

Press and Investor Relations Release

DEPFA BANK with solid start in 2007: net profit of €123 m in Q1

- **Infrastructure Finance and Budget Finance continue strong performance**
- **Global Markets under way to a more diversified trading platform**
- **Continued build-up of client franchise**

Dublin/Frankfurt, 2 May 2007.

DEPFA BANK plc released its first quarter 2007 results today. The net profit totalled € 123 m, down 8% compared to Q1 2006. The operating performance remained sound in the light of an accelerated level of investments in client activities. The combined pre-tax result of Budget Finance, Infrastructure Finance and Client Product Services (CPS) was up 12% year-on-year to € 173 m. However, the much lower contribution from Global Markets activity, due in particular to changes in the interest rate environment, has depressed earnings in the first quarter. DEPFA BANK is confident that it is on track in its plans to create a dynamic earnings base from its client activities but adequate time must be allowed for factors such as consistently rising gains in competitiveness and the healthy transaction pipeline in client derivatives to feed through fully into its results.

Net interest income amounted to € 101 m. Net interest income from the lending business in Budget Finance was up 3% y-o-y. Carry income from Global Markets activity was negative due to the less favourable interest rate environment. The level of new business commitments in Budget Finance and Infrastructure Finance remained robust in the first quarter at € 14 bn, slightly higher than the same period in 2006. While business activity continues to be dynamic in infrastructure-related public financing, in particular in the US market for PPP, the Bank has continued to maintain a disciplined stance with regard to new direct lending to public sector authorities and only taken on assets that meet DEPFA's high standards for pricing and asset quality. Net fee and commission income was slightly higher at € 6 m (up 20% y-o-y) and mainly comprises income from the US liquidity facilities that are providing a very stable and growing source of revenue.

Net trading income amounted to € 12 m, down from € 62 m compared to the first quarter 2006, which included particularly large IFU related transactions. Client derivative and Global Markets

activity started slowly into the year, picking up only towards the end of the reporting period. DEPFA expects subsequent quarters to properly capture the healthy pipeline of transactions in this area.

Gains from sale of assets that mainly comprises the asset management of DEPFA's fully hedged Budget Finance portfolio grew considerably to € 103 m, a rise of 47% y-o-y. Credit spread movements in a number of regional sovereign debt markets allowed the Bank to realise substantial gains from asset sales as part of the overall portfolio optimisation within Budget Finance.

Total expenditure rose by 16% to € 67 m. This increase is within the projected level for the year and is linked with the Bank's investments in increased resources to support growth in client products and regional offices. The cost base has absorbed a high intake of new staff from the previous year of 100 employees and a further 36 employees were added to the staff levels in the first quarter. The new hires continue to be evenly spread between client front office and support functions including risk management, to ensure revenue growth is properly supported by proper controls within an expanded organisation. The cost income ratio of 30% in the first quarter represents a comfortable operating level for a bank with a stronger client focus.

Profit before taxation of € 155 m was 17% below the previous year's level. The income tax charge of € 32 m corresponded to an effective tax rate of 21%, in line with the level for the whole of 2006. The relatively high income tax expense in the first quarter of the previous year meant that the fall at the net profit level was much less pronounced (-8%).

DEPFA has implemented the following steps to further build its client franchise: A group of six regional heads responsible for the client facing business was implemented to improve speed and quality of the client services globally. DEPFA continues to go local in countries where the business opportunities justify the investment. The Bank's current global network encompasses 20 offices. DEPFA has now established an Infrastructure Equity team and already approved its first equity investment in infrastructure equity. A major focus during the next months will be the full integration of the operations of First Albany Inc. in the US. The acquisition of this business announced in March is expected to strengthen the US business even further, given the possibilities from working directly with the unit's municipal client base.

DEPFA continues to be extremely positive about the business opportunities in the public sector globally. It represents around 40-50% of GDP in most economies and is the world's largest property owner. Budget constraints due to pension payments and other constraints leading to more financing needs and/or monetisation of public sector assets in various forms and the urgent necessity to either build or maintain infrastructure are global trends favouring financial institutions focusing on this specific group of clients. It is DEPFA's vision, as the only listed pure public sector and infrastructure bank operating globally, to capture a substantial portion of the huge business opportunities in this sector.

