

Press and Investor Relations Release

**DEPFA BANK reports cumulative half year result of €249 m
- Q2 result of €126 m -**

**Record quarter for client segments; doubling of revenues from
Infrastructure Finance activities in the second quarter**

Dublin/Frankfurt, 23 July 2007.

DEPFA BANK plc today released its second quarter 2007 results. The net profit of € 126 m improved slightly on the level of the first quarter, taking the cumulative result to € 249 m for the first half year. Though the result was 9% down on the first half 2006 it is still a very encouraging performance given the higher level of investments this year in client businesses and the much changed market context in which DEPFA now operates. Earnings were entirely generated by the Bank's client driven businesses. Financing activities provided strong support for earnings and DEPFA was again particularly successful at tapping into the growing worldwide demand for infrastructure finance. Further investments in new resources will strengthen origination in local markets and increase the contribution from higher margin products such as derivatives for clients that will become more discernible over time.

Net interest income amounted to € 101 m, against € 110 m in the comparative quarter of 2006. When the result is dissected it reveals that the Bank is adapting very quickly to changed market conditions given that client financing activities have done much in a short space of time to fill the void left by the sharp decline of carry based income from Global Markets. Carry income fell from € 19 m to a slightly negative result in Q2 2007 (-€ 2 m) as the Bank hedged open interest rate positions. At the same time Infrastructure Finance has tripled its interest income result to € 19 m (from € 6 m) due to the growing success of PPP activities in Europe and the US. The Bank has also been developing new sources of interest income from innovative areas such as structured financing, securitisations and Guaranteed Investment Contracts (GICs). Despite further tightening of credit spreads new commitments in Budget Finance grew for the third successive quarter to € 14 bn, (after € 12 bn in Q1 2007) which will support interest income in future quarters. Overall the Bank originated € 19 bn of new business in the second quarter in client segments (Q1 2007: € 20 bn).

Net fee and commission income totalled € 9 m, which is € 3 m down y-o-y. This comparison is somewhat skewed from the effect of a significant upfront fee for an IFU transaction in the previous year; the underlying trend for the US liquidity facilities, which are the main fee generator for the Bank, continued to be positive. Net trading income was € 8 m, significantly lower than the comparative result of € 41 m. The own account trading performance was disappointing and made a small double digit loss, which arose from small cumulative losses across a number of desks. The contribution from Client Product Services improved on the first quarter to € 10 m. The performance of this activity was again somewhat understated due to accounting rules governing recognition of income, which resulted in income from a number of client transactions being deferred rather than booked on an upfront basis.

Gains from sale of assets rose significantly by 66% y-o-y to € 111 m. This result exceeded the similarly strong first quarter total of € 103 m and was achieved on the back of a much lower asset sales volume of € 8.4 bn. Gains from sale of assets are linked entirely to credit spread movements in DEPFA's micro hedged budget finance and infrastructure book of just under € 170 bn. This portfolio represents a high quality, homogeneous and very liquid class of asset that lends itself very well to an active asset management approach. A combination of market volatility and strong performance of certain government bonds have created regular opportunities for DEPFA to realise gains; this results in a higher total return of the portfolio than if the assets were simply yielding interest income until maturity. At the same time the Bank has taken care to conserve the size and intrinsic quality of the portfolio by ensuring an inflow of new, similarly rated assets.

Total expenditure rose by 25% y-o-y to € 70 m. This reflects the significant build up in capacity that has occurred over the past year in which staff levels have grown by 166 to 723. The strong pace of growth so far this year is in line with expectations and is an essential precondition for achieving long term growth. Investments have further boosted front office capacity in infrastructure finance, new product areas as well as regional hubs and new offices within an expanding CRM regional network. At the same time the Bank has strengthened its back office and risk management units to consolidate progress on the business side. Even in this phase of heightened investment activity the company is committed to maintaining a high degree of cost discipline as reflected in a cost/income ratio of 31%, which is in line with the long-term target.

Profit after taxation totalled € 126 m, a fall of 10% year-on-year. The income tax charge of € 33 m equated to an effective tax rate of 21%.

The Bank continues to fill important gaps in its offering of innovative products and advisory solutions to meet the increasingly sophisticated needs of its public sector client base. The latest initiative launched in May by DEPFA relates to Asset Management which will add an additional distribution channel for certain types of asset sourced by the Bank, for example in the new area of infrastructure equity. The Bank is on track to fully finalise the First Albany acquisition by the third quarter, which will further strengthen its position in the United States. The strong links of this business unit with a Municipal client base will help DEPFA maintain the dynamism of its bond origination in the US market, already DEPFA's largest regional market and to cross sell a broad range of other products such as infrastructure finance, derivatives and advisory.

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.

