

SUPPL 82-4882



as at 30 June 2003

++ DEPFA Deutsche Pfandbriefbank AG as at 30 June 2003 ++ according to German Commercial Code (HGB) ++

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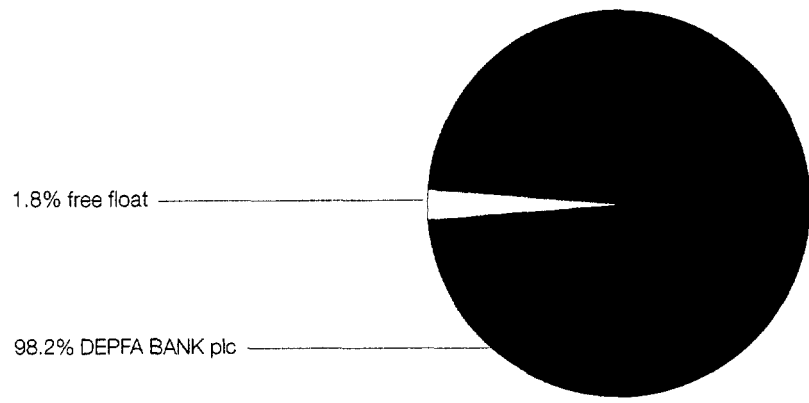
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DEPFA BANK

DEPFA Deutsche Pfandbriefbank AG

Shareholders



Letter to Shareholders as at 30 June 2003

DEPFA Deutsche Pfandbriefbank AG

With € 82 million in profit before taxes, DEPFA Deutsche Pfandbriefbank AG recorded a positive result for the first half of 2003. Since the completion of the realignment of the former DePfa Group in June 2002, DEPFA Deutsche Pfandbriefbank AG has been a subsidiary of DEPFA BANK plc, who holds a 98.2 percent stake. In addition to the German Public Finance business, the activities of DEPFA Deutsche Pfandbriefbank AG are focused on long-term funding for the DEPFA Group: thanks to its ability to issue asset-covered bonds (Pfandbriefe) and its vast expertise in the covered bond market, it holds a prominent position within the Group.

Extended net interest income amounted to € 85 million at the end of the first six months, up 11.8% against the first six months of the previous year. Net commission income rose as well, by € 1 million to € 5 million. Administrative expenditure was down significantly, by 61.5%, from € 65 million to € 25 million. This reduction was due to lower staff numbers in 2003 and due to a higher level of expenditure in the previous year which had been attributable to provisions for incentive plans (which had increased personnel expenditure in the course of the realignment). Higher expenses in the previous year were also caused by the share exchange which was completed in the first quarter. The balance of other operating income and expenses amounted to € -8 million (first half of 2002: € +9 million). Provisioning showed a positive balance of € 24 million (first half of 2002: € +59 million), thanks to the positive result in securities trading and profits realised upon disposal of assets from the Public Finance portfolio. No provisions for loan losses were required in 2003.

The result from the sale of participations amounted to € nil for the first half of 2003, compared to € 476 million for the first half of 2002. This item comprises amounts accrued during the first half of 2002 as a result of intra-Group purchases and sales of enterprises, in the course of the realignment of the Group; these intra-Group transactions were eliminated in the consolidated financial statements. Taking into account the reversal of the special item with partial reserve character of € 1 million and a comparatively high tax expense of € 36 million, net income for the first half of 2003 amounts to € 46 million. Due to the special effects described, the corresponding result for the first half of 2002 had been € 522 million.

The total lending volume of DEPFA Deutsche Pfandbriefbank AG amounted to € 71.4 billion as at 30 June 2003 (31 Dec 2002: € 74.1 billion), of which € 65.0 billion were attributable to Public Finance and € 5.0 billion (30 June 2002: € 8.1 billion) to property loans. Aareal Bank AG and DEPFA Deutsche Pfandbriefbank AG have agreed that Aareal Bank will take over the remaining property financing portfolio held by DEPFA Deutsche Pfandbriefbank AG. In addition, Aareal Bank has agreed to indemnify DEPFA Deutsche Pfandbriefbank AG with respect to individual exposures. These indemnities cover principal exposure totalling € 0.7 billion, plus interest payments in certain cases. Moreover, € 1.6 billion out of the residual risk has been neutralised by way of securitisation.

