nowfortomorrow

Investitionsbank Berlin

Investitionsbank Berlin

Since 1924, Investitionsbank Berlin and its predecessors have been committed to promoting housing construction in Berlin. In 1993, business development and promotion were added to our portfolio and the previously independent institute under public law was merged with Landesbank Berlin. Since 2004, Investitionsbank Berlin has been operating once again as an independent institute under public law and is wholly owned by the Federal State of Berlin.

This Company Profile is designed to provide our shareholder, business associates and customers with a quick insight into the most important developments in the 2020 financial year. It hence only contains excerpts from the Management Report and the Annual Accounts of Investitionsbank Berlin for the 2020 financial year. The complete Annual Accounts can be found on the Internet at www.ibb.de/gb and in the electronic Federal Gazette. The Annual Accounts contained in excerpts in this Company Profile were prepared in line with the German Commercial Code. In addition, Investitionsbank Berlin also drew up consolidated annual accounts as per 31 December 2020 on the basis of the International Financial Reporting Standards (IFRS) which can be found on IBB's website.

www.ibb.de/gb

Inhalt

Acting now for tomorrow's Berlin.

Ladies and gentlemen,

The year 2020 got off to a good start. With a growth rate of around 2%, Berlin's economy was far better than the national average of 0.6%, taking first place in the German comparison for the sixth time in succession. The number of people in jobs in Berlin was higher than ever before with unemployment at its lowest level since reunification.

IBB also started into the new decade with confidence, having achieved good results in both business and real estate development in the previous year. Then coronavirus hit the world, abruptly turning public and private life upside down.

Within just a few weeks, everything had changed – plans, goals and projections were thrown into disarray or became null and void. In short, Covid slowed down many parts of the economy and social life.

2020 was undoubtedly a challenging and exhausting year. The coronavirus pandemic has hit the economy hard and plunged many companies, SMEs and solo self-employed people in Germany into an existential crisis through no fault of their own.

However, in order to limit economic damage as much as possible, the federal and state governments reacted quickly and decisively to the Covid 19 crisis, launching various support offers and aid programmes to help companies in this difficult situation.

Since March 2020, IBB has subordinated most of its business operations to the Covid aid programmes, dedicating itself to managing this huge task. While a good quarter of our staff (and in some areas up to 80% of staff) were involved in processing the aid programmes in the first lockdown, on average, around 15% of our staff have been working on the 15 aid programmes to date. The lower average figure is due to the increase in IBB's headcount, which was needed, especially in the last few months of the year, due to growing requirements in conjunction with Covid aid. By the end of the year, funds in the order of around EUR 2.2 billion had been approved and almost 380,000 jobs in Berlin, which were severely threatened by the coronavirus pandemic, had been secured. Implementing and processing the aid programmes was an enormous feat for IBB and we hope that we have been able to secure the long term survival of these companies, so that they can get going again on a stable foundation after the crisis.

However, it is unlikely that the economy will manage to return to pre-crisis levels in 2021. According to the Federal Statistical Office, Germany's economic output fell by 4.9% in 2020. IBB's economic experts now expect to see growth of just 3.6% in 2021. The picture for Berlin's economy is similar with growth of just over 3% expected for 2021 following the 3.3% slump in the economy in 2020. This means that we will still have to contend with the consequences of the coronavirus pandemic after 2020.

In every crisis, and even the Covid 19 crisis, there is something positive to be found. The year 2020, for instance, was also a year of cohesion, support and solidarity. And when we hear the word cohesion, we think of our fantastic partners – Berlin Partner, visitBerlin, Kulturprojekte Berlin and IHK – who have actively helped us to implement the Covid aid programmes and to whom we would like to extend a heartfelt thank you. Together with the Federal State of Berlin, we have given our all.

For IBB, 2020 was a good year for funding despite the difficult conditions. Financing commitments in promotional business fell by only 2.8% to EUR 2,218m with housing and real estate development accounting for EUR 1,446m of this figure, business development for EUR 328m and the public sector for EUR 444m. Declines in business development were almost fully compensated for by the public sector, while housing and real estate development came close to the previous year's level. This traditional promotional business was supplemented in the year under review by an almost identical volume in Covid aid. Around 1,000 loans amounting to EUR 106m, investments totalling EUR 57m and around 228,000 grants totalling EUR 2,075m added up to financing commitments with a volume of EUR 2,238m.

These figures do not include our subsidiaries, which were also primarily kept busy with Covid aid in 2020. IBB Ventures (formerly IBB Beteiligungsgesellschaft) recorded 67 investments amounting to EUR 25.4m in the year under review. IBB Business Team GmbH (IBT) has initiated another grant programme, Digitalprämie Berlin, which is primarily designed to actively support SMEs in Berlin in their ongoing digitalisation process, and has recorded total funding commitments of EUR 25.7m under this programme. This marks an increase of 46% compared to the previous year.

IBB Capital GmbH was also founded in 2020 as part of Covid aid for start-ups. IBB's new subsidiary accredits private venture capitalists, such as VC investors, business angels or family offices, who supply the available funds to young companies. The so-called intermediaries are commissioned to disburse the funds following an examination procedure and they top up these funds up to a maximum amount of EUR 800,000 per company with their own contribution of 20 percent.

In view of the major challenges of the year under review, IBB's operating result can be described as very respectable. Coming in at EUR 132.9m, the operating result was exactly on a par with the previous year. However, administrative expenses, which have been rising sharply again in recent years – Covid aid and the rent cap had an impact here – and higher risk provisioning put pressure on the economic result, which at EUR 31.8m was significantly below the previous year's figure (EUR 41.8m).

After contributing EUR 20m in support funds and grants for the Federal State of Berlin (Berlin-Beitrag), net income for the year totalled EUR 11.8m (previous year: EUR 21.8m). We are very satisfied with this result in view of the difficult underlying conditions.

The past year was often difficult, but it also brought with it good cooperation and opportunities and it paved the way for innovation. As a result of the Covid 19 pandemic, digitalisation has become even more important. At the same time, the pandemic clearly showed us just how important and necessary sustainable business models and lifestyles are. Sustainable issues will be the issues of today, tomorrow and the day after. We, too, have recognised the relevance and necessity of sustainability and we have integrated this topic further into our corporate strategy. In future, IBB will focus more on sustainable investments and sustainable promotion.

The year 2021 still holds a number of challenges for us. The economic consequences of the Covid 19 pandemic will continue to demand a great deal of strength, stamina and confidence from us and will require further measures and support programmes from the political sector.

IBB will continue to do its best to strengthen Berlin's economy in the future.

Stay safe.

Dr. Jürgen Allerkamp
Chairman of the Board

Angeliki Krisilion
Member of the Board

Report by the Administrative Board

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. In the year under review, the Administrative Board and its committees met for four ordinary meetings plus one extraordinary meeting of the nomination committee.

At the extraordinary meeting on 9 December 2020, the nomination committee dealt with the selection interviews for the appointment of a successor to the Chairman of the Management Board, Dr. Allerkamp, who is retiring as planned on 30 June 2021. Dr. Holm's appointment to IBB's Board of Management as of 1 May 2021 was adopted by a resolution passed by the Administrative Board on 11 December 2020. As of 1 July 2021, Dr. Holm will take over as Chairman of the Board of IBB.

