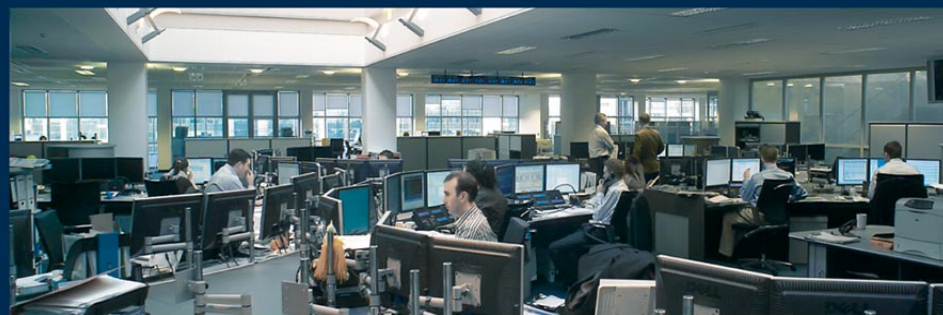


Capital Markets Day

Dublin / New York, May 2007

DEPFA BANK plc



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Introduction and Strategy

Financials

Risk

Global Trends in the Public Sector

Client Relationship Management

Budget Finance

Infrastructure Finance

Client Product Services

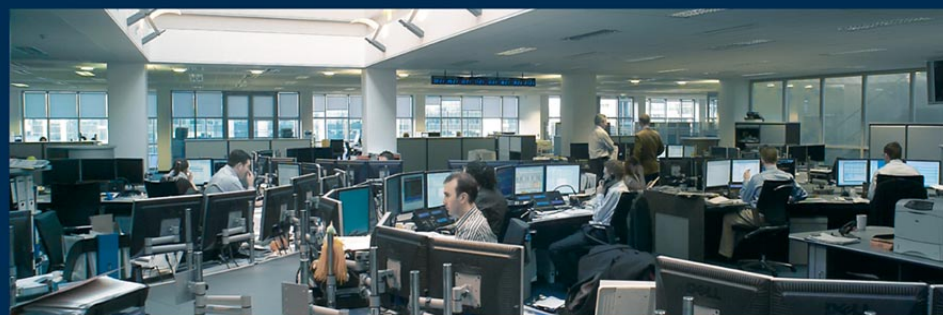
Global Markets

U.S. Business Strategy

Capital Markets Day

Introduction and Strategy, May 2007

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As an introduction we would like to discuss

➔ **The Public Sector opportunity**

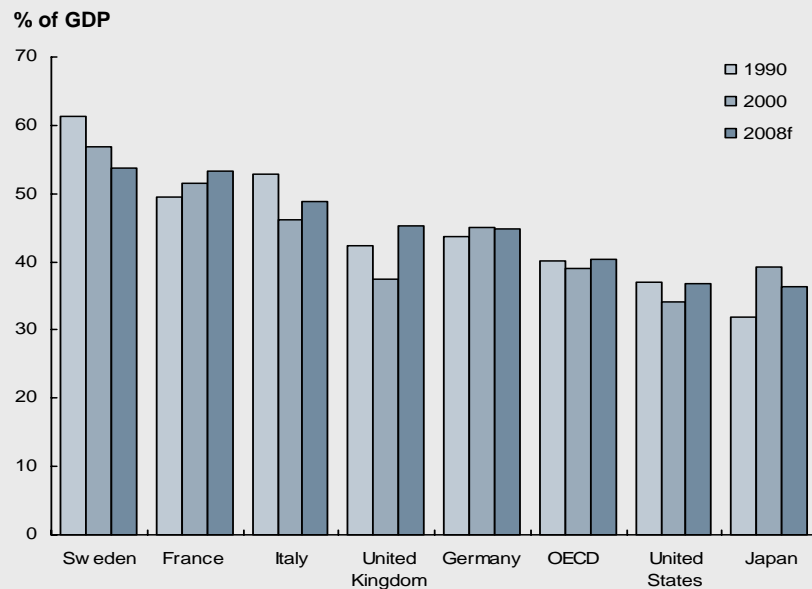
➔ **Our client franchise**

Introduction and Strategy

The Public Sector is the largest actor in the Global Economy (1/3)

1 The Public Sector represents ~40 - 50% of GDP in most countries

Trends in Government Expenditure as % of GDP, (1990 – 2008)



2 The Public Sector Represents is a total debt market of approx. US\$ 5,000bn new issues p.a.

Total New Debt Issuance, \$bn

	2007f
Global Total	4,827
Sovereigns	3,946
Local & Regional Govt (LRG)	881
United States	1,236
Federal	836
State & Local	400
Canada	65
Federal	25
Provincial and Local	40
Europe	1,325
Sovereigns	1,125
LRGs	200
Latin America and the Caribbean	433
Sovereigns	430
LRGs	3
Japan	1,423
Sovereign	1,237
LRGs	187
Other Asia Pacific	281
Sovereigns	230
LRGs	52
Middle East & Africa	64

Source: OECD, S&P 2007

The Public Sector is the largest actor in the Global Economy (2/3)

3 US\$1.8 Trillion Expected Annual Investment Needs (2000-2030); accumulates to over US\$ 50 Trillion

Selected global annual investment needs (US \$ bn, 2000 – 2030)

	2000 – 2010	2010 – 2020	2020 – 2030	Annual Average
Road	220	245	292	252
Rail	49	54	58	54
Telecoms	654	646	171	490
Electricity	127	180	241	183
Water	576	772	1037	795
Total	1,626	1,897	1,799	1,774

4 Most pension funds are Public Sector (19 out of 20) and will face challenges from aging populations

Top 20 Pension Funds Ranked by Total Assets US \$mn, end 2004

Rank	Fund	Country	Total Assets
1	Government Pension Investment	Japan	\$870,587
2	Government Pension	Norway	\$235,849
3	ABP	Netherlands	\$226,974
4	National pension	Korea	\$214,184
5	California Public Employees	U.S.	\$195,978
6	Pension Fund Association	Japan	\$183,352
7	Federal Retirement Thrift	U.S.	\$167,165
8	Local Government Officials	Japan	\$137,153
9	California State Teachers	U.S.	\$133,988
10	New York State Common	U.S.	\$131,861
11	Government Employees	South Africa	\$124,167
12	Postal Savings	Taiwan	\$117,265
13	Florida State Board	U.S.	\$114,935
14	General Motors	U.S.	\$114,271
15	New York City Retirement	U.S.	\$105,860
16	Ontario teachers	Canada	\$99,490
17	Texas teachers	U.S.	\$94,384
18	New York State Teachers	U.S.	\$87,353
19	Public Schools Employees	Japan	\$85,224
20	PGGM	Netherlands	\$84,986

Source: OECD, UK Office of National Statistics

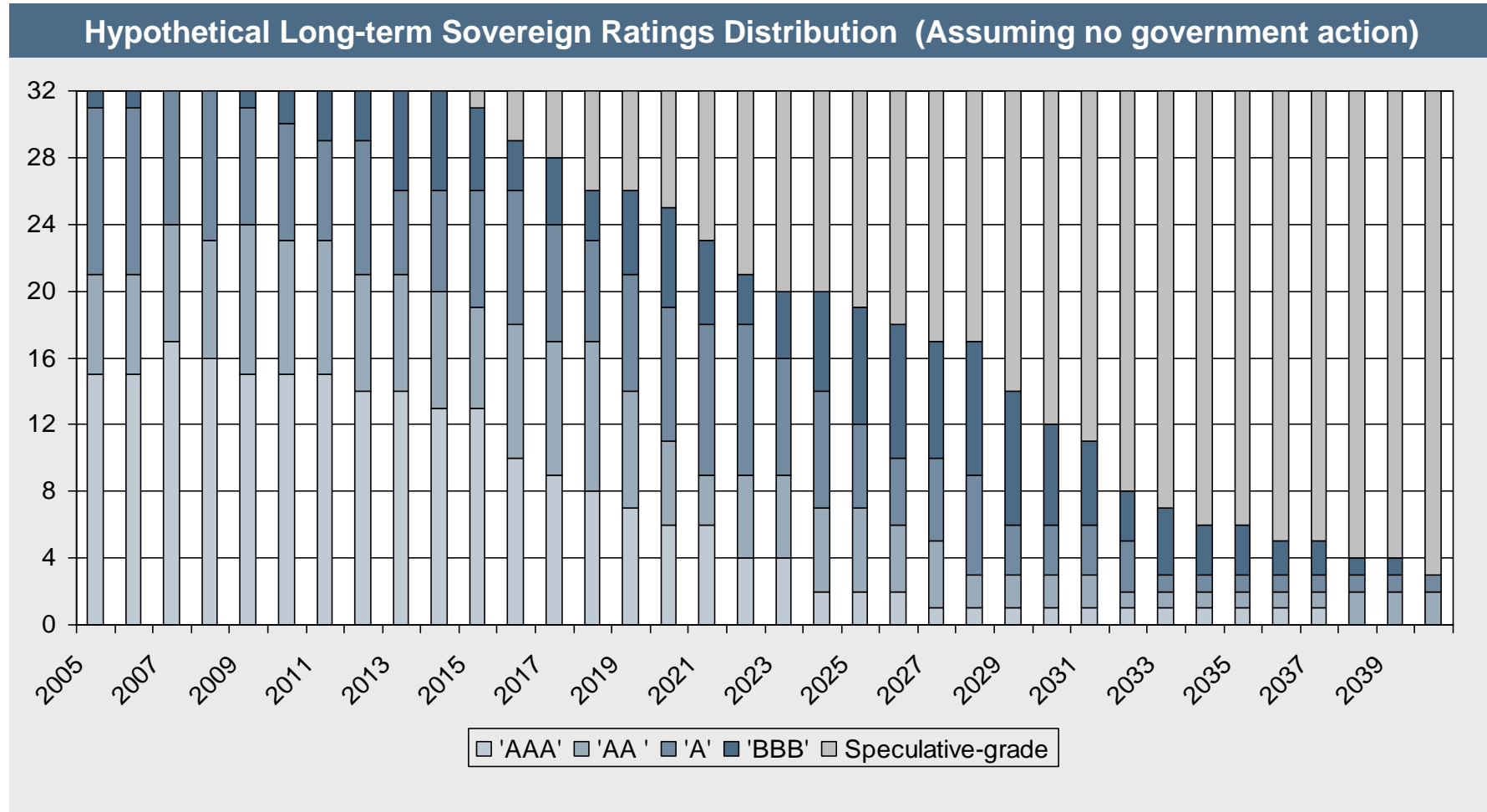
5 The Public Sector often is the largest owner of Real Estate

Example: Value of Property Assets Held By the UK Public Sector, £bn (2005)

	Residential	Commercial, Industrial & Other	Total
General Government	3.6	188.7	192.3
<i>Central Government</i>	3.6	76.2	79.8
<i>Local Government</i>		112.5	112.5
Public Non-Financial Corp	122.4	26.5	148.9
Total Public Sector	126	215.2	341.2
Total National Figure	3,574.6	625.9	4,200.5
Public Sector/National	<1%	34%	8%

