Schneider
Member of the Board

Statement by the Chairwoman of the Administrative Board



Sybille von Obernitz
Senator for Business,
Technology and Research
of the Federal Land of
Berlin

Berlin's business sector is optimistic for 2012. Both recent business climate surveys and the most important economic indicators suggest that Berlin's economy will record its third year of growth in succession. Investitionsbank Berlin (IBB) as the Federal Land's structure and subsidy bank has a key role to play in this context. With its comprehensive portfolio and a fully fledged consultancy offering, IBB is the first point of contact for businesses in all matters related to monetary business development. More than 1,000 applications approved in the business promotion segment last year also represent the more than 1,000 companies which IBB has helped to pursue their investment plans, develop innovations or implement business ideas as part of a start-up project.

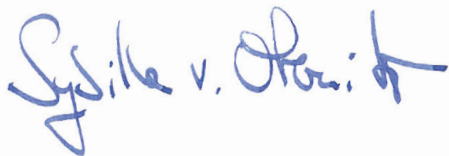
As the newly elected Chairwoman of the Administrative Board, I am determined to strengthen this profile of Investitionsbank Berlin even further. Our city's many small and medium-sized enterprises with their often innovative product offering especially need flexible and made-to-measure offers. IBB's decision last year to add the "Berlin Innovative Loan" product to its portfolio was a good move. This allowed the bank to expand its offering for this target group and support many customers in the fields of life sciences, optical products, IT and the creative industry.

Since the beginning of this year, "IBB Business Team GmbH" as a subsidiary of IBB has been bundling the information and consultancy portfolio. This enables the perfect integration and efficient performance of the coaching programmes offered by Technologie Coaching Center and Kreativ Coaching Center as well as the large deGUT founder events and the Berlin-Brandenburg business plan competition.

It goes without saying that real property promotion continues to be one of the bank's central tasks. With its programmes for energy-efficient build-

ding rehabilitation and homes for the elderly, the bank secures important modernization projects for real property in Berlin. These measures also support Berlin's labour market in the crafts and construction sectors.

The new year offers lots of opportunities and challenges. The future development and the repercussions of the European financial crisis are not yet entirely foreseeable. Both the bank and Berlin's businesses have so far acted carefully and managed to master this challenge. I am very confident, and the indicators which I mentioned earlier support this view, that this good course can be continued in 2012. I would like to wish you every success!



Sybille von Obernitz

*Senator for Business, Technology and
Research of the Federal Land of Berlin*

Report by the Administrative Board for 2011

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

The Administrative Board of Investitionsbank Berlin performed its tasks as required by law, the memorandum and articles of association, as well as the business rules. In the year under review, the committee came together for four ordinary meetings and one extraordinary meeting.

The work performed by the Administrative Board focused on the new strategic re-orientation of the bank within the scope of the IBB 2015plus project, the issue of diversification and the further reduction of the portfolio as part of the de-risking strategy, the bank's own 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 informed the Administrative Board and its committees about the bank's current developments and important business.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Berlin, performed the mandatory audit of the annual accounts for the 2011 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 30 March 2012. The committee did not raise any objections against the Annual Accounts of Investitionsbank Berlin drawn up by the Management Board. At its mee-

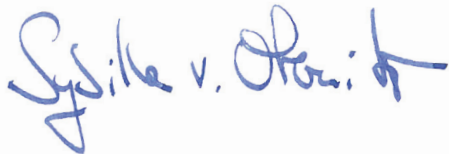
ting, the Administrative Board adopted the bank's Annual Accounts for the 2011 financial year and approved the consolidated annual accounts.

Net income for the 2011 financial year minus subsidies for Berlin totals EUR 22.3 million.

The Administrative Board would like to thank the Management Board and all the staff of Investitionsbank Berlin for their dedicated work in the 2011 financial year.

Berlin, 30 March 2012

Chairwoman of the Administrative Board



Sybille von Obernitz

Senator for Business, Technology and Research of the Federal Land of Berlin

Business promotion in 2011 in figures

Programmes	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	106	6.8	0.0	1	0.1	0.0
Berlin Loan	81	20.4	0.0	121	17.7	0.0
Berlin Capital	0	0.0	0.0	3	1.1	0.0
Berlin Infra	0	0.0	0.0	3	85.0	0.0
Common task (GRW)	50	0.0	12.9	188	0.0	70.1
SME fund	1	0.3	0.0	2	0.1	0.0
SME fund - micro-loans up to EUR 25,000	129	2.3	0.0	36	0.7	0.0
Growth/syndicated loans	0	0.0	0.0	14	101.6	0.0
ProFIT	28	8.8	1.5	75	8.3	14.4
Innovation Assistant	27	0.0	0.5	91	0.0	1.6
Intermediate financing of film productions	2	1.3	0.0	12	1.9	0.0
CEE Networks	0	0.0	0.0	4	0.0	1.1
Opening up new markets	0	0.0	0.0	72	0.0	3.7
Liquidity assistance	0	0.0	0.0	3	0.8	0.0
Sub-total – business development programmes	424	39.8	14.9	625	217.2	90.9
Global loans	0	0.0	0.0	2	100.0	0.0
Total	424	39.8	14.9	627	317.2	90.9
For information:						
IBB Beteiligungsgesellschaft	39	12.8	0.0	0	0.0	0.0
Share of competence fields in support programmes	180	28.8	8.0	433	183.5	67.2

