

Press and Investor Relations Release

DEPFA BANK with strong growth in high quality earnings

- Second quarter net profit reaches € 140 m (+11%) -

Dublin/Frankfurt, 31 July 2006.

DEPFA BANK plc today released its second quarter 2006 results. With a net profit of € 140 m it is the best quarterly result ever and came on top of the good previous quarter's level of € 134 m (+11% compared to the second quarter 2005). The RoE of 23% after tax is well within the profit target for the full year. DEPFA's earnings mix continued to shift towards client driven businesses. The client segments combining Budget Finance, Infrastructure Finance and Client Product Services made up 84% of total revenues in the second quarter versus 77% in the first quarter 2006. Revenue synergies between the lending activities and Client Product Services have opened up new channels of revenue.

Net interest income in the second quarter showed a healthy improvement to € 110 m, which confirmed the upwards trend of the year. This compares with € 96 m in the comparative quarter 2005. Due to steady new business the portfolio of interest generating public sector assets grew to € 187 bn whilst margins on new business remained stable. Net fee and commission income more than doubled to € 12 m (from € 5 m) due to advisory fees received and ongoing fees accruing from the liquidity facilities that facilitate placement of US municipal bonds.

The trading result reached € 41 m and the gains from sale of financial assets totalled € 67 m in the second quarter.

Total expenditure showed a headline figure of € 56 m which represents a slight fall of € 2 m against the first quarter 2006. Due to a higher staff number personnel expenditure increased by 7% to € 33 m in comparison to the second quarter of 2005. The cost/income ratio remained stable at 24%. The bank is deriving good gains from its investments in new staff in key growth areas; overall revenues in the first half of 2006 are 15% higher than a year earlier. Profit before taxes in the second quarter totalled € 174 m.

Company profile:

DEPFA BANK plc is a leading provider of financial services to public sector clients 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 US, Japan and Hong Kong. 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.

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

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Segment Reporting

The **Budget Finance** segment comprises lending activities to public sector authorities. Net interest income amounted to € 90 m, a 29% increase against the comparative quarter 2005. This increase has outpaced growth in on-balance sheet financing volumes of 10% over the same period. Non-interest revenues of € 74 m were 40% higher than in the previous year and largely related to turnover in assets. New business origination continued to be at a healthy € 17 bn. The priority of the bank has been to continue locking in satisfactory margins on new business with high quality borrowers. The United States in particular continue to provide very fertile ground for DEPFA to both grow and diversify the bank's portfolio in a large developed market. New business originated in the US as well as in the UK and new EU states also has been part of the process of increasing the diversity in the portfolio by country and by borrower. Profit before taxes in the Budget Finance segment totalled € 145 m.

	Q2 2006	Q2 2005	Variance	
	€m	€m	€m	%
Net Interest Income	90	70	20	29%
Non Interest Revenues	74	53	21	40%
Net Operating Income	164	123	41	33%
Operating Expenses	-19	-20	1	-5%
Profit Before Income Tax	145	103	42	41%
Balance Sheet:				
Financing Volume (on-balance sheet)	167,418	152,333	15,085	10%
Financing Volume (off-balance sheet)	20,723	14,329	6,394	45%
Average Equity	1,290	1,105	185	17%
Ratios:				
Cost Income Ratio	12%	16%		
RoE (pre tax)	45%	37%		

The **Infrastructure Finance** activities of DEPFA centre on concession based public sector projects in which the private sector contractor builds, finances and operates a particular asset over the term of a concession with proceeds to finance the debt emanating from the public sector authority or directly from the levying of tolls. Net operating income more than doubled in the second quarter to € 13 m year-on-year. As a means of reducing the equity allocated to the segment and increasing the profitability the bank carried out its second major securitisation of infrastructure loans (EPIC II) in July 2006 amounting to € 900 m. DEPFA closed 18 transactions in the first half of 2006 and a strong pipeline of deals globally and especially in the North American market is increasingly showing through in the segmental results. The US, like Europe, increasingly sees PPP financing as a valid method to carry out the huge amount of necessary investments for essential public infrastructure. One of the key transactions in the US in the second quarter was for the acquisition of the Pocahontas Parkway. DEPFA acted as both financial advisor and consortium member in support of Transurban Group's US\$ 603 m acquisition of the Parkway under a 99-year concession granted by the Virginia Department of Transportation. Profit before taxes in the Infrastructure Finance segment totalled € 8 m.

	Q2 2006	Q2 2005	Variance
	€m	€m	€m
Net Interest Income	6	5	1
Non Interest Revenues	7	1	6
Net Operating Income	13	6	7
Operating Expenses	-5	-3	-2
Profit Before Income Tax	8	3	5
Balance Sheet:			
Financing Volume (on-balance sheet)	4,057	1,629	2,428
Financing Volume (off-balance sheet)	1,675	795	880
Average Equity	208	115	93
Ratios:			
Cost Income Ratio	38%	50%	
RoE (pre tax)	15%	10%	

Client Product Services (CPS) incorporates a major part of the new products and structured solutions that the bank now provides for its public sector clients. The leveraging of lending relationships by Client Product Services activities is a central pillar of the bank's growth strategy and has opened up fresh areas of profit generation for the bank. In the second quarter total operating income reached € 16 m, taking the overall contribution to the Group's revenue to € 41 m for the first half of 2006 compared to a very low base of € 6 m for the first half of 2005 when the segment was only in its infancy. The client swap business was the most obvious area for DEPFA to build up earnings capacity quickly as the bank is able to add this product to its many lending transactions with clients. Other product areas, which are at an earlier point in their development than the interest rate business will progressively increase contributions to profits with the build up of volume and staff. Profit before taxes in the Client Product Services segment totalled € 11 m before tax.

