

Company Profile 2013

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To our Business Associates

Ladies and Gentlemen,

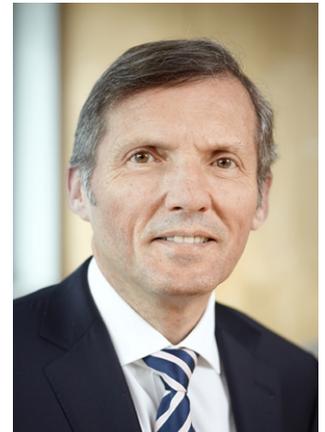
Investitionsbank Berlin, set up in 1993 as an organisationally and economically independent department of Landesbank Berlin, was re-established early in 2004 as an institution under public law. This year now marks the 10th anniversary of Investitionsbank Berlin. That's why some of the contributions by the IBB unit managers in this report will look back over the key developments of these past ten years. These are personal contributions from a department perspective which, together with additional impressions from external players on Berlin's economic stage, are designed to create a panoramic view of the past decade of business and housing development in Berlin.

The period from 2004 to 2013 is, of course, a random period and would hardly call for special focus from an economic perspective, although there is good reason to take a closer look. The year 2004 marked a turning point in economic development in a reunified Berlin. Between 1991 and 2004, the city of Berlin had lost around 150,000 jobs because growth in the services sector was not strong enough to fully offset the losses in industry.

Then came 2004, which marked the turning point in job growth that has continued without fail since then. Almost 240,000 jobs have since been created in Berlin and the number of people in jobs now totals 1.79m, an increase of more than 90,000 since 1991. Berlin's economic development also hit an all-time low in 2004 and following the ongoing rise over the past ten years is now around a real 20% above this value. It must be noted, however, that economic output per capita of the working population has declined by 2.4% since 2008.

Many new jobs have indeed been created, but these are also often in sectors which have below-average productivity, such as the retail and hotel sector. The good news, however, is that while the number of new businesses has remained high in Berlin, the number of those closing down has declined and this is a positive indication of the good standing of companies.

This is thanks to you, to you who have set up or modernised and expanded businesses in Berlin, you who have created jobs and who face competition day in day out, and we are happy if we can help you to do this. The figures are proof of this intensive co-operation: Since 2004, we have made a good 12,000 financing pledges to companies in the field of business development, including EUR 1.7bn in loans and investments and EUR 1.1bn in grants. This was accompanied by global loans to refinance medium-sized business for Berlin's commercial banks which totalled EUR



Rolf Friedhofen
Chairman of the board

600m and capital investments by our investment company with a volume of EUR 80m, so that financing services for founders and medium-sized enterprises amounted to EUR 3.4bn in total. We know that this is only an ancillary part of financing companies in Berlin and that is in line with our understanding of ourselves as a business development institute. This financing, however, often benefits research, development and start-up projects which have difficulty finding financing on the market. In situations like the 2008/2009 financial crisis, we expanded our programme to help offset market shortages and hence also helped to reduce offer bottlenecks.

Our business development activities in the field of housing and urban development were largely connected to the Federal Land of Berlin's discontinuation of follow-up support for council housing. Many housing associations fell into difficulty and we had to go to great lengths together with the companies affected to find permanent financing solutions. Today, the focus is again on new business and, after years of focussing on the energy-related and barrier-reducing refurbishment of existing buildings and financing solutions for existing customers, a new building programme by the Federal Land is being launched again in 2014. EUR 320m in Federal Land funds have been earmarked for this purpose. Over a period of five years, we will finance a total of 25,000 apartments, 5,000 of which are foreseen for low-income groups and are to be marketed at a price of between EUR 6.00 and EUR 7.50 per square metre.

IBB's financing for public-sector companies and investments in infrastructure have become increasingly important in recent years. This financing is provided as part of our business development as well as our housing and urban development activities. In the field of business development, this includes financing for BER Airport totalling EUR 310m in 2009 and the buy back over the past two years of the private shares in Berlin Wasserbetriebe from RWE and Veolia with a total volume of EUR 1.3bn. Financing of the fund buy-back programme of former Berliner Immobilien Holding (BIH, now Berlinovo) totalling EUR 905m in 2010 falls under housing and urban development.

Over the past ten years, we have established IBB in Berlin as a business development institute that operates according to commercial principles and is in a position to generate its own financing funds for business development activities and to respond to the demands of business and real estate development in a flexible manner. IBB also supports the Federal Land of Berlin in its financing of public tasks.

In addition to these business development tasks, IBB has used its revenue over the past ten years to finance additional support funds, such as co-financing for business development programmes or support for business development institutions in Berlin, which are funds and grants for the Federal Land of Berlin (Berlin-Beitrag) in the form of advance dividends

totalling EUR 450m. With a view to the new business model introduced in 2004, the change from grant-based support to loan-based and revolving products was of key importance and created the necessary revenue basis for this model.

Launched with a share capital of EUR 300m and by reinvesting profits, it was possible to build up a reserve specifically for business development tasks and to hence more than double the bank's equity to today's EUR 689m. The treasury unit, which is geared to the needs of a business development bank, had a key role to play here and has made a name for itself as a reliable trading partner on international money and capital markets. This means that over the past 10 years, IBB has always been able to secure the refinancing demands of business development activities and the bank's liquidity. IBB is also in a good position to meet future, higher demands for capital for banks; over the past ten years, IBB has successively increased its equity ratio to 18.7% and its core equity ratio to 17.4%.

