



Company Profile 2015



**Investitionsbank
Berlin**

Performing for Berlin.



Annual Accounts as per 31 December 2015

The Annual Accounts of Investitionsbank Berlin as per 31 December 2015 have been prepared in line with the German Commercial Code. In addition to the foregoing, Investitionsbank Berlin also drew up consolidated accounts as per 31 December 2015 on the basis of the International Reporting Standards (IFRS) which can be found on the Internet at: <http://www.ibb.de/Geschaeftsberichte>.

Company Profile 2015

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To our Business Associates

Ladies and gentlemen,

2015 was a good year for Berlin's economy. With growth of 2.2%, the city's economy exceeded expectations and fared much better than the national average (1.7%). The positive trend on the labour market also continued. At the end of the year, the number of people in jobs was almost 45,000 higher than one year before, and the unemployment rate for the year fell to around 195,000, i.e. below the 200,000 mark for the first time since 1991.

Although this is a good trend, Berlin has still a lot of catching up to do: In terms of relative economic performance, Germany's capital city still ranks below the city-states of Hamburg and Bremen. Even though the city's unemployment rate is still relatively high at 10.7%, it should not be overlooked that the city managed to almost halve this figure from 19% in 2005.

Thanks to the fundamental modernisation of Berlin's economy in recent decades and the significant boost to the city's international competitiveness, Berlin has excellent prospects for continued growth. Berlin must stay on its modernisation course and face the challenges of digitisation. This is the focus of the initiative for medium-sized enterprises launched by the Senate Department for Business, Technology and Research

(Senatsverwaltung für Wirtschaft, Technologie und Forschung) and IBB in autumn 2015 which has now also triggered additions to and modifications of numerous promotional programmes. The "Transfer BONUS" and "Berlin Innovativ" programmes as well as the Common Task Programme (GRW) will specifically address digitisation in future, and the new "Berlin Mittelstand 4.0" (Berlin and medium-sized enterprises 4.0) programme will focus on digitisation. With these measures, we will support companies in the digital economy in implementing their business models and all kinds of medium-sized Berlin-based enterprises in the digital modernisation of their processes. The declared aim of this initiative is to give a major boost to the digitisation of Berlin's medium-sized enterprises and to give the city a sustainable position on a growth market where, according to an analysis by our economists, up to 270,000 new jobs can be created in Germany's capital city.

However, the positive economic growth of recent years has also led to continuously growing pressure on the housing market. Over the past five years, Berlin's population grew by far more than 200,000, i.e. the size of cities like Magdeburg or Lübeck. The market responded to this with a strong increase in the number of building permits and completed homes. The number of permits issued

within the scope of the modified IBB new housing fund – a programme designed to provide large parts of the population with affordable homes – also increased significantly from 100 in 2014 to 1,100 in 2015. Since population growth continues unabated, these figures will have to increase strongly in the coming years in order to satisfy the demand.

In the year under review, IBB's financing pledges increased by a good 30% to EUR 1,217 m, with the housing and urban development segment accounting for around three quarters and business promotion and development for one quarter. Whilst the real-estate sector recorded strong growth – support for new housing alone increased by almost EUR 100 m against the previous year – business promotion and support declined

moderately, a development that must be seen against the background of very good financing conditions on the market and a good liquidity position of medium-sized businesses. One very positive development is the marked increase in start-up support of more than 60% from EUR 39 m in the previous year to EUR 64 m in 2015. We implement many financing projects by effectively co-operating with commercial banks and are therefore delighted to note that these syndicated loans have increased against the previous year by a good 70% to around EUR 280 m.

IBB's net income for the year totals EUR 78.5 m. With a volume of EUR 25.9 m, promotional business is the basis of a successful 2015 financial year for IBB. The profit for 2015 is additionally influenced by special effects

from the reversal of provisions totalling EUR 52.6 m that were no longer required. These provisions are to be fully reinvested in the special-purpose reserve in order to strengthen the equity basis.

You may rest assured that the Federal Land of Berlin and IBB will strive to provide optimum support for your future projects, and we look forward to continued good co-operation with you.



Cornelia Yzer
Senator for Economics, Technology and
Research of the Federal Land of Berlin



Dr. Jürgen Allerkamp
Chairman of the Board of Management
of Investitionsbank Berlin



Sonja Kardorf
Member of the Board of Management
of Investitionsbank Berlin

Report by the Administrative Board for the 2015 financial year

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

The Administrative Board performed the tasks assigned to it by law, the memorandum and articles of association, as well as the business rules. The work of the Administrative Board was supported by the risk, audit and nomination committee as well as the remuneration control committee. The committees prepared the topics and resolutions to be addressed in the general body and exercised the committee expertise assigned in the business rules. In the year under review, the Administrative Board as well as the risk and audit committees met for a total of four ordinary meetings. The nomination and remuneration control committees met for four and two meetings, respectively.

The Board of Management continuously informed the Administrative Board and its committees about the bank's development and important business. Regular reporting included reports on business and result developments, the bank's strategic orientation, the risk situation, supervisory and regulatory developments and their impact on IBB as well as the implications of developments on capital markets for the bank's revenue, liquidity and risk situation. The Board of

Management reported on the business, risk, IT and remuneration strategy and discussed this with the Administrative Board. Furthermore, the reports on the activities of the internal audit and compliance departments, as well as the remuneration report for the 2014 financial year, were also presented.

The Administrative Board and its committees additionally focused on extensive discussions regarding the bank's income position in view of the low interest environment and its impact on medium-term planning, a sustainable equity basis against the background of increasingly restrictive regulatory requirements, the further development of the product portfolio, the bank's support in conjunction with major financing transactions, the audit of the annual and consolidated financial statements as well as social insurance matters for former members of the Board of Management.