DEPFA Deutsche Pfandbriefbank AG

Profit and loss account data

€ m	01.01.2003 - 30.06.2003	01.01.2002 - 30.06.2002	€ m	Change %
Interest income	1,975	2,230	-255	-11.4
Interest expenditure	-1,890	-2,154	-264	-12.3
Net interest income	85	76	9	11.8
Commission income	5	7	-2	-28.6
Commission expenditure	0	-3	-3	-100.0
Net commission income	5	4	1	25.0
Net interest and net commission income	90	80	10	12.5
Wages and salaries	-8	-29	-21	-72.4
Social security costs	-3	-5	-2	-40.0
Other administrative expenses	-13	-28	-15	-53.6
Depreciation of fixed assets	-1	-3	-2	-66.7
Administrative expenditure	-25	-65	-40	-61.5
Other income and expenditure	-8	9	-17	-188.9
Operating results before provisions	57	24	33	137.5
Income from amounts written back on claims and certain securities and from the reversal of loan loss provisions	24	59	-35	-59.3
Operating results after provisions	81	83	-2	-2.4
Result from the sale of participations	-	476	-476	-100.0
Expenditure for assumption of losses	-	-45	-45	-100.0
Release of special item with partial reserve character	1	1		
Income before tax	82	515	-433	-84.1
Taxes	-36	7	43	614.3
Net income	46	522	-476	-91.2

DEPFA Deutsche Pfandbriefbank AG

Balance sheet data

	30.06.2003 € m	31.12.2002 € m	Change %
Loans and advances to banks	19,484	23,153	-15.8
a) Public sector loans	5,254	6,262	-16.1
b) Mortgage loans	-	0	
c) Other loans and advances	14,230	16,891	-15.8
Loans and advances to customers	40,084	44,464	-9.9
a) Public sector loans	35,202	38,687	-9.0
b) Mortgage loans	4,833	5,584	-13.4
c) Other loans and advances	49	193	-74.6
Debt securities and other fixed-income securities	26,927	25,534	5.5
Liabilities to banks	22,375	18,807	19.0
of which:			
a) Registered public sector covered bonds	270	253	6.7
b) Registered mortgage covered bonds	268	243	10.3
Liabilities to customers	4,386	5,165	-15.1
of which:			
a) Registered public sector covered bonds	2,277	2,355	-3.3
b) Registered mortgage covered bonds	1,096	1,628	-32.7
Certificated liabilities	58,401	66,861	-12.7
a) Public sector covered bonds	50,873	56,379	-9.8
b) Mortgage covered bonds	317	475	-33.3
c) Other debt securities	2,803	4,493	-37.6
d) Other certificated liabilities	4,408	5,514	-20.1
Subordinated liabilities	50	118	-57.6
Profit-participation certificates	949	927	2.4
Capital and reserves	1,207	1,169	3.3
a) Subscribed capital	108	108	
b) Reserves	1,053	743	41.7
c) Distributable profit	46	318	-85.5
Total assets	88,412	94,467	-6.4
Lending volume	71,391	74,086	-3.6

DEPFA Deutsche Pfandbriefbank AG

Key business development figures

€ m	01.01.2003 - 30.06.2003	01.01.2002 - 30.06.2002	Change %
New commitments			
Public sector financing	11,568	2,152	437.5
of which: Securities	4,889	1,190	310.8
Total new commitment	11,568	2,152	437.5
Primary sales of debt securities			
including: Loans taken up			
Public sector covered bonds	3,037	4,180	-27.3
Mortgage covered bonds	126	0	
Other debt securities	30	301	-90.0
Borrowings	109	0	
Total primary sales	3,302	4,481	-26.3
	30.06.2003	31.12.2002	Change %
No. of employees	140	139	0.7
including: Part-time employees	14	14	