Total				Programmes
Volume (in million euro)				
Number	Loans and investments, guarantees	Grants	total	
107	6.9	0.0	6.9	Berlin Start
202	38.0	0.0	38.0	Berlin Loan
3	1.1	0.0	1.1	Berlin Capital
3	85.0	0.0	85.0	Berlin Infra
238	0.0	83.0	83.0	Common task (GRW)
3	0.3	0.0	0.3	SME fund
165	3.0	0.0	3.0	SME fund - micro-loans up to EUR 25,000
14	101.6	0.0	101.6	Growth/syndicated loans
103	17.1	15.9	33.0	ProFIT
118	0.0	2.1	2.1	Innovation Assistant
14	3.3	0.0	3.3	Intermediate financing of film productions
4	0.0	1.1	1.1	CEE Networks
72	0.0	3.7	3.7	Opening up new markets
3	0.8	0.0	0.8	Liquidity assistance
1,049	257.0	105.8	362.8	Sub-total – business development programmes
2	100.0	0.0	100.0	Global loans
1,051	357.0	105.8	462.8	Total
For information:				
39	12.8	0.0	12.8	IBB Beteiligungsgesellschaft
613	212.3	75.2	287.5	Share of competence fields in support programmes

Real-estate and urban development

Real-estate development 2011 in figures

Year under review	New approvals in million euro	
	2010	2011
Rehabilitation and refurbishment of residential property		
IBB energy-related refurbishment	57.1	66.0
KfW energy-efficient rehabilitation	35.4	15.4
KfW energy-efficient construction	0.1	0.0
KfW residential property modernization	51.2	43.1
IBB homes for the elderly	4.2	12.3
Sub-total 1	148.0	136.8
Inter-bank business		
Syndicated business	45.0	76.6
Global loans	15.0	80.0
Sub-total 2	60.0	156.6
Miscellaneous		
Berlin Infra	7.8	199.4
Supplementary loans	329.1	92.7
Subsidy/grant programmes	13.0	16.9
Refinancing	68.1	73.7
Refurbishment loans	66.2	63.6
Earlier programmes	2.5	4.4
Sub-total 3	486.7	450.7
Total	694.7	744.2

Management Report

Development bank for the Federal State of Berlin

As the Federal Land's business development bank, Investitionsbank Berlin (IBB) focuses on financing and advising start-ups and existing businesses in Berlin. Furthermore, Investitionsbank Berlin makes important contributions towards the infrastructure of business development and promotional efforts in Berlin through Technologie Coaching Center GmbH and the bank's participation in various institutions, including, for instance, Berlin Partner GmbH, Berlin Tourismus & Kongress GmbH, Medienboard Berlin-Brandenburg GmbH and ipal Gesellschaft für Patentverwertung GmbH and by supporting Technologiestiftung Berlin. IBB Beteiligungsgesellschaft mbH is IBB's equity investment subsidiary for Berlin-based technology firms.

The bank's sole owner is the Federal Land of Berlin.

Investitionsbank Berlin operates in the market segments of business development as well as real property and urban development.

In its business development and promotional capacity, IBB supports start-ups as well as small and medium-sized enterprises (SMEs) with loans, equity and grants as well as consultancy services. Special attention is devoted to future-enabled businesses in the Berlin-Brandenburg clusters and future fields (health sector, information and communication technology, transport + mobility, energy and microsystems).

In the real property and urban development business, Investitionsbank Berlin offers financing products that contribute towards the sustainable modernization of Berlin's residential property with a view to energy efficiency and suitable living conditions for the elderly. For the Federal Land of Berlin, IBB is the partner for effective residential property management and for Berlin's real property firms, it is the point of contact for all issues related to business development and financing. This applies not just to single properties, but also to a company's entire financing portfolio.

Economic factors

The dynamism of the German economy generally declined in 2011 at very varying rates during the individual quarters. Although annual growth still averaged 3% largely due to statistical build-up that had developed after a very strong start to the year, weaker order numbers and a significant downturn in company perception of the business climate suggested

that in autumn the European debt and financial crisis began to affect the real economy in Germany too.

Beginning in summer, fears of unchecked sovereign insolvency in the Eurozone grew once again strongly. Economic development in Europe's periphery states was also directly hampered by high unemployment and the necessary consolidation measures. With Italy and Spain, even larger member states of the single currency area were also moving towards the brink of recession. This also had repercussions on the export prospects for German businesses. However, domestic demand in Germany remained relatively strong even though the increase in consumer spending remained below the expectations voiced at the beginning of the year.

Addressing the crisis in the Eurozone, the European Central Bank (ECB) revised its policies designed to normalize monetary conditions despite increasing price pressure in the middle of the year. With unlimited allotment in its tender operations, direct intervention in the market for government bonds and a base rate change initiated in November, liquidity conditions were once again very favourable at the end of the year.

These rate adjustments support efforts by the community of states to stabilize financing conditions for Eurozone member states under pressure. The necessary combination of financial aid and consolidation steps to be taken by beneficiary states has not yet led to a robust solution so that the cumbersome work on a conclusive overall package is still underway.

At the end of the year, Germany and France demonstrated agreement and presented joint proposals. A swift amendment to the EU treaties was to implement automatic sanction mechanisms and a debt brake and to pave the way towards fiscal union. When the Standard & Poor's rating agency put almost all of the Eurozone countries on its watchlist in December, this increased pressure on policymakers even further.

In 2011, US treasures and German government bonds followed an almost parallel trend, all the more so because both countries are considered to be safe harbours in turbulent, critical times.

Although Berlin's economy also continued to recover in 2011, the German capital did not manage to completely avoid the general deceleration trend during the second half of the year. The momentum that drove Berlin's business at the beginning of the year did not last until the end of the year.

However, order books were well-filled until autumn and employment continued to rise. The good order situation, especially in the processing industry, supported this sound development. Although Berlin's industry recorded another strong start into a new quarter in July, the economy cooled slightly in the following months.