The committee chairpersons reported to the Administrative Board regularly on the results of their meetings. In the period under review, one member of the Administrative Board disclosed a conflict of interest regarding one issue. In as far as such matters were discussed by the Administrative Board, this member of the Administrative Board did not participate in the discussion.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Berlin, performed the mandatory audit of the annual accounts for the 2015 financial year and issued an unqualified audit opinion.

Following the explanation by the auditor, the Administrative Board acknowledged the result of the audit in its meeting on 18 March 2016.

The committee did not raise any objections against the Annual Accounts of IBB drawn up by the Board of Management. The Administrative Board adopted the bank's Annual Accounts for the 2015 financial year and approved the Consolidated Annual Accounts.

Net income for the 2015 financial year minus support funds and grants for the Federal Land of Berlin totals EUR 78,507,646.64. Pursuant to section 13 (2) number 1 of the IBB Law in conjunction with section 16 (2) number 1 of the memorandum and articles of association of IBB, the Senate of the Federal Land of Berlin decides on the appropriation of net profit. The Administrative Board recommends to the shareholder that the share of EUR 52,621,029.65 resulting from the adjustment of the agreements for conditionally redeemable loans for the VC funds be fully reinvested and allocated to IBB's spe-

cial-purpose reserve. With regard to the remaining sum of EUR 25,886,616.99, the same procedure is to be applied to the amount of EUR 19,414,962.74 (75%). The remaining amount of EUR 6,471,654.25 (25%) is to be distributed to the Federal Land of Berlin.

The Administrative Board would like to thank the Board of Management and all the staff of IBB for their successful work and commitment in the 2015 financial year.

Berlin, 18 March 2016

Business development *in 2015 in figures*

Programme	Pledged financing			
	Number	Volume (in million euro)		
As of 31 December 2015		L, I, G	Grants	Total
Berlin Start	93	11.1	–	11.1
Berlin Loan	39	22.2	–	22.2
Berlin Capital	4	3.0	–	3.0
Berlin Innovation Loan	12	7.1	–	7.1
Common task (GRW)	148	–	61.7	61.7
SME fund	3	1.0	–	1.0
SME fund - micro-loans up to EUR 25,000	141	3.1	–	3.1
Growth programme	17	125.0	–	125.0
Pro FIT	113	27.7	14.2	41.9
Innovation Assistant	217	–	4.3	4.3
Intermediate financing of film productions	23	4.2	–	4.2
Internationalisation programme	230	–	4.0	4.0
Liquidity assistance	1	0.3	–	0.3
IBB total	1,041	204.7	84.1	288.8
IBB Beteiligungsgesellschaft	55	17.3	–	17.3
Total	1,096	222.0	84.1	306.2
Cluster share (IBB support)	671	127.4	51.9	179.4
Cluster share in percent	64.5	62.3	61.7	62.1
Start-up share (IBB support)	410	35.5	28.5	64.0
Start-up share in percent	39.4	17.3	33.8	22.1

(explanation: L, I, G = loans, investments, guarantees)

Housing development *in 2015 in figures*

	Pledged financing in million euro	
Year under review	2014	2015
Rehabilitation and refurbishment		
IBB energy-related refurbishment	60.1	76.5
IBB homes for the elderly	3.8	6.0
IBB housing modernisation	5.5	4.1
KfW energy-efficient rehabilitation	1.1	8.5
KfW remodelling for the elderly	0.2	–
Sub-total – rehabilitation and refurbishment	70.7	95.2
New buildings		
IBB new family home loan	–	0.2
KfW energy-efficient building	6.0	11.2
KfW home ownership programme	1.1	1.5
Co-operative new building competition	3.0	1.3
New rented housing fund	4.5	52.5
IBB new renting housing	7.1	52.9
Sub-total – new buildings	21.6	119.4
Interbank business		
Syndicated business	52.0	154.5
Sub-total – interbank business	52.0	154.5
Others		
Berlin Infra	78.7	73.9
Refurbishment loans	63.3	14.8
Loans in addition to government support	185.0	179.5
Grant programmes	15.7	12.4
Guaranteed loans (Berlin Infra)	31.9	–
Sub-total – others	374.6	280.6
Total new business	519.0	649.7
Refinancing	71.6	260.8
Total (without special financing)	590.6	910.5
Special financing	–	17.9
Total (with special financing)	590.6	928.4

Management Report (extracts)

Basics

Investitionsbank Berlin (IBB) is an institution incorporated under public law and the business development bank of the Federal Land of Berlin. IBB is backed by the Federal Land of Berlin. Pursuant to the IBB Law of 25 May 2004, IBB supports the Federal Land of Berlin in the performance of its public tasks. IBB's tasks are subject to the European Commission's principles for the activity of promotional banks (agreement between the Federal Republic of Germany and the European Commission of 27 March 2002, also called Agreement II).

The overarching mission of the bank is defined by its statutory promotional tasks which include boosting the capital city's economic growth, protecting existing and creating new jobs, contributing towards housing development programmes and supporting the Federal Land in achieving the climate protection goals.

Subject to the subsidy rules of the European Union, the bank provides funding and performs business development measures in the fields of business and housing development, climate protection and infrastructure development, as well as in other areas laid down in law. In this capacity, the bank operates in a non-competing manner with commercial banks and venture capitalists. It has a broad portfolio of support products and offers revolving instruments in the form of loans, mezzanine capital and partnerships. It also offers grant programmes and consultancy services.

IBB refinances itself on the money and capital markets and employs funds from Federal Land, federal government and EU public budgets. The bank has public-sector responsibility, a refinancing guarantee by the Federal Land of Berlin, privileged status as contemplated in Article 116 (4) CRR (previously "Solva o status") and the best possible Fitch rating of "triple A".