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 encompasses the Bank's traditional bond and loan financing to public sector authorities, the asset management of the € 183 bn Budget Finance portfolio and the Group's overall funding activities. Net interest income grew by 3% y-o-y to € 89 m. DEPFA has maintained a steady pipeline of new business totalling approximately € 12 bn, mainly from the US, Italy and Japan, and at the same time preserved a healthy asset/liability margin of 20 basis points. The overall credit quality of the portfolio remained stable at AA2 level. In the first quarter the US consolidated its position as DEPFA's biggest regional market with a 20% share of the total financing volume. DEPFA continued to extract value from credit spread changes in its public sector portfolio resulting in € 101 m of revenues. This result shows a continued trend since the beginning of last year of an improved management of DEPFA's portfolio of assets. During the first quarter the Bank issued two very successful capital markets transactions in the Euro and US markets, which helped to underline DEPFA's excellent standing with fixed-income investors. One of these transactions, the benchmark size € 500 m Tier 1 hybrid issue helped to improve the Group's Tier 1 ratio to 10.1%. The other transaction was the first ever USD Covered Bond Long-Bond. This 30-year transaction achieved excellent funding costs, whilst also reinforcing DEPFA's position as a leader in the Covered Bond market, achieving the highest ever order book for an ACS BANK USD transaction (USD 1.8 bn) and the highest ever US distribution for any Covered Bond (88%). The profit before taxes in this segment totalled € 160 m in the first quarter, an increase of 22% y-o-y.

	Q1 2007	Q1 2006	Variance	
	€m	€m	€m	%
Net Interest Income	89	86	3	3%
Non Interest Revenues	97	69	28	41%
Total Operating Income	186	155	31	20%
Operating Expenses	-26	-24	-2	8%
Profit Before Taxation	160	131	29	22%
Balance Sheet:				
Financing Volume (on-balance sheet)	160,121	166,913	-6,792	-4%
Financing Volume (off-balance sheet)	22,798	21,094	1,704	8%
Average Equity	1,472	1,326	146	11%

The **Infrastructure Finance** segment had a strong first quarter with 27 transactions closed, accelerating the high rate of business execution of a strong 2006 where DEPFA closed 60 transactions. Total commitments reached € 10.1 bn (compared to € 3.4 bn at the end of the comparable first quarter in 2006). New transactions range from traditional UK PFI school projects to funding the acquisition of port facilities in North America; from providing long-term index-linked funding to UK utilities to refinancing existing road and rail transportation projects in Australia; from financing new water treatment plants in Northern Ireland and Singapore to refinancing operating wind energy projects in Germany and France. The hiring of additional personnel in the Infrastructure Finance team is important to help execute the strong pipeline of existing mandates, and to realise the many potential opportunities in growth markets such as North America into solid additional business. This increase in locally based IFU resources, as well as the Head Office, is an essential part of the Bank's overall growth strategy as significant flows of business in the public finance domain can only be captured if sufficient expertise is available. The pipeline of new business remains very strong with over 300 potential funding and/or advisory transactions at various stages of development. Given DEPFA's good historic hit rate of approximately 1 in 3 the Bank is confident of maintaining the continued good growth in assets and revenues in this segment. As pipeline transactions reach financial close they will also often provide cross-selling opportunities for the Bank's CPS team, such as interest and inflation rate hedging products. The profit before taxes in this segment totalled € 12 m in the first quarter, a threefold increase y-o-y.

	Q1 2007	Q1 2006	Variance	
	€m	€m	€m	%
Net Interest Income	16	6	10	167%
Non Interest Revenues	2	2	-	
Total Operating Income	18	8	10	125%
Operating Expenses	-6	-4	-2	50%
Loan Loss Provisions	-	-		
Profit Before Taxation	12	4	8	200%
Balance Sheet:				
Financing Volume (on-balance sheet)	7,117	1,986	5,131	258%
Financing Volume (off-balance sheet)	3,007	1,414	1,593	113%
Average Equity	415	138	277	201%

The **Client Product Services** segment relates to the growing range of products and advisory areas that assist DEPFA's public sector clients. In 2006, the product area that generated the majority of CPS revenue was the client facing derivative business. In the first quarter 2007 the business performed according to plan in terms of transactions closed. IFRS accounting rules, however, prevent the upfront recognition of certain transactions. As a result, this has led to a steadily rising reserve of profits which will be recognised in future reporting periods in accordance with the requirements of IFRS. DEPFA remains optimistic that the derivatives business will continue to perform in line with the Bank's projections. In addition to the derivative business, CPS is making good progress in its Guaranteed Investment Contracts (GIC) business (with a balance outstanding in excess of USD 2 bn and growing) and Securitisation/Structured Finance which has added more than € 10 bn of assets onto the balance sheet in the first quarter. These activities started to generate discernible growth in net interest income for the CPS segment. In addition DEPFA has seen a pick up in activity towards the end of the first quarter. This segment's pre-tax result was € 1 m.