During the second half of the year, a cautious mood was also felt in the German capital city in view of the sovereign debt crisis. Growth was especially slowed by growing uncertainty among consumers and businesses. This was also due to the declining economy throughout Germany. The weakening global economy had temporarily decelerated German investment activity and also had an adverse impact on the order books of Berlin-based businesses. The ongoing debate on the effects of the sovereign debt crisis on the banking sector has made companies more cautious. Export business also lost momentum.

Both the weakening German economy and a cooler global economic climate burdened Berlin's businesses and the export sector. Berlin's exports declined, in particular, to the Eurozone. Against the backdrop of consolidation efforts, demand conditions on EU markets became increasingly difficult. The US economy also remained sluggish. The Japanese economy was caught in recession, and GDP growth rates in Euroland also declined significantly towards the end of the year. The massive debt situation in many economies and its repercussions on the financial markets made many businesses and consumers more cautious. In light of this, Berlin's export businesses will, at best, record only moderate growth in 2012.

Tourism was once again a strong pillar of Berlin's economy in 2011. This positive trend continues still. At the end of 2010, Berlin recorded 20.8 million overnight stays, exceeding the 20-million mark for the first time. Despite the financial crisis, Berlin achieved strong growth rates in 2011 too, and thereby continued the very good trend of the previous years. Last year, the number of overnight stays had already risen to around 22.3 million. Between 1992 and 2010, tourism in Berlin recorded average growth of 6.1% in terms of guest arrivals and 5.7% in terms of overnight stays and thus grew stronger than in other German cities.

Tourists flocking to the German capital also led to rising sales for Berlin's retailers which on average sold 2.0% more last year than during the same period of the previous year.

The employment situation was very good in 2011 by Berlin standards. New jobs were created. The number of people employed in Berlin grew by 1.3% last year. This positive trend was seen in all groups, i.e., both among employees and among self-employed individuals. The largest group, i.e., people employed in registered jobs, even accounted for growth of 2.6%. The manufacturing industry generated strong impulses for new jobs in Berlin. The trend was also clearly better than the German average in the processing and construction industries.

However, unemployment is still far too high. Compared to Germany as a whole, Berlin ranked last in December 2011 with an unemployment rate of 12.3% whilst large parts of southern Germany recorded full employment. Despite unemployment in Berlin, however, around 17,000 jobs

were also reported as being vacant. This figure is around 6,000 (+54%) up against the previous year. A total of 69,600 or 33% of those without a job are long-term unemployed. Since employment in Berlin is increasing especially due to people moving to Berlin as well as commuters, there is only a small decline in the unemployment rate.

By and large, 2011 was a good year for Berlin. The labour market, in particular, remained robust. Favourable factors were, first and foremost, the continuing boom in tourism and hence private consumption. Investment activities by businesses grew at a lower rate, but nevertheless still managed to rise.

Business Development in 2011

General Business Development in 2011

The ongoing crisis, which started as a financial crisis in 2007 and subsequently became a global economic crisis and a sovereign debt crisis last year, determined developments on the markets in an environment of strong volatility.

With an economic result of EUR 55.5m, IBB even outdid the previous year's result of EUR 54.1m and remained only slightly below the budgeted result despite considerable burdens due to the European debt and financial crisis. The operating result before risk provisions was up by 36.2% against the previous year and is hence twice as high as originally planned. Thanks to this good result, the bank managed to perform the value adjustments necessary in conjunction with the European debt and financial crisis without having to resort to undisclosed reserves.

The funds made available by IBB to the Federal Land of Berlin to support its subsidy policy also remained unchanged against the previous year. With a volume of EUR 33.2m (previous year: EUR 32.0m), around 60% of the economic result was once again made available to the Federal Land of Berlin in advance. Taking payments from provisions formed in previous years, the subsidies made available for Berlin even rose to EUR 45.2m in 2011 (previous year: EUR 44.0m).

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

By and large, IBB can report a very satisfactory revenue situation even for a year that was subject to strong volatility. The bank's asset and financial position also continues to be stable. Total assets rose by 0.4% to EUR 20.2bn, with higher loans and advances to banks on the one hand and a

lower stock of securities on the other. The bank refinanced its business activities through money market activities as well as new issues of capital market instruments worth EUR 1.8bn.

Volume of approved IBB financing increases to EUR 1.2bn thanks to upgraded and modified product portfolio

In the financial year under review, IBB focused on demand-orientated portfolio optimization. These adjustments enabled the bank to respond to market developments in a flexible manner and to provide enterprises with additional business volume for the long-term financing of their projects in order to contribute towards business as well as real property and urban development. Adjusted by the special projects initiated by the Federal Land of Berlin, this translates into an increase in new business volume by 13% or EUR 140.5m against the previous year. In 2011, IBB approved a total of EUR 1.2bn in loans, guaranteed loans and grants.

High level of business development activities for start-ups and existing enterprises

IBB has increasingly positioned itself as a co-financing and/or syndicated loan partner for commercial banks. Despite the difficult economic conditions, 424 financing pledges were issued for start-up companies representing a total volume of EUR 54.8m (previous year: EUR 82.6m). The volume of funds approved for existing enterprises increased to EUR 408.0m in 2011 (previous year: EUR 289.1m).

In the 2011 financial year, IBB made an important contribution towards the financing of medium-sized enterprises within the scope of global loans of EUR 100.0m (previous year: EUR 15m). In the form of global loans, IBB provides refinancing funds for banks as a means of low-interest financing for medium-sized enterprises. The favourable terms resulting from IBB's refinancing advantages directly benefit the bank's business customers.

With the expansion of the portfolio around the Berlin Infra programme, financing for infrastructure investments totalling EUR 85.0m (previous year: EUR 40.0m) was made available to public enterprises in Berlin.