Ladies and gentlemen, what we have here is a concise review of the past 10 years and I hope that I have been able to clearly show that IBB is a sound and reliable financing partner who, looking to the future, can also accompany you in your company investments or housing construction projects in Berlin. We expect Berlin's economy to continue on its course of recovery in 2014, despite ongoing risks related to foreign trade, and that 2% growth will be reached which will be above the average for the rest of the country. To achieve this, we will need your entrepreneurial initiative and we are determined to help you in your endeavours. That's what IBB means, that's what "Performing for Berlin" means.

Yours sincerely



Rolf Friedhofen
Chairman of the board

Statement by the Chairwoman of the Administrative Board



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

Berlin's economy is growing. In 2013, the number of people in jobs in Berlin rose higher than in any other Federal Land. Gross domestic product in 2013 in Berlin also rose much higher than the average figure recorded for the rest of the country. Berlin is a "capital for start-ups". Berlin's strong technological science and research landscape, highly qualified specialists, as well as the industrial and commercial space available within the city offer excellent conditions, not just for new enterprises starting up, but also for existing industrial companies that are expanding.

Economic growth is the result of brave entrepreneurial decisions and the willingness to take on risks. This is being promoted by the support programmes offered by Investitionsbank Berlin (IBB). With grants, loans as well as equity products and consultancy support, Investitionsbank is actively helping entrepreneurs in Berlin.

IBB's own business development continues to be positive, according to feedback from its customers. Specialist expertise and customer orientation are given a better rating than in the past.

In the coming financial year, IBB will continue to push ahead with its reduction of processing times and administrative expenses, because optimising customer service is something an investment bank must aim for every single day.

In its capacity as the business development bank of the Federal Land of Berlin, Investitionsbank Berlin will continue to support the positive development of Berlin's economy in the current business year. I would like to wish every success to all of you who are actively helping Berlin to become a nationally and internationally competitive location for industry, commerce, the manual trades business, trade and services.

A handwritten signature in black ink that reads "Cornelia" followed by a stylized flourish consisting of several horizontal strokes.

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

Report by the Administrative Board for 2013

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

The Administrative Board of IBB performed the tasks assigned to it 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. The Loan Committee of the Administrative Board also met for one extraordinary meeting.

The Management Board informed the Administrative Board and its committees about the bank's developments and important business. Regular reporting included reports on the current economic situation and business development, the bank's strategic orientation, the further development of the bank's ability to bear risks and the development of the product portfolio. In accordance with the minimum requirements for risk management by lending institutions, the Management Board informed the Loan Committee of the Administrative Board every quarter and the Administrative Board itself once a year of the most important contents of the risk reports.

The Administrative Board and its committees also focused on medium-term planning, the latest developments with the bank's investments, such as the merger between Berlin Partner GmbH and TSB Innovationsagentur Berlin GmbH, and support for larger financing transactions, such as the complete remunicipalisation of Berliner Wasserbetriebe, as well as selected aspects of the business development, lending and asset portfolio.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Berlin, performed the mandatory audit of the annual accounts for the 2013 financial year and issued an unqualified audit opinion.

Following the explanation by the auditor, the Administrative Board acknowledged the result of the audit. The committee did not raise any objections against the Annual Accounts of IBB drawn up by the Management Board. The Administrative Board adopted the bank's Annual Accounts for the 2013 financial year and approved the consolidated annual accounts.

Net income for the 2013 financial year minus support funds and grants for the Federal Land of Berlin totals EUR 36.9 million.

The Administrative Board would like to thank all the staff of IBB for their dedicated work in the 2013 financial year.

Berlin, 28 April 2014

Chairwoman of the Administrative Board

A handwritten signature in black ink, appearing to read 'Cornelia Yzer', with a horizontal line drawn underneath it.

Cornelia Yzer

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

Business development in 2013 in figures

Programmes	Business start-ups			Existing companies		
	Volume (in million euro)			Volume (in million euro)		
As per 31 Dec. 2013	Number	Loans and investments, guarantees	Grants	Number	Loans and investments, guarantees	Grants
Berlin Start	63	6.3	0.0	5	0.6	0.0
Berlin Loan	3	2.4	0.0	50	25.2	0.0
Berlin Capital	0	0.0	0.0	0	0.0	0.0
Berlin Infra	0	0.0	0.0	1	15.0	0.0
Common task (GRW)	36	0.0	19.8	210	0.0	99.4
SME fund	3	7.8	0.0	3	0.7	0.0
SME fund (micro-loans up to EUR 25,000)	136	2.5	0.0	45	0.9	0.0
Growth and syndicated loans	0	0.0	0.0	14	94.5	0.0
<i>Pro FIT</i>	84	20.6	5.8	100	15.4	19.6
Innovation Assistant	43	0.0	0.9	73	0.0	1.5
Intermediate financing of film productions	4	0.4	0.0	11	1.4	0.0
CEE Networks	0	0.0	0.0	4	0.0	0.7
Opening up new markets	11	0.0	0.1	120	0.0	1.9
Liquidity assistance	0	0.0	0.0	5	1.5	0.0
Sub-total – business development programmes	383	40.0	26.5	641	155.2	123.1
Global loans	0	0.0	0.0	1	25.0	0.0
Special financing (from Berlin Infra)	0	0.0	0.0	1	590.0	0.0
Total	383	40.0	26.5	643	770.2	123.1
For information:						
IBB Beteiligungsgesellschaft	50	12.5	0.0	0	0.0	0.0
Of which competence fields	201	30.5	25.5	427	92.5	74.9

