

**GERMAN PUBLIC SECTOR FINANCE B.V.**

Amsterdam, The Netherlands

**INTERIM REPORT AS AT 30 JUNE 2012**  
**(unaudited version)**

# **GERMAN PUBLIC SECTOR FINANCE B.V.**

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## **GERMAN PUBLIC SECTOR FINANCE B.V.**

### **Responsibility Statement**

The Management of German Public Sector Finance B.V. (hereinafter “the Company”) wishes to state that to our knowledge:

The 2012 interim report gives a true and fair view of the assets, liabilities, financial position and profit of the Company.

The 2012 interim report gives a true and fair view of the Company's position as per 30 June 2012 and the developments during the financial period ended 30 June 2012 of the Company, together with a description of principal risks it faces.

Signed by:

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Ed Rijkenberg  
Managing Director

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Deutsche International Trust Company N.V.  
Managing Director

Amsterdam, The Netherlands, 31 August 2012

# **GERMAN PUBLIC SECTOR FINANCE B.V.**

## **Management Report**

The Management herewith submits its annual accounts of German Public Sector Finance B.V. (hereinafter “the Company”) for the financial period ended 30 June 2012.

### **General information**

The Company is a limited liability company incorporated under the laws of The Netherlands and has its corporate seat in Rotterdam and business seat in Amsterdam.

The principal activities of the Company consist of acquiring funds on behalf of institutions belonging to the public sector in Germany.

### **Activities for the period**

The Company's activities remain unchanged from last year. It continues to hold a bond liability, from which the funds were on-lent to a third party. These items are the most significant items in the balance sheet.

With respect to the profit and loss account, the interest rates on the bond liability and the long-term receivable are identical so the net interest income remains at nil (2011: nil). The Company receives management fees from a related party to ensure its profit is positive and at least equal to the taxable profit as agreed with the Dutch tax authorities in 1986.

### **Financial risk management**

The Company's activities are primarily exposed to market risks. Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group's Corporate Risk function provides services to manage the financial risk relating to the Company's operations. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Company manages market risk by stratifying the portfolio and imposing limits.

### **Currency risk**

Currency risk is the risk that fluctuations in the prevailing foreign currency exchange rates will affect the Company's financial position and cash flows. The Company does not run any currency risk, as the Company does not use any currency other than Euros.

### **Interest risk**

Interest rate risk is the risk that fluctuations in the prevailing levels of market interest rates will affect the Company's financial position and cash flows. Interest rate exposure on the debt is fully mitigated by the on-lending of these amounts to Deutsche Telekom A.G. with matching terms.

## **GERMAN PUBLIC SECTOR FINANCE B.V.**

### **Management Report**

#### **Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company's credit risk is predominantly with Deutsche Telekom AG, the largest telecommunication company in Germany. The Company has not entered into any other transactions that might generate credit risk.

#### **Future outlook**

It is the intention of Royal Bank of Scotland N.V. (Amsterdam, The Netherlands) to sell all of its shares in the Company in the near future.

#### **Audit Committee**

On 25 May 2009, the shareholders of the Company, Deutsche Bank A.G. and Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.) have approved the Board Resolution to establish an Audit Committee for the Company, following the Royal Decree of 26 July 2008 implementing article 41 of the EU Directive 2006/43/EG. The Audit Committee of the Company consists of the following members: Jan Rijkenberg (independent member), Corwin Sier (accounting expert) and Johan Smit (accounting expert).

#### **The Management**

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Ed Rijkenberg

Managing Director

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Deutsche International Trust Company N.V.

