

## Press and Investor Relations Release

### DEPFA BANK clearly on track to reach its full year target

Dublin / Frankfurt, 3 August 2005.

DEPFA BANK plc released its second quarter results 2005 today. In the second quarter net income totalled € 126 m, taking the overall first half profit to € 246 m and means DEPFA reiterates its guidance of a full year profit of approximately € 500 m. Strong generation of new business and very encouraging developments in new product areas helped buoy the second quarter result. However, volatility in the bond markets in the second quarter had a negative effect on the trading result but this was more than outweighed by an excellent result from the placement of assets. The return on equity amounted to 25% after taxes and is thus at a level which is well in excess of DEPFA's medium term target of 20%. Shareholders' equity of DEPFA Group has now breached the € 2 bn mark.

Total revenues in the second quarter rose significantly by 13.2% year-on-year to € 214 m. Total net interest income including interest attributable to trading totalled € 106 m, which is roughly in line with the quarterly average reported over the past four quarters. Net commission income went down by € 8 m to € 12 m. Income from sale of assets registered a very large increase to € 292 m. Of this amount € 96 m came from gains realised from favourable changes in credit spreads as well as from a rebalancing of the portfolio. The remaining € 196 m must from a purely economic standpoint be seen as an offsetting item for the negative trading result. The trading result of € - 196 m can be explained by the following factors:

- € 125 m of losses originated from a strategy, which has been regularly employed in the past, aimed at generating additional revenues from premiums. This involves selling options relating to the public finance portfolio, which in times of stable interest rates brings in additional revenues. The sharp fall in interest rates in the second quarter, however, caused the market value of these positions to drop, but at the same time this was more than offset by gains from the corresponding sub portfolio. The result from the valuation of derivatives according to FAS 133 of € - 19 m is also

connected with corresponding fair value rises in assets. Overall, the growth in the fair value of the sub portfolio amounted to € 196 m which was reported in income from sale of assets. It has not been a case of tapping into so called 'hidden reserves' given that the fair value of the bank has not gone down as a result of these transactions.

- Due to volatile conditions in the bond markets DEPFA BANK suffered losses of € 52 m in own trading activities. Of this amount € 22 m related to emerging markets bond trading and € 30 m was attributable to financial instruments whose valuation levels are dependent on margins of sovereign bonds in certain European countries.

New business volumes reached a new record level in the second quarter, totalling € 26 bn. The most important markets for new business were Italy (€ 5.6 bn), Germany (€ 4.5 bn) and the US (€ 3.6 bn). The total public sector finance portfolio stood at € 165 bn at the end of June 2005 (+ 8.0% vs end-2004).

Personnel and other administrative expenditure rose by 24.4% y-o-y to € 51 m; the cost/income ratio of 23.8% is still within DEPFA's target range. The rise in costs is a result of DEPFA's drive to grow the product base and expand its geographic coverage. On the other hand when compared with the previous quarter administrative expenditure was down slightly by 3.8% and is in line with the bank's forecast for the full year of approximately € 200 m.

Investments in new products and geographic expansion, which are being made over the course of this year, will lead to a significant improvement in profits in 2006 giving DEPFA BANK cause to reiterate its profit guidance of approximately € 600 m.

The extraordinary shareholders' meeting of DEPFA BANK plc of 22 July 2005 approved the control agreement between DEPFA BANK plc and DEPFA Deutsche Pfandbriefbank which will facilitate the reintegration of the Pfandbriefbank back into the Group's organisational structure.

Company profile:

DEPFA BANK plc is a leading provider of financial services to 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 projects and investment banking solutions for public-sector authorities.

**WKN:** 765818 / **ISIN:** IE 0072559994  
**Exchange listing:** Frankfurt (MDAX)  
**Quote symbols:** DEPF.DE (REUTERS), DEP GR (Bloomberg)

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**DEPFA BANK plc: group figures in Q 2 2005 (US-GAAP)**

<b>Revenues</b>	<b>Q2 2005 EUR mn</b>	<b>Q2 2004 EUR mn</b>	<b>Change</b>
Extended net interest income	106	104	1.9%
Net commission income	12	20	-40.0%
Income from sale of assets	292	8	
Trading result	-196	57	
<i>of which securities and derivatives trading</i>	-177	66	
<i>of which valuation of derivatives</i>	-19	-9	
<b>Total revenues</b>	<b>214</b>	<b>189</b>	<b>13.2%</b>
Personnel expenditure	-31	-24	29.2%
Other administrative expenditure	-17	-15	13.3%
Depreciation of property and equipment	-3	-2	50.0%
<b>Administrative expenditure</b>	<b>-51</b>	<b>-41</b>	<b>24.4%</b>
Other income and expenditure	1	-3	
<b>Group net income before taxes</b>	<b>164</b>	<b>145</b>	<b>13.1%</b>
Income taxes	-38	-16	137.5%
<b>Group net income after taxes</b>	<b>126</b>	<b>129</b>	<b>-2.3%</b>
Minority interest income	-	-1	
<b>Group net income</b>	<b>126</b>	<b>128</b>	<b>-1.6%</b>
<b>Portfolio</b>	<b>30 Jun 2005 EUR mn</b>	<b>31 Dec 2004 EUR mn</b>	<b>Change</b>
Public sector financing	164,964	152,802	8.0%
Shareholders' equity	2,017	1,903	6.0%
Total assets	221,313	190,418	16.2%
<b>Key figures</b>	<b>Q2 2005</b>	<b>Q2 2004</b>	<b>Change</b>
Cost/income ratio	23.8%	21.7%	
Earnings per share (US-GAAP) (€)	0.37	0.37	0.0%
RoE after taxes	25.2%	32.8%	

**DEPFA BANK plc: group figures for H 1 2005 (US-GAAP)**

<b>Revenues</b>	<b>H1 2005 EUR mn</b>	<b>H1 2004 EUR mn</b>	<b>Change</b>
Extended net interest income	218	211	3.3%
Net commission income	22	41	-46.3%
Income from sale of assets	327	105	
Trading result	-160	25	
<i>of which securities and derivatives trading</i>	-145	24	
<i>of which valuation of derivatives</i>	-15	1	
<b>Total revenues</b>	<b>407</b>	<b>382</b>	<b>6.5%</b>
Personnel expenditure	-67	-46	45.7%
Other administrative expenditure	-32	-26	23.1%
Depreciation of property and equipment	-5	-3	66.7%
<b>Administrative expenditure</b>	<b>-104</b>	<b>-75</b>	<b>38.7%</b>
Other income and expenditure	6	-3	
<b>Group net income before taxes</b>	<b>309</b>	<b>304</b>	<b>1.6%</b>
Income taxes	-63	-50	26.0%
<b>Group net income after taxes</b>	<b>246</b>	<b>254</b>	<b>-3.1%</b>
Minority interest income	-	-1	
<b>Group net income</b>	<b>246</b>	<b>253</b>	<b>-2.8%</b>
<b>Portfolio</b>	<b>30 Jun 2005 EUR mn</b>	<b>31 Dec 2004 EUR mn</b>	<b>Change</b>
Public sector financing	164,964	152,802	8.0%
Shareholders' equity	2,017	1,903	6.0%
Total assets	221,313	190,418	16.2%
<b>Key figures</b>	<b>H1 2005</b>	<b>H1 2004</b>	<b>Change</b>
Cost/income ratio	25.6%	19.6%	
Earnings per share (US-GAAP) (€)	0.72	0.74	-2.7%
RoE after taxes	25.1%	34.1%	