Interim Report DEPFA BANK plc

2007

Interim Group Accounts as at 30 September

DEPFA BANK

Group Figures

Group Figures

	Q3 2007 including excep-tional items	excep-tional items from change of control	Q3 2007 excluding excep-tional items	Q2 2007	Q1 2007	Q3 2006	Change Q3 2006 to Q3 2007 excluding exceptional items	
	€m	€m	€m	€m	€m	€m	€m	%
Earnings								
Net interest income	89	-	89	101	101	101	-12	-11.9%
Net fee and commission income	7	-	7	9	6	7	-	-
Net trading income	-39	-	-39	8	12	9	-48	-533.3%
Gains less losses from financial assets	79	-	79	111	103	70	9	12.9%
Other operating income	18	-	18	-	-	-	18	-
Total operating income	**154**	**-**	**154**	**229**	**222**	**187**	**-33**	**-17.6%**
Operating expenses	-166	-92	-74	-70	-67	-53	-21	39.6%
of which personnel expenditure	-99	-56	-43	-38	-37	-32	-11	34.4%
of which other adminis-trative expenditure	-62	-36	-26	-26	-26	-18	-8	44.4%
of which depreciation and amortisation	-3	-	-3	-4	-3	-3	-	-
of which other expenditure	-2	-	-2	-2	-1	-	-2	
Net operating income before impairment losses	**-12**	**-92**	**80**	**159**	**155**	**134**	**-54**	**-40.3%**
Impairment losses on loans and advances	-	-	-	-	-	-	-	-
Profit before taxation	**-12**	**-92**	**80**	**159**	**155**	**134**	**-54**	**-40.3%**
Taxation	52	11	41	-33	-32	-24	65	-270.8%
Profit for the period	**40**	**-81**	**121**	**126**	**123**	**110**	**11**	**10.0%**
							Change	
Balance sheet items	**30/09/2007**		**30/09/2007**	**30/06/2007**	**31/03/2007**	**31/12/2006**	**31/12/2006 to**	**30/09/2007**
Financing Volume	232,818		232,818	226,568	221,671	218,927	13,891	6.3%
of which drawn	206,822		206,822	200,175	195,828	194,586	12,236	6.3%
of which undrawn	25,996		25,996	26,391	25,843	24,341	1,665	6.8%
Outstanding securities	111,568		111,568	114,429	107,105	108,829	2,739	2.5%
Shareholders' capital	2,932		2,932	2,906	2,933	2,777	156	5.6%
Total assets	230,868		230,868	228,411	229,471	222,945	7,923	3.6%
Key ratios	**Q3 2007**		**Q3 2007**	**Q2 2007**	**Q1 2007**	**Q3 2006**		
Cost/Income ratio	107.8%		48.1%	30.6%	30.2%	28.3%		
Earnings per share	0.12		0.35	0.36	0.36	0.32	0.03	9.4%
RoE after Taxes	5.5%		16.6%	17.3%	17.2%	17.3%		

Content

Letter to Shareholders

Dear shareholders,

On 2 October 2007 DEPFA BANK plc became a 100% subsidiary of Hypo Real Estate Group, which marked the successful completion of a merger process that had been announced a little more than two months previously on 23 July. DEPFA shareholders gave resounding backing to the transaction at an Extraordinary General Meeting on 24 September with 94% voting in favour. The high level of participation of the shareholder capital (60%) in the vote resulted in a very powerful shareholder mandate. The successful execution of this transaction, within the prescribed timeframe, was all the more remarkable given the crisis in the credit markets during this period and proved that the strong investment case of the combined entity remained compelling even in a changing environment. The acquisition of DEPFA BANK plc was the second largest transaction between financial institutions in Germany in recent years and the largest ever transaction of its kind in Ireland. We strongly believe that this transaction was in the best interests of DEPFA's shareholders and will provide the platform for DEPFA BANK to further strengthen its public sector franchise worldwide into the future. Indeed, DEPFA will manage an additional ca. EUR 50 bn of public sector assets from Hypo Real Estate, reinforcing its position as one of the major global players in public finance with a portfolio of approximately EUR 230 bn. In addition the enlarged capital base will boost DEPFA's ability to underwrite larger amounts of infrastructure transactions.

The sub-prime and liquidity crises in the financial markets over the summer created very challenging market conditions, but which DEPFA was able to manage very adroitly. The company communicated clearly that it had no exposure to the sub-prime residential sector in the US market given that its business focus is exclusively on the public sector and infrastructure finance markets. The importance of secured funding in DEPFA's funding platform in the form of long-dated AAA rated covered bonds and repo instruments provided a significant source of stability, helped by increased investor appetite for high quality sovereign/sub-sovereign assets. DEPFA continued to roll over its unsecured short-term funding very smoothly, albeit at slightly higher funding levels. These higher costs were more than offset by improvements in funding levels achievable for repo funding, thereby leading to an overall funding margin improvement in Q3. The strength of DEPFA's liquidity position can also be gauged in terms of its reserve of available for sale securities worth € 45 bn at the end of the third quarter, which translates into a buffer period of over 60 business days during which time the Bank would not have to access the wholesale unsecured markets.

The performance of the Bank's client-facing businesses remained strong, with infrastructure financing activities continuing to perform particularly well on the back of a strong pipeline of deals. New business commitments for the client segments reached € 21 bn, which was comparable with other quarterly levels achieved this year.

