

Personally Who is ... ?
Movers and Shakers
and on the Job
wishes & goals

The Finance Agency has a two-man team at the helm again: as from now Werner Gatzler will be steering the agency's fortunes on a par with fellow managing director Gerhard Schleif. At the beginning of May he took over



Werner Gatzler – A "civil servant in pinstripes and a credible intermediary between the market and the political sphere", says Germany's Finance Minister Hans Eichel.

that part of the management role that is not so much in the immediate public eye. However, how important his responsibilities are, and how much sensitivity and skill they require, are borne out by diverse media reports recently. Werner Gatzler aims to meet the challenges of his new position with determination and exhaustively. He places great store on fair play and close teamwork. He brings key qualifications for the job with him: the former law graduate has been with the Federal Revenue Administration for 18 years. He has been involved with the Finance Agency since it was set up in autumn 2000 and Federal Government borrowing fell within the purview of the department which he headed at the Federal Ministry of Finance. Gatzler's political skills were honed as Head of Political Staff under Germany's Finance Minister Hans Eichel from 2002. The latter's decision to send a strong man, in the person of Werner Gatzler, to Frankfurt was a good one – especially for the Finance Agency. BK

Successful issuance of Germany's first dollar-bond

Frankfurt am Main (FA). In close cooperation with a bank syndicate and after extensive preparations the Federal Government launched on May 24, 2005 its first US Dollar denominated bond and placed it among international investors. The main accomplishments: saving interest costs compared to Euro denominated bonds, broader investor base and greater flexibility in the choice of financing instruments.

The first "Dollar-Bund" was appreciated by international financial markets, allowing US-Dollar investors to diversify among premium SAS issuers (Sovereign Agency Supranationals). The strong demand became apparent when on May 23rd, 2005 the announced volume of "benchmark size" (Dollar 3 bn) was reached around 10 a.m. Frankfurt time soon after the books opened in Asia (9 a.m. Tokyo). Orders from central banks and other investors had reached Dollar 8 bn around

noon London time. The deal had an initial price indication of "mid teens" (around 15 bp or 0.15 % yield spread versus 5Y US Treasuries) and was refined to "T +12-15 area" by the afternoon. When the order book reached Dollar 12 bn a narrower price guidance of "+12 area" (corresponding to a range of 11 bp to 13 bp) was announced. Books in Europe and US were closed already on the same day, in Asia due to bank holidays on the following day. Finally 204 offers from 169 investors with 92%

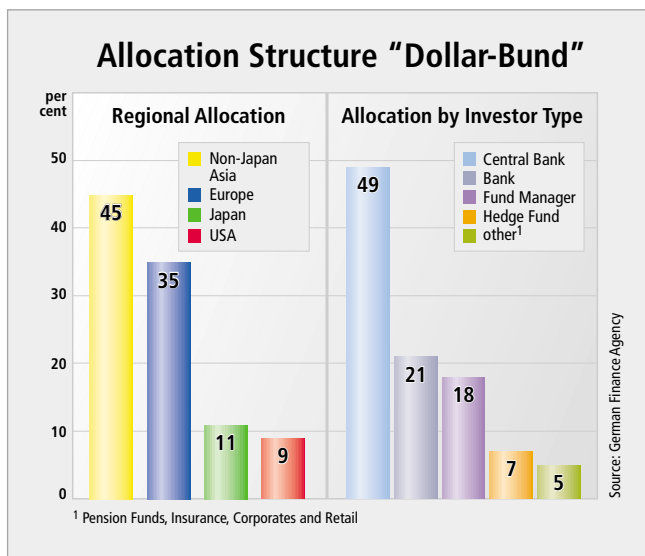
at reoffer were reached. The issuer and the lead managers agreed to price the bond at T +12, allowing some future secondary market performance. The parameters for the strategic allocation were quick-

ly made the deal the largest single bond issue seen in this high grade US-Dollar Sovereign / Supranational sector (excluding USTs and US Agencies).

