

## Press and Investor Relations Release

### DEPFA BANK Raises Dividend by 47%

- Net profit of € 475 m in 2005, important changes in Management -

Dublin/Frankfurt, 14 February 2006.

DEPFA BANK plc today released its preliminary full year 2005 results. The net profit of € 475 m for the full year is 11% below the previous year's level which was enhanced by a one-time net profit of € 50 m. Investments in new products and the expansion of the regional presence were a prominent feature of 2005. Dividend will be raised from 17 to 25 cents per share (+47%). Segment reports are published for the first time. Business is divided into Budget Finance, Infrastructure Finance, Client Product Services (CPS) and Global Markets. In 2005 Budget Finance advanced to € 351 m (+18%) while Global Markets declined to € 316 m (-29%). For the segments Budget Finance, Infrastructure Finance and Client Product Services DEPFA expects double-digit growth-rates in 2006. Overall a net return on equity of 20-25% is targeted. DEPFA has established a new Risk Committee of the Board of Directors, which is headed by Thomas Kolbeck who is stepping down from his position as Deputy CEO. Matthias Mosler has taken over as Deputy CEO. Rolf Hengsteler, Member of the Executive Committee, has become the Chief Risk Officer (CRO) of the Group.

Total revenues in the **fourth quarter of 2005** reached € 178 m. A very positive development was the net interest income result in the final quarter which totalled € 116 m and thus proved to be the best quarter in the year. Net commission income reached € 6 m, which also signified progress against each of the first three quarters of the year as well as against the final quarter of 2004. The negative trading result of € 4 m in the final quarter was disappointing. Income from sale of assets totalled € 60 m. The strong result from the comparative period of 2004 of € 179 m has to be seen in the context of the sale process of the Pfandbriefbank in which a portion of unrealised reserves in the loan portfolio of € 85 m was realised as a preparatory measure. Administrative expenditure of € 57 m was slightly above the trend of the first three quarters of the year. Impairment losses of € 3 m were booked in Q4, relating to a specific provision of € 3 m on an infrastructure financing loan in Germany. After deduction of taxes totalling € 20 m the net profit for the 4th quarter amounted to € 98 m.

In **full year 2005** total revenues stood at € 814 m which corresponds to a small decline of 2.7% over the previous year. Net interest income of € 422 m improved only marginally compared to the previous year even though the financing volume grew by 16.5 %. One reason for this was the considerable amount of high-margin bonds and loans that were placed in the secondary markets, which on the one hand led to a strong income from sale of assets result but on the other hand put pressure on income derived from interest bearing assets. In light of the further narrowing of credit spreads over the past year this was a perfectly sound, market-based strategy. Two other main reasons for the underproportionate increase in net interest income were short positions in the Emerging Markets trading which led to considerable carry costs as well as a flattening of the yield curve.

Net commission income increased by € 1 m to € 20 m; this item includes income from liquidity facilities in the US, fees from arranging and structuring loans as well as from advisory services. The trading loss of € 115 m arose largely as a result of written options and could be more than offset by gains from the sale of assets, which reached € 480 m. Total expenditure rose by 18.1% to € 215 m over the previous year due to investments in new products and regions and primarily reflects higher staff levels. These investments will already be helping to engineer a marked contribution to revenues of the bank in the current financial year. The cost income ratio stood at 26.5%.

The following describes each of the individual **new segments** of DEPFA in more detail:

The **Budget Finance** segment incorporates the traditional public finance lending business of DEPFA in the form of bond and loan financing with public sector authorities. The bank does not take any interest rate risks within this segment. The segment therefore includes only the interest income from business with borrowers of high quality and profits from sale of assets as a result of portfolio optimisation. Net interest income grew by € 26 m or 9.2% in 2005 and represents 73% of total net interest income. Non interest revenues are mainly a result of optimizing the overall portfolio. In 2005 DEPFA could further capitalise on its market leadership in its markets. New commitments reached another new record of € 90 bn; the public finance volume amounted to € 186 bn at end-December 2005. DEPFA sees the most promising growth potential in the new EU accession countries where its presence since the mid-1990s and now well developed client relationships are bearing fruit. A further growth market is the United States: DEPFA's public finance business has grown rapidly and after only two and a half years volume stood at € 27.6 bn. Income before taxes in the Budget Finance segment totalled € 351 m in 2005, up 17.8%. DEPFA anticipates that two-digit growth in the pre-tax profit line will continue into 2006.