Introduction and Strategy

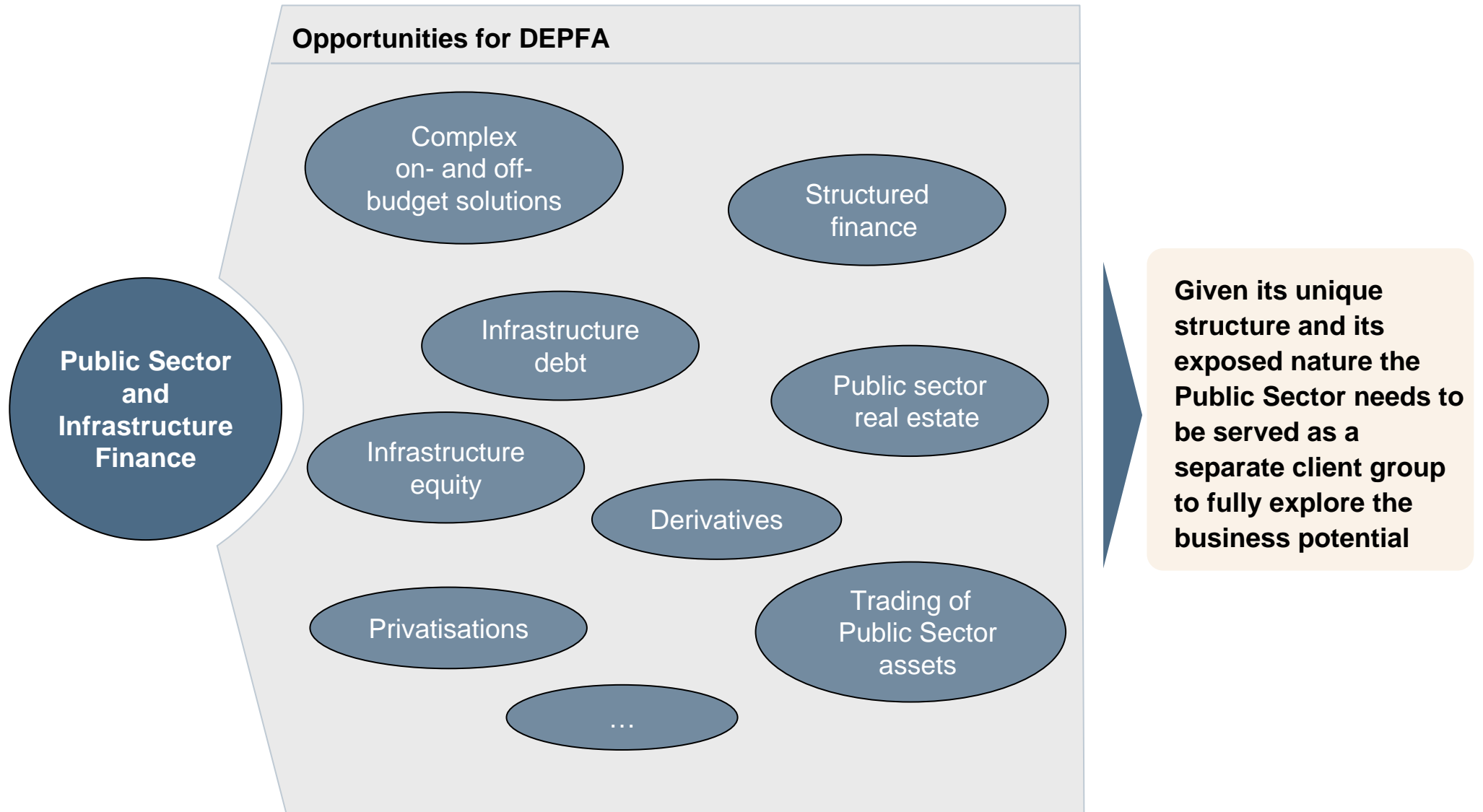
The Public Sector faces significant challenges



Source: S&P 2006

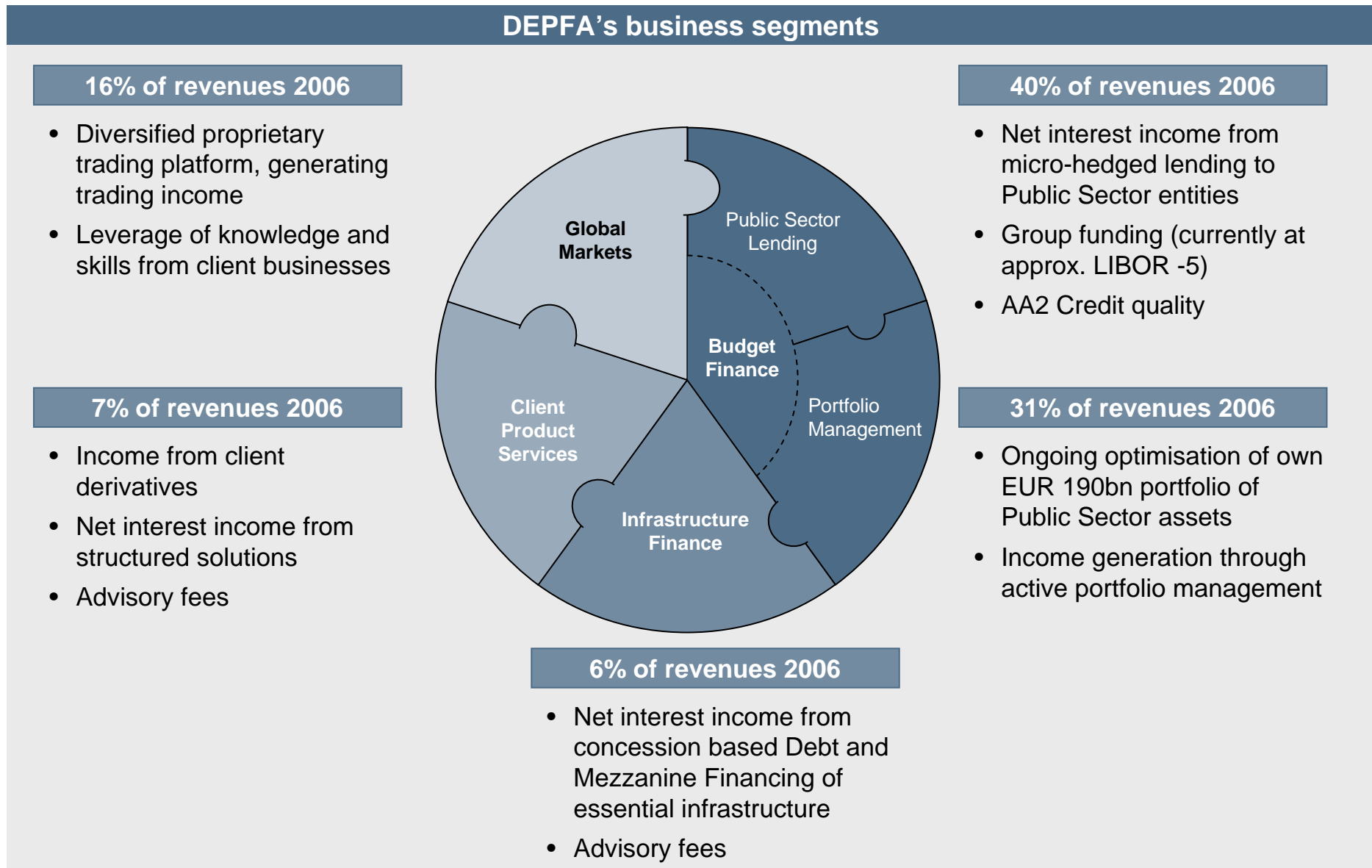
Introduction and Strategy

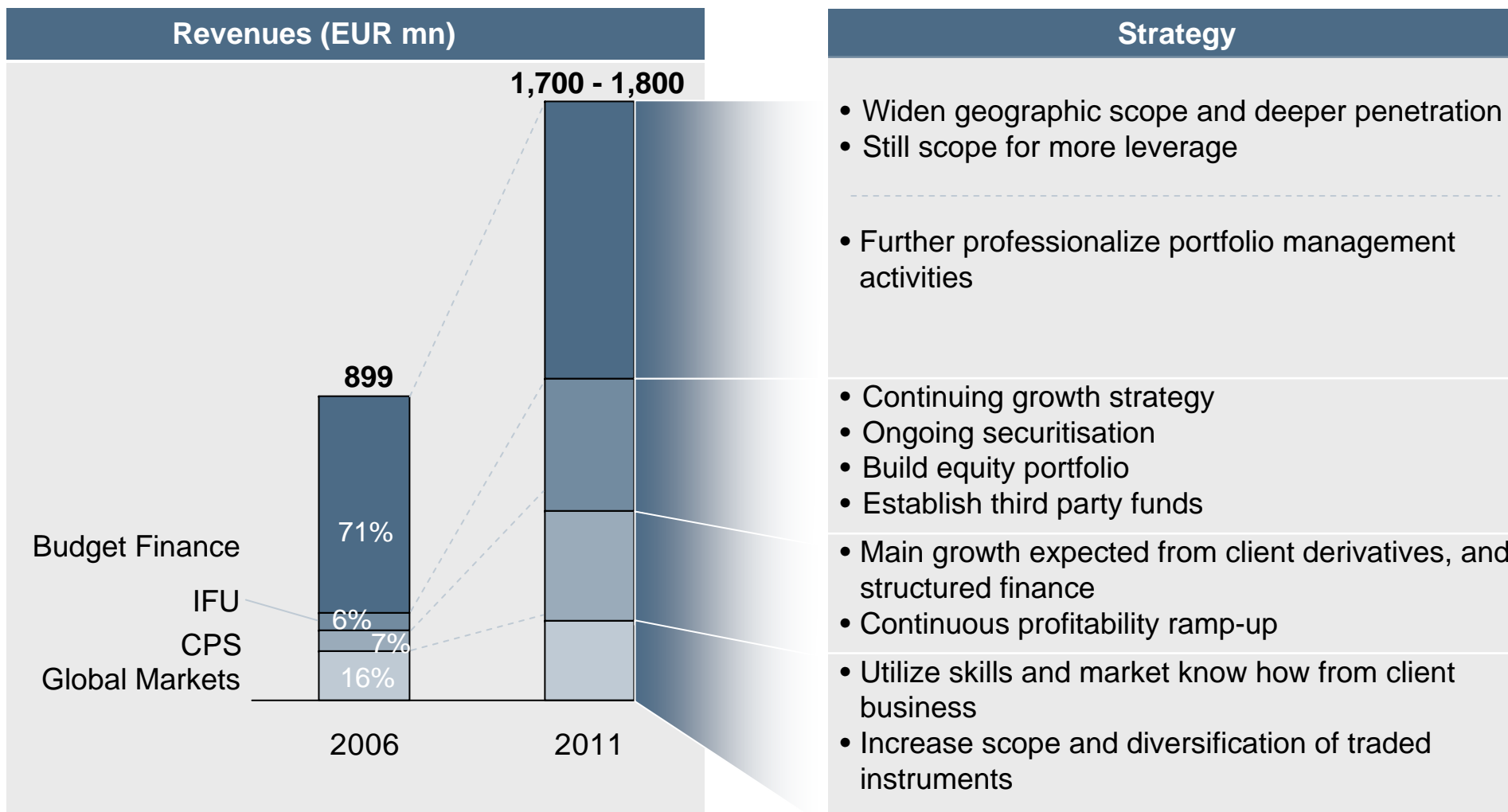
Public Sector and Infrastructure Finance represents an unparalleled banking opportunity



