



# Introduction to DEPFA BANK plc

HVB Conference, Munich, 27<sup>th</sup> September 2006

 **DEPFA BANK**

DEPFA BANK: Dublin | Chicago | Copenhagen | Frankfurt | Hong Kong | London | Madrid | New York | Nicosia | Paris | Rome | San Francisco | Tokyo | Warsaw

- **DEPFA Overview**
- **Strategy**
- **Segments**
- **Appendix - Financials**

## DEPFA BANK is a specialist provider of financial services to public sector entities worldwide

### Pure and Global Focus on Public Sector

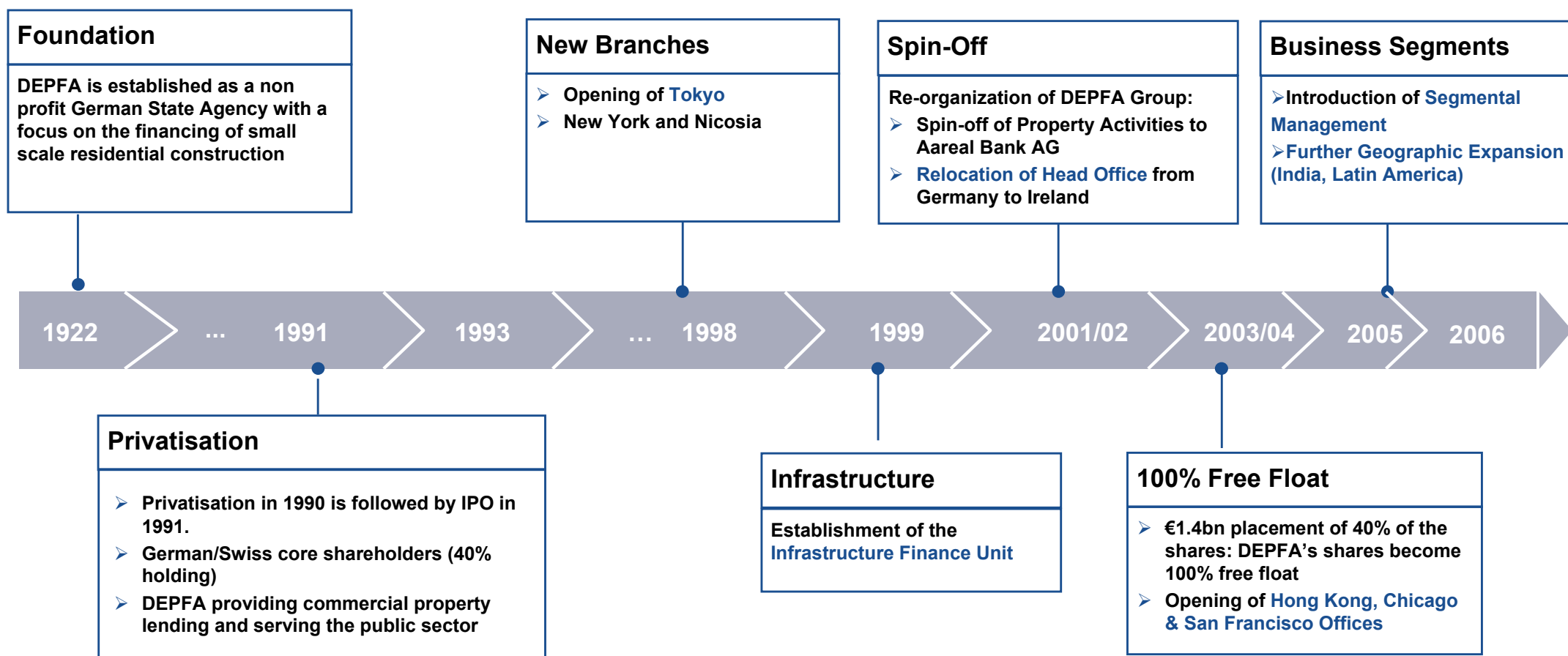
- Operates in 14 locations throughout Europe, the US and Asia
- Provides finance and other solutions to financial issues of public authorities
- Total assets of ca. € 221 bn

### Irish Bank with German Roots

- Incorporated and headquartered in Dublin
- Listed on the Frankfurt Stock Exchange
- AA-/Aa3/AA- by Fitch, Moodys and S&P respectively

# Company Milestones

Since its establishment in 1922, DEPFA has evolved from a state-owned, non profit organisation to a publicly-quoted, value-oriented shareholder provider of financial services to public sector authorities worldwide