<i>Preliminary</i>	<b>2005</b>	<b>2004</b>	<b>Variance</b>	
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>%</b>
<b>Net Interest Income</b>	309	283	26	9.2
<b>Non Interest Revenues</b>	127	87	40	46.0
<b>Total Revenues</b>	<b>436</b>	<b>370</b>	<b>66</b>	<b>17.8</b>
<b>Total Expenditure</b>	<b>-85</b>	<b>-72</b>	<b>-13</b>	<b>18.1</b>
<b>Income before Taxes</b>	<b>351</b>	<b>298</b>	<b>53</b>	<b>17.8</b>
<b>Balance Sheet:</b>				
<b>Year End Volume</b>	<b>185,978</b>	<b>147,040</b>	<b>38,938</b>	<b>26.5</b>
<b>Avg. Equity</b>	<b>1,111</b>	<b>796</b>	<b>315</b>	<b>39.6</b>
<b>Ratios:</b>				
<b>Cost Income Ratio</b>	<b>19%</b>	<b>19%</b>		
<b>RoE (pre Tax)</b>	<b>32%</b>	<b>37%</b>		

**Infrastructure Finance** relates to financing of infrastructure projects. DEPFA focuses on essential infrastructure i.e. roads, bridges, tunnels and public buildings. Given general pressure on public finances and performance the Public Private Partnership model is becoming increasingly popular and is proving to be one of the growth drivers of DEPFA. In 2005 DEPFA closed 21 transactions, helping to increase the volume of commitments to € 2.9 bn. Apart from the established markets in the UK and Southern Europe increasing opportunities beckon in Japan, France, Central and Eastern Europe as well as in the burgeoning United States market where DEPFA is well positioned. As with the Budget Finance segment Infrastructure Finance does not contain any interest rate risks. Due to a provision of € 3 m income before taxes fell to € 8 m (from € 14 m in the previous year). DEPFA expects this segment to post a significant increase in profits in 2006.

<i>preliminary</i>	<b>2005</b>	<b>2004</b>	<b>Variance</b>	
	€m	€m	€m	%
<b>Net Interest Income</b>	20	19	1	5.3
<b>Non Interest Revenues</b>	<u>5</u>	<u>4</u>	<u>1</u>	25.0
<b>Total Revenues</b>	<b>25</b>	<b>23</b>	<b>2</b>	<b>8.7</b>
<b>Total Expenditure</b>	<b>-14</b>	<b>-9</b>	<b>-5</b>	<b>55.6</b>
<b>Loan Loss Provisions</b>	<b>-3</b>	<b>0</b>	<b>-3</b>	<b>100.0</b>
<b>Income before Taxes</b>	<b>8</b>	<b>14</b>	<b>-6</b>	<b>-42.9</b>
<b>Balance Sheet:</b>				
<b>Year End Volume</b>	<b>2,894</b>	<b>2,267</b>	<b>627</b>	<b>27.7</b>
<b>Avg. Equity</b>	<b>113</b>	<b>107</b>	<b>6</b>	<b>5.6</b>
<b>Ratios:</b>				
<b>Cost Income Ratio</b>	<b>64%</b>	<b>39%</b>		
<b>RoE (pre Tax)</b>	<b>7%</b>	<b>13%</b>		

**Client Product Services** was established in 2005 and has been progressively strengthened throughout the year. This area of business comprises various forms of balance sheet financing as well as off-balance sheet products and services that provide a special added value for the client. This segment relates specifically to derivative products, structured transactions, securitisation and advisory services. An additional product that will be marketed from this year onwards is Guaranteed Investment Contracts (GICs), which are specific to the U.S. market. Considerable investments have been made in this segment and initial results are very encouraging. Total revenues amounted to € 22 m and income before taxes showed a small profit of € 6 m. DEPFA expects this segment to show the highest profit growth rates in the years to come.