Issuing this Federal government bond through bank syndications differs from the usual issuance practice via auctions. The reason for choosing a syndicated deal was the fact that such an issuance guarantees the placement and success of the transaction. The determining factors for the se-

lection of the managers were the placing power in the relative markets, regular participation in the auctions for German Government securities and therefore a prominent position in the ranking of the Auction Group Bund Issues as well as the advisory quality of the banks. Based on these criteria the Finance Agency developed, in coordination with the Ministry of Finance, an objective ranking method to mandate the lead managers Deutsche Bank, Morgan Stanley, Gold-

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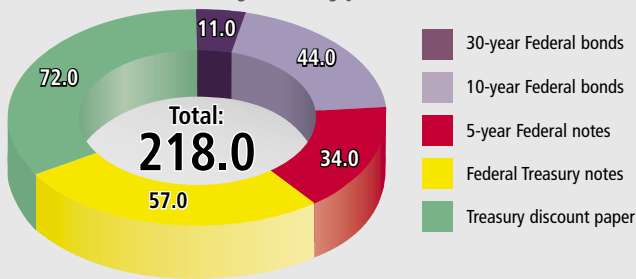


Issuance calendar 2005

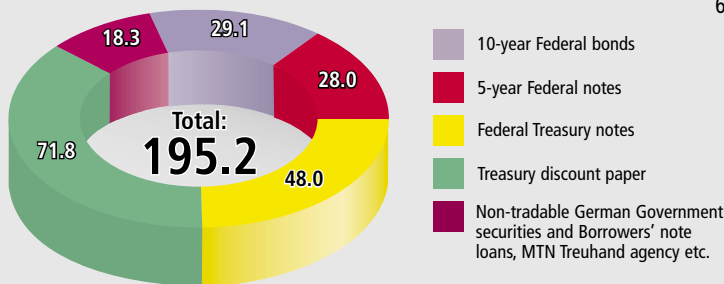
The Federal Government intends in 2005 probably

- to issue or reopen German Government securities of Euro 218 bn. A third (last year nearly a third) of the announced issues will have short-term maturity, nearly 42 per cent (42 per cent) have medium-term and about a quarter (a quarter) long-term maturity,
- to pay off German Government securities of Euro 195.2 bn and
- to spend Euro 39.5 bn on interest payments.

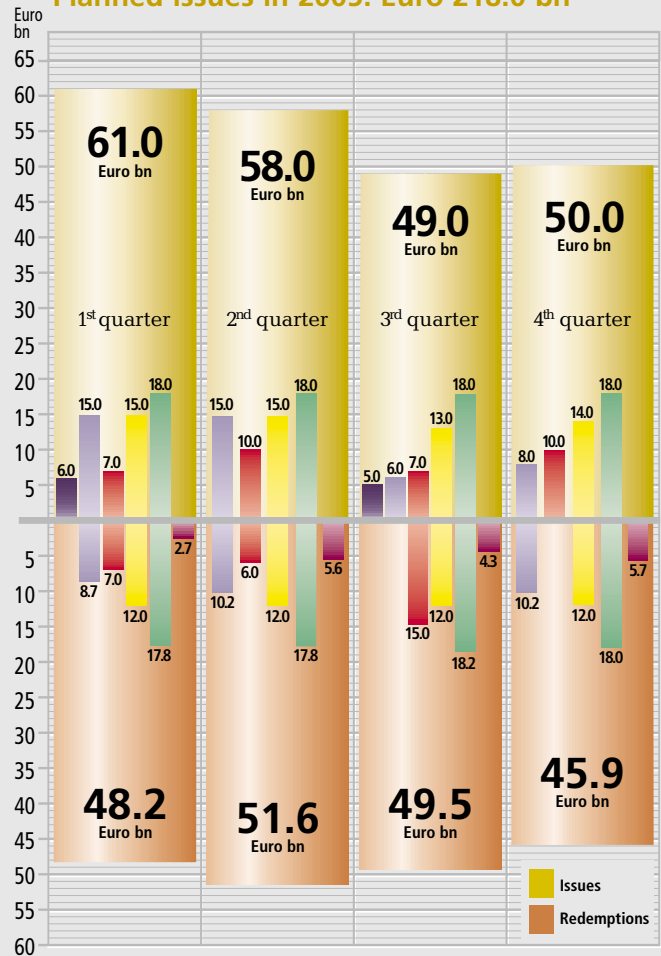
Planned issues by the type of instruments



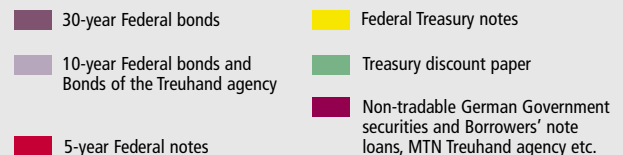
Redemptions by the type of instruments



Planned issues in 2005: Euro 218.0 bn



Redemptions in 2005: Euro 195.2 bn



As of: June 23, 2005



continued from page 1

man Sachs and the co-leads (ABN Amro, Bayerische Landesbank, Barclays, BNP Paribas, Citigroup, CSFB, Dresdner KW, JP Morgan, Merrill Lynch, Société Générale). For the bookbuilding the POT structure was chosen because of the greater transparency in the pricing process with open order book and a retention quota for the co-leads. The 144A format combined lower documentation requirements with the

aim of worldwide distribution also to QIBs (Qualified Institutional Buyers) in the United States.

