



Knuckling down for Berlin

2021 Company Profile

Investitionsbank Berlin

Since 1924, Investitionsbank Berlin (IBB) and its predecessors have been committed to promoting housing construction in Berlin. In 1993, business development and promotion were added to the bank's portfolio and the previously independent institute under public law was merged with Landesbank Berlin. Since 2004, Investitionsbank Berlin has once again been operating as an independent institution under public law. Investitionsbank Berlin's owner and sole shareholder since 2021 is IBB Unternehmensverwaltung AöR (IBB UV), which is wholly owned by the Federal State of Berlin.

This Company Profile is designed to provide our stakeholders with a quick insight into the most important developments in the 2021 financial year. It hence only contains excerpts from the Management Report and the Annual Accounts of Investitionsbank Berlin for the 2021 financial year. The complete Annual Accounts can be found 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.

www.ibb.de/gb

Investitionsbank Berlin in figures

Key ratios at a glance – 2020-2021

in million EUR	2020	2021	Change +/- in %
Total assets	19,449.7	20,791.6	6.9
Volume of business	20,351.3	21,660.8	6.4
Equity	802.5	1,108.6	38.1
Net interest income	82.8	90.4	9.2
Operating result	132.9	438.6	230.1
Economic result	31.8	322.2	913.1
Net income for the year*	11.8	307.2**	2,503.2

in %	2020	2021
Core capital ratio	16.0	16.2
Equity capital ratio	16.1	16.2
Financing cost-to-income ratio	66.3	69.0
Cost-to-income ratio	58.3	58.6

	2020	2021	Change +/- in %
Employees	701	724	3.3

(Funding and promotional) business in million EUR	2020	2021	Change +/- in %
Business development	327.8	443.1	35.2
Real estate and urban development	1,446.0	1,309.7	-9.4
Special financing	0.0	1,195.7	-
Public sector	443.6	60.6	-86.3

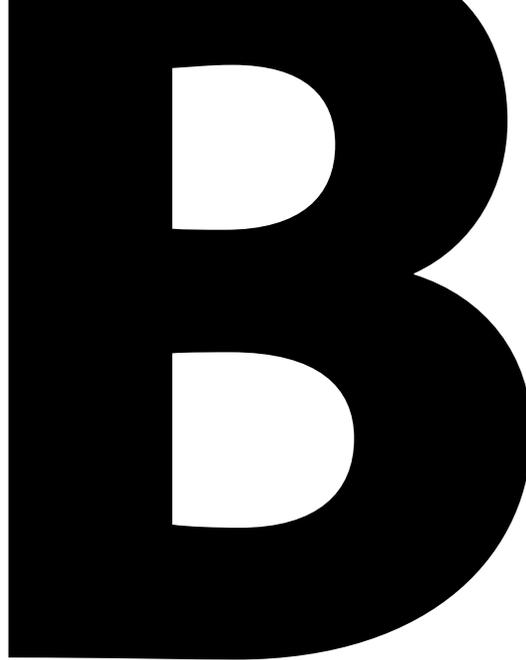
	Fitch Ratings 2021
Long-term rating	AAA stable
Short-term rating	F1+ stable

* including ERDF grants

** including redemption amounts under sec. of the Basic Agreement totalling EUR 284.8m

Contents

Contents	4
Letter from the Board of Management	5
Report by the Administrative Board	7
Restructuring of Investitionsbank Berlin	8
Focus on Covid aid for Berlin	9
Business development in 2021 in figures	11
Housing and real-estate development in 2021 in figures	12
Management Report of Investitionsbank Berlin (extracts)	13
Basis of the Bank	13
Economic review	17
Balance Sheet as per 31 December 2021	28
Profit and Loss Account	30
Cash flow statement	32
Statement of changes in equity	34
Notes (excerpts)	35
Imprint	38



Berlin. Full steam ahead.

Ladies and gentlemen,

The year 2021 was once again not an easy one. We had all hoped to end the year more light-heartedly leaving the all-dominant topic of Covid-19 behind us. But the persistent pandemic has thrown a spanner in the works and continues to dominate our lives.

For two years now, Berlin's economy has found itself in a special type of crisis. Fortunately, the situation settled in 2021 and with expected economic growth of just under 3%, our IBB economists expect to see a generally robust exit from the crisis. By 2022, Berlin's growth could even reach around 4%, assuming that the Omikron variant can be rapidly contained.

The fact that Berlin and Berlin's businesses, SMEs and solo self-employed have come through the crisis well in 2021 is also due to the Covid aid programmes set up by the Federal and federal-state governments at the beginning of the pandemic to support the economy. Since March 2020, IBB has been working primarily on the Covid aid programmes, as was the case in the year under review. In 2021, around EUR 3.5bn was approved and disbursed under the aid programmes. In total, IBB has disbursed around EUR 5.8bn in more than 30 Covid programmes since the pandemic began, thus securing numerous jobs in Berlin. This Covid aid has taken effect, saving Berlin's economy from considerable damage, warding off insolvencies and securing numerous livelihoods and jobs. Nevertheless, the economy in the capital will not be the same after the pandemic. A great deal of support and investment will still be needed in order to build on the pre-crisis level and to enable many companies in Berlin to make the best possible new start even after the crisis.

But apart from Covid, a lot has been happening in Berlin. Take, for instance, the decision by the Federal Constitutional Court at the end of March declaring

Berlin's rent cap to be null and void. This rent cap was introduced by the federal state in response to the steep increase in rents in recent years. Until publication of the decision on 15 April 2021, IBB had taken over the administrative tasks transferred to it by the Federal State of Berlin. A few months later, in September 2021, elections for the House of Representatives were held. With the swearing-in ceremony in December, the new red-green-red senate was in place by the end of the year.

There were also two major changes at IBB. On the one hand, a new chair was appointed to the Management Board in the middle of the year and, on the other hand, IBB received a new corporate structure during the year under review. In June, the Federal State of Berlin established IBB Unternehmensverwaltung Anstalt öffentlichen Rechts (IBB UV) by law with retroactive effect from 1 January 2021. Virtually overnight, IBB was transformed from the parent company into a subsidiary of IBB UV. As part of this restructure, all of IBB's former subsidiaries were also transferred to IBB UV. Together they form the IBB Group, which will be increasingly in the spotlight in the future.

IBB closed the financial year with a good result despite the pandemic. In real estate promotion, new business, including grants, was a good 17% up against the previous year's figure at EUR 1,163.4m. This does not include financing commitments in existing business amounting to EUR 146.3m. In total, this results in a financing volume of EUR 1,309.7m, almost 9% less than in the previous year. A remarkable achievement in these very difficult times.

The volume of support for business development totalled EUR 1,638.8m and was much higher than in the previous year. Much of this support went into infrastructure financing for the remunicipalisation of Berlin's electricity grid amounting to EUR 900m. IBB also granted IBB UV a loan of another EUR 295.7m for the acquisition of IBB's former subsidiaries. Overall, this is the highest volume of funding ever committed in business development and promotion. Even without special business, financing commitments in 2021 amount to EUR 443.1m, another record figure for business development. This unexpected success is proof of the successful work of all IBB employees.

Financing commitments in the year under review totalled EUR 3,008.1m, a steep increase compared to the previous year (+35.7%), not least due to special transactions in business development.

The public sector accounted for around EUR 61m in 2021.

IBB closed the 2021 financial year with net income of EUR 307.2m. This profit is due, in particular, to the agreement reached with the Federal State of Berlin on 10 November 2021 to collect redemption amounts totalling EUR 284.8m due under sec. 3 of the Basic Agreement (Grundvertrag). But even without redemption amounts under sec. 3 of the Basic Agreement, net income including ERDF grants of EUR 22.3m is significantly higher than the previous year's figure of EUR 11.8m. In total, EUR 296.8m can be retained to strengthen our equity in the long term. Our balance sheet total of EUR 20.8bn exceeds the previous year's figure of EUR 19.5bn by about 7%.

IBB also continued its course of sustainability in 2021. After all, how to deal with climate change is indisputably one of the most important questions of our time. We are therefore committed to the 17 global Sustainable Development Goals (SDGs) and apply them transparently and measurably to our fields of activity. By 2030, we are planning to finance a total of up to EUR 15bn in funding commitments based on the SDGs in the funding programmes. IBB, together with its current affiliates, will therefore continue to focus on sustainable investments and sustainable business promotion.