Net interest income amounted to € 89 m. The interest contribution from financing activities was healthy with growth in interest income from infrastructure loans and new product areas compensating for a decline from traditional public sector lending. Income from budget finance lending is expected to pick up in future quarters due to higher margin business underwritten in the third quarter. The overall interest income result was burdened by negative carry income from the Bank's legacy Global Markets book, which impacted at a higher level in the third quarter as part of the Bank's decision to limit the downside exposure to further adverse market movements by hedging open positions. Net fee and commission income totalled € 7 m, in line with the previous year and consists mainly of steady recurring fee income from the US standby liquidity business. Net trading income reported a loss of -€ 39 m in the third quarter due to a combination of a weak own account trading performance in a difficult market environment and a negative swing in the valuation of macro-hedges that had to be treated as trading derivatives for accounting purposes. The trading result was partly redeemed by a positive contribution from client derivatives activity amounting to € 7 m.

Gains from sale of assets totalled € 79 m, a 13% year on year increase, which shows that the Bank's portfolio management approach continues to yield consistently high gains on a quarterly basis. The result was achieved on the back of a comparatively low asset sales volume of € 5.3 bn. At the same time the budget finance volumes actually grew slightly over the preceding quarter to € 184 bn which underlines the approach of the Bank to strike a balance between ongoing asset gains and future income generation from maintaining a strong portfolio. In the third quarter DEPFA was able to turn the flight to high quality public sector assets during the market turmoil to its advantage which yielded opportunities to realise gains from its portfolio. Other income of € 18 m relates to interest income on taxes as a result of a favourable tax settlement at DEPFA's Pfandbriefbank subsidiary in Germany.

Total expenditure amounted to € 74 m in the third quarter if one-off special effects relating to the merger with Hypo Real Estate are excluded, this level was up 40% y-o-y but remained relatively close to the level of the preceding quarter (+6%). If these merger-related and restructuring costs totalling € 92 m are taken into account, total expenditure amounted to € 166 m. The Bank has continued to invest in manpower across its client businesses, which has helped transform the earnings mix of the company over the past two years in favour of client driven revenues. Towards the end of the third quarter DEPFA completed the acquisition of the US Municipal Capital Markets Group of former First Albany Capital, which will significantly strengthen its US franchise through the addition of municipal underwriting, sales, trading and financial advisory services through a total of eleven DEPFA First Albany office locations in the US. The acquisition also adds approximately 800 issuer clients and more than 400 investor clients to DEPFA's client base.

Profit before taxation excluding exceptional items resulting from the change in control of the company amounted to € 80 m.

The positive tax line of € 52 m includes two extraordinary effects relating to writebacks of tax provisions due to the recent change in the corporate tax rate in Germany and a tax rebate from past tax audits at DEPFA Deutsche Pfandbriefbank in Germany. Profit after taxation in the third quarter amounted to € 40 m including all exceptional items.

Budget Finance

Budget Finance encompasses the hedged bond and loan lending and financing activities as well as letter of credit and liquidity facilities that are a particular feature of the public sector markets in the United States. In the third quarter new business commitments totalled € 14 bn, on a par with the preceding quarter. The United States, which has firmly established itself as the Bank's top growth market, again made the strongest contribution to new business activity, contributing 39% to new commitments. The integration of the municipal business of First Albany in the third quarter will give DEPFA more opportunities to originate business directly with Municipalities and therefore increased scope to realise more of the potential of this major public sector debt market. The fall in interest income in the third quarter to € 82 m must not be seen in isolation given the bank's ability to generate additional revenue from an active management of the portfolio. Therefore total income including income from sale of assets actually rose 4% year-on-year to € 165 m.

A result of the credit crisis has been the flight to high quality assets, in particular highly rated sovereign bonds, which created opportunities for DEPFA to sell certain assets that had appreciated in value. The impact of the credit crisis on the bank's funding activities was very manageable given the traditional importance of collateralised instruments in the Bank's funding mix (ca. 3/4 of total), in which DEPFA can use its own high quality asset base as collateral for its long-term covered bond issuance and for repo operations. In the third quarter the bank continued to attract large volumes of liquidity via Commercial Paper programmes and deposits as its institutional investor base, which include a sizeable contingent of the world's central banks, remained very comfortable with DEPFA as a credit. Though funding costs for unsecured commitments rose slightly this was more than offset by big improvements in repo funding levels as highly liquid sovereign assets became very sought after in the market. Just after quarter end the bank launched and priced a successful US$ 2 billion covered bond; the transaction, executed in under 24 hours, garnered the largest order book that DEPFA has ever received for a USD transaction, and resulted in DEPFA ACS BANK's largest USD benchmark issue. The transaction, which reopened the USD Covered Bond market reflects the confidence investors have in DEPFA's high quality asset base and the Bank's continued and strong access to large scale appropriately priced funding.