Business model and business strategy

IBB's higher-level company goal is defined by the promotional function provided for by law. The IBB group's pursuit of its promotional mission is based on the following business model:

- To support Berlin's economy, housing and climate protection measures within the scope of revolving financial instruments/loans, mezzanine financing, investments, guarantees and grants as well as consultancy services.
- As a service provider of the Federal Land of Berlin, IBB also performs other tasks for the city.
- Efficient and cost-conscious management of the loan portfolio, especially from the housing and real estate promotion programmes of the Federal Land of Berlin/IBB.
- To generate revenue in order to support the promotional tasks which are co-ordinated and accounted for with the Federal Land once a year as part of support funds and grants for the Federal Land of Berlin (*Berlin-Beitrag*).
- The business policy is based in the principle of ensuring the bank's risk-bearing capability at all times.

The documented business strategy contains the long-term corporate policy for IBB. In order to ensure the bank's long-term success, the business strategy is geared to sustainability while taking existing boundary conditions and available resources into account. Against the background of internal and external influence factors, goals are laid down for the bank as a whole and for its three business fields, and measures are defined to achieve these goals.

The business strategy is made up of several components: The general section contains the goals and measures and the governance framework of IBB. The goals focus on fulfilling IBB's support mission and on sustainably positioning the bank with a view to achieving a healthy balance between risks and revenues.

The second part contains the sub-strategies of the three business fields of business development, housing and urban development as well as banking book. The business development unit performs consultancy services related to business development products and their marketing. The most important target groups are start-ups, small and medium-sized enterprises (SMEs), as well as innovative companies operating in Berlin's future fields. The housing and urban development business unit markets the housing development products as part of the support policy goals pursued by the Federal Land of Berlin. The target groups here are primarily urban and private housing companies, housing associations, private investors, home owners, home owner communities and commercial banks. The task of the banking book business unit is compliance with IBB's support mission; this unit is responsible for the management of liquidity and interest-rate risks of support business. The banking book unit also has a sufficient liquidity portfolio to maintain the bank's liquidity and to manage adherence to the regulatory ratios in a profit-orientated manner.

The third part describes the functional strategies for the bank's organisation, personnel management and corporate communications.

The risk and IT strategies are addressed in separate documents. The risk strategy determines the risk-relevant guidelines for implementation of the business strategy by defining the risk management framework. The IT strategy is designed to ensure the (cost-)effective and reliable performance of the bank's promotional tasks even in the digitisation era.

Company structure

IBB's bodies are the Board of Management and the Administrative Board as well as an Advisory Board. IBB's four separate divisions ensure the separation between front and back office. The Board of Management manages IBB's business in its own responsibility and subject to law, the memorandum and articles of association, the guidelines adopted by the Administrative Board, as well as the business rules applicable to the Board of Management.

The bank's steering systems

The bank is managed according to customary banking and commercial steering concepts and methods. With a view to its business activities, IBB is primarily committed to providing sustainable support for the Federal Land of Berlin in its structural and economic policy tasks.

A major condition for steering is the permanent and sustainable strengthening of the bank's equity. IBB defines this value as the equity shown in the balance sheet with all of its components plus its provident funds.

Important success-based **steering parameters** or **financial performance indicators** for IBB are:

- new business volume
- the economic result
- cost-to-income ratio of support and promotional measures
- the total capital ratio

In line with its public development mission, **new business volume** in the housing and urban development as well as business development segments is an important parameter. In order to steer future strategic growth in support business, the bank calculates the volume of new business broken down according to support programmes. The volume of new business primarily includes all new commitments made and is supplemented by follow-up and refinancing, as well as supplementary financing for existing support.

The **economic result** is calculated on the basis of annual earnings plus support funds and grants for the Federal Land of Berlin (*Berlin-Beitrag*). These support funds and grants for the Federal Land of Berlin reflect the loss-making development and support activities by IBB which the bank carries out at the request of the Federal Land of Berlin. The economic result is controlled at overall bank level. IBB's activities are not primarily orientated towards generating a profit.

The **cost-to-income ratio** of support and promotional measures, taking into account the *Berlin-Beitrag*, is calculated on the basis of the ratio between operating revenues and administrative expenditure. Operating revenues include net interest and commission as well as the operating result, including the *Berlin-Beitrag*.

In addition to economic capital, which is important as a risk steering variable in the calculation of risk bearing capability, the new **total capital ratio** included for the first time in 2015, which is calculated according to the rules of the Capital Requirements Regulation (CRR) as the ratio between liable equity and the sum of risk assets, also serves as another important control variable for IBB. The core capital ratio was used as a basis in 2014.

There are target values for all parameters which as part of overall bank management undergo regular target/actual comparisons, as well as scenario and forecast calculations in order to set suitable steering measures.

Besides financial performance indicators, IBB defines the qualitative development of its staff as a **non-financial performance indicator**. The success of the bank largely depends on the performance of all of its staff. The bank supports its staff through a diverse range of personnel development measures.

New developments, such as increasingly complex regulatory requirements for banks and demographic change, also require a high degree of personnel flexibility. As part of its annual professional development programme, the bank therefore invests in the continuous professional development of its employees in order to qualify them for future challenges.

Just like in the past, systematically designed professional development measures were offered in order to qualify the bank's staff. Besides bank-specific and methodological aspects, the programmes also served to boost personal and social competence. IBB's employees attended both qualification programmes by external trainers as well as internally developed special programmes. Subjects with legal relevance were covered, for instance, in special CBT programmes. Each employee invested an average of around 2.5 days in (seminar-based) further qualification.

Due to various organisational changes during the year under review, additional measures focused on supporting organisation and team development efforts.

Economic review

Economic factors

Global production grew at a moderate pace in 2015. However, economic development differed strongly from region to region. The US economy, for instance, largely managed to overcome the repercussions of the global economic and financial crisis, whilst recovery in the eurozone was relatively moderate. In an environment of lower energy costs and interest rates as well as a weaker euro, production expanded at too low a rate. The economic situation in the large emerging economies continued to worsen once again in 2015. China, in particular, showed signs of growing problems. Structural change in China burdened important economic sectors, such as construction, industry and foreign trade. The Russian economy had to battle with the consequences of economic sanctions, whilst Brazil was in internal political difficulty. Furthermore, both economies are hit by slumping oil prices and continue to be caught in deep recession. The German economy recorded growth in 2015 that was primarily fuelled by domestic demand. This development was driven by the favourable situation on the labour market and strong growth in available incomes. Germany's economy as a whole grew steadily. With gross domestic product growth up by 1.7%, however, this was still modest. However, the number of people in jobs continued to increase.