Over the past two years, the Covid pandemic has put both us and also many 'lived' concepts to the test. Like many other companies, we are now also asking ourselves: What will remain of concepts like agility and new work after the crisis? What could they look like in the 'new normal'? What do managers and employees need today? Which approaches need to be rethought, which have proven to be successful? We currently have a number of groups working hard to find answers to these questions.

2022 promises to be an exciting and challenging year in which many courses will be set for society, the economy and corporate culture. Let us hope that we can largely put the Covid 19 pandemic behind us, so that we can once again knuckle down and tackle the most urgent and long-term issues facing Berlin.

The new federal state government has set itself many goals for the coming years – more affordable housing, good education, mobility for all, more climate protection and, of course, a strong economy in Berlin. As a reliable partner, IBB will support these issues and continue to do its utmost to stabilise Berlin's economy and promote the city's sustainable development.

Finally, we would like to say a big thank you to all our employees for their continued commitment to working on the Covid aid programmes and for their outstanding performance in our business fields and projects over the past year.

Here's to a successful 2022! #jetztfürberlin

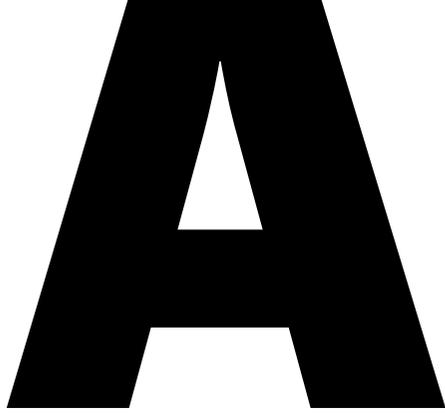
Stay safe.



Dr. Hinrich Holm
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 met for four ordinary meetings. One member of the Administrative Board attended less than half of the meetings. Written votes were provided in this case.

On 17 September 2021, the Board of Owners of IBB Unternehmensverwaltung (IBB UV) appointed Ms Jacqueline Tag to the Administrative Board of IBB UV and thus also as a member of the Administrative Board of IBB.

The nomination committee focused on finding a successor for Dr. Allerkamp who retired as Chairman of the Board as planned on 30 June 2021. In line with succession planning, Dr. Hinrich Holm took up his duties as a member of the Management Board on 1 May 2021 and became Chairman of the Board of IBB on 1 July 2021. During the period under review, Ms Angeliki Krisilion was appointed as a member of the Management Board for a further term of office.

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 and 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 also discussed this with the Administrative Board during a strategy meeting. 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. In addition, the Board of Management reported in detail to the risk and audit committee on the regular special audits conducted by the banking supervisory authorities and discussed the results.

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 implementation of the IBB Group's new structure, in particular, governance, regulatory requirements, financing of the new parent company and the sale of IBB's holdings to the new parent company were discussed in detail. With the entry into force of the Act Redefining the Legal Relationships of Investitionsbank Berlin (Gesetz zur Neuregelung der Rechtsverhältnisse der Investitionsbank Berlin) of 7 June 2021, IBB Unternehmensverwaltung AöR assumed ownership of IBB with retroactive effect from 1 January 2021.

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.

The committee chairs submitted regular reports to the Administrative Board regarding the results of their meetings.

The Administrative Board followed the recommendation by the risk and audit committee and appointed KPMG AG Wirtschaftsprüfungsgesellschaft as IBB's auditor for the Annual Accounts.

KPMG AG Wirtschaftsprüfungsgesellschaft performed the mandatory audit of the Annual Accounts for the 2021 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 31 March 2022. 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 2021 financial year.

Following the allocation of EUR 15m 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 307.2m. Pursuant to sec. 11 (2) No. 3 of the IBB Law, the Board of Owners decides on the appropriation of net profit. The Administrative Board proposes that the Board of Owners reinvest EUR 296.8m of the net income for the year and allocate this amount to IBB's special-purpose reserve. The remaining amount of EUR 10.3m is to be distributed to IBB Unternehmensverwaltung.

The Administrative Board would like to thank the Board of Management and all the staff at IBB for their dedicated work in the challenging 2021 financial year and for once again demonstrating the importance of an efficient promotional bank for Berlin's economy in times of crisis.

Berlin, 31 March 2022

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Restructuring of Investitionsbank Berlin

IBB is now part of the IBB Group

In the year under review, IBB underwent a corporate restructure. After the parliamentary procedure for restructuring was completed in June, the Federal State of Berlin established IBB Unternehmensverwaltung Anstalt öffentlichen Rechts (IBB UV) by law with retroactive effect from 1 January 2021. As the parent company of the group, IBB UV is the owner of IBB and for its part is wholly owned by the Federal State of Berlin. All of IBB's equity investments were transferred to IBB UV in September 2021. IBB's former subsidiaries have now become affiliates and together form the IBB Group.

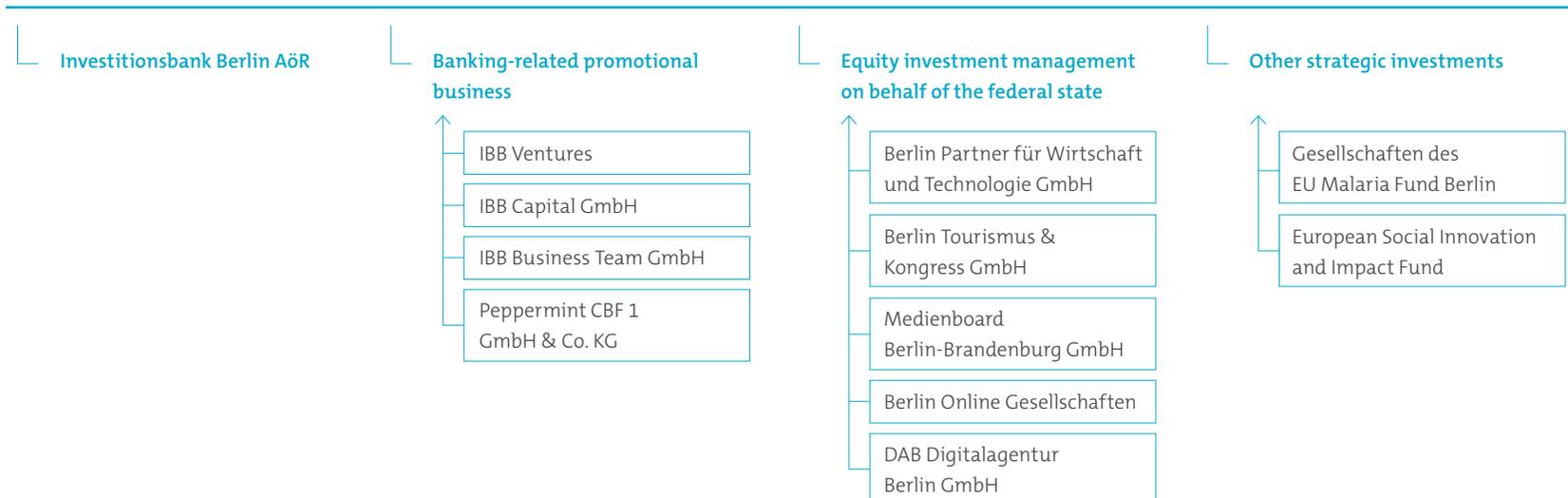
This new structure made it possible to separate heavily regulated banking business from investment business, which requires less regulation, and thus to improve the operational and strategic performance of the IBB Group. IBB UV and formerly IBB as the parent company are now no longer required to prepare consolidated financial statements in accordance with IFRS.