Number	Total Volume (in million euro)		Programmes	
	Loans and investments, guarantees	Grants	Number	
68	6.9	0.0	6.9	Berlin Start
53	27.6	0.0	27.6	Berlin Loan
0	0.0	0.0	0.0	Berlin Capital
1	15.0	0.0	15.0	Berlin Infra
246	0.0	119.2	119.2	Common task (GRW)
6	8.4	0.0	8.4	SME fund
181	3.4	0.0	3.4	SME fund – micro-loans up to EUR 25,000
14	94.5	0.0	94.5	Growth and syndicated loans
184	36.0	25.4	61.4	<i>Pro FIT</i>
116	0.0	2.3	2.3	Innovation Assistant
15	1.9	0.0	1.9	Intermediate financing of film productions
4	0.0	0.7	0.7	CEE Networks
131	0.0	2.0	2.0	Opening up new markets
5	1.5	0.0	1.5	Liquidity assistance
1,024	195.3	149.6	344.9	Sub-total – business development programmes
1	25.0	0.0	25.0	Global loans
1	590.0	0.0	590.0	Special financing (from Berlin Infra)
1,026	810.3	149.6	959.9	Total
				For information:
50	12.5	0.0	12.5	IBB Beteiligungsgesellschaft
628	123.0	100.4	223.4	Of which competence fields

Housing and urban development

Housing development in 2013 in figures

Year under review	New approvals in million euro	
	2012	2013
Rehabilitation, refurbishment and new buildings		
IBB energy-related refurbishment	92.5	54.7
IBB homes for the elderly	3.3	0.9
IBB residential property modernization	5.6	47.2
KfW residential property modernisation (programme discontinued)	8.7	0.0
KfW energy-efficient rehabilitation	1.7	1.8
KfW conversion for the elderly	0.1	0.1
KfW energy efficient construction	0.5	23.8
KfW home ownership programme	0.2	0.6
Co-operative new construction competition	0.0	2.5
Sub-total 1	112.6	131.7
Inter-bank business		
Syndicated business	142.9	133.9
Global loans	100.0	75.0
Sub-total 2	242.9	208.9
Miscellaneous		
Berlin Infra	171.6	95.6
Supplementary loans	105.7	124.6
Subsidy/grant programmes	7.0	8.5
Refurbishment loans	93.7	35.5
Sub-total 3	378.0	264.2
Total new business (including grants)	733.4	604.8
Refinancing	182.4	159.2
Total	915.8	764,0

Management Report

Basics

Business development bank of the Federal Land of Berlin

Investitionsbank Berlin (IBB) is the business development bank of the Federal Land of Berlin and an institution incorporated under public law. IBB is backed by the Federal Land of Berlin. IBB supports the Federal Land of Berlin in the performance of its public tasks on the basis of a mission laid down in law. This is expressed in the following mission statement.

On behalf of government and subject to the subsidy rules of the European Union, it provides funding and performs business development measures in the field of business development, 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 offers a broad portfolio of support products and, in addition to revolving instruments in the form of loans, mezzanine capital and partnerships, it also offers grant programmes and consultancy services. In this way it is helping to achieve the more general goals of the Federal Land of Berlin, such as the creation of jobs and the strengthening of its economic power.

IBB refinances itself on the money and capital markets and employs funds from Federal Land, government and EU public budgets. It bears public-sector responsibility and is backed by a refinancing guarantee of the Federal Land of Berlin and can hence refinance itself at comparatively favourable terms and conditions.

IBB is subject to the agreement laid down in the Accord II between the Federal Republic of Germany and the European Commission of 27 March 2002 regarding the employment of the benefits from public-sector responsibility and the refinancing for business activities as part of its support mission. The bank's activities are rooted in the Law Establishing Investitionsbank Berlin as an Independent Legal Entity of 25 May 2004.

Business model and business strategy

IBB's business strategy is derived from its support mission, which is laid down in law, and it forms the basis for IBB's activities. The business strategy comprises a general part as well as the three business field strategies of business development, housing and urban development, as well as treasury, along with functional strategies for risk management, personnel management, organisation and information technology, investments and communication.

The boundary conditions apply especially to the fields of (supervisory) law, economic policy and (bank) business as well as their development.

The business strategy presents the future business policy pursued by management according to the minimum requirements for risk management for IBB. In order to ensure the long-term success of the bank, the business strategy is geared to sustainability while taking existing boundary conditions and the 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 development unit performs consultancy services related to business development products and their marketing. Comprehensive financial consultancy is carried out with an integrated solution-based approach. 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 real estate 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 treasury business unit is compliance with IBB's support mission; this unit is responsible for market-end management of liquidity and interest-rate risks of support business. The treasury 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 bank's controlling systems

IBB is controlled on the basis of commercial reporting while taking into account the regulatory boundary conditions. These include, in particular, defining the orientation of the business and risk strategy, operative planning, issues regarding the equity base and matching maturities, deciding on the control instruments to be used, as well as accounting, earnings and risk controlling and reporting as the core control functions.

Important success-based control variables or performance indicators for IBB are:

- the economic result
- financing cost-to-income ratio
- new business volume.

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 carried out at the request of the Federal Land of Berlin.