Introduction and Strategy

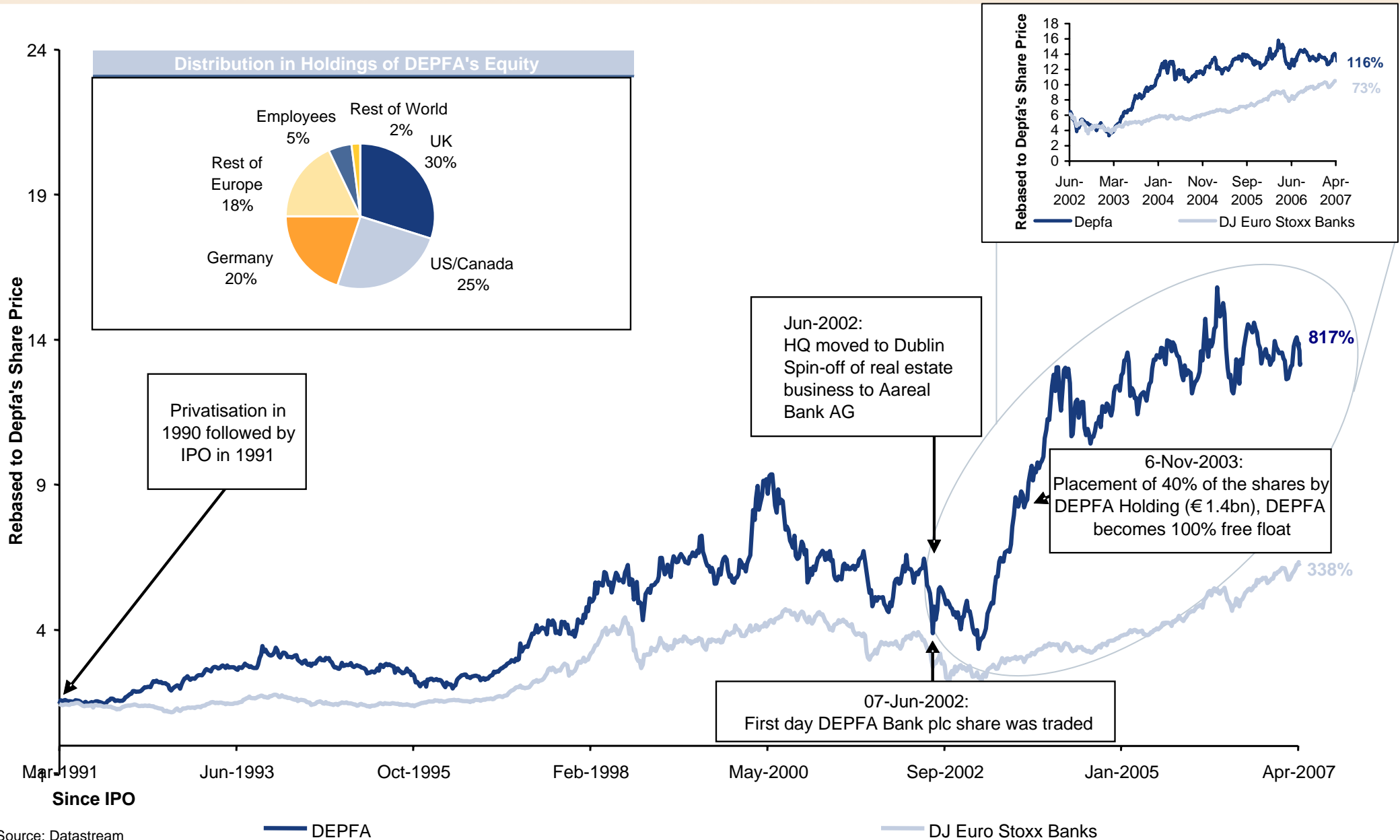
DEPFA combines four synergetic business segments





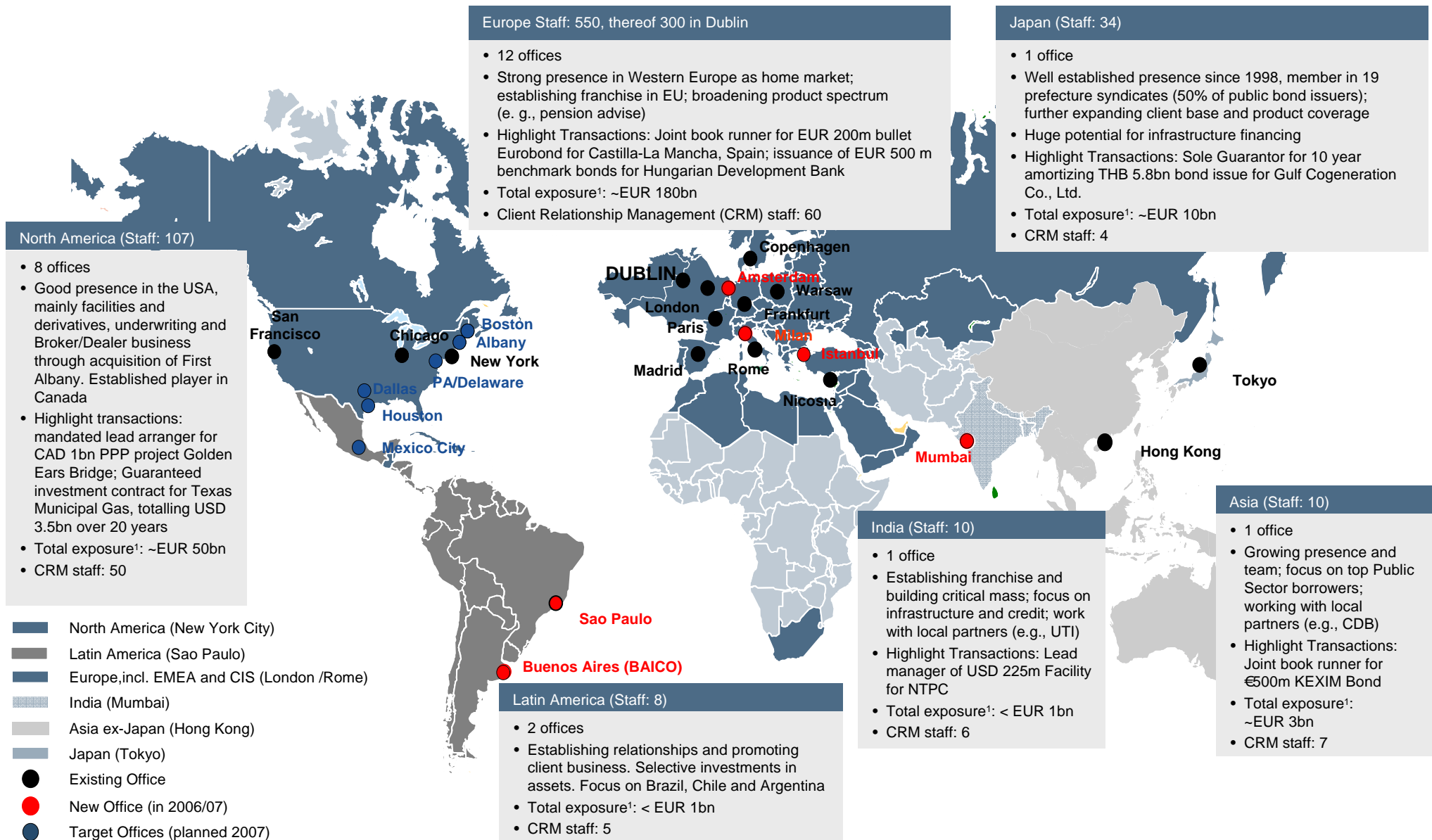
Significant outperformance compared to European banks since IPO

Market value developments



Introduction and Strategy

DEPFA serves Clients through a global network

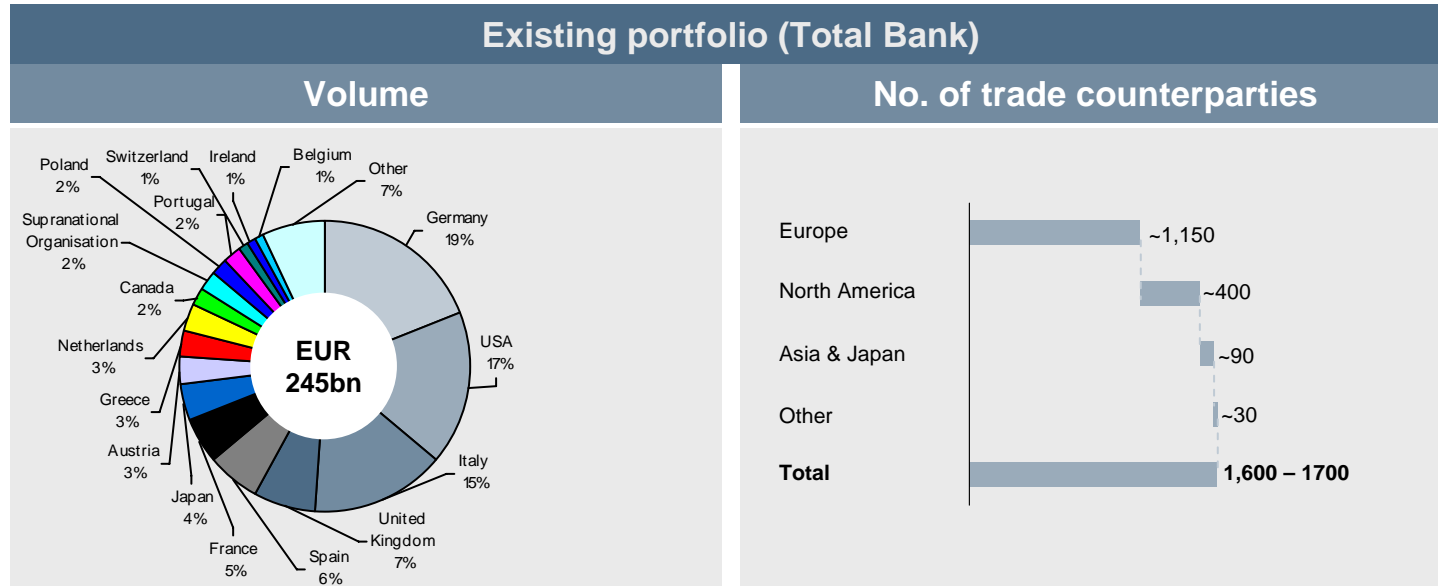


¹ Including undrawn commitments

Introduction and Strategy

The client universe (1/2)

By Country



By Client Type



Introduction and Strategy

The client universe (2/2)

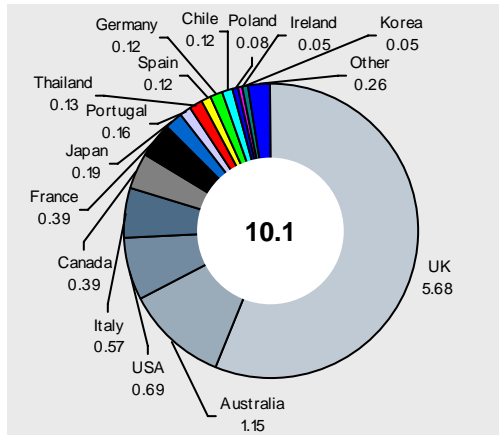
Client types	Examples	
	Top Italian clients	Top Spanish clients
Sovereign	Italian Treasury	Spanish Treasury
Region	Veneto, Lazio, Toscana, Valle D'Aosta, Campania	Catalonia, Madrid, Andalusia, Castilla-La Mancha, Valencia, Canary Islands, Aragón and Baleares
Province	Treviso, Udine, Teramo, Ascoli Piceno, Milano	Valencia, Malaga
Municipal	Milano, Roma, Venezia, Genova, Pistoia	Madrid, Barcelona, Málaga, Valencia,
Public Sector related	ANAS, TAV, Ferrovie dello Stato (FS), Cassa Depositi e Prestiti (CDP), Istituto Poligrafico e Zecca dello Stato (IPZS)	Metro de Madrid, Canal de Isabel II, Institut Catalá de Finances, ADIF, RENFE Operadora, RTVE, AENA

Introduction and Strategy

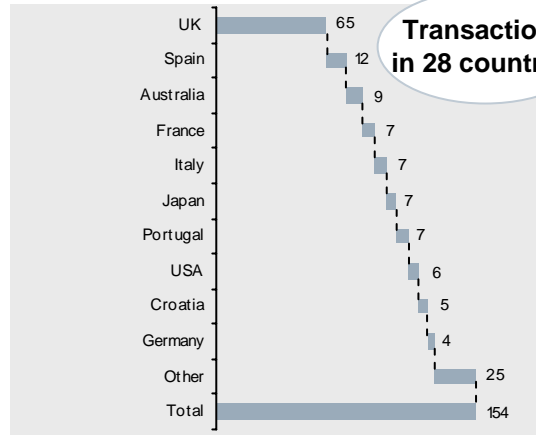
Infrastructure finance becomes increasingly important