The total funds approved for businesses as part of business development programmes in the form of loans, guaranteed loans and grants amounted to EUR 462.8 (previous year: EUR 371.7m).

Support and development funds for energy efficiency and climate protection on par with previous year's record level, financing for barrier-free living expanded

In the real property and urban development sector, a total financing volume of EUR 744.2m was granted in the 2011 financial year. Just like the previous year, IBB once again made an important contribution towards supporting climate protection and sustainable energy policy: In the year under review, funds made available for investment projects in these areas totalled EUR 81m (previous year: EUR 93m). IBB managed to compensate for the declining demand for KfW pass-through loans with IBB's own funds and to continue the previous year's high volume of approved loans. IBB additionally focused on supporting barrier-free living and the creation of new forms of living for the elderly. The volume of pledges increased from EUR 4.2m in the previous year to EUR 12.3m in the 2011 financial year.

Further development of the business model

The IBB 2015plus strategy project launched in 2010 was continued in 2011 and the results were adopted in spring. The project is designed for an implementation phase until 2015. The purpose of the project is to ensure IBB's lasting future-enabled position. The aims and measures identified to this effect refer to four initiatives, i.e., "Optimum accomplishment of the subsidy and development mission", "Reducing complexity", "Optimum use of resources" and "Increasing customer satisfaction".

IBB will also maintain its determination to implement the strict cost awareness strategy already underway. In 2011, the bank already managed to reduce its administrative expenses by 4.6% against the previous year.

Financial statement

In the financial statement presented below, certain amounts carried in the income statement according to German commercial law were reclassified and/or supplemented from a commercial point of view. This concerns the bank's expenditure made available to the Federal Land of Berlin as an advance dividend. Payments by the bank included in the income statement under "Other operating expenses" (EUR 13.8m, previous year: EUR 13.9m) and "Risk provisions" (EUR 3.0m, previous year: EUR 2.8m) are carried as business development and promotion payments just like business development and promotion services performed by the bank for free (EUR 16.4m, previous year: EUR 15.3m) which are considered exclusively as imputed items. These items without liquidity relevance are carried as operating income in the financial statement and as business development and promotion items performed.

The financial statement for the 2011 financial year reflects the repercussions of the European debt and financial crisis on the one hand and the bank's excellent operating result on the other. Earnings rose by EUR 33.3m or 18.6% to EUR 212.7m against the previous year.

Income Statement in million euro	2011	2010	Change	
			in million EUR	in %
Net interest income	161.6	155.3	6.2	4.0
Net commission income	11.4	13.4	-2.0	-14.8
Net other operating income/expenses	39.8	10.7	29.1	272.6
Total income	212.7	179.4	33.3	18.6
Total administrative expenses	-73.9	-77.5	3.6	-4.6
Operating result before risk provisioning/valuations	138.8	101.9	36.9	36.2
Risk provisioning/valuations	-82.2	-38.8	-43.4	111.7
Extraordinary result	-1.1	-9.0	7.9	-
Economic result	55.5	54.1	1.3	2.5
IBB government assistance payments	-33.2	-32.0	-1.1	3.5
Net income for the year	22.3	22.1	0.2	1.0

The bank's main source of revenue is net interest income which increased against the previous year by EUR 6.2m to EUR 161.6m. Compared to the previous year, the bank's total interest margin rose from 0.753 % to 0.779 %. Within the net interest income item, the successful development of new business over the last two years has led to a clear shift in favour of the real property and urban development segment. The share in total net interest income increased to 41.4% (previous year: 30.7%).

As expected, commission income (EUR 11.4m), which continues to be largely determined by fees for handling guarantees and subsidies, is below the previous year's level due to the phasing out of support measures (EUR 13.4m). Other operating income rose considerably to EUR 39.8m (previous year: EUR 10.7m) and largely results from the dissolution of provisions no longer required. This includes a provision made in 2007 for financing for the Federal Land of Berlin amounting to EUR 12m that had to be reversed because the payment obligation no longer existed.

Business development cost-to-income ratio down to 34.7%

Administrative expenses were down by EUR 3.5m against the previous year and now total EUR 73.9 (previous year: EUR 77.5m). With a reduction in workforce by 27 employees, personnel expenditure fell by EUR 1.1m to EUR 47.4m (previous year: EUR 48.5m) and material expenditure by EUR 2.3m to EUR 22.1m (previous year: EUR 24.4m). The 9.3% reduction in material expenditure was primarily due to lower consultancy costs for IT and other projects.

The business development cost-to-income ratio, which is defined as the ratio of administrative expenditure to total earnings, fell to 34.7% (previous year: 43.2%) as a result of the 4.7% reduction in administrative expenditure and another increase in earnings to 34.7% (previous year: 43.2%).

Risk provisioning/evaluations

The financial statement is burdened by an evaluation result of EUR 82.2m. Risk provisions expenditure which is more than twice as high as in the previous year (EUR 38.8m) reflects the measures necessitated by the European debt and financial crisis calling, in particular, for a devaluation of Greek government bonds in the bank's portfolio. A fair market value of EUR 14.4m was determined for the bonds with a face value of EUR 75.0m that were acquired as long-term investment and were carried at a book value of EUR 21.7m. Besides direct depreciation, further general risk provisions exist which cover a loss which may exceed the valuation base. The basis for the paper's valuation base is the bank's view that the implementation of a necessary support package for Greece will not be possible without voluntary participation by private creditors. The value used reflects the bank's expectations concerning a swap offering for the paper in its portfolio which has not yet been received. The individual and portfolio value adjustments which continue to be made on the basis of conservative valuation methods pursuant to IAS 39 reflect all foreseeable risks in the business development loan sector.