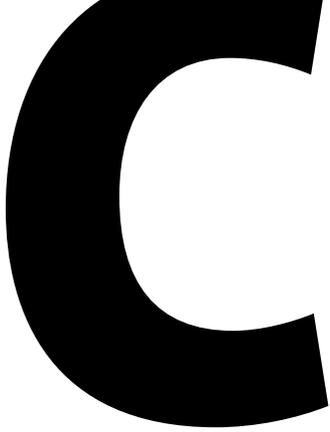
IBB UV is divided into the following categories:

- ↳ Investitionsbank Berlin AöR
- ↳ Banking-related promotional business
- ↳ Equity investments on behalf of the Federal State of Berlin
- ↳ Other strategic investments held in conjunction with promotional tasks



IBB Unternehmensverwaltung





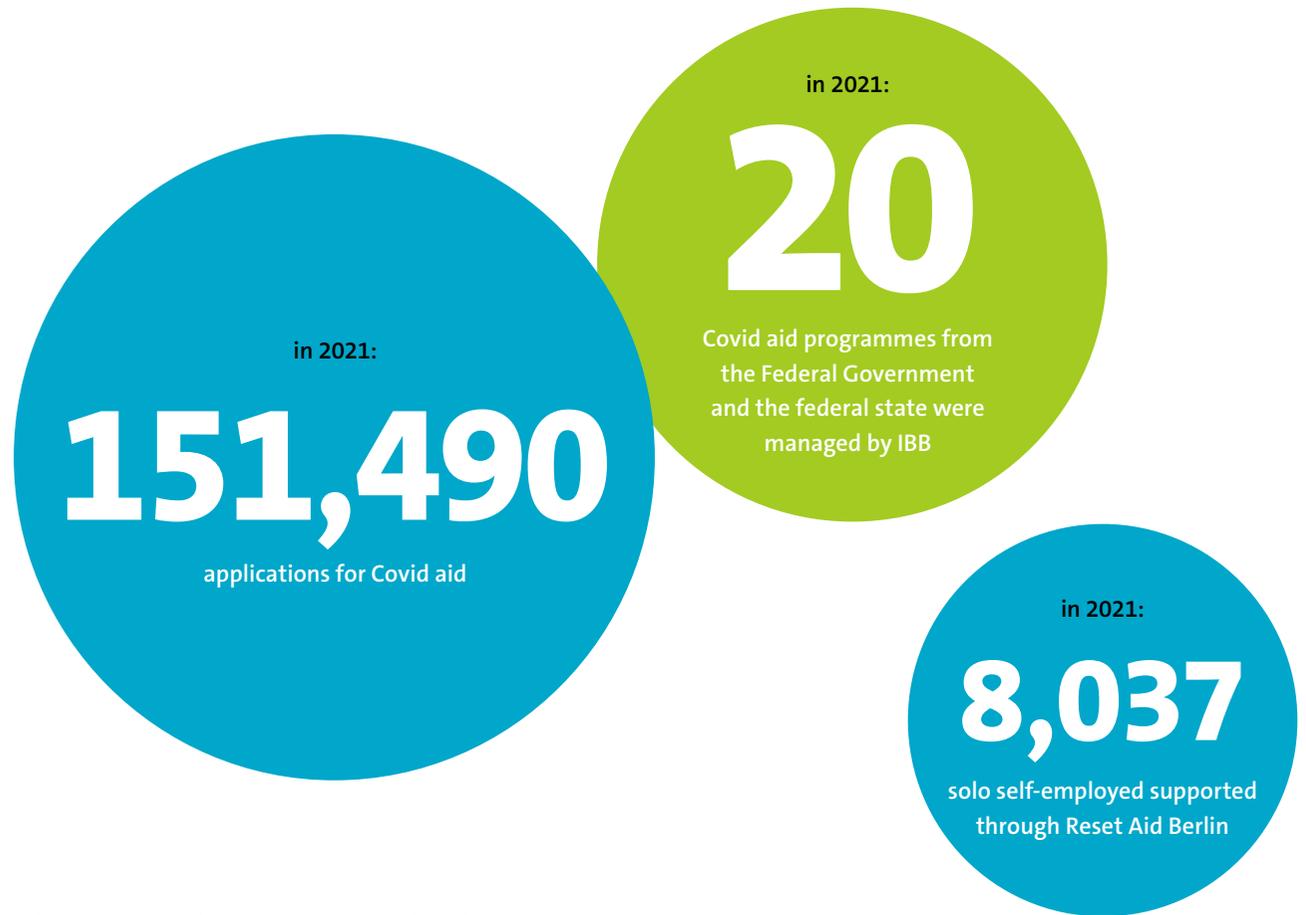
Focus on Covid aid for Berlin

We're tackling it! #jetztfürberlin

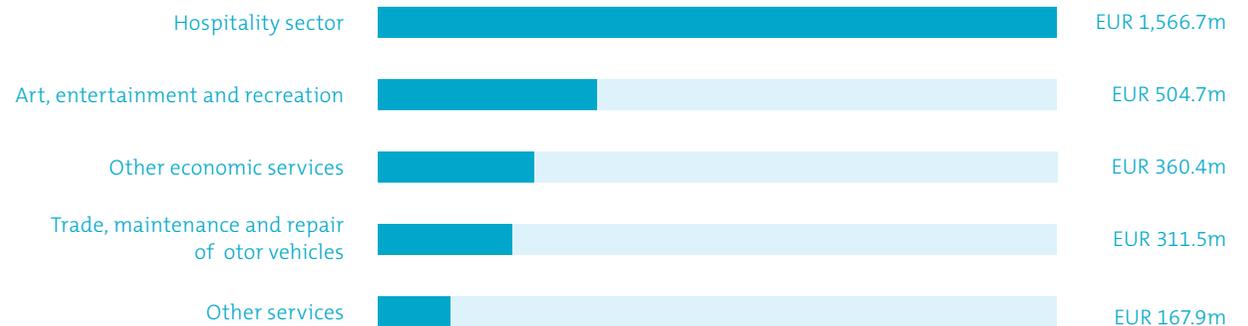
The Covid 19 pandemic and the necessary restrictions on economic and social life hit Berlin's economy hard. All of a sudden, the city had to face unprecedented challenges in terms of economic policy. Many companies, SMEs and solo self-employed people in the city were plunged into severe economic crisis. However, with broadly based and repeatedly adapted and improved aid programmes, the Federal Government and the Federal State of Berlin were able to save the economy from considerable damage, secure numerous livelihoods and jobs, and significantly mitigate the economic consequences.

Together with its affiliates, IBB handled the aid programmes for Berlin launched by the Federal Government and the federal state and disbursed aid in the form of grants, loans and equity investments.

In 2020 and 2021, a total of around EUR 5.8bn was disbursed in more than 30 programmes, thus securing many jobs in Berlin.



Disbursements by sector – Covid aid in 2021



in 2021:
146,713
grants approved

in 2021:
EUR **3,346** m
paid out in grants

in 2021:
EUR **116.1** m
paid out as part of
'Covid aid for start-ups'

in 2020/2021:

229,571 jobs supported within the scope
of bridging aid

Total Covid aid in the Federal State of Berlin in 2020/2021

Covid Aid		Total applications 2020/2021	Total approvals 2020/2021	2020 disbursements in EUR million	2021 disbursements in EUR million	Total disbursements 2020/2021 in EUR million
Emergency Aid I	Liquidity aid, loans	1,623	1,007	105.6	0.0	105.6
Emergency Aid II	Liquidity aid, Covid grant	245,676	213,148	1,807.3	0.2	1,807.5
Emergency Aid IV	Culture and media	1,044	486	24.1	16.2	40.3
Emergency Aid V	SMEs	1,889	520	8.3	14.2	22.5
Emergency Aid VI	Covid aid for start-ups	711	212	33.8	116.1	149.9
Emergency Aid VII	Stop-gap aid/restart aid	105,393	95,003	212.6	2,269.3	2,481.9
Emergency Aid VIII	Commercial rents	471	339	3.2	0.3	3.5
Emergency Aid IX	Creative artists scholarship	2,146	1,999	18.0	0.0	18.0
Emergency Aid X	Volunteering support	283	122	1.5	1.1	2.6
Emergency Aid XI	Fashion labels	25	11	0.5	0.1	0.6
Emergency Aid XII	Bars and pubs	510	337	≤ 0.1	0.6	0.6
Emergency Aid XIII	November aid	33,689	31,997	82.4	477.3	559.7
Emergency Aid XIV	December aid	31,070	29,172	0.0	528.2	528.2
Emergency Aid XV	Restart aid for solo self-employed and SMEs	15,614	13,218	0.0	39.3	39.3
Emergency Aid XVI	Hardship aid	34	2	0.0	0.0	0.0

