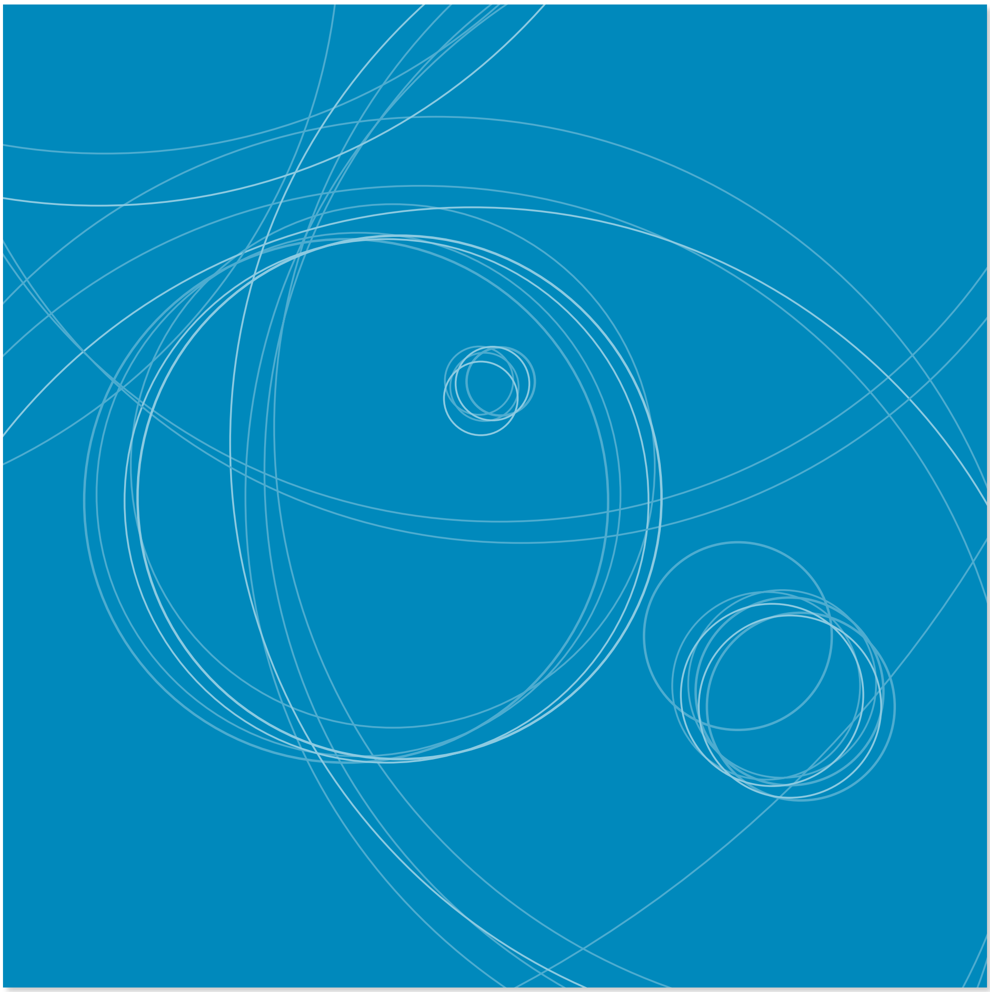
Company Profile 2008



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Investitionsbank Berlin

Performing for Berlin.

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To our Business Associates

Prof. Dr. Dieter Puchta
Chairman of the Board of Management

Ladies and Gentlemen,

"IBB can assure its customers that through a risk-conscious and conservative lending and liquidity policy on the money and capital markets, IBB once again took the necessary precautions for 2008 to ensure unrestricted liquidity for granting loans to its customers at all times." This is what we promised at the very same place in the previous year's Annual Report and we are pleased to report that were able to keep our promise even in the 2008 year of crisis.

Even though uncertainty on the world's capital markets was increasingly becoming visible from the second half of 2007 onwards, only very few forecast the dramatic developments that were to take place during 2008. Only a handful of experts expected that Germany's share index (DAX) would drop by more than 40 % over the course of the year. What came as a total surprise was that the Bush administration allowed one of the world's biggest investment banks to file for bankruptcy, thus triggering such upheaval on the world's capital markets that the total collapse of the international finance system has only been prevented by decisive action on the part of governments and central banks. As a consequence, the US Fed lowered the base lending rate at the end of the year to an all-time low of 0 – 0.25 %, thus offering money at practically no cost, in order to stabilise money circulation.

Measures in Germany unfortunately have not been quite as prompt or determined as in the US. Although the Finance Market Stabilization Act was ratified and with it the Special Fund for Finance Market Stabilisation (SoFFin) with its around 480 billion euro set up, providing 400 billion euro in guarantees for debts and 80 billion euro for recapitalisation and underwriting, these measures, which aim to limit the lack of trust in Germany's finance system and to revive interbank business, have reaped only very limited success up to now.

All the same, these measures – which were inevitable for the preliminary rescue of the money sector – whilst failing to stabilise the finance markets did at least manage to calm them. But interbank business has still not reached the desired level. It seems to be that in 2009 the financial crisis will lead to a serious global crisis, and probably even to the worst recession since 1948. Whilst the German Council of Economic Experts in autumn of 2008 was still forecasting zero growth for Germany in 2009, the European Commission already expected a 2.3 % decline in overall economic performance in January 2009. Germany as one of the world's leading exporting nations with a strong focus on capital goods was harder hit by the economic crisis than the rest of the EU states on average.