The Board of Management informed the Administrative Board 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 in particular 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 report on the examination of the remuneration system were also presented for examination.

The Administrative Board and its committees additionally focused on extensive discussions regarding the bank's income position in view of the low interest situation and its impact on medium-term planning as well as the bank's own equity basis. The planned restructuring of the IBB Group was also discussed in detail.

The Administrative Board also discussed in detail the challenges for IBB associated with the takeover of the numerous emergency aid programmes and the preliminary investigation opened by the Berlin public prosecutor's office in conjunction with the implementation of Emergency Aid II. With a view to this investigation procedure, the Administrative Board found that the emergency aid programme was implemented in accordance with the resolutions passed at federal level and within the framework of underlying Senate resolutions, and that the Board of Management in its implementation of the programme fully respected the requirements and agreements with the Senate of Berlin.

The committee chairpersons reported to the Administrative Board regularly on the results of their meetings.

In one case, a member of the risk and audit committee disclosed a conflict of interest during the reporting period and abstained from voting in this case.

The Administrative Board followed the recommendation of the risk and audit committee and appointed KPMG AG Wirtschaftsprüfungsgesellschaft as IBB's auditor for the annual financial statements.

KPMG AG Wirtschaftsprüfungsgesellschaft performed the mandatory audit of the annual accounts for the 2020 financial year and issued an unqualified audit opinion.

Following the discussion in the risk and audit committee, the Administrative Board acknowledged the result of the audit during its meeting on 26 March 2021. No objections were raised against the Annual Accounts of IBB drawn up by the Board of Management. The Administrative Board adopted the bank's Annual Accounts for the 2020 financial year and approved the Consolidated Annual Accounts.

Following the allocation of EUR 20.0m to the Berlin Support Fund (sec. 340g of the German Commercial Code (HGB, Handelsgesetzbuch)) to support the development and promotion policy of the Federal State of Berlin, IBB recorded net income for the year amounting to EUR 11.8m. Pursuant to sec. 13 (2) No. 1 of the IBB Law, the Senate of the Federal State of Berlin decides on the appropriation of net profit. The Administrative Board proposes that the shareholder fully reinvest the net income of EUR 10.7m for the year and allocate this amount to IBB's special-purpose reserve. The remaining amount of EUR 1.1m is to be distributed to the Federal State of Berlin.

The Supervisory Board would like to thank the Board of Management and all the staff at IBB for their dedicated work in the challenging 2020 financial year and for once again demonstrating the importance of an efficient promotional bank for Berlin's economy in times of crisis.

Berlin, 26 March 2021

The numbers stabilising Berlin's economy

Emergency Covid Aid in the Federal State of Berlin

The coronavirus pandemic hit Berlin's economy hard. Many companies, SMEs and solo self-employed people in the city have been plunged into a severe economic crisis with consequences that cannot yet be assessed. In the year under review, the federal and state governments therefore launched numerous aid programmes, which IBB handled for Berlin, in order to strengthen Berlin's economy during the crisis, secure affected companies and jobs, and reduce financial losses.

Although the aid for November and December was prepared in the year under review, it was not possible to disburse these funds. The corresponding figures are therefore not included in these presentations.

379,892

jobs supported

15

Covid aid programmes from the federal government and the federal state were managed by Investitionsbank Berlin.

In total, around EUR

2.1

bn in grants was disbursed.

Disbursements by sector – Emergency Aid II

Emergency Covid Aid	Target group/purpose	Total applications	Number of disbursements	Volume (million EUR)
Emergency Aid I	SMEs, solo self-employed	1,623	1,007	105.6
Emergency Aid II	SMEs, solo self-employed	244,814	213,136	1,807.4
Emergency Aid IV	Culture, media	739	336	24.2
Emergency Aid V	SMEs	1,737	317	8.3
Emergency Aid VI	Start-ups	545	110	57.0
Emergency Aid VII (stop-gap aid)	SMEs, solo self-employed	13,062	12,066	212.6
Emergency Aid VIII	Commercial rents	471	318	3.2
Emergency Aid IX	Creative artists (scholarship)	2,145	1,995	18.0
Soforthilfe X	Volunteering support	170	56	1.5
Emergency Aid XI	Fashion labels	25	11	0.6
Emergency Aid XII	Bars and pubs	448	11	≤ 0.1

As of 1 January 2021

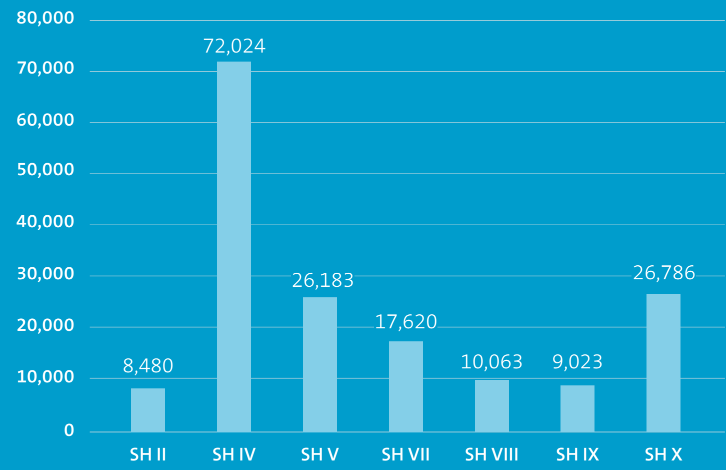
Total of
1,018
loans

228,235
grants approved

Financing commitments by beneficiary (volume in percent)

110
investments as part of the ‘Covid aid for start-ups’ scheme

Average funding commitments for grant programmes



As of 31 December 2020

Business development in 2020 in figures

Programme	Pledged financing			
	Number	Volume (in million euro)		
As of 31 December 2020		**L, I**	**Grants**	**Total**
Berlin Start	74	13.0	--	13.0
Berlin Capital	0	0.0	--	0.0
Berlin Infra	1	36.9	--	36.9
Berlin Innovation	8	7.4	--	7.4
Common task (GRW)	174	--	98.6	98.6
SME fund (growth/syndicated)	1	0.0	--	0.0
SME fund – micro-loans up to EUR 25,000	94	2.3	--	2.3
IBB growth programme	16	82.7	--	82.7
Pro FIT	145	23.5	48.2	71.7
Innovation Assistant	158	--	3.2	3.2
Intermediate financing of film productions	14	1.8	--	1.8
Internationalisation programme	204	--	5.9	5.9
Liquidity assistance	2	1.7	--	1.7
Covid aid for start-ups in Berlin mezzanine	5	2.6	--	2.6
Sub-total support programmes (IBB)	**896**	**171.9**	**155.9**	**327.8**
IBB Beteiligungsgesellschaft mbH	67	25.4	--	25.4
IBB Business Team GmbH	4,021	--	25.7	25.7
IBB Capital GmbH	73	37.5	--	37.5
Total IBB Group	**5,057**	**234.8**	**181.6**	**416.4**
Cluster share in support programmes (IBB)	617	56.2	136.1	192.3
Cluster share in %	68.9	32.7	87.3	58.6
Founder share in support programmes (IBB)	355	34.6	61.4	96.0
Founder share in %	39.6	20.1	39.4	29.3