As of 31 December 2021

Business development in 2021 in figures

Programme	Pledged financing			
	Number	Volume (in million euro)		
As of 31 December 2021		Loans	Grants	Total
Berlin Start	52	10.4	–	10.4
Berlin Capital	0	0.0	–	0.0
Berlin Infra	5	103.3	–	103.3
Berlin Innovation	9	10.5	–	10.5
Common task (GRW)	273	–	215.4	215.4
SME fund (growth/syndicated)	4	1.4	–	1.4
SME fund – micro-loans up to EUR 25,000	65	1.5	–	1.5
IBB growth programme	6	26.9	–	26.9
<i>Pro FIT</i>	146	27.6	28.8	56.4
Innovation Assistant	193	–	3.8	3.8
Intermediate financing of film productions	18	2.8	–	2.8
Internationalisation programme	152	–	7.1	7.1
Liquidity assistance	0	0.0	–	0.0
Covid aid for start-ups in Berlin mezzanine	6	3.5	–	3.5
Berlin Infra special business	2	1,195.7	–	1,195.7
Total with special business	931	1,383.6	255.1	1,638.8
Total without special business	929	187.9	255.1	443.1
Cluster share in support programmes (IBB)	631	141.3	196.0	337.3
Cluster share in %	67.9	75.2	76.8	76.1
Founder share in support programmes (IBB)	427	45.3	109.9	155.2
Founder share in %	45.9	24.1	43.1	35.0

Housing and real-estate development in 2021 in figures

Year under review	Pledged financing in million euro	
	2020	2021
Rehabilitation and refurbishment		
IBB energy-related refurbishment	23.2	58.0
IBB homes for the elderly	6.7	6.1
IBB housing modernisation	11.0	2.4
KfW energy-efficient rehabilitation	0.4	0.2
KfW remodelling for the elderly	0.1	0.0
Sub-total – rehabilitation and refurbishment	41.6	66.6
New buildings		
KfW energy-efficient building	74.8	36.8
KfW home ownership programme	12.9	5.2
Funding for housing associations	16.9	23.3
IBB new housing fund	57.3	317.6
IBB new rental housing	138.7	112.2
Sub-total – new buildings	300.5	495.1
Others		
Syndicated business	317.9	177.5
Berlin Infra	148.4	246.3
Refurbishment loans	1.2	0.0
Loans in addition to government support	123.2	167.4
Grant programmes	59.9	10.5
Sub-total – others	650.6	601.7
Total new business (including grants)	992.7	1,163.4
Refinancing	453.5	146.3
Total	1,446.0	1,309.7

Management Report of Investitionsbank Berlin (extracts)

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.

In the 2021 financial year, the IBB Group was restructured on the basis of the Act Amending the Participation Relationships in Investitionsbank Berlin (Gesetz zur Änderung der Beteiligungsverhältnisse an der Investitionsbank Berlin) (IBB Ownership Act) of 7 June 2021. When the Ownership Act came into effect on 17 June 2021, the Federal State of Berlin established IBB Unternehmensverwaltung AöR (IBB UV) as the sole shareholder with retroactive effect from 1 January 2021 and contributed Investitionsbank Berlin AöR (IBB) to IBB UV by way of a contribution in kind.

IBB UV is an incorporated institution under public law having its registered office in Berlin and is the owner of Investitionsbank Berlin. IBB UV is a financial holding company within the meaning of the German Banking Act (KWG, Kreditwesengesetz). It is the superordinate company of the IBB Group in terms of regulatory law and is subject to supervision by the Federal Financial Supervisory Authority. Pursuant to the IBB Act, IBB supports the Federal State of Berlin in the performance of its public tasks. These are specified in detail in 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 and continues to have a refinancing guarantee by the Federal State of Berlin, privileged status as contemplated in Article 116 (4) of the Capital Requirements Regulation (CRR) and the best possible Fitch rating of 'triple A' as well as 'F1+' for short-term liabilities.

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.

On 1 December 2021, the Federal Financial Supervisory Authority (BaFin) classified the bank as a potentially system relevant institute as contemplated in sec. 12 second sentence No. 3 of the German Banking Act.

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 financial instruments in the form of loans, mezzanine capital as well as grant programmes and consultancy services. IBB refinances itself on the money and capital markets and employs funds from the Federal State of Berlin, the Federal Government and EU public budgets as well as the European Investment Bank Group. 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 executive bodies are the Board of Management, the Administrative Board and the Owner Meeting. IBB also has an Advisory Board. IBB's two separate divisions ensure the separation of 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. IBB'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, 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 IBB's goals and measures as well as its governance framework. In addition, goals and measures are specifically defined for strategically overarching topics, such as digitalisation and sustainability. The second part contains the sub-strategies of the 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 and medium enterprises (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 promotion 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. Furthermore, IBB is the competence centre in the promotion of social housing in Berlin.

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 programming 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 a so-called 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 describes the functional strategies for the bank's organisation, outsourcing and personnel management as well as corporate communications. 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
- ↳ Economic result
- ↳ Cost-to-income ratio of support and promotional measures
- ↳ Total capital ratio

In line with its public support mission, new business volume in housing and urban development and in 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 managed 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

No non-financial performance indicators relevant for steering have been defined. Non-financial reporting for the 2021 financial year in accordance with CSR Implementation Act will be provided in a separate, non-financial report of the IBB UV Group. The report is published on IBB's website (www.ibb.de). The bank does not prepare a separate non-financial statement and makes use of the exemption pursuant to sec. 289b (2) of the German Commercial Code (HGB, Handelsgesetzbuch).

Economic review

Overall economic conditions

After a slow start to the year due to Covid restrictions in economic and social life, the capital city's economy was generally quite robust in 2021. Thanks to the ongoing vaccination campaign and the further easing of Covid restrictions, Berlin's economy was able to move onto a recovery course in the spring and summer of 2021. This meant that Berlin's GDP increased by 2.1% in the first half of the year. Regional growth remained slightly below the German average, which reached 2.9%. Stronger growth rates were primarily seen in those federal states with a large share of industry, since their economies had taken a hard hit in the first year of the crisis, resulting in a greater need to catch up when the economy got started again.

Berlin's economy as a whole remained below its growth potential in 2021. This is because in the summer of the year the simultaneous global economic recovery combined with high demand for various intermediate goods already led to overloaded supply chains and shortages of important intermediate products, especially computer chips, steel, copper and plastics. In addition, container and sea transport experienced bottlenecks in capacity, which were reflected in sharply increased freight rates and delayed deliveries. The shortages and supply difficulties were further exacerbated by the fact that some governments simultaneously launched infrastructure programmes to stimulate their domestic economies. This led to some companies having to introduce short-time work despite full order books. The shortage of building materials, such as wood, concrete and insulating materials, also had a negative impact on Berlin's construction industry. In the fourth quarter of the year, Berlin's upswing was also slowed down by a fourth wave of the pandemic. Nevertheless, containment measures at the end of 2021 were less restrictive

than at the beginning of the year. Thanks to increasing vaccination rates, comprehensive testing concepts as well as sophisticated hygiene concepts, most companies, schools and public authorities were able to remain open. For 2021 as a whole, GDP growth of just under 3% can be expected following the strong Covid damper of -3.3% in the previous year.

Against this backdrop, the number of people in regular jobs in September 2021 will also increase significantly against the previous year, i.e., by 50,051 to 1.61 million. With a 3.2% increase, Berlin topped all of the other federal states, creating more than twice as many new jobs as the average figure for Germany as a whole. Since the peak at the beginning of the year, unemployment figures are also falling again. That being said, 180,292 people were still registered as unemployed in November 2021. This corresponds to an unemployment rate of 8.9% or 1.3 percentage points more than in 2019 before the crisis. Together with people in vocational integration or continuing professional development, the number of underemployed people in Berlin actually totals 235,851, corresponding to 11.4% of the working population. However, registrations for short-time work are falling rapidly due to the easing of restrictions. In November, for instance, only 88 short-time work notices were submitted for 647 people in total.