Managing Director

Amsterdam, The Netherlands, 31 August 2012

## **GERMAN PUBLIC SECTOR FINANCE B.V.**

### **Balance Sheet as at 30 June 2012** (before appropriation of results and expressed in Euros)

	<u>Notes</u>	<u>30-Jun-2012</u>	<u>30-Jun-2012</u>
<b>FIXED ASSETS</b>			
<b>Financial fixed assets</b>			
Loan	(3)	<u>102,258,376</u>	<u>102,258,376</u>
<b>CURRENT ASSETS</b>			
Accrued interest receivable	(4)	6,526,151	3,522,311
Amounts due from group entity		71,854	48,526
Other debtors		4,539	-
Cash at banks	(5)	<u>51,682</u>	<u>86,691</u>
		<u>6,654,226</u>	<u>3,657,528</u>
<b>CURRENT LIABILITIES</b>			
Accrued interest payable	(6)	3,003,840	3,522,311
Interest payable		3,564,665	44,486
Creditors		<u>22,116</u>	<u>36,202</u>
		<u>6,590,621</u>	<u>3,602,999</u>
<b>NET CURRENT ASSETS</b>		<u>63,605</u>	<u>54,529</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>102,321,981</u>	<u>102,312,905</u>
<b>LONG TERM LIABILITY</b>			
Bond liabilities	(6)	<u>102,258,376</u>	<u>102,258,376</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u><b>63,605</b></u>	<u><b>54,529</b></u>
<b>CAPITAL AND RESERVES</b>			
Issued share capital	(7)	18,151	18,151
Retained earnings		36,378	18,277
Result for the Period / year		<u>9,076</u>	<u>18,151</u>
		<u><b>63,605</b></u>	<u><b>54,529</b></u>

The notes on page 7 to page 11 are an integral part of the financial statements

## GERMAN PUBLIC SECTOR FINANCE B.V.

### Profit and Loss account for the year ended 30 June 2012 (expressed in Euros)

	<u>Notes</u>	<u>Period 2012</u>	<u>Year 2011</u>
<b>Interest on loan and bond</b>			
Interest income	(8)	3,003,840	6,007,680
Interest expense	(8)	(3,003,840)	(6,007,680)
<b>Net income from financial activities</b>		-	-
<b>Expenses</b>			
General and administrative expenses		(25,038)	(48,439)
Other income		55	-
		(24,983)	(48,439)
<b>Service fee income</b>	(9)	36,328	71,128
<b>PROFIT BEFORE TAXATION</b>		11,345	22,689
Corporate income tax	(10)	(2,269)	(4,538)
<b>RESULT FOR THE YEAR</b>		<b>9,076</b>	<b>18,151</b>

The notes on page 7 to page 11 are an integral part of the financial statements.

## **GERMAN PUBLIC SECTOR FINANCE B.V.**

### **Cash Flow Statement for the year ended 30 June 2012** *(expressed in Euros)*

	<u>Notes</u>	<u>Period 2012</u>	<u>Year 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Service fee income received		13,054	76,966
Payments to creditors		<u>(41,393)</u>	<u>(35,707)</u>
Cash inflow from operations		(28,339)	41,259
Income tax paid	(10)	<u>(4,538)</u>	<u>(4,538)</u>
Net cash generated from operating activities		<u>(32,877)</u>	<u>36,721</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Interest received on loan		-	6,007,680
Interest paid on bonds		(2,132)	(6,004,226)
Dividend distributed		<u>-</u>	<u>-</u>
Net cash generated from / (used in) financing activities		<u>(2,132)</u>	<u>3,454</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(35,009)</b>	<b>40,175</b>
Balance at 1 January 2012 (1 January 2011)		<u>86,691</u>	<u>46,516</u>
Balance at 30 June 2012 (31 December 2011)		<u><b>51,682</b></u>	<u><b>86,691</b></u>

The notes on page 7 to page 11 are an integral part of the financial statements



# **GERMAN PUBLIC SECTOR FINANCE B.V.**

## **Notes to the Accounts as at 30 June 2012**

### **1. General**

The Company, a corporation with limited liability, having its statutory seat in Rotterdam, The Netherlands and its business seat in Amsterdam, The Netherlands, was incorporated on 22 May 1986.