(L, I = Loans, Investments)

Housing and real-estate development in 2020 in figures

	Pledged financing in million euro	
Year under review	**2019**	**2020**
Rehabilitation and refurbishment		
IBB energy-related refurbishment	15.4	23.2
IBB homes for the elderly	3.9	6.7
IBB housing modernisation	12.4	11.1
KfW energy-efficient rehabilitation	0.1	0.4
KfW remodelling for the elderly	0.1	0.1
Sub-total – rehabilitation and refurbishment	**31.8**	**41.6**
New buildings		
KfW energy-efficient building	2.8	74.7
KfW home ownership programme	6.5	12.9
Funding for housing associations	22.0	16.9
IBB new housing fund	138.7	57.3
IBB new rental housing	176.7	138.7
Sub-total – new buildings	**346.7**	**300.5**
Others		
Syndicated business	488.0	317.9
Berlin Infra	172.2	148.4
Refurbishment loans	31.7	1.2
Loans in addition to government support	118.8	123.2
Grant programmes	14.0	59.9
Sub-total - others	**824.7**	**650.6**
Total new business (including grants)	**1,203.2**	**992.7**
Refinancing	260.4	453.5
Total	**1,463.6**	**1,446.0**

Management Report

Basis of the Bank

Business model

Investitionsbank Berlin (IBB) is an institution incorporated under public law and the business development bank of the Federal State of Berlin. IBB is backed by the Federal State of Berlin. Pursuant to the IBB Law of 25 May 2004, IBB supports the Federal State of Berlin in the performance of its public tasks. These are specified in detail in both a mission statement, setting forth the owner's targets, and in assignments.

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 bank has public-sector responsibility, a refinancing guarantee by the Federal State of Berlin, privileged status as contemplated in Article 116 (4) CRR and the best possible Fitch rating of 'triple A' as well as 'F1' for short-term obligations.

In June 2020, the Federal Financial Supervisory Authority (BaFin) withdrew its decision to classify IBB as a potentially system-threatening institute (PSI) within the meaning of the Act on the Recovery and Resolution of Financial Institutions (SAG, Sanierungs- und Abwicklungsgesetz) of August 2016. IBB had originally appealed against this classification as a PSI, whereupon the effectiveness of the PSI decision had already been suspended by the authorities since December 2016.

Since 27 June 2019, IBB has been excluded from the scope of application of the CRD and is now classified as a 'non-CRR institution' within the meaning of the German Banking Act (KWG, Kreditwesengesetz), but continues to be a credit institution within the meaning of sec. 1 (1) KWG and continues to hold a full banking licence. This is associated with certain regulatory simplifications.

Subject to the subsidy rules of the European Union, the bank performs support measures in the fields of business and housing development, climate protection and infrastructure development. In this capacity, the bank operates in a non-competing manner with commercial banks and venture capitalists. It offers a portfolio of support products that includes revolving instruments in the form of loans, mezzanine capital as well as investments, grant programmes and consultancy services. IBB refinances itself on the money and capital markets and employs funds from the Federal State of Berlin, federal government and EU public budgets, as well as the European Investment Bank Group and the Council of Europe Development Bank – CEB. In support of its promotional tasks, IBB conducts treasury and municipal lending business in accordance with the provisions of Agreement II.

Company structure

IBB's bodies are the Board of Management and the Administrative Board as well as the Advisory Board. IBB's two 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 it.

Goals and strategies

IBB's paramount 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 goals:

- Support for Berlin's economy, housing and new housing, climate protection measures as well as renewable energy and commercial real estate
- Revolving financial instruments, loans, mezzanine financing, investments, guarantees and grants as well as consultancy services
- As a strategic partner, IBB provides other services related to digitalisation for the Federal State of Berlin
- Efficient and cost-conscious management of the loan portfolio, especially from the housing and real estate promotion programmes of the Federal State of Berlin/IBB
- Generation of revenue by assuming loan risks, steering liquidity, matching maturities and through its own investments in order to support the promotional task, for instance, by contributing to the Berlin Support Fund
- This fund also includes the so-called Berlin-Beitrag (support funds and grants for Berlin) which is coordinated and settled once a year with the Federal State of Berlin
- The bank's business policy is based on adherence to risk-bearing capacity, the principle of full cost recovery and sustainability

The business strategy is made up of the following components:

The general section contains the goals and measures as well as the governance framework of IBB. The second part contains the sub-strategies of the business fields of business development, housing and urban development, labour market promotion, as well as banking book, including treasury.

The business development unit performs consultancy services related to business development products and their marketing. The most important target groups are start-ups, small, medium (SMEs) and at times large enterprises, as well as innovative and social enterprises 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 State of Berlin. The main target groups are municipal and listed housing societies and associations, private real-estate investors and companies, commercial banks as consortium partners, co-operation and distribution partners, as well as private customers and tenants. The competence centre continues to develop its role promoting social housing.

A new business area 'labour market promotion' is being established to fully take over the management of funds from the European Social Fund Plus (ESF+) in the next EU funding period from 2021 to 2027. This means that all ESF+ funding programmes for labour market promotion in Berlin are to be allocated via IBB as an intermediate body (IB).

The task of the banking book business unit, including treasury, is to support compliance with IBB's promotional mission; this unit is responsible for managing liquidity and interest-rate risks of promotional business. A liquidity portfolio is held in order to maintain the bank's liquidity, to adhere to the regulatory performance indicators and to generate a contribution within the scope of the bank's risk appetite that is used for promotional purposes.

The third part covers both overarching strategic topics, such as dealing with the effects of the coronavirus pandemic, digitalisation and sustainability, as well as the functional strategies for operational organisation, outsourcing management, human resources management, corporate communications and the investment sub-strategy. The risk, IT and remuneration strategies are addressed in separate documents. The risk strategy determines the risk-relevant guidelines for implementing the business strategy. It defines the extent to which risks can be taken and how these are to be managed. The IT strategy defines goals and measures which are designed to ensure that the bank's promotional task can be fulfilled in a cost-efficient and secure manner also with a view to digitalisation. The remuneration strategy is focused on adherence to stable remuneration practices as well as performance-based and market-orientated remuneration of employees.

Management system

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 State of Berlin in its structural and economic policy tasks.

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

Financial performance indicators

IBB's success-based steering parameters or most important financial performance indicators continue to be:

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

In line with its public support mission, **new business volume** in housing and urban development and the business development segment is an important parameter. In order to steer future strategic growth in promotional 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 programmes.

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

The **cost-to-income ratio of support and promotional measures** corresponds to the ratio between administrative expenditure and operating revenues. The operating result includes net interest and commission as well as other operating net income, including the 'Berlin-Beitrag'.

The **total capital ratio** (regulatory view of risk-bearing capacity), 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 steering variable for IBB.

Target values have been set for all parameters which as part of overall bank management undergo regular target-to-actual comparisons, as well as scenario and forecast calculations in order to determine suitable steering measures.

The financial performance of the most important indicators will be addressed separately in the economic review.