<i>preliminary</i>	<b>2005</b>	<b>2004</b>	<b>Variance</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Net Interest Income</b>	1	0	1
<b><u>Non Interest Revenues</u></b>	<u>21</u>	<u>0</u>	<u>21</u>
<b>Total Revenues</b>	<b>22</b>	<b>0</b>	<b>22</b>
<b>Total Expenditure</b>	<b>-16</b>	<b>-5</b>	<b>-11</b>
<b>Income before Taxes</b>	<b>6</b>	<b>-5</b>	<b>11</b>
<b><u>Balance Sheet:</u></b>			
<b>Avg. Equity</b>	<b>24</b>	<b>0</b>	<b>24</b>
<b><u>Ratios:</u></b>			
<b>Cost Income Ratio</b>	<b>73%</b>	<b>n/a</b>	
<b>RoE (pre Tax)</b>	<b>25%</b>	<b>n/a</b>	

**Global Markets** consists of DEPFA's loan and bond books with some kind of market positioning and the Group's trading activities that benefit from the knowledge DEPFA gains in its core businesses. These activities provide an additional source of profits and are a means of optimising revenues. In addition, DEPFA is increasingly trading Credit Default Swaps that are generated from its client base. Results from trading activities fell well short of the company's expectations in 2005. Set against this, profits from the placement and sales of assets were very healthy as DEPFA took full advantage of falling interest rates and narrowing credit spreads.

<i>Preliminary</i>	<b>2005</b>	<b>2004</b>	<b>Variance</b>	
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>%</b>
<b>Net Interest Income</b>	102	154	-52	-33.8
<b><u>Non Interest Revenues</u></b>	<u>248</u>	<u>325</u>	<u>-77</u>	<u>-23.7</u>
<b>Total Revenues</b>	<b>350</b>	<b>479</b>	<b>-129</b>	<b>-26.9</b>
<b>Total Expenditure</b>	<b>-34</b>	<b>-35</b>	<b>1</b>	<b>-2.9</b>
<b>Income before Taxes</b>	<b>316</b>	<b>444</b>	<b>-128</b>	<b>-28.8</b>
<b><u>Balance Sheet:</u></b>				
<b>Year End Volume</b>	<b>11,116</b>	<b>8,994</b>	<b>2,122</b>	<b>23.6</b>
<b>Avg. Equity</b>	<b>504</b>	<b>559</b>	<b>-55</b>	<b>-9.8</b>
<b><u>Ratios:</u></b>				
<b>Cost Income Ratio</b>	<b>10%</b>	<b>7%</b>		
<b>RoE (pre Tax)</b>	<b>63%</b>	<b>79%</b>		

Besides consolidation items the **Corporate Centre** of DEPFA contains overhead costs, project costs as well as the residual property portfolio of the Pfandbriefbank. The segment recorded a deficit of € 85 m before taxes. (vs. € -96 m in 2004).

<i>preliminary</i>	<b>2005</b>	<b>2004</b>	<b>Variance</b>	
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>%</b>
<b>Net Interest Income</b>	-10	-39	29	-74.4
<b>Non Interest Revenues</b>	-9	4	-13	-325%
<b>Total Revenues</b>	<b>-19</b>	<b>-35</b>	<b>16</b>	<b>-45.7</b>
<b>Total Expenditure</b>	<b>-66</b>	<b>-61</b>	<b>-5</b>	<b>8.2</b>
<b>Income before Taxes</b>	<b>-85</b>	<b>-96</b>	<b>11</b>	<b>-11.5</b>
<b>Balance Sheet:</b>				
<b>Year End Volume</b>	<b>5,371</b>	<b>10,248</b>	<b>-4,877</b>	<b>-48.0</b>
<b>Avg. Equity</b>	<b>321</b>	<b>145</b>	<b>176</b>	<b>121.0</b>

The high growth rates of recent years have made DEPFA into a major player in the international capital markets. DEPFA's stature in the markets and scale of its activities have grown to such an extent that appropriate structural improvements in its **risk governance** framework were made. A Risk Committee of the Board has been established to monitor all relevant risk areas.

**Thomas Kolbeck** has stepped down from his position as Deputy CEO and is taking on the task of chairing the Risk Committee as a non-executive Director. The Board of Directors of DEPFA BANK would expressly like to thank Thomas Kolbeck for his outstanding contribution over the past nine years in the main executive decision-making bodies of DEPFA where he has been a driving force behind the bank's emergence as one of the world's leading banks for public finance. His name is synonymous with the build-up of Investment Banking and Infrastructure Finance as well as with the strategic positioning of the bank after it became a specialist public finance institution in 2002. As Vice-Chairman Thomas Kolbeck will continue to serve the bank in a senior capacity.

