



DEPFA Funding II LP

(a limited partnership organised under the laws of England and Wales)

€100,000,000

6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities

having the benefit of a subordinated guarantee of

DEPFA BANK plc

(incorporated in Ireland with company number 348819)

(to be consolidated and form a single series with the €300,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities issued on 30th October, 2003)

Issue price: €1,032.50 per Preferred Security

(plus an amount corresponding to accrued Distributions in respect of the period from and including 30th October, 2003 to but excluding 9th February, 2004)

The €100,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (the "New Preferred Securities"), each with a liquidation preference of €1,000 (the "Liquidation Preference"), comprising limited partnership interests in DEPFA Funding II LP (the "Issuer"), are proposed to be issued on 9th February, 2004 (the "Closing Date"). The New Preferred Securities will be consolidated and form a single series on 22nd March, 2004 with the €300,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (the "Original Preferred Securities" and, together with the New Preferred Securities, the "Preferred Securities") issued by the Issuer on 30th October, 2003. The Preferred Securities will entitle holders to receive (subject as described herein under "Description of the Preferred Securities") non-cumulative preferential cash distributions ("Distributions") payable annually in arrear on 30th October in each year (each a "Distribution Payment Date"), at the rate of 6.50 per cent. per annum on the amount of the Liquidation Preference, all as more fully described herein under "Description of the Preferred Securities".

As an English limited partnership, the Issuer will not be a legal entity separate from its partners. All obligations of the Issuer to make payments in respect of the Preferred Securities will be guaranteed on a limited and subordinated basis by DEPFA BANK plc (the "Guarantor") pursuant to a subordinated guarantee dated 30th October, 2003, as amended and restated on 9th February, 2004 (the "Subordinated Guarantee"), all as more fully described herein under "Subordinated Guarantee".

The Preferred Securities will be perpetual securities and not subject to any mandatory redemption provisions. The Preferred Securities will be redeemable however, subject to the prior consent of the Irish Financial Services Regulatory Authority (the "Regulator"), on 30th October, 2008 or on any Distribution Payment Date thereafter in whole, but not in part, at the option of DEPFA BANK plc, which is the general partner of the Issuer (the "General Partner"), at the Liquidation Preference, plus any Additional Amounts (as defined herein), plus any accrued and unpaid Distributions for the then current Distribution Period (as defined herein) subject to compliance with the Limited Partnerships Act 1907. The Preferred Securities will also be redeemable at the option of the General Partner, subject to the prior consent of the Regulator, in whole but not in part, at any time following the occurrence of a Tax Event or a Capital Disqualification Event (each as defined herein), as more fully described herein under "Description of the Preferred Securities".

In the event of the dissolution of the Issuer arising as a consequence of the winding-up of the Guarantor, holders of Preferred Securities will be entitled to receive a liquidation preference in an amount equal to the distributions that those holders would have received in a dissolution of the Guarantor at that time, if they had held, instead of the Preferred Securities, non-cumulative preference shares issued directly by the Guarantor, having the same liquidation preference and stated distribution rate as the Preferred Securities, subject as described herein under "Description of the Preferred Securities". The General Partner may at any time, subject to the prior consent of the Regulator, replace the Preferred Securities, in whole but not in part, for DCIs (as defined herein) directly issued by the Guarantor. Upon the occurrence of a Capital Deficiency Event or the Involuntary Dissolution of the Issuer (in circumstances where the Guarantor is itself not insolvent or in liquidation) the General Partner will, if the Preferred Securities have already been replaced by the DCIs, take all reasonable steps to cause the substitution of the DCIs for fully paid preference shares ("Substituted Preference Shares") directly issued by the Guarantor or, if the Preferred Securities have not already been replaced by the DCIs, take all reasonable steps to cause the Preferred Securities to be substituted by Substituted Preference Shares, in each case registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg (each as defined below) and all as more fully described herein under "Description of the Preferred Securities".

Upon the occurrence of an Exchange Event (as defined herein), the General Partner will take all reasonable steps to cause the Preferred Securities or, if the Preferred Securities have already been substituted by Substituted Preference Shares registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, such Substituted Preference Shares, to be substituted by Substituted Preference Shares registered directly in the names of the Holders.

The New Preferred Securities are expected to be assigned on issue a rating of "A2" by Moody's Investors Services, Inc. and "A" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

See "Investment Considerations" for a discussion of certain factors that should be considered by prospective investors.

Application has been made to list the New Preferred Securities on the Luxembourg Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V. This Offering Circular constitutes a prospectus for the purpose of the listing and issuing rules of Euronext Amsterdam N.V.

The New Preferred Securities will be represented on issue by a single global certificate in registered form (the "Global Certificate"). The Global Certificate will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for, and will be deposited with, a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or around the Closing Date.

Joint Lead Managers and Joint Bookrunners

LEHMAN BROTHERS

Sole Structuring Adviser

ABN AMRO

The date of this Offering Circular is 5th February, 2004

The Guarantor (in relation to itself and as General Partner of the Issuer) confirms, after having made all reasonable enquiries, that this Offering Circular contains all information with regard to the Issuer, the Guarantor and its subsidiaries (together, the “**Group**”) and the Preferred Securities which is material in the context of the issue of the Preferred Securities, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which makes this Offering Circular as a whole, or any such information or the expression of any such opinion or intention, misleading. The Guarantor accepts responsibility accordingly.

No person has been authorised to give any information or to make any representation not contained or incorporated in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers (as defined under “*Subscription and Sale*” below). Neither the delivery of this Offering Circular nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantor or the Group since the date hereof.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of Preferred Securities or, as the case may be, DCIs or Substituted Preference Shares and any foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer or any of its partners, the Guarantor or the Managers to subscribe for or purchase any of the Preferred Securities.

Prospective investors should satisfy themselves that they understand all of the risks associated with making investments in the Preferred Securities. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Preferred Securities, he should consult his professional advisers.

The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Guarantor in connection with the Preferred Securities or their distribution.

The distribution of this Offering Circular and the offering of the Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to inform themselves about, and to observe, any such restrictions.

In respect of the United Kingdom, this Offering Circular is directed only at (a) investment professionals falling within article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “**Promotion of CIS Order**”) and article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the “**Financial Promotion Order**”), who have professional experience of participating in unregulated schemes and of matters relating to investments; and (b) persons falling within article 22(2) of the Promotion of CIS Order and article 49(2) of the Financial Promotion Order. Preferred Securities are only available to such persons. Persons who do not either (i) have such professional experience in participating in unregulated schemes and in matters relating to investments or (ii) fall within said article 22(2) and 49(2), should not rely on this Offering Circular.

No action has been taken to permit a public offering of the Preferred Securities in any jurisdiction where action would be required for such purpose. Accordingly, the Preferred Securities may not be offered or sold, directly or indirectly, and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Preferred Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Subject to certain exceptions, the Preferred Securities may not be offered, sold or delivered within the United States or to U.S. persons. A further description of certain restrictions on the offering and sale of the Preferred Securities and on the distribution of this Offering Circular is given under “*Subscription and Sale*” below.

IN CONNECTION WITH THE ISSUE OF THE PREFERRED SECURITIES, LEHMAN BROTHERS INTERNATIONAL (EUROPE) OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER THERE MAY BE NO OBLIGATION ON LEHMAN BROTHERS INTERNATIONAL (EUROPE) OR ANY PERSON ACTING FOR IT TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

All references in this Offering Circular to “EUR”, “€” and “euro” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

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INCORPORATION BY REFERENCE

The audited consolidated financial statements of the Guarantor for the year ended 31st December, 2002 and the unaudited consolidated interim financial statements of the Guarantor for the nine months ended 30th September, 2002 and 30th September, 2003 are incorporated by reference in this Offering Circular. Copies of these financial statements are available free of charge at the specified office of each of the Paying and Transfer Agents as described in “*General Information*” below.

INVESTMENT CONSIDERATIONS

Prospective investors should carefully consider the following information in conjunction with the other information contained in this Offering Circular.

Risks Associated with the Guarantor's Financial Condition

An investment in the Preferred Securities will have similar economic risks to an investment in non-cumulative perpetual preference shares issued directly by the Guarantor having the same liquidation preference and rate of distribution as the Preferred Securities. It is expected that the Issuer's sole source of funds to pay Distributions on the Preferred Securities will be payments which it receives from its investments in a subordinated note issued by a directly or indirectly owned subsidiary of the Guarantor (the "**Subordinated Note**"). The rights of Holders shall be represented solely by the Subordinated Guarantee and the Preferred Securities, and under no circumstances will the rights of Holders be represented by the Subordinated Note nor shall Holders be entitled to receive or hold the Subordinated Note. The Preferred Securities are guaranteed on a limited and subordinated basis by the Guarantor pursuant to the terms of the Subordinated Guarantee. Accordingly, if the Guarantor's financial condition were to deteriorate, the Holders may suffer direct and materially adverse consequences, including non-payment of Distributions on the Preferred Securities or of payments under the Subordinated Guarantee.

Distributions Not Cumulative

Distributions on the Preferred Securities are not cumulative. As set out in "*Description of the Preferred Securities*", Distributions on the Preferred Securities will be paid on each Distribution Payment Date out of interest received by the Issuer from its investments in the Subordinated Note and from other resources legally available, if any, unless the Guarantor has insufficient Adjusted Distributable Reserves to enable the Issuer to pay Distributions on the Preferred Securities (and in respect of any Parity Securities), or such payment would breach or cause a breach of Irish banking capital adequacy requirements then applicable to the Group or the board of directors of the Guarantor resolves not to pay Distributions on the next Distribution Payment Date. If Distributions on the Preferred Securities for any Distribution Period are not paid for such reasons, the Holders will not be entitled to receive such Distributions (or any payment under the Subordinated Guarantee in respect of such Distributions).

Perpetual Nature of the Preferred Securities

The Preferred Securities have no fixed final redemption date and Holders have no rights to call for the redemption of the Preferred Securities. Although the Issuer may redeem the Preferred Securities in certain circumstances (including at its option on 30th October, 2008 or on any Distribution Payment Date thereafter or following the occurrence of a Tax Event or a Capital Disqualification Event), there are limitations on its ability to do so. Therefore, Holders should be aware that they may be required to bear the financial risks of an investment in the Preferred Securities for an indefinite period of time.

Substitution for directly issued Preference Shares

Upon the occurrence of a Capital Deficiency Event or the Involuntary Liquidation of the Issuer (in circumstances where the Guarantor is not itself insolvent or in liquidation), the General Partner will, if the Preferred Securities have already been replaced by the DCIs, take all reasonable steps to cause the substitution of the DCIs for fully paid preference shares issued directly by the Guarantor (the "**Substituted Preference Shares**") or, if the Preferred Securities have not already been replaced by the DCIs, take all reasonable steps to cause the substitution of the Preferred Securities for Substituted Preference Shares, in each case registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg. Although the Guarantor has undertaken in the Subordinated Guarantee to take all reasonable steps to procure a listing for Substituted Preference Shares, there can be no assurance that, in the event that a Capital Deficiency Event occurs, a recognised stock exchange will agree to list any Substituted Preference Shares. In addition, the tax treatment for holders of Substituted Preference Shares may be different from that for Holders of the Preferred Securities.

Furthermore, if either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days or more (other than for the purposes of a public holiday) or announces an intention permanently to cease business (an "**Exchange Event**") the General Partner shall take all reasonable steps to cause the Preferred Securities or, if the Preferred Securities have already been substituted by Substituted Preference Shares registered in the name of a nominee for a common depositary for Euroclear

and Clearstream, Luxembourg, such Substituted Preference Shares, to be substituted by Substituted Preference Shares registered directly in the names of the Holders.

Being preference shares in an Irish company, if issued under the current Irish tax regime, dividends paid on the Substituted Preference Shares would be subject to Irish withholding tax. Any withholding tax may be subject to reduction pursuant to applicable double taxation treaties. See “*Taxation-Ireland*”.

Transfers of Substituted Preference Shares will be subject to Irish stamp duty. See “*Taxation-Ireland*”.

No Limitation on Senior Debt

The obligations of the Guarantor under the Subordinated Guarantee will rank junior as to payments to all liabilities to creditors of the Guarantor (including without limitation depositors, general creditors and subordinated debt holders) and claims of holders of senior ranking securities. In the event that the Guarantor is wound-up, liquidated or dissolved, the assets of the Guarantor would be available to pay obligations under the Subordinated Guarantee only after all payments have been made on such senior liabilities and claims.

The Guarantor is not prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Subordinated Guarantee.

Absence of prior public markets

The Original Preferred Securities constituted a new issue of securities by the Issuer. Prior to such issue, no public market for the Preferred Securities existed. Although the Original Preferred Securities are listed on the Luxembourg Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V., and although application has been made for the New Preferred Securities to be listed on the Luxembourg Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V., there can be no assurance that an active public market for the Preferred Securities can be maintained and the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Guarantor and other factors that generally influence the market prices of securities.

Replacement by DCIs

Subject to the prior consent of the Regulator, the General Partner has the option at any time to replace, in whole but not in part, the Preferred Securities by the DCIs. Prior to such replacement, there will have been no public market for the DCIs. Although application will be made for the DCIs to be listed on the Luxembourg Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V. if the DCIs are to be issued, there can be no assurance that an active public market for the DCIs will develop upon any such replacement. The liquidity and the market prices for the DCIs would be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Guarantor and other factors that generally influence the market prices of securities.

SUMMARY OF THE PREFERRED SECURITIES AND SUBORDINATED GUARANTEE

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them under "Description of the Preferred Securities". Prospective investors should also consider carefully, amongst other things, the factors set out under "Investment Considerations".

Issuer: DEPFA Funding II LP (the "**Issuer**"), an English limited partnership formed and registered under the Limited Partnerships Act 1907.

The business of the Issuer is to raise and provide finance and financial support to the Guarantor and its subsidiaries (together, the "**Group**"). The general partner of the partnership is the Guarantor (the "**General Partner**"). The Guarantor is incorporated in Ireland with limited liability and is the holding company of the Group.

The business of the partnership, as administered by, or on behalf of, the General Partner, includes the following:

- acquiring and holding the Issuer's assets;
- monitoring the Issuer's assets and determining whether they continue to be suitable; and
- functions necessary or incidental thereto.

On the Closing Date, the Issuer's principal assets will be comprised of a debt instrument issued on 30th October, 2003 (the "**Original Subordinated Note**") and a debt instrument issued on the Closing Date (the "**New Subordinated Note**" and, together with the Original Subordinated Note, the "**Subordinated Notes**") in each case issued by DEPFA Finance N.V., a member of the Group.

The Subordinated Notes will constitute junior subordinated debt obligations of DEPFA Finance N.V. with a maturity of 25 years. The Subordinated Notes will have, in all material commercial respects, pricing and economic terms which are equivalent to the Preferred Securities.

Issue: €100,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities, each with a liquidation preference of €1,000 (the "**Liquidation Preference**"), comprising interests in a limited partnership share in the Issuer, to be consolidated and form a single series on 22nd March, 2004 with the €300,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities issued by the Issuer on 30th October, 2003.

Use of Proceeds: The proceeds of the issue of the Preferred Securities will augment the Group's regulatory capital base. The Issuer will use the proceeds raised from the issuance of the Preferred Securities to subscribe for the New Subordinated Notes.

Subordinated Guarantee: The Guarantor will provide an amended and restated subordinated guarantee (the "**Subordinated Guarantee**"), which will be in favour of the Holders.

The Subordinated Guarantee will rank *pari passu* with the most senior non-cumulative perpetual preference shares of the Guarantor (whether or not in issue).

Distributions:

The Preferred Securities will entitle Holders to receive (subject as described below) non-cumulative preferential cash distributions (the “**Distributions**”).

Distributions will be payable out of the Issuer’s own legally available resources annually in arrear on 30th October in each year (each a “**Distribution Payment Date**”) at the rate of 6.50 per cent. per annum.

Notwithstanding the existence of such resources legally available for distribution by the Issuer, the Issuer will not pay any Distributions to the Holders and the Guarantor will not make any payment in respect of Distributions (including any Additional Amounts) under the Subordinated Guarantee:

- (a) to the extent that such payment, together with the amount of any distributions or dividends paid or scheduled to be paid to holders of Parity Securities on the relevant Distribution Payment Date would exceed Adjusted Distributable Reserves as at the Distribution Determination Date immediately preceding such Distribution Payment Date; or
- (b) even if Adjusted Distributable Reserves are sufficient:
 - (i) to the extent that such payment in respect of the Preferred Securities and/or Parity Securities and/or the Subordinated Guarantee would breach or cause a breach of Irish banking capital adequacy requirements then applicable to the Group as determined by the Guarantor’s board of directors in its sole discretion; or
 - (ii) to the extent that (i) above is expected to occur in the near term as determined by the Guarantor’s board of directors (and as notified by the Guarantor’s board of directors to the Regulator and the Issuer) in its sole discretion; or
 - (iii) if the board of directors of the Guarantor has resolved not later than the Distribution Determination Date that no Distributions should be made on the next Distribution Payment Date.

To the extent that a Distribution is not paid by reason of the limitations described above, no payment under the Subordinated Guarantee will be paid, or may be claimed in respect thereof.

If, on any Distribution Payment Date, Distributions are not paid in full on the Preferred Securities or dividends or other distributions are not paid in full on any Parity Securities, but there are sufficient Adjusted Distributable Reserves to allow payment of part of any Distribution (which is not subject of a resolution by the board of directors of the Guarantor that no Distribution should be paid as referred to in (b)(iii) above), then each Holder will be entitled to receive the Relevant Proportion of such Distribution, as more fully described under “Description of the Preferred Securities – Distributions”.

Distribution and Capital Stopper:

The Guarantor will undertake in the Subordinated Guarantee that, in the event that any Distribution is not paid, it will not:

- (a) declare or pay any distribution or dividend and, where applicable, will procure that no distribution or dividend is declared or paid on any Junior Share Capital, until after the following Distribution Payment Date on which Distributions in respect of the Preferred Securities are paid in full; or
- (b) (if permitted) repurchase or redeem Parity Securities or Junior Share Capital until after the following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid in full.

Optional Redemption:

The Preferred Securities are perpetual securities and are not subject to any mandatory redemption provisions. They will, however, be redeemable on 30th October, 2008 (the “**First Call Date**”) or on any Distribution Payment Date thereafter, in whole but not in part, at the option of the General Partner and subject to the satisfaction of the Redemption Conditions, at the Optional Redemption Price.

Tax Redemption:

If at any time a Tax Event occurs, the effect of which cannot be avoided by the Issuer or the Guarantor or the issuer of the Subordinated Notes, as the case may be, taking reasonable measures available to it, the Preferred Securities will be redeemable in whole, but not in part, at the option of the General Partner, subject to satisfaction of the Redemption Conditions at the Optional Redemption Price.

Capital Disqualification Event Redemption:

If at any time a Capital Disqualification Event occurs, the Preferred Securities will be redeemable at any time in whole, but not in part, at the option of the General Partner, subject to satisfaction of the Redemption Conditions at the Optional Redemption Price.

Ranking of the Preferred Securities:

The Preferred Securities, together with the Subordinated Guarantee, are intended to provide Holders with rights on liquidation equivalent to non-cumulative preference shares of the Guarantor, whether or not issued.

Claims under the Preferred Securities in respect of any Liquidation Distributions will rank:

- (i) senior to the rights of the General Partner in respect of other partnership interests issued by the Issuer; and
- (ii) *pari passu* with claims of the holders of all other preferred securities issued by the Issuer which rank *pari passu* with the Preferred Securities.

Rights upon Liquidation:

In the event of the dissolution (other than an Involuntary Dissolution) of the Issuer, Holders will be entitled to receive, subject as set out below, for each Preferred Security a Liquidation Distribution out of the assets of the Issuer legally available for distribution.

Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to Holders as aforesaid, if, at the time such Liquidation Distribution is to be paid, proceedings have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Guarantor other than pursuant to a Permitted Reorganisation, the Liquidation Distribution payable per Preferred Security shall not exceed the amount per security that would have been

paid as a liquidation distribution out of the assets of the Guarantor had the Preferred Securities and all Parity Securities been non-cumulative preference shares issued by the Guarantor with equivalent rights of participation in the capital of the Guarantor (whether or not the Guarantor could in fact have issued such securities at such time) and ranked:

- (a) junior to all liabilities of the Guarantor including subordinated liabilities (in each case other than any liability of the Guarantor which constitutes, or is capable of constituting, Tier 1 Capital or which is referred to in (b) or (c) and any other liability expressed to rank *pari passu* with or junior to the Subordinated Guarantee);
- (b) *pari passu* with Parity Securities, if any, issued by the Guarantor and any guarantee or support agreement of the Guarantor ranking *pari passu* with the Subordinated Guarantee; and
- (c) senior to Junior Share Capital.