What does that mean for Berlin? In Berlin too, there are increasing signs of difficult times ahead in 2009. Following a surprisingly good first six months in 2008, orders on hand and turnover in industry declined towards the end of the year, with the paper and printing, chemicals and mechanical engineering sectors being especially hard hit. Even Berlin's building sector, which is benefiting strongly from the construction of Berlin-Brandenburg-International Airport, is showing first signs of weaker order intake.

But there is also reason to assume that Berlin's economy will be less affected by the economic crisis than the other federal states. First of all, Berlin's small and medium-sized enterprises have undergone a long and lasting process of reorganization in which their capacities have been adapted and have become considerably more competitive. Secondly, although Berlin's dependence on exports increased significantly in recent years, it continues to be much lower than in the rest of the Federal Republic. And finally, Berlin boasts a high number of smaller companies in the services sector, in the competence fields and in the creative sector who, as niche suppliers, have a good chance of maintaining their position.

Although Berlin is suffering from financing difficulties in conjunction with larger projects and generally poorer credit conditions, there is still no talk of a large-scale credit crunch among commercial banks. The considerable market share held by "Sparkassen" and "Genossenschaftsbanken", which traditionally have an important role to play in financing the medium-sized business sector, is having a stabilizing effect here. Thanks to their high customer deposits, these institutes are less reliant than the big banks on interbank business and the capital market. And last but not least – and this brings us back to the beginning – Investitionsbank Berlin is another guarantee that financing for the medium-sized business sector in 2009 in Berlin will be secured. Thanks to our risk-conscious business policy, we have very high liquidity reserves and this means that in 2009 we will be once again largely unaffected by refinancing bottlenecks on the capital market. This puts our bank in a position to offer global loans to commercial banks which they can pass on to their customers although our financial options are limited due to regulatory conditions. We also offer our services as a partner for consortium finan-

Dr. Birgit Roos
Member of the Board
of Management

cing to commercial banks and "Sparkassen". If the market calls for it, we are also in a position to significantly expand our own financing programmes. As a subsidy institute of the federal state of Berlin, one of our tasks is to compensate for market failure. We are now called upon in 2009 like never before in our history. But our position is good and our liquidity is excellent. This is why – just like in previous years – we will successfully implement our vision of "Performing for Berlin" again in 2009.

Prof. Dr. Dieter Puchta
Chairman of the Board of Management

Dr. Birgit Roos
Member of the Board of Management

Statement by the Chairman of the Administrative Board

Harald Wolf
Chairman of the Administrative Board

In 2008, Investitionsbank Berlin recorded its best operative result since the bank was demerged in 2003. Persistent orientation towards efficient structures and processes, on the one hand, and the proper balance between risk and security for its own business, on the other hand, have made this success possible. This means that the strategic decisions made were the right ones. But every business success story has its roots in the day-to-day work and commitment of the staff who deserve special mention here.

2008 was a successful year not just for IBB, but for Berlin's economy as a whole. Berlin's gross domestic product rose higher than the average for the Federal Republic as a whole. Following the profound structural change which took place in Berlin in the 1990s, the city's economic structure is now borne by many – often young – small and medium-sized enterprises which have become established in their respective niches. This is where we frequently come across so-called "hidden champions" – little-known market leaders in their product segment.

For many of these companies, IBB has been a reliable partner for years, a partner who was sometimes even at hand during their start-up or growth phases. And now with a view to the international finance and economic crisis, IBB is once again ready to support Berlin's economy with its extensive product portfolio. Some of these offers have been adapted in agreement with the federal state of Berlin to meet with changed parameters in order to overcome temporary difficulties.

The companies in the city are on the whole in a good position. Investitionsbank Berlin is ready to provide its support. Together, we will achieve good results once again in 2009.

I wish you all every success.

Harald Wolf

Harald Wolf
Senator for Business, Technology and Women of the Federal State of Berlin

IBB as a Partner to Berlin's Economy

Berlin's economic development has picked up considerably in recent years. Following years of stagnation, the capital city has managed to catch up with the growth rates recorded in the other federal states and has now come out on top in terms of employment development. The number of people in jobs rose year for year between 2003 and 2008 from 1,526,000 to 1,637,400. This corresponds to an increase of 7.3% compared to the mere 4.2% growth recorded for the Federal Republic as a whole. Berlin has also caught up with national developments as regards growth rates for gross domestic product. Over the past 10 years, Berlin has on average lagged 1.5% behind national growth. The difference was particularly striking in 2004, reaching 3.2 percentage points, but in 2007 this figure was only 0.4 percentage points. 2008 began well with a real growth rate of 2.5% in the capital city. At the end of the year, Berlin's real growth rate of 1.6% was significantly higher than the national average (1.3%) and was among the highest of all the federal states.

This positive development is first and foremost thanks to the services sector. Business-related services, in particular, are becoming increasingly important in Berlin. Around 365,000 people working in the field of "Financing, Leasing and Business Services" generate an economic output of around EUR 26.1 billion and hence account for 34.4% of Berlin's total net output. This share thus rose between 2000 and 2007 by 2.3 percentage points.