Non-financial performance indicators

Reporting on IBB's non-financial performance indicators, which can be regarded as not significant, can be found in a separate, non-financial consolidated report. This hence takes into account the requirements under the Act to Strengthen Non-financial Reporting by Companies in their Management and Consolidated Management Reports (CSR Directive Implementation Act) of 11 April 2017. The report is published on IBB's website (www.ibb.de).

Economic review

Overall economic conditions

In 2020, Berlin, along with the rest of the world, was affected by the Covid 19 pandemic, the global impact of which completely dominated social and economic events in 2020. To contain the new SARS-CoV-2 coronavirus that was rampant worldwide, comprehensive, nationwide infection control measures were implemented in the first quarter of 2020, largely bringing social and economic life to a complete halt. Up to a quarter of private consumption is likely to have been lost in the first quarter as a result of these regulatory measures. In addition, temporary interruptions in international supply chains led to supply-side constraints in many production areas.

In Berlin, the effects of the lockdown were also suddenly felt by many self-employed people and medium-sized businesses in the creative, entertainment and recreation, hospitality and business-related services sectors. Around 193,000 solo self-employed people and 183,000 companies with fewer than 100 employees are what make up the so-called Berlin mix that has attracted many people to live and work on the banks of the river Spree in recent decades. Particularly in this area, which is so characteristic of Berlin, the shutdown of social and economic life quickly took on proportions that threatened the very existence of the city. Extensive, unbureaucratic state aid was able to halt the immediate economic collapse. This aid consisted of nationwide stabilisers, such as unemployment and short-time work benefits, as well as regionally adapted funds to combat the crisis in a targeted manner, most of which was provided by IBB in Berlin.

Following a sharp 5.1% drop in GDP in the first half of 2020 due to the lockdown measures to combat the coronavirus pandemic, Berlin's economy recovered relatively quickly in the third quarter as infection control measures were eased. Rapidly rising infection numbers since October 2020 and untraceable infection chains have made another partial lockdown unavoidable. Compared with the previous quarter, economic output fell by around 1% in the fourth quarter of 2020. However, the second downturn was nowhere near as severe as in the second quarter (-5.5%), as this time around fewer manufacturing companies and workers were affected by the restrictions and global supply and logistics chains were barely impacted. Extrapolated for the whole of 2020, Berlin's GDP is likely to decline by 5%, similar to Germany as a whole.

The hospitality industry as well as the creative, recreation and entertainment sector have been particularly hard hit by the pandemic. At 2.5% and 2.8% respectively, these sectors account for a comparatively high share of total economic output in Berlin (Germany: 1.6% and 1.4%). Restaurants and entertainment establishments, in particular, were largely forced to close as a result of the coronavirus pandemic. By October 2020, guest numbers in Berlin's hotels were already down by almost 60%. In 2020, the hospitality industry is expected to have generated around 70% of the previous year's gross value added.

The business services sector, which accounts for around 30% of sales in Berlin, is an important pillar of the city's economy. In this sector, sales fell by 5.8% year-on-year in the first three quarters of 2020, slightly less than in Germany as a whole (-7.8%). However, the restrictions on travel and entertainment had a negative impact on many service sectors, and the decline in industrial production also had a delayed effect.

The digital economy, on the other hand, expanded its role as a growth driver. Information services and information technology, for example, actually recorded rising sales in the first three quarters of the year.

Although Berlin's industrial sector was not immune to the effects of the Covid crisis, the good order situation in the traditionally strong pharmaceutical industry and the electrical industry is likely to have at least cushioned the crash in 2020. Sales recorded by industrial companies in Berlin fell by only 1.1% year-on-year in the year to October 2020, compared to 11.1% in Germany.

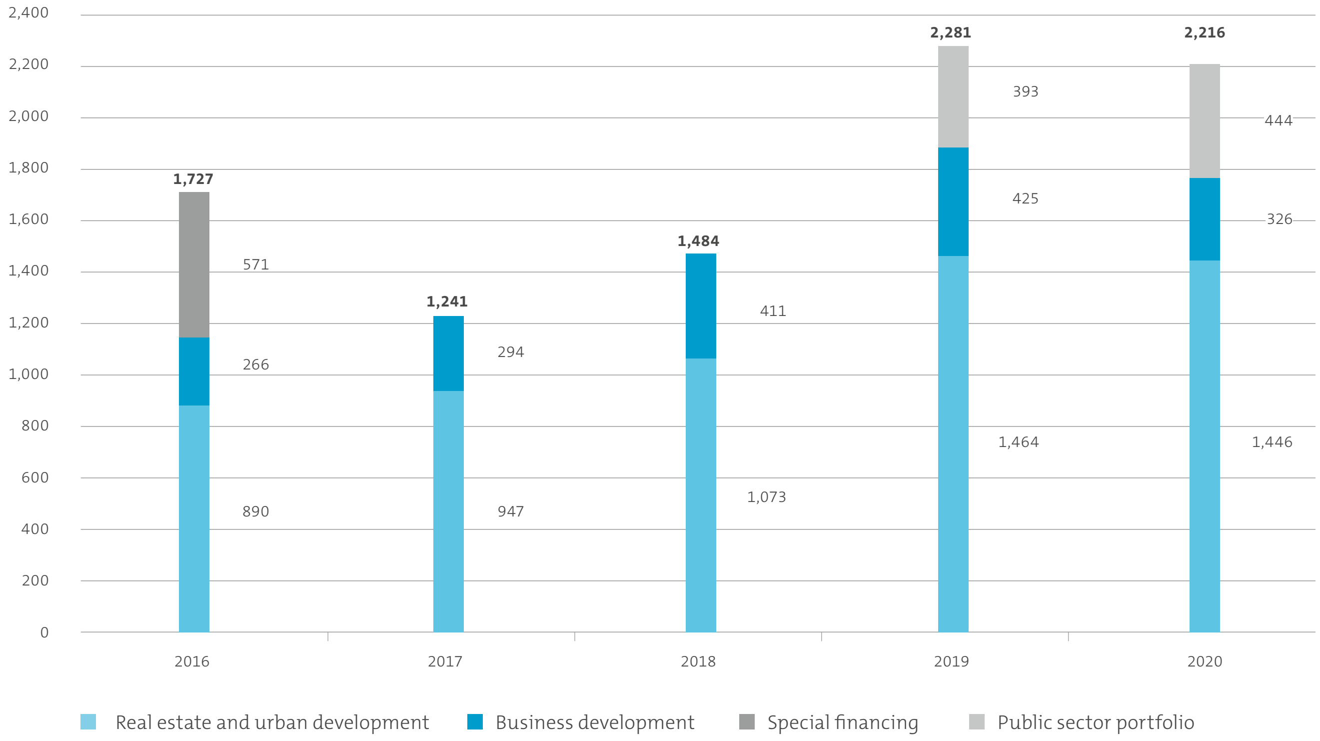
Residential building permits decreased to 18,051 (2.0%) in the first eleven months of 2020 compared to the same period in the previous year. Due to the Covid crisis, public authorities were not able to operate as usual. Much construction work continued nonetheless, with sales in the main construction sector rising by 8.3% to EUR 3.9bn in the period from January to October 2020. On the other hand, new orders slumped by 13.6% in the first ten months due to the Covid crisis.

