

## Press and Investor Relations Release

### **DEPFA BANK reports 2006 net profit of € 526 m (+11%)**

#### **- Continuous investments for further revenue growth in 2007 and beyond -**

Dublin/Frankfurt, 12 February 2007.

DEPFA BANK plc released its preliminary 2006 full year results today. Net income rose by 11% to € 526 m. This corresponds to a Return on Equity of 21% after tax. A review of the results by business segments underlines a significant transformation in the Bank's earnings mix for 2006: the combined pre-tax result of the client facing segments Budget Finance, Infrastructure Finance and Client Product Services increased by 70% to € 628 m, which more than offset lower income from Global Markets. 2006 has been the most successful year in the long-term development of the Bank's public sector franchise.

DEPFA BANK has further strengthened its position as the leading financial institution serving exclusively the financial needs of public sector authorities worldwide. On the one hand, earnings are becoming more diversified without losing the focus on the public sector. On the other, earnings stability is being enhanced by clustering more products around DEPFA's traditionally strong client relationships. In summary, the client facing element of the Bank's business has established itself as the core of the Bank's earnings. New business activities have already made a sizeable contribution to the 2006 results. In particular, derivatives activity has rapidly established itself as the integral part of the traditionally strong debt financing operation. Likewise investments in building up the Infrastructure Finance capability that have been made over the last 7 years have begun to yield substantial results.

Net interest income was virtually flat at € 425 m (2005: € 422 m). However, a deeper appraisal reveals a healthy underlying development as interest income from Budget Finance and Infrastructure Finance, which make up the great majority of the Bank's interest bearing assets rose by 20% to € 395 m. This offset the reduced contribution of carry income in Global Markets due to a flat yield curve. In 2006 DEPFA originated approximately € 59 bn in new Budget Finance and Infrastructure Finance commitments. The Bank's priority has been to conserve the profitability of its low risk/high quality public finance portfolio, albeit with a

lower amount of new business volume. Rather than keep leverage at historical levels, DEPFA has opted for a more prudent strategy of reducing its leverage during the current cycle of compressed spreads.

Net fee and commission income rose by 60% to € 32 m. This reflects the healthy development in the Liquidity Support and Letter of Credit facilities business in the US as well as increased advisory fees from DEPFA's infrastructure financing activities.

Net trading income totalled € 140 m. This result is not comparable with the previous year's (-€ 114 m) trading loss, that was weighed down by the accounting treatment of covered options in connection with profits from asset sales. An increasingly important factor for the trading income is the client derivatives business, which was the main driver behind the strong performance of € 59 m in the first full year of the Client Product Services segment. There was a good performance across the trading desks in the Global Markets segment in mature and emerging markets bond and derivatives.

Gains from sale of assets declined by 42% to € 277 m. These sales related almost entirely to credit spread movements in the hedged Budget Finance portfolio.

The operating expenses rose by 6% to € 228 m. Staff expenditure rose by 5% to € 138 m due to the sizeable increase in staff over the past 2 years as part of the Bank's strong organic growth. At the end of 2006 the Bank employed 600 staff, compared with 500 staff at the end of 2005 (+20%). The new hires are split equally between front office and support roles to ensure risk and work processes remain well controlled in the larger organisation. Other administrative expenditure rose by 8% to € 78 m, due to upgrading of existing premises and IT systems, as well as the setting up of some new offices. The cost/income ratio stood virtually unchanged at 26%. This is a very encouraging development during such an expansion phase as it demonstrates the speed at which investments in increased resources can be translated into revenues.

Profit before taxation amounted to € 646 m, up 8% on the previous year. The effective tax rate moved up slightly to 22% from 20%.

At the Annual General Meeting on 20 April 2007 in Dublin, DEPFA BANK plc will propose a substantial increase in the dividend from 25 to 40 cent per share (+60%).

DEPFA BANK is very confident about its investment strategy and future business growth. It will continue to invest in its franchise, products and systems for future revenue growth in the years 2007 and beyond.

Company profile:

DEPFA BANK plc is a leading provider of financial services to public sector entities worldwide. It is a Dublin-based public limited company, incorporated under Irish law, with a network of subsidiaries and branch offices across Europe, as well as in the Americas and Asia. DEPFA's products and services cover the entire range of the public sector's financing needs whether they be related to budget financing or funding of public infrastructure projects, advising on the rating process associated with the privatisation of public services, debt restructuring, supporting bond placements or extending credit lines. Thanks to its strong focus on the public sector and its extensive experience with the specific financial, political and social requirements involved, DEPFA is both a strong financial partner and an independent advisor to its clients.