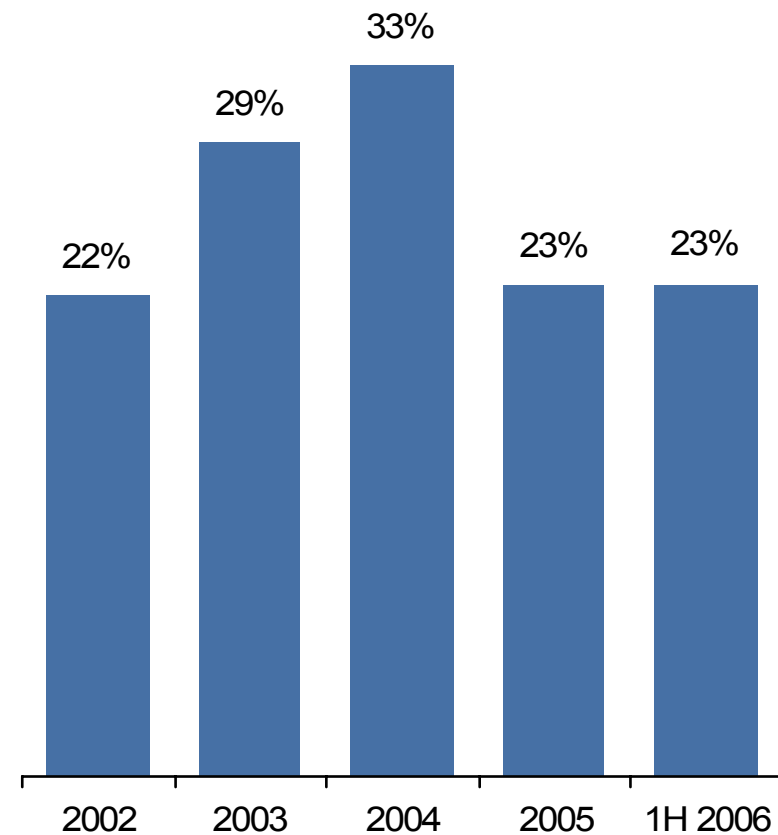


# Track Record

## Compounded Annual Growth 2002 - 2005

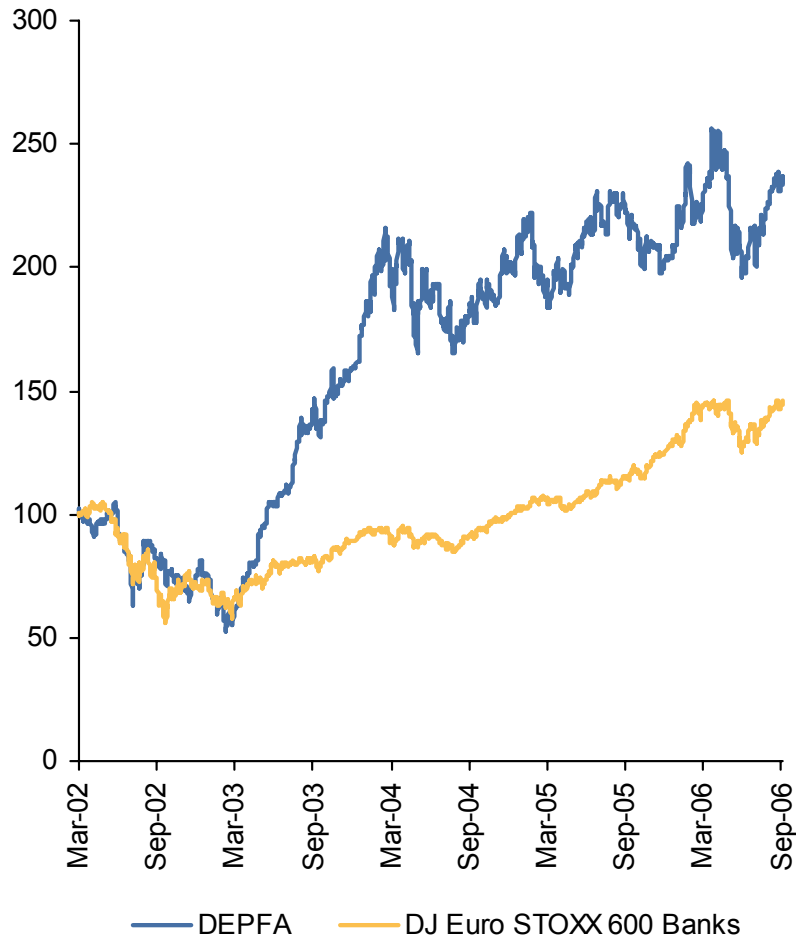
Total Assets	16%
Net Interest Income	12%
Non Interest Income	53%
Profit (after tax)	26%
Shareholder Equity	27%

## RoE (after tax) 2002 – 1H 2006

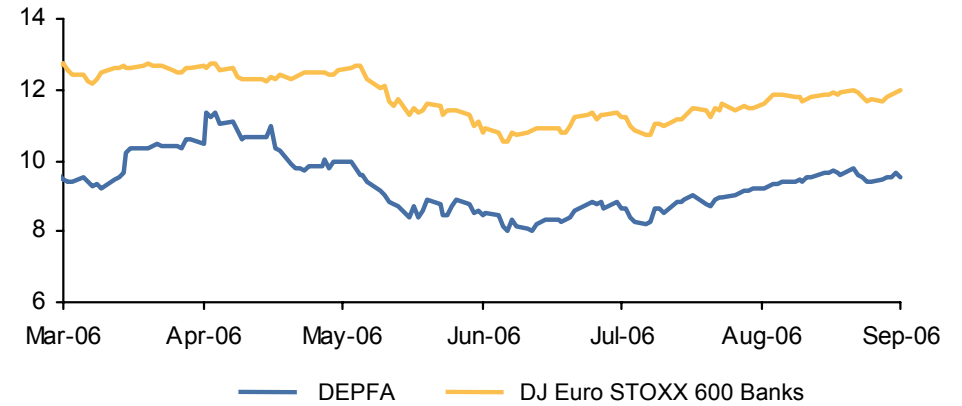


# Valuation and Share Price

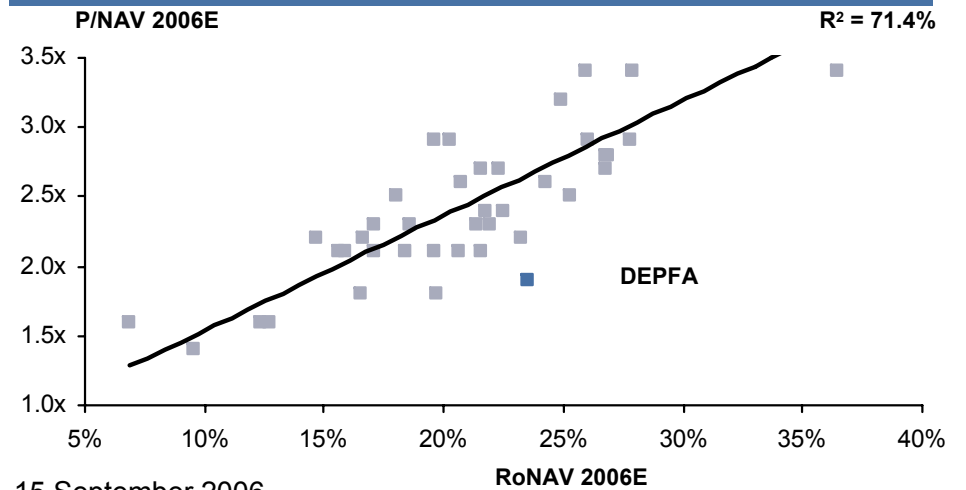
## Relative Share Price Performance<sup>(1)</sup>