As announced in advance the bond was combined with cross-currency swaps, thereby eliminating currency risk completely. The additional liquidity does not increase the Federal Gov-

ernment's borrowing. The charge on borrowing authorization limits was neutralized by secondary market activities in Euro denominated Federal securities. Market operations in the Federal dollar bond

are not intended by the Finance Agency or German Bundesbank. Bids will be quoted solely to support pricing at the Frankfurt Stock exchange.

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The new financing instrument of the Federal Government increases its flexibility as a borrower on the international financial markets. As the conditions of use depend on several constellations in the market segment it will not be part of the annual issuance preview. Even if there are no current plans for the next issuance this successful debut has paved the way to this market segment.

Cross-currency swaps eliminated currency risk

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www.deutsche-finanzagentur.de
periodically

Instruments for Borrowing

10- and 30-Year "Bunds" will still be issued with coupon dates of January 4 or July 4. Euro 6 bn of the new 30-year Federal Bond maturing in January 2037 were issued on January 26, 2005 and will be reopened on July 20 with a volume of Euro 5 bn. For the 10-year Federal Bond maturing in January 2015, one reopening auction with a volume of Euro 8 bn on January 5 was carried out. On February 23, 2005 another reopening auction followed with the volume of Euro 7 bn. The 10-year Federal Bond maturing in July 2015 was first issued on May 18 with a volume of Euro 8 bn and was reopened on June 29 in the size of Euro 7 bn and will be reopened on August 17 with Euro 6 bn. In November 2005 a new Federal Bond maturing in January 2016 with a volume of Euro 8 bn will be issued.

With 5-year "Bobs" the series 146 and 147 will be issued. On March 30, series 146 started with Euro 7 bn and were reopened on May 11 by Euro 5 bn. The second reopening of Euro 5 bn took place on June 22 followed by series 147 on September 21 with Euro 7 bn and reopenings by Euro 5 bn each in October and November 2005. The whole volume for each series will then be Euro 17 bn.

In the 2-year "Schätze" the securities with maturity December 2006 were reopened on January 19 by Euro 7 bn. New issues with a volume of Euro 8 bn took place on March 16 and on June 15. The March securities were reopened on April 13 by Euro 7 bn. The next new issue with a volume of Euro 8 bn will follow on September 14 and with Euro 7 bn in December. In each case the following month reopenings are planned with Euro 5 bn on July 13 and Euro 7 bn in October.

The auction of 6-month "Bubills" with a volume of Euro 6 bn will be continued on a monthly basis in 2005. The first auctions of 2005 took place on January 10, February 14, March 14, April 18, May 9, June 13 and July 11. The next auctions will take place on August 15 and September 12.

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Issuance calendar for the third quarter of 2005

The Federal Government intends in the third quarter of 2005 probably

- to issue or reopen German Government securities of around Euro 49 bn. Nearly 37 per cent of the announced issues have short-term maturity, nearly 41 per cent of the securities have medium-term and about 22 per cent have long-term maturity,
- to pay off German Government securities of Euro 49.7 bn and
- to spend Euro 15.1 bn on interest payments.

Issues in the third quarter of 2005

Security	Maturity	Bids /Allotments / Amount ^{1*}	Volume in Euro bn ²
Auction Date			
Treasury discount paper ("Bubill") ISIN DE000114817 / new issue	6 months 18.01.2006	10.6 / 4.9 / 1.1	6.0
Federal Treasury note ("Schatz") ISIN DE0001137107 / reopening	2 years 15.06.2007	13.07.2005	approx. 5
Federal bond ("Bund") ISIN DE0001135275 / reopening	30 years 04.01.2037	20.07.2005	approx. 5
Treasury discount paper ("Bubill") ISIN DE000114825 / new issue	6 months 15.02.2006	15.08.2005	approx. 6
Federal bond ("Bund") ISIN DE0001135283 / reopening	10 years 04.07.2015	17.08.2005	approx. 6
Treasury discount paper ("Bubill") ISIN DE000114833 / new issue	6 months 15.03.2006	12.09.2005	approx. 6
Federal Treasury note ("Schatz") ISIN DE0001137115 / new issue	2 years 14.09.2007	14.09.2005	approx. 8
Five-year Federal note ("Bobl") series 147 ISIN DE0001141471 / new issue	5 years 08.10.2010	21.09.2005	approx. 7