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## Segment Reporting

**Budget Finance** provides the core of the Bank's earnings with income generated from DEPFA's micro-hedged public sector portfolio. Net interest income, generated through DEPFA's stable, long-term asset and liability base, amounted to € 356 m, a 15% increase year-on-year. Non-interest revenues, generated through fees from US Liquidity Facilities, other activities and the management of the Budget Finance asset portfolio, more than doubled to € 283 m. New business in the mature markets, most notably in the USA and Italy was particularly strong. The US has now surpassed Germany and Italy as DEPFA's top market, and contributes 18% of the overall budget financing volume whilst also enhancing the credit quality of the Budget Finance portfolio. DEPFA's funding activities remained strong, meeting and exceeding the Bank's targets for its long-term/short-term funding mix and enhancing the overall cost of funding in 2006. In particular, DEPFA raised € 13.8 bn of long-term funding at lower costs and longer tenors than achieved in 2005. Profit before taxes in this segment totaled € 555 m in 2006.

	<b>2006</b>	<b>2005</b>	<b>Variance</b>	
	<b>€ m</b>	<b>€ m</b>	<b>€ m</b>	<b>%</b>
Net Interest Income	356	309	47	15%
Non Interest Revenues	283	132	151	114%
<b>Total Operating Income</b>	<b>639</b>	<b>441</b>	<b>198</b>	<b>45%</b>
<b>Operating Expenses</b>	<b>-84</b>	<b>-85</b>	<b>1</b>	<b>-1%</b>
<b>Profit Before Taxation</b>	<b>555</b>	<b>356</b>	<b>199</b>	<b>56%</b>
<b>Balance Sheet:</b>				
<b>Financing Volume (on-balance sheet)</b>	<b>167,438</b>	<b>165,575</b>	<b>1,863</b>	<b>1%</b>
<b>Financing Volume (off-balance sheet)</b>	<b>21,885</b>	<b>20,459</b>	<b>1,426</b>	<b>7%</b>
<b>Average Equity</b>	<b>1,363</b>	<b>1,129</b>	<b>234</b>	<b>21%</b>
<b>Ratios:</b>				
<b>Cost/Income Ratio</b>	<b>13%</b>	<b>19%</b>		
<b>RoE (pre tax)</b>	<b>41%</b>	<b>32%</b>		

In the **Infrastructure Finance** segment DEPFA's role as a leading player in the international infrastructure finance market was further enhanced in 2006. The segment shows a substantial increase in revenues to € 55 m (2005: € 25 m) and financing commitments to € 8.2 bn at the year-end (2005: € 3 bn). 63 infrastructure and PPP transactions were closed during the year (2005: 21) across a wide range of sectors and countries, significant among which were the Golden Ears Crossing (Canada) and the Pocahontas Parkway (USA). Despite the substantial growth in funding commitments during the year, the quality of the portfolio remains good with no impairment provisions in 2006. The successful placement of DEPFA's second major PPP-securitisation "EPIC II" in June at attractive pricing levels, has become a key element in DEPFA's capital and risk management. Profit before taxes in this segment totaled € 36 m in 2006.

	<b>2006</b>	<b>2005</b>	<b>Variance</b>	
	<b>€ m</b>	<b>€ m</b>	<b>€ m</b>	<b>%</b>
Net Interest Income	39	20	19	95%
Non Interest Revenues	16	5	11	220%
<b>Total Operating Income</b>	<b>55</b>	<b>25</b>	<b>30</b>	<b>120%</b>
<b>Operating Expenses</b>	<b>-19</b>	<b>-14</b>	<b>-5</b>	<b>36%</b>
Loan Loss Provisions	0	-3	3	-100%
<b>Profit Before Taxation</b>	<b>36</b>	<b>8</b>	<b>28</b>	<b>350%</b>
<b>Balance Sheet:</b>				
<b>Financing Volume (on-balance sheet)</b>	<b>5,741</b>	<b>1,879</b>	<b>3,862</b>	<b>205%</b>
<b>Financing Volume (off-balance sheet)</b>	<b>2,456</b>	<b>1,014</b>	<b>1,442</b>	<b>142%</b>
<b>Average Equity</b>	<b>242</b>	<b>115</b>	<b>127</b>	<b>110%</b>
<b>Ratios:</b>				
<b>Cost/Income Ratio</b>	<b>35%</b>	<b>56%</b>		
<b>RoE (pre tax)</b>	<b>15%</b>	<b>7%</b>		