€m	Q3 2007	Q3 2006	Change	Change %
Net interest income	82	89	-7	-8%
Non-interest revenues	83	70	13	19%
Total operating income	**165**	**159**	**6**	**4%**
Operating expenses	**-25**	**-19**	**-6**	**32%**
Profit before taxation	**140**	**140**	**-**	**-**
Key balance sheet items				
Financing volume (on-balance sheet)	161,743	170,980	-9,237	-5%
Financing volume (off-balance sheet)	22,074	21,971	103	-
Average equity	1,480	1,338	141	11%

Infrastructure Finance

Infrastructure Finance represents the Bank's limited recourse and concession-based lending through Public Private Partnerships, PFI and similar models and investing in bonds with limited recourse to public infrastructure entities as well as utilities and privately owned infrastructure operations. The third quarter underlined the growth momentum of this business area that has gathered pace this year; revenues almost doubled year-on-year to € 29 m and are on course to double for the year as a whole. The significant year-on-year increase in net interest income to reach an all time high for a quarter reflects the strong deal pipeline, in particular from the North American market, the effect of which is now successfully being reflected in the accounts. Altogether the Bank closed 25 project finance loan transactions amounting to € 2.4 bn and 16 bond transactions amounting to € 2.7 bn (of which € 1.9 bn of these new commitments benefit from a AAA wrap). Deals were originated across nine countries, covering bridges, tunnels, education, healthcare, public buildings, ports, power, roads, telecommunications and water. The profit before taxes totalled € 21 m in the third quarter.

€m	Q3 2007	Q3 2006	Change	Change %
Net interest income	26	12	14	117%
Non-interest revenues	3	3	-	-
Total operating income	**29**	**15**	**14**	**93%**
Operating expenses	**-8**	**-4**	**-4**	**100%**
Loan loss provisions	-	-	-	
Profit before taxation	**21**	**11**	**10**	**91%**
Key balance sheet items				
Financing volume (on-balance sheet)	12,760	4,963	7,797	157%
Financing volume (off-balance sheet)	3,668	1,553	2,115	136%
Average equity	654	278	376	135%

Client Product Services

The Client Product Services segment incorporates an ever growing range of new activities that have the common characteristic of providing innovative solutions for our clients' debt and interest rate management activities. The third quarter results suggest that the segment is making good progress in building up stable, annuity-like revenues across a range of areas. Client derivative activity benefited from consistent cross-selling with the Bank's lending side in both budget finance and infrastructure finance. The profit reserve of this activity grew further to € 34 m (from € 29 m in Q2); this offers a better indication of performance as income accrues to the P & L only over the lifetime of the derivatives transaction and can only be recognised more quickly if certain conditions are met. Volumes from structured credit and securitisation activity increased further, which accounted for a rising contribution to net interest income. Similarly, a strong performance from Guaranteed Investment Contract activity, which hit its volume target for the year of US$ 5 bn at the beginning of the third quarter, helped the net interest income result. The profit before taxes totalled € 4 m in the third quarter.

€m	Q3 2007	Q3 2006	Change	Change %
Net interest income	8	-1	9	
Non-interest revenues	7	8	-1	-13%
Total operating income	**15**	**7**	**8**	**114%**
Operating expenses	**-11**	**-6**	**-5**	**83%**
Profit before taxation	**4**	**1**	**3**	**300%**
Key balance sheet items				
Financing volume (on-balance sheet)	13,827	906	12,921	
Financing volume (off-balance sheet)	254	-	254	
Average equity	137	59	78	132%

Global Markets

The Global Markets segment encompasses the Bank's trading activities. The worsening in the net interest income position in the third quarter is a consequence of determined action taken by the Bank to eliminate interest rate exposure to the legacy interest rate carry book; adverse market conditions and higher hedging expenses have therefore served to depress the result. The trading performance was very weak and to a large extent reflected general market conditions; the knock-on effects from the financial market crisis on certain areas in which DEPFA operates, notably Credit Default Swaps, Tender Option Bonds in the US and Emerging Markets, resulted in mark-to-market losses. Overall, the Bank has significantly de-risked its books in Global Markets, resulting in a Value at Risk reduction of almost 50% in the third quarter. The result before taxes was negative at -€ 50 m.

€m	Q3 2007	Q3 2006	Change	Change %
Net interest income	-19	10	-29	
Non-interest revenues	-24	20	-44	
Total operating income	**-43**	**30**	**-73**	
Operating expenses	**-7**	**-5**	**-2**	**40%**
Profit before taxation	**-50**	**25**	**-75**	
Key balance sheet items				
Financing volume (on-balance sheet)	15,131	13,936	1,195	9%
Financing volume (off-balance sheet)	-	-	-	
Average equity	383	664	-281	-42%

Corporate Centre

The Corporate Centre consists of various cost and revenue items that due to their special nature and support characteristics cannot be allocated to the segments. Non interest revenues include the negative valuation effect of hedging derivatives that did not fulfil accounting criteria under IAS 39. This negative effect was offset by positive extraordinary tax income at the Pfandbriefbank subsidiary in Germany. The operating expenses include extraordinary merger-related expenses totaling € 92 m. Excluding this item operating expenses are in line with previous quarters (€ 23 m). The result before taxes was negative at -€ 127 m.

