# 2003

## Management report

## Balance Sheet

## Profit and Loss Account

The Annual Report of Sparkasse Saarbrücken is published in full in the Federal Official Gazette and carries the unqualified audit certificate of the auditing agency of the Sparkassen- und Giroverband Saar.

Sparkasse Saarbrücken

COMMERCIAL SAVINGS AND FOREIGN TRADE BANK

## Economic development

Germany continued to experience economic stagnation in 2003, with real gross domestic product for the year as a whole shrinking by 0.1 percent, thus remaining below potential for the third consecutive year.

The situation was particularly difficult in the first half of the year, as the German economy faced a slight recession not least of all on account of major geopolitical uncertainty. Overall output of goods and services shrank for two quarters in a row. The second half of the year saw preliminary evidence of an upturn in the economy. Spurred by the US economy, which grew at a fairy strong rate on account of highly expansionary fiscal policy-making, the global economy rebounded. This also had a favourable impact on Germany in the form of strong export growth, which was largely unimpeded by the appreciation of the euro. In the fourth quarter of 2003, in line with the traditional pattern followed by economic upswings in Germany, preliminary signs of a recovery in corporate-sector capital spending emerged.

After several years of (relatively) strong growth, the Saarland economy was hit by the effects of the economic downturn in 2003, with real gross domestic product contracting by 1.1 percent and thus substantially more than the German-wide average. Key industrial segments such as automotive and mechanical engineering were particularly hit, while the building industry remained weak. The only impetus for growth came from the energy industry and a number of service sectors. Against this backdrop, the fact that the number of employees subject to compulsory social security contracted by only 1 percent must be seen as a positive sign.

## Business performance

***Total assets and volume of business***

| | Existing 31. 12. 2003 EUR mn | 2003 EUR mn | Changes 2003 % | 2002 % |
|---|---|---|---|---|
| Volume of business[1)] | 5,914.0 | ./. 0.8 | 0.0 | 4.7 |
| Total assets | 5,853.7 | 4.3 | 0.1 | 4.9 |

1) Total assets plus contingent liabilities / rediscounted own bills of exchange (including own issues) / bills of exchange dispatched for collection prior to maturity

The Bank's total assets remained steady at the previous year's level.

***Lending business*** *(including off-balance-sheet (Item 1) liabilities)*

| | Existing 31. 12. 2003 EUR mn | 2003 EUR mn | Changes 2003 % | 2002 % |
|---|---|---|---|---|
| Volume of loans to customers | 3,019.6 | ./. 114.9 | ./. 3.7 | 0.2 |
| Loans to banks | 1,069.3 | ./. 129.1 | ./. 10.8 | 37.9 |
| Investments in securities | 1,496.7 | 136.0 | 10.0 | ./. 4.6 |

***Volume of loans to customers:***

Sparkasse Saarbrücken granted new loans totalling EUR 339.4 million in the 2003 financial year (EUR 368.1 million in the previous year). The decline of around EUR 114.9 million or 3.7% in loans to customers is, among other things, also attributable to lower guarantee obligations (down EUR 5.5 million or 8.3%).

We will continue our risk-oriented lending strategy in the 2003 financial year and expect to be able to achieve moderate growth in the customer loans business again in 2004.

***Loans to banks:***

In 2003, loans to banks fell by EUR 129.1 million or 10.8% over 2002. This was particularly due to a decline in term deposits (by EUR 287.2 million), which it was possible to partially counteract via an increase in loans against borrowers' notes (up EUR 197.9 million).

### *Investments in securities:*

Holdings in securities increased by a total of EUR 136.0 million to EUR 1,496.7 million in 2003, underpinned in particular by fixed-income securities. Here, new additions were valued at EUR 410.4 million, while disposals as a result of sales and maturities came to EUR 284.7 million. Holdings of other securities rose by EUR 10.2 million or 3.2%, with special-purpose funds and other investment funds particularly benefiting.

Part of our securities are held in several special-purpose funds. It is our intention to set and meet a target for assets managed by third parties, giving due consideration to risk and return ratios.

**Deposit-taking business**

| | Existing | Changes | | |
|---|---|---|---|---|
| | 31. 12. 2003 | 2003 | 2003 | 2002 |
| | EUR mn | EUR mn | % | % |
| Funds deposited by customers | 4,073.0 | 165.7 | 4.2 | 1.1 |
| Of which: | | | | |
| Savings deposits | 1,957.2 | 39.0 | 2.0 | 1.8 |
| Unsecuritised liabilities | 1,819.3 | 212.6 | 13.2 | 7.9 |
| Securitised liabilities | 213.5 | ./.92.7 | ./.30.3 | ./.17.3 |
| Subordinated liabilities | 67.7 | 6.8 | 11.2 | ./.41.8 |
| Liabilities to banks | 1,476.3 | ./.176.0 | ./.10.7 | 13.2 |
| Of which: | | | | |
| Subordinated liabilities | 23.1 | ./.32.0 | ./.58.1 | 234.2 |

### *Liabilities to customers:*

In the 2003 financial year, funds deposited by customers increased by EUR 165.7 million (4.2%) over 2002. This was underpinned in particular by higher unsecuritised liabilities, which rose by 13.2% over the previous year. On the other hand, securitised liabilities declined by EUR 92.7 million (30.3%).