Economic momentum in Berlin also continued in 2015. Although gross domestic product grew by 2.2% and was therefore probably once again stronger than the German average, this development was less steady than in the previous year. Uncertainty in conjunction with financial policy in the eurozone, geopolitical crises in the Middle East and concerns regarding the development of important emerging economies had at times a dampening effect on Berlin's economy too. Besides sluggish economic development in China, the conflict between Russia and its neighbours should be considered in this context.

Berlin's labour market benefited significantly once again in 2015 from the expansion of the services sector. The number of people in regular jobs in Berlin increased by around 42,000 (+3.3%) and therefore at a rate that was much higher than the German average (+2.0%). On average, 195,000 people were unemployed in 2015 and this was significantly lower (4.0%) than in the previous year.

In 2015, consumer spending in Berlin once again benefited from dynamic population growth, the strong increase in jobs as well as rising incomes. Another fact is tourism which once again recorded strong growth last year. Visitors to Germany's capital city turned out to be strong supporters of the city's economy. The many visitors to Berlin generated growing sales, especially for the retail and hospitality sectors. Turnover of the retail and hospitality sectors was once again significantly higher than the year before. The retail sector, in particular, grew twice as strong as the German average.

Business-near services also recorded very good turnover in 2015. The transport sector which is important for Berlin fared particularly well. Postal and courier services account for a major share of this. Security services also grew strongly in response to refugee movements. High-quality jobs were created in 2015 specifically in the information services sector. This area, which is a vital engine for Berlin, has been growing at an above-average rate for some years now.

Berlin's industrial sector also generated positive momentum in 2015. Despite certain setbacks, companies recorded robust turnover growth, with domestic business growing at an overproportionate pace. However, prospects for Berlin's industrial sector are somewhat less optimistic because order intake last year was markedly lower than in the year before.

Despite the moderate pace of global economic expansion, Berlin's exports grew especially in response to dynamic demand from the US and the Middle East. Devaluation of the euro accounted for a significant share of this development. However, the pace of foreign trade must be expected to decline slightly in 2016. Although the favourable exchange rate of the euro is still supporting Berlin's exports, there are risks due to uncertainty in many emerging economies and due to the steep decline in industrial orders over the course of several months.

The number of new building permits in 2015 was once again up against the previous year. Especially the number of permits for new flats in existing buildings, for instance, from attic developments, topping up of buildings or conversion of commercial space, increased tremendously in 2015. The number of permits for new flats also increased once again in 2015. Several years usually lapse between the permit being issued and the completion of new housing. The volume of construction carried forward increased significantly in recent years due to the growing number of building permits. The volume of construction carried forward includes all flats which have already been approved but not yet completed, with different stages of construction progress being distinguished. The volume of construction carried forward almost doubled between 2012 and 2015. All in all, significantly more flats were completed in 2015 than in the previous year.

The mood in the construction industry was once again generally very optimistic in 2015. One of the main reasons was persistently low interest due to the expansive measures of the European Central Bank. Since March 2015, the ECB has been buying government paper in addition to ABS (asset-backed securities) as part of the expanded asset purchase programme (APP). In order to increase the leeway for handling purchases, the list of government issuers was expanded in July and December and the emission limit was raised from 25 % to 33 % in September. Each time the deposit rate is reduced, the ECB simultaneously lowers the minimum return requirement linked to a purchase. This was already reduced by 10 base points to 0.3 % in December. The tender rate totalled a constant 0.05 % in 2015, the level at which it has already been since September 2014. In conjunction with strong demand for German government bonds, this led to continued low Pfandbrief yields which also serve as an orientation figure for the development of interest rates for bank loans.

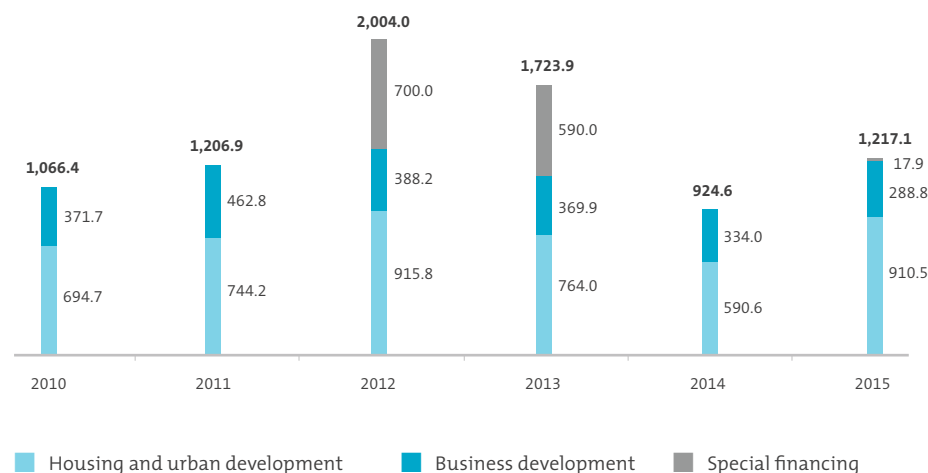
Business development

Despite continued low interest rates and therefore declining advantages of promotional loans, the 2015 business year was positive for the bank.

In 2015, IBB approved a total of EUR 1,217.1 m in loans, guaranteed loans and grants as part of its business and housing development measures.

Development of new business volume

for loans, guaranteed loans and grants in million EUR



In **housing and urban development**, IBB in its capacity as a favourite partner for Berlin's housing sector pledged financing amounting to EUR 928.4 m in 2015 (previous year: EUR 590.6 m). This means that the increase in this figure against the previous year is much higher than forecast.