€m	Q3 2007	Q3 2006	Change	Change %
Net interest income	-8	-9	1	-11%
Non-interest revenues	-4	-15	11	73%
Total operating income	**-12**	**-24**	**12**	**-50%**
Operating expenses	**-115**	**-19**	**-96**	**505%**
Profit before taxation	**-127**	**-43**	**-84**	**195%**
Key balance sheet items				
Financing volume (on-balance sheet)	3,361	4,802	-1,441	-30%
Financing volume (off-balance sheet)	-	-	-	
Average equity	264	207	57	28%

Interim financial information
as at 30 September 2007

Consolidated income statement

	Note	1 Jan - 30 September 2007 €m	2006 €m
Interest and similar income	1	6,899	6,308
Interest expense and similar charges	1	-6,608	-5,990
Net interest income		**291**	**318**
Fee and commission income	2	28	31
Fee and commission expense	2	-6	-7
Net fee and commission income		**22**	**24**
Net trading income	3	-19	112
Gains less losses from financial assets		293	207
Other operating income		18	-
Total operating income		**605**	**661**
Operating expenses	4	-303	-167
of which merger-related costs		-92	-
Net operating profit before impairment losses		**302**	**494**
Impairment losses on loans and advances		-	-
Profit before taxation		**302**	**494**
Taxation		-13	-110
Profit for the period attributable to the equity holders of the company		**289**	**384**
Earnings per share attributable to the equity holders of the Company (expressed in € per share):			
– basic		0.84	1.12
– diluted		0.84	1.12

Consolidated balance sheet

	Note	30/09/2007 €m	31/12/2006 €m
ASSETS			
Cash and balances with central banks		1,979	1,743
Loans and advances to banks	5	32,965	34,708
Trading securities		756	1,311
Derivative financial instruments	6	8,497	6,880
Other financial assets at fair value through profit or loss		3,047	2,075
Loans and advances to customers	7	140,156	125,247
Investment securities – available-for-sale		43,293	50,833
Intangible assets		63	53
Property, plant and equipment		28	26
Deferred taxation		32	39
Other assets		52	30
Total assets		**230,868**	**222,945**
LIABILITIES			
Deposits from banks	9	76,305	63,199
Other deposits		29,746	31,118
Derivative financial instruments and other trading liabilities	6	12,028	12,583
Due to customers	10	9,186	7,904
Debt securities in issue	11	97,660	102,857
Other borrowed funds	12	2,617	2,133
Other liabilities		121	100
Current tax liabilities		100	69
Deferred tax liabilities		110	141
Retirement benefit obligations		63	64
Total liabilities		**227,936**	**220,168**
EQUITY			
Equity attributable to equity holders of the company			
Share capital		106	106
Share premium		1,142	1,142
Retained earnings		1,617	1,402
Other reserves		67	127
Total equity		**2,932**	**2,777**
Total equity and liabilities		**230,868**	**222,945**

Group statement of changes in shareholders' equity of DEPFA BANK plc

€m	Share capital	Share premium	Retained earnings	Other reserves: unrealised gains/ losses on cash flow hedges	Other reserves: unrealised gains/ losses on AFS securities	Other reserves: unrealised gains/ losses on currency translation	Total equity 2007	Total equity 2006
Equity 1 January	**106**	**1,142**	**1,402**	**2**	**125**	**-**	**2,777**	**2,304**
Profit for the period	-	-	123	-	-	-	123	134
Change in other reserves	-	-	-	-	37	-	37	-6
Total recognised profit			**123**		**37**	**-**	**160**	**128**
Purchase of own shares	-	-	-9	-	-	-	-9	-9
Share based payments	-	-	5	-	-	-	5	10
Equity 31 March	**106**	**1,142**	**1,521**	**2**	**162**	**-**	**2,933**	**2,433**
Profit for the period	-	-	126	-	-	-	126	140
Change in other reserves	-	-	-	-	-23	-	-23	-15
Total recognised profit			**-**		**-23**	**-**	**103**	**125**
Share based payments	-	-	8	-	-	-	8	8
Dividends	-	-	-138	-	-	-	-138	-86
Equity 30 June	**106**	**1,142**	**1,517**	**2**	**139**	**-**	**2,906**	**2,480**
Profit for period	-	-	40	-	-	-	40	110
Change in other reserves	-	-	-	-2	-71	-1	-74	15
Share based payments	-	-	60	-	-	-	60	6
Equity 30 September	**106**	**1,142**	**1,617**	**-**	**68**	**-1**	**2,932**	**2,611**

Consolidated cash flow statement of DEPFA BANK plc

	2007 €m	2006 €m
Cashflow from operating activities	-3	-3,535
Cashflow from investing activities	-13	-3
Cashflow from financing activities	490	-315
Net increase/(decrease) in cash and cash equivalents	**474**	**-3,853**
Cash and cash equivalents as of 1 January	**4,948**	**12,049**
Effect of exchange rate changes on cash and cash equivalents	67	-44
Cash and cash equivalents as of 30 September	**5,489**	**8,152**

Quarterly performance of DEPFA BANK plc

	2007 €m			2006 €m			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	89	101	101	107	101	110	107
Net fee and commission income	7	9	6	8	7	12	5
Net trading income	-39	8	12	28	9	41	62
Gains less losses from financial assets	79	111	103	70	70	67	70
Other operating income	18	-	-	-	-	-	-
Total operating income	**154**	**229**	**222**	**213**	**187**	**230**	**244**
Operating expenses	-166	-70	-67	-61	-53	-56	-58
of which personnel expenditure	-99	-38	-37	-36	-32	-33	-37
of which other administrative expenditure	-62	-26	-26	-23	-18	-19	-18
of which depreciation and amortisation	-3	-4	-3	-2	-3	-2	-2
of which other expenditure	-2	-2	-1	-	-	-2	-1
Net operating profit before impairment losses	**-12**	**159**	**155**	**152**	**134**	**174**	**186**
Impairment losses on loans and advances	-	-	-	-	-	-	-
Profit before taxation	**-12**	**159**	**155**	**152**	**134**	**174**	**186**
Income tax expense	52	-33	-32	-29	-24	-34	-52
Profit for the period	**40**	**126**	**123**	**123**	**110**	**140**	**134**
Result from discontinued operations	-	-	-	19	-	-	-
Group net income	**40**	**126**	**123**	**142**	**110**	**140**	**134**