Course of business

Due to the impact of the pandemic on Berlin's economy, the past year was a challenging one for the bank.

During the course of the coronavirus pandemic, a protection strategy with measures and rules designed to protect staff was drawn up together with the company doctor and the occupational safety specialist.

Pledges for loans, guaranteed loans and grants in million EUR



As a result, there were no large-scale outbreaks of coronavirus infection among staff. Employees have been and will continue to be encouraged to work from home whenever possible. The technical prerequisites for this have been created. In addition to bank-wide support, the business development unit, in particular, assisted in the handling of Emergency Covid Aid, allocating up to approx. 70% to 80% of its staff to this task during peak times.

Despite the restrained development of financing commitments forecast for the 2020 financial year, the volume of new business is well above expectations thanks to brisk demand for financing support. The previous year's figures were slightly undercut by 3%.

This is also reflected in the bank's earnings situation, which remains solid. The bank generated significantly higher commission income than planned as a result of the reimbursement of fees, including those for processing grant programmes in conjunction with the coronavirus pandemic and the Act on Rent Limitation for Housing in Berlin (MietenWoG, Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin). With net income for the year of EUR 11.8m, the bank surpassed the forecast in the previous year's management report.

Demand was particularly strong in the area of **real estate financing**, despite the current crisis. At EUR 1,446.0m, the volume of new business is well above the forecast figures (+52%) and follows on from the extraordinary success of the previous year (EUR 1,463.6m).

New social housing was supported with financing amounting to EUR 212.9m (previous year: EUR 337.4m) and is significantly below expectations (62% of the targeted figure). Housing companies and private investors were obviously reluctant to invest heavily this year.

That's why IBB's support for new housing projects focused on financing price-controlled housing. This included EUR 74.2m (49% of the targeted figure; previous year: EUR 160.7m) in public construction loans within the scope of support for social housing as well as supplementary financing support amounting to EUR 138.7m (71% of the targeted figure; previous year: EUR 176.7m).

By contrast, demand related to energy-efficient and needs-based renovation of housing stock was very brisk. A total of EUR 41.6m in financing commitments was made, which is up against the previous year (EUR 31.8m). At the same time, this figure was above the operating budget values (+15%).

Financing commitments for infrastructure investments by municipal companies amounted to EUR 148.4m. Although this figure is below the previous year's high level of EUR 172.2m, it is still well above the forecast budget figures. In the case of syndicated loans, pledges were high thanks to ongoing good co-operation with commercial banks, however, this figure was down against the previous year (EUR 317.9m; previous year: EUR 488.0m). The budgeted figures were significantly exceeded (+14%).

In addition, pledges for existing support commitments in the form of follow-up financing and refinancing, as well as supplementary financing to close financing gaps totalled EUR 576.7m (previous year: EUR 379.1m), hence surpassing the bank's expectations.

Since the beginning of the pandemic, **business development** has focussed on processing Emergency Covid Aid. Nevertheless, with loan approvals totalling EUR 326.3m, we were also able to meet the forecast expectations in the traditional business development segment. However, we were not able to reach the previous year's figure (EUR 425.0m).

The support programme with the highest turnover, IBB's Growth Programme, totalled EUR 81.2m (68% of the targeted figure) and is therefore significantly below the previous year's level (EUR 133.1m). The otherwise popular Berlin Infra programme recorded new business commitments of EUR 36.9m and was also unable to match the previous year's result of EUR 80.5m, however, it did slightly surpass the forecasts.

When it comes to support for technology, on the other hand, a record result was achieved for the first time with the *Pro* FIT programme, thus clearly exceeding expectations. All in all, financing commitments in grant and loan business totalling EUR 71.7m were approved (previous year: EUR 40.7m). These funds continue to be primarily used to support research, development and innovation in the clusters in ICT, the media, the creative industry, the health sector, transport, mobility and logistics as well as energy technology and optical technologies.

The support programme 'Common task to improve regional economic structure' is another important part of business recorded by the business development segment. Coming in at EUR 98.6m, this figure was down against the very high figure recorded in the previous year (EUR 130.2m), but was still on target.

In the year under review, IBB once again helped the **public sector** to implement infrastructure projects by granting nationwide municipal loans. Demand was again very high here. In total, IBB was able to extend municipal loans amounting to EUR 443.6m (previous year: EUR 392.9m), thus clearly exceeding expectations.

Income situation

A renewed positive development in new business and the increase in operating revenues from the settlement of services for the Federal State of Berlin led to a satisfactory and stable income situation for the bank in 2020.

Although the economic result of EUR 31.8m was lower than in the previous year (EUR 41.8m), we are pleased to report that it was on a par with the budgeted figure so that it was once again possible to provide sustained support for loss-making development and support activities on behalf of the Federal Sate of Berlin (Berlin Beitrag: EUR 20.0m; previous year: EUR 20.0m). The unplanned collection of ERDF grants and the reimbursement of processing fees, also for emergency aid, compensated for unplanned administrative expenditure.

The following financial statement that is based on commercial aspects highlights the income situation. In some areas, this deviates from the presentation according to the German Commercial Code.

This applies – as in previous years – without any change to **valuation effects** resulting from the amortisation of markups with relatively high-interest securities amounting to EUR 6.6m (previous year: EUR 6.8m). For economic reasons, these items were transferred from the valuation result to net interest.

Also affected are the already listed expenses from loss-making development and support activities carried out by IBB on behalf of the Federal State of Berlin (**Berlin-Beitrag**). These are broken down into services rendered against payment (EUR 3.4m; previous year: EUR 4.3m) and services rendered free of charge (EUR 13.9m; previous year: EUR 15.0m). The latter is only taken into account in

Development of earnings

in million EUR	2020	2019	Change absolute	Change +/– in %
Net interest income*	82.8	101.3	-18.5	-18.3
Net commission income	16.6	2.0	14.6	>100
Other operating net income/expenses*	33.5	29.5	3.9	13.3
Operating result	**132.9**	**132.8**	**0.0**	**0.0**
Administrative expenses	-88.1	-80.3	-7.9	-9.8
Operating result before risk provisioning/valuations	**44.7**	**52.6**	**-7.8**	**-14.9**
Risk provisioning/valuations	-12.9	-10.7	-2.2	-20.6
Economic result	**31.8**	**41.8**	**-10.0**	**-24.0**
Support funds and grants for the Federal State of Berlin (Berlin-Beitrag) including allocation to the Berlin Support Fund	-20.0	-20.0	0.0	0.0
Net income for the year	**11.8**	**21.8**	**-10.0**	**-46.0**

* takes into account the reclassification effects described

the profit and loss account on an imputed basis. Subsequently, these items are recorded as loss-making development and support activities (Berlin-Beitrag) and deducted from net profit for the year. The funds to be used for this purpose were taken from the Berlin Support Fund. In the year under review, EUR 20.0m was allocated to the fund (previous year: EUR 20m), leaving a net allocation to the fund of EUR 2.8m (previous year: EUR 0.7m). The provisioning for this fund is thus reflected by the appropriation to the fund for general banking risks (sec. 340g of the German Commercial Code, HGB, Handelsgesetzbuch).