Business-related services, however, are also benefiting from an industrial basis that is now once again stable. Following years marked by decline, Berlin's industrial sector has been consolidating since 2005. A slight increase was recently recorded in the number of Berlin-based industrial companies and employees. Above all, however, Berlin's industry has become competitive again on international level; a fact that is proven by the export rate which has increased by around 16 percentage points since 2000. The manufacturing sector's share in gross net output in Berlin has hence risen from 12% in 2000 to 12.7% whilst the trade sector accounts for 7.6% and the building sector for 3.2%.

For a number of years now, Berlin has been experiencing a strong wave of start-ups. Not just with a view to company registrations, but also when it comes to the total after deducting the number of business registration cancellations from the number of new business registrations, Berlin is far above the national average. This strong wave of business start-ups in Berlin has made a lasting impact, especially in the services sector and in construction where the difference between the number of business registration cancellations and the number of new businesses registered was particularly high.

But now, since mid-2008, Berlin's economy has been increasingly drawn into the international finance market crisis: hardest hit was Berlin's industrial sector which saw orders fall by 4.5% in 2008. Companies saw a steep decline, especially in export orders which fell by 9%. Smaller, highly specialised niche suppliers in Berlin's competence fields are fairing better. There are also first signs of stagnating development in the building sector where the order situation is, on the whole, still much better thanks to special regional factors, such as the construction of the new Berlin Brandenburg-International (BBI) Airport. Berlin's dynamic services sector and retail sector, which did in fact suffer some losses, still appear to be in a comparatively good condition.

What is needed now are measures to stabilise Berlin's economy as a whole and to maintain the successes and structural improvements which have become visible in recent years. The EUR 632 million, which is available to Berlin under the second stimulus package, will primarily benefit education and infrastructure. These funds will be used to refurbish schools, universities and other public buildings, such as public swimming baths, playschools and hospitals, and will thus support Berlin's building sector in particular. The aim is to award all the contracts under this package before the end of March 2010 so that they can impact demand as quickly as possible.

Another important aspect is that IBB's good liquidity situation enables it to support Berlin's credit sector and to maintain the entire support spectrum for companies right from the start-up phase, and, where necessary, to expand and adapt this spectrum in order to position the bank even more effectively in the crisis. Co-ordination is already underway in this context with Berlin's Senate and we are focusing on the following goals:

- Supporting the liquidity of Berlin's commercial banks
- Expanding direct financing measures for companies
- Expanding direct financing measures for founders
- Financing offers for sustainable investment in residential buildings

Supporting the liquidity of Berlin's commercial banks

- In conjunction with sluggish interbank business, we have seen an increase in demand among commercial banks for global loans to be passed on to the medium-sized business sector. Thanks to its good liquidity, IBB is in a position to extend global loans, however, the restrictions imposed by regulatory conditions must be adhered to.

- Also when it comes to consortium loans, usually granted jointly by IBB and a commercial bank with risk sharing, IBB is in a position to expand its financing share so that financing can be granted.

Expanding direct financing measures for companies

- IBB grants loans of up to EUR 250,000 directly from the SME fund if no financing was available via the "Berlin Kredit". If necessary, no co-financing by commercial banks is required if it is not possible to find a commercial bank willing to participate in financing.

- It is particularly important now that investment in research and development continue to be financeable. This is why the federal state of Berlin has decided to increase from its previous limit of EUR 1 million to EUR 3 million the volume of funds for loans and investments within the scope of the "subsidy programme for research, innovation and technologies" (ProFIT).

- For companies in temporary liquidity difficulty, IBB has improved its offers within the scope of the "IBB Berlin INTAKT" product family. A simplified procedure is now in place for applications for financing projects up to a sum of EUR 100,000. Another new feature is that companies can be supported for which insolvency proceedings have already been opened. This means that rescue measures can be accompanied within the scope of insolvency proceedings.

- IBB is currently in the process of co-ordinating a programme designed to finance working capital that could be introduced should the financing situation deteriorate.

Expanding direct financing measures for founders

The high number of business start-ups was extremely important for Berlin's economic development. In 2008, IBB recorded strong demand by founders for the newly launched micro-loans of up to EUR 10,000 which are granted very quickly without security in a simplified procedure. With this service, IBB can cover a large share of demand in this field both quickly and without red tape.

Financing offers for sustainable investment in residential buildings

The importance of measures to cut energy consumption in buildings became once again very clear in light of price developments on commodity markets in 2008. These measures also have an important role to play in conjunction with the environmental goal of carbon reduction. This is why these measures are regarded as exemplary for a sustainable and effective investment programme. In Berlin alone, demand for investment in residential buildings is said to be close to EUR 10 billion.

With a view to demographic developments, sustainable future investments also include measures to adapt residential buildings to the needs of the elderly. Financing for these conversion measures is a second focus of IBB in the field of real-estate financing. This is why IBB offers the related KfW programmes in a pass-through procedure.

IBB is also currently in talks on the establishment of an urban development fund. This kind of fund could finance infrastructure measures by the federal state or the districts which are also of considerable importance within the scope of public investment subsidies.