Net extraordinary result

Net extraordinary result includes expenditure for the HR measures required within the scope of implementing the project results for the further development of the business model. Contrary to how the income statement is posted according to German commercial law, these items are not treated as personnel expenditure for commercial presentation purposes.

Economic result and net income

Totalling EUR 55.5m, the economic result exceeds the previous year's value (EUR 54.1m) by 2.5% despite significantly higher risk provisions. This is thanks to a very good earnings situation and a further reduction in administrative expenditure. Following deduction of business development and promotion items recorded in the financial statement to the amount of EUR 33.2 million (previous year: EUR 32.0m), net income for the year totals EUR 22.3 million (previous year: EUR 22.1 million) which is carried as a balance-sheet profit. As proposed, the balance sheet profit is to be carried forward to new account.

Balance sheet and business volume

The balance sheet total increased by EUR 81.9m to EUR 20.2bn in the year under review. The business volume, which additionally includes contingent liabilities from guarantees and warranty obligations as well as irrevocable loan commitments, fell by EUR 188.5m to EUR 21.3bn. This was due to a smaller volume of irrevocable loan commitments as per the end of the year.

As per the end of the year, derivatives used to steer risks resulting from changes in interest rates have a nominal volume of EUR 14.4bn (previous year: EUR 11.3bn).

Business volume in million euro	31 Dec. 2011	31 Dec. 2010	Change	
			in Mio. EUR	in %
Loans and advances to banks	1,890.2	1,499.6	390.6	26.0
Loans and advances to customers	13,732.4	13,306.1	426.3	3.2
Bonds and other				
fixed-income securities	4,146.7	4,922.5	-775.8	-15.8
Shares in special funds	150.0	100.0	50.0	50.0
Share holdings/shares in affiliated companies	99.1	99.4	-0.3	-0.3
Other assets	211.9	220.8	-8.9	-4.0
Total assets	20,230.3	20,148.3	81.9	0.4
Contingent liabilities	178.4	166.3	12.0	7.2
Irrevocable loan commitments	921.1	1,203.6	-282.5	-23.5
Business volume	21,329.7	21,518.3	-188.5	-0.9

Loans to banks increased against the previous year by EUR 0.4bn to EUR 1.9bn primarily due to necessary items within the scope of liquidity management. The increase in receivables from customers (EUR 0.4bn) against the previous year consists of EUR 0.2bn for additional financing of real property and urban development and EUR 0.2bn for business development and promotion. Receivables from customers increased to EUR 13.7bn (previous year: EUR 13.3bn) and mainly consisted of financing within the scope of the growth programme and "Berlin Infra" (business development and promotion) as well as loans in addition to government support for leasehold home construction and financing for energy-efficient refurbishment (real property and urban development). The portfolio from so-called "old" housing support (freehold and leasehold) was down, as expected, by EUR 0.4bn.

In response to the European debt and financial crisis, a de-risking strategy was already adopted in 2009 and also implemented further in the year under review. As per the balance sheet date, the security portfolio declined against the previous year by EUR 0.8bn to EUR 4.1bn. This process will also continue in the coming year.

In order to diversify the investment portfolio, a special fund was already created in 2010 with an initial volume of EUR 100.0m. Another EUR 50.0m was invested in the current year. The organization of this special fund is subject to IBB's specific investment guidelines.

Participations/shares in affiliated companies changed, on balance, only slightly by EUR 0.3m to EUR 99.1m (previous year: EUR 99.4m). At the beginning of the year, Investitionsbank Berlin founded IBB Technologie-Entwicklungs-Fonds GmbH & Co. KG (TEF). TEF invests in promising inventions by Berlin's universities supported by ipal Gesellschaft für Patentverwertung Berlin mbH (ipal) with the main aim of developing such inventions to market maturity. In the year of its establishment, the company was equipped with paid-in capital of EUR 1.0m. Repayment of capital of two companies in the VC business on behalf of the Federal Land of Berlin had an opposite effect.

The structure of the refinancing side remained largely unchanged against the previous year. 20% (previous year: 19%) of the business volume is financed through loans from banks and 33% (previous year: 34%) through securitized liabilities on the capital market. Refinancing funds received from customers, which primarily include housing subsidy funds made available by the Federal Land of Berlin, remained flat at EUR 8.2bn (previous year: EUR 8.2bn) with a refinancing share of 40% (previous year: 40%). Subordinated loans taken up within the scope of establishment were repaid in September 2011; no further loans had to be taken up.

Liquidity was generated in the year under review by activities on the money market and by issuing capital market instruments worth EUR 1.8bn.

The refinancing guarantee of the Federal Land of Berlin and its role as IBB's sole owner were factors thanks to which IBB was at all times able in 2011 to obtain sufficient liquidity from money and capital markets at a reasonable price and with the required maturity.

Thanks to an ECB-enabled portfolio, it was possible to guarantee at all times that no liquidity bottlenecks would occur. Strict secondary conditions of liquidity steering are both compliance with the Liquidity Regulation and fulfilment of the regulatory requirements concerning the minimum reserve.

The principles of reasonable capital adequacy and liquidity pursuant to the German Banking Law (KWG) were fulfilled at all times.

Equity

IBB's equity according to the balance-sheet rose in the past financial year by EUR 22.3m to EUR 657.5m. Subscribed capital remained unchanged at EUR 300m. The Federal Land of Berlin is the sole owner of IBB.

Net income recorded for the 2010 financial year totalling EUR 22.1m was left as profit carried forward and hence as part of the bank's equity on the basis of a resolution to this effect by the Berlin Senate.