In the event of an order being made for the liquidation, dissolution or winding-up of the Guarantor other than pursuant to a Permitted Reorganisation or a declaration being made that the Guarantor is insolvent, the Issuer shall be dissolved and the amount per Preferred Security to which Holders will be entitled as a Liquidation Distribution will be as described above.

Notwithstanding the foregoing, Holders shall have no rights to receive Distributions, nor shall they have any rights to receive, in circumstances where the Issuer is being dissolved, Liquidation Distributions out of the assets of the Issuer legally available for distribution upon Substituted Preference Shares being issued and allotted to, or to the order of, the Holders consequent upon the occurrence of a Capital Deficiency Event or Involuntary Dissolution of the Issuer (in circumstances where the Guarantor is itself not insolvent or in liquidation).

Replacement by Direct Capital Instruments:

Subject to the prior consent of the Regulator the General Partner has the option at any time to replace the Preferred Securities, in whole but not in part, by the DCIs.

Upon such replacement, each Holder shall receive in respect of each €1,000 Liquidation Preference of Preferred Securities, DCIs of €1,000 in nominal amount.

For further details see “Summary of the Direct Capital Instruments”.

Capital Deficiency Event and Substituted Preference Shares:

If a Capital Deficiency Event or Involuntary Dissolution of the Issuer (in circumstances where the Guarantor is itself not insolvent nor in liquidation) occurs the General Partner shall take all reasonable steps to cause the substitution of the Preferred Securities by Substituted Preference Shares, being fully-paid non-cumulative preference shares issued directly by the Guarantor having in all material commercial respects the same economic rights and benefits (including those relating to non-cumulative distributions and status) as are attached to the Preferred Securities and the Subordinated Guarantee taken together, save that unlike the Preferred Securities, if there is a withholding or deduction for or on account of tax on payments

of dividends on the Substituted Preference Shares no additional amounts will be required to be paid in respect of such withholding or deduction (the “**Preferred Securities Substitution**”).

On a Preferred Securities Substitution, each Preferred Security of €1,000 in nominal amount will be substituted by one Substituted Preference Share which will have a liquidation preference of €1,000.

No Preferred Securities Substitution will take place and the Holders will continue to hold their Preferred Securities and all their rights thereunder if, prior to the Substitution Date, a winding-up of the Guarantor occurs.

If an Exchange Event occurs, the General Partner will take all reasonable steps to cause the Preferred Securities or, if the Preferred Securities have already been substituted by Substituted Preference Shares registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, such Substituted Preference Shares, to be substituted by Substituted Preference Shares registered directly in the names of the Holders.

Withholding Tax and Additional Amounts:

The Issuer will pay such additional amounts (“**Additional Amounts**”) as may be necessary in order that the net payment received by each Holder in respect of the Preferred Securities, after withholding for any taxes imposed by tax authorities in the United Kingdom upon payments made by or on behalf of the Issuer, will equal the amount which would have been received in the absence of any such withholding taxes, subject to certain exceptions.

The Subordinated Guarantee will contain a similar provision in respect of Irish taxes.

Administrator:

The Issuer will appoint an administrator to perform those operational matters in relation to the Issuer required under the Financial Services and Markets Act 2000 to be performed by a person authorised by the FSA to establish, operate and wind-up collective investment schemes.

Form of the Preferred Securities:

The New Preferred Securities will be in registered form.

On or about the Closing Date, a single global certificate (the “**Global Certificate**”) in respect of the New Preferred Securities will be deposited with The Bank of New York (the “**Common Depository**”). Such certificate will be issued, and the New Preferred Securities will be registered, in the name of The Bank of New York Depository (Nominees) Limited (the “**Initial Limited Partner**”) as nominee of the Common Depository.

For so long as the New Preferred Securities are deposited and registered as described above, book-entry interests in the New Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

Definitive certificates will not be made available to Holders other than in certain limited circumstances. See “*Summary of Provisions Relating to the Preferred Securities in Global Form*”.

Netherlands Paying Agent:	ABN AMRO Bank N.V.
Luxembourg Paying Agent:	The Bank of New York (Luxembourg) S.A.
Listing:	Application has been made to list the New Preferred Securities on the Luxembourg Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V.
Rating:	The New Preferred Securities are expected to be assigned, on issue, a rating of “A2” by Moody’s Investors Service, Inc. and a rating of “A” by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
Governing Law:	<p>The Limited Partnership Agreement establishing the Issuer, and subject as set out below, the Preferred Securities and the Subordinated Guarantee are governed by, and construed in accordance with, English law.</p> <p>The subordination provisions are governed by, and construed in accordance with, Irish law.</p>

SUMMARY OF THE DIRECT CAPITAL INSTRUMENTS

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Capitalised terms used but not defined in this summary shall bear the same respective meanings mutatis mutandis ascribed to them under “Description of the Preferred Securities”. Prospective investors should also consider carefully, amongst other things, the factors set out under “Investment Considerations”.

Issuer:	DEPFA BANK plc.
Issue:	€400,000,000 6.50 per cent. Direct Capital Instruments (“DCIs”).
Interest:	Interest will be payable annually in arrear on 30th October in each year (each an “ Interest Payment Date ”) at the rate of 6.50 per cent. per annum.
Ranking:	<p>The rights and claims of the DCI holders will be subordinated to the claims of Senior Creditors. “Senior Creditors” means creditors of the Guarantor (a) who are depositors or other unsubordinated creditors of DEPFA BANK plc, or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of DEPFA BANK plc or otherwise) to the claims of depositors and other unsubordinated creditors of DEPFA BANK plc but not further or otherwise, or (c) who are subordinated creditors of DEPFA BANK plc other than those whose claims are, or are expressed to rank, <i>pari passu</i> with, or junior to, the claims of the holders of the DCIs. No payment of principal or interest in respect of the DCIs may be made unless DEPFA BANK plc is able to make such payment and still be solvent immediately thereafter.</p> <p>Upon any winding-up of DEPFA BANK plc, the holder of each DCI will, for the purpose only of calculating the amounts payable in respect of each DCI, rank <i>pari passu</i> with the holders of the most senior class or classes of non-cumulative preference shares (whether or not issued) of DEPFA BANK plc and in priority to all other shareholders of DEPFA BANK plc, but will rank junior to the claims of senior creditors and any notional class of preference shares in the capital of DEPFA BANK plc by reference to which the amount payable in respect of any Tier 2 Securities in a winding-up of DEPFA BANK plc is determined, and the DCI holder’s claim in any winding-up of DEPFA BANK plc shall be limited to the principal amount of the relevant DCI (and no amounts will be payable in respect of any coupon except where the winding-up is in connection with any Permitted Reorganisation).</p>
Interest Deferral:	<p>No coupons will be paid on the DCIs unless DEPFA BANK plc is able to make such coupon payments and still be solvent immediately thereafter. Furthermore, DEPFA BANK plc will be required to defer coupon payments on the DCIs if a Capital Deficiency Event occurs.</p> <p>Any deferred coupon (whether following a solvency deferral or a deferral following a Capital Deficiency Event) will only be satisfied on a redemption of the DCI (see below). When interest is deferred, that deferred coupon may only be satisfied by means of the Alternative Coupon Satisfaction Mechanism (see below). No interest will accrue on any deferred coupon payment.</p>

DEPFA BANK plc will undertake that, in the event that any coupon payment is deferred, it will not:

- (a) declare or pay any distribution or dividend and, where applicable, will procure that no distribution or dividend is declared or paid on any Junior Share Capital until after the following coupon payment date on which coupon payments in respect of the DCIs are paid in full; or
- (b) (if permitted) repurchase or redeem Parity Securities or Junior Share Capital until after the following coupon payment date on which coupons in respect of the DCIs are paid in full.

Alternative Coupon Satisfaction Mechanism:

Security holders will always receive payments made in respect of the DCIs in cash. However, if DEPFA BANK plc defers a coupon payment then the moneys to satisfy such deferred coupon payment may only be raised by an issue of ordinary shares by DEPFA BANK plc which will provide the cash amount due in respect of the deferred coupon payment. A calculation agent will agree to use its reasonable endeavours to procure purchasers for such number of DEPFA BANK plc ordinary shares that would be required, in its determination, to be issued and allotted to raise proceeds in an amount not less than the relevant deferred coupon payment to be satisfied. Any shortfall as at the relevant payment date in the amount of subscription proceeds raised from the issue of DEPFA BANK plc's ordinary shares will be satisfied either by payment of an amount equal to such shortfall by DEPFA BANK plc or, at DEPFA BANK plc's election, by the payment of further subscription proceeds raised through issuing additional ordinary shares as part of the operation of a similar share issue mechanism to that summarised above.

Maturity:

The DCIs will be perpetual. DCI holders will not have a right to require repayment.

Optional Redemption:

The DCIs will, however, be redeemable on 30th October, 2008 (the "**First Call Date**") or on any interest payment date thereafter, in whole but not in part, at the option of the Guarantor and subject to the satisfaction of the Redemption Conditions, at par.

Tax Redemption:

If at any time:

- DEPFA BANK plc is required to pay additional amounts as a result of a withholding tax being imposed on a payment of interest; or
- DEPFA BANK plc is at a more than insubstantial risk that as a result of a change of Irish law or the official interpretation thereof the Guarantor will be unable to obtain full relief for the purposes of Irish corporation tax for the next following payment of interest on the DCIs,

the effect of which cannot be avoided by DEPFA BANK plc taking reasonable measures available to it, the DCIs will be redeemable in whole, but not in part, at the option of DEPFA BANK plc, subject to satisfaction of the Redemption Conditions at par plus accrued interest for the then current interest period.

Capital Disqualification Event Redemption:

If at any time a Capital Disqualification Event occurs, the DCIs will be redeemable at any time in whole, but not in part, at the option of DEPFA BANK plc, subject to satisfaction of the Redemption Conditions at par plus accrued interest for the then current interest period.

Withholding Tax and Additional Amounts:

DEPFA BANK plc will pay such additional amounts as may be necessary in order that the net payment received by each holder of DCIs in respect of the DCIs, after withholding for any taxes imposed by Irish tax authorities upon payments made by or on behalf of DEPFA BANK plc, will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions.

Capital Deficiency Event and Substituted Preference Shares:

If a Capital Deficiency Event occurs, DEPFA BANK plc shall, subject to applicable law, take all reasonable steps to cause the substitution of the DCIs for Substituted Preference Shares.

The Substituted Preference Shares will have in all material commercial respects the same economic rights and benefits (including those relating to non-cumulative distributions and status) as are attached to the Preferred Securities and the Subordinated Guarantee taken together, save that unlike the Preferred Securities, if there is a withholding or deduction for or on account of tax on payments of dividends on the Substituted Preference Shares no additional amounts will be required to be paid in respect of such withholding or deduction.

Upon the substitution of the DCIs for Substituted Preference Shares, no amounts will be due and payable in respect of any deferred coupon payments under the DCIs.

Form:

The DCIs will be in bearer form.

Listing:

Application will be made to list the DCIs on the Luxembourg Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V., if and when the DCIs are issued.

Governing Law:

The DCIs will be governed by, and construed in accordance with, English law except for the subordination provisions which will be governed by, and construed in accordance with, Irish law.

DESCRIPTION OF THE PREFERRED SECURITIES

The Preferred Securities are limited partnership interests in the Issuer. The following description should be read in conjunction with, and is subject to the terms of, the Limited Partnership Agreement, a copy of which is available for inspection as described under "General Information".

1. Definitions and Interpretation

In this description of the Preferred Securities, except to the extent that the context otherwise requires:

“**Act**” means the Limited Partnerships Act 1907, as amended and/or restated from time to time;

“**Additional Amounts**” means the additional amounts which may be payable in respect of the Preferred Securities as described in paragraph 6;

“**Adjusted Distributable Reserves**” means, in respect of each financial year of the Guarantor, the aggregate amount, as calculated as of the end of the immediately preceding financial year, of accumulated retained earnings and any other reserves and surpluses of each member of the Group capable of being available for distribution in accordance with the Companies Acts; but before deduction of the amount of any distributions declared or payable even without declaration in respect of such prior financial year;

“**Agency Agreement**” means the agency agreement dated 30th October, 2003 relating to the Preferred Securities, as supplemented by a first supplemental agency agreement dated 9th February, 2004 relating to the New Preferred Securities, in each case between, *inter alios*, the Guarantor, the Registrar and the Paying and Transfer Agents;

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place or places;

“**Call Date**” means the First Call Date and each Distribution Payment Date thereafter;

“**Capital Adequacy Regulations**” means at any time the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Regulator or such other governmental authority in Ireland (or, if the Guarantor becomes domiciled in a jurisdiction other than the Ireland, in such other jurisdiction) having primary bank supervisory authority with respect to the Guarantor;

“**Capital Deficiency Event**” means:

- (a) the Guarantor’s total capital ratios, in accordance with Capital Adequacy Regulations, have fallen below the then applicable minimum ratios required by such regulations for Irish banks; or
- (b) the Guarantor’s board of directors in its sole discretion has notified the Regulator and the Issuer that the payment of the next Distribution on the Preferred Securities would cause (a) above to occur if such payment were to be made or it has determined that (a) above is otherwise expected to occur in the near term;

“**Capital Disqualification Event**” means a change in any applicable law or regulation, or in the official interpretation or application thereof, as a result of which, for the purposes of the Regulator’s Capital Adequacy Regulations at that time, the Preferred Securities can no longer qualify for inclusion in Tier 1 Capital or Tier 2 Capital;

“**Clearstream, Luxembourg**” means Clearstream Banking, société anonyme or its successor;

“**Closing Date**” means 30th October, 2003 in respect of the Original Preferred Securities and 9th February, 2004 in respect of the New Preferred Securities;

“**Companies Acts**” means the Companies Act 1963 to 2003 of Ireland, as amended and/or restated from time to time and all statutory instruments to be construed as one therewith;

“**DCIs**” means the €400,000,000 6.50 per cent. Direct Capital Instruments which may be issued by the Guarantor;

“**Distribution Determination Date**” means, with respect to any Distribution Payment Date, the day falling 10 Dublin Business Days prior to such Distribution Payment Date;

“**Distributions**” means the non-cumulative distributions in respect of the Preferred Securities as described under paragraph 2;

“**Distribution Payment Date**” means 30th October in each year;

“**Distribution Period**” means the period from, and including, the Closing Date to, but excluding, the first Distribution Payment Date and each period thereafter from, and including, one Distribution Payment Date to, but excluding, the next following Distribution Payment Date;

“**Euroclear**” means Euroclear Bank S.A./N.V. as operator of the Euroclear system or its successor;

“**Exchange Event**” means that either or both Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days or more (other than for the purposes of a public holiday) or announces an intention permanently to cease business;

“**First Call Date**” means 30th October, 2008;

“**FSA**” means the United Kingdom’s Financial Services Authority (or any successor body);

“**General Partner**” means DEPFA BANK plc;

“**Group**” means the Guarantor and the Subsidiaries;

“**Guarantor**” means DEPFA BANK plc and its successors and assigns;

“**Guarantor Additional Amounts**” means additional amounts payable by the Guarantor under the Subordinated Guarantee as may be necessary in order that the net amounts received by the Holders after a withholding or deduction for or on behalf of any present or future taxes or duties of whatsoever nature imposed or levied by or on behalf of Ireland or any political subdivision thereof or by any authority therein or thereof having power to tax shall equal the amounts which would have been receivable in the absence of such withholding or deduction;

“**Holder**” means, in respect of each Preferred Security, each person registered on the Register as the limited partner holding such Preferred Security at the relevant time;

“**Initial Holder**” means The Bank of New York Depository (Nominees) Limited;

“**Involuntary Dissolution**” means, in respect of the Issuer, a dissolution by court order pursuant to the Partnership Act 1890 as applied by the Act in relation to limited partnerships;

“**Issuer**” means DEPFA Funding II LP;

“**Junior Share Capital**” means the ordinary shares of the Guarantor, together with any other securities or obligations expressed to rank junior to non-cumulative preferred securities or preference shares of the Guarantor, whether issued directly by the Guarantor or by the Issuer or another Subsidiary or other entity benefiting from a guarantee or support agreement from the Guarantor expressed to rank junior to the Subordinated Guarantee;

“**Limited Partnership Agreement**” means the limited partnership agreement dated 23rd October, 2003, as supplemented by a first supplemental limited partnership agreement dated on or around 5th February, 2004, in each case between the General Partner and the Initial Holder establishing the Issuer, as the same may be amended from time to time;

“**Liquidation Distribution**” means the Liquidation Preference plus (a) any due and accrued but unpaid Distributions calculated from (and including) the immediately preceding Distribution Payment Date (or, if none, the Closing Date) to (but excluding) the date of payment and (b) any Additional Amounts, in each case in cash only;

“**Liquidation Preference**” means the liquidation preference of €1,000 per Preferred Security;

“**New Preferred Securities**” means the €100,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities to be issued by the Issuer on 9th February, 2004;

“**Optional Redemption Price**” means the Liquidation Preference plus (a) any due and accrued but unpaid Distributions calculated from (and including) the immediately preceding Distribution Payment Date (or, if none, the Closing Date) to (but excluding) the date of payment and (b) any Additional Amounts payable, in each case in cash only;

“**Original Preferred Securities**” means the €300,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities issued by the Issuer on 30th October, 2003;

“**Parity Securities**” means any preference shares, preferred securities (other than the Preferred Securities) or other securities either (a) issued directly by the Guarantor (and ranking *pari passu* with the Guarantor’s obligations under the Subordinated Guarantee) or (b) issued by the Issuer or any Subsidiary or other entity

and entitled to the benefit of the Subordinated Guarantee or any other guarantee or support agreement ranking *pari passu* with the Subordinated Guarantee and for the avoidance of doubt this would include the DCIs (if and when issued);

“**Paying and Transfer Agents**” means The Bank of New York, The Bank of New York (Luxembourg) SA and ABN AMRO Bank N.V. or such other entities as are appointed by the General Partner on behalf of the Issuer and notified to the Holders as described under paragraph 10;

“**Permitted Reorganisation**” means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by the Guarantor under which:

- (i) the whole of the business, undertaking and assets of the Guarantor are transferred to and all of the liabilities and obligations of the Guarantor are assumed by the new or surviving entity either:
 - (a) automatically by operation of the laws of Ireland; or
 - (b) upon terms and subject to the satisfaction of such conditions as the Holders of a simple majority in Liquidation Preference of the outstanding Preferred Securities or the sanction of a resolution, passed by Holders of at least a simple majority in Liquidation Preference of the Preferred Securities present or represented at a separate meeting at which the quorum shall be holders present or represented holding at least one third in Liquidation Preference of the outstanding Preferred Securities so that the new or surviving entity shall have the same obligations as the Guarantor has had immediately prior to the Permitted Reorganisation as if the new or surviving entity has been named in the Limited Partnership Agreement and in the Subordinated Guarantee in place of the Guarantor; and
- (ii) the new or surviving entity will immediately after such amalgamation, merger, consolidation, reorganisation or other similar arrangement be subject to regulation and supervision by the Regulator; and
- (iii) prior to such transfer Moody’s Investors Services Inc. and Standard & Poor’s Rating Services, a division the McGraw-Hill Companies, Inc. have publicly confirmed that upon any such transfer the ratings assigned to the Preferred Securities before such rating agencies were informed of such transaction would not be reduced upon or as a consequence of such amalgamation, merger, consolidation, reorganisation or other similar arrangement;

“**Preferred Capital Contribution**” means, in relation to the Preferred Securities, the aggregate contribution to the assets of the Issuer (being a whole multiple of €1,000) paid in cash by the Holders;

“**Preferred Securities**” means the Original Preferred Securities and the New Preferred Securities, each such security representing an interest of a Holder in the Issuer attributable to each €1,000 of the Preferred Capital Contribution and including any further Preferred Securities of the Issuer of the same series issued after the Closing Date of the New Preferred Securities and ranking *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Issuer and “**Preferred Security**” shall be construed accordingly;

“**Preferred Securities Substitution**” means any substitution of the Preferred Securities by Substituted Preference Shares;

“**Redemption Conditions**” means, with respect to any redemption, (i) that the consent of the Regulator to the redemption, if then required by the Regulator, has been obtained, and (ii) for so long as it is required in order to obtain appropriate equity accounting treatment for the Preferred Securities that the Guarantor has (a) Adjusted Distributable Reserves or (b) proceeds available from an issue of Replacement Capital that has been made for the purpose of funding the redemption, in either cases (ii)(a) or (b) in an amount at least equal to the aggregate Optional Redemption Price;