We project continued moderate growth in 2004.

### *Liabilities to banks:*

Liabilities to banks were down 10.7 %, thus reversing the substantial increase of 13.2% witnessed in the 2002 financial year.

### *Services:*

In combined business with LBS, we achieved a 79.0% increase in the volume of mortgage savings accounts in 2003 compared with 2002, marking the best-ever figure achieved in the history of Sparkasse Saarbrücken.

New life insurance business rose by 21.2%, additionally spurred by discussion of plans to abolish the tax allowances on life insurance policies.

In the new company pension plans segment, a total of 181 new contracts was signed.

Real estate agency business was down slightly in 2003 following the record levels achieved in 2002.

In Sparkasse Saarbrücken's leasing business, the number of new contracts rose by 18.3% in 2003 compared with 2002 in tandem with an 11.3% decline in leasing volumes.

In securities business, sales of fund products rebounded sharply in the year under review compared with 2002. The new fund-related asset management product saarINVEST was successfully launched.

There were major changes in foreign business in 2003. On 1st July 2003, the EU price regulation took effect, marking a major restriction at the EU level of the freedom of competition and pricing of foreign payment operations. As a result, the number of profitable funds transfers contracted from roughly 1,500 to around 800 per month. Given the regional proximity to the national border, there was an increase of almost 100% in standard EU transfers.

Documentary business expanded at a reasonable rate in both volume and revenue terms (2002: EUR

7,265 million; 2003: EUR 9,720 million). This increase in revenues is particularly due to the sharp rise in export L/C business.

***Derivatives:***

In addition to interest swaps, which have been used for a number of years to hedge interest risks, interest futures were additionally employed for the first time as part of a successful test run.

***Own trading:***

In 2003, the Bank started to re-arrange the maturity structure of its Depot-A holdings. Trading volumes – buying, selling and maturity – came to a total of EUR 706.7 million.

***Staff and welfare matters***

Sparkasse Saarbrücken had an average of 1,349 employees including board members during 2003. Employee numbers rose by 1.0% compared with 2002. There were no changes to the Management Board in 2003.

With the exception of two, all trainees successfully completing their courses were offered employment contracts. Personnel costs increased by EUR 3.6 million to EUR 66.1 million in 2003.

Old-age part-time working contracts were entered into with 46 employees in 2003. A total of 82 employees are now making use of this benefit.

***Building activities and technical changes:***

As part of steps to restructure our distribution channels, two branches were converted into self-service points with advisory services in 2003.

At the end of 2003, Sparkasse Saarbrücken had 87 branches including 17 self-service points.

## Statement of results

Compared with the association average, Sparkasse Saarbrücken's asset structure is characterised by a higher proportion of loans to banks and a smaller share of loans to customers.

With respect to funding, more than two thirds comprise liabilities to customers. This is higher than the previous year's level but below the association average. Accordingly, the share of funding from banks dropped slightly over the previous year but is still higher than the association average.

***Assets***

| | EUR mn | | Percentage of businessess volume | |
|---|---|---|---|---|
| | 31. 12. 2003 | 31. 12. 2002 | 31. 12. 2003 | 31. 12. 2002 |
| Volume of loans to customers | 3,019.6 | 3,134.5 | 51.1 | 53.0 |
| of which:<br>Loans to public sector | 616.0 | 692.0 | 10.4 | 11.7 |
| Loans to banks | 1,069.3 | 1,198.4 | 18.1 | 20.3 |
| Investments in securities | 1,496.7 | 1,360.7 | 25.3 | 23.0 |
| Fixed assets | 70.9 | 73.6 | 1.2 | 1.2 |
| Other assets | 257.6 | 147.6 | 4.4 | 2.5 |
| Funds deposited by customers | 4,073.0 | 3,907.3 | 68.9 | 66.0 |
| Liabilities to banks | 1,476.3 | 1,652.3 | 25.0 | 27.9 |
| Other liabilities (including contingent liabilities and reserves) | 129.9 | 132.0 | 2.2 | 2.2 |
| Equity capital (including fund for general banking risks) | 233.7 | 223.3 | 3.9 | 3.8 |

Following a transfer from the accrued surplus still to be approved by the Supervisory Board, the safety reserve will stand at EUR 198.7 million, equivalent to an increase of 5.3 % over the previous year. In 2003, the Bank's fund for general bank risks was increased by EUR 1.3 million to EUR 35.0 million. As well as this, there are supplementary capital components.

The Bank's liable equity capital was stocked up again in 2003 and remains satisfactory.

At 11.2 %, the ratio of equity capital, measured according to Section 10 of the German Banking Act (KWG) in relation to the sum of weighted risk assets and market risk positions as at 31 December 2003 substantially exceeds the minimum statutory requirement of 8 %. The Bank's equity basis thus provides a secure basis for future business expansion.

Undisclosed reserves are included in the assets carried on the balance sheet, particularly securities and real property holdings. Moreover, we have also taken additional precautions to cover specific lending risks in accordance with Section 340f of the German Commercial Code (HGB).

Assets are in an orderly condition.

We expect business activity to remain steady in 2004.

***Financial position:***

Sparkasse Saarbrücken's solvency during the financial year was guaranteed at all times thanks to the well-planned, balanced liquidity provisions it had made. No problems are expected in this regard in the current financial year either.