By Country

Volume (EUR bn)

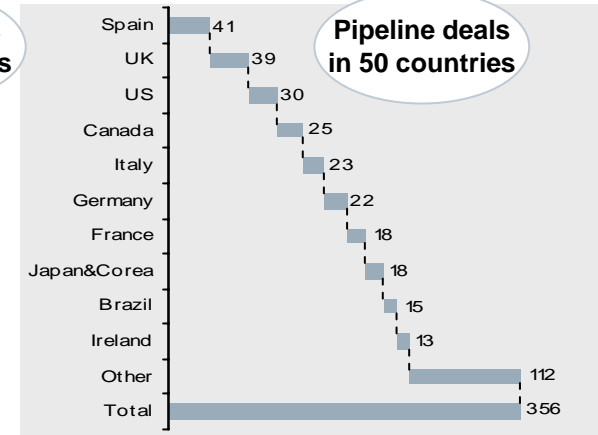


No. of current transactions

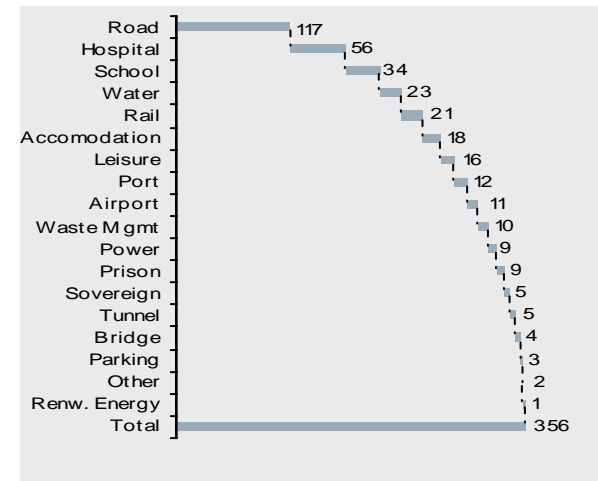
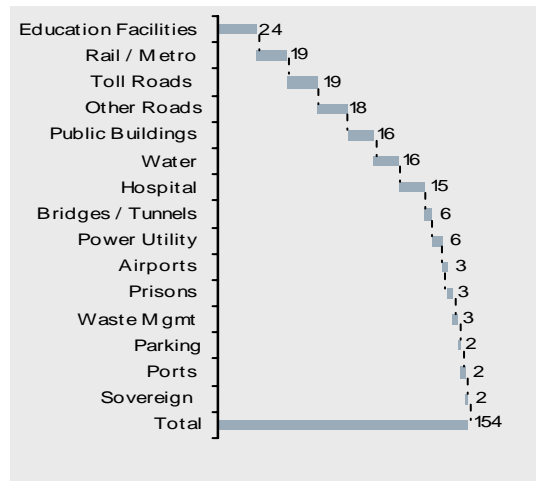
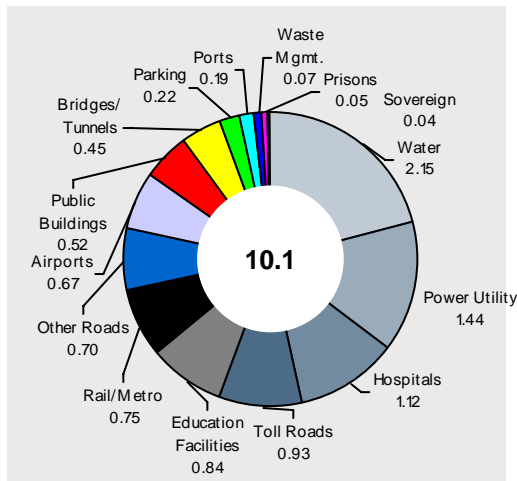


Pipeline

No. of potential transactions








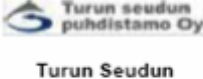












By Sector



Introduction and Strategy

A broad range of transactions has been executed

Budget Finance				Infrastructure Finance	
<p>Italy</p>  <p>A.N.A.S. spa €300,000,000 Term Loan Arranger Jan-2006</p>	<p>France</p>  <p>Ville de Reims €10,000,000 Term Loan Arranger Jan-2006</p>	<p>Spain</p>  <p>Region of Castilla la Mancha €200,000,000 Eurobond Joint Bookrunner Jan-2006</p>	<p>Austria</p>  <p>Republic of Austria €25,000,000 Schuldschein Lender Jun-2005</p>	<p>Canada</p>  <p>GRB Golden Ears Bridge CAD\$ 1,000,000,000 Mandated Lead Arranger</p>	<p>UK</p>  <p>London Undergroup PPP €2,626,000,000 Lead Arranger</p>
<p>Hungary</p>  <p>Hungarian Development Bank €500m Eurobond Joint Lead Manager Oct-2006</p>	<p>Finland</p>  <p>Turun Seudun Puhdistamo Oy €10,00,000 Term Loan Arranger May-2005</p>	<p>Sweden</p>  <p>City of Stockholm SEK500,000,000 Term Loan Arranger Apr-2006</p>	<p>Canada</p>  <p>Société de Transport de Montréal C\$100,000,000 Eurobonds Arranger Jan-2006</p>	<p>Ireland</p>  <p>Schools PPP €94,000,000 Co-Arranger</p>	<p>USA</p>  <p>Pocahontas Parkway \$610,000,000 Financial Advisor to Transurban/ Mandated Lead Arranger Jun-2006</p>
CPS – Securitisation		CPS – Advisory		Infrastructure Finance	
<p>Netherlands</p>  <p>NHG Healthcare Receivables €2,500,000,000 Bond Arranger & Underwriter Aug-2006</p>	<p>Italy</p>  <p>Green Finance Healthcare Receivables €650,000,000 Jt Arranger & Underwriter Aug-2006</p>	<p>China</p>  <p>Chang Chun Longhua Light Rail Transport Co. Expansion of rapid transit System Financial Advisor</p>	<p>Portugal</p>  <p>Highspeed Train Network Jt Financial Advisor</p>	<p>UK</p>  <p>Gateshead Schools PFI €90,000,000 Mandated Lead Arranger</p>	<p>USA</p>  <p>Indiana Toll Road \$4,100,000,000 Mandated Lead Arranger Jun-2006</p>

Introduction and Strategy

DEPFA has a very high reputation in Public Sector community

Clients

Public Sector

- Most recognised Public Sector player globally besides Dexia
- Investing in our clients' assets and exclusive Public Sector focus provides a competitive edge
- Long serving and trusted financing partner to European sovereigns and sub-sovereigns
- Footprint in the US significantly increased over recent years (now biggest country exposure, presence will grow following acquisition of First Albany)
- History of successful business in Japan
- Building relationships and access to markets in Asia, Central and Eastern Europe and Latin America

Infrastructure

- Global player in the international infrastructure market
- Strong focus on the US and Europe but growing globally

The logo for DEPFA BANK, featuring a stylized 'DB' icon to the left of the text 'DEPFA BANK'.

Investors

- Major issuer of covered Public Sector Bonds
- More than 100 Central Banks and State Agencies invest in DEPFA's liability products
- Excellent share register with numerous long-term value investors
- Implicit support assumed by Moody's: "DEPFA would be likely to benefit from external systemic support in the event that it required such support. In our opinion this support limits the default risk of DEPFA plc."
- Major player in US Guaranteed Investment Contract (GIC) market with a portfolio in excess of USD 3bn after 15 months
- Established CLO platform for PPP loans ("EPIC")

Introduction and Strategy

Financials

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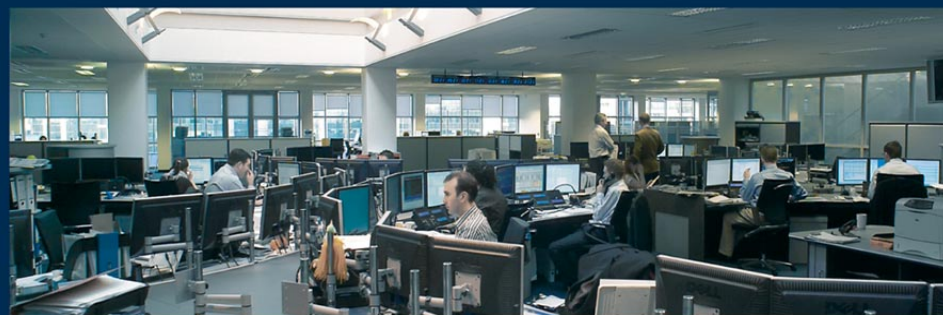
Global Markets

U.S. Business Strategy

Capital Markets Day

Financials, May 2007

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- Revenues to double within 5 years
- Long term RoE of 20%
- Long term Cost Income Ratio of approximately 30%
- Focus on client revenues
- Growth in the US
- Infrastructure Finance focus
- Strategic review of Global Markets in transition

The plan to achieve long term targets ...

Target/Expectations	Actions
Revenues to double within 5 years	• Investing in CRM franchise
Long term RoE of 20%	• Increasing investment in IFU
Long term Cost Income Ratio of approximately 30%	• Integration DEPFA First Albany
Focus on client revenues	• Improving cross-selling with CPS
Growth in the US	• Portfolio optimisation within Budget Finance
Infrastructure Finance focus	• Use more sophisticated techniques, models, market research
Strategic review of Global Markets	• Economic capital model
	• All of which will allow us to show good returns in any credit spread scenario better than ever before
	• Build out our revised Global Markets strategy
	• People

- **New activities**
 - Global Markets segment restructuring – new organisation and evaluation of business direction
 - IFU: new hires, set-up new team for equity investments
 - CPS: New Pension Advisory team
 - Enhancement of New Products Process.
- **New offices**
 - US – DEPFA First Albany brings 5 new locations and expansion in existing cities.
 - New representative offices: Mexico, Athens, Istanbul.
- **Headcount growth balanced across all Business units, CRM and support functions**
- **Restructure of CRM**
 - Geographical regions with a regional head to guide co-ordination and expansion
- **Investment in**
 - Basel II – implement and embrace best practice risk management and capital systems and processes
 - Economic Capital – implementation of best practice processes will give us a competitive advantage