In the business year, promotional measures for new housing attracted considerable attention. Loans pledged totalled EUR 119.4 m (previous year: EUR 21.6 m). Demand was particularly strong at a level of EUR 52.5 m (previous year: EUR 4.5 m) for public construction loans in the field of support for the construction of rental and co-operative housing (WFB 2014) as well as for supplementary financing of EUR 52.9 m (previous year: EUR 7.1 m).

As part of the "Berlin Infra" programme, IBB supported infrastructure investments by municipal associations totalling EUR 73.9 m (previous year: EUR 78.7 m). Through intensive co-operation with commercial banks, IBB managed to directly support investment in residential property by granting attractive syndicated loans (EUR 154.6 m, previous year: EUR 52.0 m).

IBB is also supporting existing commitments with individual and demand-orientated financing concepts. Through follow-up financing and re-financing, as well as supplementary financing to close financing gaps, a total volume of EUR 440.3 m was pledged using current financing products, thereby significantly exceeding the level recorded in the previous year (EUR 256.6 m).

In the **business development** segment, financing for loans, guaranteed loans and grants totalling EUR 288.8 m (previous year: EUR 334.0 m) was pledged in the year under review together with very high volumes, so that a very good result was recorded.

Demand for the IBB growth programme was once again very strong, especially among companies in the commercial sector. IBB provided loans of EUR 125.0 m, i.e. once again more than the previous year's figure (EUR 110.3 m), for larger investments and company expansions, refinancing, follow-up financing and base financing.

Technology support under the Pro FIT programme also accounts for an important share in the annual result. In the year under review, loans and grants were approved amounting to EUR 41.9 m (previous year: EUR 37.5 m) in order to support research, development and innovation in the following clusters: ICT/media/creative industry, health sector, transport, mobility and logistics, as well as energy and optics technology.

With approvals totalling EUR 61.7 m, the "Common task to improve regional economic structure" programme fell, as expected, short of the all-time high achieved in the previous year (EUR 122.2 m) at the end of the EU programming period. However, the number of companies in Berlin using these attractive grants for commercial investments was higher than in the record year, so that an important contribution was made towards the creation and protection of permanent jobs.

The situation of the bank

Income position

All in all, the 2015 financial year was very satisfactory for IBB. Besides very good operative business, the bank recorded an economic result of EUR 110.1m in a year that was marked by special effects. The result of the previous year (EUR 58.8 m) and the figure of operative planning were strongly exceeded.

IBB's income position is highlighted in the following financial statement. Like in the previous year, in the financial statement presented below, certain amounts carried in the profit and loss account according to German commercial law are re-classified and/or supplemented from an accounting point of view.

- This applies to **valuation effects** resulting from the amortisation of markups with high-interest securities amounting to EUR 22.0 m (previous year: EUR 14.9 m). These effects were re-classified and included in the interest result in an economically adequate manner.
- Furthermore, this also applies to expenditure by IBB, which is made available to the Federal Land as the so-called *Berlin-Beitrag* in the form of an advanced dividend.

Parts of the profit and loss account item "Other operating expenses" (EUR 14.3 m, previous year: EUR 15.9 m) and "Risk provisions" (EUR 2.9 m, previous year: EUR 2.3 m) are carried as *Berlin-Beitrag* for the Federal Land of Berlin just like business development services performed by IBB for free (EUR 14.4 m, previous year: EUR 14.7 m) which are considered exclusively as imputed items. These items which are not recognised are carried as operating income in the financial statement and additionally as support funds and grants for the Federal Land of Berlin (*Berlin-Beitrag*).

in million EUR	2015	2014	Change	
			absolute	in %
Net interest income	129.8	134.3	-4.5	-3.4
Net commission income	4.6	6.0	-1.4	-22.9
Net other operating income/expenses	67.1	10.4	56.7	542.9
Total income	201.6	150.8	50.8	33.7
Total administrative expenses	-81.3	-83.4	2.0	2.4
Operating result before risk provisioning/valuations	120.2	67.4	52.8	78.3
Risk provisioning/valuations	-10.2	-8.6	-1.5	-18.0
Economic result	110.1	58.8	51.3	87.2
Support funds and grants for the Federal Land of Berlin (<i>Berlin-Beitrag</i>)	-31.6	-32.9	1.3	4.1
Net income for the year	78.5	25.9	52.6	203.1

Operating revenues

Although net interest income of EUR 129.8 m is slightly lower than the previous year's figure (EUR 134.3 m), thanks to refinancing terms which were more advantageous in the short term, the downward trend was less pronounced than had been originally expected in view of continued low interest rate levels and the resultant heavier burdens due to the increase in cash value of pension reserves. Special effects in conjunction with extraordinary repayments in the support loan sector were the main reason why net interest income was higher than planned.

Net fee and commission income (EUR 4.6 m, previous year: EUR 6.0 m) is determined to a large extent by fees for the processing of guarantees and subsidies in housing and real-estate development. As expected, the previous year's figures were not reached due to the phasing out of promotional programmes in 2015. However, the budgeted values were almost reached.

A positive effect on other operating net income in the year under review was due to the reversal of provisions which were no longer needed. Pursuant to an amendment agreement with the Federal Land of Berlin of 22 December 2015, the bank was able to reverse the provision of EUR 40.1 m for conditionally redeemable grants for the CV funds. The elimination of the conditional redemption obligation also applies to the grants of EUR 12.5 m for the VC funds received in 2015. It is planned to fully reinvest the total sum of EUR 52.6 m in order to strengthen equity and to allocate this amount to the special-purpose reserve.

The result is therefore significantly above both the previous year's figure and the budgeted values.

Administrative expenditure

Administrative expenditure, which includes personnel and material expenditure as well as depreciation on fixed assets, fell by 2.4 % against the previous year to EUR –81.3 m (previous year: EUR –83.4 m).