Partial use was made of the credit facilities granted by Deutsche Bundesbank and SaarLB. Appropriate assets were maintained at the responsible central bank in order to comply with minimum reserve requirements. With effect as of the end of the financial year, a liquidity rating of 1.56 was calculated in maturity band I based on Principle II such that the liquidity level can be considered adequate both at the given point in time as well as for the 2003 financial year as a whole. Nor do the key figures to be calculated for further periods of observation (spans of up to twelve months) give any indication of any potential liquidity problems.

Our financial planning shows our solvency to be secure for the foreseeable future.

*Earnings*

| Income statement | 2003 EUR mn | 2002 EUR mn |
|---|---|---|
| Net interest income (including items 3 and 4 of the income statement) | 125.7 | 117.5 |
| Net commission income | 18.4 | 19.0 |
| Administrative costs a) Personnel costs | ./.66.1 | ./.62.5 |
| b) Non-personnel costs | ./.26.5 | ./.29.5 |
| Sub-total | 51.5 | 44.5 |
| Net income from financial transactions | 0.4 | 0.2 |
| Net other operating income/expenses | ./.12.3 | ./.6.0 |
| **Result before provisioning** | 39.6 | 38.7 |
| Net provisioning result | ./.13.3 | ./.29.7 |
| **Result after provisioning** | 26.3 | 9.0 |
| Reversal of special tax-allowable reserves | 0 | 0.1 |
| Non-operating earnings | ./.1.3 | ./.3.2 |
| Taxes | ./.13.9 | ./.3.6 |
| **Net income and unappropriated surplus** | 11.1 | 8.7 |

Net interest income which rose again in 2003 remains our most important source of income. The low market interest rates had a favourable impact on our funding costs in both our deposits business and our interbank dealings. Based on average total assets, the interest margin works out at 2.13 %, an increase of 0.12 % points over the previous year.

Net income from financial transactions comprising trading in securities and foreign currencies increased substantially over 2002.

Operating earnings before provisioning in 2003 were slightly up on the previous year. After setting aside all necessary provisions, we achieved substantially higher operating earnings after provisions than in 2002.

The net income reported is sufficient to strengthen the Bank's core capital basis and ensure steady business growth. The earnings situation is satisfactory.

On the basis of our forecasts for 2004, we project a slight decline in operating earnings before provisioning for this year.

## Risk report

The conscious acceptance, active control and specific transformation of risks are core functions of banks. Due to the nature of the business our company is engaged in, we are exposed to the following main risks:

- Counterparty default risks
- Liquidity risks
- Market price risks
- Other price risks
- Operational risks

Risks in terms of future development that put the Bank's existing portfolio under threat or exert a major influence on its asset, financial or earnings position are currently not apparent. Our Bank has set up a risk management, monitoring and control system in accordance with Section 25a of the German Banking Act (KWG) that is appropriate to the nature and scope of its business activities. The following covers only such risks as were not given due consideration in the balance sheet in the form of impairment charges or provisions.

**Counterparty default risks** are considered to be such risks as constituted by payment commitments due to the bank that can only be partially met or not at all.

Control of our lending operations occurs with particular consideration being given to size class structure, the nature of the given industry, the collateral provided and the risk of the commitment concerned. The Management Board attaches great importance to risk limitation in the Bank's customer lending activities. Testimony to this is the fact that a focus continues to be placed on quality i.e. risk-sensitive loan provision. Significant risks needing to be taken in some cases require the approval of the Bank's credit committee.

For loan risk control purposes, Sparkasse Saarbrücken applies a rating method developed by Deutscher Sparkassen- und Giroverband that complies with regulatory requirements. When judging the creditworthiness of customers, the Bank makes use of other instruments (e.g. FERI Sector Rating) in addition to those systems the savings bank organisation offers (e.g. the EBIL program for individual balance-sheet analysis). These systems enable the individual loan risks to be limited while diversifying the loan portfolio risk.

A global limit is set for trading transactions in order to keep counterparty default risks down to a minimum. The risk here is limited thanks to the careful selection of our contractual partners based on the rules for the examination of creditworthiness as well as the setting of limits per counterparty in the trading area. The tools used allow Sparkasse Saarbrücken to monitor counterparty default risks.

The **market price risk** encompasses such risks as are incurred when the market price of assets or financial investments develops to the disadvantage of the owner due to changes in the market situation or lack of market demand. Market price risks can lead to write-downs on the valuation cut-off date in the commercial balance sheet or to a reduction in the present value.

As far as trading transactions are concerned, loss risks from current market prices and potential market price changes (loss potential) are determined on a daily basis to establish the market price risk and are then set off against the upper loss limit that is set on the basis of the Bank's asset and earnings situation. In so doing, the loss potential is also determined and limited at an individual portfolio level.

The risks are quantified on the basis of a holding period of 10 days, a confidence level of 95 % and a historic observation period of 300 days by applying a value-at-risk method based on the variance/co-variance concept. Back-testing is carried out regularly to check the system and the validity of the forecast values.

Moreover, we also differentiate between **risk management** and **risk controlling**. Our Bank's risk management system determines risk types, limits and structures. The risk controlling system we have implemented monitors the market price risks identified in terms of type and amount and provides daily reports to the various departments concerned and the management in accordance with the requirements with respect to trading transactions.