WKN: 765818 / **ISIN:** IE 0072559994
Exchange listing: Frankfurt (MDAX)
Quote symbols: DEPF.DE (REUTERS), DEP GR (Bloomberg)

Investor Relations

Marc Towner
+353-1-792-2084
Marc.Towner@depfa.com

Media Relations

Henrik Hannemann
Phone +49 69 92882 275
Henrik.Hannemann@depfa.com

Segment Reporting

Budget Finance encompasses the hedged bond and loan lending and financing activities of the Bank as well as letter of credit and liquidity facilities that are a particular feature of the public sector markets in the United States. The Budget Finance business model focuses on ensuring the optimal total returns from this high quality portfolio. In the second quarter, new commitments amounted to €14 bn, a healthy increase of €2 bn quarter-on-quarter. The new commitment activity was well diversified with the US, Spain, Italy and Japan the main areas of origination. The United States increased its share of the total financing volume to 21% and the recent First Albany acquisition is likely to further strengthen origination activity in this market. The overall asset/liability margin on the total portfolio declined somewhat to 18 bps, driven by the continued tightening of credit spreads in the core portfolio. At the same time, the cost and tenor of the Bank's funding continued to improve, supporting the overall margin. These conditions have however, enabled the Bank to enhance its portfolio return on a total return basis. Total operating income reached €197 m, an increase of €33 m year-on-year. The size and credit quality of the portfolio remained unchanged at the end of the quarter, which coupled with a healthy business pipeline, represents a strong basis for future growth. Profit before taxation reached €171 m, an increase of €26 m year-on-year.

	Q2 2007	Q2 2006	Variance	
	€m	€m	€m	%
Net Interest Income	85	90	-5	-6%
Non Interest Revenues	112	74	38	51%
Net Operating Income	197	164	33	20%
Operating Expenses	-26	-19	-7	37%
Profit Before Income Tax	171	145	26	18%
Balance Sheet:				
Financing Volume (on-balance sheet)	160,079	167,418	-7,339	-4%
Financing Volume (off-balance sheet)	23,138	20,723	2,415	12%
Average Equity	1,451	1,290	161	12%

Infrastructure Finance represents the Bank's limited recourse and concession-based lending through Public Private Partnerships, PFI and similar models and investing in bonds with limited recourse to public infrastructure entities as well as utilities and privately owned infrastructure operations. The performance of these activities continues to go from strength to strength; on a year-on-year basis and also evidently from one quarter to the next this year. The run rate for interest income has moved to a higher level of € 19 m for Q2 2007 (vs. € 6 m for Q2 2006) in line with the ramp up in drawn volumes that have reached approximately € 9 bn. Operating income reached a record € 28 m for the quarter, against € 13 m in Q2 2006, and on the strength of the current healthy business pipeline there is a realistic prospect that revenues will double this year to over € 100 m. The Bank closed a further 18 transactions in the second quarter with a value of € 1.6 bn; these were originated across a broad section of countries and in sectors such as ports, roads and healthcare which fit in with DEPFA's focus on core public infrastructure projects. The Bank continues to maintain a high degree of credit discipline in its managing of infrastructure risks and counterparty credit limits. The profit before taxes in this segment totalled € 20 m in the second quarter, a € 12 m increase y-o-y.

	Q2 2007	Q2 2006	Variance
	€m	€m	€m
Net Interest Income	19	6	13
Non Interest Revenues	9	7	2
Net Operating Income	28	13	15
Operating Expenses	-8	-5	-3
Profit Before Income Tax	20	8	12
Balance Sheet:			
Financing Volume (on-balance sheet)	8,597	4,057	4,540
Financing Volume (off-balance sheet)	3,254	1,675	1,579
Average Equity	481	208	273

The **Client Product Services** segment incorporates an ever growing range of new activities that have the common characteristic of providing innovative solutions for a client's debt and interest rate management. The establishment of several major businesses contributing stable recurring is indicative of how the Bank plans to enhance its stable earnings base in the years to come. The ramp up in client derivatives, Guaranteed Investment Contract (GIC) and securitisation volumes is making a strong impression on the earnings of CPS. Given the difficulty of recognising income from derivatives transactions up front under IAS 39 rules the interest rate swaps business has evolved into an annuity-like business. The transaction flow in target areas such as France and Italy on the CRM side and in Infrastructure Finance has been good, helped by the strengthening of local teams and a general pick up in the Bank's origination activity. The profit reserve of stand alone business, which gives a truer indication of the performance of this business in this initial ramp up phase increased to € 29 m (from €21 m in Q1), which will accrue to the p & I over the lifetime of the derivatives transaction, or can be recognised more quickly if certain conditions are met. Further growth in the securitisation portfolio, which now stands at € 12 bn, and in the Guaranteed Investment Contract volumes to US\$ 4.5 bn, is translating into a higher run rate for the net interest income result. The profit before taxes totalled € 7 m in the second quarter, down € 4 m y-o-y.