The **Client Product Services** segment encompasses products and structured transactions that provide added value to clients. Strong growth in the first full year of business is in line with DEPFA's expectations. The main driver of non-interest revenues are interest rate swaps for clients with the great majority of transactions connected with the Bank's financing activities (in Infrastructure and Budget Finance). In addition to a number of first time CPS clients for DEPFA, there is already an important element of repeat business with a rising proportion of transactions arranged with the same public sector clients. Revenue streams from newly started businesses will help to sustain this segment's earnings growth in the future. Profit before taxes in this segment totaled € 37 m in 2006.

	<b>2006</b>	<b>2005</b>	<b>Variance</b>	
	<b>€ m</b>	<b>€ m</b>	<b>€ m</b>	<b>%</b>
Net Interest Income	2	1	1	100%
Non Interest Revenues	59	21	38	181%
<b>Total Operating Income</b>	<b>61</b>	<b>22</b>	<b>39</b>	<b>177%</b>
<b>Operating Expenses</b>	<b>-24</b>	<b>-16</b>	<b>-8</b>	<b>50%</b>
<b>Profit Before Taxation</b>	<b>37</b>	<b>6</b>	<b>31</b>	<b>517%</b>
<b>Balance Sheet:</b>				
Financing Volume (on-balance sheet)	2,372	5	2,367	
Financing Volume (off-balance sheet)	-	-	-	
Average Equity	46	25	21	86%
<b>Ratios:</b>				
Cost/Income Ratio	39%	n/a		
RoE (pre tax)	80%	n/a		

The contribution from the **Global Markets** segment has as expected declined as a proportion of total earnings due to the flattening yield curve and rising short-term rates. Earnings have therefore shifted away from large interest rate positions towards more diversified trading activities (e.g. public sector related credit trading both in emerging and mature markets). The favorable interest rate environment in past years helped fuel the high growth rates of the Bank and as a consequence DEPFA is now in a much healthier equity position. Going forward the contribution from this segment will derive profits from a more balanced set of trading desks. This is expected to lead to a more stable earnings stream for the Bank. Profit before taxes in this segment totaled € 122 m in 2006.

	<b>2006</b>	<b>2005</b>	<b>Variance</b>	
	<b>€ m</b>	<b>€ m</b>	<b>€ m</b>	<b>%</b>
Net Interest Income	59	102	-43	-42%
Non Interest Revenues	85	244	-159	-65%
<b>Total Operating Income</b>	<b>144</b>	<b>346</b>	<b>-202</b>	<b>-58%</b>
<b>Operating Expenses</b>	<b>-22</b>	<b>-34</b>	<b>12</b>	<b>-35%</b>
<b>Profit Before Taxation</b>	<b>122</b>	<b>312</b>	<b>-190</b>	<b>-61%</b>
<b>Balance Sheet:</b>				
<b>Financing Volume (on-balance sheet)</b>	<b>14,445</b>	<b>11,116</b>	<b>3,329</b>	<b>30%</b>
<b>Financing Volume (off-balance sheet)</b>	-	-	-	
<b>Average Equity</b>	<b>688</b>	<b>512</b>	<b>176</b>	<b>34%</b>
<b>Ratios:</b>				
<b>Cost/Income Ratio</b>	<b>15%</b>	<b>10%</b>		
<b>RoE (pre tax)</b>	<b>18%</b>	<b>61%</b>		

The **Corporate Centre** consists of various cost and revenue items that cannot be allocated to the other business segments. Net interest income showed a higher negative result than the previous year due to reduced income from the run-off mortgage portfolio. This line is also burdened by interest expenditure for subordinated debt (lower Tier II and profit participation certificates) that are charged in their entirety to this segment. Non-interest revenues showed a positive result, but was characterized by some volatility in the interim quarterly results in 2006 due to valuation effects of hedging derivatives under IAS39. The net impact over the longer term has, however, been negligible. Loss before taxes in this segment totaled -€ 104 m in 2006.