	Q1 2007	Q1 2006	Variance	
	€m	€m	€m	%
Net Interest Income	3	-2	5	
Non Interest Revenues	6	27	-21	-78%
Total Operating Income	9	25	-16	-64%
Operating Expenses	-8	-6	-2	33%
Profit Before Taxation	1	19	-18	-95%
Balance Sheet:				
Financing Volume (on-balance sheet)	10,131	-	10,131	
Financing Volume (off-balance sheet)	-	-		
Average Equity	88	22	66	300%

The **Global Markets** segment represents the Bank's trading activities. The narrowing of the gap between short and long term interest rates has led to much reduced scope for earnings from carry based trades and yield curve positioning. In the light of this trend the Bank has given priority to cutting back its interest rate exposure and closing open positions. Traditional trading activities, which are now the main earnings source of this segment, have performed below expectation so far in 2007, as shown in the non-interest revenues total of € 10 m. DEPFA has strategically reorganised the trading activities. The establishment of additional small scale trading desks, each operating within moderate stop/loss and VaR limits is expected to provide greater diversification and consistency to the overall result and help complete a successful shift away from pure interest rate positioning. However, the reorganisation of the trading activities will take some time before a visible shift in the earnings pattern can be achieved. The profit before taxes totalled €5 m in the first quarter.

	Q1 2007	Q1 2006	Variance	
	€m	€m	€m	%
Net Interest Income	-1	22	-23	
Non Interest Revenues	10	26	-16	-62%
Total Operating Income	9	48	-39	-81%
Operating Expenses	-4	-8	4	-50%
Profit Before Taxation	5	40	-35	-88%
Balance Sheet:				
Financing Volume (on-balance sheet)	14,284	11,248	3,036	27%
Financing Volume (off-balance sheet)	38	-	38	
Average Equity	587	768	-181	-24%

The **Corporate Centre** consists of various cost and revenue items that due to their special nature and support characteristics cannot be allocated to the segments. Total operating income went down to € 0 m, due to reduced volatility from the valuation of hedging derivatives that do not qualify for IAS39 hedge accounting. Operating expenses rose by € 7 m y-o-y, due partly to the strengthening of certain central administrative support areas. In addition, project costs associated with the setting up of new offices, including Sao Paolo, Milan and Mumbai have had a noticeable impact on the result of the segment. The segment recorded a negative result of - €23 m in the first quarter.

	Q1 2007	Q1 2006	Variance	
	€m	€m	€m	%
Net Interest Income	-6	-5	-1	20%
Non Interest Revenues	6	13	-7	-54%
Total Operating Income	-	8	-8	-100%
Operating Expenses	-23	-16	-7	44%
Profit Before Taxation	-23	-8	-15	188%
Balance Sheet:				
Financing Volume (on-balance sheet)	4,175	5,252	-1,077	-21%
Financing Volume (off-balance sheet)	-	-		
Average Equity	294	115	179	156%

DEPFA BANK plc: group figures Q1 2007 according to IFRS

Earnings	Q1 2007 €m	Q1 2006 €m	Change
Net interest income	101	107	-5.6%
Net fee and commission income	6	5	20.0%
Net trading income	12	62	-80.6%
Gains less losses from financial assets	103	70	47.1%
Other operating income	-	-	
Total operating income	222	244	-9.0%
Operating expenses	-67	-58	15.5%
<i>of which staff costs</i>	-37	-37	
<i>of which administrative expenses</i>	-26	-18	44.4%
<i>of which depreciation and amortisation</i>	-3	-2	50.0%
<i>of which other operating expenditure</i>	-1	-1	
Impairment losses on loans and advances	-	-	
Profit before taxation	155	186	-16.7%
Taxation	-32	-52	-38.5%
Group net income	123	134	-8.2%
Key ratios	Q1 2007	Q1 2006	
Cost/income ratio	30.2%	23.8%	
Earnings per share €	0.36	0.39	-7.7%
RoE after taxes	17.2%	22.6%	
Key balance sheet items	31 Mar 2007	31 Dec 2006	
Financing volume	221,671	218,927	1.3%
Shareholders' capital	2,933	2,777	5.6%
Total assets	229,471	222,945	2.9%