“**Register**” means the register of Holders maintained outside the U.K. and Ireland on behalf of the Issuer;

“**Registrar**” means The Bank of New York or such other entity appointed by the Issuer and notified to the Holders as described under paragraph 10;

“**Regulator**” means the Irish Financial Services Regulatory Authority as part of the Central Bank and Financial Services Authority of Ireland or such other national or supranational regulatory authority as may at the relevant time have responsibility for the regulation and supervision of banks in Ireland (or, if the Guarantor or any new or surviving entity as provided for in the definition of Permitted Reorganisation is, or becomes domiciled in a jurisdiction other than Ireland, the body having primary bank supervisory authority with respect to the Guarantor or such new or surviving entity);

“Relevant Proportion” means, in relation to any partial payment of any Liquidation Distribution on a Preferred Security, the total amount available for any such payment and for making any corresponding payment of a liquidation distribution on any Parity Securities divided by the sum of (i) the full Liquidation Distributions before any reduction or abatement in respect of the Preferred Securities and (ii) the amount of the full liquidation distribution before any reduction or abatement in respect of any Parity Securities, converted where necessary into the same currency in which liquidation payments are made to creditors of the Guarantor;

“Replacement Capital” means shares or other securities issued by the Guarantor or a Subsidiary or other entity which would, under the then generally accepted accounting principles in Ireland, qualify as at the date thereof for treatment as a minority interest or shareholders’ funds in the Guarantor’s accounts;

“Replacement Securities” means (i) subordinated debt securities (other than the Subordinated Notes) that are issued by DEPFA Finance N.V. and having the same ranking in a liquidation of DEPFA Finance N.V. as the Subordinated Notes, or (ii) subject to the prior approval of the Regulator, such other instruments issued by a member of the Group as the General Partner may determine from time to time, in each case having in all material commercial respects, pricing and economic terms which are equivalent to the Subordinated Notes held by the Issuer as initial partnership assets;

“Stock Exchange” means the Luxembourg Stock Exchange and the Official Segment of the stock market of Euronext Amsterdam N.V. or such other stock exchange approved by the General Partner on which the Preferred Securities (or any DCIs or Substituted Preference Shares) may be listed from time to time;

“Subordinated Guarantee” means the subordinated guarantee in respect of the Preferred Securities executed by the Guarantor on 30th October, 2003 as a deed poll, as amended and restated on 9th February, 2004;

“Subordinated Notes” means the euro 6.50 per cent. Subordinated Note due 2028, originally issued on the Closing Date of the Original Preferred Securities in the principal amount of €300,000,000 (the **“Original Subordinated Note”**) and the euro 6.50 per cent. Subordinated Note due 2028, originally issued on the Closing Date of the New Preferred Securities in the principal amount of €100,000,000 (the **“New Subordinated Note”**), in each case issued by DEPFA Finance N.V. and held by the Issuer as initial partnership assets, or any Replacement Securities which are held by the Issuer as partnership assets thereafter;

“Subsidiary” means any entity which is for the time being a subsidiary or subsidiary undertaking of the Guarantor (within the meaning of the Companies Acts);

“Substitution Date” means the date upon which a Preferred Securities Substitution takes effect;

“Substituted Preference Shares” means the preference shares which may be issued by the Guarantor in substitution for the Preferred Securities and the Subordinated Guarantee upon the occurrence of a Capital Deficiency Event or the Involuntary Dissolution of the Issuer (in circumstances where the Guarantor is itself not insolvent or in liquidation) and, in circumstances where Substituted Preference Shares are already registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg and an Exchange Event occurs, also means such Substituted Preference Shares as are registered directly in the names of the Holders;

“TARGET” means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) System;

“TARGET Business Day” means a day on which TARGET is operating;

“Tax Event” means that, as a result of a change in any law or regulation of the United Kingdom, in the case of the Issuer, or Ireland, in the case of the Guarantor, or of the Netherlands, in the case of DEPFA Finance N.V., or in any treaty to which the United Kingdom, Ireland or the Netherlands is a party, or in the official interpretation or application of any law, regulation or treaty by any relevant body in the United Kingdom, Ireland or the Netherlands that provides for a position with respect to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Preferred Securities, which change or amendment becomes effective or is to take effect, on or after 28th October, 2003, there is more than an insubstantial risk that:

- (i) the Issuer or the General Partner would be subject to more than a *de minimis* amount of tax in respect of the Subordinated Notes or the Preferred Securities in the United Kingdom or Ireland, as the case may be, (except, in the case of the General Partner only, for any such tax that would arise as a result of (a) profits arising to it as a result of payments received by it from the Issuer or (b) activities (if any) carried on by it other than those permitted or contemplated in the Limited Partnership Agreement in respect of the assets of the Issuer and the Preferred Securities);

- (ii) Additional Amounts would become payable in respect of payments by the Issuer under the Preferred Securities as a result of payments under the Preferred Securities being subject to deduction or withholding tax in the United Kingdom;
- (iii) Guarantor Additional Amounts would become payable in respect of payments by the Guarantor under the Subordinated Guarantee as a result of payments under the Subordinated Guarantee being subject to deduction or withholding tax in Ireland;
- (iv) additional amounts would be payable by DEPFA Finance N.V. on the next interest payment date in respect of the Subordinated Notes as a result of payments under the Subordinated Notes being subject to withholding or deduction in respect of taxes or duties of whatsoever nature imposed or levied by or on behalf of the Netherlands or any political subdivision of or by any authority therein or thereof having power to tax, and DEPFA Finance N.V. and the General Partner on behalf of the Issuer, having made all reasonable endeavours, is unable to replace such Subordinated Notes with subordinated notes issued, directly or indirectly, by any other wholly-owned subsidiary of the Guarantor not subject to payment of additional amounts resulting from withholding or deduction in respect of taxes or duties imposed by such other wholly-owned subsidiary's country of residence on payments of interest on such replacement subordinated notes; or
- (v) in respect of the Subordinated Notes, DEPFA Finance N.V. would not obtain relief for the purposes of Netherlands corporation tax for any payment of interest on such Subordinated Notes and DEPFA Finance N.V. and the General Partner on behalf of the Issuer having made all reasonable endeavours is unable to replace such Subordinated Notes with a subordinated note issued, directly or indirectly, by any other wholly owned subsidiary of the Guarantor which can obtain full relief in respect of corporation tax in its country of residence in the same quantum as DEPFA Finance N.V.

For the purposes of this definition of Tax Event, references to “**DEPFA Finance N.V.**” shall, where the context so permits, be construed as references to the issuer of the Replacement Securities, and references to “**the Netherlands**”, shall, where the context so permits, be construed as references to the jurisdiction of incorporation of the issuer of the Replacement Securities;

“**Tier 1 Capital**” has the meaning ascribed to it in the Central Bank of Ireland Implementation Notice dated 30th June, 2000 in respect of the Implementation of the EC Own Funds and Solvency Ratio Directives for Credit Institutions Incorporated in Ireland (BSD S 1/00) or any successor notification replacing such notice;

“**Tier 1 Securities**” means any obligation of the Guarantor or, as the case may be, a Subsidiary or other entity which is treated, or is capable of being treated, as Tier 1 Capital of the Guarantor;

“**Tier 2 Capital**” has the meaning ascribed to it in the Central Bank of Ireland Implementation Notice dated 30th June, 2000 in respect of the Implementation of the EC Own Funds and Solvency Ratio Directives for Credit Institutions Incorporated in Ireland (BSD S 1/00) or any successor notification replacing such notice;

“**Tier 2 Securities**” means securities of the Guarantor that:

- (a) have substantially similar terms to the DCIs save that they shall contain terms no less favourable to an investor than the then current minimum requirements of the Regulator in relation to Tier 2 Capital; and
- (b) are listed on the Luxembourg Stock Exchange and/or Euronext Amsterdam N.V. at the time when they are issued (or if the Luxembourg Stock Exchange and/or Euronext Amsterdam N.V. is not a stock exchange in the European Economic Area at that time, such other stock exchange in the European Economic Area as is a stock exchange in the European Economic Area at the time); and

“**U.K. Tax**” means any present or future taxes or duties of whatsoever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision of or by any authority therein or thereof having power to tax.

In this description of the Preferred Securities any reference to a particular time shall, unless otherwise specified, be to that time in London.

2. Distributions

2.1 Subject as provided in paragraph 2.4, non-cumulative distributions (the “**Distributions**”) on the Preferred Securities will accrue from 30th October, 2003 (or, in the case of any further preferred securities issued so as to rank *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Issuer, from their respective dates of issue) and shall be payable annually in arrear on each Distribution Payment Date.

- 2.2 Distributions in respect of any Distribution Period will be payable on each Distribution Payment Date annually in arrear at the rate of 6.50 per cent. per annum calculated on the amount of the Liquidation Preference. Where Distributions are to be calculated in respect of a period which is shorter than a Distribution Period the day count fraction will be the number of days in the relevant period from and including the date from which Distributions begin to accrue to but excluding the date on which they are payable divided by the number of days in the Distribution Period in which the relevant period of calculation falls.
- 2.3 Distributions on the Preferred Securities will be non-cumulative. Subject to paragraph 2.4, Distributions on the Preferred Securities will be payable out of the Issuer's own legally available resources on each Distribution Payment Date.
- 2.4 Notwithstanding the existence of resources legally available for distribution by the Issuer, the Issuer will not pay any Distributions (including Additional Amounts) to the Holders and the Guarantor will not make any payment in respect of Distributions (including any Additional Amounts) under the Subordinated Guarantee:
- 2.4.1 to the extent that such payment, together with the amount of any distributions or dividends paid or scheduled to be paid to holders of Parity Securities on the relevant Distribution Payment Date would exceed Adjusted Distributable Reserves as at the Distribution Determination Date immediately preceding such Distribution Payment Date; or
- 2.4.2 even if Adjusted Distributable Reserves are sufficient:
- (i) to the extent that such payment in respect of the Preferred Securities and/or Parity Securities and/or the Subordinated Guarantee would breach or cause a breach of Irish banking capital adequacy requirements then applicable to the Group as determined by the Guarantor's board of directors in its sole discretion; or
 - (ii) to the extent that (i) above is expected to occur in the near term as determined by the Guarantor's board of directors and as notified by the Guarantor's board of directors to the Regulator and the Issuer in its sole discretion; or
 - (iii) if the board of directors of the Guarantor has resolved not later than the Distribution Determination Date that no Distribution should be made on the next Distribution Date.
- 2.5 The Guarantor has undertaken in the Subordinated Guarantee that, in the event that any Distribution is not paid, it will not:
- (a) declare or pay any distribution or dividend and, where applicable, will procure that no distribution or dividend is declared or paid on any Junior Share Capital, until after the following Distribution Payment Date on which Distributions in respect of the Preferred Securities are paid in full (or an amount equivalent to the Distributions to be paid in respect of the next Distribution Period has been paid or irrevocably set aside); or
 - (b) (if permitted) repurchase or redeem Parity Securities or Junior Share Capital until after the following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid in full (or an amount equivalent to the Distributions to be paid in respect of the next Distribution Period has been paid or irrevocably set aside).
- 2.6 If, whether by reason of the provisions of paragraph 2.4 or any equivalent article or term of a Parity Security, on any Distribution Payment Date, Distributions are not paid in full on the Preferred Securities or dividends or other distributions are not paid in full on any Parity Securities, but there are sufficient adjusted Distributable Reserves so as to allow payment of part of any Distribution, then each Holder will be entitled to receive the Relevant Proportion of any such Distribution (which is not subject of a resolution by the board of directors of the Guarantor that no Distributions should be paid as referred to in paragraph 2.4.2(iii)). No Holder shall have any claim in respect of any Distribution or part thereof not payable as a result of the limitations set out in paragraph 2.4. Accordingly, such amounts will not cumulate for the benefit of Holders or entitle the Holders to any claim in respect thereof against the Issuer or against the Guarantor under the Subordinated Guarantee.
- 2.7 On each Distribution Determination Date, the Guarantor will determine whether sufficient Adjusted Distributable Reserves exist to allow a payment of some or all of the relevant Distribution. In the event that any Distribution cannot be paid in full, the Guarantor will notify or procure notification to the Stock Exchange, the General Partner, the Registrar and the Paying and Transfer Agents and to

Holder, in accordance with paragraph 10, of the amount, if any, to be paid in respect of that Distribution.

- 2.8 Save as described above, Holders will have no right to participate in the profits of the Issuer or the Guarantor and in particular will have no rights to receive from the Issuer amounts paid to the Issuer in respect of its partnership assets in excess of Distributions due and payable under the Preferred Securities. In the event that any amounts received by the Issuer in respect of its partnership assets exceed the amount (if any) then due by way of Distribution under the Preferred Securities, the amount of such excess will be paid to the General Partner and Holders will have no rights in respect thereof.
- 2.9 The liability of a Holder to contribute to the debts or obligations of the Issuer (if any) shall (subject to the Act) not exceed the amount of that Holder's Preferred Capital Contribution.
- 2.10 For the purposes of the definition of "Relevant Proportion", in paragraphs 1, 2.4.1, 2.6 and 2.7, Adjusted Distributable Reserves as at each Distribution Determination Date shall be determined by reference to the aggregate amount, as calculated as of the end of the immediately preceding financial year, of accumulated retained earnings and any other reserves and surpluses of the Guarantor capable of being available for distribution in accordance with the Companies Acts; but before deduction of the amount of any other distributions declared or payable event without declaration in respect of such prior financial year.
- 2.11 Notwithstanding the foregoing, no Holder shall have any right to receive Distributions in respect of the Preferred Securities for any period from and including the date upon which DCIs or Substituted Preference Shares have been issued and allotted to, or to the order of, the Holders in accordance with paragraphs 5.1 and 5.2 below.

3. Liquidation Distributions

- 3.1 In the event of the dissolution (other than an Involuntary Dissolution) of the Issuer, the Holders will be entitled, subject as set out in paragraph 3.4, to receive the Liquidation Distribution, in respect of each Preferred Security held, out of the assets of the Issuer available for distribution to such Holders under the Act. Such entitlement will arise (a) before any payments due to the General Partner and the holder of any corresponding preferential right in respect of other partnership interests issued by the Issuer and (b) before any distribution of assets is made to the General Partner, but such entitlement will rank equally with the entitlement of the holders of all other preferred securities issued by the Issuer which rank *pari passu* with the Preferred Securities, if any.

Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to the Holders as aforesaid, if, at the time such Liquidation Distribution is to be paid, proceedings have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Guarantor other than pursuant to a Permitted Reorganisation, the Liquidation Distribution per Preferred Security paid to Holders thereof shall not exceed the amount per security that would have been paid as a liquidation distribution out of the assets of the Guarantor had the Preferred Securities and all Parity Securities been the most senior class of non-cumulative preference shares in the Guarantor with equivalent rights of participation in the capital of the Guarantor (whether or not the Guarantor could in fact have issued such securities at such time) and ranked:

- (a) junior to all liabilities of the Guarantor including subordinated liabilities (in each case other than any liability of the Guarantor which constitutes, or is capable of constituting, Tier 1 Capital or which is referred to in (b) or (c) and any other liability expressed to rank *pari passu* with or junior to the Subordinated Guarantee);
 - (b) *pari passu* with Parity Securities, if any, issued by the Guarantor and any guarantee or support agreement of the Guarantor ranking *pari passu* with the Subordinated Guarantee; and
 - (c) senior to Junior Share Capital.
- 3.2 If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described in paragraph 3.1 or any equivalent article or term of a Parity Security, but there are funds available for payment so as to allow payment of part of the Liquidation Distribution, then each Holder will be entitled to receive the Relevant Proportion of the Liquidation Distribution. After payment of all Liquidation Distributions, or the Relevant Proportion thereof if applicable, the General Partner will be entitled to any remaining assets of the Issuer representing proceeds of the sale or redemption of the Issuer's partnership assets and the Holders will have no right or claim to any of the remaining assets of the Issuer or the Guarantor.

- 3.3 In the event of an order being made for the liquidation, dissolution, or winding-up of the Guarantor other than pursuant to a Permitted Reorganisation or the Guarantor is declared insolvent, the Issuer shall be dissolved and the amount per Preferred Security to which Holders shall be entitled as a Liquidation Distribution will be as set out in paragraphs 3.1 and 3.2.
- 3.4 Subject to the Act, other than in the events referred to in paragraphs 3.3, 4.2, 4.3, 4.4, 5.1 and 5.2, unless the Regulator has given its approval, if then required by the Regulator, the General Partner will not permit, or take any action that would or might cause, the liquidation or dissolution of the Issuer. Notwithstanding the foregoing restriction imposed on the General Partner, if for any other reason the Issuer is liquidated, dissolved or wound up in circumstances where proceedings have not been commenced for the liquidation, dissolution or winding-up of the Guarantor, the Liquidation Distribution shall only be payable to the extent that either the Guarantor has (a) Adjusted Distributable Reserves, or (b) proceeds available from an issue of Replacement Capital that has been made for the purpose of funding the Liquidation Distribution (in either cases (a) or (b) in an amount at least equal to the aggregate Liquidation Distribution). No Holder shall have any claim (whether against the Issuer or the Guarantor) in respect of any Liquidation Distribution or part thereof not paid when it would, but for the operation of this paragraph 3.4, otherwise have become due.
- 3.5 Notwithstanding the foregoing, no Holder shall have any claim in respect of any Liquidation Distribution or part thereof in the event that DCIs or Substituted Preference Shares have been issued and allotted to, or to the order of, the Holders in accordance with paragraphs 5.1 and 5.2 below and/or the Issuer is dissolved pursuant to paragraphs 5.1 and 5.2.

4. Redemption and Purchase

- 4.1 The Preferred Securities have no fixed final redemption date and Holders have no rights to call for the redemption of the Preferred Securities. Any redemption is subject to the provisions of the Act.
- 4.2 The Preferred Securities are redeemable, at the option of the General Partner, subject to the satisfaction of the Redemption Conditions, in whole but not in part, on the First Call Date or any Distribution Payment Date thereafter, upon not less than 30 nor more than 60 days' notice to the Holders (published in accordance with paragraph 10) and to the Stock Exchange specifying the relevant Distribution Payment Date for redemption (the "**Optional Redemption Date**") (which notice shall be irrevocable). Upon the expiry of such notice, the Issuer shall be dissolved and the General Partner as liquidation agent shall be bound to redeem each of the Preferred Securities accordingly by payment of an amount equal to the Optional Redemption Price.
- 4.3 If at any time a Tax Event occurs, the effect of which cannot be avoided by the Issuer or the Guarantor or DEPPFA Finance N.V., as the case may be, taking reasonable measures available to it, then the Preferred Securities may be redeemed, in whole but not in part, at the option of the General Partner, subject to satisfaction of the Redemption Conditions, at any time upon not less than 30 nor more than 60 days' notice to the Holders published in accordance with paragraph 10 specifying the relevant date for redemption (the "**Tax Event Redemption Date**") (which notice shall be irrevocable) at the Optional Redemption Price. Prior to the publication of any notice of redemption pursuant to the foregoing, the General Partner shall deliver to the Registrar a certificate signed by two directors of the Guarantor stating that the Issuer is entitled to effect such redemption and an opinion of counsel to the Guarantor experienced in such matters to the effect that a Tax Event has occurred (and specifying which of clauses (i) to (v) as set out in the definition of "Tax Event" is applicable). Upon the expiry of such notice, the Issuer shall be dissolved and the General Partner as liquidation agent shall be bound to redeem each of the Preferred Securities accordingly.
- 4.4 If at any time a Capital Disqualification Event occurs, the Preferred Securities may be redeemed, in whole but not in part, at the option of the General Partner, subject to satisfaction of the Redemption Conditions, at any time upon not less than 30 nor more than 60 days' notice to the Holders published in accordance with paragraph 10 specifying the relevant date for redemption (the "**Capital Disqualification Event Redemption Date**") (which notice shall be irrevocable) at the Optional Redemption Price. Prior to the publication of any notice of redemption pursuant to the foregoing, the General Partner shall deliver to the Registrar a certificate signed by two directors of the Guarantor stating that the Issuer is entitled to effect such redemption and an opinion of counsel to the Guarantor experienced in such matters to the effect that a Capital Disqualification Event has occurred. Upon the expiry of such notice, the Issuer shall be dissolved and the General Partner as liquidation agent shall be bound to redeem each of the Preferred Securities accordingly.

- 4.5 Under the existing requirements of the Regulator, neither the Issuer nor the Guarantor may redeem or purchase any Preferred Securities unless the Regulator gives its prior written consent. The Regulator may impose conditions on any such redemption or purchase.