Included in operating expenses for Q3 2007 are € 92 million (2006: nil) in merger-related costs arising on the acquisition of DEPFA BANK plc by Hypo Real Estate Group.

Basis of accounting

The consolidated annual financial statements of DEPFA group are prepared in accordance with International Financial Reporting Standards (‘IFRS’).

The accounting policies applied in the preparation of the consolidated financial statements in 2006 were also applied for this interim report, including the calculation of the comparative figures.

DEPFA First Albany Securities LLC has been consolidated for the first time in Q3 2007. No other new entities have been consolidated in this period.

Change of control

Subsequent to the balance sheet date, on 2 October 2007, DEPFA BANK plc became a 100% subsidiary of Hypo Real Estate Holding AG.

Notes to the Group balance sheet and income statement

1. Net interest income

	30/09/2007 €m	30/09/2006 €m
Interest income		
Loans and advances	4,914	4,396
Other lending business and money market transactions	699	385
Fixed income securities	1,286	1,527
	6,899	**6,308**
Interest expense		
Asset-covered bonds	-2,621	-2,631
Other debt securities	-377	-360
Borrowings	-233	-140
Subordinated debt	-113	-95
Other banking transactions	-3,264	-2,764
	-6,608	**-5,990**

2. Net fee and commission income

	30/09/2007 €m	30/09/2006 €m
Fee and commission income		
Commission income from liquidity facilities	18	16
Other fees	10	15
	28	**31**
Fee and commission expense		
Fees paid	-6	-7
	22	**24**

3. Net trading income

	30/09/2007 €m	30/09/2006 €m
Securities and derivatives held for trading	-13	118
Foreign exchange transaction gains less losses	-6	-6
	-19	**112**

4. Operating expenses

	30/09/2007 €m	30/09/2006 €m
Staff costs	-174	-102
Administrative expenses	-114	-55
Depreciation and amortisation	-10	-7
Other operating expenditure	-5	-3
	-303	**-167**

Included in operating expenses for Q3 2007 are € 92 million (2006: nil) in merger-related costs arising on the acquisition of DEPFA BANK plc by Hypo Real Estate Group.

5. Loans and advances to banks

	30/09/2007 €m	31/12/2006 €m
Public sector loans	23,476	23,669
Term deposits	2,430	2,641
Reverse repurchase agreements	1,512	1,574
Cash collateral	3,827	5,938
Other loans and advances	1,720	886
	32,965	**34,708**

6. Derivatives and other trading liabilities

	30/09/2007 Assets €m	30/09/2007 Liabilities €m	31/12/2006 Assets €m	31/12/2006 Liabilities €m
Derivatives				
Interest rate and currency swaps	8,296	11,674	6,714	11,746
Interest rate futures	2	1	1	5
Interest rate options purchased	13	1	23	3
Interest rate options written	1	30	1	32
Other interest rate derivative contracts	4	-	18	3
Foreign exchange contracts	113	229	66	196
Credit derivatives	68	71	57	10
	8,497	**12,006**	**6,880**	**11,995**
Other trading liabilities				
Short positions	-	22	-	588
	8,497	**12,028**	**6,880**	**12,583**

7. Loans and advances to customers

	30/09/2007 €m	31/12/2006 €m
Public sector and infrastructure loans	138,851	123,417
Term deposits	1	1
Reverse repurchase agreements	8	6
Property loans	1,319	1,846
	140,179	**125,270**
Allowances for losses on loans and advances (note 8)	-23	-23
	140,156	**125,247**

8. Impairment losses on loans and advances

	30/09/2007 €m	31/12/2006 €m
Opening balance	-23	-26
Impairment losses	-	-
Loan transfers	-	3
Closing balance	**-23**	**-23**

The total allowance for losses on loans and advances is made up as follows:

	30/09/2007 €m	31/12/2006 €m
Public sector and infrastructure loans	-3	-3
Property loans	-20	-20
	-23	**-23**

9. Deposits from banks

	30/09/2007 €m	31/12/2006 €m
Term deposits	15,872	13,782
Call deposits	2,608	1,757
Repurchase agreements	48,922	42,477
Other liabilities	8,903	5,183
	76,305	**63,199**

10. Due to customers

	30/09/2007 €m	31/12/2006 €m
Term deposits	4,729	4,728
Call deposits	122	689
Repurchase agreements	59	85
Other liabilities	4,276	2,402
	9,186	**7,904**

11. Debt securities in issue

	30/09/2007 €m	31/12/2006 €m
Public sector covered bonds	88,188	93,440
Other covered bonds	187	392
Other debt securities in issue	9,285	9,025
	97,660	**102,857**

12. Other borrowed funds

	30/09/2007 €m	31/12/2006 €m
Subordinated debt	1,665	1,186
Profit participation certificates	952	947
	2,617	**2,133**

13. Incentive compensation programme

At 30 September 2007, the Trust established to purchase shares under the Group incentive programme held 7,329,671 shares of DEPFA BANK plc at a cost of € 87 million. On 2 October 2007, 6,121,609 shares vested to employees due to the accelerated vesting arising the change of control of DEPFA BANK plc. Compensation cost relating to the programme recognised in the income statement amounted to € 73 million.