The financing cost-to-income ratio is the ratio between administrative expenditure and gross earnings where gross earnings is defined as the sum of income from interest and commission and other operating income including imputed earnings from IBB's support funds and grants for the Federal Land of Berlin (Berlin-Beitrag) performed free of charge. In the year under review, the bank's business activities were controlled by the strategies laid down in the business strategy for the business fields of housing and urban development, business promotion and treasury. In this case, the bank defines the strategies in more detail on the basis of the medium-term plans currently valid. The functional strategies, especially the risk strategy, are derived from the business strategy. Control is carried out here primarily at business field level. Risk control is described in detail in the risk report.

The strategic targets and goals are reviewed each year or as necessary and adjusted as needed.

The goals are implemented on a global bank level each year as part of operative planning and have a planning horizon of one year. In the second year, they are implemented at strategic level with a planning horizon of five years as part of medium-term planning. This is based on the accounting rules laid down in the German Commercial Code.

Economic Review

Economic factors

Europe's economy was slow to recover in 2013. Stabilisation was strongest in consumption and investment activities. At the same time, the boost generated by foreign trade weakened because important newly industrialised countries were less dynamic in their development and growth of the US economy was somewhat weaker than expected due to adverse fiscal effects. Slight growth in economic output was recorded in the eurozone for the second and third quarter of 2013. However, this was not sufficient to compensate for earlier losses. That being said, the upward trend in business climate indicators still continues. The latest data on production activities, orders on hand and export developments, however, shows that the overall economic situation is still uncertain.

In contrast to this, Germany's economy became significantly brighter over the course of 2013 after the previous weak period had also been dominated by climate events. Strong growth in the second quarter was distorted by catch-up and backlog effects. Average added value growth for 2013 is hence below the growth rate of production potential. Despite low interest and a stable employment situation, consumption among private households has been slow to rise. While investment in equipment continued to be modest, the building sector benefited from the revitalisation of housing construction.

Progress with the conversion of the institutional framework of the European Monetary Union was hesitant in 2013 due to the domestic crises in some countries and in light of the general elections in Germany. While the yield gap for government bonds first expanded and later narrowed in the previous year, the guarantee issued by the European Central Bank for the continuation of the euro continued to have an impact in the period under review. This resulted in a generally calmer mood on the market. The capital market environment also continued to be marked especially by the extremely expansive monetary orientation of the key central banks. However, over the course of the year, doubts arose as to whether changes in this expansive orientation could still be ruled out over a longer period of time. All in all, long-term returns in autumn were around 75 base points higher than the lowest levels seen in spring. However, this was not a real departure from the low-interest environment.

As this situation persists, the low lying interest structure curve is affecting earnings for banks. Despite the slightly stronger increase in mortgage business, the expansion of lending remains moderate so that it was also difficult to generate earnings impetus from increases in the volume of business.

Compared to the rest of Germany, Berlin's economic development was more stable again in 2013. This is reflected by gross domestic product (GDP) figures for the first half of 2013. According to these figures, Berlin was only able to increase its economic output by 0.5% but compared to the rest of the country it still came out tops sharing first place with Hamburg while a decline of 0.3% was the average for the rest of the country.

Many companies in Berlin also benefited in 2013 from the strong growth in jobs in the capital city, higher wages and salaries and record-breaking figures in tourism. Visitors to Berlin continue to be a strong pillar of Berlin's economy. Thanks to these high visitor numbers (unlike the average for the rest of the country), Berlin's retail sector recorded strong growth in turnover. This special development, however, is also due to Internet retail which is particularly important in the capital city.

Industry, on the other hand, still failed to stabilise in 2013. Both orders on hand and sales were down since the beginning of the year. That being said, there have been some encouraging signs in the important field of mechanical engineering which recorded well-filled order books.

It must be remembered, however, that industry accounts for a very small share in Berlin's overall economic output. Germany's capital city is strongly characterised by services. In terms of overall gross value creation in Berlin, near company services (excluding trade, hotels and public services) are three times more important in the capital city than the entire industrial sector. Turnover by near company services rose significantly in 2013 and once again confirmed the importance of these services as a job engine.

Housing construction in Berlin continues to generate momentum for the city's economy. Persistently low interest rates are motivating many companies to step up housing construction activities further. That's because population and economic growth also mean shortages on the housing market. The enormous interest in Berlin's housing market is also visible in price developments. For some years now, housing prices have been rising considerably in Germany's capital city. One of the main reasons for this change on the housing market is the new confidence in the performing capability of Berlin's economy due to the above-average economic growth and sustainable labour market success of recent years. This is being reinforced by low interest rates for mortgage loans. Investing in real estate is particularly attractive due to very low returns offered by alternative investments and in light of considerable uncertainty on the finance markets. All in all, this has also fostered demand for housing.

In 2013, Berlin was once again Germany's capital city for start-ups. More than 47,000 new businesses were registered in Berlin, more than in any other city in Germany. In recent years, a comprehensive and increasingly more dense network has developed in and around the creative sector and

the high-tech field, comprising founders, employees, banks, investors, coaching centres and incubators. Founders can especially find employees with the sought-after special qualifications in the capital city.

Since 2006, employment figures in Germany's capital city have been rising faster than in the rest of the country. In recent years, this steep rise in employment in Berlin has largely been down to regular jobs. Broken down according to business sectors, more than 90% of new jobs in 2013 were once again in services (e.g. trade and hotel sector, information and communication technology, finance, insurance and business, as well as public and other services).