Business promotion in 2008 in figures

EUR million	No. of appropriations	Appropriations		Investment volume from new appropriations	Payments	
		Loans and investments, guarantees	Grants		Loans and investments, guarantees	Grants
IBB Berlin INTRO						
Berlin Start	108	5.0	0.0	7.1	4.2	0.0
Total	**108**	**5.0**	**0.0**	**7.1**	**4.2**	**0.0**
IBB Berlin INVEST						
Berlin Kredit	580	101.2	0.0	141.2	97.4	0.0
Berlin Kapital	6	2.0	0.0	5.9	1.6	0.0
Common task – Improvement of the regional economic structure	245	0.0	73.5	532.8	0.0	47.2
SME fund	241	4.7	0.0	13.9	4.7	0.0
Growth/consortium loans	11	88.9	0.0	2,396.5	100.1	0.0
ProFIT	121	11.0	26.1	55.2	3.7	15.5
Innovation Assistant	116	0.0	2.0	0.0	0.0	1.5
Berlin future fund	18	0.6	9.6	13.6	0.3	9.1
Intermediate financing of film productions	6	2.0	0.0	0.0	0.0	0.0
Opening up new markets	49	0.0	1.3	1.6	0.0	0.8
Total	**1,393**	**210.3**	**112.6**	**3,160.8**	**207.9**	**74.2**
IBB Berlin INTAKT						
Liquidity assistance	10	3.8	0.0	2.9	2.8	0.0
Total	**10**	**3.8**	**0.0**	**2.9**	2.8	0.0
Others						
Global loans	2	105.0	0.0	0.0	25.0	0.0
Loans and dormant partnerships	0	0.0	0.0	0.0	0.5	0.0
Total	**2**	**105.0**	**0.0**	**0.0**	**25.5**	**0.0**
Total	**1,513**	**324.1**	**112.6**	**3,170.7**	**240.4**	**74.2**
Special business (federal state of Berlin)	1	652.0	0.0	0.0	233.3	0.0
IBB Beteiligungsgesellschaft mbH	36	10.9	0.0	119.8	7.7	0.0

Real-estate promotion 2008 in figures

	No. of approvals	New approvals EUR million			Payments EUR million	
		Loans	Grants	Total	Loans	Grants
Home ownership	50	0.0	0.8	0.8	0.4	6.5
Rented property construction	237	73.1	0.6	73.7	298.7	407.8
Modernisation and rehabilitation	52	28.0	2.9	30.9	27.6	65.1
Total	**339**	**101.1**	**4.3**	**105.4**	**326.7**	**479.4**

Management Report

Economic factors

Following a surprisingly good start in the first half of 2008 with a 2.5% increase in gross domestic product compared to the first half of 2007, Berlin's economy also began to feel the shock waves of the international finance market crisis by mid-2008.

Berlin's industry was particularly hard hit by the synchronous decline in economic output in the most important trading partner countries. Foreign trade companies reported huge declines in orders. Hardest hit were the paper and printing sector, the chemicals, mechanical engineering and metals sectors which had been so successful in 2007. The only growth was recorded in the automotive sector – which in Berlin is strongly influenced by the rail sector and by engine and motorcycle assembly – and in electrical engineering. Last year, all of these sectors were able to record significant growth for the same period. The decline in foreign orders is hence an early warning that exports will also be unlikely to give any boost to the economy.

Although exports by Berlin's processing industry rose in 2007 (as a share of foreign turnover) from 23.6% in 2000 to 33.2% in 2007, the regional economy should still focus more on exports. The federal average export share of 45% clearly shows that there are further opportunities for growth.

On the whole, Berlin's exports declined heavily in 2008. In the two years prior to this, exports had contributed significantly to the upswing in Berlin. However, since the share of exports in Berlin is not as high as the national average – despite the increase recorded in recent years – this means that Berlin's economy was not as badly affected by the decline in exports.

In Berlin's building sector, first signs of the crisis only became apparent towards the end of the year. In the last quarter of 2008, orders on hand then slumped heavily. In conjunction with the construction of Berlin-Brandenburg-International Airport, however, companies are reporting full order books. Since the building industry with its long-term, large-scale projects is considered to lag behind when it comes to economic developments, the downturn could still reach this sector with some delay. Some development stops for well-known construction projects were already foreseeable at the end of 2008.

In addition to dynamic service providers, other industries that remained unscathed in 2008 included the many smaller companies working in Berlin's competence fields who, as niche suppliers, have created a good starting position for themselves. New jobs were hence created again in 2008 in Berlin's services sectors. Growth here totalled 2.3% and was not only almost on par with the previous year's rate, but was also once again higher than average growth in Germany as a whole. This increase in employment was primarily due to the dynamic development of business-near services. Especially in the field of financing, leasing and the performance of other economic services, Berlin was even able to exceed the previous year's result significantly (+4.7%). This was the case for both public and private service providers, although continued lay-offs in the public administration reduced the increase. All in all, the structure of employment continued to change in 2008 in favour of the services sectors. Whilst their share in overall employment totalled 81.4 % in 2000, this share reached 86.5 % last year.

General Business Development in 2008

Despite radically changed parameters and the international finance crisis, the 2008 financial year was on the whole very good for IBB.