14. Segmental reporting

The Group is organised on a worldwide basis into the following main business segments:

Budget Finance
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 Group does not take any interest rate risks within this segment. It also includes all of the Group's funding positions which are recharged to other segments at agreed rates. Unhedged public sector loans and bonds are included in Global markets.

Client Product Services
This area of business comprises the provision of various forms of balance sheet financing as well as off-balance sheet products and services to customers. This segment relates specifically to derivative products, structured transactions, securitisation and advisory services.

Global Markets
Global Markets consists of the Group´s unhedged loan and bond books and the Group´s trading activities.

Infrastructure Finance
Infrastructure Finance relates to financing of infrastructure projects. DEPFA focuses on essential infrastructure i.e. roads, bridges, tunnels and public buildings.

Corporate Centre
This area contains overhead costs, project costs as well as the residual property portfolio of the Deutsche Pfandbriefbank AG and surplus capital.

Expenses incurred centrally, including expenses incurred by support, administrative and back-office functions are charged to the business segments where practical in accordance with their estimated proportionate share of overall activities. Unallocated expenses are retained at the Corporate Centre.

Q3 2007

€m	Budget Finance	Infrastructure Finance	Client Product Services	Global Markets	Corporate Centre/ Consolida-tion items	Group
Net interest income	256	61	17	-22	-21	291
Non interest revenues	292	14	23	-29	14	314
Total revenues	**548**	**75**	**40**	**-51**	**-7**	**605**
Total expenditure	**-77**	**-22**	**-28**	**-16**	**-160**	**-303**
of which merger-related costs					-92	-92
Impairment losses	-	-	-	-	-	-
Profit before tax	**471**	**53**	**12**	**-67**	**-167**	**302**
Taxation						-13
Profit for the period						**289**

Q3 2006

€m	Budget Finance	Infrastructure Finance	Client Product Services	Global Markets	Corporate Centre/ Consolida-tion items	Group
Net interest income	265	24	-1	51	-21	318
Non interest revenues	213	12	49	62	7	343
Total revenues	**478**	**36**	**48**	**113**	**-14**	**661**
Total expenditure	**-62**	**-13**	**-17**	**-18**	**-57**	**-167**
Impairment losses	-	-	-	-	-	-
Profit before tax	**416**	**23**	**31**	**95**	**-71**	**494**
Taxation						-110
Profit for the period						**384**

15. Contingent liabilities and commitments

	30/09/2007 €m	31/12/2006 €m
Contingent liabilities for guarantees and indemnity agreements	16	23

	30/09/2007 €m	31/12/2006 €m
Loan commitments	25,996	24,341

Other details

New commitments

	30/09/2007 €m	30/09/2006 €m
Total new commitments	63,130	52,912

Primary sales of debt securities including loans

	30/09/2007 €m	30/09/2006 €m
Public sector covered bonds	8,365	9,283
Other debt securities	3,094	1,939
Loans	6,932	3,141
	18,391	**14,363**

Loans consist of borrowings with a maturity of greater than 1 year.

Average number of employees

	30/09/2007	30/09/2006
Average number of employees	726	555

Regulatory capital and capital adequacy ratios in accordance with BIS

	30/09/2007 €m	31/12/2006 €m
Core capital (Tier I)	3,684	3,156
Supplementary (Tier II)	1,150	1,350
Total regulatory capital	**4,834**	**4,506**

	30/09/2007 €m	31/12/2006 €m
BIS Risk weighted assets (€ m)	44,712	33,351
Core capital ratio (Tier I)	8.2%	9.5%
Total capital ratio (Tier I and Tier II)	10.8%	13.5%

The regulatory capital and capital adequacy ratios were produced in accordance with the Bank for International Settlements (BIS), Basle Accord regulations to facilitate international comparisons.

Management

Gerhard Bruckermann (CEO until October 2007)
Gerhard Bruckermann had been on the Management Board of DEPFA Group since 1991 and acted as its spokesman since 2000. In 2002 he became Chairman & CEO of DEPFA BANK plc. He previously held senior positions in the Capital Market Divisions of Deutsche Bank and Westdeutsche Landesbank. The development and expansion of DEPFA's public finance activities are widely credited to Gerhard Bruckermann's initiative and vision. In future Mr. Bruckermann will act as Deputy Chairman of the Supervisory Board of Hypo Real Estate Group, subject to the resolution of the Annual General Meeting of Hypo Real Estate in May 2008.