	<b>2006</b>	<b>2005</b>	<b>Variance</b>	
	<b>€ m</b>	<b>€ m</b>	<b>€ m</b>	<b>%</b>
Net Interest Income	-31	-10	-21	210%
Non Interest Revenues	6	-9	15	
<b>Total Operating Income</b>	<b>-25</b>	<b>-19</b>	<b>-6</b>	<b>32%</b>
<b>Operating Expenses</b>	<b>-79</b>	<b>-66</b>	<b>-13</b>	<b>20%</b>
<b>Profit Before Taxation</b>	<b>-104</b>	<b>-85</b>	<b>-19</b>	<b>22%</b>
<b>Balance Sheet:</b>				
<b>Financing Volume (on-balance sheet)</b>	<b>4,590</b>	<b>5,371</b>	<b>-781</b>	<b>-15%</b>
<b>Financing Volume (off-balance sheet)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Average Equity</b>	<b>201</b>	<b>309</b>	<b>-108</b>	<b>-35%</b>

**DEPFA BANK plc: preliminary group figures 2006 according to IFRS**

<b>Earnings</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>
	<b>€ m</b>	<b>€ m</b>	
Net interest income	425	422	0.7%
Net fee and commission income	32	20	60.0%
Net trading income	140	-114	
Gains less losses from financial assets	277	480	-42.3%
Other operating income	0	7	-100.0%
<b>Total operating income</b>	<b>874</b>	<b>815</b>	<b>7.2%</b>
<b>Operating expenses</b>	<b>-228</b>	<b>-215</b>	<b>6.0%</b>
<i>of which staff costs</i>	-138	-132	4.5%
<i>of which administrative expenses</i>	-78	-72	8.3%
<i>of which depreciation and amortisation</i>	-9	-9	
<i>of which other operating expenditure</i>	-3	-2	50.0%
Impairment losses on loans and advances	-	-3	-100.0%
<b>Profit before taxation</b>	<b>646</b>	<b>597</b>	<b>8.2%</b>
Taxation	-139	-122	13.9%
<b>Income after taxation</b>	<b>507</b>	<b>475</b>	<b>6.7%</b>
Discontinued operations	19	-	
<b>Group net income</b>	<b>526</b>	<b>475</b>	<b>10.7%</b>
<b>Key ratios</b>	<b>2006</b>	<b>2005</b>	
Cost/Income ratio	26.1%	26.4%	
Earnings per share €	1.53	1.39	
RoE after taxes	20.7%	22.7%	
<b>Key balance sheet items</b>	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>	
Financing Volume	218,927	205,418	6.6%
of which drawn	194,586	183,947	5.8%
of which undrawn	24,341	21,471	13.4%
Shareholders' Capital	2,777	2,304	20.5%
Total assets	222,940	228,630	-2.5%

**DEPFA BANK plc: preliminary group figures Q4 2006 according to IFRS**

<b>Earnings</b>	<b>Q4 2006</b> € m	<b>Q4 2005</b> € m	<b>Change</b>
Net interest income	107	116	-7.8%
Net fee and commission income	8	6	33.3%
Net trading income	28	-3	
Gains less losses from financial assets	70	60	16.7%
Other operating income	-	-	
<b>Total operating income</b>	<b>213</b>	<b>179</b>	<b>19.0%</b>
<b>Operating expenses</b>	<b>-61</b>	<b>-57</b>	<b>7.0%</b>
<i>of which staff costs</i>	-36	-33	9.1%
<i>of which administrative expenses</i>	-23	-20	15.0%
<i>of which depreciation and amortisation</i>	-2	-2	
<i>of which other operating expenditure</i>	-	-2	-100.0%
Impairment losses on loans and advances	-	-3	-100.0%
<b>Profit before taxation</b>	<b>152</b>	<b>119</b>	<b>27.7%</b>
Taxation	-29	-21	38.1%
<b>Income after taxation</b>	<b>123</b>	<b>98</b>	<b>25.5%</b>
Discontinued operations	19	-	
<b>Profit for the period</b>	<b>142</b>	<b>98</b>	<b>44.9%</b>
<b>Key ratios</b>	<b>Q4 2006</b>	<b>Q4 2005</b>	
Cost/Income ratio	28.6%	31.8%	
Earnings per share €	0.41	0.29	
RoE after taxes	21.1%	17.5%	
<b>Key balance sheet items</b>	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>	
Financing Volume	218,927	205,418	6.6%
of which drawn	194,586	183,947	5.8%
of which undrawn	24,341	21,471	13.4%
Shareholders' Capital	2,777	2,304	20.5%
Total assets	222,940	228,630	-2.5%