Personnel expenditure (EUR –49.1 m, previous year: EUR –48.5 m) generally developed as expected.

A high degree of cost discipline, along with the partial shifting of projects into 2016, reduced material expenditure by EUR 3.2 m to EUR –27.9 m (previous year: EUR –31.2 m). Material expenditure thus remains below the operative budget values. An additional major burden is the European bank levy paid to the amount of a lower single-digit million sum.

Together with the special effects in other operating income, the financing cost-to-income ratio totals 40.4 %. Without special effects, this value totals 54.6 % (previous year: 53.0 %) and is therefore significantly lower than the budgeted value. In the previous year, a significant increase in financing cost-to-income ratio had been forecast as a result of declining revenues and rising costs as a result of a high bank levy.

Risk provisioning/measurement gains or losses

Due to the continued improved credit rating of debtors and the absence of significant loan defaults, it was possible to reduce expenditure on risk provisioning once again. The valuation result totals EUR –10.2 m (previous year: EUR –8.6 m) and includes formation of general provision funds amounting to EUR 29.2 m (previous year: EUR 14.5 m). IBB was therefore once again able to use its good operating result to strengthen its risk-bearing capacity further in line with the bank's strategy.

Economic result

Based on the higher economic result, it was also possible to meet expectations for the operating result in the individual segments.

	IBB total		Housing and urban development		Business development		Banking book		Corporate Center	
in million EUR	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	129.8	134.3	63.1	68.2	9.6	9.5	58.2	51.2	– 1.0	5.4
Net commission income	4.6	6.0	4.4	5.6	0.7	0.8	– 0.4	– 0.4	0.0	0.0
Net other operating income/expenses	67.1	10.4	– 18.1	– 7.3	29.8	15.7	0.0	0.0	55.4	2.1
Total income	201.6	150.8	49.4	66.5	40.1	26.0	57.7	50.7	54.4	7.5
Total administrative expenses	– 81.3	– 83.4	– 34.2	– 36.5	– 20.9	– 22.6	– 6.1	– 5.6	– 20.1	– 18.7
Operating result before risk provisioning/valuations	120.2	67.4	15.1	30.0	19.2	3.5	51.6	45.1	34.3	– 11.2
Risk provisioning/valuations	– 10.2	– 8.6	23.6	3.4	– 5.3	– 1.7	0.7	4.2	– 29.2	– 14.5
Economic result	110.1	58.8	38.7	33.4	13.9	1.8	52.3	49.2	5.0	– 25.7
Support funds and grants for the Federal Land of Berlin (<i>Berlin-Beitrag</i>)	– 31.6	– 32.9	– 1.2	– 2.9	– 26.6	– 27.4	0.0	0.0	– 3.8	– 2.6
Net income for the year	78.5	25.9	37.6	30.5	– 12.7	– 25.6	52.3	49.2	1.3	– 28.3

The **housing and urban development** segment generated net interest income of EUR 63.1 m (previous year: EUR 68.2 m) and thereby made an important contribution towards the bank's total net interest income. Against the background of low interest levels, many borrowers exercised their contractual right to repay the loan in full or in part. Although these extraordinary repayments led to declining interest income, the segment clearly outperformed the figure budgeted with operating income of EUR 38.7 m. The value was also higher than the previous year's figure, mainly due to the positive development of risk provisioning (EUR 20.2 m) and significantly better creditworthiness structures of borrowers.

The **business development** once again closed with a positive economic result amounting to EUR 13.9 m, significantly surpassing both the previous year's figure (EUR -1.8 m) and the figure forecast. This development is mainly due to special effects in conjunction with refunds of administrative expenditure in operating income. Administrative expenditure (EUR -20.9 m) was down EUR 1.7 m against the previous year due to lower material expenditure.

In the **banking book** segment (previously treasury) which includes both bank management and treasury, the economic result reached a level of EUR 52.3 m and is thus above both the previous year's figure (EUR 49.2 m) and the values forecast for 2015. The positive development is to a large part due to interest income and prepayment penalties received.

The **corporate centre** segment recorded a positive economic result of EUR 5.0 m (previous year: EUR -25.7 m) due to special effects. As a result of the reversal of provisions which are no longer required in conjunction with VC funds, other operating income totals EUR 55.4 m and is thereby significantly higher than the budgeted and the previous year's figure. On the other hand, allocations to provident funds of EUR 29.2 m were higher than in the previous year (EUR 14.5 m) and higher than budgeted in order to strengthen the bank's risk-bearing capacity.

Net income for the year

Following the deduction of a "*Berlin-Beitrag*" of EUR 31.6 m to support the development and promotion policy of the Federal Land of Berlin, IBB recorded net income for the year amounting to EUR 78.5 m (previous year: EUR 25.9 m).

It is planned to fully reinvest the net income for the year, in as far as it results from the adjustment of the appropriations for VC funds (EUR 52.6 m) and to allocate this amount to IBB's special-purpose reserve. A reinvestment share of 75 % (EUR 19.4 m) is planned for the remaining sum of EUR 25.9 m.

The return on investment, the ratio between net income for the year and the balance sheet total, calculated as specified in Section 26a (1), sentence 4, of the German Banking Act, totals 0.4 %.

Net worth

In the year under review, net worth fell as expected by EUR 1.0 bn to EUR 19.1 bn. The business volume, which also includes contingent liabilities from guarantees and warranty obligations as well as irrevocable loan commitments, declined by EUR 1.4 bn to EUR 19.7 bn.