The interest change risk as a part of the market price risk is also monitored regularly at the level of the overall interest book with the aid of risk analyses in accordance with the present value concept and brought to the attention of the Management Board on a monthly basis. The interest change risk is determined by applying a value-at-risk method based on a historic simulation with a holding period of 63 trading days, a confidence level of 95 % and a historic observation period of 12 years.

**Liquidity risk** is considered to encompass such risks as are incurred when the Bank is no longer able to unconditionally meet its payment commitments. Term transformation means that considerable importance is attached to capital commitment terms on both the assets and liabilities sides. Depending on whether the liquidity risk is on the assets or liabilities side, we differentiate between

- asset-related liquidity risks (market liquidity risk, forward risk, call-up risk), and
- liability-related liquidity risks (market liquidity risk, refinancing risk, call-up risk

The liquidity risk is allowed for by ensuring that sufficient liquidity is available for respect of both assets and liabilities and that they are responsibly structured. Monthly fine-tuning is carried out on the basis of empirical values and the incorporation of all maturities occurring in a further 12-month period.

**Operational risks** are defined as the risk of direct or indirect loss as a result of human failure, shortcomings in internal processes and systems as well as external events. Operational risks may be either legal or operating risks.

**Legal risks** are reduced by means of the careful examination of contracts and the use of standard template contracts

**Operating risks** in the IT field due to organisational or processing errors are minimised by concluding agreements with an external IT centre, increased automation and ongoing supervision carried out by qualified staff, and are covered in part by insurance.

**Equity investment risks** are allowed for by supplying the management board with regular/annual reports and the intensive support of the key shareholdings by our representatives on the monitoring, supervisory and advisory committees in question.

On top of this, our internal auditing department carries out audits on a regular basis in order to reduce the risks mentioned. No findings of any significance impacting the Bank's asset, financial or earnings position have been made. Any suggestions put forward by the auditing bodies in respect of improvements are implemented without delay.

## Outlook

The German economy has remained weak, with little hope of any sustained recovery in 2004. At the moment, real growth of around 1.5 percent is projected.

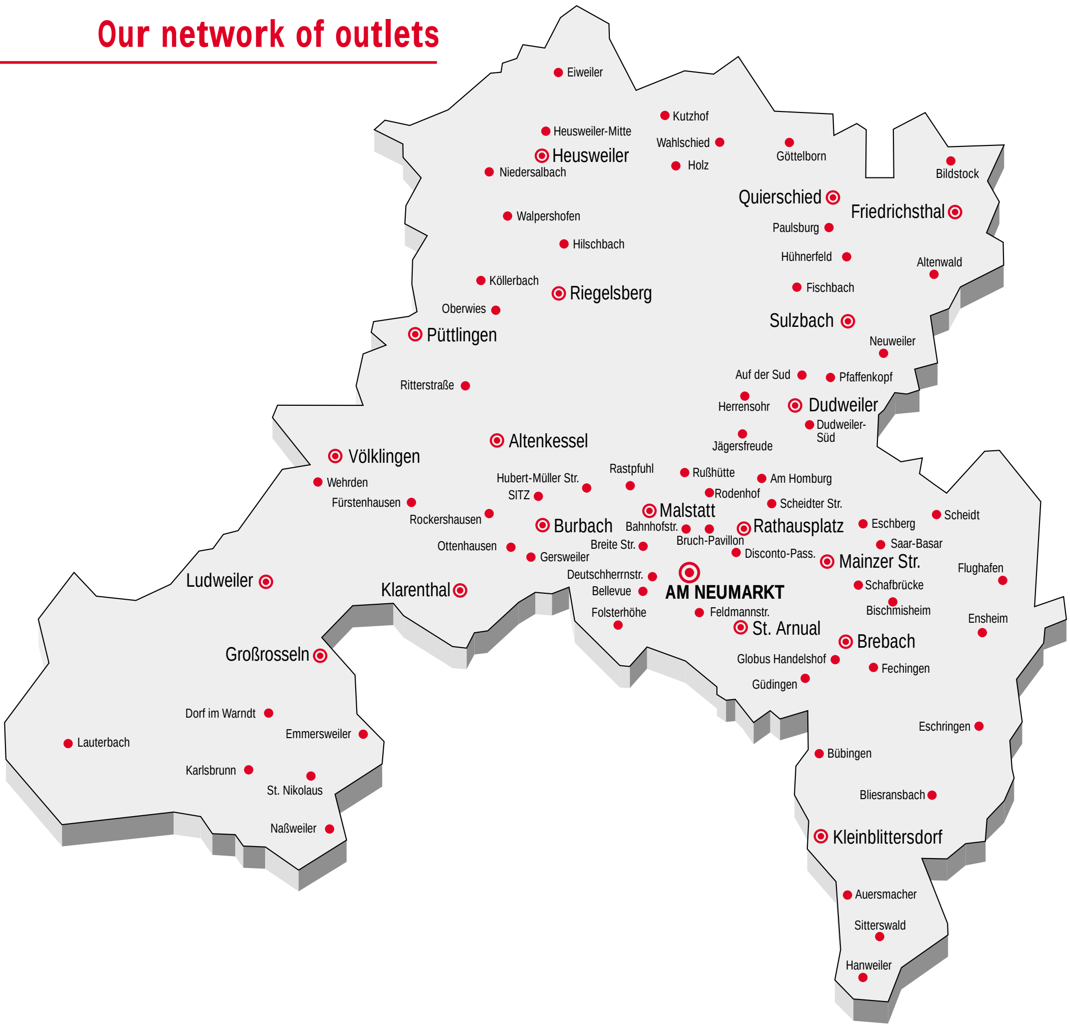
It is not easy to identify any evidence pointing to a sharp upswing. Consumer confidence is currently being dragged down by a number of additional levies, high energy prices and, most of all, an all-pervading sense of pessimism. The effects of the brought-forward tax reform have been counteracted by these factors. In the corporate sector, capital spending remains muted as many companies still have sufficient capacity particularly at their domestic operations. Exports are beginning to feel the effects of the appreciation in the value of the euro, while scope for an even more expansionary economic policy is very limited in Germany in particular. The only bright note is ultimately the prospect of a sustained strong recovery in the global economy linked with the hope that the US dollar does not lose value rapidly against the euro (dollar crash).