The principal activities of the Company consist of acquiring funds on behalf of institutions belonging to the public sector in Germany. The Company's ultimate parent companies are Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V. Amsterdam, The Netherlands) and Deutsche Bank A.G. (Frankfurt, Germany) each for 50%.

### **2. Summary of principal accounting policies**

#### ***(a) General***

The accompanying accounts have been prepared in accordance with the provisions of Part 9, Book 2 of The Netherlands Civil Code.

#### ***(b) Assets and liabilities***

All assets and liabilities are stated at face value, unless otherwise stated in the notes thereon.

#### ***(c) Foreign currencies***

Any assets and liabilities expressed in currencies other than Euros are translated into Euros at the rates of exchange prevailing at the balance sheet date. Any transactions in foreign currencies are translated into Euros at rates of exchange approximating to those ruling at the date of the transactions. Resulting exchange differences, if any, are recognised in the profit and loss account.

#### ***(d) Determination of income***

All income and expenses are calculated on an accrual basis.

#### ***(e) Cash Flow Statement***

The cash flow statement has been prepared using the direct method. Cash flows denominated in foreign currencies, if any, are translated at average exchange rates. Exchange differences affecting cash items, if any, are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in net cash from operating activities. Dividends paid, if any, are included in net cash used in financing activities.

#### ***(f) Corporate income tax***

Corporate income tax is calculated on the basis of the profit before taxation shown in the profit and loss account, taking into account tax allowances as agreed with the Dutch tax authorities.

# **GERMAN PUBLIC SECTOR FINANCE B.V.**

## **Notes to the Accounts as at 30 June 2012**

### ***(g) Use of estimates and judgements***

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### ***(g) Financial instruments and changes in accounting policies***

Financial instruments include loans payable and loans receivable. As of 1 January 2012 financial instruments are initially recognized at fair value, including directly attributable transactions costs. After initial recognition, financial instruments are carried at amortized cost using the effective interest method, less impairment losses.

Receivables are valued at nominal value less a bad debt provision if necessary. Due to the fact that there are no impairment losses or transaction costs recorded in the financial instruments of the Company the amortized cost equals the nominal value.

## **3. Financial fixed assets**

This item represents a loan granted to Deutsche Telekom (formerly named Deutsche Bundespost), Germany, originally amounting to DEM 500,000,000, due on 30 May 2016 and bearing interest at the rate of 5 7/8%.

The original amount due from Deutsche Telekom AG has been reduced. The reductions have been the result of assigning a part of the receivable balance to Deutsche Bank AG. As a result of the reductions, the amount receivable at 30 June 2012 and 31 December 2011 was DEM 200,000,000 (EUR 102,258,376).

This loan receivable from Deutsche Telekom has been pledged as security to the holders of the bond liability (see Note 6). As at 30 June, the fair value of the loan amounted to EUR 107,693,532 (31 December 2011: EUR 111,254,881).

Accrued interest receivable is included in the balance sheet as a current asset.

## **4. Accrued interest receivable and payable**

These items represent accrued interest on the loan receivable and bond liability.

## **5. Cash at banks**

Cash at banks are available on demand.

## **GERMAN PUBLIC SECTOR FINANCE B.V.**

### **Notes to the Accounts as at 30 June 2012**

#### **6. Bond liability**

This item relates to a bond issued on the Frankfurt stock exchange which originally amounted to DEM 500,000,000, due on 30 May 2016 and bearing interest at the rate of 5 7/8%. The amount due on the bond was reduced as a result of the Company assigning part of its receivable to the bondholder. As at 30 June 2012 and 31 December 2011, the Bond liability amounted to DEM 200,000,000 (EUR 102,258,376). The bond liability is not guaranteed. Reference is made to Note 3 above.

As at 30 June 2012, the fair value of the Bond amounted to EUR 107,693,532 (31 December 2011: EUR 111,254,881).