Statement changes in equity of IBB in million EUR	Equity	Special-purpose reserves	Balance sheet profit	Total
As per 31 December 2010	300.0	313.1	22.1	635.2
Net income for the year			22.3	22.3
As per 31 December 2011	300.0	313.1	44.3	657.5

Including the profit carried forward from the previous year and the net income of EUR 22.3m for 2011, a balance sheet profit of EUR 44.3m (previous year: EUR 22.1m) was recorded in the bank's equity. According to the previous year's practice, this is to be carried forward to new account.

As per the balance-sheet date, the bank recorded liable equity according to the German Banking Law of EUR 872.5m (previous year: EUR 851.1m). Capital adequacy is determined on the basis of the German Solvability Ordinance (SolvV).

In million EUR/in %	2011	2010	2009
Risk item according to SolvV (German Solvability Ordinance)	4,734.3	4,432.8	4,606.9
Equity capital ratio	18.4 %	19.2 %	17.6 %
Core capital ratio	16.0 %	16.4 %	15.8 %

As per 31 December 2011, equity requirements under regulatory law were adhered to at all times by IBB.

Developments in the segments

Real estate and urban development

The successful financial year is already reflected by the development of the overall portfolio. In 2011, the total portfolio of loans, guaranteed loans and trust transactions rose from EUR 1.2bn to EUR 12.5bn. Loans, excluding special transactions, totalled EUR 761.4m (previous year: EUR 400.0m).

In the real property and urban development segment, new financing commitments in 2011 (excluding special transactions and grants) totalled EUR 727.3m. This means that the good result of the previous year was even exceeded. Besides many financing projects with a larger commitment volume, smaller investment projects by private investors were increasingly supported.

New business development

When it comes to financing construction measures designed to save energy and hence reduce carbon emissions in existing residential buildings or to reduce barriers, IBB's own programmes, i.e., "IBB – energy-related refurbishment" and "IBB homes for the elderly" continue to meet with ever-growing demand. Compared to 2010, the volume of approved measures rose by EUR 17.0m to EUR 78.3m. Adding KfW funds totalling EUR 58.5m which IBB passed on to its customers, the expected financing volume for energy-related refurbishment and rehabilitation was exceeded.

In the year under review, IBB significantly intensified its activities in global and syndicated loan business. Together with commercial banks, IBB managed to grant attractive syndicated loan financing to Berlin's residential property sector. With global loans totalling EUR 80.0m (previous year: EUR 15.0m), banks are offered low-interest refinancing means in order to indirectly achieve IBB's business development and promotion aims.

Another focus of IBB's business development and promotion work is support for existing commitments in council housing with customized and demand-orientated financing concepts. Within the scope of the new "Berlin Infra" business development programme that was launched in 2011, IBB managed to finance infrastructure investment by municipal enterprises totalling EUR 199.4m.

In its income statement, this business field once again clearly surpassed the figures forecast for the financial year. Segment revenues (after setting off other operating income) total EUR 82.8m thanks to increasing interest income and are hence EUR 29.8m above the previous year's level. A lower yet still positive result for provident measures in lending business totalling EUR 7.4m (previous year: EUR 13.7m) along with decreasing administrative expenditure led to an economic result of EUR 55.7m (previous year: EUR 28.5m).

Business development and promotion

In the 2011 financial year, the total portfolio of loans, guaranteed loans and trust transactions in the business development and promotion segment rose from EUR 1.1bn to EUR 1.4bn. This trend underlines the success of business development and promotion in switching funding policies from grants to loans.

In 2011, funds totalling EUR 462.8m, of which EUR 357.0m as repayable loans, were committed to enterprises in Berlin. The volume of approved funds was thus increased by 25% against the previous year (EUR 371.1m). Following a decline in genuine business in 2009 as a result of the econo-

mic crisis, new commitments continuously increased and (compared to EUR 240.4m in 2009) almost doubled in 2011 (without Berlin-Brandenburg-International financing).

New business development in million EUR

In 2011, the "IBB growth programme" once again met with strong demand by companies in the commercial sector as finance, for instance, for investment in fixed assets or as working capital base financing with a fixed term, reaching a volume of EUR 101.6m (previous year: EUR 115.1m). The volume of loans extended to federal-land-owned companies for financing investment projects via the "Berlin Infra" programme reached a level of EUR 85.0m and was thus significantly higher than in the previous year (EUR 40.0m). The "Berlin loan" programme which is paid out via applicants' banks fell short of expectations with a volume of EUR 38.0m (previous year: EUR 50.2m) because of changed KfW refinancing terms which led to declining demand among customers.

New loan and guaranteed loan business in million EUR

The volume of global loans totalling EUR 100.0m (previous year: EUR 15.0m) documents increasingly close co-operation with commercial banks. IBB provides these banks with refinancing funds for loans to medium-sized enterprises in Berlin primarily in order to support growth, implement investment projects and create and protect jobs in the city.

New grant business in million EUR

Commitments in grant business totalling EUR 105.8m (previous year: EUR 103.2m) are slightly above the previous year's level. Grant business is largely characterized by another increase in the volume of grants approved totalling EUR 83.0m (previous year: EUR 60.0m) in subsidies under the "improvement of regional economic structure common task programme".

In 2011, loans and grants totalling EUR 33.0m (previous year, including future funds: EUR 63.2m) were approved for innovation and technology development and promotion measures. The main reason for the decline in the volume approved under the "ProFIT" programme is rather hesitant research and development activity in favour of investment projects.

Support for start-ups and existing companies in million EUR

Development and promotion activities in the year under review focused on financing existing companies during growth phases. Compared to the 2010 financial year, the volume of funds approved for securing sustainable growth was increased by 41.1% to EUR 408.0m.