Net interest income totals EUR 82.8m and is significantly lower than in the previous year. This steep decline is primarily due to measures that were taken to ease the burden on future results. To this end, IBB prematurely terminated several fixed-rate payer swaps with high current payment obligations. Otherwise, net interest income developed as expected against the backdrop of a persistently low interest rate and a flat yield curve, remaining IBB's most important source of revenue.

For the first time, the bank's **net fee and commission income** (EUR 16.6m) rose significantly against the previous year (EUR 2.0m), also surpassing our forecast figures. This is due to payments by the Federal State of Berlin for services provided by the bank. This includes the disbursement and granting of emergency aid in conjunction with the coronavirus pandemic and the processing of the rent cap introduced in 2020. Net fee and commission income is also affected by fees for processing guarantees and grants to promote real estate.

Other operating net income increased by 13% to EUR 33.5 million compared to the previous year and significantly exceeded the forecast figures due to cost reimbursements for the processing of emergency aid. In addition to the renewed receipt of ERDF grants

(EUR 7.5m; previous year: EUR 10.0m), the bank shows EUR 13.9m (previous year: EUR 15.0m) in imputed terms as a service provided free of charge for the Federal State of Berlin (Berlin-Beitrag).

Administrative expenditure, which includes personnel and material expenditure as well as depreciation on fixed assets, rose by 10% or EUR 7.9m, respectively, against the previous year to EUR 88.1m (previous year: EUR 80.3m) and was hence much higher than expected. The main reasons for this in the year under review were expenses for processing emergency aid and the newly introduced Act on Rent Limitation for Housing in Berlin. Both personnel expenses (EUR 55.5m, previous year: EUR 52.6m), which were impacted by additional new staff, and other operating expenses (EUR 30.7m, previous year: EUR 25.7m) were therefore higher than the operating budget figures.

In the year under review, both interest and fee and commission income as well as administrative expenditure impacted the **financing cost-to-income ratio**. The value determined for the year under review for this key performance indicator is 66.3% (previous year: 60.4%), but is still slightly below the forecast budget figures.

In the year under review, the **risk provision/valuation result** rose to EUR 12.9m (previous year: EUR 10.7m). This also takes into account the effects of the coronavirus pandemic. In particular, general allowances were formed for foreseeable but not yet concrete counterparty risks for individual borrowers.

As in previous years, the bank also used the operating result to make allocations to the general provident funds according to sec. 340 f HGB.

After deduction of the Berlin-Beitrag, the Bank recorded net income of EUR 11.8m (previous year: EUR 21.8m). After deducting the fully retained ERDF grants (EUR 7.5m, previous year: EUR 10.0m), adjusted net income for the year amounts to EUR 4.3m.

Of this amount, the current plan (which may be revised) is to pay out 25% (previous year: no pay out due to the coronavirus pandemic) and to reinvest 75% (EUR 3.2m; previous year: reinvested in full).

The return on investment, i.e. the ratio between net income for the year and the balance sheet total, calculated as specified in sec. 26a (1), fourth sentence, of the German Banking Act (KWG, Kreditwesengesetz), totals 0.06% (previous year: 0.12%).

With net interest income of EUR 56.7m (previous year: EUR 57.8m), the **housing and urban development** segment continued to account for the lion's share of the bank's total net interest income.

Business segment results

	IBB total		Housing and urban development		Business development		Banking book		Corporate Center	
million EUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net interest income*	82.8	101.3	56.7	57.8	11.0	10.0	27.3	44.6	-12.3	-11.1
Net commission income	16.6	2.0	4.5	2.2	12.9	0.5	-0.7	-0.7	0.0	0.0
Other operating net income/expenses*	33.5	29.5	4.1	1.3	19.4	16.3	0.0	0.0	10.0	11.9
Operating result	132.9	132.8	65.3	61.3	43.3	26.7	26.6	43.9	-2.3	0.9
Administrative expenses	-88.1	-80.3	-34.9	-32.5	-26.0	-22.9	-7.1	-5.0	-20.2	-19.9
Operating result before risk provisioning/valuations	**44.7**	**52.6**	**30.4**	**28.9**	**17.3**	**3.8**	**19.5**	**38.9**	**-22.5**	**-19.1**
Risk provisioning/valuations	-12.9	-10.7	2.6	2.2	-5.4	0.2	0.4	2.8	-10.6	-15.9
Economic result	**31.8**	**41.8**	**33.0**	**31.1**	**11.9**	**4.0**	**19.9**	**41.7**	**-33.0**	**-34.9**
Support funds and grants for the Federal Land of Berlin (Berlin-Beitrag) including allocation to the Berlin Support Fund	-20.0	-20.0	-1.7	-2.0	-14.7	-16.5	0.0	0.0	-3.7	-1.6
Net income for the year	**11.8**	**21.8**	**31.3**	**29.2**	**-2.8**	**-12.4**	**19.9**	**41.7**	**-36.7**	**-36.5**

* takes into account the reclassification effects described

As a result of cost reimbursements relating to the Act on Rent Limitation for Housing in Berlin and rent allowance as well as the reversal of other provisions, operating income totalled EUR 4.1m. At EUR 33.0m, this business segment recorded an economic result that surpassed the previous year's level (EUR 31.1m).

The **business development** segment once again reported a much-improved economic result (EUR 11.9m; previous year: EUR 4.0m). This is due to payments made by the Federal State of Berlin for the provision and granting of emergency aid in conjunction with the coronavirus pandemic. Cost reimbursements are included in both net fee and commission income and other operating income. Other operating income is also positively influenced by reimbursements from the SME funds.

In the **banking book** segment, which includes both bank management and treasury, the aggregate economic result totalled EUR 19.9m and is thus much lower than the previous year's figure (EUR 41.7m). The reason for this significant decline is the additional management of net interest income through close-outs. In addition, the previous year's positive trend in risk provisions for securities (EUR +0.5m; previous year: EUR +2.7m) continued to a somewhat lesser extent. This development is due both to interest-induced effects and to the narrowing of credit spreads for securities in the liquidity reserve.

The **Corporate Center** segment recorded a negative economic result of EUR 33.0m (previous year: EUR 34.9m). In addition to the persistent negative impact on net interest income due to present value effects of pension provisions, provident funds amounting to EUR 10.6m (previous year: EUR 15.9m) were formed according to sec. 340 f HGB in order to further strengthen the bank's risk-bearing capacity.

Net worth

IBB's net worth is in order and as per 31 December 2020 is as follows:

			Change	
in million euro	**31 Dec. 2020**	**31 Dec. 2019**	absolute	+/– in %
Loans and advances to banks	2,062.0	2,376.0	-314.0	-13.2
Loans and advances to customers	11,774.0	11,185.0	589.0	5.3
Bonds and other fixed-income securities	4,604.1	3,869.1	735.0	19.0
Stocks and other variable-income securities	4.2	3.5	0.7	20.4
Shareholdings/shares in affiliated companies	195.8	150.9	44.8	29.7
Other assets	809.6	635.2	174.4	27.5
Total assets	**19,449.7**	**18,219.7**	**1,229.9**	**6.8**
Contingent liabilities	176.7	203.9	-27.2	-13.4
Irrevocable loan commitments	724.9	652.4	72.5	11.1
Business volume	**20,351.3**	**19,076.1**	**1,275.2**	**6.7**

Total assets were increased as planned in the year under review. In particular, the portfolios of receivables and securities were expanded.