Berlin's highly specialised industrial products remain in demand, especially from the traditionally strong pharmaceutical and the electrical industry. Despite increasing bottlenecks in supplies of intermediate goods, Berlin's industrial sales rose by 4.3% in the first ten months of 2021. The pharmaceutical industry, proportionally the strongest industrial sector in Berlin, recorded a plus of EUR 226m, which corresponds to a 3.2% increase compared to the same period

last year. Orders also increased significantly by 8.6%. Manufacturers of electrical equipment, machinery, data processing equipment and metal processors, in particular, have seen their order books filling up. Products from Berlin also remain in demand internationally with exports increasing by 10% to EUR 13bn in the first ten months. Pharmaceuticals remain the strongest commodity group, recording a 24.3% increase in exports.

The number of people staying in hotels in Berlin, on the other hand, fell by 16.0% in the first ten months of 2021 compared to the same period last year, which was already partly affected by the pandemic. Restaurants and entertainment businesses also continue to be affected by the crisis. Hospitality sales were down 22.9% in the first nine months compared to the same period last year and 57% compared to 2019 before the crisis. Due to new mutations and slow vaccination in many countries, a return to mass tourism is still a long way off.

The business services sector, which accounts for close to 30% of sales in Berlin, is an important pillar of the city's economy. Following a 4.8% slump in 2020 due to Covid, the services sector was able to recover in the first half of 2021 with a 6.1% increase in sales thanks to loosened restrictions. The digital economy, in particular, continued to expand its role as a growth driver. The telecommunications sector fared particularly well with growth up by 20.5% compared to the same period last year, as did information services (+16.0%) and information technologies (+8.8%). In contrast, personal services continue to suffer from pandemic restrictions.

Residential building permits were down by 11.5% totalling 14,241 in the first ten months of 2021. This marks a continuation of the downward trend in building permits that already began in 2017. A shortage of skilled workers and, since the middle of the year, growing bottlenecks in building material supplies have become noticeable on construction sites. In the first nine months of the year, sales in the main construction sector fell by 9.9% to EUR 3.1bn. Incoming orders, on the other hand, rose steeply by 35.9%. At EUR 2.1bn, the order book remains at its highest level in 20 years. Even if pressure on the housing market was briefly reduced due to the Covid pandemic, the accumulated demand gap is still not closed and Berlin continues to need new construction.

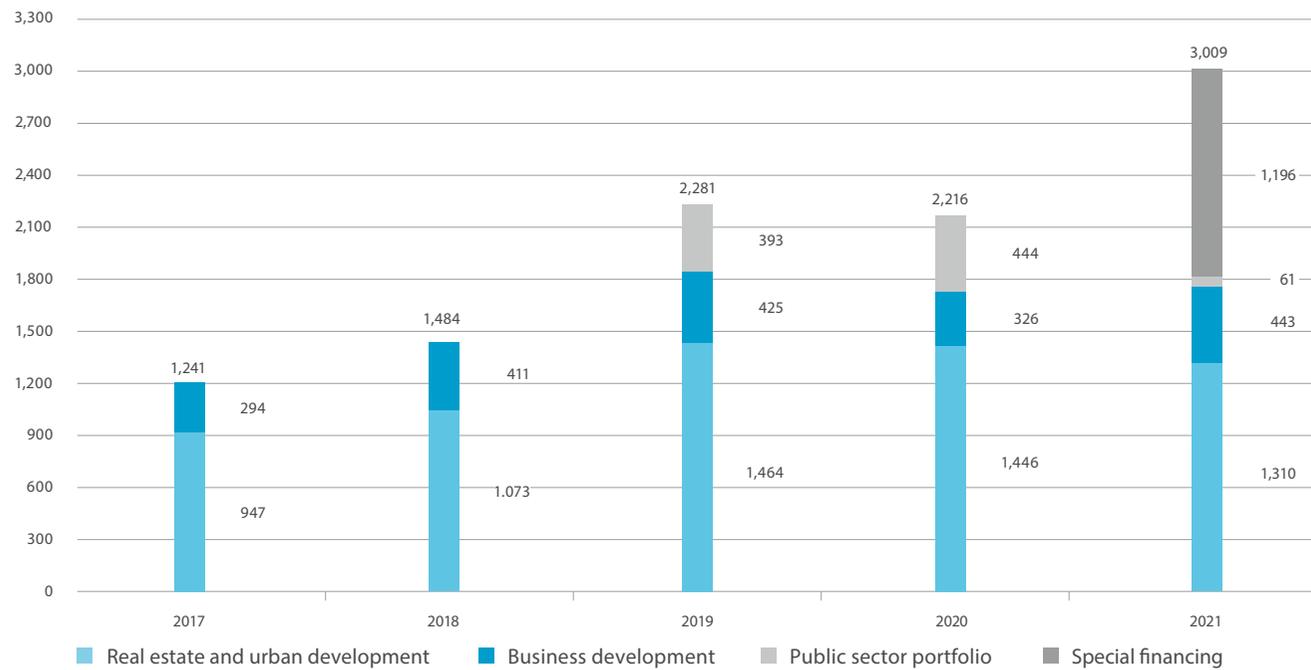
Course of business

Due to the impact of the pandemic, the bank once again looks back on a very challenging year, both economically and socially. In this very special environment, IBB again disbursed extensive Covid aid to companies and self-employed persons.

However, IBB's own funding services for Berlin's business community were also further developed as needed and were in great demand. With financing commitments amounting to EUR 3.0bn, both the planned and the previous year's figures were more than exceeded. The focus of promotional activities in the past business year was primarily on business development. Classical infrastructure financing, in particular, was largely responsible for the substantial increase in the volume of new business and is well above the forecast expectations (> 200%) due to a special business transaction.

The figures for new business were also up in housing and urban development. Despite restrained demand for financing support among municipal housing associations, cooperatives and private investors that had been forecast for the 2021 financial year, the volume of new business was well above expectations. The planned figures were exceeded by 29%.

Pledges for loans, guaranteed loans and grants in million EUR



The volume of new business in **real estate financing** totalled EUR 1,309.7m and was significantly higher than the expected financing commitments (EUR 997.4m) and EUR 136.3m lower than in the previous year (EUR 1,446.0m).

In 2021, IBB looks back on a record year in new social housing construction. The previous year's result (EUR 212.9m) was more than doubled, increasing to EUR 453.1m. In particular, demand from housing associations for public construction loans to finance price-controlled housing increased significantly compared to the previous year (EUR 74.2m). With a commitment volume of EUR 340.9m, the planned figure (EUR 140.0m) was clearly exceeded. Commitments for supplementary financing within the scope of support for social housing, on the other hand, declined to EUR 112.2m (previous year: EUR 138.7m), however, the projected figure was also exceeded (EUR 105.0m).

The volume of commitments for programmes related to energy-efficient and needs-based refurbishment of housing amounted to EUR 66.6m, exceeding expectations by 82% and the previous year's figure or EUR 41.6m. These excesses are due to increased demand for low-interest KfW-financed loans in IBB's own energy-efficient building refurbishment programme. At EUR 58.0m, the expected funding volume (EUR 20.0m) was clearly exceeded.

In 2021, the first commitment was made in funding for school construction amounting to EUR 149.2m. In total, the volume of financing for infrastructure investments by municipal enterprises amounted to EUR 246.3m and is thus above the planned figure (EUR 203.0m) and also above the previous year's figure (EUR 97.9m). With a view to supplementary funding, the previous year's commitments totalling EUR 123.3m were also exceeded. This means that new business commitments (EUR 413.7m) are 26% above the figure forecast.

However, demand for owner-occupied housing did decline steeply. At EUR 3.4m, commitments in the 'Supplementary support loan' programme were significantly below expectations (EUR 31.5m) and below the previous year's figure (EUR 29.5m).

The volume of commitments in syndicated financing (EUR 177.5m) declined again and is 44% below the previous year and also below the assumptions of operational planning (EUR 220.0m). Existing funding commitments were also supported with individual and needs-based financing concepts. Through follow-up financing and refinancing, as well as supplementary financing to close financing gaps, a total volume of EUR 146.3m was pledged (previous year: EUR 453.5m).

The impact of the Covid pandemic was particularly felt in the field of **business development**. Despite the enormous challenge of priority processing for Covid emergency aid, we were able to exceed both the forecast expectations and the previous year's figure (EUR 326.3m) with loan approvals amounting to EUR 1,383.6m. The development of new business is largely marked by the 'Berlin Infra' programme which involves support for the remunicipalisation of Berlin's electricity grid in the order of EUR 900.0m. It also includes financing for the acquisition of IBB's former subsidiaries by IBB UV to the amount of EUR 295.7m.