Following the sale of Gewerbesiedlungs-Gesellschaft mbH (GSG) in 2007 and the cessation of revenues from the federal state of Berlin's dormant equity, revenues in 2008 were expected to be much lower. Taking these two special factors into consideration, it was possible to exceed both the budgets and the results of the previous years as regards revenues, economic result and net income.

Subsidies amounting to EUR 16.6 million were made available to the federal state of Berlin from the bank's revenues, thus making another important contribution to the subsidy policy pursued by the federal state. Together with the amounts taken from reserves formed in the previous year, a total of EUR 48.6 million was once again made available to the federal state to support subsidy policy. These subsidies include activities by IBB on behalf of the federal state which – taking into account all the costs incurred in their implementation as well as income generated – resulted in an economic loss for the bank. Within the scope of special projects, the bank also assisted the federal state as a reliable partner for financing.

Within the scope of business promotion, pledges for financing were up EUR 114 million against the previous year, amounting to EUR 437 million; this corresponds to an increase of 35.1 %.

In 2008, it was possible to limit the expected reduction process in property mortgages through successful management of existing mortgages. The project launched the previous year to stabilise volume and revenues hence had a positive impact on the development of real-estate promotion in 2008.

Despite the international finance crisis, IBB still had unhindered access to the world's money and capital markets.

Income statement and earnings development

In the year under review, net interest income totalled EUR 144.2 million (previous year: EUR 240.2 million) and hence declined by EUR 96 million. Adjusted by the once-off effect of the sale of GSG on the previous year's results amounting to EUR 110.1 million, interest income can be seen to be up EUR 14.1 million or almost 11% against the previous year. Net commission income which is mainly generated in real-estate promotion, was down EUR 1.1 million against the previous year's figure.

Other operating income and expenses totals EUR 25.1 million and is, as expected, EUR 52.9 million below the previous year's figure of EUR 78 million. This decline is largely due to the cessation of revenues from the dormant equity of the federal state of Berlin which, pursuant to the public law agreement, was only available to IBB until 31 December 2007.

			Change	
EUR million	2008	2007	Absolute	In %
Net interest income	144.2	240.2	-96.0	-40.0
Net commission income	14.6	15.7	-1.1	-7.1
Net other operating income / expenses	25.1	78.0	-52.9	-67.8
Total income	**183.9**	**333.9**	**-150.0**	**-44.9**
Total administrative expenses	-78.8	-87.1	8.3	-9.5
Operating result before risk provisioning	**105.0**	**246.8**	**-141.8**	**-57.4**
Risk provisioning	-26.3	-2.3	-24.0	1,053.7
Operating result	**78.8**	**244.5**	**-165.8**	**-67.8**
Net extraordinary result	0.0	-9.5	9.5	-100.0
Economic result	**78.8**	**235.1**	**-156.3**	**-66.5**
IBB government assistance payments	-36.6	-109.1	72.5	-66.4
Net income for the year	**42.2**	**126.0**	**-83.8**	**-66.5**

Administrative expenses developed particularly well. Expenditure here totalled only EUR 78.8 million (previous year: EUR 87.1 million) and was down 9.5% against the previous year's level. This was the lowest administrative expenditure recorded since the Bank was demerged in 2004, and was made possible by the cost management policy persistently implemented by the bank.

The subsidy cost/income ratio, which is defined as the ratio of administrative expenses to revenues, deteriorated to 42.9% (previous year: 26.1%) as a result of the special factors previously described; this was because total revenues, resulting from the previous year's once-off revenues from the sale of GSG and from the cessation of revenues from dormant equity, fell from EUR 333.9 million to EUR 183.9 million.

In response to the international finance crisis, net risk provisioning for loans, securities and investments rose to EUR 26.3 million (previous year:

EUR 2.3 million); the bank's conservative valuation methods were still applied and specific and/or portfolio provisions were formed for all recognisable risks pursuant to IAS 39.

Following deduction of subsidies for Berlin recorded in the Profit and Loss Account to the amount of EUR 36.6 million, net income for the year totals EUR 42.2 million (previous year: EUR 126 million).

Business volume (EUR million)	31 Dec. 2008	31 Dec. 2007	**Change** Absolute	In %
Loans and advances to banks	1,842.3	2,932.0	–1,089.7	–37.2
Loans and advances to customers	12,781.4	14,248.0	–1,466.6	–10.3
Bonds and other fixed-income securities	5,570.1	5,095.1	475.0	9.3
Share holdings, shares in affiliated companies	48.0	38.6	9.4	24.5
Other assets	226.4	272.3	–45.9	–16.9
Total assets	**20,468.2**	**22,585.9**	**–2,117.7**	**–9.4**
Contingent liabilities	125.4	98.0	27.4	27.9
Unconditional loan commitments	627.8	233.4	394.3	168.9
Business volume	**21,221.3**	**22,917.4**	**–1,696.0**	**–7.4**

Compared to the previous year, IBB's business volume was down 7.4 % or EUR 1.7 billion to EUR 21.2 billion. The main reason for this development was the deliberate reduction in capital market items in relation to banks and customers which were established within the scope of balance-sheet structure management. As per the end of the year, swaps with a nominal volume of EUR 11.6 billion (previous year: EUR 10.2 billion) were recorded in order to steer and secure against risks resulting from changes in interest rates.