In the 2011 financial year, the business promotion segment recorded earnings of EUR 34.6m (previous year: EUR 21.6). This significant increase by 60.4% against the previous year is due to increasing interest earnings from a larger volume of new business and a once-off effect from the reversal of provisions that were no longer required. Against a background of slightly higher administrative expenses and an increase in provident measures in the loan business by EUR 4.3m, the business promotion segment recorded a positive economic result of EUR 1.3m (previous year: EUR -6.9m) for the first time.

Treasury

In order to perform the subsidy and business development tasks, the treasury segment steers IBB's liquidity and refinancing position. In addition to the provision of funds by the Federal Land, refinancing is carried out through the issue of bearer bonds, borrower's note loans and registered bonds with all terms. Funds were also taken out on the money market and through refinancing funds from KfW and EIB. Balance-sheet structure management is carried out as comprehensive asset/liability management, transactions are made on national and international money and capital markets.

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 good credit rating as the Federal Land of Berlin.

In the 2011 financial year, the treasury segment recorded a result of EUR -9.0m (previous year: EUR 70.2m) due to the need to consider significant provident demand for securities (EUR 75.9m against EUR 20.4m in the previous year). Due to a planned portfolio reduction, total earnings fell by EUR 21.3m to EUR 71.8m against the previous year. Administrative expenses (EUR 4.9m) are flat against the previous year.

Corporate center

The corporate center segment represents the bank's steering functions (sovereign functions) not assigned to the market areas (real property and urban development, business development, treasury) and the result components not attributable to the market areas.

The corporate center segment improved its economic result against the previous year by EUR 45.0m and reached a level of EUR 7.4m (previous year: EUR -37.7m). The previous year's result is characterized chiefly by the earmarking of reserves to strengthen risk resilience.

Events after the balance-sheet date

On 29 February 2012, the bank decided to voluntarily join the swap programme for Greek government bonds under the "private sector involvement (PSI)" scheme within the scope of the second rescue package for the Hellenic Republic. IBB's Administrative Board approved this decision at its meeting on 1 March 2012. Due to the valuations already made in the annual financial statement as per 31 December 2011, this decision is expected to have only minor repercussions on the asset and earnings position. The financial position is not affected by this.

Annual Accounts

as per 31 December 2011

The Annual Accounts of Investitionsbank Berlin (company accounts) as per 31 December 2011 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 2011 on the basis of International Financial Reporting Standards (IFRS) which can be found on the Internet at www.ibb.de.

Balance sheet as per 31 December 2011

Assets (EUR thousand)	31 December 2011	31 December 2010
1. Cash	30,886	37,168
a) Cash on hand	1	0
b) Balances with central banks	30,885	37,168
of which: with Deutsche Bundesbank:		
EUR 30,885,000 (31 December 2010: EUR 37,168,000)		
3. Loans and advances to banks	1,890,159	1,499,577
a) Payable daily	176,206	101,012
b) Other loans and advances	1,713,953	1,398,565
4. Loans and advances to customers	13,732,428	13,306,095
of which:		
Secured by liens:		
EUR 7,2534,179,000 (31 December 2010: EUR 7,254,255,000)		
Public-sector loans: EUR 4,569,137,000 (31 December 2010: EUR 4,154,361,000)		
5. Bonds and other fixed-income securities	4,146,660	4,922,464
a) Money market paper		
ab) from other issuers	65,369	43,723
including: eligible as collateral at Deutsche Bundesbank	65,369	43,723
b) Bonds and notes		
ba) Issued by public institutions	1,145,432	1,144,529
of which: eligible as collateral at Deutsche Bundesbank	1,093,214	1,070,054
bb) from other issuers	2,935,859	3,692,185
of which: eligible as collateral at Deutsche Bundesbank	2,767,962	3,539,914
c) Own bonds	0	42,027
Face amount	0	42,100
6. Shares and other non-fixed-interest securities	150,000	100,000
7. Participations	795	528
8. Shareholdings in affiliated companies	98,337	98,863
9. Trust assets	114,703	107,183
which: Trust loans	114,703	107,183
11. Intangible assets	668	776
b) Concessions purchased, industrial property rights and similar rights, and values as well as licences in such rights and values	668	776
12. Tangible assets	33,157	35,178
15. Other assets	1,278	2,305
16. Prepaid expenses	31,104	38,174
Total assets	20,230,175	20,148,310

Liabilities (EUR thousand)	31 December 2011	31 December 2010
1. Liabilities to banks	4,090,312	3,836,397
a) Payable daily	64,177	153,140
b) With an agreed term or notice period	4,026,135	3,683,257
2. Liabilities to customers	8,156,395	8,154,860
b) Other liabilities		
ba) Payable daily	355,015	371,017
bb) With an agreed term or notice period	7,801,380	7,783,843
3. Securitized liabilities	6,724,639	6,798,879
a) Bonds issued	6,724,639	6,546,600
b) Other securitized liabilities	0	252,279
of which: money market paper EUR 0 (31 Dec. 2010: EUR 252,279,000)		
4. Trust liabilities	114,703	107,183
of which: Trust loans	114,703	107,183
5. Other liabilities	5,542	6,754
6. Deferred income	160,099	172,004
7. Provisions	176,686	217,725
a) Provisions for pensions and similar obligations	76,764	74,196
c) Other provisions	99,922	143,529
9. Subordinated liabilities	0	75,000
11. Funds for general banking risks	144,311	144,311
12. Shareholders' equity	657,488	635,197
a) Called-in capital		
Subscribed capital	300,000	300,000
c) Revenue reserves		
cd) Other revenue reserves (special-purpose reserve)	313,138	313,138
d) Net retained profit	44,350	22,059
Total liabilities and shareholders' equity	20,230,175	20,148,310
Off-balance sheet items		
1. Contingent liabilities	178,384	166,346
b) Liabilities in relation to guarantees and warranties	178,384	166,346
2. Other obligations	921,102	1,203,605
c) Irrevocable loan commitments	921,102	1,203,605
	1,099,486	1,369,951