5. Replacement by DCIs; Substitution for Preference Shares

- 5.1 Subject to the prior written consent of the Regulator, the General Partner may at any time, upon not less than 30 nor more than 60 days' notice to the Holders published in accordance with paragraph 10, replace, in whole but not in part, the Preferred Securities for DCIs issued by the Guarantor. Such notice will set out the procedures and date for such replacement. Upon such replacement, each Holder shall receive in respect of each €1,000 Liquidation Preference of Preferred Securities, DCIs of €1,000 in nominal amount and the General Partner shall dissolve, or procure the dissolution of, the Issuer. No replacement of the Preferred Securities for DCIs may be effected if immediately upon issue the DCIs would not qualify as Tier 1 Capital or Tier 2 Capital or there is any subsisting circumstance which would give, whether immediately or upon notice or satisfaction of another condition, DEPFA Bank plc the right to redeem the DCIs on the basis that a Capital Disqualification Event has occurred in respect of the DCIs.
- 5.2 As soon as reasonably practicable following the occurrence of a Capital Deficiency Event or the Involuntary Dissolution of the Issuer (in circumstances where the Guarantor is itself not insolvent or in liquidation), the General Partner shall cause notice thereof to be given in accordance with paragraph 10 and take all reasonable steps to cause the substitution of the Preferred Securities by fully-paid preference shares issued directly by the Guarantor (the "**Substituted Preference Shares**") the terms of which provide the Holders in all material commercial respects with the same economic rights and benefits (including those relating to non-cumulative distributions and status, save that no additional amounts will be required to be paid in respect of any withholding or deduction for or on account of tax on payments of dividends on the Substituted Preference Shares) as are attached to the Preferred Securities and the Subordinated Guarantee taken together.

Following the creation of such Substituted Preference Shares and the obtaining of all corporate authorisations for the allotment and issue of such Substituted Preference Shares, the Guarantor undertakes that it will take all reasonable steps to allot, issue and deliver Substituted Preference Shares in satisfaction of the rights of the Holders in the circumstances and subject to the conditions described herein. The Guarantor undertakes that it will take all reasonable steps to procure that such Substituted Preference Shares will at the relevant time be listed on a recognised stock exchange.

The Guarantor undertakes that as soon as practicable after a Capital Deficiency Event or the Involuntary Dissolution of the Issuer (in circumstances where the Guarantor is itself not insolvent or in liquidation or examinership), it will give written notice to the Holders of such event and take all reasonable steps to register, or procure the registration of, the Substituted Preference Shares in the name of the Initial Holder as nominee for The Bank of New York (the "**Common Depositary**") and to arrange for a single share certificate representing the Substituted Preference Shares issued pursuant to the foregoing to be deposited with the Common Depositary, whereupon the General Partner shall dissolve, or procure the dissolution of, the Issuer and all rights of the Holders in respect of the Preferred Securities including, but not limited to, all rights of Holders to receive Distributions or Liquidation Distributions, as the case may be, will be extinguished and replaced by corresponding rights in respect of the Substituted Preference Shares.

Upon the occurrence of an Exchange Event, the General Partner will take all reasonable steps to cause the Preferred Securities or, if the Preferred Securities have already been substituted by Substituted Preference Shares registered in the name of a nominee for a common depositary of Euroclear and Clearstream, Luxembourg, such Substituted Preference Shares, to be substituted for Substituted Preference Shares registered directly in the names of the Holders.

Any such substitution shall be effected subject in each case to any applicable fiscal laws or other laws or regulations. If at the time of any substitution of the Substituted Preference Shares pursuant to the foregoing, the Preferred Securities are represented by a single certificate registered in the name of a nominee for the Common Depositary (as defined in paragraph 11), the Initial Holder shall provide a list of each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing systems as a person with an entitlement in respect of the Preferred Securities and in whose name (or the name of the nominee for such person) the Substituted Preference Shares should be registered and appropriate references to "Holders" in this paragraph 5.2 shall be construed accordingly.

The Guarantor undertakes that following such substitution, each Substituted Preference Share allotted will rank for any dividend from the immediately preceding Distribution Date or, if none, the Closing Date but will have no entitlement to any accrued Distributions or any other payment on the Preferred Securities. Following any partial substitution of a Holder's Preferred Securities, the relevant Paying and Transfer Agent will notify the Registrar and the General Partner who shall amend the record of the Holder's interest in the Issuer on the Register accordingly.

- 5.3 The Guarantor has undertaken in the Subordinated Guarantee that it will pay any Irish issue taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising on the allotment and issue of the Substituted Preference Shares or otherwise in respect of the relevant Preferred Securities Substitution but shall not be obliged to pay any taxes or duties of any other jurisdiction. The Guarantor will not be obliged to pay and each recipient must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Preferred Security in connection with such Preferred Securities Substitution.
- 5.4 The General Partner will use all reasonable endeavours to procure that certificates (if any) for Substituted Preference Shares issued on substitution will be despatched by mail free of charge (but uninsured and at the risk of the person entitled thereto) within one month after notice of the intended substitution has been given by the General Partner in accordance with paragraph 5.2. Upon an Involuntary Dissolution of the Issuer occurring after a Substitution Event but prior to the relevant substitution being effected, Holders will have no further rights, title or interest in or to Preferred Securities except the right to have their respective Preferred Securities substituted in the manner described above. Notwithstanding the foregoing, if Substituted Preference Shares are required to be issued, Holders will continue to be entitled to receive Distributions and/or a Liquidation Distribution in respect of the Preferred Securities until such time as notice is given by the Guarantor in accordance with paragraph 10 that the Substituted Preference Shares are available for issue upon substitution and thereafter Holders will have no further rights, title or interest in or to their Preferred Securities except to have them substituted in the manner described above.
- 5.5 The General Partner will use all reasonable endeavours to procure that certificates (if any) for Substituted Preference Shares issued on a Preferred Securities Substitution will be despatched by mail free of charge (but uninsured and at the risk of the person entitled thereto) within one month after notice of the intended substitution has been given by the General Partner in accordance with paragraph 5.2. Upon an Involuntary Dissolution of the Issuer occurring after a Capital Deficiency Event or an Exchange Event but prior to the relevant Preferred Securities Substitution being effected, Holders will have no further rights, title or interest in or to Preferred Securities except the right to have their respective Preferred Securities substituted in the manner described above.

6. Additional Amounts

All payments in respect of the Preferred Securities by the Issuer will be made without withholding or deduction for, or on account of, any U.K. Tax, unless the withholding or deduction of such U.K. Tax is required by law. In that event, each Holder will be entitled to receive, as further distributions, such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder (or to a third party on his behalf) with respect to any Preferred Security:

- (a) to the extent that such U.K. Tax is imposed or levied by virtue of such Holder (or the beneficial owner) of such Preferred Security having some connection with the United Kingdom, other than merely being a Holder (or beneficial owner) of such Preferred Security; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union,

and except that the Issuer's obligations to make any such payments are subject to the limitations provided in paragraphs 2.4, 2.6, 3.1 and 3.2.

7. Payments

- 7.1 Distributions will be payable in accordance with the Act on the relevant Distribution Payment Date (or where any Distribution Payment Date is not a TARGET Business Day on the next TARGET Business Day (without interest in respect of such delay)) to the Holders of record as they appear on the Register on the relevant record date, which will be five TARGET Business Days prior to the relevant Distribution Payment Date.

If the General Partner gives a notice of redemption pursuant to paragraph 4.2, 4.3 or 4.4 in respect of the Preferred Securities, then on the Optional Redemption Date, the Tax Event Redemption Date or the Capital Disqualification Event Redemption Date, as the case may be, the General Partner shall procure that the Optional Redemption Price will be paid by the Registrar or by the Paying and Transfer Agent on behalf of the Issuer to the Holders. Upon such payment, all rights of Holders to participate in the assets of the Issuer or to be returned any amount in respect of the Preferred Securities (including the Preferred Capital Contribution (or any part thereof) made by or on behalf of the Holders) will be extinguished and the Holders shall thereupon cease to be limited partners of the Issuer provided their holding of Preferred Securities are redeemed in accordance with the foregoing, and the Preferred Capital Contribution will, on payment of the Optional Redemption Price, be deemed repaid.

- 7.2 Subject to all applicable fiscal or other laws and regulations:

7.2.1 each payment in respect of Distributions will be made by cheque and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date for the Preferred Securities; and

7.2.2 any payment in respect of the Optional Redemption Price or the Liquidation Distribution in respect of any Preferred Security will be made by cheque against presentation and surrender of the relevant certificate of entitlement at the office of the Registrar or a Paying and Transfer Agent,

provided, however, that a Holder may receive such payment by direct transfer if appropriate direct transfer instructions have been received by the Registrar in sufficient time prior to the relevant date of payment. Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a TARGET Business Day if the Holder is late in surrendering certificates (if required to do so) or if a cheque mailed in accordance with this paragraph arrives after the due date for payment.

In the event that payment of the Optional Redemption Price in respect of any Preferred Security is improperly withheld or refused and not paid by the Issuer, Distributions on such Preferred Security, subject as described in paragraphs 2.3 and 2.4, will continue to accrue, from the Optional Redemption Date, Tax Event Redemption Date or Capital Disqualification Event Redemption Date, as the case may be, to the date of actual payment of such Optional Redemption Price.

- 7.3 The General Partner will, and the Guarantor has undertaken in the Subordinated Guarantee that it will procure that the General Partner will, maintain at all times whilst the Preferred Securities are outstanding (a) whilst the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, a Paying and Transfer Agent in Luxembourg, (b) whilst the Preferred Securities are listed on the Official Segment of the stock market of Euronext Amsterdam N.V., a Paying and Transfer Agent in the Netherlands (c) a Registrar having its office outside the United Kingdom and (d) a Paying and Transfer Agent having a specified office in a European Union Member State (if any) that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive.

8. Meetings

- 8.1 Except as described below and provided for in the Act, Holders will not be entitled to receive notice of, or attend or vote at, any meeting of partners in the Issuer or participate in the management of the Issuer.
- 8.2 The consent in writing of the Holders of at least a simple majority in Liquidation Preference of the outstanding Preferred Securities or the sanction of a resolution, passed by Holders of at least a simple majority in Liquidation Preference of the Preferred Securities present or represented at a separate meeting at which the quorum shall be Holders present or represented holding at least one-third in Liquidation Preference of the outstanding Preferred Securities, shall be required in order to give effect

to any variation or abrogation of the rights, preferences and privileges of the Preferred Securities by way of amendment of the Limited Partnership Agreement or otherwise (including, without limitation, the authorisation or creation of any securities or ownership interests of the Issuer ranking, as to participation in the profits or assets of the Issuer, senior to the Preferred Securities or the approval of the replacement or substitution of the Preferred Securities and/or the DCIs for obligations or securities of another entity) (unless otherwise provided in the terms of the Preferred Securities or as required by applicable law). No such sanction shall be required if, as determined by the General Partner, the change is solely of a formal, minor or technical nature or is to correct an error or cure an ambiguity or which does not adversely affect the rights of Holders, provided that the change does not reduce the amounts payable to Holders, impose any obligation on the Holders or any modification of the terms of the Preferred Securities pursuant to paragraph 8.3, in which case the General Partner shall be authorised to approve and implement such change.

8.3 Notwithstanding the foregoing, the General Partner may, without the consent or sanction of the Holders, take such action as is required in order to amend the Limited Partnership Agreement:

8.3.1 to allow an increase in the level of the Preferred Capital Contributions and the corresponding number of Preferred Securities or to create and issue one or more other series of preferred securities of the Issuer ranking *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Issuer and to admit if relevant new holders in respect thereof; or

8.3.2 to authorise, create and issue one or more other series of securities or partnership interests in the Issuer ranking junior, as regards participation in the profits and assets of the Issuer, to the Preferred Securities and to admit if relevant new holders in respect thereof.

Thereafter the Issuer may, provided that the circumstances for non-payment of Distributions in paragraph 2.3 are not subsisting, without the consent of the Holders issue any such further securities either having the same terms and conditions as the Preferred Securities in all respects (or in all respects except for the first payment of Distributions on them) and so that such further issue shall be consolidated and form a single series with the Preferred Securities or upon such other terms as aforesaid. References herein to the Preferred Securities include (unless the context requires otherwise) any other securities issued pursuant to this paragraph and forming a single series with the Preferred Securities.

8.4 Notwithstanding the foregoing, no vote of the Holders will be required for the redemption, cancellation or substitution of the Preferred Securities or withdrawal of a Holder in accordance with the Limited Partnership Agreement.

8.5 The General Partner will cause a notice of any meeting at which Holders are entitled to vote and any voting forms to be mailed to each Holder. Each such notice will include a statement setting forth (a) the date, time and place of such meeting, (b) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (c) instructions for the delivery of proxies.

9. Covenant of the General Partner

The General Partner will undertake not to incur any indebtedness in the name of the Issuer other than the costs and expenses incidental to creating the Preferred Securities and the Issuer and any other partnership interests in the Issuer, performing its obligations in respect of the Limited Partnership Agreement, maintaining the listing of the Preferred Securities and any other partnership interests in the Issuer (where applicable), the Register, the Registrar, the Paying and Transfer Agents and a listing agent in respect of the Preferred Securities and corresponding agents (where applicable) with respect to any other partnership interests in the Issuer, the Issuer's holding of the partnership assets and any securities acquired with any other capital contributions to the Issuer or substitutions therefor and the maintenance of a custodian therefor, the exercise of the Issuer's rights in respect of the partnership assets and any securities acquired with any other capital contributions to the Issuer or substitutions therefor and the administration of the Issuer.

10. Notices

All notices to the Holders will be mailed to the Holder of record and, so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, published in a leading Luxembourg daily newspaper. In addition, notices will be published in one English language daily newspaper of general circulation in Europe and, so long as the Preferred Securities are listed

on the Official Segment of the stock market of Euronext Amsterdam N.V. and the rules of such exchange so require, in a daily newspaper of general circulation in the Netherlands (which is expected to be *Het Financieele Dagblad*), with notice thereof given to Euronext Amsterdam and in the Euronext Amsterdam Daily Official List (*Officiële Prijscourant*). Any mailed notice shall be deemed to have been given one clear day after the date on which it was posted and any notice published in a newspaper shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

11. Transfers and Form

The Preferred Securities will be in registered form.

On or about the Closing Date, a single certificate representing the New Preferred Securities will be deposited with The Bank of New York (the “Common Depositary”) as common depositary for Euroclear and Clearstream, Luxembourg. The New Preferred Securities will be registered in the name of the Initial Holder, as nominee for the Common Depositary. For so long as the Preferred Securities are deposited and registered as described above, book-entry interests in the Preferred Securities will be shown on, and transfers of such interests will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

If either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days or more (other than for the purposes of a public holiday) or announces an intention permanently to cease business, then, subject to the occurrence of a Preferred Securities Substitution, a number of Preferred Securities corresponding to its book-entry interest in the Preferred Securities represented by the certificate held by the Common Depositary referred to above will, subject to such reasonable requirements as the General Partner may require, be transferred to each holder of an interest in the Preferred Securities whose name is notified by the Common Depositary to the Registrar. Each such holder will be registered as a Holder in the Register and registered with the Registrar at Companies House on the Register of Limited Partnerships for England and Wales in accordance with the Act and receive a certificate made out in its name. Other than in the circumstances referred to in this paragraph, definitive certificates will not be available to Holders.

If definitive certificates are made available in respect of Preferred Securities they will be available from the Registrar and from the Principal Paying and Transfer Agent in London, and will be posted to the relevant Holders at the address shown in the Register or, as applicable, in the relevant instrument of transfer within three Business Days in London of issue, by uninsured post at the risk of such Holders. Transfers of Preferred Securities if represented by definitive certificates may be effected by presentation of the relevant certificate (with the transfer certificate attached thereto duly completed on behalf of the transferor and transferee) at the specified office of the Registrar or any Paying and Transfer Agent. Where a Holder transfers some only of the Preferred Securities represented by any such certificate he shall be entitled to a certificate for the balance without charge. All transfers of Preferred Securities by Holders must be effected in accordance with the Act and subject to the provisions of the Limited Partnership Agreement.

12. Replacement of Certificates

If a certificate is damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same Preferred Securities may be issued on payment of such fee and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses as the General Partner may think fit and on payment of the costs of the General Partner incidental to its investigation of the evidence and, if damaged or defaced, on delivery up of the old certificate at the office of the Paying and Transfer Agent in Luxembourg.

13. Prescription

Claims against the Issuer for payment of Distributions and sums in respect of the Optional Redemption Price or Liquidation Distribution of the Preferred Securities will be prescribed in accordance with English law unless made within 10 years from the date on which such payment becomes due or, if later, the date on which the Issuer makes such payment available to Holders.

14. Governing Law and Jurisdiction

14.1 The Limited Partnership Agreement and the Preferred Securities shall be governed by, and construed in accordance with, English law, save for paragraph 3 of Schedule 2 to the Limited Partnership Agreement and paragraph 3 of the Preferred Securities which shall be governed by, and construed with, Irish law.

- 14.2 The Guarantor agrees for the benefit of the Holders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Preferred Securities (respectively, “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 14.3 The Guarantor irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.
- 14.4 The Guarantor agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to it at the offices of DEPFA BANK plc, London Branch, 1st Floor, 105 Wigmore Street, London W1V 1QY or at any address in Great Britain at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985. If the appointment of the person mentioned in this paragraph 14.4 ceases to be effective, the Guarantor shall forthwith appoint a further person in England to accept service of process on its behalf in England. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law.
- 14.5 The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Holder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE PREFERRED SECURITIES IN GLOBAL FORM

Initial Issue of Preferred Securities

The New Preferred Securities will be issued in registered form and will be initially represented by interests in a Global Certificate which will be deposited with The Bank of New York (the “**Common Depositary**”) as common depositary for Euroclear and Clearstream, Luxembourg. The New Preferred Securities will be registered in the name of the Initial Holder, as nominee for the Common Depositary. For so long as the Preferred Securities are deposited and registered as described above, book-entry interests in the Preferred Securities will be shown on, and transfers of such interests will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

Exchange

If either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days (other than for the purposes of a public holiday) or announces an intention permanently to cease business, then, subject to the occurrence of a Preferred Securities Substitution, a number of Preferred Securities corresponding to its book-entry interest in the Preferred Securities represented by the Global Certificate held by the Common Depositary referred to above will, subject to such reasonable requirements as the General Partner may require, be transferred to each holder of an interest in the Preferred Securities whose name is notified by the Common Depositary to the Registrar. Each such holder will be registered as a Holder in the Register and registered with the Registrar at Companies House on the Limited Partnerships Register accordance with the Act and will receive a certificate made out in its name.

Accountholders

So long as the Preferred Securities are registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the nominee for Euroclear and Clearstream, Luxembourg will be the sole registered owner or holder of the Preferred Securities represented by the Global Certificate for all purposes under the Limited Partnership Agreement. Except as set forth under “*Description of Preferred Securities – Transfers and Form*” and under “*– Transfers of Interests*” below, the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holders of the Preferred Securities evidenced by the Global Certificate (each an “**Accountholder**”) will not be entitled to have Preferred Securities registered in their names, will not receive or be entitled to receive physical delivery of definitive certificates evidencing interests in the Preferred Securities and will not be considered registered owners or holders thereof under the Limited Partnership Agreement. Accordingly, each Accountholder must rely on the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be, to exercise any rights and obligations of an investor in Preferred Securities.

Payment

Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made by the Issuer to the registered holder of the Preferred Securities and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be. Such persons shall have no claim directly against the Issuer in respect of payments due on the Preferred Securities for so long as the Preferred Securities are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the registered holder of the Preferred Securities in respect of each amount so paid.

Transfers of Interests

Accountholders will only be able to transfer their beneficial interests in the Preferred Securities in accordance with the restrictions described under “*Description of Preferred Securities – Transfers and Form*” and the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be.

SUBORDINATED GUARANTEE

The following is the Subordinated Guarantee substantially in the form to be executed by the Guarantor.

THIS DEED OF GUARANTEE (the “**Subordinated Guarantee**”), dated 9th February, 2004, is executed and delivered by DEPFA BANK plc (the “**Guarantor**”) for the benefit of the Holders (as defined below).