Officers

Management Board

Dr. Marcel Morschbach

Carsten Samusch

Supervisory Board

Thomas M. Kolbeck

Chairman

Vice Chairman und Deputy CEO

DEPFA BANK plc

Jürgen Karcher

Deputy Chairman

Member of the Board of Directors

DEPFA BANK plc

Dr. Matthias Achilles (until 29 May 2003)

DEPFA BANK plc

Gerhard Bruckermann

Chairman and CEO DEPFA BANK plc

Dermot Cahillane (until 29 May 2003)

Member of the Board of Directors

DEPFA BANK plc

Fulvio Dobrich (until 29 May 2003)

Member of the Board of Directors

DEPFA BANK plc

Dr. Uta Maria Fredebeil (from 30 May 2003)

DEPFA Deutsche Pfandbriefbank AG

Dr. Reinhard Grzesik

Member of the Board of Directors

DEPFA BANK plc

Martina Heep (from 30 May 2003)

DEPFA Deutsche Pfandbriefbank AG

Willie Holohan (until 29 May 2003)

DEPFA BANK plc

Noel Kavanagh (until 29 May 2003)

DEPFA BANK plc

Paul Leatherdale (until 29 May 2003)

DEPFA BANK plc

Nicholas Pheifer (until 29 May 2003)

DEPFA BANK plc

Volker Rapp (until 29 May 2003)

DEPFA BANK plc

Noel Reynolds (until 29 May 2003)

DEPFA BANK plc

Rainer Ulm (until 29 May 2003)

DEPFA Deutsche Pfandbriefbank AG

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The Management Board

The Chairman of the Supervisory Board

Declaration of Compliance within the meaning of section 161 of the German Stock Corporation Act (AktG)

The Management and Supervisory Boards of DEPFA Deutsche Pfandbriefbank AG herewith submit the following Declaration of Compliance (*Entsprechenserklärung*):

DEPFA Deutsche Pfandbriefbank AG complies with the recommendations of the government commission "German Corporate Governance Code". However, the following exceptions apply:

The Company's Management Board consists of two persons, without a Chairman or Speaker being elected.

(Section 4.2.1 of the Code)

The compensation of the members of the Management Board comprises a fixed salary and variable components. In particular, stock options or comparable instruments serve as variable compensation components with long-term incentive effects. These shall be specified in advance, using comparative parameters; however, to maintain a certain degree of flexibility, the retroactive adjustment of performance targets is not explicitly excluded.

(Section 4.2.3 of the Code)

The Company does not intend to disclose the concrete details of a stock option plan or comparable compensation system over and above the minimum disclosure requirements as set out in the German Stock Corporation Act.

(Section 4.2.3 of the Code)

The re-appointment of members of the Management Board prior to twelve months before the end of the appointment period together with a simultaneous termination of the current appointment is permitted even in the absence of special circumstances.

(Section 5.1.2 of the Code)

No age limit has been set for the members of the Management Board.

(Section 5.1.2 of the Code)

No age limit has been set for the members of the Supervisory Board.

(Section 5.4.1 of the Code)

More than two former members of the Management Board are members of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG. Following the restructuring of the bank, former members of its Management Board have been appointed to the Board of Directors of the bank's parent company; it is in this capacity that they were also appointed members of the Supervisory Board of Pfandbriefbank. (Section 5.4.2 of the Code)

The remuneration of members of the Supervisory Board has been fixed at a uniform € 500 per annum, without performance-oriented components. (Section 5.4.5 of the Code)

DEPFA Deutsche Pfandbriefbank AG does not intend to disclose, in the Report of the Supervisory Board, the absence of any member of the Supervisory Board during more than half of Supervisory Board meetings during a financial year; this is due to the fact that the bank's Supervisory Board will henceforth only consist of six members. (Section 5.4.6 of the Code)

Since DEPFA Deutsche Pfandbriefbank AG does not prepare consolidated financial statements, the relevant recommendations of the Code are not applicable.