Profit and loss account for the period 1 January 2011 to 31 December 2011

Expenses	EUR thousand	EUR thousand	EUR thousand	Previous year EUR thousand
1. Interest expenses			400,915	361,306
2. Fee and commission expenses			2,621	4,979
4. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	39,391			39,873
ab) Social security contributions and expenses for pensions and other benefits	<u>9,132</u>			18,342
Of which: for pensions EUR 2,614,000 (previous year: EUR 11,641,000)		48,523		58,215
b) Other administrative expenses		<u>22,150</u>		24,408
			<u>70,673</u>	82,623
5. Depreciation, amortisation and write-downs on intangible assets and tangible assets			4,379	4,596
6. Other operating expenses			16,576	27,052
7. Amortisation and write-downs on receivables and specific securities, as well as provisions for loans			17,028	29,652
8. Amortisation and write-downs on investments, shares in affiliated companies and securities treated as fixed assets			68,185	11,949
11. Extraordinary expenditure			0	1,208
13. Other taxes not reported under item 6			12	11
15. Net income for the year			22,291	22,059
Total expenses			602,680	545,435
1. Net income for the year			22,291	22,059
2. Profit carried forward			22,059	0
3. Net retained profit			44,350	22,059

			Previous year
Income	EUR thousand	EUR thousand	EUR thousand
Income			
1. Interest income from	444,984		409,061
a) Lending and money market transactions	<u>117,486</u>		107,593
b) Fixed-income securities and book-entry securities		562,470	516,654
4. Fee and commission income		14,026	18,369
8. Other operating income		26,184	8,451
10. Extraordinary income		0	1,961
Total income		602,680	545,435

Notes to the Financial Statements for the 2011 Financial Year

General notes

Investitionsbank Berlin (IBB) prepared the annual accounts as per 31 December 2011 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. Form 2 (account form) was chosen for the income statement.

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 recognized 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.

Risks in the loan business are addressed by value adjustments for accounts receivable and provisions for off-balance-sheet transactions.

In accordance with IAS 39, individual value adjustments were carried out in the case of significant receivables for identifiable address risks whilst flat-rate individual value adjustments were applied to non-significant receivables. A first check is carried out to determine whether there are objective indications of a reduction in value. In a second step, a check is then performed to determine whether the value of the receivable has in fact declined. The amount of the individual value adjustment is determined by subtracting the cash value of all payments still expected from the book value of the receivable. The amount of the flat-rate individual value adjustment is determined by multiplying the book value by an expected loss given default.

With regard to latent risks in the receivables portfolio, flat-rate value adjustments amounting to the expected default are made in accordance with IAS 39, taking a factor for the time between the detection of the threatening default and the occurrence of the default event into consideration.

On the basis of the principle of individual valuation pursuant to section 252 (1) No. 3 of the German Commercial Code [§ 252 Abs. 1 Nr. 3 HGB], the option permitted under section 253 (3) in conjunction with section 340e of the German Commercial Code [§ 253 Abs. 3 i.V.m. § 340e HGB] (valuation according to the diluted lower of cost or market principle) was not exercised throughout for securities held as fixed assets. Valuation according to the strict lower of cost or market principle was performed in certain parts. If sustained impairment of value is expected, write-downs are always carried at the strict lower of cost or market principle.

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

Other financial assets (stocks and other variable-income securities, shareholdings as well as shares in affiliated companies) are carried at their cost of acquisition; if their value is likely to be permanently impaired, they are written down to their fair value.

On 9 December 2011, the Banking Committee (BFA) of the Institute of Public Auditors (IDW) adopted a draft comment on accounting concerning the subject of "Individual issues of the loss-free valuation of interest-related transactions of the trading book (interest book)" (IDW ERS BFA 3). This draft created a basis for the valuation and accounting of interest change risks that must be adapted to the business model and/or the institute-specific interest change risk steering policy of the bank. The deadline for submitting comments on the draft has not yet expired, so that the draft is not as binding as final comments (refer to IDW PS 201, text number 13). Its application is, however, recommended (refer to IDW PS 201, text number 15 in conjunction with text number 14).

Investitionsbank Berlin followed the application recommendation and already considered the IDW ERS BFA 3 recommendation within the scope of its balance sheet and valuation as per 31 December 2011 to the necessary extent. The cash equivalent approach was applied in order to determine a potential provision for anticipated losses.

Considering this IDW comment in the annual financial statement of Investitionsbank Berlin for the first time also meant that accounting of valuation according to section 254 of the German Civil Code [§ 254 HGB] was discontinued because steering of the interest change risk is not based on valuation units. All valuation units which were previously accounted for according to the freeze or permanent evaluation method form part of the trading book and are thus covered by the loss-free valuation of interest-related transactions in the trading book. The dissolution of the balance-sheet valuation units did not lead to a profit or loss.

Scheduled write-downs of fixed assets are made on assets with a limited useful life over their expected 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. Heubeck's 2005G tables and based on the rules of the so-called Defined Benefit Obligation according to IAS 19. A projected salary/contribution assessment ceiling increase of 2.5% and a projected pension increase of 1.5% (or 1.0% in the case of commitments by Versorgungsanstalt des Bundes und der Länder (VBL)) were taken into consideration. The evaluation was based on an assumed interest rate of 5.13 %.

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

Principles of currency translations

All transactions of Investitionsbank Berlin were carried out in euro.

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