WHEREAS:

- (i) the Guarantor desires to cause DEPFA Funding II LP (the “**Issuer**”) to issue the New Preferred Securities (as defined below) and the Guarantor desires to issue this Subordinated Guarantee, which amends and restates the deed of guarantee dated 30th October, 2003 in respect of the Original Preferred Securities (as defined below) for the benefit of the Holders, as provided herein; and
- (ii) this Subordinated Guarantee is intended to provide the Holders, on a dissolution of the Issuer or on a default by the Issuer in discharging its obligations in respect of the Preferred Securities (as defined below), with rights against the Guarantor in respect of the Guaranteed Payments (as defined below) which rank *pari passu* to those which they would have had if the Preferred Securities had been directly issued non-cumulative preference shares of the Guarantor.

NOW, THEREFORE the Guarantor executes and delivers this Subordinated Guarantee as a deed poll for the benefit of the Holders.

1. Definitions

As used in this Subordinated Guarantee, capitalised terms not defined herein shall have the meanings ascribed to them in the Partnership Agreement and otherwise the following terms shall, unless the context otherwise requires, have the following meanings:

“**Guaranteed Payments**” means (without duplication) collectively (i) all Distributions due on the Preferred Securities, (ii) any Liquidation Distribution to which Holders are entitled, (iii) the Optional Redemption Price and (iv) any Additional Amounts;

“**Holder**” means, in respect of each Preferred Security, each person registered on the Register as the limited partner holding such Preferred Security at the relevant time, save that for as long as the Preferred Securities are registered in the name of a common depository (or of a nominee for a common depository) for Clearstream, Luxembourg and Euroclear, each person (other than Euroclear and Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg as the holder of an interest in any Preferred Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the number of Preferred Securities standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Guarantor and any Paying and Transfer Agent as the holder of Preferred Securities in a nominal amount equal to such interest for all purposes other than with respect to payments, the right to which shall be vested in the name of the person appearing as the relative limited partner in the Register;

“**Irish Tax**” means any present or future taxes or duties of whatsoever nature imposed or levied by or on behalf of Ireland or any political subdivision of or by any authority therein or thereof having power to tax;

“**New Preferred Securities**” means the €100,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities issued on 9th February, 2004;

“**Original Preferred Securities**” means the €300,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities issued on 30th October, 2003;

“**Partnership Agreement**” means the Limited Partnership Agreement dated 23rd October, 2003 establishing the Issuer as supplemented by a First Supplemental Limited Partnership Agreement dated on or around 5th February, 2004, as amended from time to time; and

“**Preferred Securities**” means the Original Preferred Securities, the New Preferred Securities and including any further 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities of the Issuer of the same series issued after the Closing Date of the New Preferred Securities and ranking *pari passu* with the Original Preferred Securities and the New Preferred Securities as regards participation in the profits and assets of the Issuer, the Holders of which are entitled to the benefits of this Subordinated Guarantee as evidenced by the execution of this Subordinated Guarantee.

2. Guarantee

- 2.1 Subject to the exceptions and limitations contained in the following provisions of this clause 2, the Guarantor irrevocably agrees to pay in full to the Holders the Guaranteed Payments, as and when due, to the extent that such payments shall not have been paid when due and payable by the Issuer regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert. This Guarantee is continuing, irrevocable and absolute. The rights and claims of the Holders against the Guarantor under this Guarantee are subordinated to the claims of the Senior Creditors (as defined in clause 2.3) in that payment of the Guaranteed Payments is conditional upon satisfaction of the conditions set out in the following provisions of this clause 2.
- 2.2 Notwithstanding clause 2.1, the Guarantor will not, save to the extent provided in clause 2.5, be obliged to make any Guaranteed Payment if the Guarantor is prevented by applicable Irish banking regulations or other regulatory requirements from making payment in full under this Guarantee.
- 2.3 Notwithstanding clause 2.1, if, at the time that the Liquidation Distribution is to be paid by the Guarantor under this Subordinated Guarantee in respect of any Preferred Securities, proceedings have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Guarantor other than pursuant to a Permitted Reorganisation, payment under this Subordinated Guarantee of such Liquidation Distribution shall not exceed the amount per security that would have been paid as a liquidation distribution out of the assets of the Guarantor had the Preferred Securities and all Parity Securities been the most senior class of non-cumulative preference shares in the Guarantor with equivalent rights of participation in the capital of the Guarantor (whether or not the Guarantor could in fact have issued such securities at such time) and ranked:
- (a) junior to all liabilities of the Guarantor including subordinated liabilities (in each case other than any liability of the Guarantor which constitutes, or is capable of constituting, Tier 1 Capital or which is referred to in (b) or (c) and any other liability expressed to rank *pari passu* with or junior to this Subordinated Guarantee) (the “**Senior Creditors**”);
 - (b) *pari passu* with Parity Securities, if any, issued by the Guarantor and any guarantee or support agreement of the Guarantor ranking *pari passu* with this Subordinated Guarantee; and
 - (c) senior to Junior Share Capital.
- 2.4 All Guaranteed Payments made hereunder will be made without withholding or deduction for or on account of any Irish Tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Guarantor will, if permitted by the Regulator (to the extent such approval is required), pay such additional amounts (the “**Guarantor Additional Amounts**”) as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable under this Subordinated Guarantee in the absence of such withholding or deduction; except that no such Guarantor Additional Amounts will be payable to a Holder (or a third party on his behalf):
- (a) to the extent that such taxes, duties, assessments or governmental charges are imposed or levied by virtue of such Holder (or the beneficial owner of a Preferred Security) having some connection with Ireland other than being a Holder (or beneficial owner) of a Preferred Security; or
 - (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (c) who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union,
- and except that the Guarantor’s obligation to pay any Guarantor Additional Amounts is subject to the exceptions relating to Guaranteed Payments set out in clauses 2.2 and 2.3.
- 2.5 In the event that the amounts described in clauses 2.1 and 2.4 cannot be made in full by reason of either of the conditions referred to in clause 2.2 or 2.3, such amounts will be payable *pro rata* in the Relevant Proportion and the obligations of the Guarantor in respect of any such unpaid balance shall lapse.
- 2.6 The Guarantor hereby waives notice of acceptance of this Subordinated Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, protest, notice of non-payment, notice of dishonour, notice of redemption and all other notices and demands.

- 2.7 The obligations, covenants, agreements and duties of the Guarantor under this Subordinated Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:
- (a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by or on behalf of the Issuer;
 - (b) the extension of time for the payment by or on behalf of the Issuer of all or any portion of any Distribution, the Optional Redemption Price, the Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities;
 - (c) any failure, omission, delay or lack of diligence on the part of Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;
 - (d) the voluntary or involuntary winding-up, dissolution, amalgamation, reconstruction, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganisation, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;
 - (e) any invalidity of, or defect or deficiency in, the Preferred Securities; or
 - (f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

There shall be no obligation on the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

- 2.8 This Subordinated Guarantee shall be deposited with and held by the Registrar until all the obligations of the Guarantor have been discharged in full. The Guarantor hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Subordinated Guarantee from the Registrar.
- 2.9 A Holder may enforce this Subordinated Guarantee directly against the Guarantor, and the Guarantor waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Guarantor. All waivers contained in this Subordinated Guarantee shall be without prejudice to the right to proceed against the assets of the Issuer and the General Partner as permitted by the terms of the Preferred Securities. The Guarantor agrees that this Subordinated Guarantee shall not be discharged except by complete performance of all obligations of the Guarantor under this Subordinated Guarantee.
- 2.10 The Guarantor shall be subrogated to any and all rights of the Holders against the assets of the Issuer in respect of any amounts paid to the Holders by the Guarantor under this Subordinated Guarantee. The Guarantor shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Subordinated Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Subordinated Guarantee. If the Guarantor shall receive or be paid any amount with respect to the Preferred Securities in violation of the preceding sentence, the Guarantor agrees to pay over such amount to the Holders.
- 2.11 The Guarantor acknowledges that its obligations hereunder are several and independent of the obligations of the Issuer with respect to the Preferred Securities and that the Guarantor shall be liable as principal and sole obligor hereunder to make Guaranteed Payments pursuant to the terms of this Subordinated Guarantee, notwithstanding the occurrence of any event referred to in clause 2.7.
- 2.12 Subject to applicable law, the Guarantor agrees that its obligations hereunder constitute unsecured obligations of the Guarantor subordinated in right of payment to Senior Creditors and will at all times rank:
- (a) junior to all Senior Creditors;
 - (b) *pari passu* with Parity Securities, if any, issued by the Guarantor and any guarantee or support agreement of the Guarantor ranking *pari passu* with this Subordinated Guarantee and issued in respect of Parity Securities issued by the Issuer or any Subsidiary; and
 - (c) senior to Junior Share Capital.

- 2.13 Following a breach by the Guarantor of its payment obligations under this Subordinated Guarantee, a Holder may petition in Ireland for the winding-up of the Guarantor and claim in the liquidation of the Guarantor but no other remedy shall be available to the Holder in respect of any breach by the Guarantor of its payment obligations under this Guarantee.
- 2.14 No Holder shall following any breach by the Guarantor of any of its obligations under this Subordinated Guarantee be entitled to exercise any right of set-off or counterclaim which may be available to it against amounts owing by the Guarantor to such Holder. Notwithstanding the provisions of the foregoing sentence, if any of the said rights and claims of any Holder against the Guarantor is discharged by set-off, such Holder will immediately pay an amount equal to the amount of such discharge to the Guarantor or, in the event of its winding-up, the liquidator of the Guarantor and until such time as payment is made will hold a sum equal to such amount in trust for the Guarantor, or the liquidator of the Guarantor and accordingly any such discharge will be deemed not to have taken place.
- 2.15 In the event of the winding-up of the Guarantor if any payment or distribution of assets of the Guarantor of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Guarantor being subordinated to the payment of amounts owing under this Subordinated Guarantee, shall be received by any Holders, before the claims of Senior Creditors have been paid in full, such payment or distribution shall be held in trust by the Holder, as applicable, and shall be immediately returned by it to the liquidator of the Guarantor and in that event the receipt by the liquidator shall be a good discharge to the relevant Holder. Thereupon, such payment or distribution will be deemed not to have been made or received.

3. Undertakings

- 3.1 The Guarantor undertakes that it will not issue any Tier 1 Securities ranking senior to its obligations under this Subordinated Guarantee or enter into any support agreement or give any guarantee in respect of any Tier 1 Securities issued by any Subsidiary or other entity if such support agreement or guarantee would rank senior to this Subordinated Guarantee unless this Subordinated Guarantee is changed to give the Holders such rights and entitlements as are contained in or attached to such securities or such other support agreement or guarantee so that this Subordinated Guarantee ranks *pari passu* with, and contains substantially equivalent rights of priority as to payment on, any Tier 1 Securities or such other support agreement or guarantee.
- 3.2 The Guarantor undertakes that, in the event that any Distribution is not paid to Holders in accordance with the rights attaching to the Preferred Securities in accordance with the Partnership Agreement, the Guarantor will not:
- (a) declare or pay any distribution or dividend and, where applicable, will procure that no distribution or dividend is declared or paid on any Junior Share Capital, until after the following Distribution Payment Date on which Distributions are in respect of the Preferred Securities paid in full (or an amount equivalent to the distributions to be paid in respect of the next Distribution Period has been paid or irrevocably set aside for payment to the Holders); or
 - (b) (if permitted) repurchase or redeem Parity Securities or Junior Share Capital until after the following Distribution Payment Date on which Distributions in respect of the Preferred Securities are paid in full (or an amount equivalent to the distributions to be paid in respect of the next Distribution Period has been paid or irrevocably set aside for payment to the Holders).
- 3.3 The Guarantor undertakes that, so long as any of the Preferred Securities is outstanding:
- (a) unless the Guarantor is itself being wound up, it will not permit, or take any action that would or might cause, the liquidation, dissolution or winding-up of the Issuer (or the General Partner if the Guarantor itself is not the general partner) otherwise than with the prior approval of the Regulator (if then required); and
 - (b) the General Partner will at all times be either the Guarantor itself or a directly or indirectly wholly-owned Subsidiary of the Guarantor,
- unless, in the case of (a) or (b), otherwise approved by a simple majority of the Holders by vote or in writing.
- 3.4 The Guarantor undertakes to take all reasonable steps to ensure that, with effect from the date of its annual general meeting in 2004 it will at all times have a sufficient number of authorised but unissued

Substituted Preference Shares to permit the substitution thereof for all outstanding Preferred Securities and undertakes to take all reasonable steps to ensure that all corporate authorisations will have been taken for the allotment and issue of the same free from pre-emptive rights. Following the creation of such Substituted Preference Shares and obtaining such corporate authorisations as aforesaid, the Guarantor further undertakes that (a) upon the occurrence of a Capital Deficiency Event, the Involuntary Dissolution of the Issuer (in circumstances where the Guarantor is not itself insolvent or in liquidation) or an Exchange Event, it will take all reasonable steps to allot, issue and deliver Substituted Preference Shares in satisfaction of the rights of the Holders in the circumstances and subject to the conditions described in the Partnership Agreement, (b) it will take all reasonable steps to procure that such Substituted Preference Shares will at the relevant time be listed on a recognised stock exchange and (c) it will pay any Irish issue taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising on the allotment and issue of the Substituted Preference Shares or otherwise in respect of the relevant Preferred Securities Substitution but shall not be obliged to pay any taxes or duties of any other jurisdiction. The Guarantor undertakes that as soon as practicable after a Capital Deficiency Event or the Involuntary Dissolution of the Issuer (in circumstances where the Guarantor is itself not insolvent or in liquidation or an Exchange Event) it will give written notice to the Holders of such event and take all reasonable steps to cause the substitution of the Preferred Securities by the Substituted Preference Shares all as more fully described in paragraph 5.2 of the Description of the Preferred Securities. The Guarantor undertakes that following such substitution, each Substituted Preference Share allotted will rank for any dividend from the immediately preceding Distribution Payment Date or, if none, the Closing Date and will have no entitlement to any accrued Distributions or any other payment on the Preferred Securities.

- 3.5 The Guarantor will procure that it will maintain at all times whilst the Preferred Securities are outstanding (a) whilst the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, a Paying and Transfer Agent in Luxembourg, (b) whilst the Preferred Securities are listed on the Official Segment of the stock market of Euronext Amsterdam N.V., a Paying and Transfer Agent in the Netherlands, (c) a Registrar having its office outside the United Kingdom and (d) a Paying and Transfer Agent having a specified office in a European Union Member State (if available) that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive.

4. Termination

With respect to the Preferred Securities, this Subordinated Guarantee shall terminate and be of no further force and effect upon the earliest of:

- 4.1 full payment of the Optional Redemption Price; or
- 4.2 purchase and cancellation of, all Preferred Securities; or
- 4.3 full payment of the Liquidation Distribution; or
- 4.4 the issue and allotment of the Substituted Preference Shares to or to the order of the Holders; or
- 4.5 the issue of DCIs to or to the order of the Holders,

provided however that this Subordinated Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid in respect of the Preferred Securities or under this Subordinated Guarantee must be restored by a Holder for any reason whatsoever.

5. Transfer; Amendment; Notices

- 5.1 Subject to operation of law, all guarantees and agreements contained in this Subordinated Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders. The Guarantor shall not transfer its obligations hereunder without the prior approval of the Holders of not less than a simple majority in Liquidation Preference of the outstanding Preferred Securities (excluding any Preferred Securities held by the Guarantor or subsidiary of the Guarantor), which approval shall be obtained in accordance with procedures contained in Schedule 2 to the Limited Partnership Agreement and applicable law.
- 5.2 Except for those changes (a) required by clause 3.1 hereof; or (b) which do not adversely affect the rights of Holders (in any of which cases no agreement will be required), this Subordinated Guarantee shall be changed only by agreement in writing signed or sealed by the Guarantor with the prior approval of the Holders of not less than a simple majority in Liquidation Preference of the

outstanding Preferred Securities (excluding any Preferred Securities held by the Guarantor or any subsidiary of the Guarantor), which approval shall be obtained in accordance with the procedures contained in Schedule 2 to the Limited Partnership Agreement and applicable law.

- 5.3 Any notice, request or other communication required or permitted to be given hereunder to the Guarantor shall be given in writing by delivering the same against receipt therefor or be addressed to the Guarantor, as follows, to:

DEPFA BANK plc
International House
3, Harbourmaster Place
Dublin 1
Ireland

Attention: The Company Secretary

Telephone: +353 1 607 1600

Facsimile: +353 1 829 0213

The address of the Guarantor may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Guarantor to the registrar for the Preferred Securities.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Guarantor in the same manner as notices sent on behalf of the Issuer to Holders.

- 5.4 This Subordinated Guarantee is solely for the benefit of the Holders and is not separately transferable from their interests in respect of the Preferred Securities.

6. Governing Law and Jurisdiction

- 6.1 This Subordinated Guarantee is governed by, and shall be construed in accordance with, English law, save for paragraph 2.12 which shall be governed by, and construed in accordance with, Irish law.
- 6.2 The Guarantor agrees for the benefit of the Holders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Preferred Securities (respectively “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 6.3 The Guarantor irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.
- 6.4 The Guarantor agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to it at the offices of DEPFA BANK plc, London Branch, 1st Floor, 105 Wigmore Street, London W1U 1QY or at any address in Great Britain at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985. If the appointment of the person mentioned in this Clause 6.4 ceases to be effective, the Guarantor shall forthwith appoint a further person in England to accept service of process on its behalf in England. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law.
- 6.5 The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Holder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

IN WITNESS WHEREOF this Subordinated Guarantee has been executed as a deed poll on behalf of the Guarantor.

The COMMON SEAL of)
DEPFA BANK plc was affixed)
to this Deed in the presence of:)

USE OF PROCEEDS

The proceeds of the issue of the New Preferred Securities, amounting to €105,061,475.41, will be used by the Issuer to subscribe for the Subordinated Note issued on the Closing Date of the New Preferred Securities by a directly or indirectly wholly-owned subsidiary of the Guarantor. Commissions and expenses in relation to the issue of the New Preferred Securities will be paid separately - see “*Subscription and Sale*” and “*General Information*” below.

DEPFA FUNDING II LP

Introduction

The Issuer was registered in England and Wales on 24th October, 2003 under the Limited Partnerships Act 1907, with the Guarantor as the general partner (the “**General Partner**”) and The Bank of New York Depository (Nominees) Limited as the initial limited partner (the “**Initial Limited Partner**”). The General Partner and the Initial Limited Partner entered into a limited partnership agreement dated 23rd October, 2003 (the “**Original Limited Partnership Agreement**”) for the purpose of establishing the Issuer and, in relation to the issue of the New Preferred Securities, will also enter into a first supplemental limited partnership agreement before the Closing Date of the New Preferred Securities (the “**First Supplemental Limited Partnership Agreement**”) and, together with the Original Limited Partnership Agreement, the “**Limited Partnership Agreement**”). The Issuer is not a legal entity separate from its partners and has no subsidiaries. The Limited Partnership Agreement does not create a trust relationship between any of the partners.

The General Partner, incorporated in Ireland with registered number 348819, is the sole General Partner of the Issuer and, as such, solely manages the Issuer (subject to the appointment by the Issuer of the Administrator as described below). The Guarantor will undertake in the Subordinated Guarantee to ensure that, unless otherwise approved by a simple majority of the Holders, the General Partner will at all times be either the Guarantor itself or a directly or indirectly wholly-owned subsidiary of the Guarantor.

Provided that the Limited Partners do not become involved with the administration of the limited partnership, and subject to compliance with the provisions of the Act, the liability of the Limited Partners for the debts or obligations of the limited partnership will be limited to the amount of partnership capital which they have contributed or agreed to contribute to the partnership, i.e. €1,000 per Preferred Security.

No financial statements of the Issuer have yet been prepared. The first financial statements of the Issuer are expected to be prepared for the period ending on 31st December, 2003. Thereafter, it is intended that the Issuer will prepare audited annual financial statements. It is not intended that the Issuer will publish interim financial statements.

Activity

The business of the Issuer is generally to raise finance for the Group and is more particularly described in the Limited Partnership Agreement. The Issuer has carried out no operations since its registration other than in relation to the creation of the Preferred Securities. The capital contributions to be made by the Limited Partners will be used by the Issuer to subscribe for the Subordinated Note issued either by a directly or indirectly wholly-owned subsidiary of the Guarantor.

Administration

For U.K. regulatory purposes, the Issuer will be operated by the General Partner or, insofar as the General Partner is not so authorised, by an administrator (the “**Administrator**”) authorised by the FSA under the Financial Services and Markets Act 2000 (the “**FSMA**”) to establish, operate and wind-up collective investment schemes. The registered offices of the Issuer and of the General Partner are 1st Floor, 105 Wigmore Street, London W1U 1QY and International House, 3, Harbourmaster Place, Dublin 1, Ireland respectively. Neither the Initial Limited Partner nor any Holder may participate in the administration of the Issuer.