Total volume of issues: approx. Euro 49 bn

¹ in Euro bn ^{1*}... set aside for secondary market operations ² including the amount set aside for secondary market operations

Redemptions in the third quarter of 2005

Security	ISIN	Maturity	Volume in Euro bn
Currency conversion Equalisation Fund	DE0001026003	01.07.2005	1.1
Bubill January 2005	DE000114759	13.07.2005	6.0
Bubill February 2005	DE000114767	17.08.2005	6.0
5.00 % Bobl series 136 of 2000	DE0001141364	19.08.2005	15.0
Bubill March 2005	DE000114775	14.09.2005	6.0
2.50 % Schatz of 2003	DE0001137032	16.09.2005	12.0
Non-tradable German Government securities ¹ and Borrowers' note loans ²			3.6

Total redemptions: Euro 49.7 bn

¹ Federal savings notes Euro 0.4 bn, Treasury financing paper Euro 0.3 bn ² Borrowers' note loans Euro 2.9 bn



Tip: The issuance calendar for the fourth quarter of 2005 may be obtained in the third ten-day period of September 2005 at www.deutsche-finanzagentur.de - "Press services" - "Press releases".



30-year Federal bonds ("Bunds")



10-year Federal bonds ("Bunds")



5-year Federal notes ("Bobs")



2-year Federal Treasury notes ("Schätze")

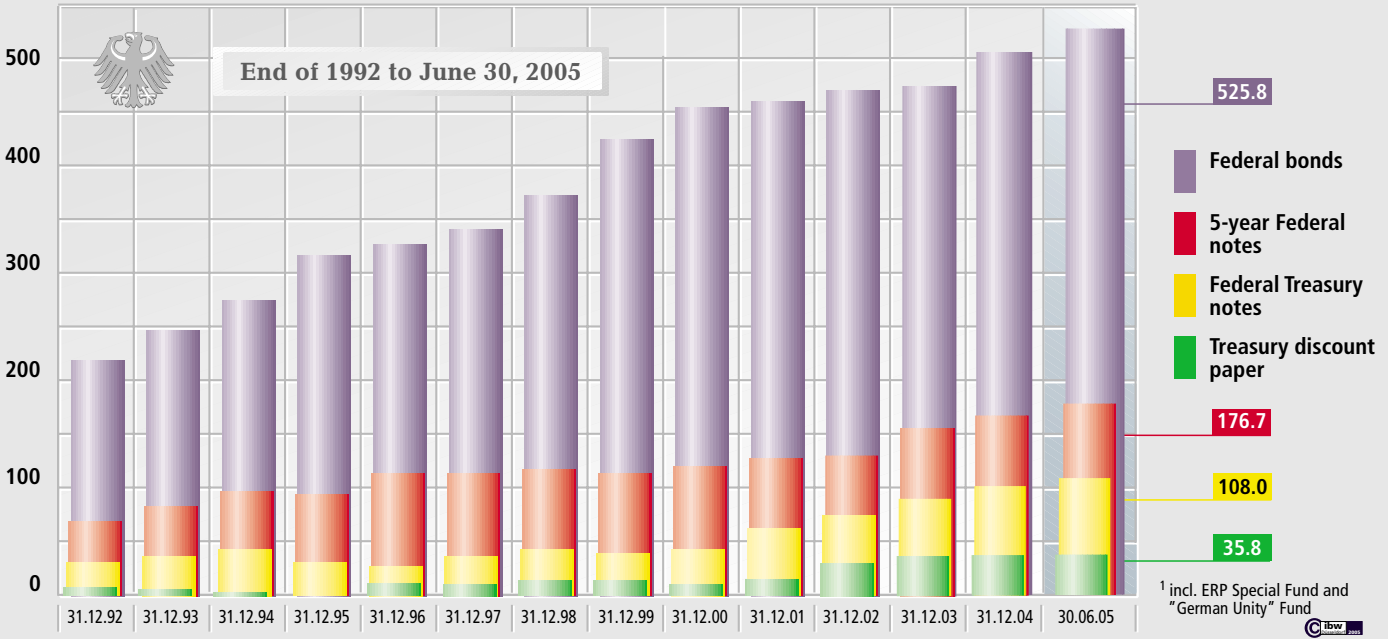


6-month Treasury discount paper ("Bubills")