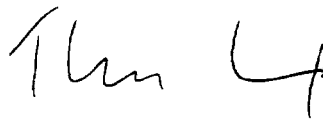
Frankfurt, 24 April 2003



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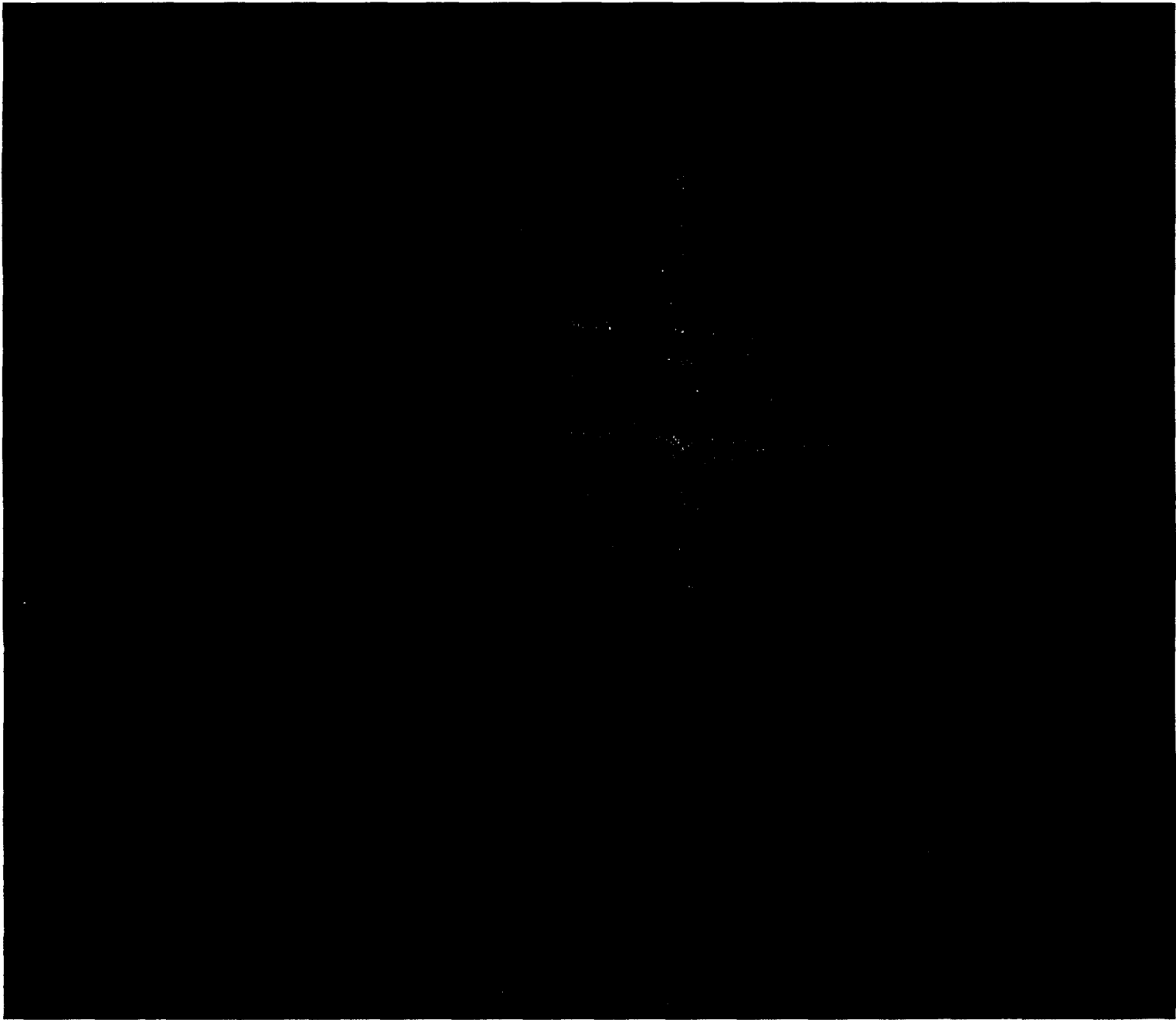
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