Dr. Matthias Mosler (Deputy CEO until October 2007)
Dr. Matthias Mosler joined DEPFA BANK plc on 1st October 2005 as member of the Executive Committee and became Deputy CEO as of 14 February 2006. Furthermore, he was responsible for Client Relationship Management. Between 2000 and 2005 Dr. Mosler worked for Merrill Lynch where he was CEO for Germany and Vice-Chairman of European Equity Capital Markets. He also worked for Goldman Sachs in New York and London as Managing Director in M&A, Corporate Finance and Equity Capital Markets. Dr. Mosler began his career at Deutsche Bank where he held positions in Debt Capital Markets and as assistant to the CEO. Dr. Mosler left the Bank after the closing of the Merger between DEPFA BANK plc and Hypo Real Estate AG.

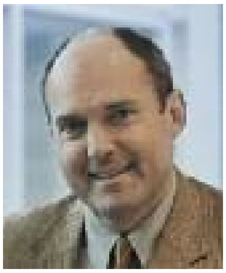
Angus Cameron (CFO)
Angus Cameron joined DEPFA BANK plc as new CFO in January 2007. He previously worked for the Bank of New York Europe where he was CFO. Furthermore, Angus Cameron held a number of senior finance roles at Scottish Widows and Barclays Bank. As Executive Director he is, as Chief Financial Officer, responsible for all Finance, Accounting and Financial Controls.

Cyril Dunne (COO until October 2007)
Cyril Dunne joined DEPFA BANK plc in May 2007 as a member of the Executive Committee and Chief Operating Officer. He previously worked with Bank of Ireland, where he had been Group Transformation Director and Group Chief Information Officer. Cyril's career spans over 25 years in the Financial Services and Retail industries, and he has held senior IT roles at Tesco PLC, Irish Permanent Building Society and Allied Irish Bank PLC. Since October 2007 Cyril Dunne is a Member of the Management Board of Hypo Real Estate Holding AG in Munich (COO).

Bo Heide-Ottosen (responsible for Public Sector Finance since October 2007)
Bo Heide-Ottosen, since October 2007 member of the Management Board of Hypo Real Estate Holding AG, joined DEPFA BANK plc in October 2004 as Head of Treasury. He previously held senior management positions in Scandinavia and worked as Executive VP and CFO at Nordic Investment Bank in Helsinki. As Executive Director Bo Heide-Ottosen is responsible for Public Sector Finance.

Dr. Rolf Hengsteler (Chief Risk Officer until October 2007)
Dr. Rolf Hengsteler joined the DEPFA Group in 1999 as Chief Operations Officer. Prior to this he worked for more than ten years in various front and back office functions for Citigroup based in Frankfurt. He is a mathematician with a PhD in Business Administration. Dr. Rolf Hengsteler left the Bank on 31 October 2007, where he has been a member of the Executive Committee and Chief Risk Officer.

Paul Leatherdale (Co-CEO since October 2007)
Paul Leatherdale joined the DEPFA Group in September 1999 to set up the Infrastructure Finance team in Dublin with specialist local teams based in most of the Group's offices worldwide. Previously, after completing a business degree, he qualified as a Chartered Accountant and then spent 15 years at Sumitomo Bank in London specialising in Real Estate, Construction and International Project Finance. As Executive Director, Paul Leatherdale is responsible for Infrastructure Finance.



Andrew T. Readinger (Co-CEO since October 2007)
Andrew Readinger joined DEPFA BANK plc in January 2005 as a member of the Executive Committee. Prior to joining DEPFA Group, he held senior positions in Fixed Income, Public Finance and Capital Markets in both New York and London for JP Morgan and Morgan Stanley. As Executive Director, Andrew Readinger is responsible for Capital Markets.

Addresses

DEPFA BANK plc

1 Commons Street Dublin 1, Ireland	Phone: Fax:	+353 1 792 2222 +353 1 792 2211
Amsterdam Representative Office World Trade Centre Amsterdam, Zuidplein 58 - Tower H, 6th Floor 1077 XV Amsterdam, The Netherlands	 Phone: Fax:	 +31 20 794 0340 +31 20 794 0349
Athens Representative Office 4, Gravias & Granikou Str., Floor 6, Building ‘A’ 151 24- Amaroussion, Athens, Greece	 Phone: Fax:	 +30 210 610 7390 399 +30 210 610 8949
Chicago Representative Office 30 North LaSalle Street, Suite 1510 Chicago, IL 60602, USA	 Phone: Fax:	 +1 312 332 9100 +1 312 332 9192
Copenhagen Representative Office Frederiksgade 7 1265 Copenhagen K, Denmark	 Phone: Fax:	 +45 33 93 7571 +45 33 93 7579
Frankfurt Representative Office Neue Mainzer Straße 75 60311 Frankfurt, Germany	 Phone: Fax:	 +49 69 92882 0 +49 69 92882 100
Ludwig-Erhard-Straße 14 65760 Eschborn, Germany	Phone: Fax:	+49 6196 9990 0 +49 6196 9990 1331
Hong Kong Branch 1106-7 ICBC Tower, Citibank Plaza, 3 Garden Road Central, Hong Kong	 Phone: Fax:	 + 852 2509 9100 + 852 2509 9099
Istanbul Representative Office Büyükdere Caddesi 185, Kanyon Ofis Binasi Kat 6 34394 Levent Istanbul, Turkey	 Phone: Fax:	 +90 212 319 7625 +90 212 319 7600
London Branch 105 Wigmore Street London W1U 1QY, United Kingdom	 Phone: Fax:	 +44 20 7290 8400 +44 20 7495 0580
Madrid Representative Office Monte Esquinza, 30, 4th Floor 28010 Madrid, Spain	 Phone: Fax:	 +34 91 7004 640 +34 91 3100 791
Milan Representative Office Largo Augusto, 7 20122 Milan, Italy	 Phone: Fax:	 +39 2 778 7111 +39 2 778 7112 16
Mumbai Representative Office 204 Ceejay House, Dr. Anne Besant Road - Worli Mumbai 400018, India	 Phone: Fax:	 +9122 6619 1400 +9122 6619 1417
New York Branch 623 Fifth Avenue, 22nd Floor New York, NY 10022, USA	 Phone: Fax:	 +1 212 796 9200 +1 212 796 9217
Nicosia Branch 10 Diomidous Street, 3rd Floor 2024 Nicosia, Cyprus	 Phone: Fax:	 +357 22 396 300 +357 22 396 399