## 1-Year Forward-Looking P/E Ratios<sup>(1)</sup>



## RoNAV 2006E vs P/NAV 2006E<sup>(2)</sup>

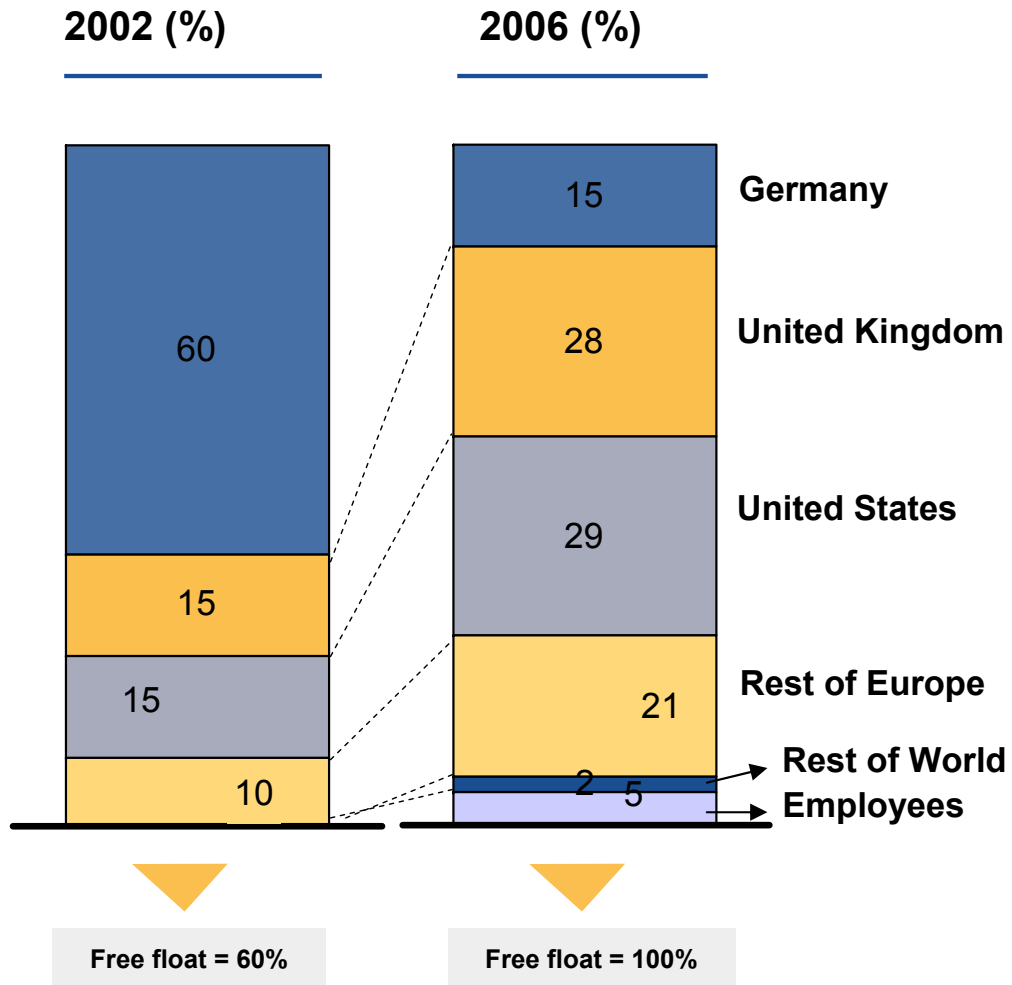


(1) Source: DataStream, 15 September 2006

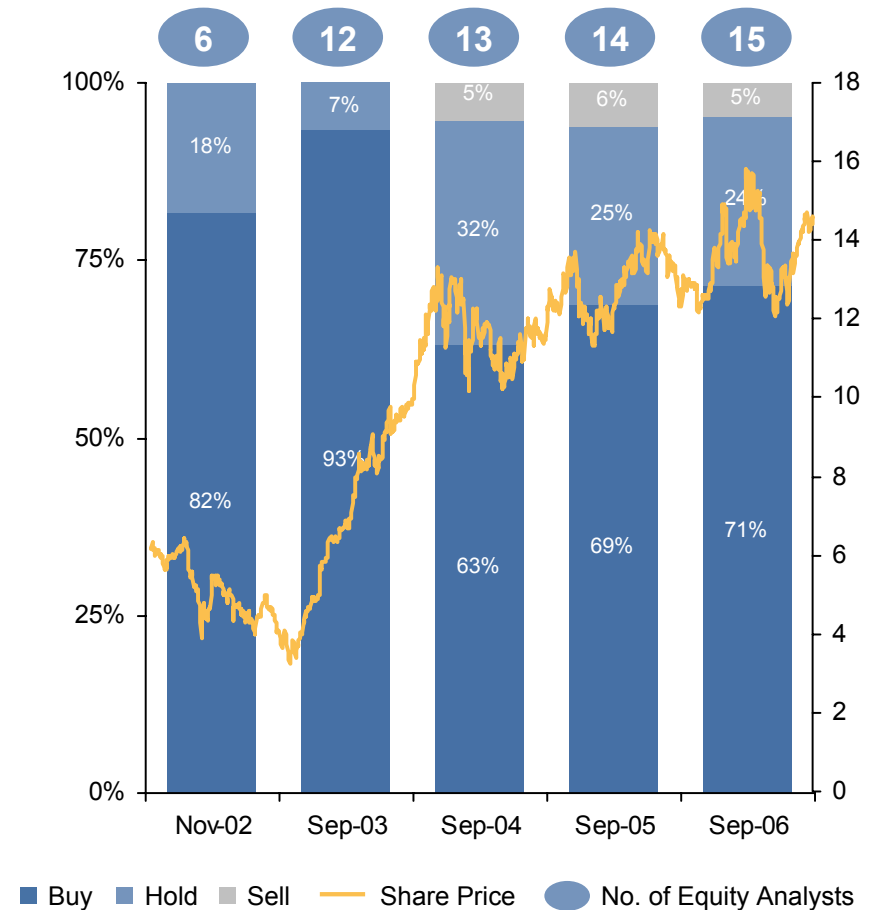
(2) Source: Merrill Lynch, 15 September 2006

# Shareholder's Geographic Breakdown

## DEPFA's Shareholder Base



## Analyst Coverage



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# We are committed to the Public Sector business model