	Q2 2006	Q2 2005	Variance
	€ m	€ m	€ m
Net Interest Income	2	0	2
Non Interest Revenues	14	2	12
Net Operating Income	16	2	14
Operating Expenses	-5	-4	-1
Profit Before Income Tax	11	-2	13
Balance Sheet:			
Financing Volume (on-balance sheet)	0	0	0
Financing Volume (off-balance sheet)	0	0	0
Average Equity	38	11	27
Ratios:			
Cost Income Ratio	31%	n/a	
RoE (pre tax)	116%	n/a	

The **Global Markets** segment relates to all trading and client driven asset positioning. The net operating income of the Global Markets segment totalled € 35 m in the second quarter, down 68% on a year-on-year basis. The contribution of this segment to overall revenues and profits has continued its downward trend from 2005 levels as the bank reduced its trading activities and shifts its focus to operating revenues. The share of Global Markets in the total Group pre-tax profit (excluding the Corporate Centre) went down from 49% in Q2 2005 and 21% in the first quarter 2006 to 15% in Q2 2006. It is important to note that the shortfall in the profit contribution from Global Markets has been greatly compensated for by higher contributions from the client segments. Profit before taxes in the Global Markets segment totalled € 30 m.

	Q2 2006	Q2 2005	Variance	
	€ m	€ m	€ m	%
Net Interest Income	19	25	-6	-24%
Non Interest Revenues	16	84	-68	-81%
Net Operating Income	35	109	-74	-68%
Operating Expenses	-5	-9	4	-44%
Profit Before Income Tax	30	100	-70	-70%
Balance Sheet:				
Financing Volume (on-balance sheet)	13,111	9,094	4,017	44%
Financing Volume (off-balance sheet)	0	0	0	0
Average Equity	706	321	385	120%
Ratios:				
Cost Income Ratio	14%	8%		
RoE (pre tax)	17%	125%		

The **Corporate Centre** consists of cost and revenue items that do not lend themselves easily to any of the business categories. The segment takes account of large recurring items such as valuation effects from hedge inefficiencies due to hedge accounting in non-interest revenues (€ 10 m in Q2 2006). Profit before taxes in the Corporate Centre segment showed a negative € 20 m result.

	Q2 2006	Q2 2005	Variance	
	€ m	€ m	€ m	%
Net Interest Income	-7	-4	-3	75%
Non Interest Revenues	9	-20	29	-145%
Net Operating Income	2	-24	26	-108%
Operating Expenses	-22	-16	-6	38%
Profit Before Income Tax	-20	-40	20	-50%
Balance Sheet:				
Financing Volume (on-balance sheet)	4,965	6,848	-1,883	-27%
Financing Volume (off-balance sheet)	0	0	0	0
Average Equity	215	436	-221	-51%

DEPFA BANK plc: group figures second quarter 2006 according to IFRS

Earnings	Q2 2006 € m	Q2 2005 € m	Change
Net interest income	110	96	14.6%
Net fee and commission income	12	5	140.0%
Net trading income	41	-181	
Gains less losses from financial assets	67	292	-77.1%
Other operating income	-	4	-100.0%
Total operating income	230	216	6.5%
Operating expenses	-56	-52	7.7%
<i>of which staff costs</i>	-33	-31	6.5%
<i>of which administrative expenditure</i>	-19	-17	11.8%
<i>of which depreciation and amortisation</i>	-2	-3	-33.3%
<i>of which other operating expenditure</i>	-2	-1	100.0%
Profit before taxation	174	164	6.1%
Taxation	-34	-38	-10.5%
Profit for the quarter	140	126	11.1%
Key ratios	Q2 2006	Q2 2005	
Cost/Income ratio	24.3%	24.1%	
Earnings per share €	0.41	0.37	
RoE after taxes	22.8%	25.3%	
Key balance sheet items	30 Jun 2006	31 Dec 2005	
Public Finance Volume	209,827	202,970	3.4%
of which drawn (incl. public sector related)	187,429	181,499	3.3%
of which undrawn	22,398	21,471	4.3%
Shareholders' Capital	2,480	2,304	7.6%
Total assets	221,011	228,630	-3.3%

DEPFA BANK plc: group figures first half year 2006 according to IFRS

Earnings	H1 2006 € m	H1 2005 € m	Change
Net interest income	217	206	5.3%
Net fee and commission income	17	9	88.9%
Net trading income	103	-136	
Gains less losses from financial assets	137	327	-58.1%
Other operating income	-	7	-100.0%
Total operating income	474	413	14.8%
Operating expenses	-114	-105	8.6%
<i>of which staff costs</i>	-70	-67	4.5%
<i>of which administrative expenditure</i>	-37	-32	15.6%
<i>of which depreciation and amortisation</i>	-4	-5	-20.0%
<i>of which other operating expenditure</i>	-3	-1	
Profit before taxation	360	308	16.9%
Taxation	-86	-63	36.5%
Profit for the half year	274	245	11.8%
Key ratios	H1 2006	H1 2005	
Cost/Income ratio	24.1%	25.4%	
Earnings per share €	0.80	0.72	
RoE after taxes	22.9%	25.3%	
Key balance sheet items	30 Jun 2006	31 Dec 2005	
Public Finance Volume	209,827	202,970	3.4%
of which drawn (incl. public sector related)	187,429	181,499	3.3%
of which undrawn	22,398	21,471	4.3%
Shareholders' Capital	2,480	2,304	7.6%
Total assets	221,011	228,630	-3.3%