Paris Branch		
1, Rue Saint-Georges	Phone:	+33 1 44 94 8270
75009 Paris, France	Fax:	+33 1 42 66 4698
Rome Branch		
Via di Torre Argentina, 21 (Palazzo Origo)	Phone:	+39 06 6840 2801
00186 Rome, Italy	Fax:	+39 06 6840 2831
San Francisco Representative Office		
One Market, Steuart Tower, Suite 1125	Phone:	+1 415 541 7991
San Francisco, CA 94105, USA	Fax:	+1 415 541 9036
São Paulo Representative Office		
Av. Brigadeiro Faria Lima, 201, 13th Floor - Suite 131	Phone:	+55 11 3039 7570
05426-100 - São Paulo, SP - Brazil	Fax:	+55 11 3816 1631
Tokyo Branch		
Atago Green Hills MORI, Tower, 41F, 2-5-1 Atago, Minato-ku	Phone:	+81 3 5402 9000
Tokyo 105-6241, Japan	Fax:	+81 3 5402 9010
Warsaw Representative Office		
Centrum Gieldowe, ul. Książęca 4	Phone:	+48 22 537 7600
00-498 Warsaw, Poland	Fax:	+48 22 537 7601

DEPFA Deutsche Pfandbriefbank AG

Ludwig-Erhard-Straße 14	Phone:	+49 6196 9990 0
65760 Eschborn, Germany	Fax:	+49 6196 9990 1331
Frankfurt Branch		
Neue Mainzer Straße 75	Phone:	+49 69 92882 0
60311 Frankfurt, Germany	Fax:	+49 69 92882 100
Rome Branch		
Via di Torre Argentina, 21, (Palazzo Origo)	Phone:	+39 06 6840 2801
00186 Rome, Italy	Fax:	+39 06 6840 2831

DEPFA ACS BANK

1 Commons Street	Phone:	+353 1 792 2222
Dublin 1, Ireland	Fax:	+353 1 792 2211

DEPFA Finance N.V.

Herengracht 450	Phone:	+31 20 555 4466
1017 CA Amsterdam, The Netherlands	Fax:	+31 20 555 4308

DEPFA First Albany Securities LLC

Public Finance, 623 Fifth Avenue, 22nd Floor	Phone:	+1 212 461 9421
New York, NY 10022, USA	Fax:	+1 212 461 9621
Underwriting/Trading and Sales, 444 Madison Avenue, Suite 400	Phone:	+1 212 461 9500
New York, NY 10022, USA	Fax:	+1 212 461 9622
Albany Office		
Public Finance, 677 Broadway, 12th Floor	Phone:	+1 518 447 7941
Albany, NY 12207-2990, USA	Fax:	+1 518 447 8074
Boston Office		
Public Finance and Sales, 60 State Street, Suite 700	Phone:	+1 617 854 7403
Boston, MA 02109, USA	Fax:	+1 617 854 745
Chadds Ford Office		
Public Finance, 9 Orchard View, First Floor	Phone:	+1 610 388 0533
Chadds Ford, PA 19317, USA	Fax:	+1 610 388 0531
Chicago Office		
Public Finance, 200 South Wacker Drive, Suite 3100	Phone:	+1 312 242 3224
Chicago, IL 60606, USA	Fax:	+1 312 242 3766
Dallas Office		
Public Finance, 15950 Dallas Parkway, Suite 525, Tollway Plaza II, 5th Floor	Phone:	+1 972 341 8210
Dallas, TX 75248, USA	Fax:	+1 972 341 8215
Glen Allen Office		
Taxable Trading, Highwoods Plaza, 4470 Cox Road, Suite 225	Phone:	+1 804 747 0648
Glen Allen, VA 23060, USA	Fax:	+1 804 747 1183
Houston Office		
Public Finance, 12 Greenway Plaza, Suite 1100	Phone:	+1 713 425 4907
Houston, TX 77046, USA	Fax:	+1 713 425 4917
Sacramento Office		
Public Finance, Esquire Plaza, 1215 K Street, Suite 1728	Phone:	+1 916 503 2277
Sacramento, CA 95814, USA	Fax:	+1 916 503 3244
San Francisco Office		
Public Finance, One Embarcadero Center, Suite 500	Phone:	+1 415 623 2041
San Francisco, CA 94111, USA	Fax:	+1 415 623 2042

DEPFA BANK plc
1, Commons Street
Dublin 1, Ireland

Tel.: +353 1 792 2222
Fax: +353 1 792 2211
www.depfa.com

DEPFA BANK