## DEPFA BANK is the only pure Public Sector Bank worldwide

**Within the Public Sector DEPFA BANK aims to cover all financial requirements of clients across all levels**

***“Public Sector activities will balloon, making productivity gains essential. The unprecedented aging of population across the developed world will call for new levels of efficiency and creativity from the Public Sector. Without clear productivity gains, the pension and health care burden will drive taxes to stifling proportions.***

*Nor is the problem confined to the developed economies. Many emerging-market governments will have to decide what level of social services to provide to citizens who increasingly demand state-provided protections such as health care and retirement security.”*

# Global trends in the Public Sector are opportunities for DEPFA

## Global Trends

## DEPFA Response

## Segment

**Budget constraints**

- On/off budget financing
- Low cost funding platform

**Budget Finance**

**Increasing professionalism**

- Build product factory
- Build-up Global Client Relationship Management

**Client Product Services**

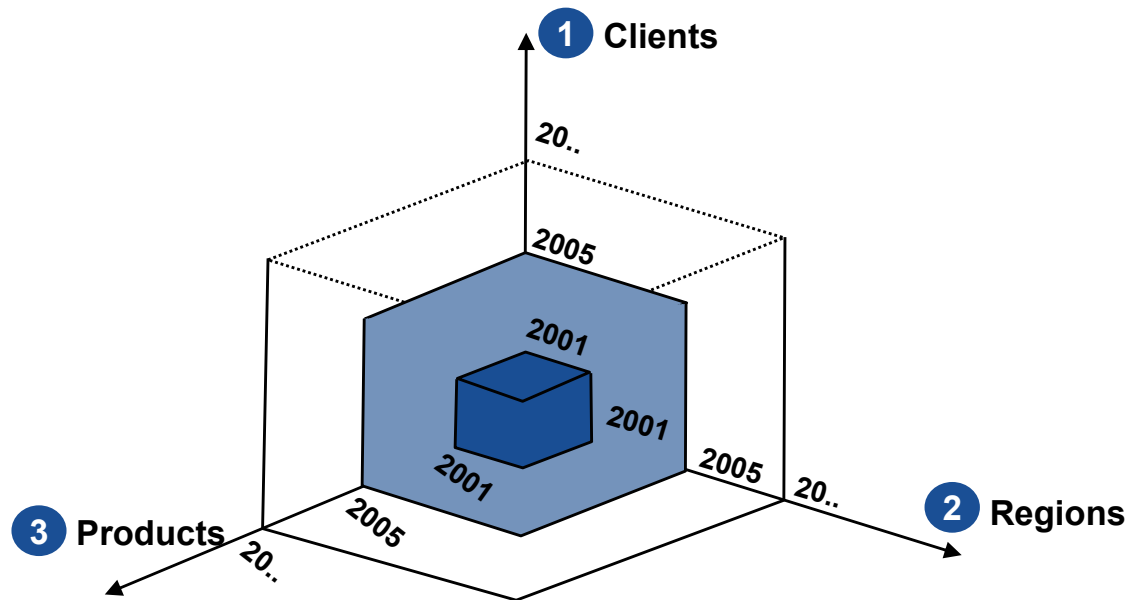
**Client Relationship Management**

**Private Sector involvement**

- Infrastructure Finance

**Infrastructure Finance Unit**

# DEPFA BANK has a scalable business model



There is much room for organic growth

## Growth path

### 1 Clients

- Promoting client-driven activities to deepen penetration of existing client base through cross selling
- Broaden focus on “essential” Public Sector Assets

### 2 Regions

- Stable growth in Western Europe
- Successful market entries in the US, Canada, etc.
- Initiatives to grow new markets (BRIC and other)

### 3 Products

- Structured products
- Derivatives
- Securitisation
- CDOs
- Pension Advisory
- ...

# DEPFA continues to evolve with the Market

2002 – 2005

2006 onwards

## DEPFA's Approach and Focus

- Start up mentality
- Focus on capital growth

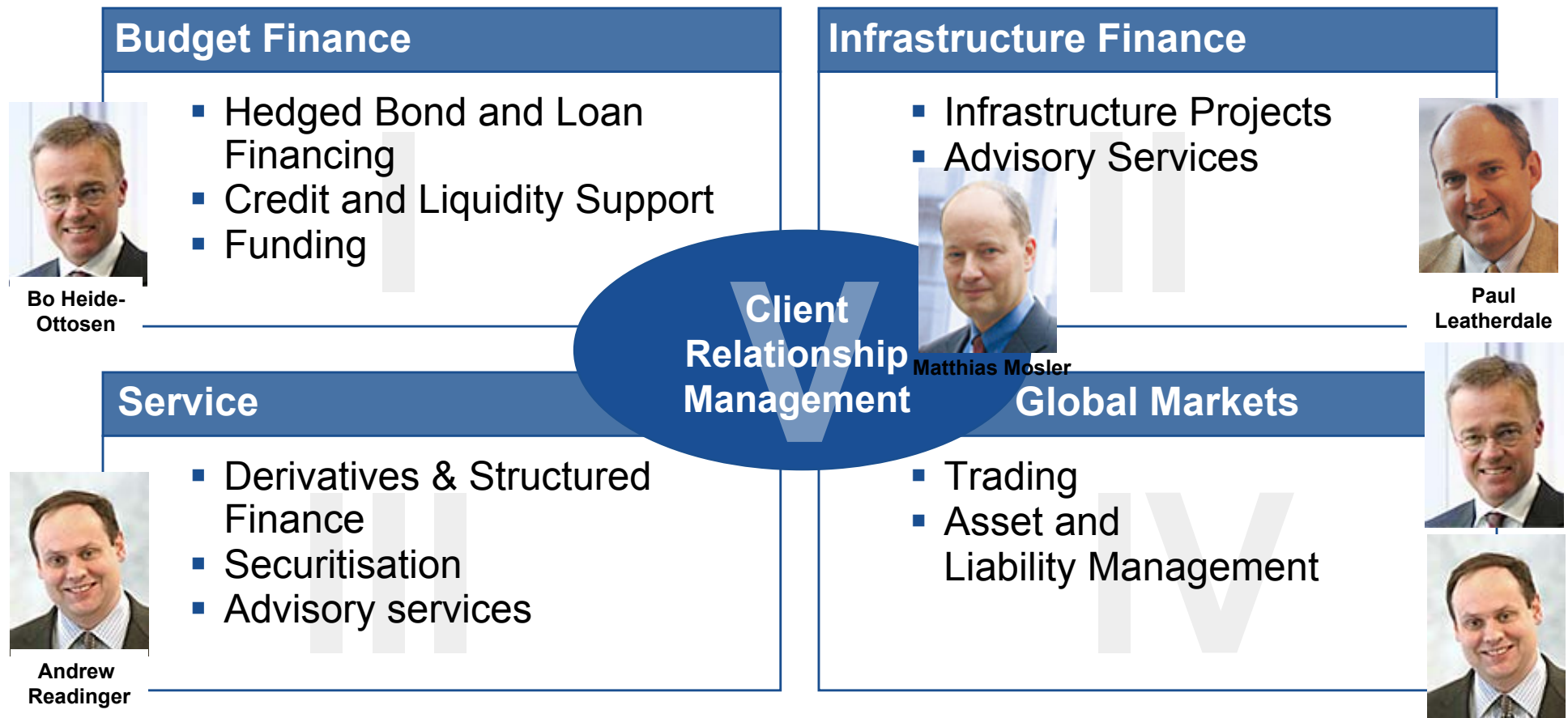
- Clearly defined franchise through segmental reporting
- Need to further build up internal support functions (Risk, HR, Finance, etc.)
- Broadened product spectrum and additional investment banking activities
- Move from buy/hold to originate/distribute model