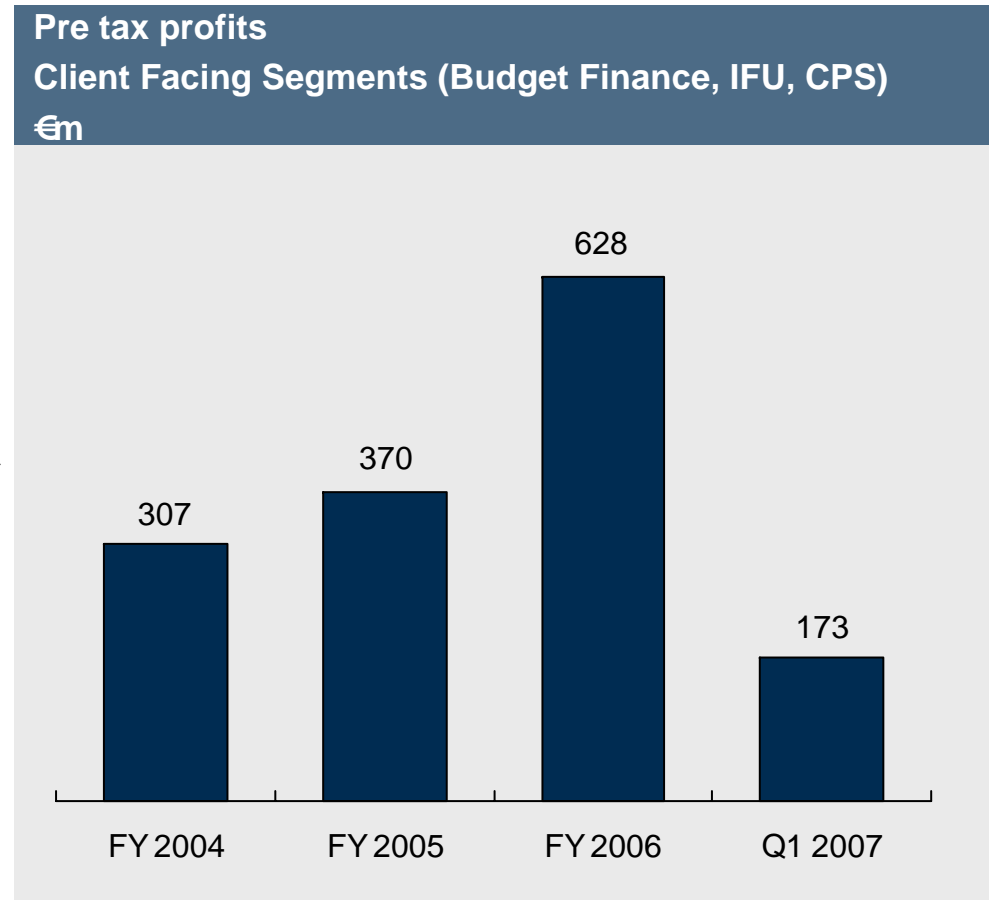
Financials

P&L Overview

	Q1 2006 €m	Q2 2006 €m	Q3 2006 €m	Q4 2006 €m	Q1 2007 €m
Net interest income	107	110	101	107	101
Non-interest revenues	137	120	86	106	121
Total operating income	244	230	187	213	222
Operating expenses	-58	-56	-53	-61	-67
Profit before taxation	186	174	134	152	155
Taxation	-52	-34	-24	-29	-32
Discontinued operations				+19	
Group net income	134	140	110	142	123
Key ratios					
Cost/income ratio	23.8%	24.3%	28.3%	28.6%	30.2%
EPS (€)	0.39	0.41	0.32	0.41	0.36
RoE after taxes	22.6%	22.8%	17.3%	21.1%	17.2%

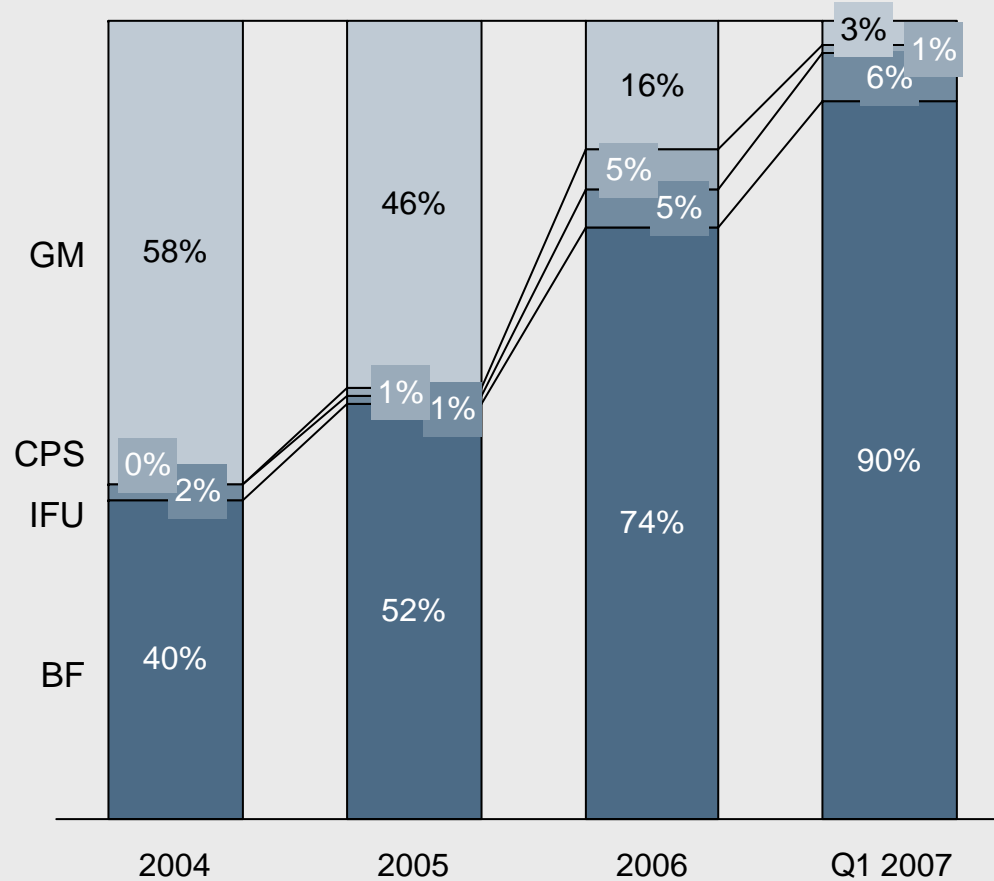
Profit composition by segment

Pre tax profits Segmental Summary €m				
<i>Pre tax profit in €m</i>	FY 2004	FY 2005	FY 2006	Q1 2007
Budget Finance	298	356	555	160
Infrastructure Finance	14	8	36	12
Client Product Services	-5	6	37	1
Global Markets	444	312	122	5
Corporate Centre	-96	-85	-104	-23
Total Group pre Tax	655	597	646	155



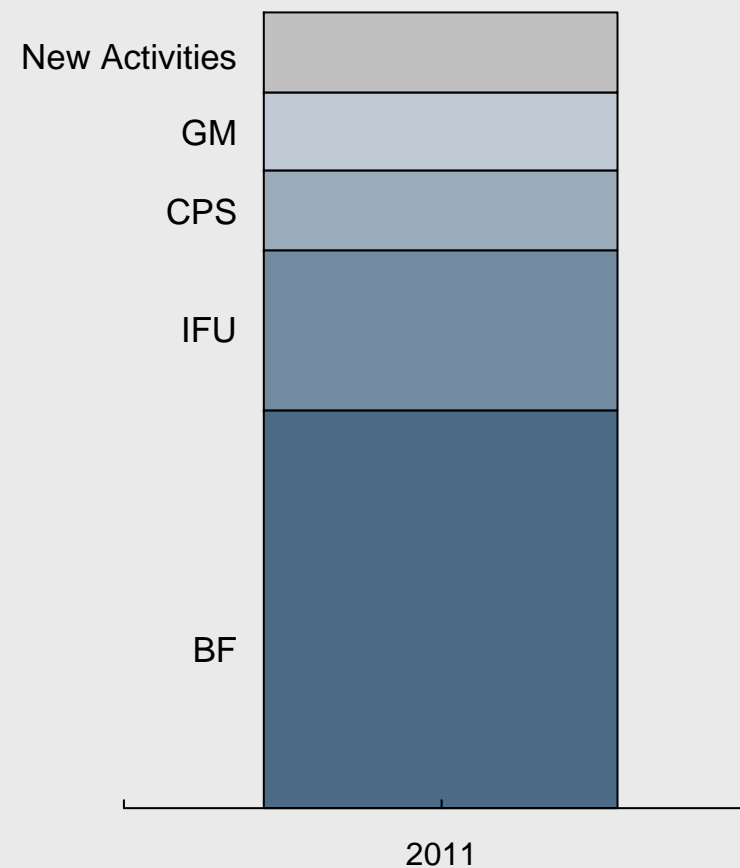
Profit composition by segment - continued

% Profit before tax by segment
(excluding Corporate Centre)

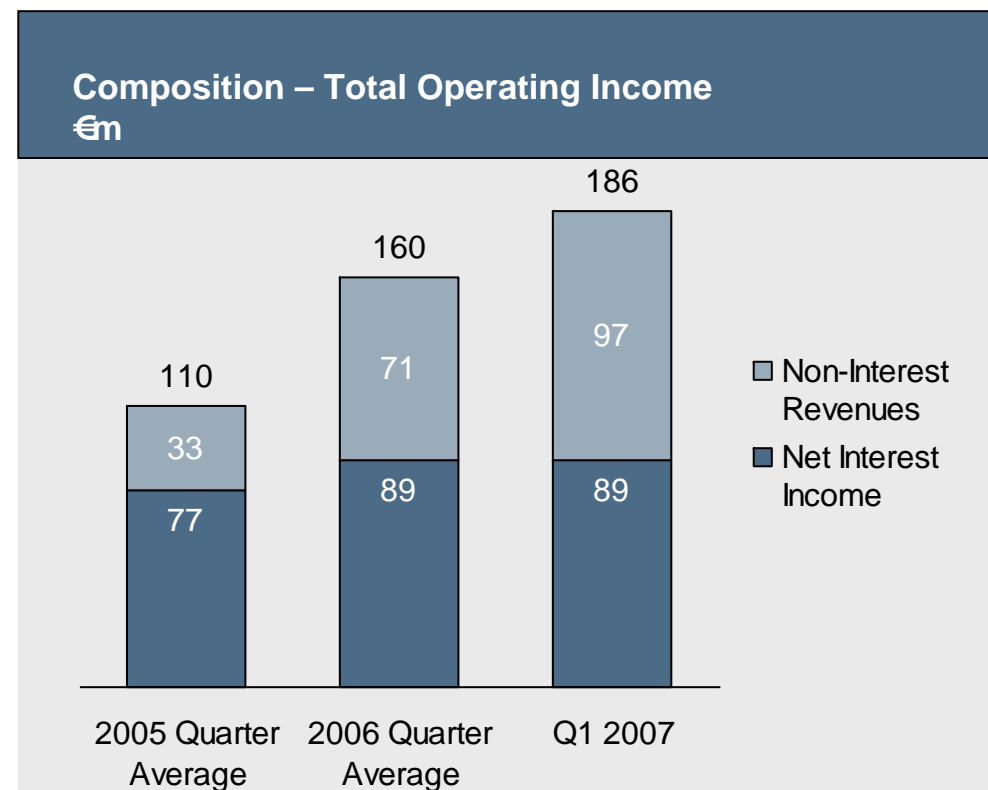


Vision 2011

% Profit before tax by segment
(excluding Corporate Centre)

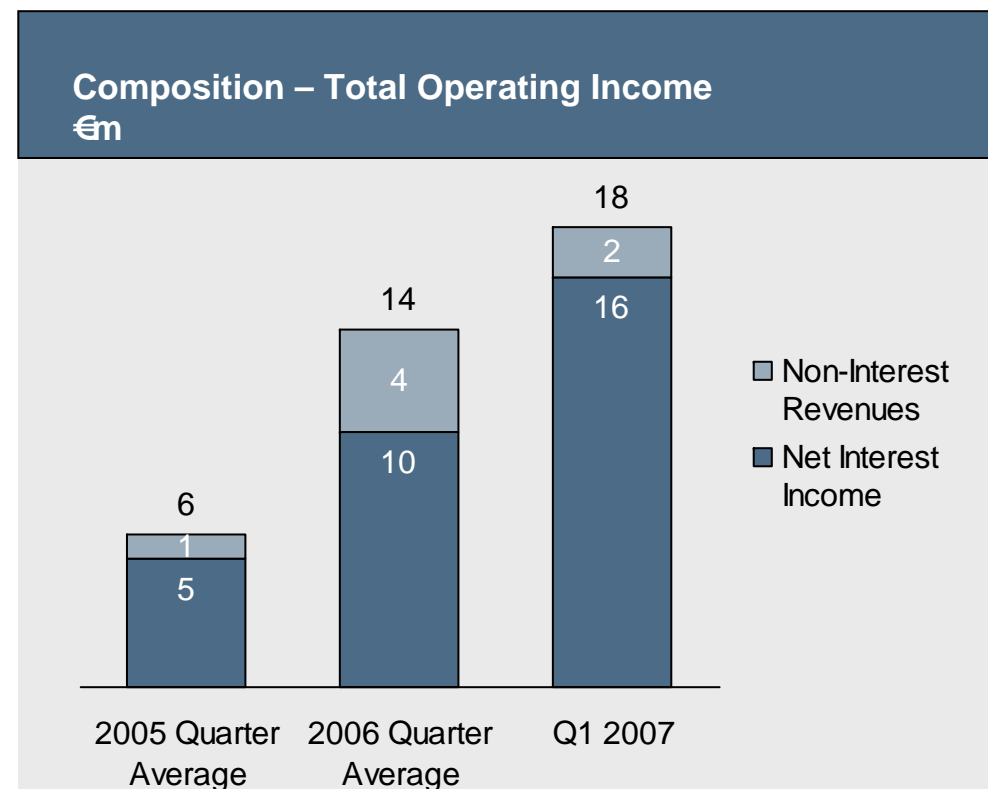


<i>Million EUR</i>	2005 Quarter Average	2006 Quarter Average	2007 Q1
Net interest income	77	89	89
Non-interest revenues	33	71	97
Total Operating Income	110	160	186
Operating Expenses	-21	-21	-26
Profit before taxation	89	139	160
Average financing volume (on B/S)	155,418	168,187	163,780
Average financing volume (off B/S)	16,165	21,418	22,342