Accrued bond interest payable is included in the balance sheet as a current liability.

#### **7. Capital and reserves**

With reference to article 178c sub 1 of Book 2 of the Netherlands Civil Code, the authorized share capital consists of 200 ordinary shares. According to the Company's articles of association, the shares are denominated in Dutch guilders at NLG 1,000 (EUR 453.78) each. As per balance sheet date 40 shares (2010: 40 shares) are issued and fully paid-up.

The movements in capital and reserves can be summarized as follows:

	<b><u>30-Jun-2012</u></b>	<b><u>31-Dec-2011</u></b>
Share capital (unchanged)	<u>18,151</u>	<u>18,151</u>
Retained earnings		
Beginning of period / year	18,227	-
Appropriation prior year result	18,151	18,227
Dividend distributed	-	-
End of period / year	<u>36,378</u>	<u>18,227</u>
Result for the period / year		
Beginning of period / year	36,378	18,227
Appropriation to retained earnings	-	-
Undistributed result	9,076	18,151
End of period / year	<u>45,454</u>	<u>36,378</u>
Total capital and reserves	<b><u>63,605</u></b>	<b><u>54,529</u></b>

## **GERMAN PUBLIC SECTOR FINANCE B.V.**

### **Notes to the Accounts as at 30 June 2012**

#### **8. Interest income and expenses**

This item relates to the interest income on the loan granted to Deutsche Telekom, Germany (see note 3), and the interest expenses on the issued bond (see note 6). There is no margin between the interest received and paid.

#### **9. Service fee income**

The Company receives a service fee from Deutsche Bank AG, Germany, which has agreed to bear all expenses incurred by the Company plus a mark-up as deemed applicable per year.

#### **10. Corporate Income tax**

The Company abides by certain conditions agreed to with The Netherlands Tax Authorities by which corporation tax is charged on a minimum fixed profit per annum.

#### **11. Employees**

The Company has no employees and hence incurred no wages, salaries and related social security charges during the year under review or the previous year.

#### **12. Directors**

The Company has two directors (2011: two), whom did not receive any remuneration for their activities during the period under review or the previous year.

#### **13. Related parties**

The Company has relations with three parties.

*Deutsche Bank A.G.*, Frankfurt, Germany, who owns 50% of the shares of the Company. During the period under review, Deutsche Bank A.G. was charged for a service fee for the amount of EUR 71,854 (2011: 48,439). In addition, Deutsche Bank A.G. is the sole bondholder of the Company's issued bonds.

*Royal Bank Scotland N.V. (formerly ABN AMRO N.V.)*, Amsterdam, The Netherlands, who owns 50% of the shares of the Company, had no transactions with the Company during the year under review.

Deutsche International Trust Company N.V. charges EUR13,926 (31 December 2011: EUR 25,585) for their corporate services

## **GERMAN PUBLIC SECTOR FINANCE B.V.**

### **Notes to the Accounts as at 30 June 2012**

#### **14. Audit fees**

An amount of EUR 8,045 was accrued for the audit fees of the period ended 30 June 2012 (31 December 2011: EUR 12,500).

#### **The Management**

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Ed Rijkenberg  
Managing Director

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Deutsche International Trust Company N.V.  
Managing Director

Amsterdam, The Netherlands, 31 August 2012

## **GERMAN PUBLIC SECTOR FINANCE B.V.**

### **Other information**

#### **Retained earnings**

Article 19 of the Articles of Association provides that the result established shall be at the disposal of the General Meeting of Shareholders. If and to the extent that a loss sustained in any fiscal year is not recovered from a reserve or made up in some other way, no distribution of profit shall be made in subsequent years as long as such loss has not been recovered. Article 19 of the Articles of Association provides that, insofar as there is a profit in the Company, The Board of Directors may declare an interim dividend.

#### **Appropriation of result**

The Management proposes that the result for the period be retained.