## External Factors

- Favourable market environment
- Positive impact from spin-off

- Changing market environment
- More regulated banking environment
- Increasing product complexity

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## Corporate Centre

- Corporate Communications
- Investor Relations
- Legal

Matthias Mosler

- Finance
- Operations
- Strategy
- Administration
- Internal Consulting



Reinhard Grzesik

- IT/Value Analysis
- Market Risk Control
- Credit Risk

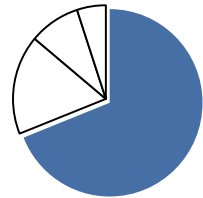
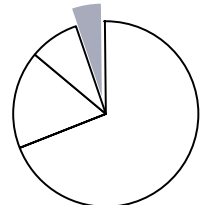
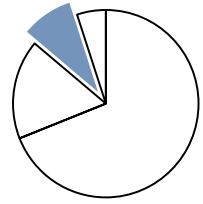
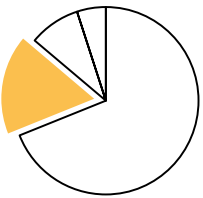


Rolf Hengsteler

- Human Resources

Bo Heide-Ottosen

# Understanding DEPFA's Business Segments

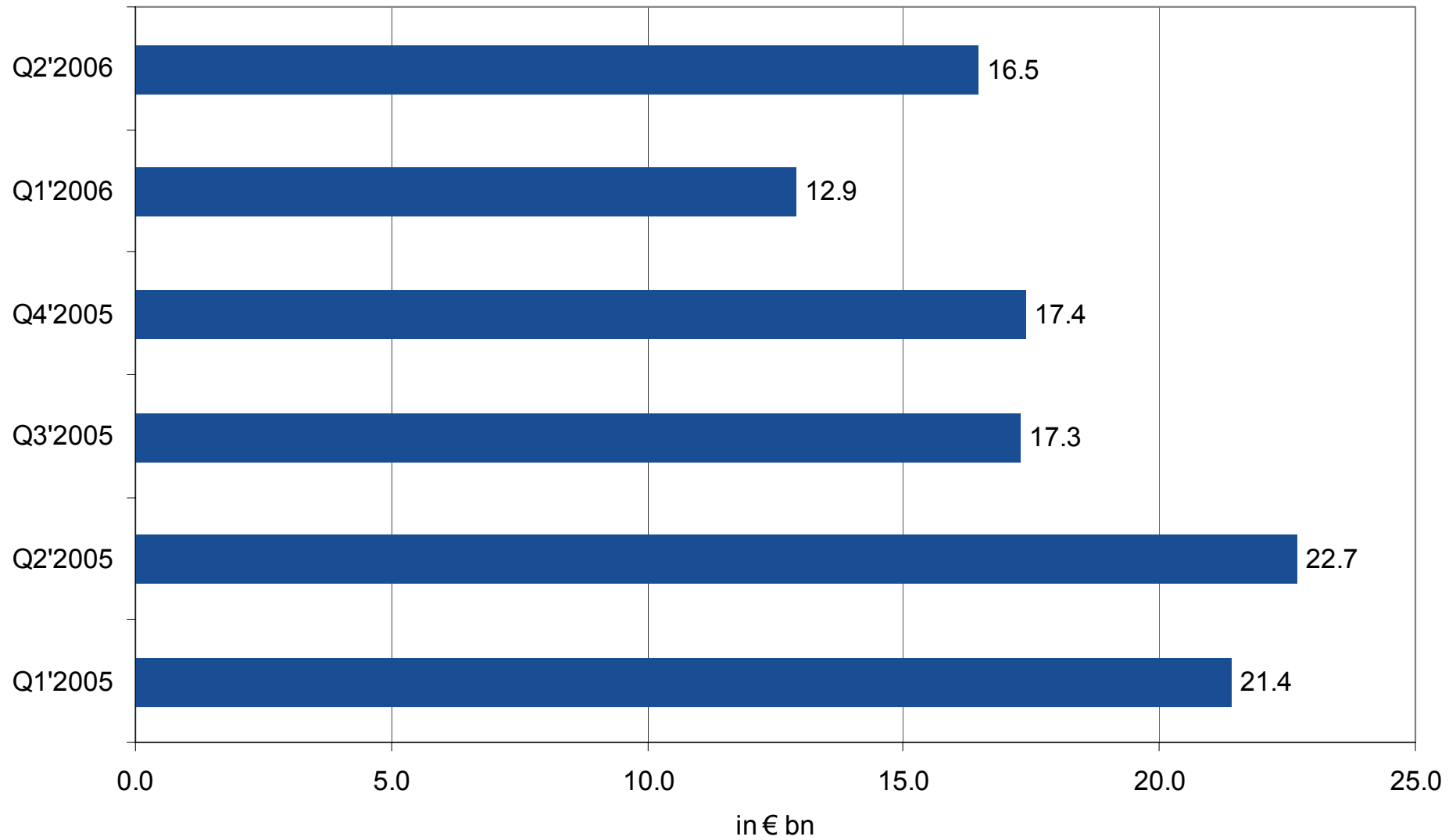
	Characteristics	Total operating income for 1 <sup>st</sup> H 2006
<b>Budget Finance</b>	<ul style="list-style-type: none"> <li>Stable; high quality; very attractive risk/reward profile versus average banking universe</li> </ul>	 <p>€ 319 m 69%</p>
<b>Infrastructure Finance</b>	<ul style="list-style-type: none"> <li>Low risk area of project finance compared to respective Investment Bank franchises</li> </ul>	 <p>€ 21 m 5%</p>
<b>Client Product Services</b>	<ul style="list-style-type: none"> <li>Increasingly competing with pure Investment Bank franchises</li> </ul>	 <p>€ 41 m 9%</p>
<b>Global Markets</b>	<ul style="list-style-type: none"> <li>Building track-record, expertise, trading pattern over time</li> <li>Reducing gap to established capital markets players</li> </ul>	 <p>€ 83 m 17%</p>



