

Press and Investor Relations Release

DEPFA BANK plc will sell its German subsidiary Deutsche Pfandbriefbank AG to support further international expansion

Dublin / Frankfurt, 1 March 2004

DEPFA BANK plc, the Dublin based public finance bank, has decided to sell its German subsidiary Deutsche Pfandbriefbank AG. DEPFA anticipates closing the sale by the end of Q3 2004. The transaction will allow DEPFA to optimise its Group structure and free up capital for its worldwide expansion. The offering will be of considerable interest to potential buyers, since Deutsche Pfandbriefbank is a highly efficient, profitable and focused public finance institution. Moreover it represents a very competitive platform for short- and long-term funding based on its prime acceptance in the money and capital markets.

The transaction will permit DEPFA to de-leverage its balance sheet and as a consequence strengthen its rating in the medium term. The transaction will also allow DEPFA to further optimize and diversify its portfolio internationally. DEPFA will continue to cover German clients from a representative office in Frankfurt.

DEPFA BANK plc owns 98.25% of Deutsche Pfandbriefbank. A squeeze out of the remaining 1.75% of the shares will be cleared at the shareholder meeting in May this year.

In 2003 Deutsche Pfandbriefbank represented 54% of the Group's total assets. Core capital of € 1.3 bn is tied up in its German business operations. This capital will be freed for the planned expansion outside Germany, e.g. into the U.S. public finance market.

A precondition of the sale has been the success of the Irish Asset Covered Securities. DEPFA ACS Bank has proven its ability to issue asset covered securities at equivalent sizes and levels as the Pfandbriefbank. In future the long-term funding of DEPFA will be concentrated in DEPFA ACS BANK. This in turn will increase DEPFA's cost-efficiency. The outstanding covered security volume of ACS BANK will more than double in 2004 to ca. € 25 bn.

The M&A environment for the banking industry is favourable at present. Deutsche Pfandbriefbank is the market leader in the German public finance business and a first-class funding platform. The transaction is based on a typical M&A situation where one part of a Group is able to deliver more value to a third party than to the Group itself.

DEPFA BANK plc expects its shareholder equity to increase from € 1.4 bn at the end of 2003 to ca. € 1.8 bn at the end of 2004 through retained earnings. The sale of Pfandbriefbank will lead to an additional one-time profit and a further increase in core capital.

Excluding this one-time profit DEPFA foresees a net operational profit of over € 400 m for 2004 and further double-digit growth in its operational results for 2005.

Company profile:

DEPFA BANK plc is a leading provider of global financial services to the public sector clients worldwide. It is a Dublin-based public limited company, incorporated under Irish law, with a network of subsidiaries and branch offices across Europe, as well as in the US, Japan and Hong Kong. DEPFA's products and services cover the entire range of the public sector's financing needs, from budget financing to the funding of public infrastructure products and investment banking solutions for public-sector authorities. Thanks to the clear focus of its business model DEPFA BANK enjoys a prominent position in an attractive market segment.

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Contacts:

Equity Investors

Hanno Strube
Phone: +49 69 5006-2020
Hanno.Strube@depfa.com

Equity Investors

Marc Towner
Phone: +49 69 5006-2077
Marc.Towner@depfa.com

Media Relations

Henrik Hannemann
Phone: +49 69 5006-2189
Henrik.Hannemann@depfa.com

Fixed Income Investors

Capital Markets
Wally Höfer-Neder
Phone: +49 69 5006-2218
Wally.hoefer-neder@depfa.com

Fixed Income Investors

Sales
Jackie Hughes
Phone: +353 1 672 0781
Jackie.Hughes@depfa.com

Fixed Income Investors

Money Markets
Brian Farrell
Phone: +353 1 672 0751
brian.farrell@depfa.com