Exports have not yet fully recovered from the slump at the end of 2012. The weakness in Berlin's exports also continued in 2013. Berlin's exporters were only able to slightly offset the at times stiff setbacks in exports to Asia, the US and the eurozone by strong trade with some European countries outside the eurozone. Most recently, however, bottoming out was at least visible where season-adjusted and calendar-adjusted trend components are concerned. .

Business Development in 2013

General Business Development

IBB recorded a profit of EUR 68.0m and was hence below the figure posted for the previous year (EUR 72.3m). Net interest income, which is still the most important component, was slightly down as forecast last year.

In 2013, improved credit rating had a positive impact on the risk provision and, as forecast, this item was reduced significantly. The bank has used this good result to form provident funds pursuant to section 34 of the German Commercial Code [§ 34 of HGB]. As a result of a partial reinvestment of previous years' profits, the equity basis was also strengthened.

In the year under review, IBB provided the Federal Land of Berlin with funds and grants (Berlin-Beitrag) amounting to EUR 31.1m (previous year: EUR 32.8) to support the business development policy.

The goal of keeping administrative expenses in 2013 at a constant level was slightly missed despite the lower-than-expected increase in prices. The extensive activities to implement regulatory topics had a far greater impact here than had been expected at the beginning of the year.

The balance sheet total shows a 2.7% increase and, as expected, is slightly higher than the previous year. Growth with new business was moderate but constant. This means that IBB can once again report a successful year in 2013.

Support in business and real estate development once again at a very high level

In the 2013 fiscal year, IBB played a key role in supplying credit and hence achieving growth for Berlin's economy. The volume of funds pledged in business and real estate development was kept at a high level of around EUR 1.7bn. However, this was strongly influenced not just this year but also last year by special business with the Federal Land of Berlin to remunicipalise Berliner Wasserbetriebe.

In the 2013 fiscal year, many start-ups and existing companies made use of IBB's competence as a business development bank. Business development continued to focus on support for medium-sized enterprises through monetary programmes and comprehensive financing consultancy. IBB works closely here with the commercial banks operating in Berlin. Under the IBB growth programme alone, a credit volume of EUR 94.5m (previous year: EUR 132.9m) was made available in the year under review for larger investments and company expansions, refinancing, follow-up financing and base financing.

Business development

In the field of business development, a pledge for financing once again supported the remunicipalisation of Berliner Wasserbetriebe. As part of the "Berlin Infra" programme, IBB financed the buy-back of the remaining ownership shares with a loan volume of EUR 590.0m.

Although the number of start-ups has been declining on national level, IBB was able to increase its financing commitments significantly against the previous year, i.e. EUR 66.4m compared to the previous year's figure of EUR 37.1m. The growing share of start-up financing shows that even with a downward trend IBB is still popular as a bank for start-ups.

The result for the year was largely due to the programme to promote research, innovation and technology (Pro FIT). Thanks to additional reallocations of ERDF funds, it was possible to respond to the high demand for the programme in the year under review with loans and grants amounting to EUR 61.4m (previous year: EUR 34.3m). The "early phase financing" module introduced in autumn 2012 had a very positive impact; this module was popular especially among young businesses working in the creative sector and in information and communication technology.

With a view to promoting commercial investment, the "Common task to improve regional economic structure" programme celebrated a record year in 2013. With pledges for grants totalling EUR 119.2m, the previous year's result (EUR 89.4m) was once again surpassed by far, not least due to the end of the 2007-2013 programming period.

Business development also pledged financing for loans, guaranteed loans and grants amounting to EUR 959.9m (previous year: EUR 1,088.2m), picking up on the success of the previous year. The number of pledges was even raised by 14.3%. The loan book reached a new all time high which, by the end of 2013, totalled around EUR 2.7bn, and was hence up EUR 642.2m against the previous year.

Housing and urban development

In the field of housing and urban development, a financing volume of EUR 764.0m (previous year: EUR 915.8m) was recorded in the year under review.

A large part of this financing was in pledges for modernisation and refurbishment loans to implement energy-related and climate-policy measures as well as barrier-reducing measures. In order to support investment projects of the kind, IBB was able to provide loans totalling EUR 104.8m (previous year: EUR 111.9m). There was particularly strong demand for the "IBB residential property modernisation" programme (EUR 46.6m, previous year: EUR 5.2m) which IBB first introduced in 2012 as a new product in response to the discontinuation of the KfW "residential property modernisation" programme. There was continued high demand among home

owner communities for low-interest KfW and the bank's own programmes. Due, for instance, to the growing shift in investments from refurbishment to new buildings, the volume pledged under the "IBB energy-efficient refurbishment of buildings" programme was lower in the year under review (EUR 54.7m) than in the previous year (EUR 92.5m).

The much higher volume of financing forwarded (EUR 24.4m compared to EUR 0.6m in the previous year) under the "KfW energy-efficient building" and the "KfW home ownership" programmes was confirmation in the year under review that support for new building projects is becoming more important.

As part of the "Berlin Infra" support programme, IBB was able to finance infrastructure investments by municipal associations totalling EUR 95.6m (previous year: EUR 171.6m). Together with commercial banks, attractive syndicated financing was made available for Berlin's housing sector (2013: EUR 133.9m, previous year: EUR 142.9m). Banks were also granted global loans totalling EUR 75.0m (previous year: EUR 100.0m), providing them with low-interest refinancing in order to indirectly achieve IBB's business development goals. 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 319.4m was pledged (previous year: EUR 381.8m) using current financing products.