The situation in Saarland is likely to improve only slightly in 2004. Although the economic indicators suggest that the state's economy is on the mend again, it is worrying to note that - as in Germany as a whole - corporate confidence has declined again in the first few months of the year. The aforementioned dollar crash would presumably leave deep traces on the Saar economy. Judging by the experience of the past few years, the traditionally heavily export-oriented Saar economy is particularly exposed to exchange-rate vagaries.

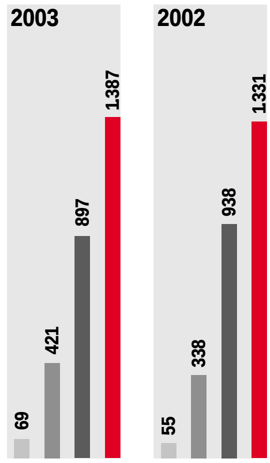
Against this backdrop, Sparkasse Saarbrücken sees a particular responsibility as the region's largest financial services provider. Experience shows that our range of products and services match the requirements of our customers. Even so, we are aware of the intense competition in the financial services market and that we must not allow our efforts to weaken. Accordingly, optimised market penetration and an improved cost/income ratio remain key targets.

We expect operating earnings for 2004 to be slightly down on 2003 due, among other things, to interest income, which we assume will be lower in tandem with higher expenses. Reasonable allowance has been made for personnel and non-personnel expense. We expect provisioning to be lower than in the previous year but have taken appropriate precautions to protect our loan portfolio from the effects of continued economic weakness. At this stage, we do not expect our securities portfolio to exert any additional pressure on our earnings. Earnings for the year will probably be slightly down on the previous year but live up to our long-term targets.

## Our network of outlets




## Staff development




## Management board

in the year under review

**Dieter Klepper**
Chairman of the board

**Uwe Kuntz**
Deputy Chairman

**Dr. Harald Langenfeld**
Board member

**Hans-Werner Sander**
Board member

## Sparkasse Saarbrücken's board of directors

in the year under review

**Chairman**
**Hajo Hoffmann**
Lord Mayor
until 30. 04. 2003

**Michael Burkert**
President of City Association
from 01. 05. 2003

**Deputy Chairman**
**Michael Burkert**
President of City Association
until 30. 04. 2003

**Hajo Hoffmann**
Lord Mayor
from 01. 05. 2003

Mr Hoffmann has not carried out his duties as Lord Mayor since 28. 08. 2002. President of the City Association Mr Burkert is standing in for him in his capacity as chairman of the board of directors.

Other members:
**Dr. Gerhard Bauer**
**Roland Bentz**
**Karl Caspers**
**Annemie Christoph**
**Jörg Ehm**
**Manfred Hayo**
**Marga Herzog**
**Manfred Maurer**
**Christiane Scherwarth**
**Volker Schmidt**
**Walter Schneider**
**Manfred Seiler**
**Gerhard Sendel**
**Engelbert Thiel**
**Gerhard Walter**
**Gert Wiebe**
**Karlheinz Wiesen**

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## Legal form

Sparkasse Saarbrücken is a member of the Sparkassen- und Giroverband Saar (Saarland Savings Banks and Giro Association) and as such a member of the Deutscher Sparkassen und Giroverband e.V., Berlin/Bonn. Guarantor is the Sparkassenzweckverband Saarbrücken of which Saarbrücken City Association and the City of Saarbrücken are members.