	Q2 2007	Q2 2006	Variance
	€m	€m	€m
Net Interest Income	6	2	4
Non Interest Revenues	10	14	-4
Net Operating Income	16	16	-
Operating Expenses	-9	-5	-4
Profit Before Income Tax	7	11	-4
Balance Sheet:			
Financing Volume (on-balance sheet)	12,399	-	12,399
Financing Volume (off-balance sheet)	-	-	-
Average Equity	102	38	64

The **Global Markets** segment encompasses the Bank's trading activities. The negative interest income result of -€ 2 m is connected mainly with action taken to address the interest rate exposure to legacy positions. The Bank decided to accelerate losses by hedging these open positions in order to limit the downside effect from possible further hikes in interest rates. The negative swing of € 21 m from year-to-year underlines the scale of the challenge facing the Bank to generate revenues from other areas, notably in its client businesses. The trading performance of -€ 5 m was disappointing across the board and small losses were kept in check in certain instances due to the effectiveness of stop loss limits. The result before taxes was negative at -€ 22m, a negative swing of € 52 m y-o-y.

	Q2 2007	Q2 2006	Variance
	€ m	€ m	€ m
Net Interest Income	-2	19	-21
Non Interest Revenues	-15	16	-31
Net Operating Income	-17	35	-52
Operating Expenses	-5	-5	-
Profit Before Income Tax	-22	30	-52
Balance Sheet:			
Financing Volume (on-balance sheet)	15,535	13,111	2,424
Financing Volume (off-balance sheet)	-	-	-
Average Equity	479	706	-227

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. Net interest income of -€ 7 m is necessarily negative at around this level due to the fact the Corporate Centre does not house any areas of active business origination to compensate for interest expenses incurred for Tier II instruments such as profit participation certificates, which are full charged to this segment. Non interest revenues rose by € 3 m y-o-y, due principally to the valuation effect of hedging derivatives that did fulfil accounting criteria under IAS 39. Operating expenses were unchanged y-o-y at € 22 m, and were also on a par with the quarterly trend rate for the past year, which reflects the high tempo of growth in the regional network and associated project costs for preparing new offices. The result before taxes was negative at -€ 17 m, slightly better than the Q2 2006 result of -€ 20 m.

	Q2 2007	Q2 2006	Variance
	€m	€m	€m
Net Interest Income	-7	-7	-
Non Interest Revenues	12	9	3
Net Operating Income	5	2	3
Operating Expenses	-22	-22	-
Profit Before Income Tax	-17	-20	3
Balance Sheet:			
Financing Volume (on-balance sheet)	3,566	4,965	-1,399
Financing Volume (off-balance sheet)	-	-	
Average Equity	407	215	192

DEPFA BANK plc: group figures second quarter 2007 according to IFRS

Earnings	Q2 2007	Q2 2006	Change
	€m	€m	
Net interest income	101	110	-8%
Net fee and commission income	9	12	-25%
Net trading income	8	41	-80%
Gains less losses from financial assets	111	67	66%
Other operating income	-	-	
Total operating income	229	230	0%
Operating expenses	-70	-56	25%
<i>of which staff costs</i>	-38	-33	15%
<i>of which administrative expenditure</i>	-26	-19	37%
<i>of which depreciation and amortisation</i>	-4	-2	100%
<i>of which other operating expenditure</i>	-2	-2	0%
Profit before taxation	159	174	-9%
Taxation	-33	-34	-3%
Profit for the quarter	126	140	-10%
Key ratios	Q2 2007	Q2 2006	
Cost/Income ratio	30.6%	24.3%	
Earnings per share €	0.36	0.41	
RoE after taxes	17.3%	22.8%	
Key balance sheet items	30 Jun 2007	31 Dec 2006	
Public Finance Volume	226,568	218,927	3.5%
of which drawn (incl. public sector related)	200,175	194,586	2.9%
of which undrawn	26,391	24,341	8.4%
Shareholders' Capital	2,906	2,777	4.6%
Total assets	228,411	222,945	2.5%

DEPFA BANK plc: group figures first half year 2007 according to IFRS

Earnings	H1 2007	H1 2006	Change
	€m	€m	
Net interest income	202	217	-7%
Net fee and commission income	15	17	-12%
Net trading income	20	103	-81%
Gains less losses from financial assets	214	137	56%
Other operating income	-	-	%
Total operating income	451	474	5%
Operating expenses	-137	-114	20%
<i>of which staff costs</i>	-75	-70	7%
<i>of which administrative expenditure</i>	-52	-37	41%
<i>of which depreciation and amortisation</i>	-7	-4	75%
<i>of which other operating expenditure</i>	-3	-3	0%
Profit before taxation	314	360	-13%
Taxation	-65	-86	-24%
Profit for the half year	249	274	-9%
Key ratios	H1 2007	H1 2006	
Cost/Income ratio	30.4%	24.1%	
Earnings per share €	0.72	0.80	-12%
RoE after taxes	17.5%	22.9%	
Key balance sheet items	30 Jun 2007	31 Dec 2006	
	€m	€m	
Public Finance Volume	226,568	218,927	3.5%
of which drawn (incl. public sector related)	200,175	194,586	2.9%
of which undrawn	26,391	24,341	8.4%
Shareholders' Capital	2,906	2,777	4.6%
Total assets	228,411	222,945	2.5%