Loans to banks declined by EUR 1.1 billion to EUR 1.8 billion, lendings to customers fell in total by EUR 1.5 billion.

Of the loans to customers, loans in conjunction with business promotion rose by 40 % to EUR 337 million whilst financing in real-estate promotion declined by 3.4 % or EUR 0.4 billion, respectively.

The stock of bonds and other fixed-income securities established within the scope of balance-sheet structure management increased in the year under review by 9.3 % to EUR 5.6 billion. In the year under review, new securities with a book value of EUR 4.0 billion (previous year: EUR 0.4 billion) were added to investment holdings. The bank assumes that in the case of these securities the current decline in value which can be derived from the current market values is likely to be of a temporary nature only.

In the year under review, the newly founded VC funds (VC Fonds Technologie Berlin and VC Fonds Kreativwirtschaft Berlin) were provided with additional funds. This meant that shareholdings and shares in affiliated companies increased by EUR 9.4 million to EUR 48 million.

Refinancing funds declined by EUR 1.9 billion as a result of the reduction in capital market items, especially in relation to banks. The securitised liabilities issued for refinancing increased by EUR 300 million or 5.6 %, respectively, to EUR 5.6 billion.

Shareholder's equity shows a balance-sheet profit of EUR 42.2 million (previous year: EUR 123.4 million). Pursuant to section 19 of the Articles of Association of Investitionsbank Berlin, this is to be appropriated in full to the special-purpose reserve unless the Berlin Senate decides otherwise.

Business promotion and subsidies

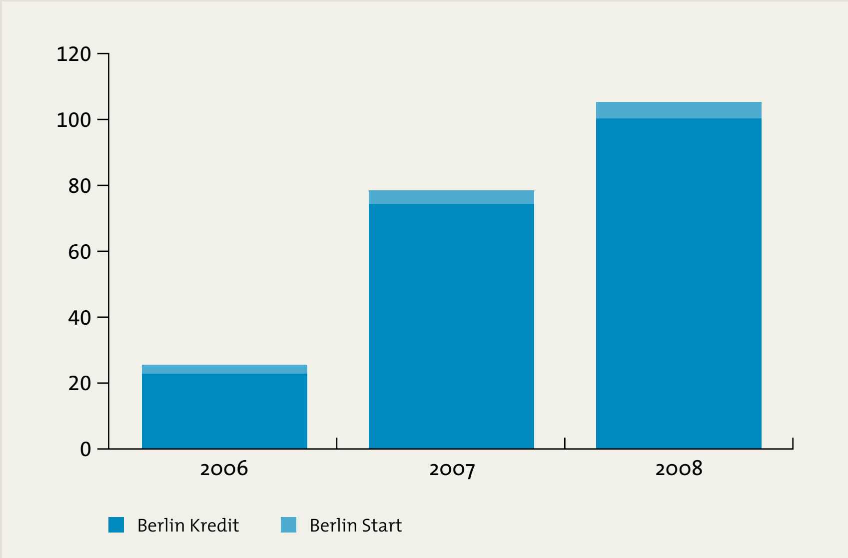
With a holistic approach, already launched in 2006, that targets business promotion more towards the needs of customers and away from a purely product and programme orientated approach, IBB in partnership with Berlin's banks was once again able to expand its promotional activities significantly in almost all areas in the past financial year. In the field of business promotion, funds totalling EUR 437 million (previous year: EUR 323 million) were distributed in the year under review.

EUR 113 million of this sum was granted for purely grant-related business (previous year: EUR 100 million), whilst EUR 324 million was for dormant and open partnerships, as well as loans and guarantees (previous year: EUR 223 million). Compared to the previous year, IBB was not only able to successfully expand the total volume of business promotion by 35 %, it was especially able to increase further the relative share of loan-based and equity financing. This means that the share of redeemable funds in business promotion now totals 74 % (previous year: 69 %) of all support measures.

In addition to promotional measures involving the appropriation of grants to the amount of EUR 73.5 million (previous year: EUR 72.5 million) within the scope of the "Common task – Improvement of regional economic structures" and the technology orientated ProFIT programme (EUR 26.1 million; previous year: EUR 20.1 million), loan-based and equity-based financing programmes, i.e. "Berlin Kredit", "Berlin Start", as well as the growth and consortium loan programme and global loans, with a joint appropriation volume of EUR 300 million (previous year: EUR 208 million), were once again responsible for growth in business promotion in 2008. Appropriations for these programmes rose by more than 44 % against the previous year.

In the case of the "Berlin Kredit", it was also possible to once again exceed the very positive development recorded in the previous year. Following an increase of 230 % in 2007, the funds made available in 2008 to the amount of EUR 101 million (previous year: EUR 75 million) were once again up EUR 26 million or 35 %, respectively, against the previous year.

The needs of founders and small and medium-sized enterprises (SMUs) were once again extensively served in 2008 with a range of products that was optimised in the previous year. The "Berlin Start" programme, which was successfully shaped by Berlin's commercial banks and BBB Bürgschaftsbank Berlin-Brandenburg, saw the volume of financing rise again by more than 20 % compared to the previous year.



Berlin's banks and its customers have increasingly drawn Investitionsbank into more complex consortium financing in an effort to close financing loopholes and take on risks. With commitments in the order of EUR 89 million and with this form of financing, IBB has been able to make a very important contribution towards supporting companies in Berlin.