The General Partner has agreed to contribute capital from time to time to the extent required for the Issuer to meet any operating expenses which it may have. The General Partner has also agreed that it will at all times maintain sole ownership, whether directly or indirectly, of its general partner interest in the Issuer, subject to the terms of the Limited Partnership Agreement. The Limited Partnership Agreement provides that all of the Issuer’s business and affairs will be conducted by the General Partner save for those operational matters required to be performed by an Administrator under the FSMA. The General Partner will have unlimited liability for the debts and obligations of the Issuer to the extent that these cannot be satisfied out of partnership assets.

If the Issuer is dissolved, the Limited Partnership Agreement provides that the General Partner will only be entitled to any assets of the Issuer remaining after (i) all debts and other liabilities of the Issuer have been satisfied in full and (ii) the full Liquidation Preference to which the Holders are entitled and all other amounts to which the holders of any other partnership interests are entitled have been paid to, or irrevocably set aside for, such holders, provided that upon any dissolution of the Issuer pursuant to any replacement of

the Preferred Securities by DCIs or any substitution of the Preferred Securities by Substituted Preference Shares, the General Partner will be entitled to any assets of the Issuer remaining after all debts and other liabilities of the Issuer have been satisfied in full and the Holders will not be entitled to any assets of the Issuer.

Capitalisation

In addition to the initial capital contribution by the General Partner, the initial capital contribution of €1.00 of the Initial Limited Partner, the preferred capital contribution of €300,000,000 made by the Initial Limited Partner in relation to the Original Preferred Securities and the preferred capital contribution of €100,000,000 to be made by the Initial Limited Partner in relation to the New Preferred Securities and such other capital contributions as may be made by the General Partner from time to time to meet certain operating expenses of the partnership, the General Partner may accept additional limited partners and additional capital contributions to the Issuer in accordance with the provisions of the Limited Partnership Agreement.

Indebtedness

Since the date of its registration, the Issuer has not had any loan capital outstanding, has not incurred any borrowings, has had no contingent liabilities, has not granted any guarantees and does not intend to have outstanding any such loan capital, incur any such borrowings, have any such contingent liabilities or grant any such guarantees other than in connection with the issue of the Preferred Securities and other partnership interests in the Issuer. The General Partner will undertake not to incur any indebtedness in the name of the Issuer other than the costs and expenses incidental to creating the Preferred Securities and the Issuer and any other partnership interests in the Issuer, performing its obligations in respect of the Limited Partnership Agreement, maintaining the listings of the Preferred Securities, the Register, the Registrar, the Paying and Transfer Agents and listing agents in respect of the Preferred Securities and corresponding agents (where applicable) with respect to any other partnership interests in the Issuer, the Issuer's holding of the partnership assets and any other securities acquired with any other capital contributions to the Issuer or substitutions therefor and the maintenance of any custodian therefor, the exercise of the Issuer's rights in respect of the partnership assets and any other securities acquired with any other capital contributions to the Issuer or substitutions therefor and the administration of the Issuer.

DESCRIPTION OF DEPFA BANK PLC

Introduction

DEPFA BANK public limited company (the “**Guarantor**”) was incorporated in the Republic of Ireland on 9th October, 2001 and, following completion of the restructuring below, is the parent company of the Guarantor’s group of companies, comprising the Guarantor and its consolidated subsidiaries (the “**Group**”), which is a specialist European provider of financial services to public sector clients. The Guarantor is a public limited company based in Dublin and has a banking licence from the Central Bank of Ireland, since May 2003 the Irish Financial Services Regulatory Authority as part of the Central Bank and Financial Services Authority of Ireland (the “**Regulator**”). The Guarantor has been registered in the Irish Companies Registration Office, and has been given company number 348819. Its shares are listed on the Frankfurt Stock Exchange. It has a network of subsidiaries, branches and offices across many European countries, as well as in North America and Asia.

The Group, including the Guarantor, provides a broad range of products and services to public sector entities, from government budget financing and financing of infrastructure projects to placing of public sector assets and investment banking and other advisory services.

Certain Business Developments

The aim of the Group is to position itself within a few years as one of the world’s leading providers of public sector financial services. The Group intends to cover the entire value chain for public sector finance with a wide range of services. In addition, the Group aims to increase its investment banking services and to provide credit analysis and asset management services. The Group plans to expand in these areas, allocating more capital to these businesses and strengthening its capital market activities.

The Group has direct client contacts with many state entities. In addition, management of the Group (the “**Management**”) believes that the Group is, at the date of this Offering Circular, a cost leader in the field of capital market transactions. Management believes that over the last eight years the Group has enhanced its position vis a vis its competitors. This relative improvement has been made possible by paying close attention to the investor base. Management believes that the Group’s capital and money market products are well suited to the needs of major institutional investors worldwide and this has been complemented for many years by direct account management on the money market side. The Group is in regular contact with global fixed income investors via its deposit business. The Group intends to reinforce these relationships still further and use them over the next few years to sell other capital market products, including derivatives in addition to money market products and asset management. Management intends that the Group continue to issue asset covered bonds denominated in U.S. dollars, with a view to expanding further the investor base in the North American market in particular, as well as in the Asian markets.

The Group is aiming to expand its public sector financing business in Europe and to supplement its budget finance activities with higher margin business. Management believes that the Group’s low cost production gives the Group an advantage in a highly competitive market.

Management believes that the Group’s expertise in credit analysis of public sector entities allows greater accuracy in pricing of public sector loans and, in particular, more effective risk control. The standards of the Group’s credit analysis have uniform application worldwide in the Group and are integrated in the Group’s internal rating system. Management believes this expertise gives the Group a competitive advantage when entering new markets, as in Japan, in particular.

The Group’s goal is to focus on those public sector entities involved in large volume business. The Group advises individual public sector debtors on their international capital market transactions or preparations for the ratings process. In addition to pure budget financing, the Group has also built up infrastructure financing in recent years.

In future the Group plans to increase its placement activities in Western Europe taking advantage of the Group’s ties to institutional investors on the one hand (lenders) and public sector entities (borrowers) on the other.

Management of the Group believes that the establishment of DEPFA ACS BANK should bring significant benefits for the budget finance business, which is traditionally characterised by large volumes, high asset quality and relatively low margins. Management believes these benefits should arise from improved funding opportunities and the ability to issue, through DEPFA ACS BANK, an additional fixed income product in

the capital markets, namely public credit covered securities under the ACS Act (see further details under “Current Position and Recent Developments” below).

The Group has strengthened its base in the United States by establishing an agency of the Guarantor in New York. (See further details under “Current Position and Recent Developments” below).

Management believes that the Group has a unique market position in Central and Eastern Europe and is already well placed in practically every country in that region through its investment-banking arm, DEPFA Investment Bank Limited (“DIBL”). The Group uses investment banking techniques in its activities in these regions, i.e. relating primarily to advisory and placement business. The Group (through DIBL) has pursued its aim of expanding into Asia by opening a representative office in Hong Kong. Its remit will be to source investment bank business of the type which it currently conducts in Eastern Europe. Over the next few years, Management believes that it will also be necessary to expand the staff base of DIBL. Management also believes that DIBL will also play an important role in building up placement business in Western Europe.

For the past four years, the Group has been operating in Japan via a branch of the former parent, DEPFA Deutsche Pfandbriefbank AG.

Completion of the Restructuring

The restructuring of the DEPFA group, under which the property financing business was spun off into what is now Aareal Bank AG (formerly DePfa Bank AG), and the public sector lending business concentrated under the auspices of the Guarantor was completed in June 2002. To summarise, the major steps in the restructuring began when the Guarantor was incorporated on 9th October, 2001 under the name of DEPFA Holding plc (the “new Irish Parent Company”). In January 2002 it launched an exchange offer for the shares of the then parent company DEPFA Deutsche Pfandbriefbank AG on a 1:1 basis. At the close of the final acceptance period on 13th March, 2002 a total of 98.1 per cent. of the DEPFA Deutsche Pfandbriefbank AG shares had been tendered for exchange for shares in the new Irish Parent Company. On 20th March, 2002 the shares of the new Irish Parent Company were listed on the Frankfurt Stock Exchange.

After completion of the share exchange DEPFA Deutsche Pfandbriefbank AG sold subsidiaries, including DePfa-Bank Europe plc and Aareal Bank AG, to the new Irish Parent Company. In early April 2002, the new Irish Parent Company changed its name to DEPFA BANK plc and obtained a banking licence from the Regulator.

The next stage of the restructuring involved the distribution of the then group’s property business to the shareholders of the Guarantor by way of a de-merger. The de-merger was effected by reducing the capital of the Guarantor and transferring the shares of Aareal Bank AG to the shareholders of the Guarantor as a repayment of capital. On 13 May 2002 the Irish High Court approved the reduction of the capital of the Guarantor and the Aareal Bank AG shares were allocated to the Guarantor’s shareholders on 20th June, 2002 on a 1:1 basis. After completion of the de-merger, the Guarantor became the parent company of the group of companies comprising the pre-restructuring public finance business.

On 2nd December, 2002 DePfa-Bank Europe plc successfully completed the planned transfer of substantially all its banking business to the Guarantor pursuant to Part III of the Irish Central Bank Act 1971.

Current Position and Recent Developments

Following the conclusion of the restructuring, and in accordance with its terms, the public finance activities have been managed by the Guarantor pursuant to a universal banking licence. The former structure of the Group, with the parent company as a specialist institution (mortgage bank) and the subsidiary as a universal bank, has thus been reversed. At the date of this Offering Circular, the covered bond issuing activities were being conducted by two subsidiaries of the Guarantor: DEPFA Deutsche Pfandbriefbank AG, based in Frankfurt which is responsible for the issue of Pfandbriefe in Germany; and DEPFA ACS BANK as the Irish asset covered securities bank, which is responsible for the issue of public credit covered securities under the terms of the Irish Asset Covered Securities Act, 2001 (the “ACS Act”). The ACS Act allows for the issue of asset covered securities that are similar to the German Pfandbriefe. At the date of this Offering Circular the Group concentrated on three main areas of public sector financing: budget financing, infrastructure financing and the investment banking business.

Following successful applications made by the Management of the Group to the Hong Kong Monetary Authority, the Group has obtained approval to open a DIBL representative office in Hong Kong with a remit to expand DIBL’s investment banking activities in the Asian market. Management anticipates that DIBL’s approach to the Asian financial markets will be conducted along the same lines as that of its franchise in the EU accession countries of Eastern Europe since 1998.

Following successful applications made by the Management of the Group to the Superintendent of Banks in the State of New York and to the Board of Governors of the Federal Reserve System, the Group has obtained a license to establish and maintain an agency of the Group in the State of New York. The agency's remit will be to source public sector financing activities which complement the Group's activities in Europe and Asia, including providing liquidity support facilities for US municipalities and government-sponsored enterprises, as well as selling credit protection on such entities.

On 6th March, 2003 DEPFA ACS issued its first Asset Covered Securities in the amount of €4,000,000,000 (increased to €5,000,000,000 on 2nd May, 2003). On 30th May, 2003 DEPFA ACS issued €3,500,000,000 Asset Covered Securities and on 29th October, 2003, issued a further U.S.\$1,250,000,000 Asset Covered Securities. Effective 1st August, 2003, DEPFA ACS joined DEPFA BANK plc and DEPFA Deutsche Pfandbriefbank AG as a co-issuer on the Group's euro medium-term note programme, pursuant to which DEPFA ACS issued ¥50,000,000,000 Asset Covered Securities on 22nd September, 2003, U.S.\$400,000,000 Asset Covered Securities on 9th October, 2003, U.S.\$80,000,000 zero-coupon Asset Covered Securities on 27th October, 2003, CHF28,025,000 Asset Covered Securities on 25th November, 2003, CHF200,000,000 Asset Covered Securities on 15th December, 2003 and U.S.\$15,000,000 Asset Covered Securities on 22nd December, 2003. On 22nd January, 2004, DEPFA ACS issued a further €4,000,000,000 Asset Covered Securities. The Asset Covered Securities were rated AAA/Aaa by Moody's Investors Service, Inc. and Standard and Poor's Rating Services, a division of McGraw Hill Companies Inc and Fitch Ratings.

On 30th October, 2003, DEPFA Funding II LP issued the €300,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (the "**Original Preferred Securities**").

Business Performance and Outlook

There have been no significant changes in the development of the Guarantor or the Group. Management believes that the Group is developing in line with its expectations.

Taxation

The Guarantor is located in the International Financial Services Centre (the "**IFSC**") in Dublin, Ireland. The IFSC is a special business centre for which lower tax rates apply for offshore business. The Guarantor has a certificate under section 446 of the Irish Taxes Consolidation Act 1997, certifying eligibility for lower tax rates. This lower tax rate is scheduled to terminate on 31st December, 2005. A general rate of 12.5 per cent. corporation tax on all other trading income has applied since 1st January, 2003. Management expects that the Guarantor should be able to avail of this rate when its lower rate terminates in 2005.

Registered Office

The registered office of the Guarantor is International House, 3 Harbourmaster Place, IFSC, Dublin 1, Ireland. The registered number of the Guarantor is 348819.

Branches, Representative Offices and Subsidiaries of the Guarantor

The Group currently has a presence in the following cities through its network of branches, representative offices and subsidiaries: Amsterdam, Copenhagen, Dublin, Frankfurt am Main, Hong Kong, London, Madrid, New York, Nicosia, Paris, Rome, and Tokyo. (See further details under "Description of the Principal Subsidiaries of the Guarantor" below).

Objects and Share Capital

The primary object of the Guarantor is to carry on the business of banking in all its forms, including borrowing, raising or taking up money and employing and using the same.

At the date of this Offering Circular, the Guarantor's authorised share capital consisted of €130 million comprised of 43,333,334 shares with a par-value of €3 each. The Guarantor's issued share capital was €106 million comprised of 35,301,972 shares and was fully paid-up. The Guarantor's shares are entitled to dividends and are not divided into classes. Each share is entitled to one voting right. The Guarantor does not hold any of its own shares.

Basle Convention on the Treatment of Equity Capital

Under the capital regulations of the Regulator, at 31st December, 2003 the Guarantor's tier 1 capital ratio was risk-weighted at 10.66 per cent. and its capital to risk-weighted assets ratio was 20.13 per cent. Also at that date, 73.71 per cent. of the Guarantor's on balance sheet assets were 0 per cent. risk-weighted, 0.52 per

cent. (of 1 per cent.) were weighted at 10 per cent., 23.64 per cent. of such assets were 20 per cent. risk-weighted, 0.92 per cent. weighted at 50 per cent. and 1.21 per cent. weighted at 100 per cent.

Auditors

The Guarantor's auditors are PricewaterhouseCoopers Dublin.

Financial Year

The financial year of the Group is the calendar year.

The Board of Directors of DEPFA BANK plc

There are currently 13 members of the Board of Directors of the Guarantor, 6 of whom are Executive Directors. Alternate Directors may also be appointed under the Memorandum and Articles of Association of the Guarantor. The Guarantor does not have a Supervisory Board.

Members

Principal Outside Activities

Gerhard Bruckermann
(*Chairman and CEO*)

Chairman of the Board of Directors of DePfa-Bank Europe plc. Member of the Board of Directors of DePfa Capital Japan K. K. Member of the Board of Directors of DEPFA Investment Bank Ltd. Member of the Advisory Board of Karlsruher Rendite Beratungsgesellschaft für Vermögensanlagen GmbH. Member of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG.

Dr. Thomas M. Kolbeck
(*Vice Chairman and Deputy CEO*)

Member of the Board of Directors of DePfa-Bank Europe plc. Member of the Board of Directors of DePfa Capital Japan K. K. Chairman of the Board of Directors of DEPFA Investment Bank Ltd. Chairman of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG.

Dermot M. Cahillane

Member of the Board of Directors of DePfa-Bank Europe plc. Member of the Board of Directors of DBE Property Holdings Ltd. Member of the Board of Directors of DEPFA Investment Bank Ltd. Chairman of the Board of Directors of DEPFA ACS BANK. Member of the Board of Directors of DePfa Capital Japan K. K.

Fulvio Dobrich

Member of the Board of Directors of DePfa-Bank Europe plc. Member of the Board of Directors of DEPFA Investment Bank Ltd. Chairman of the Board of Directors of DEPFA UK Ltd. Member of the Board of Directors of DePfa Funding Trust. Member of the Board of Directors of DePfa Funding LLC. Member of the Board of Directors of DLF Inc. Member of the Board of Directors of Malibart Ltd. Member of the Board of Directors of Segundo Ltd.

Dr. Reinhard Grzesik

Member of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG. Member of the Board of Directors of DePfa-Bank Europe plc.

Jürgen Karcher

Vice-Chairman of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG. Member of the Board of Directors of DePfa-Bank Europe plc. Member of the Supervisory Board of Cytonet GmbH.

Dr. Richard Brantner

Member of the Board of Directors of European Investment Bank. Member of the Board of Directors of DePfa-Bank Europe plc. Deg. DT. Investitions und Entwicklungsgesellschaft. Member of the Supervisory Board of Aareal Bank AG. Member of the Board of Directors of Integrata AG.

Prof. Dr. Alexander Hemmelrath

Partner in Haarmann Hemmelrath & Partner. Member of the Board of Directors of Advanced Medien AG. Gieag. Member of the Board of Directors of Seitz AG. Member of the Board of Directors of Supermarket Media AG.

Maurice O'Connell	None.
Jacques Poos	Member of the Board of Directors of Banque BNP Paribas (Luxembourg).
Hans W. Reich	Member of the Board of Directors of Thyssen Krupp Werften GmbH. Member of the Board of Directors of Frachtkontor Junge & Co. Member of the Board of Directors of HUK-COBURG-Allgemeine-Versicherungs-AG. Member of the Board of Directors of Krankenversicherungs-AG der HUK-COBURG. Member of the Board of Directors of Lebensversicherung-AG der HUK-COBURG. Member of the Board of Directors of ALSTROM GmbH. Member of the Board of Directors of Deutsche Telekom AG. Member of the Board of Directors of IKB Deutsche Industriebank AG. Member of the Board of Directors of RAG AG. Member of the Board of Directors of Thyssen Krupp Steel AG. Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschland AG. Member of the Board of Directors of HUK-COBURG Holding GmbH. Member of the Board of Directors of Deutsche Energie-Agentur GmbH. Member of the Supervisory Board of Aareal Bank AG.
Prof. Dr. Frances Ruane	Member of the Board of Directors of DePfa-Bank Europe plc. Member of the Board of Directors of DEPFA ACS BANK. Douglas Hyde Gallery. Irish Writers' Centre. National Children's Hospital Foundation Board.
Prof. Dr. Dr. h.c. mult. Hans Tietmeyer	Member of the Board of Directors of Bank for International Settlements. Member of the Board of Directors of BDO Deutsche Warentreuhand AG. DWS Investment GmbH. Member of the Board of Directors of ING Groep N.V. Member of the Board of Directors of Hauck & Aufhäuser Privatbankiers KgaA. Member of the Supervisory Board of Aareal Bank AG.

Addresses of the Board of Directors of DEPFA BANK plc

The business address of Gerhard Bruckermann, Dermot Cahillane and Reinhard Grzesik is 3 Harbourmaster Place, International House, International Financial Services Centre, Dublin 1, Ireland. The business address of Thomas Kolbeck and Jürgen Karcher is An der Welle 5, 60322 Frankfurt, Germany. The business address of Fulvio Dobrich is 39th floor, 570 Lexington Avenue, New York, NY 10022, USA. The business address of Richard Brantner is Erhard-Junghans Strasse 29, 78713 Schramberg, Germany. The business address of Hans Reich is KFW, Palmengartenstrasse 5-9, D-60325 Frankfurt, Germany. The business address of Frances Ruane is Department of Economics, Trinity College, Dublin 2, Ireland. The business address of Hans Tietmeyer is Reichenbachweg 15b, 61462 Königstein, Germany. The business address of Jacques Poos is 45 Square Emile Mayrisch, Esch-Alzette L4240, Luxembourg. The business address of Alexander Hemmelrath is Haarmann, Hemmelrath & Partner, Rechtsanwälte, Wirtschaftsprüfer, Steuerberater GbR, Maximilianstrasse 35, 80539 Munich, Germany. The business address of Maurice O'Connell is 9 Cypress Lawn, Templeogue, Dublin 6W, Ireland.