As per the end of the year, swaps and derivatives have a nominal volume of EUR 15.5 bn (previous year: EUR 16.1 bn).

in million EUR	31 Dec 2015	31 Dec 2014	Change	
			absolute	in %
Loans and advances to banks	2,108.8	2,153.2	- 44.4	-2.1
Loans and advances to customers	12,417.4	13,483.1	-1,065.7	-7.9
Bonds and other fixed-income securities	4,243.0	4,020.8	222.2	5.5
Stocks and other variable-income securities	3.3	150.0	-146.7	-97.8
Share holdings/shares in affiliated companies	108.4	98.3	10.1	10.3
Other assets	252.4	242.1	10.3	4.2
Total assets	19,133.3	20,147.6	-1,014.4	-5.0
Contingent liabilities	110.3	123.7	-13.4	-10.8
Irrevocable loan commitments	428.5	825.1	-396.6	-48.1
Business volume	19,672.1	21,096.4	-1,424.3	-6.8

Loans and advances to banks are flat against the previous year. Whilst receivables from business development handled via customers' banks declined by EUR 0.1bn, time deposits and call money increased by roughly the same amount.

The EUR 1.1bn reduction in loans and advances to customers is largely due to scheduled and unscheduled repayments in support loan business. Support for housing and real estate was hardest hit, declining by EUR 0.5 bn. Business development volume remained flat. Note loans and time deposits on money and capital markets were additionally reduced by EUR 0.4 bn.

Bonds and other fixed-income securities increased by EUR 0.2bn due to the reinvestment of funds from the dissolved special fund.

Investments/shares in affiliated companies rose largely due to capital increases in VC fund business by EUR 10.1 m to EUR 108.4 m.

Financial position, capital structure and liquidity

The structure of the refinancing side changed slightly against the previous year. Liabilities to banks total EUR 3.9 bn (previous year: EUR 3.4 bn), corresponding to a share of 20% (previous year: 17%). The share of securitised liabilities fell to EUR 6.4 bn or 34% (previous year: EUR 7.3 bn or 36%).

Refinancing funds received from customers which primarily include funds made available by the Federal Land of Berlin for housing support programmes declined to EUR 7.4 bn (previous year: EUR 8.1 bn). The percentage share remained almost constant at 39% (previous year: 40%).

Provisions of EUR 40.1m were reversed through adjustments of apportionment agreements for the VC funds with the Federal Land of Berlin, plus corresponding grants of EUR 12.5 m during the year under review. It is planned to fully reinvest the total sum of EUR 52.6 m in order to strengthen equity and to allocate this amount to IBB's special-purpose reserve.

IBB's equity according to the balance sheet increased in the financial year to EUR 730.7m. This change is due to the current net income of EUR 78.5m for the year which is recorded in equity as a balance-sheet profit, as well as to the distribution of the balance-sheet profit of EUR 25.9m for the year 2014 that was distributed to the Federal Land of Berlin. Subscribed capital remained unchanged at EUR 300m. The Federal Land of Berlin is the sole owner of IBB.

Statement on Changes in equity (German Commercial Code) in million EUR	Equity	Special- purpose reserves	Balance sheet profit	Total
As per 31 December 2014	300.0	352.2	25.9	678.1
Transfer to the Federal Land of Berlin			- 25.9	- 25.9
Net income for 2015			78.5	78.5
As per 31 December 2015	300.0	352.2	78.5	730.7

As per the balance-sheet date, the bank recorded eligible capital according to the CRR of EUR 890.8m (previous year: EUR 897.3m).

in million EUR/in %	2015	2014
Total risk (RWA)	4,851.8	5,351.1
Equity capital ratio	18.4 %	16.8 %
Core capital ratio	17.5 %	15.9 %

The principles of reasonable capital adequacy and liquidity pursuant to the CRR and the German Banking Law (KWG) were fulfilled at all times. No relevant liquidity risks were quantified.

A significant reduction in exposure reduces the weighted risk assets and thereby increases the total capital ratio in 2015.

Liquidity was generated in the year under review by activities on the money market and by issuing capital market instruments worth EUR 1.3 bn.

Both the refinancing guarantee of the Federal Land of Berlin and its role as IBB's sole owner were factors which meant that IBB was able at all times to obtain sufficient liquidity on money and capital markets in 2015 at a reasonable price and with the required maturity.

An ECB-enabled asset portfolio ensured liquidity at all times. Strict secondary conditions of liquidity steering are compliance with regulatory indicators and the minimum reserve. The regulatory requirements that apply to capital adequacy and liquidity pursuant to the CCR and the German Banking Law (KWG) were fulfilled at all times.

Balance Sheet as per 31 December 2015

ASSETS (EUR thousand)		31.12.2015	31.12.2014
1, Cash		15,389	21,176
a) Cash on hand	4		5
b) Balances with central banks	15,385		21,171
of which: with Deutsche Bundesbank:	15,385		21,171
3, Loans and advances to banks		2,108,781	2,153,215
a) Payable on demand	243,150		284,475
b) Other loans and advances	1,865,631		1,868,740
4, Loans and advances to customers		12,417,361	13,483,102
of which:			
Secured by liens:		6,390,835	6,847,257
Public-sector loans:		4,494,763	5,072,415
5, Bonds and other fixed-income securities		4,243,037	4,020,849
a) Money market paper			
ab) from other issuers	0		34,912
Including: eligible as collateral at Deutsche Bundesbank:	0		34,912
b) Bonds and notes			
ba) Issued by public institutions	1,099,103		1,116,791
of which: eligible as collateral at Deutsche Bundesbank:	1,099,103		1,116,791
bb) from other issuers	3,143,934		2,868,192
of which: eligible as collateral at Deutsche Bundesbank:	3,062,828		2,766,457
c) Own bonds	0		954
Nominal amount	0		1,000
6, Stocks and other variable-income securities		3,263	150,000
7, Investments		452	2,855
8, Shares in affiliated companies		107,957	95,457
9, Trust assets		190,556	169,024
of which: Trust loans	190,556		169,024
11, Intangible assets		1,346	1,624
b) Acquired concessions, industrial property rights and similar rights and values as well as licenses thereto	1,346		1,624
12, Tangible assets		26,156	26,603
14, Other assets		1,523	1,199
15, Prepaid expenses		17,453	22,572
Total assets		19,133,274	20,147,676