Due to much higher, non-scheduled exits in old financing/support business, which was not fully offset by payments of new loans, total real estate loans and guaranteed loans fell slightly as of the reporting date compared to the end of the year to EUR 11,032.0m (previous year: EUR 11,406.2m).

Earnings development

On the whole, the bank was able to build on the previous year's good business development and meet EBIT expectations. Developments in operating income, including the individual segments, are shown below:

Earnings development in million EUR	IBB total		Housing and urban development		Business development		Treasury		Corporate Center	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	141.8	147.9	69.5	70.8	8.5	6.3	54.7	57.2	9.0	13.6
Net commission income	8.3	10.7	7.8	9.4	0.9	1.4	-0.4	-0.1	0.0	0.0
Net other operating income/expenses	8.1	12.9	-7.9	-3.7	15.2	15.4	0.0	0.0	0.9	1.2
Total income	158.1	171.4	69.4	76.5	24.6	23.0	54.3	57.0	9.9	14.8
Total administrative expenses	-78.0	-76.6	-36.6	-35.8	-23.9	-23.5	-5.4	-5.4	-12.1	-11.8
Operating result before risk provisioning/valuations	80.1	94.9	32.8	40.8	0.6	-0.5	48.9	51.6	-2.2	3.0
Risk provisioning/valuations	-11.6	-19.8	7.0	16.1	-3.5	-7.9	2.8	-20.4	-18.0	-7.6
Extraordinary result	-0.5	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	-2.8
Economic result	68.0	72.3	39.8	56.9	-2.8	-8.4	51.7	31.2	-20.7	-7.4
Support funds and grants for the Federal Land of Berlin (Berlin-Beitrag)	-31.1	-32.8	-0.9	-3.9	-27.7	-28.0	0.0	0.0	-2.5	-0.9
Net income for the year	-36.9	39.5	38.9	53.0	-30.5	-36.4	51.7	31.2	-23.2	-8.3

In the year under review, the housing and urban development segment clearly outperformed the figure budgeted and recorded operating income of EUR 39.8m. As expected, this figure was below the result recorded in the previous year due, for instance, to changes in risk provisioning (EUR -9.1m) and a EUR 2.9m decrease in income from interest and commission.

With a view to business development, the economic result in the year under review totalled EUR -2.8m and was hence much higher than in the previous year (EUR -8.4m). This positive development is primarily due to interest income which was up EUR 2.2m and to the much lower provisions for lending (EUR +6.8m) compared to 2012.

In the Treasury segment, interest income totalled EUR 54.7m and, as expected, was below the previous year's figure (EUR 57.2m). Positive rating effects in risk provisioning (2013: EUR +2.8m, 2012: EUR -20.4m) had an impact on the economic result of EUR 51.7m.

In the Corporate Center segment, the economic result totalled EUR -20.7m due to the formation of general provident funds and was hence EUR 13.3m below the previous year's value.

The situation of the bank

Earnings position

In the financial statement presented below, certain amounts carried in the income statement according to German commercial law are re-classified and/or supplemented from an accounting point of view. This concerns expenditure by IBB which is made available as support funds and grants to the Federal Land of Berlin (Berlin-Beitrag) in the form of an advance dividend. Parts of the income statement item "Other operating expenses" (EUR 14.2m, previous year: EUR 14.0m) and "Risk provisions" (EUR 2.1m, previous year: EUR 3.7m) are carried as support funds and grants for the Federal Land of Berlin just like business development and promotion services performed by IBB for free (EUR 14.7m, previous year: EUR 15.1m) which are considered exclusively as imputed items. These items without liquidity relevance are carried as operating income in the financial statement and additionally as support funds and grants for the Federal Land of Berlin. On the other hand, the bank's administrative expenditure is also reported differently. This means, for instance, that costs for staff assigned to group subsidiaries (EUR 0.5m) are not reported under administrative expenses but as the balance of other operating income. Similarly, the expenses required for personnel measures in conjunction with the implementation of the project results in order to develop the business model further are included in the non-operating result (EUR 0.5m).

IBB recorded an economic result of EUR 68.0m (previous year: EUR 72.3m).

Income statement in million EUR			Change	
	2013	2013	Absolute	In %
Net interest income	141.8	147.9	-6.1	-4.1
Net commission income	8.3	10.7	-2.4	-22.7
Net other operating income/expenses	8.1	12.9	-4.8	-36.9
Total income	158.1	171.4	-13.3	-7.7
Total administrative expenses	-78.0	-76.6	-1.5	-1.9
Operating result before risk provisioning/valuations	80.1	94.9	-14.8	-15.6
Risk provisioning/valuations	-11.6	-19.8	8.1	41.2
Extraordinary result	-0.5	-2.8	2.3	<-100
Economic result	68.0	72.3	-4.3	-6,0
Support funds and grants for the Federal Land of Berlin	-31.1	-32.8	1.7	5.2
Net income for the year	36,9	39,5	-2,6	-6,6

The bank's main source of revenue continues to be net interest income which declined by 4.1% to EUR 141.8m. We are pleased to report a higher contribution achieved by the business development segment. In 2013, the support programmes that are coming to an end led to an expected decline in income from commission (EUR 8.3m; previous year: 10.7m), which is largely determined by fees for handling guarantees and subsidies in housing development.