DESCRIPTION OF THE PRINCIPAL SUBSIDIARIES OF THE GUARANTOR

The principal subsidiaries of the Guarantor are as follows:

DEPFA Deutsche Pfandbriefbank AG, Frankfurt

DEPFA Deutsche Pfandbriefbank AG, the former parent of the Group, is governed by the German Mortgage Bank Act (MBA) and since its split from Aareal Bank AG concentrates purely on public sector lending.

DePfa-Bank Europe plc, Dublin

DePfa-Bank Europe plc (“DePfa Europe”) has historically been responsible for lending to European central, regional and local authorities outside Germany and into Japan and North America. On 2nd December, 2002, DePfa Europe transferred substantially all of its banking business to the Guarantor, and it is proposed to transfer all of the remaining assets and liabilities of DePfa Europe to the Guarantor as soon as reasonably practical. There are no immediate plans to liquidate DePfa Europe.

DEPFA ACS BANK, Dublin

DEPFA ACS BANK is an unlimited company wholly owned by the Guarantor, the primary purpose of which is to provide funding to the Group by issuing asset covered securities under the Irish Asset Covered Securities Act 2001.

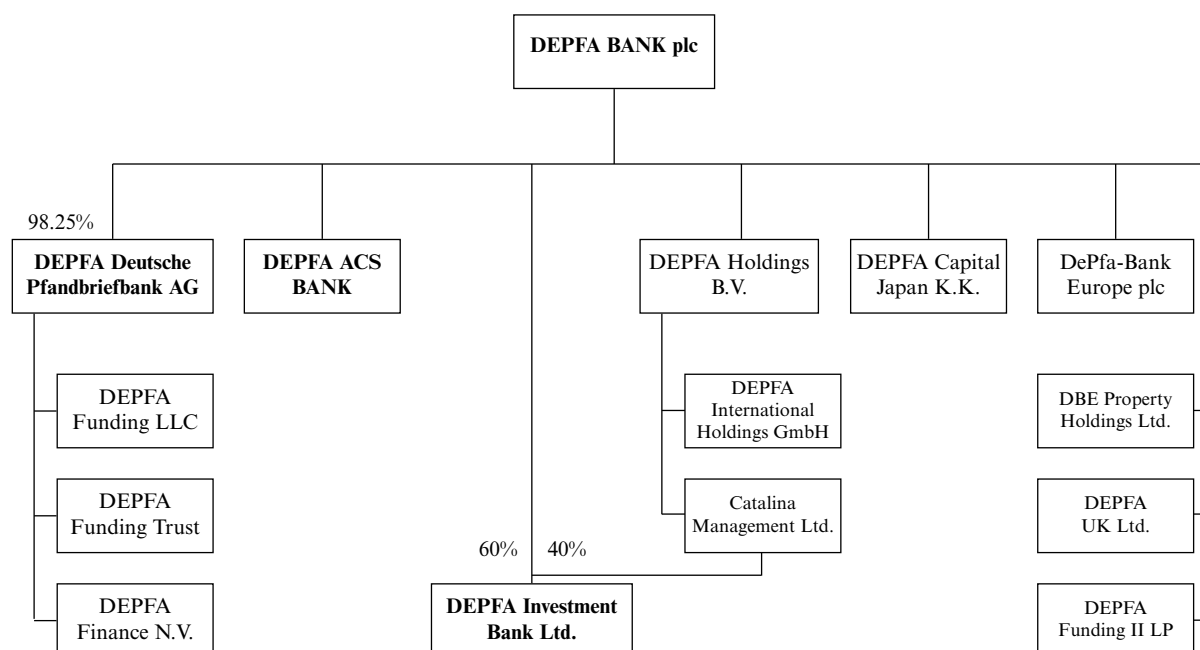
DEPFA Investment Bank Ltd., Nicosia

DEPFA Investment Bank Ltd. is incorporated in Nicosia, Cyprus and is responsible for investment banking activity with a focus on sovereign public sector investments in Central and Eastern Europe.

DePfa Capital Japan, K.K., Tokyo

DePfa Capital Japan K.K. is incorporated in Japan and engages in public sector financing.

The following diagram illustrates the structure of the Group at the date of this Information Memorandum:



CONSOLIDATED CAPITALISATION AND INDEBTEDNESS OF DEPFA BANK PLC

The following table sets out the capitalisation and indebtedness of the Group and is derived from the unaudited consolidated Interim Group Report as at 30th September, 2003.

	30th September, 2003
	(€ million)
Group	
Capitalisation and indebtedness at 30th September, 2003	
Authorised Capital	
Authorised Capital ⁽¹⁾	130
Issued Capital ⁽²⁾	103
Capital Reserve	371
Reserves	737
Other Comprehensive Income	70
	1,281
Hybrid capital⁽³⁾	863
Minority interests⁽⁴⁾	242
Indebtedness	
Loan Capital	
Total long term ⁽⁵⁾	76,226
Total short term ⁽⁶⁾	19,660
Other indebtedness ⁽⁷⁾	59,849
	155,735
Contingent liabilities arising from guarantees and indemnity agreements	45

Notes:

- (1) Authorised capital is comprised of 43,333,334 common shares with a par value of €3 each, of which 35,301,972 shares comprise issued share capital and 8,031,362 additional shares may be issued under the authorised capital.
- (2) Issued capital is fully paid up and comprised of 35,301,972 shares with a par value of €3 each. At 30th September, 2003 DEPFA BANK plc Deferred Stock Trust held 918,600 shares of DEPFA BANK plc with a nominal value of EUR 2,755,800 as part of the employee stock compensation programme.
- (3) Hybrid capital comprises Profit Sharing Capital of €863 million (consisting of profit sharing certificates issued by DEPFA Deutsche Pfandbriefbank AG in compliance with German banking regulations).
- (4) Minority interests are comprised of €220 million preference share capital of DEPFA Funding Trust and €22 million minority interest in Pfandbriefbank. Subsequent to 30th September, 2003, a further €300,000,000 of capital was raised by the Group through the issuance of the Original Preferred Securities on 30th October, 2003.
- (5) Of total long term indebtedness, €71,908 million is secured, and €4,318 million is unsecured, but none is guaranteed.
- (6) All short term indebtedness is unsecured and not guaranteed.
- (7) Of total other indebtedness, €46,676 million is secured, and €13,173 million is unsecured, but none is guaranteed.
- (8) Total indebtedness is disclosed in the unaudited consolidated interim financial statements of the Group as at 30th September, 2003 as follows: Liabilities to banks €57,909 million, Liabilities to customers €6,258 million and Debt Securities in Issue €91,568 million.

Save as disclosed above, there has been no material change in the capitalisation or indebtedness, contingent liabilities or liabilities arising from guarantees and indemnity agreements of the Group since 30th September, 2003.

SUMMARY FINANCIAL STATEMENTS OF DEPFA BANK PLC

Set out below are summary audited consolidated financial statements of DEPFA BANK plc for the financial year ended 31st December, 2002, together with comparatives, which have been extracted without material adjustment from the Annual Report and Accounts of the Group for the financial year 2002.

Group Balance Sheet

as at 31st December, 2002

	31st December,	
	2002	2001⁽¹⁾
	<i>(€ million)</i>	<i>(€ million)</i>
Assets		
Cash and balances with central banks	645	1,360
Loans and advances to banks	13,281	14,040
Loans and advances to customers	59,764	81,399
Debt securities and other fixed-income securities	64,566	74,387
Equities and other non-fixed income securities	23	296
Equity Participations	7	121
Intangible assets	5	53
Property and equipment	15	165
Other assets	3,120	3,168
Accrued interest and prepaid expenses	4,421	5,910
Total assets	145,847	180,899

Note:

- (1) The comparative balance sheet figures are from the DEPFA Group accounts as at 31st December, 2001 as restated for the equity roll-back.

Shareholders' equity and liabilities

	31st December,	
	2002	2001⁽¹⁾
	<i>(€ million)</i>	<i>(€ million)</i>
Liabilities to banks	36,774	51,403
Liabilities to customers	3,554	15,980
Debt securities in issue	89,625	98,548
Other liabilities	8,605	4,589
Accrued interest and deferred income	4,752	5,641
Provisions	233	372
Hybrid capital	926	1,539
Minority interest	242	614
Total Liabilities	144,711	178,686
Equity		
Subscribed capital	105	105
Capital reserve	396	386
Retained earnings	503	1,750
Other comprehensive income	132	-28
Total equity	1,136	2,213
Total shareholders' equity and liabilities	145,847	180,899
Contingent liabilities and irrevocable loan commitments		
Contingent liabilities on guarantees and indemnity agreements	62	1,437
Irrevocable loan commitments	4,430	7,633

Note:

- (1) The comparative balance sheet figures are from the DEPFA Group accounts as at 31st December, 2001 as restated for the equity roll-back.

Group profit and loss account

for the period from 1st January to 31st December, 2002 of DEPFA BANK plc

	1st January to 31st December,	
	2002	2001⁽¹⁾
	<i>(€ million)</i>	<i>(€ million)</i>
Interest and similar income from		
Lending and money market business	3,546	3,939
Fixed-income securities	2,831	2,876
Interest and similar expenses	<u>(6,079)</u>	<u>(6,556)</u>
Net interest income	<u>298</u>	<u>259</u>
Commission income	42	35
Commission expenditure	(10)	(32)
Income from sale of assets	99	27
Trading result	(21)	41
Other income	<u>2</u>	<u>37</u>
Other operating income	<u>410</u>	<u>367</u>
General administrative expenses	(91)	(86)
Depreciation and amortisation of intangible assets and property and equipment	(6)	(10)
Other expenditure	<u>(6)</u>	<u>(6)</u>
Operating results before provision for loan losses	<u>307</u>	<u>265</u>
Provision for loan losses	–	(12)
Result from the first-time application of FAS 133	–	(29)
Income before income taxes	<u>307</u>	<u>224</u>
Income taxes	(59)	(56)
Income after income taxes	<u>248</u>	<u>168</u>
Minority interest	<u>(12)</u>	<u>(31)</u>
Group net income for the year – continuing operations	<u>236</u>	<u>137</u>
Results from discontinued operations		
Operating result from discontinued operations	(10)	154
Loss on disposal of discontinued operations including impairment on date of spin-off	<u>(792)</u>	<u>–</u>
Group net income	<u>(566)</u>	<u>291</u>

Note:

- (1) The comparative profit and loss account figures for the year ended 31st December, 2001 are based on the DEPFA Group financial statements for the year ended 31st December, 2001, reclassified for discontinued operations.

	1st January to 31st December,	
	2002	2001⁽²⁾
Weighted average number of ordinary shares in circulation	35,301,972	35,301,972
Earnings per share from continuing operations before adjustments following the first-time application of FAS 133 (€)	6.70	4.43
Earnings per share from continuing operations resulting from adjustments following the first-time application of FAS 133 (€)	–	(0.55)
Earnings per share from continuing operations (€)	6.70	3.88
Earnings per share from discontinued operations (€)	(22.70)	4.36
Total earnings per share (€)	(16.00)	8.24
Diluted earnings per share from continuing operations before adjustments following the first-time application of FAS 133 (€)	6.70	4.43
Diluted earnings per share from continuing operations resulting from adjustments following the first-time application of FAS 133 (€)	–	(0.55)
Diluted earnings per share from continuing operations (€)	6.70	3.88
Diluted earnings per share from continuing operations (€)	(22.70)	4.36
Total diluted earnings per share (€)	(16.00)	8.24

Note:

- (2) The comparative profit and loss account figures for the year ended 31st December, 2001 are based on the DEPFA Group financial statements for the year ended 31st December, 2001, reclassified for discontinued operations.

Set out below are summary unaudited consolidated financial statements of DEPFA BANK plc as at 30th September, 2003 and summary audited consolidated financial statements of DEPFA BANK plc as at 31st December, 2002 in respect of the consolidated balance sheet and the nine month periods to 30th September, 2002 and 30th September, 2003 in respect of the consolidated profit and loss account which have been extracted without adjustment from the Unaudited Interim Group Report as at 30th September, 2003 of DEPFA BANK plc.

Group balance sheet as at 30th September, 2003 of DEPFA BANK plc

	30th September, 2003	31st December, 2002
	<i>(€ million)</i>	<i>(€ million)</i>
Assets		
Cash and balances with central banks	420	645
Loans and advances to banks	21,209	13,281
Loans and advances to customers	61,892	59,764
Debt securities and other fixed income securities	82,071	64,566
Equities and other non fixed income securities	35	23
Equity participations	6	7
Intangible assets	5	5
Property and equipment	13	15
Other assets	3,724	3,120
Accrued interest and prepaid expenses	4,466	4,421
Total assets	173,841	145,847
	30th September, 2003	31st December, 2002
	<i>(€ million)</i>	<i>(€ million)</i>
Shareholders' equity and liabilities		
Liabilities to banks	57,909	36,774
Liabilities to customers	6,258	3,554
Debt securities in issue	91,568	89,625
Other liabilities	10,990	8,605
Accrued interest and deferred income	4,466	4,752
Provisions	264	233
Hybrid capital	863	926
Minority interests	242	242
Total liabilities	172,560	144,711
Equity		
Subscribed capital	103	105
Capital reserve	371	396
Retained earnings	737	503
Other comprehensive income	70	132
Total equity	1,281	1,136
Total shareholders' equity and liabilities	173,841	145,847
Contingent liabilities and irrevocable loan commitments		
Contingent liabilities on guarantees and indemnity agreements	45	62
Irrevocable loan commitments	2,001	4,430

Group profit and loss account for the periods 1st January to 30th September, 2002 and 2003 of DEPFA BANK plc

	30th September, 2003	30th September, 2002
	<i>(€ million)</i>	<i>(€ million)</i>
Interest receivable and similar income from		
lending and money market business	2,573	2,796
fixed income securities	2,511	2,010
Interest payable and similar expenses	<u>(4,810)</u>	<u>(4,525)</u>
Net interest income	<u>274</u>	<u>281</u>
Commission income	73	6
Commission expenditure	<u>(7)</u>	<u>(5)</u>
Income from sale of assets	<u>87</u>	<u>96</u>
Trading result	<u>45</u>	<u>(112)</u>
Operating income	<u>472</u>	<u>266</u>
General administrative expenses	(78)	(60)
Depreciation and amortisation of intangible assets and property and equipment	(4)	(4)
Other income and expenditure	<u>(34)</u>	<u>1</u>
Operating results before provision for loan losses	<u>356</u>	<u>203</u>
Provision for loan losses	<u>–</u>	<u>–</u>
Income before taxes	<u>356</u>	<u>203</u>
Income and deferred taxes	<u>(79)</u>	<u>(26)</u>
Income after taxes	<u>277</u>	<u>177</u>
Minority interest	<u>(8)</u>	<u>(11)</u>
Group Net Income from continuing operations	<u>269</u>	<u>166</u>
Results from discontinued operations	<u>–</u>	<u>(749)</u>
Group Net Income	<u>269</u>	<u>(583)</u>
Weighted average number of ordinary shares	<u>34,710,387</u>	<u>35,301,972</u>
Earnings per share from continuing operations (€)	<u>7.75</u>	<u>4.70</u>
Earnings per share for discontinued operations (€)	<u>–</u>	<u>–21.22</u>
Total earnings per share (€)	<u>7.75</u>	<u>–16.52</u>
Diluted earnings per share (€)	<u>7.75</u>	<u>–16.52</u>

TAXATION

The following is a summary of certain UK, Irish and Dutch taxation considerations relevant to Holders for the purchase, ownership and disposition of Preferred Securities. This summary addresses only the taxation consequences to holders that acquire Preferred Securities as beneficial owners pursuant to the offering at the initial offering price.

This summary is based on UK, Irish and Dutch taxation law and practice in force at the date of this Offering Circular.

This summary does not address the position of Holders who are resident in the UK or Ireland or have some connection with the UK or Ireland beyond the holding of Preferred Securities.

THIS SUMMARY IS FOR GENERAL INFORMATION ONLY AND IS NOT EXHAUSTIVE. PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT WITH THEIR OWN TAXATION ADVISERS AS TO THE TAXATION CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF PREFERRED SECURITIES, INCLUDING THE EFFECT OF TAX LAWS IN COUNTRIES OTHER THAN THE UNITED KINGDOM, IRELAND AND THE NETHERLANDS.

United Kingdom

(a) UK Taxation Treatment for Non-UK Residents

Non-UK tax-resident corporate or individual Holders which hold their interest in Preferred Securities as an investment should be liable to UK taxation only to the extent that UK taxation is deducted at source from any payment to such a Holder made in respect of the Preferred Securities.

The same treatment should apply to a non-UK tax-resident corporate or individual Holder which holds its interest in the Preferred Securities as a trading asset, provided that the Issuer is not carrying on its business as a trade or a venture in the nature of a trade and the Holder does not otherwise carry on a trade in the UK through a branch or agency through or from which the Preferred Securities are held or the income from them arises (or where that Holder is a company, that Holder does not carry on a trade in the United Kingdom through a permanent establishment through or from which the Preferred Securities are held or the income from them arises).

(b) Distributions on the Preferred Securities

The Guarantor understands that the Issuer should be classified as a partnership for UK taxation purposes and should not constitute a “unit trust scheme” for the purposes of UK taxation. On the basis that the Issuer is treated for the purposes of UK taxation as a partnership, payments of Distributions on Preferred Securities may be made without withholding for or on account of UK taxation.

(c) Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No UK stamp duty will be chargeable in respect of the issue of Preferred Securities to a Holder. Transfers of the Preferred Securities within a clearing system will not be chargeable to UK stamp duty. In the event of a transfer of any of the Preferred Securities outside of a clearing system by means of a written instrument, a liability to UK stamp duty may arise but it is not likely that any such duty will need to be paid in practice.

The Guarantor understands that no liability to SDRT should arise in respect of the issue or subsequent transfer of the Preferred Securities.

Ireland

1. Preferred Securities

(a) Withholding tax

The Guarantor understands that the Issuer should be classified as a partnership for Irish taxation purposes. On this basis, payments of Distributions on Preferred Securities may be made without withholding for or on account of Irish taxation.

Any payments made under the Subordinated Guarantee in respect of interest will be subject to Irish withholding tax if the payments are regarded as having an Irish source. It is not likely that the payments would be regarded as having an Irish source, on the basis that the Issuer is established under the law of England and Wales, the governing law of the Preferred Securities is English and the Subordinated Note is issued by a non-Irish entity.

(b) *Direct taxation of investor*

A non-Irish resident investor may be liable to Irish income tax on interest payments on the Preferred Securities or payments made under the Subordinated Guarantee in respect of interest, if in either case the payments are regarded as having an Irish source. For the reasons outlined in the previous paragraph, it is not likely that the payments would be regarded as having an Irish source.

(c) *Stamp Duty*

No stamp duty is payable on the transfer of Preferred Securities, except if a written instrument (a) is executed in Ireland or (b) wherever the instrument is executed, it relates to any property situated in Ireland or any matter or thing done or to be done in Ireland. The circumstances under (b) are unlikely to arise.

2. Direct Capital Instruments

(a) *Withholding tax*

Interest payments on the Direct Capital Instruments will not be subject to withholding tax if the Direct Capital Instruments qualify as Quoted Eurobonds and the interest payments are made by a paying agent located outside Ireland.

A Quoted Eurobond is defined as a security which:

- (i) is issued by a company;
- (ii) is quoted on a recognised stock exchange;
- (iii) is in bearer form; and
- (iv) carries a right to interest.

Interest paid on a Quoted Eurobond (see above) to a collecting agent in Ireland on behalf of an investor will be subject to an Encashment Tax in respect of Irish income tax unless the beneficial owner of the Quoted Eurobond who is entitled to interest is not resident for tax purposes in Ireland and makes a declaration in the required form.

Certain interest payments by Irish banks are subject to Deposit Interest Retention Tax. This tax will not apply where the Direct Capital Instrument is a debt on a security and is listed on a stock exchange.

(b) *Direct taxation of investor*

A non-Irish resident investor will be liable to Irish income tax on interest payments on the Direct Capital Instruments unless one of the following exemptions is available:

- (i) A company which is not resident or a person who is not ordinarily resident in Ireland will not be chargeable to income tax in respect of interest paid on Direct Capital Instruments if:
 - (I) the interest is paid on or before 31 December 2005; and
 - (II) the Direct Capital Instruments are issued and the interest is paid in the course of carrying on certified operations under section 446 of the Irish Taxes Consolidation Act 1997. The Guarantor has a certificate under section 446.
- (ii) A company which is not resident in Ireland will not be chargeable to income tax in respect of interest paid in the ordinary course of business of the Guarantor if the company is resident in a Member State of the European Union or in a jurisdiction with which Ireland has a valid double taxation treaty.
- (iii) A person (whether or not a company) who is not resident in Ireland will not be chargeable to income tax in respect of interest paid on Direct Capital Instruments if:
 - (I) the person is resident in a Member State of the European Union or in a jurisdiction with which Ireland has a valid double taxation treaty;
 - (II) the Direct Capital Instrument qualifies as a “Quoted Eurobond” (see above); and
 - (III) the interest is paid by a paying agent outside Ireland.