LIABILITIES (EUR thousand)		31.12.2015	31.12.2014
1. Liabilities to banks		3,896,329	3,377,615
a) Payable on demand	56,895		27,570
b) With an agreed term or notice period	3,839,434		3,350,045
2. Liabilities to customers		7,379,117	8,079,572
b) Other liabilities	873,407		935,241
ba) Payable on demand	6,505,710		7,144,330
bb) With an agreed term or notice period			
3. Securitised liabilities		6,442,070	7,332,492
a) Bonds issued	6,442,070		7,332,492
4. Trust liabilities		190,556	169,024
of which: Trust loans	190,556		169,024
5. Other liabilities		5,429	5,393
6. Prepaid expenses		106,811	107,763
7. Provisions		177,964	193,463
a) Provisions for pensions and similar obligations	111,680		97,171
c) Other provisions	66,284		96,292
11. Funds for general banking risks		204,311	204,311
12. Equity		730,687	678,043
a) Called-in capital			
Subscribed capital	300,000		300,000
c) Retained earnings			
cd) Other revenue reserves (special-purpose reserve)	352,180		352,180
d) Net retained profit	78,508		25,863
Total liabilities and shareholders' equity		19,133,274	20,147,676
Off-balance sheet items			
1. Contingent liabilities		110,294	123,672
b) Liabilities in relation to guarantees and warranties		110,294	123,672
2. Other obligations		428,529	825,137
c) Irrevocable loan commitments		428,529	825,137

Profit and Loss Account *for the period from 1 January 2015 to 31 December 2015*

Expenditure in EUR thousand				Previous year
1. Interest expenses			266,210	302,081
of which: income from negative interest		2,054		195
2. Fee and commission expenses			791	714
4. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries		39,848		39,535
ab) Social security contributions and expenses for pensions and other benefits		9,248		9,009
of which: for pensions		2,398		2,417
		49,096		48,544
b) Other administrative expenses		27,937		31,161
			77,033	79,705
5. Amortisation and write-downs on intangible assets and tangible assets			4,299	3,647
6. Other operating expenses			39,069	25,803
7. Amortisation and write-downs on receivable and certain securities as well as additions to reserves in loan business			35,735	25,366
8. Amortisation and write-downs on shareholdings, shares in affiliated companies and securities treated as fixed assets			0	421
9. Expenditure from loss transfer			0	1,268
12. Taxes on income and revenue			38	0
13. Other taxes not reported under item 6			17	65
15. Net income for the year			78,508	25,863
Total expenses			501,700	464,933
Net income for the year			78,508	25,863
Profit brought forward from the previous year			0	0
Net retained profit			78,508	25,863

Income in EUR thousand				Previous year
1, Interest income from				
a) Lending and money market transactions		323,737		366,766
of which: expenditure from negative interest		100		1
b) Fixed-income securities and book entry securities		83,291		84,492
			407,028	451,258
2, Current revenue from				
a) Stocks and other variable-income securities		11,000		0
b) Investments		2		2
			11,002	2
4, Fee and commission income			5,420	6,720
7, Revenue from additions to investments, shares in affiliated companies and securities treated as securities			618	0
8, Other operating income			77,632	6,954
Total income			501,700	464,933

Notes to the Financial Statements for the 2015 Financial Year (extracts)

General notes

Investitionsbank Berlin (IBB) prepared the annual accounts as per 31 December 2015 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 profit and loss account.

Accounting and measurement 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.

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

Pro-rata interest on interest rate swaps is recognised on an accruals or deferrals basis, respectively. It is netted on a contract by contract basis and carried under loans and advances to banks or customers and liabilities to banks or customers. Income resulting from interest rate derivatives is carried in the bank's interest result. Incoming and outgoing close-out payments have been recognised in full in the profit and loss account.

Negative interest from receivables and/or liabilities is carried as interest income or interest expenditure, respectively, and accordingly reduces income or increases expenditure.

Risks in the loan business are addressed by value adjustments for accounts receivable and provisions for off-balance-sheet transactions. Furthermore, value adjustments for receivables bearing lower interest are formed due to margin waivers in conjunction with business development.

In accordance with IAS 39, individual impairments were carried out in the case of significant receivables for identifiable address risks whilst flat-rate individual impairments 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 impairment is determined by multiplying the book value by an expected loss given default.

With regard to latent risks in the receivables portfolio, portfolio impairments amounting to the expected default taking into account default probability, default rate and a factor for the time between the detection of the threatening default and the actual occurrence of the default event were made in accordance with IAS 39.

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. 1 HGB], the option permitted under section 340 e (1) sentence 3 in conjunction with section 253 (3) sentence 4 of the German Commercial Code [§ 340e Abs. 1 Satz 3 i.V.m. § 253 Abs. 3 Satz 4 HGB] (valuation according to the diluted lower of cost or market principle) was exercised throughout for securities held as fixed assets. 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 continue to be impaired, they are written down to their fair value.

The IDW RS BFA 3 comments were taken into account in full within the scope of the balance sheet and measurement as per 31 December 2015. The cash equivalent approach is applied in order to determine any provision for anticipated losses which may be necessary. The trading book's value-based ability to bear losses serves as the basis for calculation. The book value is deducted from net assets, and the risk and administrative costs as well as the bank-specific refinancing costs for fictitious closing transactions are taken into account to the extent necessary.

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 are calculated by external actuarial experts according to the projected unit credit method using Prof. Dr. Heubeck's 2005 G tables. A projected salary/contribution assessment ceiling increase of 2.5% and a projected pension increase of 1.75% (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 3.89%. The change in assumed interest was carried in net interest income in the profit and loss account. The change in other valuation assumptions was carried in the profit and loss account under current service cost. 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. Provisions with a term of more than one year are discounted. The change in assumed interest was carried as net interest income in the profit and loss account. The interest share of the sum added to other reserves is carried in interest expenditure.

Principles of currency translations

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