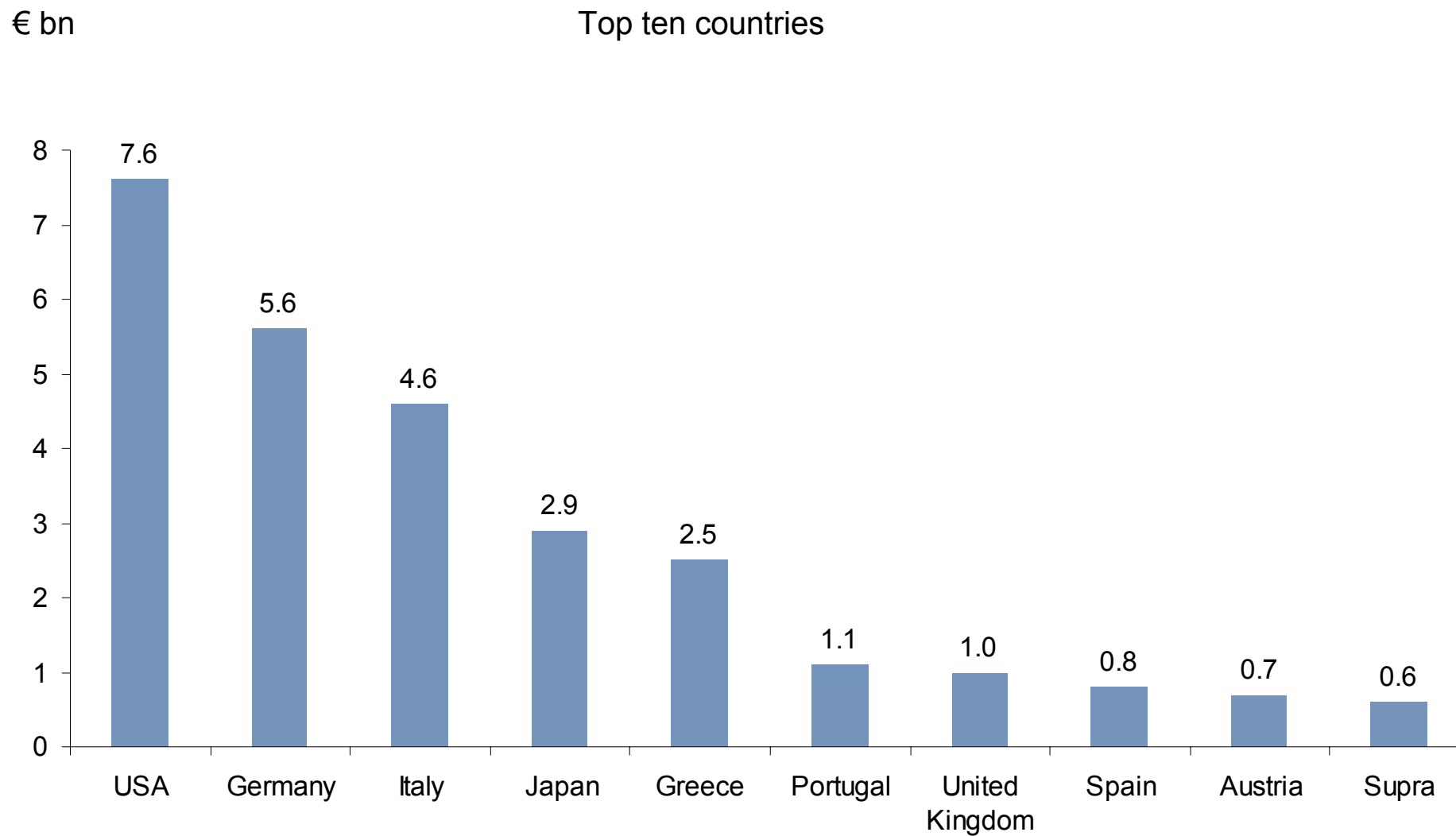
## **Mission:**

- **To be the leading global provider of Public Finance lending and distribution capabilities**
- **A leading global issuer of short and long term debt instruments**