In the year under review, other operating income fell from EUR 12.9m to EUR 8.1m.

Administrative expenditure slightly up against the previous year

Administrative expenditure rose to EUR 78.0m (previous year: EUR 76.6m). This was due to higher regulatory costs for the implementation of regulatory requirements and the change to SEPA.

In this context and due to lower revenues, the financing cost-to-income ratio rose to 49.3% (previous year: 44.6%).

Risk provisioning/measurement gains or losses

Due to the improved credit rating of IBB's debtors and the lack of loan defaults, as well as a much lower burden on result in conjunction with the European government debt crisis, expenditure on risk provisioning was reduced significantly. The measurement result totals EUR -11.6m (previous year: EUR -19.8m). This positive result was used to strengthen the bank's risk-bearing capacity further as part of the formation of general provident funds. Once again conservative measurement methods were selected.

Non-operating result

The non-operating result includes expenditure for the HR measures required to implement 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 accounting purposes under the German Commercial Code.

Economic result and net income

The economic result totals EUR 68.0m and is EUR 4.3m below the previous year's figure. After deducting IBB's funds and grants for the Federal Land of Berlin (Berlin-Beitrag) totalling EUR 31.1m, net income for the year of EUR 36.9m (previous year: EUR 39.5m) is recorded as a balance-sheet profit.

Financial position

In the year under review, the balance sheet total increased by EUR 0.5bn to EUR 20.5bn primarily due to participation in financing the remunicipalisation of Berliner Wasserbetriebe. The business volume, which also includes contingent liabilities from guarantees and warranty obligations as well as irrevocable loan commitments, increased by EUR 0.4bn to EUR 21.4bn.

As per the end of the year, swaps and derivatives have a nominal volume of EUR 15.9bn (previous year: EUR 14.2bn).

Loans to banks declined against the previous year by EUR 0.3bn to EUR 1.4bn. Loans and advances to customers rose against the previous year by EUR 0.2bn.

Investments/shares in affiliated companies fell by EUR 5.9m to EUR 94.4m due to the capital reduction in VC Fonds business.

Business volume in million euro	31 Dec. 2013	31 Dec. 2012	Change	
			Absolute	In %
Loans and advances to banks	1,363.8	1,714.0	-350.2	-20.4
Loans and advances to customers	14,400.9	14,217.1	183.8	1.3
Bonds and other fixed-income securities	4,225.2	3,556.2	669.0	18.8
Shares in special funds	150.0	150.0	0.0	0.0
Share holdings/shares in affiliated companies	94.4	100.3	-5.9	-5.9
Other assets	232.2	197.9	34.3	17.3
Total assets	20,466.5	19,935.5	531.0	2.7
Contingent liabilities	122.5	109.3	13.2	12.1
Irrevocable loan commitments	859.0	975.6	-116.5	-11.9
Business volume	21,448.0	21,020.4	427.7	2.0

Financial position, capital structure and liquidity

The structure of the refinancing side remained largely unchanged against the previous year. 19% (previous year: 22%) of business volume is financed through loans from banks and through the emission of securitised liabilities on the capital market which rose to 35% (previous year: 31%). Refinancing funds received from customers, which primarily include housing development funds made available by the Federal Land of Berlin, remained flat at EUR 8.0bn (previous year: EUR 8.1bn) with a refinancing share of 39% (previous year: 41%).

IBB's equity according to the balance sheet declined in the past financial year to EUR 689.1m. This change was largely due to the distribution to the Federal Land of Berlin of part of the balance sheet profit reported in 2012 amounting to EUR 44.8m. Another part of this profit, i.e. EUR 39.0m, was reinvested in the special-purpose reserve in order to increase the core capital. Subscribed capital remained unchanged at EUR 300m. The Federal Land of Berlin is the sole owner of IBB.

Statement on changes in equity of IBB in million EUR	Equity	Special- purpose reserves	Balance sheet profit	Total
As per 31 December 2012	300.0	313.1	83.9	697.0
Transfer to the Federal Land of Berlin			-44.8	-44.8
Reinvestment - special purpose reserve		39.0	-39.0	0.0
Net income for the year			36,9	36,9
As per 31 December 2013	300.0	352.2	36,9	689.1

Net income for the year 2013 of EUR 36.9m is recorded in equity as a balance sheet profit (previous year: EUR 83.9m) and 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 852.2m (previous year: EUR 873.0m). Capital adequacy is determined on the basis of the German Solvability Ordinance (SolvV).

In million EUR/in %	2013	2012
Risk item according to SolvV (German Solvability Ordinance)	4,560.2	4,533.3
Equity capital ratio	18.7%	19.3%
Core capital ratio	17.4%	16.7%

Liquidity was generated in the year under review by activities on the money market and by issuing capital market instruments worth EUR 3.4bn.

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 2013 at a reasonable price and with the required maturity.

Thanks to an ECB-enabled portfolio, it was possible to guarantee that no liquidity bottlenecks would occur at any time. Strict secondary conditions of liquidity steering are both compliance with the Liquidity Regulation and fulfilment of the regulatory minimum reserve requirements. The regulatory requirements that apply to capital adequacy and liquidity pursuant to the German Banking Law (KWG) were fulfilled at all times.