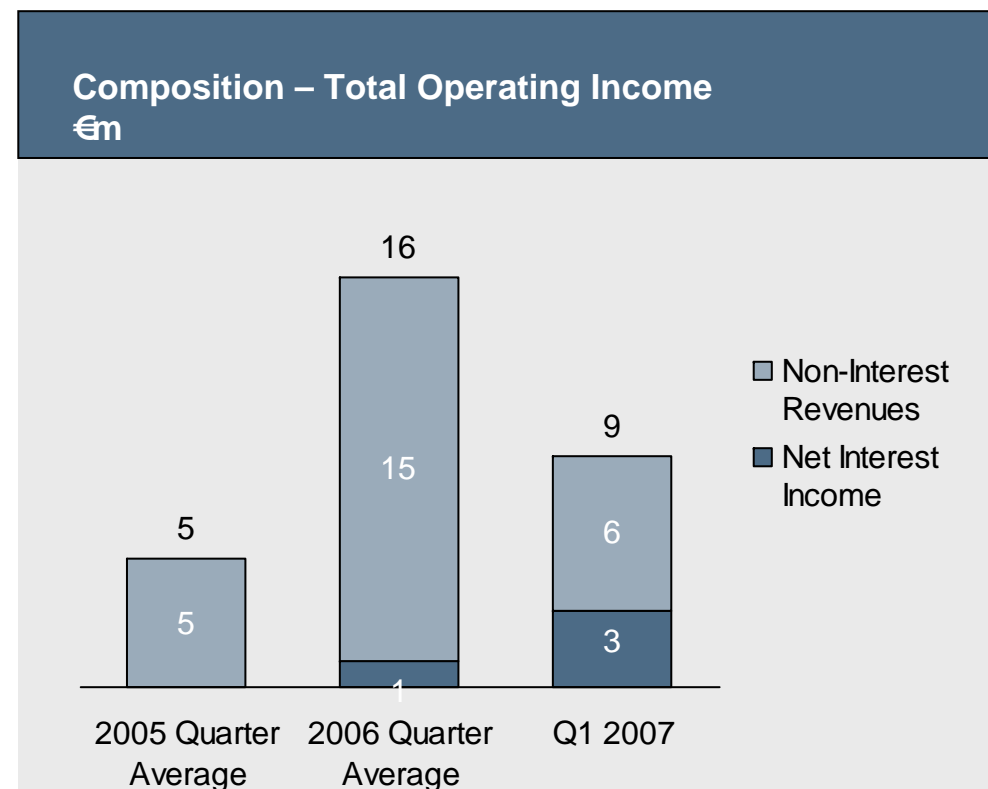
- Overall strong revenue growth in a tightening credit spread environment
- Lending / Net Interest Income: steady growth in stable, locked-in asset/liability margin income
- Non-interest revenues: Active portfolio management increased non-interest revenues and reflects DEPFA's ability to extract value from credit spread movements

<i>Million EUR</i>	2005 Quarter Average	2006 Quarter Average	2007 Q1
Net interest income	5	10	16
Non-interest revenues	1	4	2
Total Operating Income	6	14	18
Operating Expenses	-4	-5	-6
Profit before taxation	2	9	12
Average financing volume (on B/S)	1,701	4,187	6,429
Average financing volume (off B/S)	902	1,775	2,732



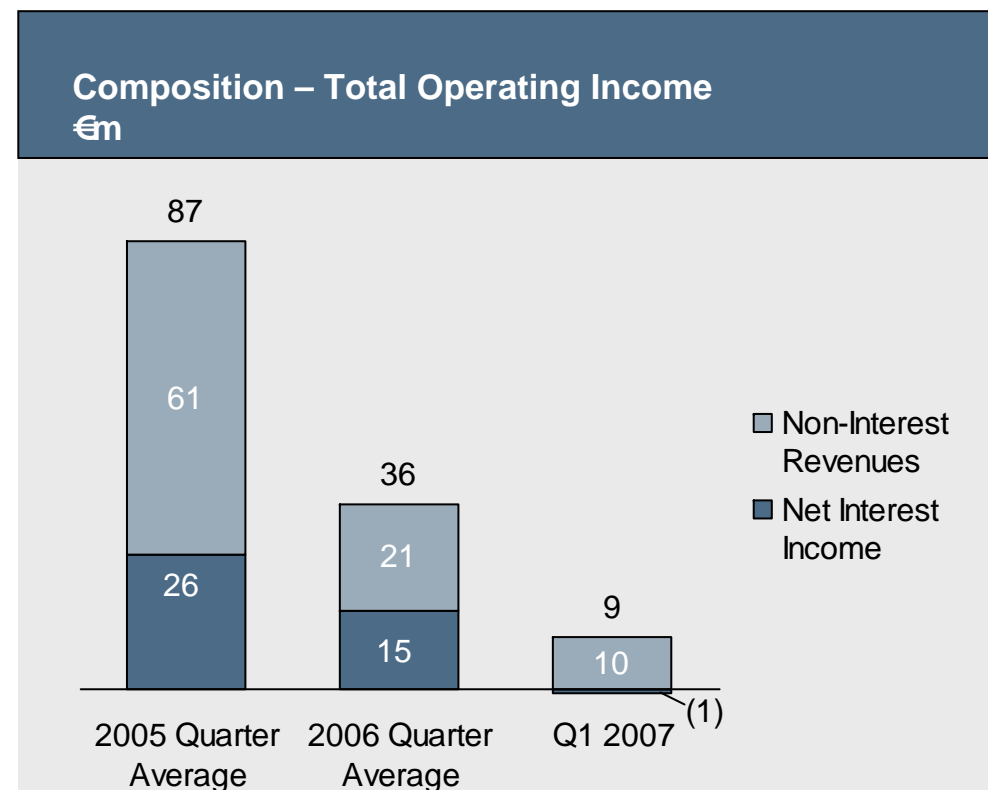
- Strong deal flow (Average transactions closed per quarter: 5 in 2005; 16 in 2006 ; 27 in 2007)
- Pipeline of new business remains very strong with over 300 potential funding and/or advisory transactions
- North America has become a significant part of our business and will be a major focus of our future activities
- Staff level increased 20% y-o-y to 54 to cope with additional business

<i>Million EUR</i>	2005 Quarter Average	2006 Quarter Average	2007 Q1
Net interest income	0	1	3
Non-interest revenues	5	15	6
Total Operating Income	5	16	9
Operating Expenses	-4	-6	-8
Profit before taxation	1	10	1
Average financing volume (on B/S)	1	820	6,252
Average financing volume (off B/S)	0	0	0



- Client derivatives area performed according to plan in terms of transactions closed
- However, revenue from certain transactions could not be booked upfront under IFRS accounting rules. As a result, a sizeable reserve of unrecognised profits has accumulated
- Interest income generating activities are making good progress: the GIC business with US Municipalities (with a balance outstanding in excess of US\$ 2 bn and growing) and Securitisation/Structured Finance has increased the total asset volume to € 10 bn at the end of the first quarter
- Revenues from IFU cross-selling opportunities are reflected in non-interest revenues

<i>Million EUR</i>	2005 Quarter Average	2006 Quarter Average	2007 Q1
Net interest income	26	15	-1
Non-interest revenues	61	21	10
Total Operating Income	87	36	9
Operating Expenses	-9	-6	-4
Profit before taxation	78	31	5
Average financing volume (on B/S)	9,762	13,185	14,365
Average financing volume (off B/S)	75	0	19



- The flattening of the yield curve 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, including bond trading have performed below expectation so far in 2007 and have not been able to support the GM result to the same extent as last year
- 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

Introduction and Strategy

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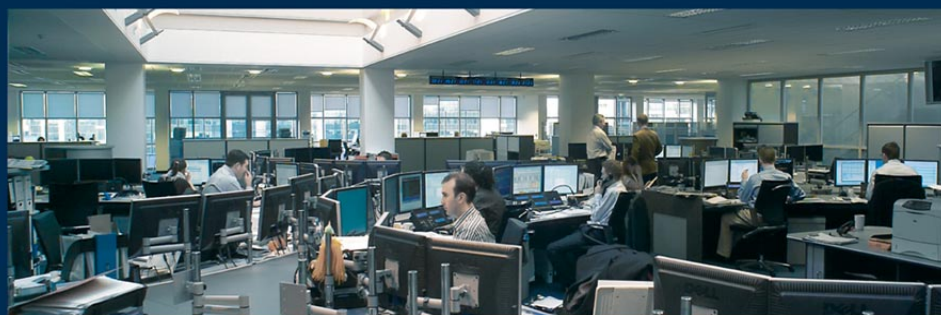
Global Markets

U.S. Business Strategy

Capital Markets Day

Risk, May 2007

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- Risk Governance
- Credit Risk
- Market Risk
- Operational Risk
- Economic Capital

Risk Governance

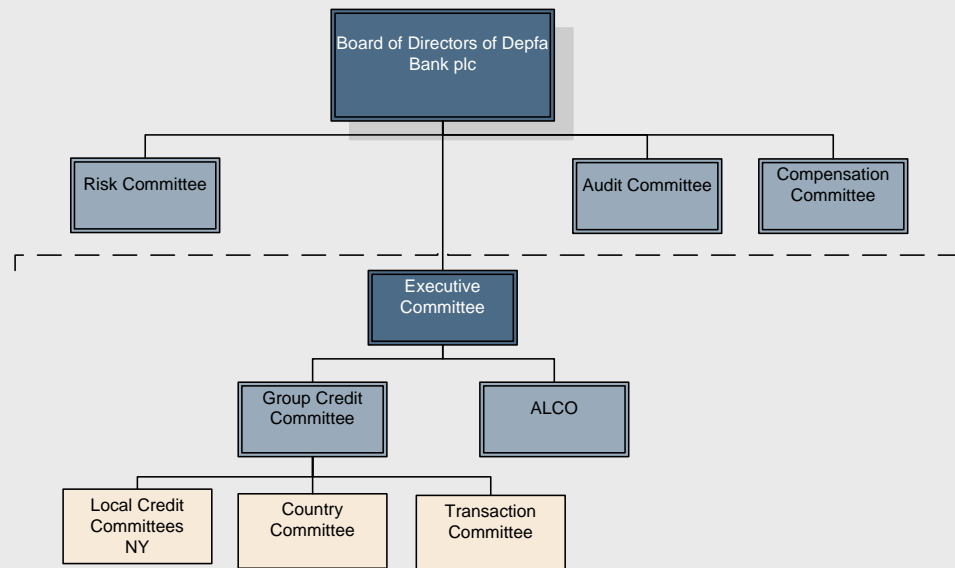
Key Messages

- The Governance structure is in line with industry best practice
- The Board of DEPFA is kept informed of the Bank's risk profile by the Risk Committee
- Executives get risk reports on a daily basis and discuss specific risk issues at least bi-weekly
- The bank has appointed a CRO with responsibility for overseeing the work of the executive risk committees and the risk functions
- Risk functions have an independent reporting line to the CRO who is a member of the Executive Committee
- Enterprise wide risk system: One core system for trade and counterparty data
- Comprehensive daily reporting, including all new exposures
- Quantitative measures for market, liquidity and credit risks exist, quantitative limits are in place
- Credit, Country, Market and Liquidity limits in place, and well established procedures to monitor adherence
- Economic Capital will be used as the common currency for risk