At EUR 1,299.0m, 'Berlin Infra', the funding programme with the highest turnover in 2021, is significantly above both the planned figure (EUR 130.0m) and the previous year's figure (EUR 36.9m). On the other hand, new business commitments with the otherwise highly sought-after 'IBB Growth Programme' totalled only EUR 26.9m (previous year: EUR 81.2m), thus falling far below both the previous year's figure and expectations.

The support programme 'Common task to improve regional economic structure' also had an important role to play in business recorded by the business development segment, reaching a new record level in the year under review. At EUR 215.4m, the volume of commitments here was far above both the expected EUR 100.0m and the previous year's figure (EUR 98.6m). One of the reasons for this extraordinary result is certainly the end of the programming period. The 'Pro FIT' programme fully met expectations in the field of technology support funds. In total, loans and grants amounting to EUR 56.4m (previous year: EUR 71.7m) were 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.

In the year under review, IBB once again helped the **public sector** to implement infrastructure projects by granting municipal loans. In total, IBB was able to extend municipal loans amounting to EUR 60.6m, but this was significantly below expectations and the strong result recorded in the previous year (EUR 443.6m). Finally, despite clear, unforeseeable deviations from budget due to major special financing and structural changes, demand for IBB's own funding programmes remains high.

Income situation

Strong demand for funding and support is also reflected in the bank's income situation. In addition to stable net interest income, the bank's operating result is marked by the reimbursement of fees, among other things for handling grant programmes in the context of the Covid pandemic. Ongoing income from ERDF grants as well as from one-off effects strengthened the bank's result. With **net income for the year** totalling **EUR 307.2m** (previous year: EUR 11.8m), the bank clearly exceeded its operational planning. Even without special effects and ERDF grants, net income for the year totalling EUR 10.3m is still above expectations.

In the 2021 financial year, there was primarily one **special effect** that had a significant impact on the result. WBK, as the legal predecessor of IBB, had concluded an agreement ('Basic Agreement') with the Federal State of Berlin on 18/30 November 1966, last amended on 25/24 December 1981, on financing for publicly subsidised housing. This relates primarily to programmes from the 1970s and 1980s, but not the new housing fund set up in 2015. The settlement of reflows from housing promotion loans vis-à-vis the Federal State of Berlin was carried out in accordance with the Basic Agreement, taking into account a so-called funds ratio, which split up the reflows into own funds due to the Federal State of Berlin, on the one hand, and to WBK/IBB, on the other. Each of the amounts due to the Federal State of Berlin were paid out to Berlin. The redemption amounts due to IBB were passed on to IBB, but have not yet been made usable again as own funds. In 2021, a supplementary agreement was concluded between IBB and the Federal State of Berlin with the aim of making the redemption amounts that IBB already received and will continue to receive available again as own funds. EUR 284.8m from this special effect was recognised in IBB's Annual Accounts.

The **economic result** of EUR 332.2m (previous year: EUR 31.8m) is much higher than forecast due to the aforementioned one-off effects.

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

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 8.2m (previous year: EUR 6.6m). For economic reasons, these items were transferred from the valuation result to net interest. Also affected are the already listed expenses from funding 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 4.7m; previous year: EUR 3.4m) and services rendered free of charge (EUR 13.8m; previous year: EUR 13.9m). The latter is only taken into account in the profit and loss account on an imputed basis. Subsequently, these items are recorded as funding 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 15.0m was allocated to the fund (previous year: EUR 20.0m), so that on balance EUR 3.5m was released via the fund (previous year: allocation of EUR 2.8m). 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).

Development of earnings

in million EUR	2021	2020	Change	
			absolute	+/- in %
Net interest income*	90.4	82.8	7.6	9.2
Net commission income	11.7	16.6	-4.9	>100
Other operating net income/expenses*	336.6	33.5	303.1	905.4
Operating result	438.6	132.9	305.8	230.1
Administrative expenses	-106.5	-88.1	-18.4	-20.8
Operating result before risk provisioning/valuations	332.2	44.7	287.4	642.3
Risk provisioning/valuations	-10.0	-12.9	3.0	22.8
Economic result	322.2	31.8	290.4	913.1
Support funds and grants for the Federal State of Berlin (Berlin-Beitrag) including allocation to the Berlin Support Fund	-15.0	-20.0	5.0	25.0
Net income for the year	307.2	11.8	295.4	2,503.2

* takes into account the reclassification effects described

Net interest income (EUR 90.4m) developed as expected against the backdrop of persistently low interest rates and the associated flat yield curve and is significantly higher than in the previous year. In addition to large single transactions in business development, this increase is again also due to a stable net maturity transformation. Unchanged against previous years, measures were also implemented this year which should ease the burden on future results. To this end, IBB prematurely terminated several fixed-rate payer swaps with high current payment obligations.

Net commission income amounting to EUR 11.7m (previous year: EUR 16.6m) was again marked by cost reimbursements from the federal state for services provided by IBB and is slightly above the budget figures. This included the disbursement and granting of emergency aid in conjunction with the Covid pandemic and the handling of rent allowances. Net fee and commission income is also affected by fees for processing guarantees and grants to promote real estate.

Other operating net income increased to EUR 336.6m compared to the previous year (EUR 33.5m) and clearly exceeded the figures forecast due to one-off effects from the Basic Agreement (EUR 284.8m) and cost reimbursements for the processing of emergency aid. In addition to the renewed receipt of ERDF grants (EUR 12.0m; previous year: EUR 7.5m), the bank shows EUR 13.8m in imputed terms as a service provided free of charge for the Federal State of Berlin, remaining flat against the previous year.

Administrative expenditure, which includes personnel and material expenditure as well as depreciation on fixed assets, increased steeply by 20.8% against the previous year to EUR 106.5m (previous year: EUR 88.1m), once again rising higher than assumed in operational planning. The bank provided extensive HR capacity through new hires, especially in response to the large number of

new Covid aid programmes, both on the part of the federal state and the Federal Government. This led to an increase in both personnel expenditure (EUR 59.9m; previous year: EUR 55.5m) and material expenditure (EUR 44.6m; previous year: EUR 30.7m).

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 calculated value for this steering variable is 69% (previous year: 66%), but is still significantly below the forecast values. The **cost-to-income ratio** for operative business development is 59%, remaining almost flat against the previous year (58%).

In the year under review, **risk provisioning/valuations** totalled EUR 10.0m and was slightly below the previous year's figure of EUR 12.9m). This also takes into account the effects of the Covid pandemic. In particular, general allowances were formed for foreseeable but not yet concrete counterparty risks for individual borrowers. As in previous years, the bank once again used the operating result to make allocations to the general provident funds according to sec. 340 f of the German Commercial Code (HGB, Handelsgesetzbuch).

After deduction of the Berlin-Beitrag, the Bank recorded **net income** of EUR 307.2m (previous year: EUR 11.8m). After deducting the fully retained ERDF grants (EUR 12.0m; previous year: EUR 7.5m) and the redemption amounts under sec. 2 of the Basic Agreement (EUR 284.8m), which are used to increase the core capital ratios, adjusted net income of EUR 10.3m remains, which is to be distributed full to IBB Unternehmensverwaltung AöR.

The return on investment, i.e., the ratio between net income for the year and total assets, calculated as specified in sec. 26a (1), fourth sentence, of the German Banking Act (KWG, Kreditwesengesetz), totals 1.48% (previous year: 0.06%).