Annual Accounts

as per 31 December 2013

The Annual Accounts of Investitionsbank Berlin (company accounts) as per 31 December 2013 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 2013 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 2013

Assets (EUR thousand)	31 Dec. 2013	31 Dec. 2012
1. Cash	24,259	19,460
a) Cash on hand	8	10
b) Balances with central banks	24,251	19,450
of which: with Deutsche Bundesbank:	24,251	19,450
3. Loans and advances to banks	1,363,766	1,713,954
a) Payable daily	88,113	76,084
b) Other loans and advances	1,275,653	1,637,870
4. Loans and advances to customers	14,400,924	14,217,092
of which:		
Secured by liens:	6,856,446	7,026,540
Public-sector loans:	5,556,163	4,235,277
5. Bonds and other fixed-income securities	4,225,179	3,556,219
a) Money market paper		
ab) from other issuers	9,964	54,883
including: eligible as collateral at Deutsche Bundesbank	9,964	4,996
b) Bonds and notes		
ba) Issued by public institutions	1,227,070	1,280,358
of which: eligible as collateral at Deutsche Bundesbank	1,175,094	1,228,260
bb) from other issuers	2,988,145	2,220,978
of which: eligible as collateral at Deutsche Bundesbank	2,928,985	2,156,928
6. Shares and other non-fixed-interest securities	150,000	150,000
7. Participations	2,055	1,335
8. Shareholdings in affiliated companies	92,337	98,937
9. Trust assets	150,023	124,037
of which: Trust loans	150,023	124,037
11. Intangible assets	334	385
b) Concessions purchased, industrial property rights and similar rights, and values as well as licences in such rights and values	334	385
12. Tangible assets	28,694	30,975
14. Other assets	1,297	1,868
15. Prepaid expenses	27,598	21,193
Total assets	20,466,465	19,935,455

Liabilities (EUR thousand)	31 Dec. 2013	31 Dec. 2012
1. Liabilities to banks	3,891,226	4,394,780
a) Payable daily	85,598	12,382
b) With an agreed term or notice period	3,805,628	4,382,398
2. Liabilities to customers	8,030,168	8,112,531
b) Other liabilities		
ba) Payable daily	778,557	433,733
bb) With an agreed term or notice period	7,251,610	7,678,798
3. Securitized liabilities	7,195,940	6,123,939
a) Bonds issued	7,195,940	6,123,939
4. Trust liabilities	150,023	124,037
of which: Trust loans	150,023	124,037
5. Other liabilities	5,471	5,537
6. Deferred income	123,444	150,515
7. Provisions	176,808	182,800
a) Provisions for pensions and similar obligations	88,449	81,049
c) Other provisions	88,358	101,751
11. Funds for general banking risks	204,311	144,311
12. Shareholders' equity	689,076	697,005
a) Called-in capital		
Subscribed capital	300,000	300,000
c) Revenue reserves		
cd) Other revenue reserves (special-purpose reserve)	352,180	313,138
d) Net retained profit	36,897	83,867
Total liabilities and shareholders' equity	20,466,465	19,935,455
Off-balance sheet items		
1. Contingent liabilities	122,533	109,335
b) Liabilities in relation to guarantees and warranties	122,533	109,335
2. Other obligations	859,049	975,571
c) Irrevocable loan commitments	859,049	975,571
	981,581	1,084,906

Profit and Loss Account for the Period from 1 January to 31 December 2013

Expenses	EUR	EUR	EUR	EUR	Previous year
	thousand	thousand	thousand	thousand	EUR thousand
1. Interest expenses				314,077	348,322
2. Fee and commission expenses				656	763
4. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		39,310			39,794
ab) Social security contributions and expenses for pensions and other benefits			11,020		12,693
Of which: for pensions	4,651				6,065
			50,330		52,487
b) Other administrative expenses			24,983		23,316
				75,313	75,803
5. Depreciation, amortisation and write-downs on intangible assets and tangible assets				3,707	3,945
6. Other operating expenses				26,412	23,423
7. Amortisation and write-downs on receivables and specific secu as well as provisions for loans, of which to funds for general bank risks	60,000			14,666	7,595 0
8. Amortisation and write-downs on investments, shares in affiliated companies and securities treated as fixed assets				0	15,906
13. Other taxes not reported under item 6				80	16
15. Net income for the year				36,897	39,517
Total expenses				471,808	515,290
1. Net income for the year				36,897	39,517
2. Profit carried forward				0	44,350
Appropriation to retained earnings					
8. Net retained profit				36,897	83,867

Income	EUR thousand	EUR thousand	Previous year EUR thousand
1. Interest income from			
a) Lending and money market transactions	376,809		411,086
b) Fixed-income securities and book-entry securities	<u>79,018</u>		85,084
		455,828	496,170
2. Current revenue from			
b) Investments		1	3
4. Fee and commission income		8,908	11,434
7. Income from additions to investments, shares In affiliated companies and securities treated as securities		897	0
8. Other operating income		6,175	7,683
Total income		471,808	515,290

Notes to the Financial Statements for the 2013 Financial Year

General notes

Investitionsbank Berlin prepared the annual accounts as per 31 December 2013 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 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.

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. As a second step, the amount of the indi-

vidual 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. 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 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 2013. The cash equivalent approach is applied in order to determine any provision for anticipated losses which may be necessary. The trading book's valued-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 4.9%. The change in assumed interest was carried for the first time as net interest income in the profit and loss account in the year under review. 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

All transactions of Investitionsbank Berlin are carried out in euro.

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