## Trade registry

Saarbrücken, A 8590

## Our A-class partner banks

| | | | | | |
|---|---|---|---|---|---|
| **Austria** | Bank Austria Creditanstalt AG | Vienna | BKAU | AT | WW |
| | Dornbirner Sparkasse Bank AG | Dornbirn | DOSP | AT | 2D |
| **Belgium** | Ing Belgium SA/NV | Brussels | BBRU | BE | BB 010 |
| | KBC Bank NV | Brussels | KRED | BE | BB |
| **Britain** | Barclays Bank PLC | London | BARC | GB | 22 |
| | Standard Chartered Bank | London | SCBL | GB | 2L |
| | The Royal Bank of Scotland plc | London | RBOS | GB | 2L |
| **Canada** | Bank of Montreal | Montreal | BOFM | CA | M2 |
| **Denmark** | Danske Bank Aktieselskab | Copenhagen | DABA | DK | KK |
| **Finland** | Nordea Bank Finland Plc | Helsinki | NDEA | FI | HH |
| **France** | Banque Fédérative du Credit Mutuel | Strasbourg | CMCI | FR | PA |
| | Banque Populaire de Lorraine Champagne | Metz | BPLM | FR | 2M |
| | Caisse Nationale des Caisses D'Epargne et de Provoyance | Paris | CEPA | FR | PP |
| | Caisse d'Epargne et de Prevoyance de Lorraine | Metz | CEPA | FR | PP 575 |
| **Germany** | Dresdner Bank AG | Frankfurt | DRES | DE | FF |
| | Landesbank Hessen-Thüringen | Frankfurt | HELA | DE | FF |
| **Italy** | Cassa di Risparmio di Bolzano SpA | Bolzano | CRBZ | IT | 2B |
| **Japan** | Sumitomo Mitsui Banking Corporation | Tokyo | SMBC | JP | JT |
| **Luxembourg** | Banque et Caisse d´Epargne de l'Etat, Luxembourg | Luxembourg | BCEE | LU | LL |
| | Banque Générale du Luxembourg SA | Luxembourg | BGLL | LU | LL |
| **Norway** | DnB NOR Bank ASA | Oslo | UBNO | NO | KK |
| **Sweden** | Nordea Bank Schweden AB(publ.) | Stockholm | NDEA | SE | SS |
| **Schwitzerland** | Bank CIAL Schweiz | Basel | CIAL | CH | BB |
| **USA** | The Bank of New York | New York | IRVT | US | 3N |

# Annual financial statement as at 31. 12. 2003

## Assets

| | | EUR | EUR | EUR | 31. 12. 2002 EUR thousands |
|---|---|---|---|---|---|
| **1. Cash reserve** | | | | | |
| a) Cash on hand | | | 43,314,368.19 | | 44,502 |
| b) Credit with Deutsche Bundesbank | | | 188,420,236.91 | | 79,014 |
| | | | | 231,734,605.10 | 123,516 |
| **2. Public bonds and bills of exchange licensed with Deutsche Bundesbank for refinancing purposes** | | | | | |
| a) Treasury bills and non-interest-bearing treasury notes and similar public bonds | | | 0.00 | | 0 |
| b) Bills of exchange | | | 566,873.84 | | 1,961 |
| | | | | 566,873.84 | 1,961 |
| **3. Loans to banks** | | | | | |
| a) Due daily | | | 3,194,570.28 | | 3,637 |
| b) Other loans | | | 1,066,059,735.79 | | 1,194,733 |
| | | | | 1,069,254,306.07 | 1,198,370 |
| **4. Loans to customers** | | | | 2,957,196,468.56 | 3,065,338 |
| of which: those secured with liens on real estate | 1,077,481,662.40 EUR | | | | (1,073,583) |
| local government loans | 616,018,749.26 EUR | | | | (691,971) |
| **5. Bonds and other fixed-interest securities** | | | | | |
| a) Money market securities | | | | | |
| aa) From public issuers | | 0.00 | | | 0 |
| of which: those eligible as security for loans from Deutsche Bundesbank | 0.00 EUR | | | | (0) |
| ab) From other issuers | | 0.00 | | | 0 |
| of which: those eligible as security for loans from Deutsche Bundesbank | 0.00 EUR | | | | (0) |
| | | | 0.00 | | 0 |
| b) Debentures and bonds | | | | | |
| ba) From public issuers | | 107,890,966.79 | | | 140,420 |
| of which: those eligible as security for loans from Deutsche Bundesbank | 102,901,552.91 EUR | | | | (140,420) |
| bb) From other issuers | | 1,058,838,479.90 | | | 901,095 |
| of which: those eligible as security for loans | | | 1,166,729,446.69 | | 1,041,515 |
| from Deutsche Bundesbank | 853,523,878.18 EUR | | | | (880,929) |
| c) Own bonds | | | 2,289,884.44 | | 1,801 |
| | | | | 1,169,019,331.13 | 1,043,316 |
| Nominal amount | 2,229,087.66 EUR | | | | (1,757) |
| **6. Shares and other non-fixed-interest securities** | | | | 327,679,972.78 | 317,429 |
| **7. Equity investments** | | | | 31,810,926.79 | 32,281 |
| of which: | | | | | |
| in banks | 0.00 EUR | | | | (0) |
| in financial service companies | 0.00 EUR | | | | (0) |
| **8. Shares in affiliated/associated companies** | | | | 51,129.19 | 51 |
| of which: | | | | | |
| in banks | 0.00 EUR | | | | (0) |
| in financial service companies | 0.00 EUR | | | | (0) |
| **9. Trustee assets** | | | | 1,480,285.90 | 1,739 |
| of which: trustee loans | 1,480,285.90 EUR | | | | (1,739) |
| **10. Compensation claims vis-à-vis government incl. bonds from their exchange** | | | | 0.00 | 0 |
| **11. Intangible investments** | | | | 755,834.26 | 862 |
| **12. Fixed assets** | | | | 38,218,032.81 | 40,384 |
| **13. Other asset items** | | | | 22,496,249.36 | 20,338 |
| **14. Accruals and deferrals** | | | | 3,399,359.60 | 3,764 |
| **Total assets** | | | | 5,853,663,375.39 | 5,849,349 |