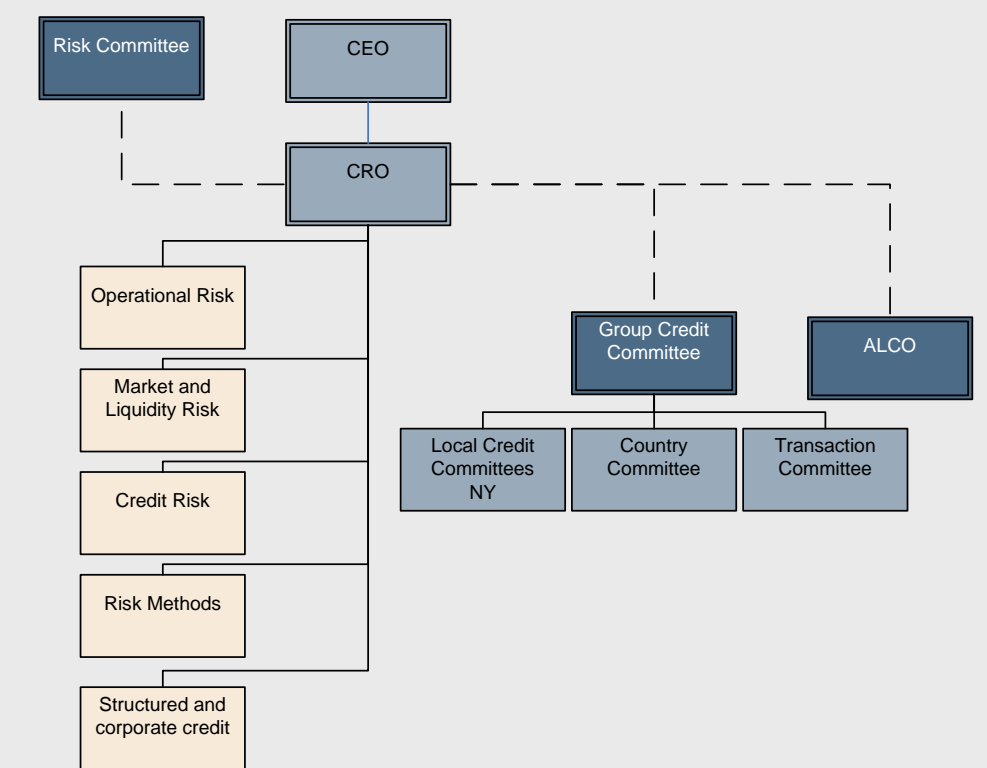
Risk Governance

The Risk Management Structure is in line with industry best practise

Committee Structure

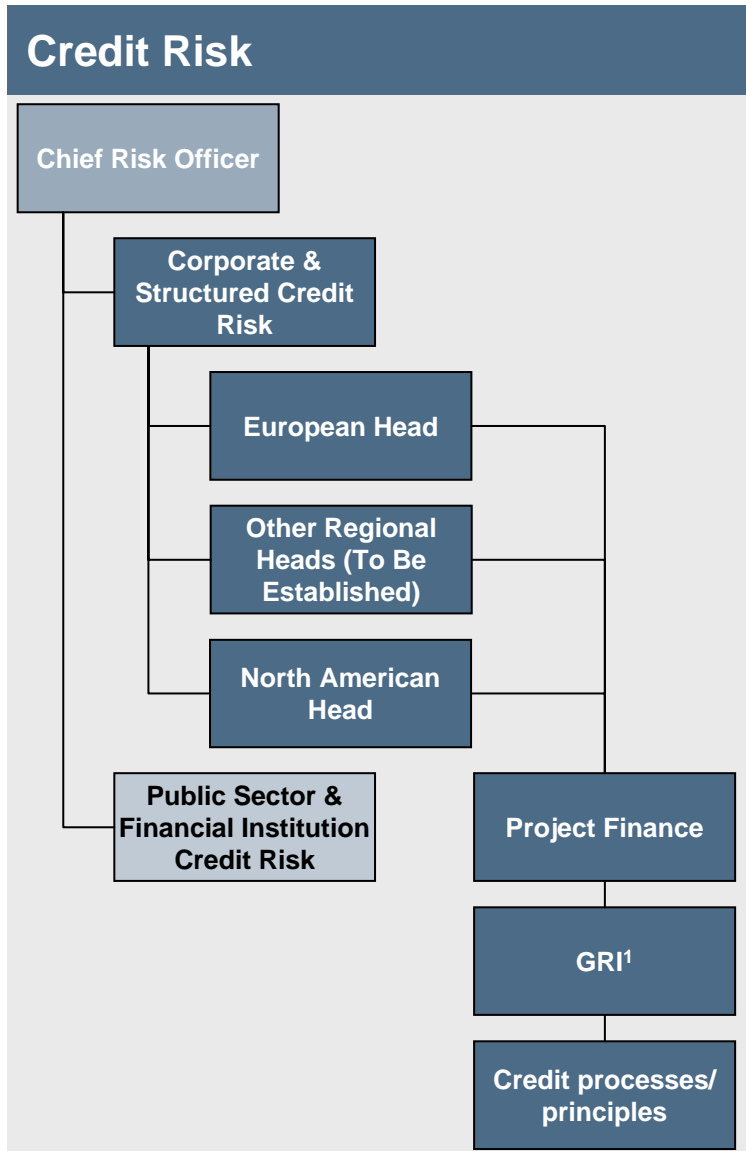


CRO Structure



Risk Governance

Key Messages



Function

- Analyse, measure and control exposure to corporate and structured credit risk

Counterparties

- GRIs¹, SPVs for project finance transactions and other corporates as applicable

Coverage

- Set DEPFA's risk policy
- Approve new sectors and related Risk Department procedures
- Challenge and analyse DEPFA's evolving portfolio
- Implement and ensure consistent use of Credit Rating Models

Credit Committee

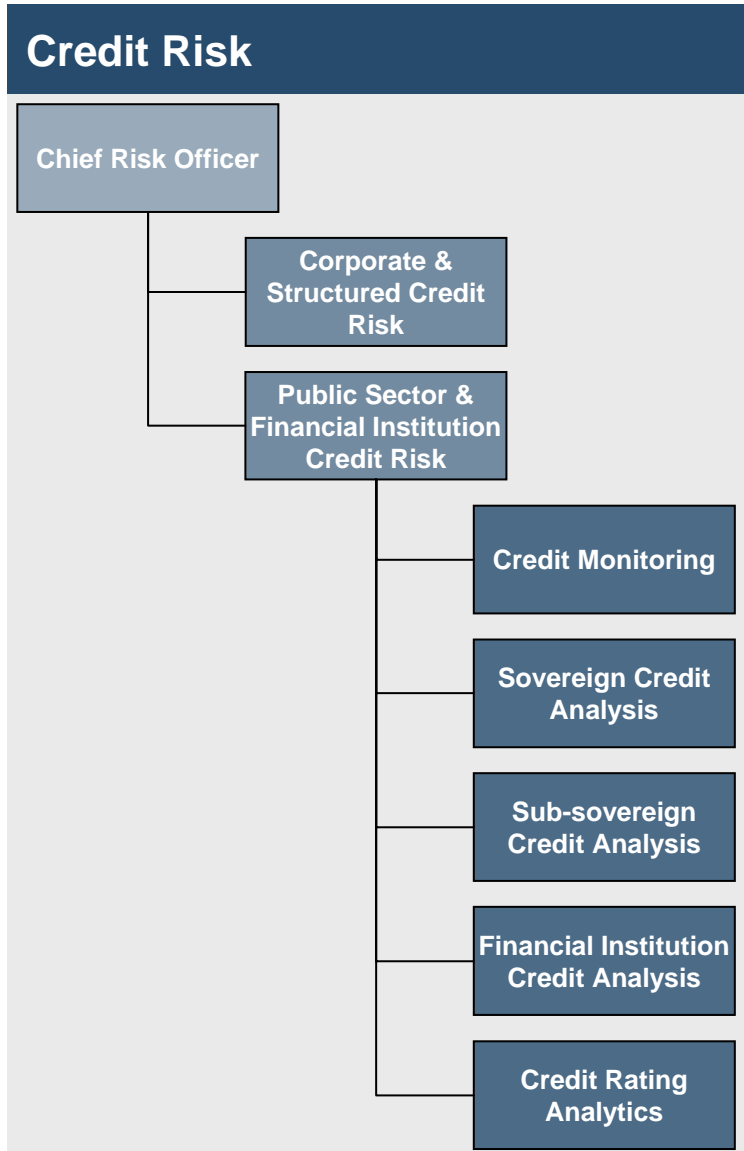
- Decide on counterparty, country, product and sector risks and set appropriate limits
- Review all risks annually and adjust limits accordingly
- Receive and evaluate updates on Monitoring List of troubled credits, decide to include new names, remove existing improved credits or adjust category to reflect changes
- Ensure business conducted within risk policy of DEPFA

Credit Risk Department

- Monitor all credit risks and limit usage
- Analyse requests from Business teams and present written evaluation of risks to Credit Committee with recommendation
- Review all counterparties and transactions at least annually
- Assign Credit Ratings to all counterparties

Risk Governance

Public Sector & Financial Institution Credit Risk



Function

- Credit Analysis function is to limit the extent of DEPFA Group's exposure to credit risk

Counterparties

- Sovereign & Sovereign supported or guaranteed institutions, Sub-sovereign (also referred to as Public Sector) & Local Authorities, Local Authority supported or guaranteed institutions; and Financial Institutions

Coverage

- Set DEPFA's risk policy.
- Approve new sectors and related Risk Department procedures.
- Challenge and analyse DEPFA's evolving portfolio.
- Approve Credit Rating Models

Credit Committee

- Decide on counterparty, country, product and sector risks and set appropriate limits
- Review all risks annually and adjust limits accordingly
- Receive and evaluate updates on Monitoring List of troubled credits, decide to include new names, remove existing improved credits or adjust category to reflect changes
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Credit Risk Department

- Monitor all credit risks and limit usage
- Analyse requests from business teams and present written evaluation to Credit Committee with recommendation
- Review all counterparties at least annually
- Assign Credit Ratings to all counterparties
- Build and validate Credit Rating Models

Credit Risk

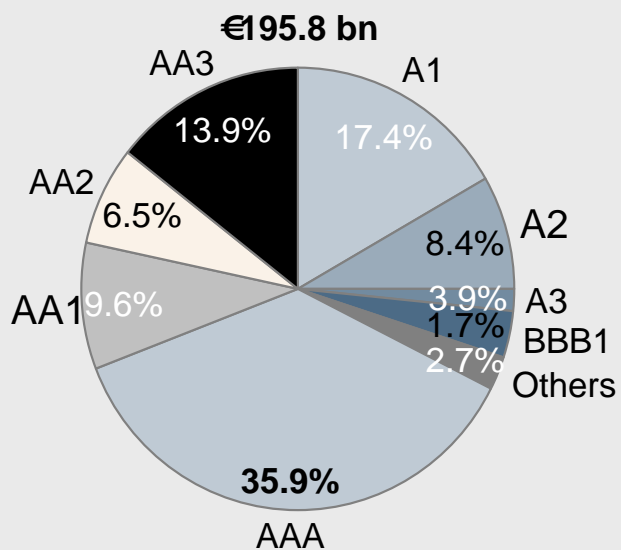
Key messages

- **Credit Risk Management:** Sound controls, independence of Credit Units, clear processes
- **Introduction to Public Finance Risk:** Low default and high recovery rates compared to general corporate risk
- **High quality of DEPFA portfolio:** Exposure to counterparties with support from tax raising entities
- **Diversification:** Diversification of portfolio both through increased customer numbers and range of industry sectors
- **Concentration:** Analysis of concentrations demonstrates declining dependence on specific counterparties and increasing diversification