Business segment results

	IBB total		Housing and urban development		Business development		Banking book		Corporate Center	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
million EUR										
Net interest income*	90.4	82.8	57.3	56.7	13.4	11.0	36.8	27.3	-17.1	-12.3
Net commission income	11.7	16.6	5.2	4.5	7.2	12.9	-0.7	-0.7	0.0	0.0
Other operating net income/expenses*	338.2	35.7	4.2	4.1	31.5	21.2	0.0	0.0	302.5	10.2
Operating result	438.6	132.9	66.6	65.3	50.7	43.3	36.1	26.6	285.2	-2.3
Administrative expenses	-106.5	-88.1	-31.8	-34.9	-49.0	-26.0	-6.1	-7.1	-19.5	-20.2
Operating result before risk provisioning/valuations	332.2	44.7	34.8	30.4	1.7	17.3	30.0	19.5	265.7	-22.5
Risk provisioning/valuations	-10.0	-12.9	4.4	2.6	-2.1	-5.4	0.2	0.4	-12.5	-10.6
Economic result	322.2	31.8	39.1	33.0	-0.4	11.9	30.2	19.9	253.2	-33.0
Support funds and grants for the Federal Land of Berlin (Berlin-Beitrag) including allocation to the Berlin Support Fund	-15.0	-20.0	-1.6	-1.7	-14.6	-14.7	0.0	0.0	1.2	-3.7
Net income for the year	307.2	11.8	37.5	31.3	-15.0	-2.8	30.2	19.9	254.4	-36.7

* takes into account the reclassification effects described

The **housing and urban development segment** continues to generate the lion's share of the bank's total net interest income, i.e., EUR 57.3m (previous year: EUR 56.7m). As a result of cost reimbursements relating to rent allowances as well as the reversal of other provisions,

other operating income totalled EUR 4.2m, remaining almost flat against the previous year. At EUR 39.1m, this business segment recorded an economic result that surpassed the previous year's level (EUR 33.0m).

By contrast, the economic result recorded with **business development** was significantly below the previous year's figure (EUR 0.4m; previous year: EUR 11.9m). Despite a significantly improved operating result of EUR 50.7m (previous year: EUR 43.3m), which is marked, among other things, by cost reimbursements for the distribution and granting of emergency aid in the context of the Covid pandemic, the significantly higher administrative expenses were only just about compensated for (EUR 1.7 m; previous year: EUR 17.3m). In particular, the increase in staff numbers and extensive external support for Covid aid weighed heavily on both personnel and material expenditure for business development. In addition, the shift in income (EUR 3.7m) from investments to the Corporate Center due to the realignment of IBB UV reduces the economic result.

In the **banking book** segment, which includes both bank management and treasury, the aggregate economic result totalled EUR 30.2m and is thus much higher than the previous year's figure (EUR 19.9m). The reasons for this positive development are a significantly improved net maturity transformation as well as the TLTRO premium from the TLTRO III drawdown, which was collected for the first time. Unchanged against previous years, measures were also implemented this year which should ease the burden on future results. In the year under review, the **Corporate Center** shows one-off effects from the Basic Agreement (EUR 284.8m) and the annual receipt of ERDF grants (EUR 12.0m; previous year: EUR 7.5m). These are reinvested in the bank's special-purpose reserve. The ongoing negative impact on net interest income is due to present value effects of pension provisions as well as the provident funds of EUR 12.5m (previous year: EUR 10.6m) that were formed to further strengthen the bank's risk-bearing capacity in accordance with sec. 340f of the German Commercial Code (HGB, Handelsgesetzbuch). This leads to an economic result of EUR 253.2m, which is significantly higher than the previous year (EUR 33.0m).

Net worth

IBB's net worth is in order and as per 31 December 2021 is as follows:

in million euro	31 Dec. 2021	31 Dec. 2020	Change	
			absolute	+/- in %
Loans and advances to banks	1,531.5	2,062.0	-530.6	-25.7
Loans and advances to customers	13,037.0	11,774.0	1,263.0	10.7
Bonds and other fixed-income securities	4,833.1	4,604.1	228.9	5.0
Stocks and other variable-income securities	0.4	4.2	-3.8	-91.1
Shareholdings/shares in affiliated companies	0.0	195.8	-195.8	-100.0
Other assets	1,389.7	809.6	580.1	71.7
Total assets	20,791.6	19,449.7	1,341.9	6.9
Contingent liabilities	174.3	176.7	-2.4	-1.3
Irrevocable loan commitments	694.9	724.9	-30.0	-4.1
Business volume	21,660.8	20,351.3	1,309.6	6.4

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

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

The **volume of loans and advances to customers** now amounts to EUR 13.0bn. Special transactions in business development were the main reason for this significant increase. Slight declines in real estate promotion are offset by a constant portfolio in municipal financing.

Investments and shares in affiliated companies were transferred in full to the newly founded IBB Unternehmensverwaltung AöR in the year under review. A loan from IBB to its parent company serves to finance the acquisition of these shares. A capital gain of EUR 1.3m was realised.

As per 31 December 2021, equity according to the balance sheet, including net retained profit, totalled EUR 1,108.6m (previous year: EUR 802.5m). In addition to current net income for the year, the main reasons for the change are the reinvestment of the 2020 balance-sheet profit amounting to EUR 10.7m and the associated increase in IBB's special-purpose reserve.

The slight increase in the total capital ratio in 2021 is mainly due to the decline in risk assets. All in all, the capital ratio reflects the bank's sound capital position which is appropriate for its promotional and development activities.

Overall risk value and capital ratios

In million EUR/in %	31 Dec. 2021	31 Dec. 2020
Total risk (RWA)	6,212.7	6,229.4
Own funds	1,009.4	1,005.2
Equity capital ratio	16.2 %	16.1 %
Core capital ratio	16.2 %	16.0 %

Financial position

In the 2021 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 sole shareholder of IBB Unternehmensverwaltung and hence of IBB 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 totalled EUR 6.2bn (previous year: EUR 5.1bn), corresponding to a share of 30% (previous year: 26%). The share of securitised liabilities increased from EUR 7.8bn or 40%, respectively, to EUR 8.7bn or 42%.

Refinancing funds received from customers, which primarily also include funds made available by the Federal State of Berlin for housing support programmes, totalled EUR 3.6bn (previous year: EUR 4.5bn) or 17% (previous year: 23%), 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 2.3bn).

Both the course of business as well as the bank's income situation, net worth and financial position were satisfactory in the 2021 fiscal year.

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 2021 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 the Capital Requirements Regulation (CRR) totalled between 16.2% and 16.4% and was hence higher than the required level.

Utilisation of the overall risk limit ranged between 46.4% and 63.0% in the year under review. These changes were due to the major changes in the risk management system, the market environment and the restructuring of the IBB Group described in the section entitled 'Risk-bearing capacity strategies'.

Berlin, 1 March 2022

Balance Sheet as per 31 December 2021

Assets in EUR thousand		31.12.2021	31.12.2020
1. Cash		698,419	223,304
b) Balances with central banks	698,419		223,304
of which: with Deutsche Bundesbank:	698,419		223,304
2. Loans and advances to banks		1,531,454	2,062,014
a) Payable on demand	247,299		354,720
b) Other loans and advances	1,284,155		1,707,294
3. Loans and advances to customers		13,037,004	11,773,990
of which:			
Secured by liens:		5,571,424	5,709,714
Public-sector loans:		4,728,320	3,599,557
4. Bonds and other fixed-income securities		4,833,050	4,604,147
a) Money market paper			
aa) Issued by public institutions	10,007		0
Including: eligible as collateral at Deutsche Bundesbank	10,007		0
ab) from other issuers	100,042		170,010
Including: eligible as collateral at Deutsche Bundesbank	100,042		135,009
b) Bonds and notes			
ba) Issued by public institutions	774,058		791,482
of which: eligible as collateral at Deutsche Bundesbank	774,058		791,482
bb) from other issuers	3,946,438		3,636,306
of which: eligible as collateral at Deutsche Bundesbank	3,509,835		3,260,696
c) Own bonds	2,505		6,349
Nominal amount	2,500		6,300
5. Stocks and other variable-income securities		372	4,176
6. Investments		0	452
7. Shares in affiliated companies		0	195,299
8. Trust assets		598,470	500,189
of which: trust loans	598,470		500,189
9. Intangible assets		1,400	562
b) Acquired concessions, industrial property rights and similar rights and values as well as licenses thereto	1,400		562
10. Tangible assets		22,205	21,999
11. Other assets		19,962	17,318
12. Prepaid expenses		49,246	46,215
Total assets		20,791,582	19,449,665