The new Deputy CEO is **Matthias Mosler**, who has been a member of the Executive Committee of DEPFA since October 2005 and is responsible for the areas of Infrastructure Finance and Client Relationship Management.

The Risk Controlling Structure on the Executive side is strengthened by the creation of the new position of a Chief Risk Officer, responsible for monitoring all the Group's risks. **Rolf Hengsteler**, Member of the Executive Committee, has taken up this function.

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**DEPFA BANK plc: unaudited group figures fourth quarter 2005 according to IFRS**

<b>Earnings</b>	<b>Q4 2005</b> € m	<b>Q4 2004</b> € m	<b>Change</b> %
Net interest income	116	99	17.2%
Net fee and commission income	6	4	50.0%
Net trading income	-4	-28	
<i>of which from securities &amp; derivatives</i>	-9	-2	
<i>of which derivatives valuation</i>	5	-26	
Gains less losses from investment securities	60	179	
Other operating income	0	2	
<b>Net operating income before impairment losses</b>	<b>178</b>	<b>256</b>	<b>-30.5%</b>
Impairment losses on loans and advances	-3	0	
<b>Net operating income</b>	<b>175</b>	<b>256</b>	<b>-31.6%</b>
Operating expenses	-57	-55	3.6%
<i>of which Personnel expenditure</i>	-33	-28	17.9%
<i>of which other administrative expenditures</i>	-20	-17	17.6%
<i>of which Depreciation &amp; Amortisation</i>	-2	-1	100.0%
<i>of which other expenditure</i>	-2	-9	-77.8%
<b>Profit before income tax</b>	<b>118</b>	<b>201</b>	<b>-41.3%</b>
Income tax expenses	-20	-45	-55.6%
<b>Profit for the year</b>	<b>98</b>	<b>156</b>	<b>-37.2%</b>
<b>Key ratios</b>			
Cost/Income ratio	32.6%	21.5%	
<b>Key balance sheet items</b>	<b>31.12.2005</b>	<b>31.12.2004</b>	
Public Finance Volume	202,970	164,819	23.1%
of which drawn (incl. public sector related)	181,499	154,453	17.5%
of which undrawn	21,471	10,366	107.1%

**DEPFA BANK plc: unaudited group figures full year 2005 according to IFRS**

<b>Earnings</b>	<b>2005</b>	<b>2004</b>	<b>Change</b>
	<b>€ m</b>	<b>€ m</b>	<b>%</b>
Net interest income	422	417	1.2%
Net fee and commission income	20	19	5.3%
Net trading income	-115	41	
<i>of which from securities and derivatives</i>	-105	62	
<i>of which derivatives valuation</i>	-10	-21	
Gains less losses from investment securities	480	357	34.5%
Other operating income	7	3	133.3%
<b>Net operating income before impairment losses</b>	<b>814</b>	<b>837</b>	<b>-2.7%</b>
Impairment losses on loans and advances	-3	0	
<b>Net operating income</b>	<b>811</b>	<b>837</b>	<b>-3.1%</b>
Operating expenses	-215	-182	18.1%
<i>of which Personnel expenditure</i>	-132	-101	30.7%
<i>of which Other administrative expenditure</i>	-72	-55	30.9%
<i>of which Depreciation &amp; Amortisation</i>	-9	-7	28.6%
<i>of which Other expenditure</i>	-2	-19	-89.5%
<b>Profit before income tax</b>	<b>596</b>	<b>655</b>	<b>-9.0%</b>
Income tax expenses	-121	-119	1.7%
<b>Profit of the year</b>	<b>475</b>	<b>536</b>	<b>-11.4%</b>
Minority Interest income	0	-2	-100.0%
<b>Group net income</b>	<b>475</b>	<b>534</b>	<b>-11.0%</b>

<b>Balance Sheet Items</b>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
	<b>€ m</b>	<b>€ m</b>	
Public Finance Volume	202,970	164,819	23.1%
of which drawn (incl. public sector related)	181,499	154,453	17.5%
of which undrawn	21,471	10,366	107.1%
Shareholder's Capital	2,282	1,864	22.4%
Total Assets	228,734	190,101	20.3%
<b>Key Ratios</b>	<b>2005</b>	<b>2004</b>	
Cost / Income Ratio	26.5%	21.7%	
Earnings per share accord. to IFRS in €	1.39	1.56	-11.0%
RoE after Taxes	22.9%	33.2%	