In addition, the Irish Revenue Commissioners generally do not, in practice, pursue the collection of tax on interest received by investors who are neither resident nor ordinarily resident in Ireland, except in certain circumstances where the investors have a connection with Ireland other than the holding of securities issued by Irish issuers.

(c) *Stamp Duty*

No stamp duty is payable on a transfer of Direct Capital Instruments which is effected by physical delivery only and not otherwise. Equally, no stamp duty is payable on a transfer of Direct Capital Instruments which is effected through the electronic systems of either Clearstream, Luxembourg or Euroclear.

3. Substituted Preference Shares

(a) *Withholding tax*

Dividend payments on the Substituted Preference Shares will be subject to withholding tax unless the beneficial owner of the dividends is:

- (i) a person, other than a company, resident in a Member State of the European Union or in a jurisdiction with which Ireland has a valid double taxation treaty; or
- (ii) a company which:
 - (I) is not under the control of Irish residents;
 - (II) is controlled only by residents of a Member State of the European Union or a jurisdiction with which Ireland has a valid double taxation treaty; or
 - (III) is part of a group which is listed on a recognised stock exchange in a Member State of the European Union or a jurisdiction with which Ireland has a valid double taxation treaty, and satisfies certain other conditions;

and, in either case, has provided the required documentation to the Guarantor.

(b) *Direct taxation of investor*

A holder of Substituted Preference Shares will not be liable to Irish income tax in respect of dividends beyond any withholding tax applicable to the dividends.

(c) *Stamp Duty*

Stamp duty at a rate of 1 per cent. of the consideration is payable on the transfer of Substituted Preference Shares in certificated form.

Netherlands Taxation

General

The following summary describes the principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of Preferred Securities, DCIs or Substituted Preference Shares. This summary does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant to a decision to acquire, to hold, and to dispose of the Preferred Securities, DCIs or Substituted Preference Shares. Each prospective holder of Preferred Securities, DCIs or Substituted Preference Shares should consult a professional adviser with respect to the tax consequences of an investment in the Preferred Securities, DCIs or Substituted Preference Shares. The discussion of certain Netherlands taxes set forth below is included for general information purposes only.

This summary is based on the Netherlands tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of Offering Circular, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

This summary does not address the Netherlands tax consequences of a holder of Preferred Securities, DCIs or Substituted Preference Shares who is not a resident (or deemed resident) of the Netherlands for Netherlands tax purposes. This summary does not address the Netherlands tax consequences of a holder of Preferred Securities, DCIs or Substituted Preference Shares who holds a substantial interest (aanmerkelijk belang) in the Issuer, within the meaning of Section 4.3 of the Income Tax Act 2001. Generally speaking, a holder of Preferred Securities, DCIs or Substituted Preference Shares holds a substantial interest in the Issuer, if such holder of Preferred Securities, DCIs or Substituted Preference Shares, alone or together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of 5 percent or more of the total issued capital of the Issuer or of 5 percent or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer.

For the purpose of the principal Netherlands tax consequences described herein, it is assumed that the Issuer is neither a resident nor deemed to be a resident of the Netherlands for Netherlands tax purposes.

Withholding Tax

No Netherlands withholding tax is due upon payments on the Preferred Securities, DCIs or Substituted Preference Shares.

Corporate Income Tax

If the holder of Preferred Securities, DCIs or Substituted Preference Shares is subject to Netherlands corporate income tax and the Preferred Securities, DCIs or Substituted Preference Shares are attributable to its (deemed) business assets, income derived from the Preferred Securities, DCIs or Substituted Preference Shares and gains realised upon the redemption and disposal of the Preferred Securities, DCIs or Substituted Preference Shares are generally taxable in the Netherlands.

Individual Income Tax

If the holder of Preferred Securities, DCIs or Substituted Preference Shares is an individual, resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including the individual holder of Preferred Securities, DCIs or Substituted Preference Shares who has opted to be taxed as a resident of the Netherlands), the income derived from the Preferred Securities, DCIs or Substituted Preference Shares and the gains realised upon the redemption and disposal of the Preferred Securities, DCIs or Substituted Preference Shares are taxable at the progressive rates of the Income Tax Act 2001, if:

- (i) the holder of Preferred Securities, DCIs or Substituted Preference Shares has an enterprise or an interest in an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise, to which enterprise the Preferred Securities, DCIs or Substituted Preference Shares are attributable; or
- (ii) such income or gains qualify as “income from miscellaneous activities” (*resultaat uit overige werkzaamheden*) within the meaning of Section 3.4 of the Income Tax Act 2001, which include the performance of activities with respect to the Preferred Securities, DCIs or Substituted Preference Shares that exceed “regular, active portfolio management” (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the individual holder of Preferred Securities, DCIs or Substituted Preference Shares, the actual income derived from the Preferred Securities, DCIs or Substituted Preference Shares and the actual gains realised with respect to the Preferred Securities, DCIs or Substituted Preference Shares will not be taxable. Instead, such holder of Preferred Securities, DCIs or Substituted Preference Shares will be taxed at a flat rate of 30 per cent. on deemed income from “savings and investments” (*sparen en beleggen*) within the meaning of Section 5.1 of the Income Tax Act 2001. This deemed income amounts to 4 per cent. of the average of the individual’s “yield basis” (*rendementsgrondslag*) within the meaning of article 5.3 of the Income Tax Act 2001 at the beginning of the calendar year and the individual’s yield basis at the end of the calendar year, insofar the average exceeds a certain threshold. The fair market value of the Preferred Securities, DCIs or Substituted Preference Shares will be included in the individual’s yield basis.

Gift and Inheritance Taxes

Generally, gift and inheritance taxes will be due in the Netherlands in respect of the acquisition of the Preferred Securities, DCIs or Substituted Preference Shares by way of a gift by, or on the death of, a holder of Preferred Securities, DCIs or Substituted Preference Shares who is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

An individual of the Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax, if he or she has been resident in the Netherlands during the ten years preceding the gift or his or her death. An individual of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax only if he or she has been residing in the Netherlands at any time during the twelve months preceding the time of the gift.

Treaties

Treaties may limit the Dutch sovereignty to levy gift and inheritance tax.

Other Taxes and Duties

No Netherlands VAT, capital duty, registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be due in the Netherlands by a holder of Preferred Securities, DCIs

or Substituted Preference Shares in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Preferred Securities, DCIs or Substituted Preference Shares.

Dutch tax aspects in relation to the Substitution

A gain, if any, realised as a result of the substitution by a Dutch resident corporate holder of Preferred Securities into DCIs or Substituted Preference Shares will, in principle, be taxable. If a gain would be realised as a result of the substitution by a Dutch resident individual holder of Preferred Securities, such gain will only be taxable if:

- (i) the holder of Preferred Securities has an enterprise or an interest in an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise, to which enterprise the Preferred Securities are attributable; or
- (ii) such gain qualifies as “income from miscellaneous activities” (*resultaat uit overige werkzaamheden*) within the meaning of Section 3.4 of the Dutch Income Tax Act 2001, which include the performance of activities with respect to the Preferred Securities that exceed “regular, active portfolio management” (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the individual holder of Substituted Preference Shares, the actual income derived from the DCIs or Substituted Preference Shares and the actual gains realised with respect to the DCIs or Substituted Preference Shares will not be taxable. Instead, such holder of DCIs or Substituted Preference Shares will be taxed at a flat rate of 30 per cent. on deemed income from “savings and investments” (*sparen en beleggen*) within the meaning of Section 5.1 of the Income Tax Act 2001. This deemed income amounts to 4 per cent. of the average of the individual’s “yield basis” (*rendementsgrondslag*) within the meaning of article 5.3 of the Income Tax Act 2001 at the beginning of the calendar year and the individual’s yield basis at the end of the calendar year, insofar the average exceeds a certain threshold. The fair market value of the Substituted Preference Shares will be included in the individual’s yield basis.

EU Directive on the Taxation of Savings Income

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income under which Member States will be required, from a date not earlier than 1st January, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

Pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 5th February, 2004, ABN AMRO Bank N.V. and Lehman Brothers International (Europe) (the “**Managers**”) have jointly and severally agreed to subscribe for the New Preferred Securities at a price of €1,032.50 per Preferred Security, plus an amount corresponding to accrued Distributions in respect of the period from and including 30th October, 2003 to but excluding 9th February, 2004. The Managers will receive a combined selling, management and underwriting commission of €20 per Preferred Security. The Managers have agreed to repay certain amounts payable by the Issuer in connection with the issue of the New Preferred Securities. The Managers are entitled to terminate the Subscription Agreement in certain circumstances before the issue of the New Preferred Securities.

United States

The Preferred Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (“**Regulation S**”).

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preferred Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Preferred Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Preferred Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Ireland

Each Manager has represented and agreed that it has not offered or sold and will not offer or sell the Preferred Securities in Ireland, other than to a person whose ordinary business it is to buy or sell shares or debentures whether as principal or agent and each Manager has also represented and agreed that it will not offer or sell the Preferred Securities in Ireland otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act, 1995 (as amended) including, without limitation, Sections 9, 23 (including any advertising restrictions made thereunder) and Section 37 (including any codes of conduct issued thereunder) thereof.

United Kingdom

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement:

- (a) it has not offered or sold, and prior to the expiry of six months from the Closing Date will not offer or sell, any Preferred Securities to persons in the U.K. except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the U.K. within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has only offered or sold and will only offer or sell Preferred Securities to (a) investment professionals falling within article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “**Promotion of CIS Order**”) and article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the “**Financial Promotion Order**”), who have professional experience of participating in unregulated schemes and of matters relating to investments, and/or (b) persons falling within article 22(2) of the Promotion of CIS Order and article 49(2) of the Financial Promotion Order.
- (c) it has in place and will have in place proper systems and procedures to prevent any person other than those persons described in (b) above from participating in the Preferred Securities;
- (d) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the FSMA) received by it in connection with the issue of the Preferred Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Guarantor; and

- (e) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (“MAS”) under the Securities and Futures Act 2001 of Singapore. Accordingly, neither this Offering Circular nor any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Preferred Securities may be circulated or distributed, nor may the Preferred Securities be offered or sold, or be made the subject of an invitation of subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the Preferred Securities to the public in Singapore.

Hong Kong

Each Manager has represented and agreed that unless it is a person permitted to do so under the securities laws of Hong Kong, it has not issued, or had in its possession and will not issue, or have in its possession for the purposes of issue, any advertisement, invitation or document relating to the Preferred Securities other than with respect to Preferred Securities intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent.

General

No action has been or will be taken in any country or jurisdiction by the Issuer, the Guarantor or the Managers that would permit a public offering of the Preferred Securities or possession or distribution of any offering material relating thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Preferred Securities or have in their possession or distribute such offering material, in all cases at their own expense.

GENERAL INFORMATION

Authorisations

The Limited Partnership Agreement to establish the Issuer was duly authorised by resolutions of a duly authorised committee of the board of directors of the General Partner passed on 23rd October, 2003 and 4th February, 2004.

The entering into of the Limited Partnership Agreement and the Subordinated Guarantee by the Guarantor was authorised by resolutions of a duly authorised committee of the board of directors of the Guarantor passed on 23rd October, 2003 and 4th February, 2004.

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer and/or the Guarantor under the laws of England and Wales and/or Ireland have been given for the issue of the Preferred Securities and for the Issuer, the General Partner and the Guarantor, as the case may be, to undertake and perform their respective obligations as appropriate under the Limited Partnership Agreement, the Subscription Agreement, the Agency Agreement, the Preferred Securities and the Subordinated Guarantee.

Listing

Application has been made to list the New Preferred Securities on the Luxembourg Stock Exchange. The quotation on the Luxembourg Stock Exchange of the Preferred Securities will be expressed in euro as a percentage of the liquidation preference of €1,000 per Preferred Security. The Preferred Securities will be considered as debt securities for the purpose of the Luxembourg Stock Exchange Rules and Regulations. At the date hereof, it is not intended to list the Preferred Securities on any other stock exchange.

In connection with the application to list the New Preferred Securities on the Luxembourg Stock Exchange, a legal notice relating to their issue will be filed, together with copies of the Limited Partnership Agreement, with the Luxembourg Trade and Companies Register (“*Registre de commerce et des sociétés, Luxembourg*”) prior to the listing of the New Preferred Securities, and copies thereof may be obtained on request, against payment of the customary charges.

Application has also been made to list the New Preferred Securities on the Official Segment of the stock market of Euronext Amsterdam N.V. (see “**Netherlands Listing Information**” below)

Clearing Systems

The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Original Preferred Securities is XS0178243332 and the Common Code is 017824333. The Fondscode and WKN for the Original Preferred Securities is 45595 and 916788 respectively. During the distribution compliance period applicable to the New Preferred Securities referred to on page 58 under “Subscription and Sale – United States” a temporary ISIN and Common Code, being XS0185173290 and 018517329 respectively, and a temporary Fondscode and WKN, being 45609 and AOAU7X respectively, will apply to the New Preferred Securities and thereafter the ISIN, Common Code, Fondscode and WKN applicable to the New Preferred Securities will be the same as the ISIN, Common Code, Fondscode and WKN of the Original Preferred Securities.

No significant change

There has been no significant change in the financial or trading position of the Guarantor or the Group or the Issuer and there has been no material adverse change in the financial position or prospects of the Guarantor or the Group or the Issuer since 31st December, 2002 in the case of the Guarantor and the Group and since its establishment in the case of the Issuer.

Litigation

Save as disclosed under “Description of DEPFA BANK plc – Completion of the Restructuring” there are no legal, arbitration or administrative proceedings involving any of the Issuer, the Guarantor or any Subsidiary of the Group (and no such proceedings are pending or threatened) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Issuer, the Guarantor or any Subsidiary of the Group.

Accounts

The consolidated financial statements of the Guarantor have been audited for the year ending 31st December, 2002 by PricewaterhouseCoopers. The consolidated financial statements of DEPFA Deutsche Pfandbriefbank AG for the years ended 31st December, 2000 and 2001 (the then parent company) have been audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, and unqualified opinions have been obtained thereon. The audited consolidated financial statements of the Guarantor for the year ended 31st December, 2002 incorporated by reference in this Offering Circular have been extracted from the 2002 Annual Report of the Guarantor. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. They do not constitute or contain accounts a copy of which is required by the European Communities (Credit Institutions: Accounts) Regulations, 1992 of Ireland to be annexed to the Guarantor's annual return. Copies of the accounts of the Guarantor for the years ended 31st December, 2001 and 31st December, 2002 required by the European Communities (Credit Institutions: Accounts) Regulations, 1992 of Ireland to be annexed to an annual return of the Guarantor have been so annexed and the auditors of the Guarantor have made reports under section 193 of the Companies Act, 1990 of Ireland in respect of such accounts, in each case without any qualification referred to in section 193.

No financial statements of the Issuer have yet been prepared. PwC has been appointed as auditors of the Issuer.

Documents

Copies of the following financial statements will be available free of charge from the specified offices of the Paying and Transfer Agents for so long as any of the Preferred Securities remains outstanding:

- (a) the audited financial statements of the Guarantor in respect of the financial years ended 31st December, 2002 and 2001, respectively. The Guarantor currently prepares audited consolidated accounts on an annual basis; and
- (b) the most recently published audited annual consolidated financial statements of the Guarantor, the most recently published consolidated financial statements (if any) of the Guarantor and the most recently published unaudited interim consolidated financial statements of the Guarantor. The Guarantor currently prepares unaudited consolidated interim accounts on a quarterly basis.

The Guarantor currently does not publish non-consolidated financial statements.

The first financial statements of the Issuer are expected to be prepared for the period ending on 31st December, 2003. Thereafter, it is intended that the Issuer will prepare audited annual financial statements, copies of which will be available at the offices of the Luxembourg Listing Agent. It is not intended that the Issuer will publish interim financial statements.

In addition, the following documents are available for inspection at the specified offices of the Paying and Transfer Agents for so long as any of the Preferred Securities remains outstanding:

- (a) the Memorandum and Articles of Association of the Guarantor; and
- (b) the Subscription Agreement, the Subordinated Guarantee, the Limited Partnership Agreement and the Agency Agreement.

Notices

Notices to the Holders of Preferred Securities, including notices for meetings of Holders of the Preferred Securities and non-payment of distributions or other amounts in relation to the Preferred Securities will be mailed to the holder of record and will be published, for so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, in a leading Luxembourg daily newspaper. Any mailed notice shall be deemed to have been given one clear day after the date on which it was posted and any notice published in a newspaper shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Netherlands Listing Information

1. General

This appendix shall, together with the (preliminary) Offering Circular form one document for admission to listing on the Official Segment of the stock market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**").

2. Additional Information

Issue Date

The New Preferred Securities will be issued by DEPFA Funding II LP (registration number: LP9029) on 9th February, 2004. The rights attached to the New Preferred Securities take effect as per the issue date of the New Preferred Securities.

Authorisations

The issue of the New Preferred Securities by the Issuer has been duly authorised by a resolution of a duly authorised committee of the board of directors of the General Partner held on 4th February, 2004.

All necessary consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer and/or DEPFA BANK plc under English and Irish laws have been obtained for the issue of the Preferred Securities and for the Issuer and DEPFA BANK plc, as the case may be, to undertake and perform their respective obligations in relation to the Issue.

No material change

Save as described herein, there has been no material adverse change in the financial position or prospects of DEPFA BANK plc or the Group since 31st December, 2002 or the Issuer since its establishment.

Price stabilisation

In connection with the issue, Lehman Brothers International (Europe) or any person acting on its behalf may over-allot or effect transactions with a view to supporting the market price of the Preferred Securities at a level higher than that which might otherwise prevail for a limited period. However, there is no obligation on Lehman Brothers International (Europe) or any agent of it to do this. Such stabilising may be effected on the Luxembourg Stock Exchange, Euronext Amsterdam or otherwise. Such stabilising, if commenced, may be discontinued at any time, and, in any case, will not exceed a period of 30 days from (and including) the date of issue of the Preferred Securities. Such stabilising shall be in compliance with all relevant laws and regulations, including Article 32 of the Further Regulations on Market Conduct Supervision on the Securities Trade 2002 (*Nadere Regeling gedragstoezicht effectenverkeer*) as amended.

Listing and documents for Inspection

Application has been made to list the New Preferred Securities on Euronext Amsterdam and the Luxembourg Stock Exchange. At the date hereof it is not intended to list the Preferred Securities on any other stock exchange.

So long as the Preferred Securities are listed on Euronext Amsterdam, there will be a paying agent in the Netherlands. The Issuer has appointed ABN AMRO Bank N.V. as initial paying agent (the “**Amsterdam Paying Agent**”).

For so long as the Preferred Securities are listed on Euronext Amsterdam, payments in respect of the Preferred Securities shall be made payable in Amsterdam in euros at the offices of the Amsterdam Paying Agent.

The most recently published consolidated and non-consolidated audited annual financial statements and consolidated un-audited interim financial statements of DEPFA BANK plc and the most recently published audited annual accounts of the Issuer, will also be available at the offices of the Amsterdam Paying Agent.

In addition the following documents will be available for inspection, free of charge, at the offices of the Amsterdam Paying Agent:

- (a) the Limited Partnership Agreement establishing the Issuer;
- (b) the articles of association of DEPFA BANK plc;
- (c) the authorisations referred to above;
- (d) the Subscription Agreement;
- (e) the Agency Agreement;
- (f) the Subordinated Guarantee; and
- (g) all financial information in relation to DEPFA BANK plc, that will become available in the future.

Incorporation by reference

The Limited Partnership Agreement establishing the Issuer is incorporated herein by reference.

Notices

Notices with regard to the Preferred Securities will be given by the Issuer so long as any Preferred Securities are listed on Euronext Amsterdam, and Euronext Amsterdam so requires, by publication in the Euronext Amsterdam Daily Official List (*Officiële Prijscourant*) and in one daily newspaper of wide circulation in the Netherlands (which is expected to be *Het Financieele Dagblad*).

Costs

In addition to the commissions payable to the Managers (see “Subscription and Sale”) the costs related to the offering of the New Preferred Securities are expected to amount to approximately €200,000.

Other

The Issuer will comply with the requirements set forth in Article 2.1.20 section a-g of Schedule B of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam, for so long as the Preferred Securities are listed on Euronext Amsterdam.

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