# New commitments in Budget Finance



# Top 10 countries by new public sector commitments in first half 2006

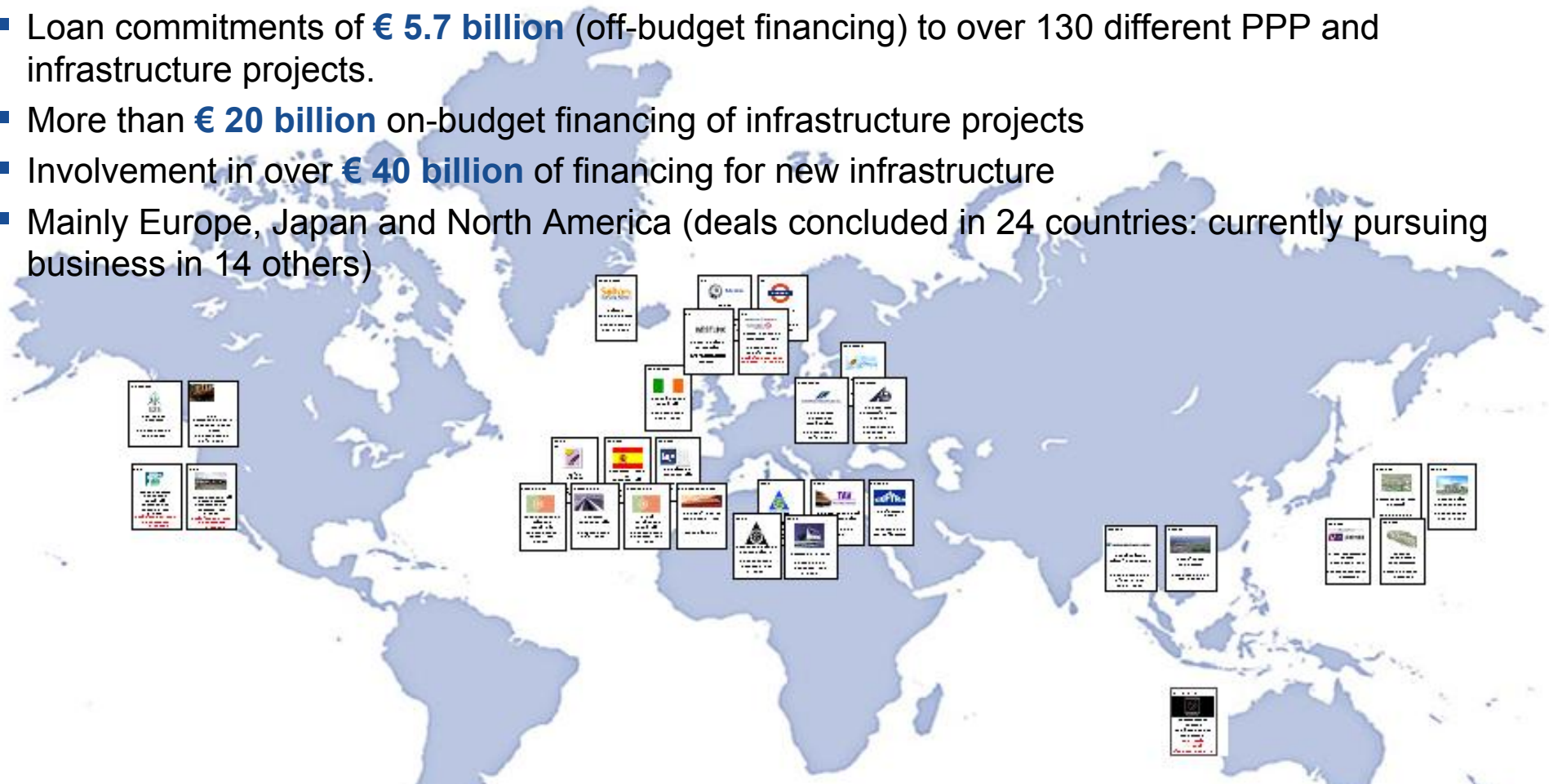


## **Mission:**

- **To provide off-budget infrastructure financing products for the benefit of our Public Sector clients**
- **To build up a good quality infrastructure loan portfolio with an appropriate balance between risk and reward**

# DEPFA and Infrastructure Financing

- Loan commitments of **€ 5.7 billion** (off-budget financing) to over 130 different PPP and infrastructure projects.
- More than **€ 20 billion** on-budget financing of infrastructure projects
- Involvement in over **€ 40 billion** of financing for new infrastructure
- Mainly Europe, Japan and North America (deals concluded in 24 countries: currently pursuing business in 14 others)



- Focus on public infrastructure: transportation, water, public “accommodation” facilities (e.g. schools, hospitals, prisons, government offices etc)
- Existing business relationship with all major international project developers and contractors

## **Mission:**

- **To encompass products and structured transactions that provide an added value for the client**

## **Mission:**

- **Finance activities where Asset/Liability Management is performed on a macro basis**
- **Enabling of client based activities (resulting in carry or fees) where some Interest Rate and Credit risk can reside**

## **Mission:**

- **Build the best and most efficient global Client Relationship Management in sector**
- **Leverage DEPFA BANK's skills and products**



# Clients' needs are covered through a global sales organisation

- 8 regions covered through 16 offices (2 planned)
- 54 resources globally, of which ~ 20 senior marketers
- 8 Regional Coordinators are responsible for the delivery and execution of regional strategies