In addition to traditional promotional business, IBB also supports companies with modern financing and capital market instruments, such as global loans. The advantage for private banks lies not just in the lesser burden on liquidity but also in the refinancing benefits which they pass on to Berlin-based companies. EUR 105 million was made available in this way in the year under review.

All in all, the development of the aforementioned programmes is testimony to the recognised expertise of IBB when it comes to financing according to the house bank principle, both through refinancing programmes and also in direct syndication business.

Real-estate promotion

The development of the existing volume surpassed by far the expectations for the year. With a stock of real-estate promotion loans to the amount of EUR 11.6 billion (previous year: EUR 12.0 billion), real-estate promotion continues to account for more than 50 % of the bank's overall volume of business. The reduction of the stock portfolio to the amount of EUR 0.4 billion (previous year: EUR 0.8 billion) was much weaker than originally expected due to stepped-up efforts within the scope of the project to stabilise volume and revenues in real-estate promotion.

Redeemed receivables from customers were successfully counteracted by active and targeted customer stock management. Both scheduled and non-scheduled repayments were lower than forecast. Loans totalling EUR 326.7 million (previous year: EUR 177.8 million) meant an increase of 84 % against the previous year.

2008 was the first time that funds were also made available in the form of global loans to banks to the amount of EUR 45 million. The overall appropriation volume in the year under review totalled EUR 105.4 million (previous year: EUR 116.5 million) and was 9 % below the previous year's value whilst loans provided to finance modernisation and rehabilitation projects rose from EUR 1.4 million to EUR 28 million.

The appropriation of subsidies declined as expected; the funds made available fell by almost one third from EUR 6.2 million to EUR 4.3 million in 2008.

Refinancing

Business activities were primarily refinanced via national and international money and capital markets. Even during the international finance crisis, IBB had unhindered access to these markets and was hence able to obtain at any time the required liquidity.

In the past financial year, a total of EUR 4.8 billion in refinancing funds was taken out with capital market instruments. These funds were exclusively taken out in euro. Through intensive market cultivation activities, IBB warrants the liquidity of its bonds on the secondary market, thus making the titles very attractive for investors. As a subsidy bank with public-sector responsibility and the explicit refinancing guarantee of the federal state of Berlin, the bank has the same credit rating as the federal state of Berlin.

Events after the balance-sheet date

No events of significant importance took place after the conclusion of the financial year.

Balance sheet as per 31 December 2008

Assets (EUR thousand)		31 December 2008	31 December 2007
1. Cash		**66,770**	**25,766**
b) Balances with central banks	66,770		25,766
of which: at Deutsche Bundesbank:			
66,770,000 (31 December 07: 25,766,000)			
3. Loans and advances to banks		**1,842,316**	**2,931,996**
a) Payable on demand	155,285		446,410
b) Other loans and advances	1,687,031		2,485,586
4. Loans and advances to customers		**12,781,445**	**14,248,018**
of which:			
Secured by liens:			
7,699,696,000 (31 December 07: 8,409,887,000)			
Public-sector loans: 3,253,979,000 (31 December 07: 4,119,349,000)			
5. Bonds and other fixed-income securities		**5,570,050**	**5,095,087**
a) Money market paper			
ab) from other issuers	253,375		162,087
b) Bonds and notes			
ba) Issued by public institutions	265,583		151,309
of which: eligible as collateral at Deutsche Bundesbank	265,583		151,309
bb) from other issuers	4,971,092		4,781,591
of which: eligible as collateral at Deutsche Bundesbank	4,804,032		4,635,011
c) Own bonds	80,000		100
Nominal amount	80,100		100
7. Participations		**11,190**	**11,440**
of which:			
In banks EUR 0 thousand (31 December 07: EUR 0 thousand)			
8. Shareholdings in affiliated companies		**36,822**	**27,130**
of which:			
In banks EUR 0 thousand (31 December 07: EUR 0 thousand)			
9. Trust assets		**89,601**	**95,433**
of which: Trust loans	89,601		95,433
11. Intangible assets		**836**	**1,556**
12. Tangible assets		**40,223**	**43,388**
15. Other assets		**17,274**	**91,305**
16. Prepaid expenses		**11,670**	**14,816**
Total assets		**20,468,197**	**22,585,935**

Liabilities and shareholders' equity (EUR thousand)		31 December 2008	31 December 2007
1. Liabilities to banks		**5,382,938**	**7,330,650**
a) Payable on demand	220,514		291,208
b) With an agreed term or notice period	5,162,424		7,039,442
2. Liabilities to customers		**8,113,961**	**8,437,136**
b) Other liabilities			
ba) Payable on demand	389,138		547,963
bb) With an agreed term or notice period	7,724,823		7,889,173
3. Securitised liabilities		**5,628,815**	**5,328,803**
a) Bonds issued	5,628,815		5,328,803
4. Trust liabilities		**89,601**	**95,433**
of which: Trust loans	89,601		95,433
5. Other liabilities		**45,509**	**73,708**
6. Deferred income		**201,777**	**220,631**
7. Provisions		**202,107**	**214,799**
a) Provisions for pensions and similar obligations	75,648		72,328
c) Other provisions	126,459		142,471
9. Subordinated liabilities		**75,000**	**75,000**
11. Funds for general banking risks		**144,311**	**144,311**
12. Shareholders' equity		**584,178**	**665,464**
a) Share capital	300,000		300,000
c) Revenue reserves			
cd) Other revenue reserves (special-purpose reserve)	242,019		242,019
d) Net retained profit	42,159		123,444
Total liabilities and shareholders' equity		**20,468,197**	**22,585,935**
Off-balance sheet items			
1. Contingent liabilities		**125,380**	**98,023**
b) Liabilities in relation to guarantees and warranties	125,380		98,023
2. Other obligations		**627,765**	**233,422**
c) Irrevocable loan commitments	627,765		233,422
		753,145	**331,445**