Liabilities in EUR thousand		31.12.2021	31.12.2020
1. Liabilities to banks		6,233,294	5,088,524
a) Payable on demand	97,806		24,696
b) With an agreed term or notice period	6,135,488		5,063,828
2. Liabilities to customers		3,580,146	4,485,537
b) Other liabilities			
ba) Payable on demand	489,939		749,123
bb) With an agreed term or notice period	3,090,207		3,736,414
3. Securitised liabilities		8,697,670	7,773,746
a) Bonds issued	8,697,670		7,773,746
4. Trust liabilities		598,470	500,189
of which: trust loans	598,470		500,189
5. Other liabilities		7,628	266,150
6. Prepaid expenses		101,833	86,182
7. Provisions		214,191	193,539
a) Provisions for pensions and similar obligations	185,773		169,137
c) Other provisions	28,418		24,403
8. Funds for general banking risks		249,795	253,343
9. Equity		1,108,555	802,455
a) Called-in capital			
Subscribed capital	300,000		300,000
c) Retained earnings			
cd) Other revenue reserves (special-purpose reserve)	501,380		490,655
d) Net retained profit	307,175		11,800
Total liabilities and shareholders' equity		20,791,582	19,449,665
Off-balance sheet items			
1. Contingent liabilities		174,320	176,689
b) Liabilities in relation to guarantees and warranties		174,320	176,689
2. Other obligations		694,913	724,905
c) Irrevocable loan commitments		694,913	724,905

Profit and Loss Account

for the Period from 1 January 2021 to 31 December 2021

In EUR thousand		Previous year	
1. Interest income from			
a) Lending and money market transactions	182,412		188,355
of which: expenditure from negative interest	8,476		7,454
b) Fixed-income securities and book entry securities	14,761		20,223
		197,173	208,578
2. Interest expenses	98,614		119,204
of which: income from negative interest	29,177		13,949
		98,614	119,204
			98,559
3. Current revenue from			
a) Stocks and other variable-income securities		0	0
b) Investments		0	2
c) Shares in affiliated companies		0	0
			2
			0
4. Fee and commission income		12,678	17,808
5. Fee and commission expenses		996	1,186
			11,682
6. Other operating income			324,321
7. General administrative expenses			
a) Personnel expenses			
aa) Wages and salaries	47,992		44,666
ab) Social security contributions and expenses for pensions and other benefits	11,948		10,799
of which: for pensions	3,144		2,682
		59,940	55,465
b) Other administrative expenses		44,636	30,721
			104,576
			86,186

In EUR thousand		Previous year
8. Amortisation and write-downs on intangible assets and tangible assets		1,930
9. Other operating expenses		3,864
10. Amortisation and write-downs on receivables and certain securities as well as additions to reserves in loan business		22,990
	17,112	
of which: dissolution of the fund for general banking risks	18,548	17,233
of which: allocation to the fund for general banking risks	15,000	20,000
	17,112	22,990
11. Amortisation and write-downs on investments, shares in affiliated companies and securities treated as fixed assets	<u>0</u>	<u>237</u>
	0	237
12. Revenues from additions to investments, shares in affiliated companies and securities treated as fixed assets	<u>191</u>	<u>0</u>
	191	0
13. Result from ordinary activities		307,308
14. Taxes on income and revenue	85	36
15. Other taxes not reported under item 9	<u>48</u>	<u>46</u>
	133	82
16. Net income for the year		307,175
17. Profit/loss brought forward from the previous year		0
18. Net retained profit		307,175

Cash flow statement

as of 31 December 2021

In million EUR	2021
Net income for the year	307.2
Non-cash items and reconciliation to cash flow from operating activities contained in profit/loss for the year	
Amortisation, write-downs and additions to receivables, financial assets, tangible assets and intangible assets	26.4
Changes in provisions	2.5
Changes in other non-cash items	0.0
Proceeds from the sale of fixed assets and financial assets	-0.2
Net interest income	-98.6
Total other adjustments	-3.5
Sub-total	233.8
Change in assets and liabilities after adjustment by non-cash items	
Loans and advances to bank	527.0
Loans and advances to customers	-1,280.9
Securities (not financial assets)	-232.9
Other assets from operating activities	-39.2
Liabilities to banks	1,168.7
Liabilities to customers	-898.5
Securitised liabilities	924.0
Other liabilities from operating activities	-177.9
Interest paid	-98.4
Interest and dividends received	161.1
Income tax payments (refunds)	-0.1

In million EUR	2021
Cash flow from operating activities	286.7
Cash receipts from the sale of financial assets	1,114.2
Cash receipts from the sale of tangible and intangible assets	0.0
Expenditure on the acquisition of financial assets	-921.8
Expenditure on the acquisition of tangible and intangible assets	-2.9
Cash flow from investment activities	189.4
Expenditure on owner and non-controlling interests (dividends)	-1.1
Cash flow from financing activities	-1.1
Cash balance at the end of the previous period	223.3
Cash flow from operating activities	286.7
Cash flow from investment activities	189.4
Cash flow from financing activities	-1.1
Cash balance at the end of the period	698.4

Statement of changes in equity

In million EUR	Equity of Investitionsbank Berlin					
	Subscribed capital	Capital reserve	Retained earnings		Net retained profit	Total
			Special-purpose reserves	Others		
As of 31 December 2019	300.0	–	468.8	–	21.8	790.7
Net income for the year					11.8	11.8
Distribution to shareholder						–
Transfer to retained earnings			21.8		–21.8	–
As of 31 December 2020	300.0	–	490.7	–	11.8	802.5
Net income for the year					307.2	307.2
Distribution to shareholder					–1.1	–1.1
Transfer to retained earnings			10.7		–10.7	–
As of 31 December 2021	300.0	–	501.4	–	307.2	1,108.6

Notes (excerpts)

General notes

In the 2021 financial year, the IBB Group was restructured on the basis of the Act Amending the Participation Relationships in Investitionsbank Berlin (Gesetz zur Änderung der Beteiligungsverhältnisse an der Investitionsbank Berlin) (IBB Ownership Act) of 7 June 2021. When the Ownership Act came into effect on 17 June 2021, the Federal State of Berlin established IBB Unternehmensverwaltung AöR (IBB UV) as the sole shareholder with retroactive effect from 1 January 2021 and contributed Investitionsbank Berlin AöR (IBB) to IBB UV by way of a contribution in kind.

IBB's owner is therefore IBB Unternehmensverwaltung AöR (IBB UV) whose consolidated financial statements include IBB (smallest and largest group of consolidated companies within the meaning of sec. 285 no. 14 and 14a of the German Commercial Code (HGB, Handelsgesetzbuch). IBB UV's consolidated financial statements are published in the electronic Federal Gazette.

Investitionsbank Berlin AöR (IBB) is a capital market-oriented, non-listed credit institution.

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

IBB UV bears public-sector responsibility that includes IBB's public-law obligation 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. 3 (2) of the Law Establishing

Investitionsbank Berlin as an Incorporated Institution under Public Law (Gesetz über die Errichtung der Investitionsbank Berlin als rechtsfähige Anstalt des öffentlichen Rechts) (IBBG, Investitionsbank Law) of 7 June 2021, 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 2021 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 amortised in proportion to interest in line with the fixed interest period.

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

Option premiums paid or received from swap options are reported under other assets or other liabilities. When the option expires, the premium is derecognised in profit or loss in one amount. When exercised, the option premium is to be taken into account as the upfront of the swap.

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 are carried out in the case of significant receivables for identifiable counterparty risks whilst flat-rate individual impairments are 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 individual value adjustment amount is determined by subtracting the cash value of all payments still expected from the book value of the receivable. The flat-rate individual impairment amount 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 are made, taking into account default probability, default rate and a factor for the time between the detection and actual occurrence of the threatening default, and taking collateral into account. 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. Surcharges are determined with the aid of stress scenarios used in risk management.

Scheduled depreciation is applied to assets that are valued in accordance with the regulations applicable to fixed assets pursuant to sec. 340e (1) sentence 1 of the German Commercial Code (HGB, Handelsgesetzbuch) and whose use is limited in time. Impairment losses are only recognised in the event of a probable permanent reduction in value (mitigated lower-of-cost-or-market principle, sec. 253 (3) HGB).

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

Evaluation units pursuant to sec. 254 German Commercial Code (HGB, Handelsgesetzbuch) 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 total change in fair value of the underlying transaction is compared to the total 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 2021. 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 1.87% (previous year: 2.3%). 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 Covid pandemic on Investitionsbank Berlin's business is described in the 'Course of business' section on page 6 of the Management Report.

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