The **volume of business** rose significantly. The increase in total assets and irrevocable loan commitments was offset by only a slight decline in contingent liabilities.

The volume of **loans and advances to customers** now amounts to EUR 11.8bn. In addition to slight growth in real estate business development, the expansion of the portfolio to include municipal financing continues to have a positive effect.

As per 31 December 2020, **equity according to the balance sheet** totalled EUR 802.5m. In addition to current net income for the year, the main reason for the change is the full reinvestment of the 2019 balance-sheet profit amounting to EUR 21.8m and the associated increase in IBB's special-purpose reserve.

The slight decline in the total capital ratio in 2020, as forecast in the previous year, is mainly due to the increase in risk assets in conjunction with steady demand for promotional financing. All in all, the capital ratio reflects the bank's sound capital position which is appropriate for the bank's promotional and development activities.

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

Financial position

In the 2020 financial year, IBB was able to achieve its refinancing targets in terms of volume, maturity and structure by making diversified use of its refinancing options. Both the refinancing guarantee of the Federal State of Berlin and its role as IBB's sole shareholder were supporting factors which meant that IBB was able at all times to obtain sufficient liquidity on money and capital markets at a reasonable price.

In terms of detail, the structure of refinancing changed only slightly compared to the previous year. Liabilities to banks total EUR 5.1bn (previous year: EUR 4.4bn), corresponding to a share of 26% (previous year: 24%). The share of securitised liabilities was increased from EUR 6.7bn or 37%, respectively, to EUR 7.8bn or 40%.

Refinancing funds received from customers, which primarily include funds made available by the Federal State of Berlin for housing support programmes totalled EUR 4.5bn (previous year: EUR 5.2bn) or 23% (previous year: 29%), respectively, and are hence once again down.

Liquidity was generated in the year under review, not just through activities on the money market but also by issuing capital market instruments with a volume of EUR 2.3bn (previous year: EUR 2.8bn).

Both the course of business as well as the bank's income situation, net worth and financial position were satisfactory in the 2020 fiscal year.

Overall risk value and capital ratios

In million EUR/in %	31 Dec. 2020	31 Dec. 2019
Total risk (RWA)	6,229.4	5,815.3
Own funds	1,005.2	988.9
Equity capital ratio	16.1%	17.0%
Core capital ratio	16.0%	16.7%

The risk situation in summary

Measures have been taken at IBB to limit or minimise all significant risks. Lending risks are taken into account by forming general allowances within the scope of risk provisioning. The capital held is sufficient to cover all risks.

Due to the portfolio of highly liquid securities, IBB's liquidity was fully ensured at all times during the 2020 financial year.

During the period under review, IBB adhered to the regulatory requirements for capital adequacy. The utilisation of the total capital ratio according to CRR totalled between 16.1% and 16.9% and was hence far higher than the required level.

Utilisation of the overall risk limit ranged between 50.2% and 71.5% in the year under review. In addition to the significant changes in the risk management system and plan adjustments described in the section 'Risk-bearing capacity strategies', the changes in utilisation were also due to the effects of the Covid 19 pandemic on interest rate and credit spread developments.

Berlin, March 2021

Balance Sheet as per 31 December 2020

ASSETS in EUR thousand		31.12.2020	31.12.2019
1. Cash		**223,304**	**224,812**
b) Balances with central banks	223,304		224,812
of which: with Deutsche Bundesbank:	223,304		224,812
2. Loans and advances to banks		**2,062,014**	**2,376,044**
a) Payable on demand	354,720		341,696
b) Other loans and advances	1,707,294		2,034,348
3. Loans and advances to customers		**11,773,990**	**11,185,005**
of which:			
Secured by liens:		5,709,714	5,831,587
Public-sector loans:		3,599,557	3,091,815
4.Bonds and other fixed-income securities		**4,604,147**	**3,869,098**
a) Money market paper			
ab) from other issuers	170,010		60,082
Including: eligible as collateral at Deutsche Bundesbank:	135,009		40,072
b) Bonds and notes			
ba) Issued by public institutions	791,482		737,481
of which: eligible as collateral at Deutsche Bundesbank:	791,482		737,481
bb) from other issuers	3,636,306		3,060,715
of which: eligible as collateral at Deutsche Bundesbank:	3,260,696		2,776,761
c) Own bonds	6,349		10,820
Nominal amount	6,300		10,700
5. Stocks and other variable-income securities		**4,176**	**3,470**
6. Investments		**452**	**452**
7. Shares in affiliated companies		**195,299**	**150,485**
8. Trust assets		**500,189**	**347,534**
of which: trust loans	500,189		347,534
9. Intangible assets		**562**	**817**
b) Acquired concessions, industrial property rights and similar rights and values as well as licenses thereto	562		817
10. Tangible assets		**21,999**	**22,297**
11. Other assets		**17,318**	**17,025**
12. Prepaid expenses		**46,215**	**22,698**
Total assets		**19,449,665**	**18,219,737**

LIABILITIES in EUR thousand		31.12.2020	31.12.2019
1. Liabilities to banks		**5,088,524**	**4,398,336**
a) Payable on demand	24,696		118,312
b) With an agreed term or notice period	5,063,828		4,280,024
2. Liabilities to customers		**4,485,537**	**5,232.421**
b) Other liabilities			
ba) Payable on demand	749,123		664,005
bb) With an agreed term or notice period	3,736,414		4,568,416
3. Securitised liabilities		**7,773,746**	**6,709,744**
a) Bonds issued	7,773,746		6,709,744
4. Trust liabilities		**500,189**	**347,534**
of which: trust loans	500,189		347,534
5. Other liabilities		**266,150**	**229,349**
6. Prepaid expenses		**86,182**	**85,261**
7. Provisions		**193,539**	**175,861**
a) Provisions for pensions and similar obligations	169,137		154,347
c) Other provisions	24,402		21,514
8. Funds for general banking risks		**253,343**	**250,576**
9. Equity		**802,455**	**790,655**
a) Called-in capital			
Subscribed capital	300,000		300,000
c) Retained earnings			
cd) Other revenue reserves (special-purpose reserve)	490,655		468,816
d) Net retained profit	11,800		21,839
Total liabilities and shareholders' equity		**19,449,665**	**18,219,737**
Off-balance sheet items			
1. Contingent liabilities		**176,689**	**203,934**
b) Liabilities in relation to guarantees and warranties		176,689	203,934
2. Other obligations		**724,905**	**652,385**
c) Irrevocable loan commitments		724,905	652,385

Profit and Loss Account

for the Period from 1 January 2020 to 31 December 2020

In EUR thousand				Vorjahr
1. Interest income from				
a) Lending and money market transactions	188,355			211,522
of which: expenditure from negative interest	7,454			6,006
b) Fixed-income securities and book entry securities	20,223			31,519
		208,578		**243,041**
2. Interest expenses		119,204		134,996
of which: income from negative interest		13,949		11,288
		119,204		**134,996**
			89,374	**108,045**
3. Current revenue from				
a) Stocks and other variable-income securities		0		0
b) Investments		2		2
c) Shares in affiliated companies		0		0
			2	**2**
4. Fee and commission income		17,808		3,454
5. Fee and commission expenses		1,186		1,431
			16,622	**2,024**
6. Other operating income			**21,816**	**19,080**
7. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	44,666			41,426
ab) Social security contributions and expenses for pensions and other benefits	10,799			11,162
of which: for pensions	2,682			3,671
		55,465		52,588
b) Other administrative expenses		30,721		25,701
			86,186	**78,290**