Profit and loss account for the period 1 January 2008 to 31 December 2008

Expenses	EUR thousand	EUR thousand	EUR thousand	Previous year EUR thousand
1. Interest expenses			663,078	635,626
2. Fee and commission expenses			4,142	3,512
3. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	37,201			38,962
ab) Social security contributions and expenses for pensions and other benefits	9,675			9,514
Of which: For pensions EUR 2,796,000 (previous year: EUR 2,489,000)		46,876		48,476
b) Other administrative expenses		26,788		28,001
			73,664	76,477
4. Depreciation, amortisation and write-downs on intangible assets and tangible assets			5,177	10,639
5. Other operating expenses			16,456	97,763
6. Amortisation and write-downs on receivables and specific securities, as well as provisions for loans			0	6,278
7. Amortisation and write-downs on investments, shares in affiliated companies and securities treated as fixed assets			42,303	0
8. Extraordinary expenses			0	9,475
9. Other taxes not report under item 5			13	8
10. Net income for the year			42,159	125,985
Total expenses			**846,992**	**965,763**
1. Net income for the year			42,159	125,985
2. Appropriation to other revenue reserves (special-purpose reserve)			0	2,541
3. Net retained profit			42,159	123,444

Income	EUR thousand	EUR thousand	Previous year EUR thousand
1. Interest income from			
a) Lending and money market transactions	551,440		575,024
b) Fixed-income securities and Book-entry securities	255,788		190,644
		807,228	765,668
2. Current revenue from			
c) shares in affiliated companies	0	0	110,124
3. Fee and commission income		18,766	19,259
4. Revenue from additions to receivables and certain securities as well as the dissolution of reserves in loan business		13,586	0
5. Revenue from additions to investments, shares in affiliated companies and securities treated as Fixed assets		0	4,000
6. Other operating income		7,412	66,707
7. Extraordinary income		0	5
Total income		**846,992**	**965,763**

Notes on the Profit and Loss Account of Investitionsbank Berlin as per 31 December 2008

General notes

Investitionsbank Berlin prepared the annual accounts as per 31 December 2008 in line with the German Commercial Code and in adherence to the Ordinance Regulating Reporting by Banks (RechKredV). The generally accepted accounting standards were observed.

The format of the balance sheet and of the profit and loss account is in line with the forms of the Ordinance Regulating Reporting by Banks.

The subsidiaries of Investitionsbank Berlin are individually and jointly of minor importance. This is why no consolidated accounts were drawn up.

Accounting and valuation methods

Assets, liabilities and pending transactions were valued in accordance with the regulations of articles 252 seq. of the German Commercial Code in conjunction with sections 340 seq. of the German Commercial Code. The Ordinance Regulating Reporting by Banks (RechKredV) was observed.

Loans and advances to banks and customers are generally carried at their nominal amount. Zero bonds are carried at market value.

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

Pro-rata interest on interest rate swaps is recognised on an accruals or deferrals basis, respectively. It is reported under loans and advances to banks and liabilities to banks or customers. Income resulting from interest rate derivatives is reported in the bank's interest result.

Adequate account was taken of identifiable lending risks through the establishment of itemised allowances for bad debts and provisions. General allowances were made for bad debts in the receivables portfolio. In the current financial year, flat-rate itemised allowances and general allowances were calculated for the first time pursuant to IAS 39. This change results in a reduction of EUR 45.6 million in risk provisioning with almost no impact on result due to the formation of flat-rate risk provisioning.

Irrecoverable interest payments were not received.

Financial assets are valued at their cost of acquisition. If sustained impairment of value is expected, write-downs are always performed to the strict lower of cost or market principle. If impairment of value is only temporary, the value is retained pursuant to Section 253 (2) of the German Commercial Code in conjunction with Section 340 e of the German Commercial Code.

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

Scheduled write-downs are made on assets with a limited useful life. Low-value assets are written off immediately.

Liabilities are carried at their repayment amount.

Reserves for pension obligations were calculated using Prof. Dr. Heubecks 2005 G tables and based on the rules of the so-called Defined Benefit Obligation according to IAS 19. Future salary and pension developments were also considered. The interest rate, which was reduced to 4.5% in the past in consideration of the development of long-term capital market interest rates, was used again.

The interest share of the sum added to pension reserves is recorded in interest expenditure.

Other provisions are carried at the amount required in line with prudent business consideration.

Principles of currency translations

All transactions of Investitionsbank Berlin are shown in euro.

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Investitionsbank Berlin

Performing for Berlin.