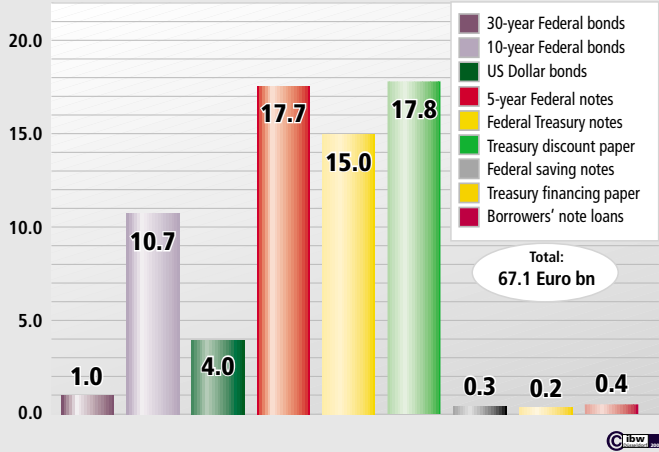
Debt of the Federal Government and its special funds¹ in tradable German Government securities

550 Euro bn



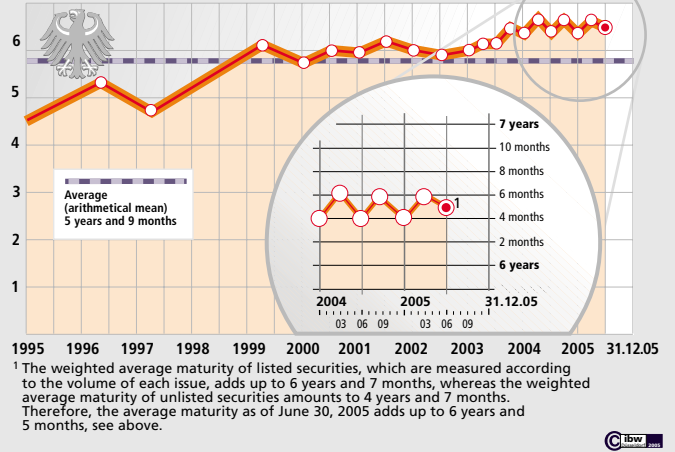
Gross borrowing by the Federal Government in the second quarter of 2005

Euro bn



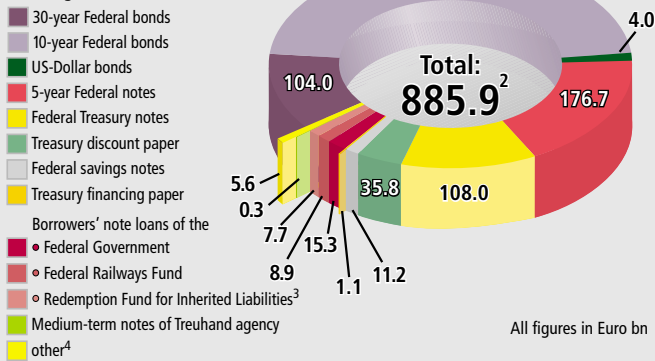
Maturity of debt outstanding

years



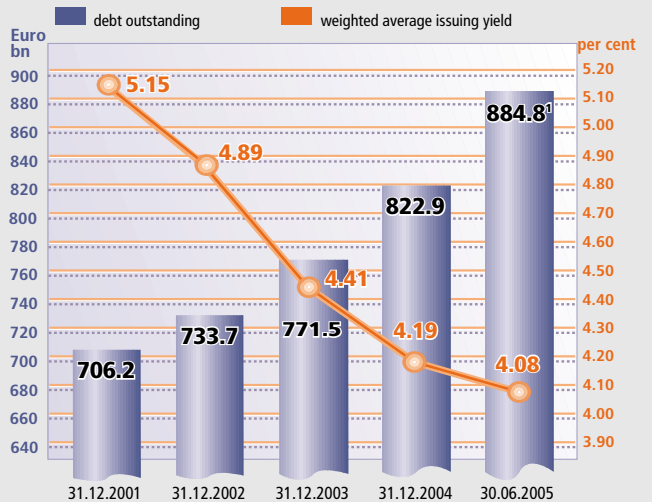
Total debt outstanding¹ on June 30, 2005

Financing instruments



¹ Including all outstanding debt of the Treuhand agency, "German Unity" Fund and all equalisation claims of the Currency Conversion Equalisation Fund; without ERP and Indemnification Fund
² Including the special funds ERP and Indemnification Fund of up to Euro 17.6 bn and without own holdings of up to Euro 30.6 bn results a total debt of Euro 872.9 bn (provisional figures of Federal Securities Administration as of 30.06.05)
³ Included: Treuhand agency
⁴ Equalisation claims, outstanding debt of the Treuhand agency, etc.

Issuing yield of debt outstanding



¹ Not included: Outstanding debt of Euro 1.1 bn, which is not managed by the Federal Securities Administration