**Liabilities**

| | EUR | EUR | EUR | 31. 12. 2002 EUR thousands |
|---|---|---|---|---|
| **1. Liabilities to banks** | | | | |
| a) Due daily | | 102,406,949.66 | | 329,173 |
| b) With agreed term or period of notice | | 1,350,767,792.52 | | 1,268,039 |
| | | | 1,453,174,742.18 | 1,597,212 |
| **2. Liabilities to customers** | | | | |
| a) Savings deposits | | | | |
| aa) With agreed period of notice of three months | 1,602,139,600.33 | | | 1,549,707 |
| ab) With an agreed period of notice of in excess of three months | 355,005,750.34 | | | 368,513 |
| | | 1,957,145,350.67 | | 1,918,220 |
| b) Other liabilities | | | | |
| ba) Due daily | 720,625,100.71 | | | 674,679 |
| bb) With an agreed period of notice | 1,098,653,200.82 | | | 931,996 |
| | | 1,819,278,301.53 | | 1,606,675 |
| | | | 3,776,423,652.20 | 3,524,895 |
| **3. Certificated liabilities** | | | | |
| a) Bonds issued | | 213,520,286.54 | | 306,164 |
| b) other certificated liabilities | | 0.00 | | 0 |
| | | | 213,520,286.54 | 306,164 |
| of which: money market securities 0.00 EUR | | | | (0) |
| own bills of acceptance promissory notes in circulation 0.00 EUR | | | | (0) |
| **4. Trustee liabilities** | | | 1,480,285.90 | 1,739 |
| of which: trustee loans 1,480,285.90 EUR | | | | (1,739) |
| **5. Other liabilities** | | | 6,662,587.60 | 9,887 |
| **6. Accruals and deferrals** | | | 10,509,633.14 | 11,604 |
| **7. Allocations to reserves** | | | | |
| a) Reserves for pensions and similar commitments | | 9,549,222.00 | | 9,890 |
| b) Tax reserves | | 6,148,005.01 | | 4,253 |
| c) Other reserves | | 35,234,681.87 | | 29,101 |
| | | | 50,931,908.88 | 43,244 |
| **8. Special items with reserves share** | | | 0.00 | 0 |
| **9. Subordinated liabilities** | | | 90,796,882.01 | 115,954 |
| **10. Participatory capital** | | | 15,338,756.44 | 15,339 |
| of which: that due within less than two years 0.00 EUR | | | | (0) |
| **11. Fund for general banking risks** | | | 35,000,000.00 | 33,700 |
| **12. Equity** | | | | |
| a) Subscribed capital | | 0.00 | | 0 |
| b) Capital reserves | | 0.00 | | 0 |
| c) Profit reserves | | | | |
| ca) Contingency reserve | 188,744,342.17 | | | 180,942 |
| cb) Other reserves | 0.00 | | | 0 |
| | | 188,744,342.17 | | 180,942 |
| d) Net earnings | | 11,080,298.33 | | 8,669 |
| | | | 199,824,640.50 | 189,611 |
| **Total liabilities** | | | 5,853,663,375.39 | 5,849,349 |
| **1. Contingent liabilities** | | | | |
| a) Contingent liabilities from rediscounted bills of exchange | | 0.00 | | 0 |
| b) Liabilities from guarantee contracts | | 60,331,903.54 | | 65,463 |
| c) Liability for assets pledged as collateral security for third-party liabilities | | 23,233.35 | | 33 |
| | | | 60,355,136.89 | 65,496 |
| **2. Other liabilities** | | | | |
| a) Return commitments for unauthentic pension transactions | | 0.00 | | 0 |
| b) Placing and takeover commitments | | 0.00 | | 0 |
| c) Irrevocable loan agreements | | 39,487,066.62 | | 40,558 |
| | | | 39,487,066.62 | 40,558 |

