

Press and Investor Relations Release

DEPFA BANK raises its profit target for 2003 once more

- Net profit of € 350 m expected for the full-year -

4 November 2003 – Dublin / Frankfurt

DEPFA BANK plc, the Public Finance specialist, today released its 9-month-results, raising once more the profit target for the current business year. Net profit for the full-year is now expected to total around € 350 m, which corresponds to a RoE of almost 30% after tax. Since a significant share of revenues are generated on the basis of an interest margin that can be projected over a long-term time-frame DEPFA expects to see net income rise further in 2004 to reach more than € 350 m.

Net profit of € 93 million for the third quarter of 2003 matched the record result of the second quarter. However, a one-off extraordinary expense of € 33 million must be taken into consideration for the quarter under review relating to a mortgage bond repurchasing operation in which most of the remaining outstanding DEPFA Deutsche Pfandbriefbank mortgage bonds were removed from the market. Stripping out this one-off item net profit would have totalled € 113 m in the third quarter of 2003. It also has to be remembered that the one-off item will have a strongly positive effect on net interest income in future periods.

Total revenues totalled € 472 million in the first nine months, up 77% year-on-year. Extended net interest income was up 32% to € 268 million, while net commission income improved significantly to € 66 million (compared with € 1 million for the same period of 2002).

Administrative expenditure was up 28% to € 82 m y-o-y - in line with projections. This corresponds to a cost/income ratio of 17%, however a higher figure for the full year is to be expected. Group net income before taxes amounted to € 356 m (+75%). A total of € 52 billion in new business was generated during the first nine months of 2003. The total volume of Public Finance business increased to € 133 billion (+ 17% vs. 2002).

DEPFA's excellent performance can be attributed to several factors: funding costs have fallen considerably, both compared with the previous year (in absolute terms) and relative to its competitors. This was due to a significant improvement in investor acceptance, a very successful launch of the new Irish asset covered securities products and strong credit ratings. The business strategy has clearly benefited from a significant increase in demand for funding by public sector institutions in target markets. These factors have resulted in considerably higher margins for DEPFA's Budget Finance activities. They should, in DEPFA's opinion, continue to impact positively in the coming years. Investment Banking achieved record results as well. The upcoming EU enlargement should provide DEPFA Investment Bank – a specialist in converging markets – with substantial deal flow potential, both now and in the years to come. Going forward DEPFA intends over the coming years to broaden its product range and further diversify the activities from a geographical perspective. Clearly, an important geographical focus of the expansion in the near future will be in the US, where rapidly-increasing budget deficits have opened up excellent business opportunities.

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DEPFA BANK plc: consolidated figures as at 30 September 2003 (US GAAP)

P&I	1 Jan – 30 Sep 2003 EUR m	1 Jan – 30 Sep 2002 EUR m	Change %
Net interest income	274	281	-2.5
Extended net interest income	268	203	32.0
Net commission income	66	1	
Income from the sale of assets	87	96	-9.4
Trading result	45	-112	
of which securities trading	43	-14	
of which derivatives valuation/FAS 133	8	-20	
of which interest	-6	-78	
Total revenues	472	266	77.4
Personnel expenditure	-49	-29	69.0
Other administrative expenditure	-29	-31	-6.5
Depreciation on fixed assets	-4	-4	0
Administrative expenditure	-82	-64	28.1
Other income and expenditure	-34	1	
Provision for loan losses	0	0	0
Group net income before taxes	356	203	75.4
Income taxes	-79	-26	
Group net income after taxes	277	177	56.5
Profit attributable to minority interests	-8	-11	-27.3
Group net income	269	166	62.0
Portfolio	30.09.2003 EUR m	31.12.2002 EUR m	Change %
Public sector financing	132,698	113,130	17.3
Equity	1,281	1,136	12.8
Total assets	173,841	145,847	19.2
Key figures	30.09.2003	30.09.2002	Change %
Cost/income ratio	17.4%	24.1%	
Earnings per share (€)	7.75	4.70	64.9
RoE after taxes	29.7%	21.6%	

(All figures relate solely to continuing operations; they do not include any results from discontinued operations.)