In EUR thousand			Vorjahr
8. Amortisation and write-downs on intangible assets and tangible assets		**1,930**	**1,969**
9. Other operating expenses		**4,588**	**7,821**
10. Amortisation and write-downs on receivables and certain securities as well as additions to reserves in loan business			
	22,990		19,542
of which: dissolution of the fund for general banking risks	17,233		19,284
of which: allocation to the fund for general banking risks	20,000		20,000
		22,990	**19,542**
11. Amortisation and write-downs on investments, shares in affiliated companies and securities treated as fixed assets	237		0
		237	**0**
12. Revenues from additions to investments, shares in affiliated companies and securities treated as fixed assets	0		**431**
		0	**431**
13. Result from ordinary activities		**11,882**	**21,960**
14. Taxes on income and revenue	36		76
15. Other taxes not reported under item 9	46		46
		82	**121**
16. Net income for the year		**11,800**	**21,839**
17. Profit/loss brought forward from the previous year		**0**	**0**
18. Net retained profit		**11,800**	**21,839**

Notes (excerpts)

General notes

Investitionsbank Berlin (IBB) has its headquarters in Berlin and is registered in the commercial register of Charlottenburg Magistrates' Court [Handelsregister des Amtsgerichts Charlottenburg] under number HRA 35566 B.

Public-sector responsibility and refinancing guarantee

The Federal State of Berlin bears public-sector responsibility that includes the public-law obligation in relation to IBB to secure its economic basis at all times and to maintain it in a condition suitable for operation during the time of its existence. Pursuant to sec. 4 (2) of the Law Establishing Investitionsbank Berlin as an Incorporated Institution under Public Law (Investitionsbank Law – IBBG) of 25 May 2004 in the version of 24 November 2015, the Federal State of Berlin is liable for the loans, bonds, futures transactions, options and swaps subscribed to by IBB, as well as any other loans granted to IBB.

Accounting principles

The annual accounts as per 31 December 2020 were prepared in line with the German Commercial Code and in adherence to the Ordinance Regulating Reporting by Banks (RechKredV, Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute). 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 3 (account form) is chosen for the profit and loss account.

Accounting and measurement methods

Assets, liabilities and pending transactions were valued in accordance with the regulations of sec. 252 et seqq. of the German Commercial Code (HGB, Handelsgesetzbuch) in conjunction with sec. 340 et seqq. HGB.

Loans and advances to banks and customers are generally carried at their nominal amount.

Premiums and discounts are allocated 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 or liabilities to banks or customers. Income resulting from interest rate derivatives is carried in the bank's net interest income. 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 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.

Individual impairments were carried out in the case of significant receivables for identifiable counterparty risks whilst flat-rate individual impairments were applied to non-significant receivables. A first check is carried out to determine whether objective indications of a reduction in value exist. 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, general allowances amounting to the expected default were made, taking into account default probability, default rate and a factor for the time between the detection and actual occurrence of the threatening default. The current situation with regard to Covid-19 was taken into account in the form of mark-ups on the flat-rate value adjustment determined on the basis of the parameters presented as well as provisions for irrevocable loan commitments. The surcharges are determined with the aid of stress scenarios used in risk management. In the financial year, loan receivables amounting to EUR 40.2m were deferred for a limited period as per 31 December 2020. These are loan receivables from borrowers who have come into economic difficulty due to the Covid 19 pandemic (moratorium). These deferrals are only granted when the cause of such economic difficulty is exclusively related to the Covid 19 pandemic. No other factors may exist that negatively affect the borrowers' economic performance. Due to the aforementioned conditions, specific valuation allowances have not been recognised for these loan receivables.

On the basis of the principle of individual valuation pursuant to sec. 252 (1) No. 3 HGB, the option permitted under sec. 340e (1) in conjunction with sec. 253 (3) 4th sentence HGB (valuation according to the diluted lower of cost or market principle) was exercised throughout for financial assets 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 financial assets of the liquidity reserve are valued at the strict lower of cost or market principle.

Evaluation units pursuant to sec. 254 HGB were exclusively formed as micro hedge relationships to protect against risks due to changes in interest rates. Underlying transactions are fixed-interest securities of the investment and liquidity portfolio which are carried under bonds and other fixed-interest securities. Plain vanilla swaps are the sole hedging instrument used. In all cases where the nominal amounts are identical, the fixed interest rate of the respective underlying transaction is opposed to the fixed interest rate of the related hedge until the respective underlying and hedge transactions reach maturity. Since all value-determining factors basically match for all evaluation units, the critical-term-match method is applied to evaluate effectiveness.

The net hedge presentation method is used to record the effective part of the valuation units formed in the balance sheet.

In order to identify risks that are not hedged, the entire change in fair value of the underlying transaction is compared to the entire change in fair value of the hedging instrument.

When evaluating the underlying transaction, the negative net value is considered according to the recognition-of-loss principle. A positive net value is not taken into account. In the case of underlying transactions that are allocated to the investment portfolio, extraordinary depreciation is only carried out if a lasting decline in value is expected due to changes in the non-hedged risks. Furthermore, all underlying transactions and hedging instruments of valuation units are included in the loss-free valuation of the banking book using the new version of IDW RS BFA 3 comments. The new version of IDW RS BFA 3 comments was taken into account in full within the scope of the balance sheet and valuation as per 31 December 2020. 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 2018 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 figures remained unchanged compared to the previous year.

The evaluation was based on an assumed interest rate of 2.30% (previous year: 2.71%). 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 is 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.

IBB conducts all transactions in euro.

Unless anything to the contrary is noted, all amounts are shown in million euro (EUR m) and rounded to one decimal place. This rounding may result in minor deviations in the addition of the amounts shown.

The impact of the coronavirus pandemic on Investitionsbank Berlin's business processes is described in the 'Course of business' section on page 43 of the management report.

IBB's share of the voting rights in the shareholders' meeting of Berlin Tourismus & Kongress GmbH amounts to 20.6%. IBB's share of the voting rights in the shareholders' meeting of Peppermint CBF 1 GmbH & Co. KG amounts to 20.0%. IBB's share of the capital in all other companies corresponds to its share in the voting rights.

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Corporate Communications
Bundesallee 210
10719 Berlin, Germany
Phone: +49 (0) 30 / 2125-0
Fax: +49 (0) 30 / 2125-2020
www.ibb.de

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Heimrich & Hannot GmbH
Stralauer Allee 2b
10245 Berlin, Germany
www.heimrich-hannot.de

Photos

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Investitionsbank Berlin
Bundesallee 210
10719 Berlin, Germany

Phone: +49 (0) 30 / 2125-0
Telefax: +49 (0) 30 / 2125-2020

www.ibb.de

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