# Profit and loss account for the 2003 financial year

| | EUR | EUR | EUR | 1.1.- 31. 12. 2002 EUR thousands |
|---|---|---|---|---|
| **1. Interest income from** | | | | |
| a) Loan and money market transactions | 217,345,094.06 | | | 229,469 |
| b) Fixed-interest securities and debt register claims | 47,102,511.12 | | | 59,962 |
| | | 264,447,605.18 | | 289,431 |
| **2. Interest expenditure** | | 154,650,486.40 | | 187,986 |
| | | | 109,797,118.78 | 101,445 |
| **3. Current income from** | | | | |
| a) Shares and other non-fixed-interest securities | | 13,590,719.28 | | (12,790) |
| b) Equity investment | | 1,111,973.72 | | (2,297) |
| c) Shares in affiliated/associated companies | | 0.00 | | (0) |
| | | | 14,702,693.00 | 15,087 |
| **4. Income from profit syndicates, profit allocation or partial profit allocation contracts** | | | 1,220,391.00 | 985 |
| **5. Commission income received** | | 20,550,262.06 | | (20,933) |
| **6. Commission expenditure** | | 2,106,234.57 | | (1,916) |
| | | | 18,444,027.49 | 19,017 |
| **7. Net income from financial transactions** | | | 444,974.45 | 209 |
| **8. Other operating income** | | | 3,757,776.12 | 3,336 |
| **9. Income from release of special items with reserves share** | | | 0.00 | 108 |
| | | | 148,366,980.84 | 140,187 |
| **10. General administrative costs** | | | | |
| a) Personnel costs | | | | |
| aa) Wages and salaries | 50,512,777.02 | | | (47,679) |
| ab) Social security deductions and expenditure on pension and support benefits | 15,626,553.03 | | | (14,841) |
| | | 66,139,330.05 | | (62,520) |
| of which: on old-age pensions 5,122,946.52 EUR | | | | (4,935) |
| b) Other administrative costs | | 26,504,508.43 | | (29,475) |
| | | | 92,643,838.48 | 91,995 |
| **11. Write-downs and allowances for bad debt on intangible assets and fixed assets** | | | 6,837,617.96 | 6,698 |
| **12. Other operating expenses** | | | 9,234,835.76 | 2,639 |
| **13. Write-downs and allowances for bad debt on loans and certain securities as well as allocations to reserves for lending operations** | | 17,110,368.24 | | (30,221) |
| **13a. Allocations to fund for general banking risks** | | | 1,300,000.00 | 33,700 |
| **14. Income from allocations to loans and certain securities as well as from the release of reserves for lending operations** | | 0.00 | | (0) |
| | | | 17,110,368.24 | 30,221 |
| **14a. Withdrawals from fund for general banking risks** | | | 0.00 | 0 |
| **15. Write-downs and allowances for bad debt on equity investments, shares in affiliated/associated companies and securities treated like fixed assets** | | 0.00 | | (0) |
| **16. Income from allocations to equity investments, shares in affiliated/associated companies and securities treated like fixed assets** | | 3,816,821.59 | | (451) |
| | | | 3,816,821.59 | 451 |
| **17. Expenditure from loss acceptance** | | | 0.00 | 0 |
| **18. Allocations to special items with reserves share** | | | 0.00 | 0 |
| **19. Result from normal business activities** | | | 25,057,141.99 | -24,615 |
| **20. Extraordinary income** | | 0.00 | | (36,875) |
| **21. Extraordinary expenditure** | | 0.00 | | (0) |
| **22. Extraordinary result** | | | 0.00 | 36,875 |
| **23. Tax on income** | | 13,751,871.43 | | (3,385) |
| **24. Other taxes provided they are not reported under Item 12** | | 224,972.23 | | (206) |
| | | | 13,976,843.66 | 3,591 |
| **25. Net earnings** | | | 11,080,298.33 | 8,669 |
| **26. Profit/Loss carried forward from previous year** | | | 0.00 | 0 |
| | | | 11,080,298.33 | 8,669 |
| **27. Withdrawals from profit reserves** | | | | |
| **a) From contingency reserve** | | 0.00 | | (0) |
| **b) From other reserves** | | 0.00 | | (0) |
| | | | 0.00 | 0 |
| **28. Allocations to profit reserves** | | | 0.00 | 0 |
| **a) To contingency reserve** | | 0.00 | | (0) |
| **b) To other reserves** | | 0.00 | | (0) |
| | | | 0.00 | 0 |
| **29. Net earnings 2003** | | | 11,080,298.33 | 8,669 |

# At a glance

| Item | Holdings 31. 12. 2003 EUR millions | Holdings 31. 12. 2002 EUR millions | 2003 Changes EUR millions | % |
|---|---|---|---|---|
| **Total assets** | **5,853.7** | **5,849.4** | **4.3** | **0.1** |
| **Funds received from customers** | **4,073.0** | **3,907.3** | **165.7** | **4.2** |
| Including: | | | | |
| Savings deposits | 1,957.2 | 1,918.2 | 39.0 | 2.0 |
| Non-certificated liabilities | 1,819.3 | 1,606.7 | 212.6 | 13.2 |
| Certificated liabilities | 213.5 | 306.2 | -92.7 | -30.3 |
| Subordinate liabilities | 67.7 | 60.9 | 6.8 | 11.2 |
| Participation capital | 15.3 | 15.3 | 0 | 0 |
| **Liabilities to banks** | **1,476.3** | **1,652.3** | **-176.0** | **-10.7** |
| Including: | | | | |
| Subordinate liabilities | 23.1 | 55.1 | -32.0 | -58.1 |
| **Other liabilities** | **129.9** | **132.0** | **-2.1** | **-1.6** |
| (including contingent liabilities and provisions) | | | | |
| **Equity capital** | **234.8** | **223.3** | **10.4** | **4.7** |
| (including fund for general banking risks) | | | | |
| **Loans to customers** | **3,019.6** | **3,134.5** | **-114.9** | **-3.7** |
| Including: | | | | |
| Loans to customers | 2,957.2 | 3,065.3 | -108.1 | -3.5 |
| Acceptance liability | 0.6 | 2.0 | -1.4 | -70.0 |
| Assets held in trust | 1.5 | 1.7 | -0.2 | -11.8 |
| Guarantee loans | 60.3 | 65.5 | -5.2 | -7.9 |
| **Loans to banks** | **1,069.3** | **1,198.4** | **-129.1** | **-10.8** |
| **Securities** | **1,496.7** | **1,360.7** | **136.0** | **10.0** |
| **Non-current assets** | **70.9** | **73.6** | **-2.7** | **-3.7** |
| **Other assets** | **257.5** | **147.6** | **109.9** | **74.5** |
| **Net income** | **11.1** | **8.7** | **2.4** | **27.6** |