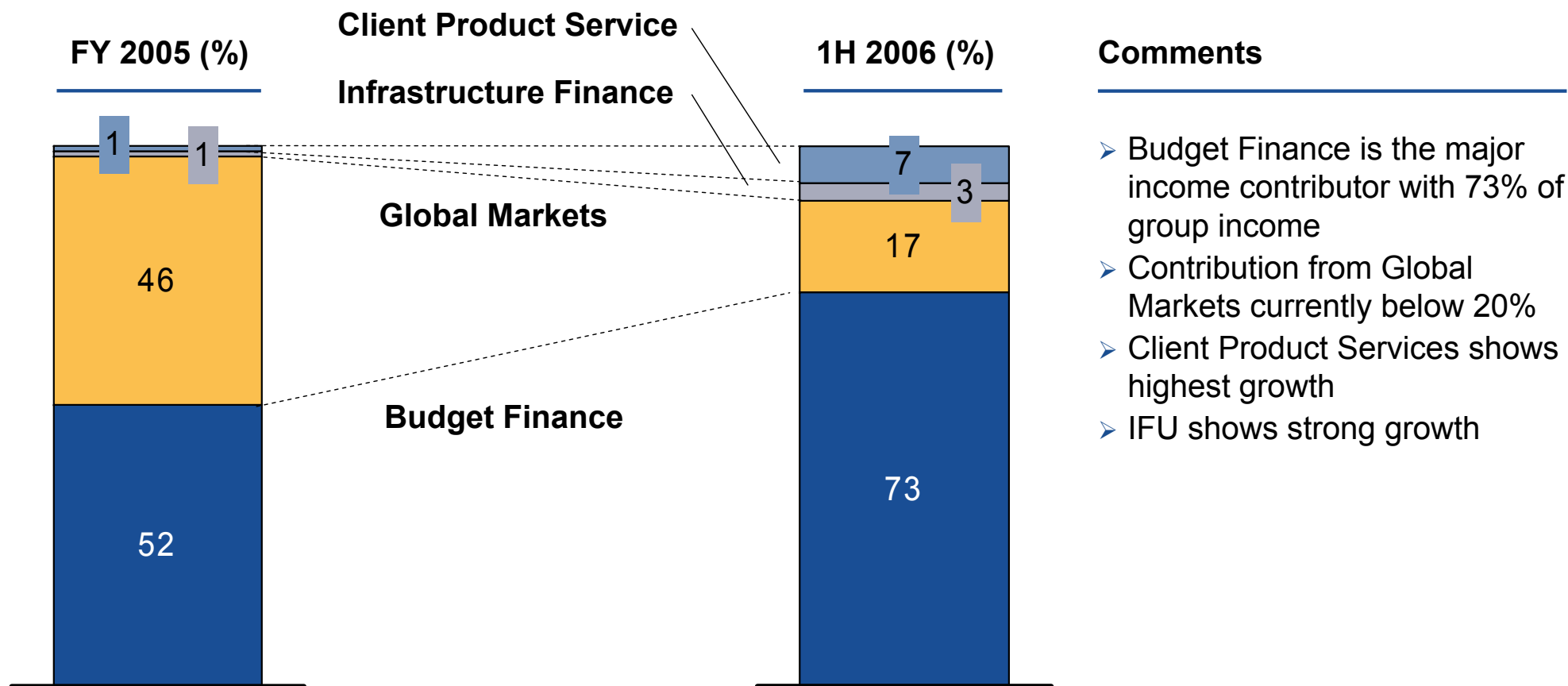


- North America (New York City)
- South America (Sao Paulo)
- Central/Eastern Europe (London)
- Western Europe (Dublin/ Network of Offices)
- Mediterranean (Nicosia)
- India (Mumbai)
- Asia ex-Japan (Hong Kong)
- Japan (Tokyo)

Further offices envisaged globally

# Earnings Mix between Segments has Changed Significantly

## Net Operating Income



# DEPFA is committed to the Public Sector Business Model



DEPFA's responsiveness to its clients needs defines the success and sustainability of its business model



DEPFA's management has implemented the required organizational structure to effectively take on the challenges of a changing environment



DEPFA will continue to focus on value growth and provide its shareholders with superior returns

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# Financial Overview

	2006 € m		2005 € m			
	Q2	Q1	Q4	Q3	Q2	Q1
Net Interest Income	110	107	116	100	96	110
Net fee and commission income	12	5	6	5	5	4
Net trading income	41	62	-3	25	-181	45
Gains less losses from financial assets	67	70	60	93	292	35
Other operating income	-	-	-	-	4	3
<b>Total operating income</b>	<b>230</b>	<b>244</b>	<b>179</b>	<b>223</b>	<b>216</b>	<b>197</b>
Staff costs	-33	-37	-33	-32	-31	-36
Administrative expenditure	-19	-18	-20	-20	-17	-15
Depreciation and amortisation	-2	-2	-2	-2	-3	-2
Other operating expenditure	-2	-1	-2	1	-1	-
<b>Operating expenses</b>	<b>-56</b>	<b>-58</b>	<b>-57</b>	<b>-53</b>	<b>-52</b>	<b>-53</b>
Impairment losses on loans and advances	-	-	-3	-	-	-
<b>Income before taxes</b>	<b>174</b>	<b>186</b>	<b>119</b>	<b>170</b>	<b>164</b>	<b>144</b>
Income tax expense	-34	-52	-21	-38	-38	-25
<b>Group net income</b>	<b>140</b>	<b>134</b>	<b>98</b>	<b>132</b>	<b>126</b>	<b>119</b>

# Financing Volumes

Portfolio breakdown as of 30/06/2006

Ongoing we will focus on the development of total financing volume in the client segments

in €bn	Public Sector finance	Public Sector related	Property	Total
<b>BUDGET FINANCE</b>	185.3	2.8	0.0	<b>188.1</b>
<b>INFRASTRUCTURE FINANCE</b>	1.1	4.6	0.0	<b>5.7</b>
<b>CLIENT PRODUCT SERVICES</b>	0.0	0.0	0.0	<b>0.0</b>
<b>GLOBAL MARKETS</b>	12.1	1.0	0.0	<b>13.1</b>
<b>CORPORATE CENTRE</b>	2.8	0.0	2.1	<b>5.0</b>
<b>Total</b>	<b>201.3</b>	<b>8.5</b>	<b>2.1</b>	<b>211.9</b>

In the past the focus was on the development of Public sector finance volumes

# Financing Volumes

YTD Summary	Total Drawn €M	Total Undrawn €M	Total Financing Volume €M
<b>Volume 31/12/2005</b>	181,499	21,471	202,970
New Commitments (drawn & undrawn)	10,817	3,964	14,781
Sales	- 4,754	-	- 4,754
Maturities and other	- 4,393	- 2,927	- 7,320
<b>Volume 31/03/2006</b>	<b>183,169</b>	<b>22,508</b>	<b>205,677</b>
New Commitments (drawn & undrawn)	18,915	1,880	20,795
Sales	- 9,357	-	- 9,357
Maturities and other	- 5,298	- 1,990	- 7,288
<b>Volume 30/06/2006</b>	<b>187,429</b>	<b>22,398</b>	<b>209,827</b>

# Development in Equity (IFRS)

	Share Capital	Share Premium	Retained Earnings	Other reserves		Total Equity 2006
				Unrealised Gains / Losses on Cashflow Hedges	Gains / Losses on available for sale securities	
<b>Balance at 31/12/05</b>	<b>106</b>	<b>1,142</b>	<b>940</b>	<b>2</b>	<b>114</b>	<b>2,304</b>
Profit			274			274
Net change in available for sale investments, net of tax					-21	-21
<b>Total recognised profit</b>			<b>274</b>		<b>-21</b>	<b>253</b>
Reduction of equity for own shares purchased			-9			-9
Write-back to equity for own shares expensed through income statement			18			18
Dividends			-86			-86
<b>Balance at 30/06/06</b>	<b>106</b>	<b>1,142</b>	<b>1,137</b>	<b>2</b>	<b>93</b>	<b>2,480</b>





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