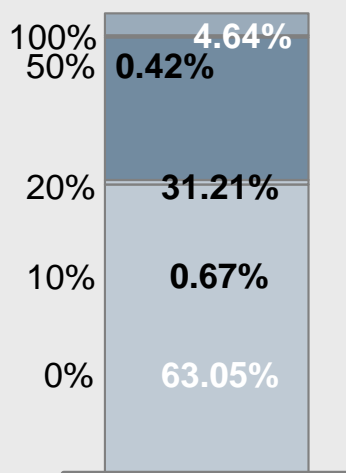
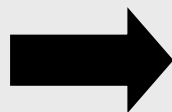
Credit Risk

DEPFA's portfolio is high quality & well diversified

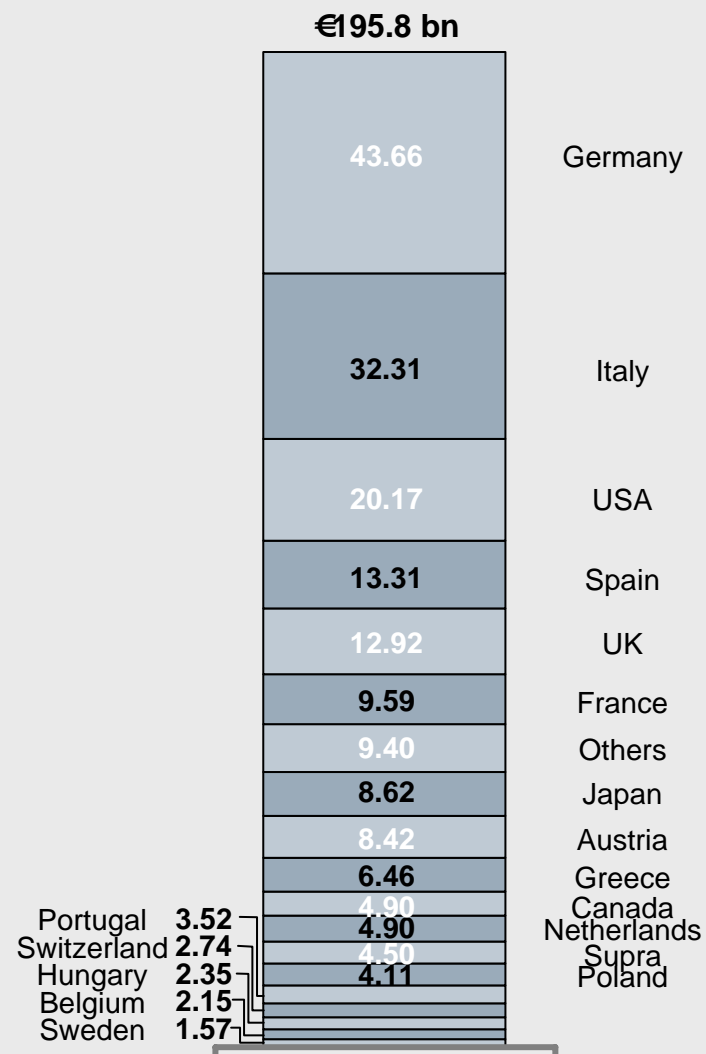
Portfolio by Rating



By risk weighting



Portfolio by Country



* Others: Other Europe, Australasia, North Africa, Caribbean

CRD / BASEL II

Impact

Settings

Standardised:

Direct external ratings for banks, all national discretions exempting Local Authorities have been applied.

Foundation:

Regulatory Slotting used for Project Finance exposure (preferential 50% RW not applied although many DEPFA assets would qualify), double default calculation ignored. RAW PD data is used without any smoothing or manipulation. Double default calculations have been ignored.

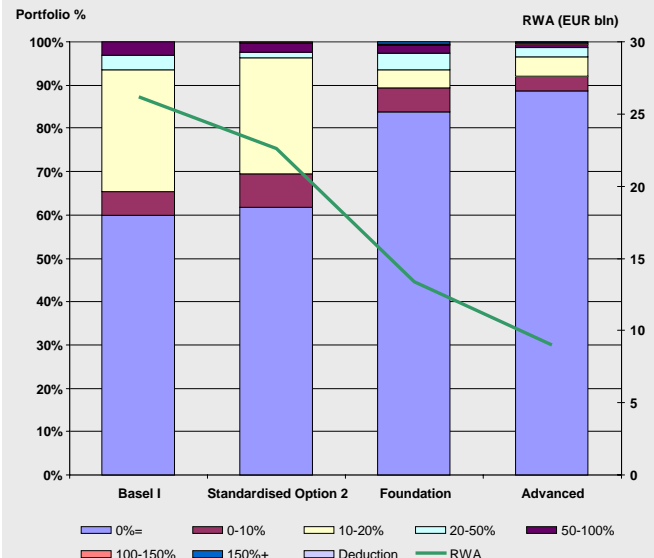
Advanced:

LGD⁴ values used; Sovereign 25%, Public Sector 5% (developed world only otherwise 45%), Project Finance 15%, Covered Bond 5%, Corporate left at Foundation level of 45%. RAW PD data is used without any smoothing or manipulation. Double default calculations have been ignored.

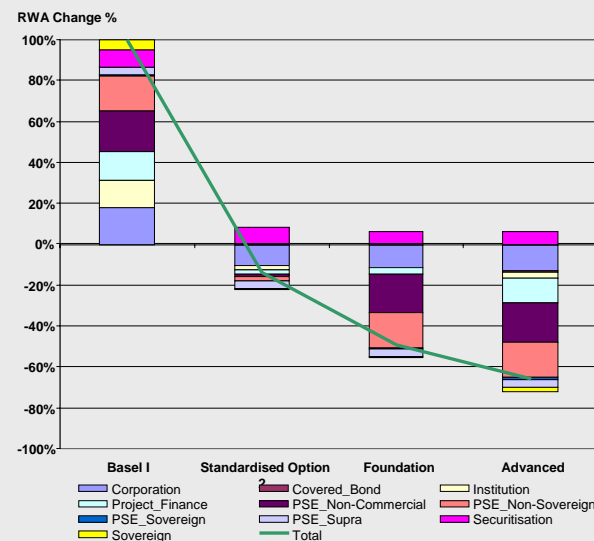
Basel I:

Full portfolio included for comparison.

Regulatory Risk Weighting Treatment



Regulatory Risk Weighted Asset Change



- Each successive version of CRD¹ produces lower RWA totals than its predecessor for DEPFA
- RWA reduction caused by a progressive shift of transactions into the zero RW category
- **Standardised:** Overall reduction 13.8%, resulting from Supranationals dropping to zero and rated corporations reduced from CAD² 100% RW
- **Foundation:** Overall reduction 48.9%, resulting from high quality internal ratings for the public sector risks and corresponding low one year default rate. Biggest gains from Public Sector assets RW 20% under CAD
- **Advanced:** Overall reduction 65.7%, the main incremental gain from Foundation is the application of a PD³ /LGD⁴ values to Project Finance exposure, producing an 11.7% reduction compared to 2.9% for Regulatory Slotting

¹ Capital Requirements Directive

² Capital Adequacy

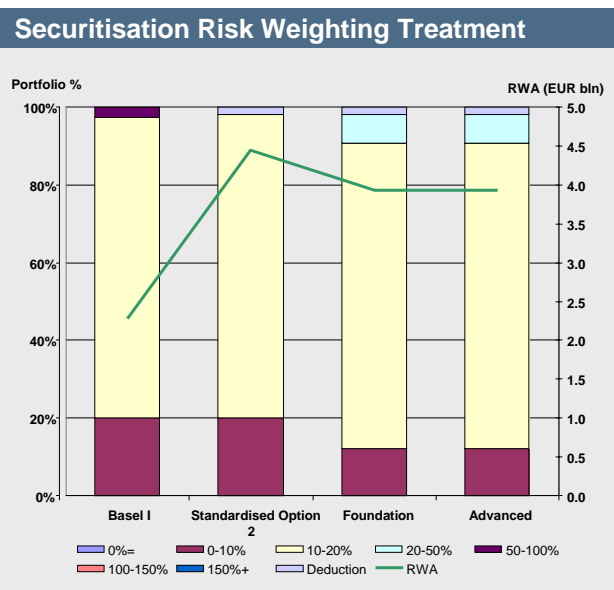
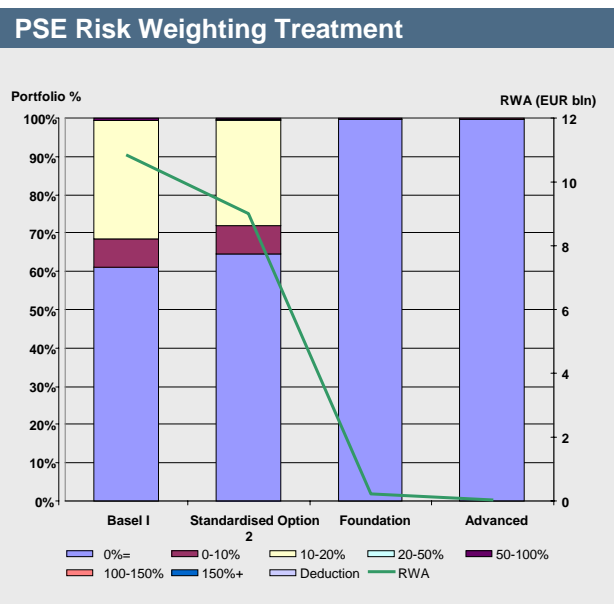
³ Probability of Default

⁴ Loss Given Default

CRD / BASEL II

Asset Classes Contributing most to Changes

Settings
Standardised:
<i>Direct external ratings for banks, all national discretions exempting Local Authorities have been applied.</i>
Foundation:
<i>Regulatory Slotting used for Project Finance exposure (preferential 50% RW not applied although many DEPFA asset would qualify), double default calculation ignored. RAW PD data is used without any smoothing or manipulation. Double default calculations have been ignored.</i>
Advanced:
<i>LDG values used; Sovereign 25%, Public Sector 5% (developed world only otherwise 45%), Project Finance 15%, Covered Bond 5%, Corporate left at Foundation level of 45%. RAW PD data is used without any smoothing or manipulation. Double default calculations have been ignored.</i>



Public Sector Entities (PSE)

- are the single largest beneficiary of the Foundation and Advanced approaches. PSEs consist of Local Authorities, Supranational and Public Enterprises with guarantees or strong implicit support
- Strong evidence for a zero one year PDs in the public sector shifts many developed world Public Enterprises and Local Authorities to a zero RW; accounting for 40.6% of the overall 48.9% RWA reduction

Securitisation

- Securitisation is the only asset class to increase overall, almost doubling RWA value, increasing from 8.7% of RWA under CAD to 29.4% under the Foundation approach
- DEPFA's Securitisation portfolio is overwhelmingly triple-A Student Loan issues. Most assets benefit from CRD treatment dropping from 20% RW to 7 or 12%
- A small handful of issues without an external rating (EUR203mln in a EUR11.4bln portfolio) account for 64.7% of the asset class's Foundation RWA.

Market Risk

Key messages

- Trading VaR between 9 and 22m EUR throughout 2006, average 12m
- Stable daily consolidated risk reporting within new segmental structure
- Risk monitoring environment further developed (stress tests, historical simulation)
- Liquidity stress testing program under development with target June 2007
- Migration to Algorithmics for integrated Credit/Market Risk monitoring kicked off

Market Risk

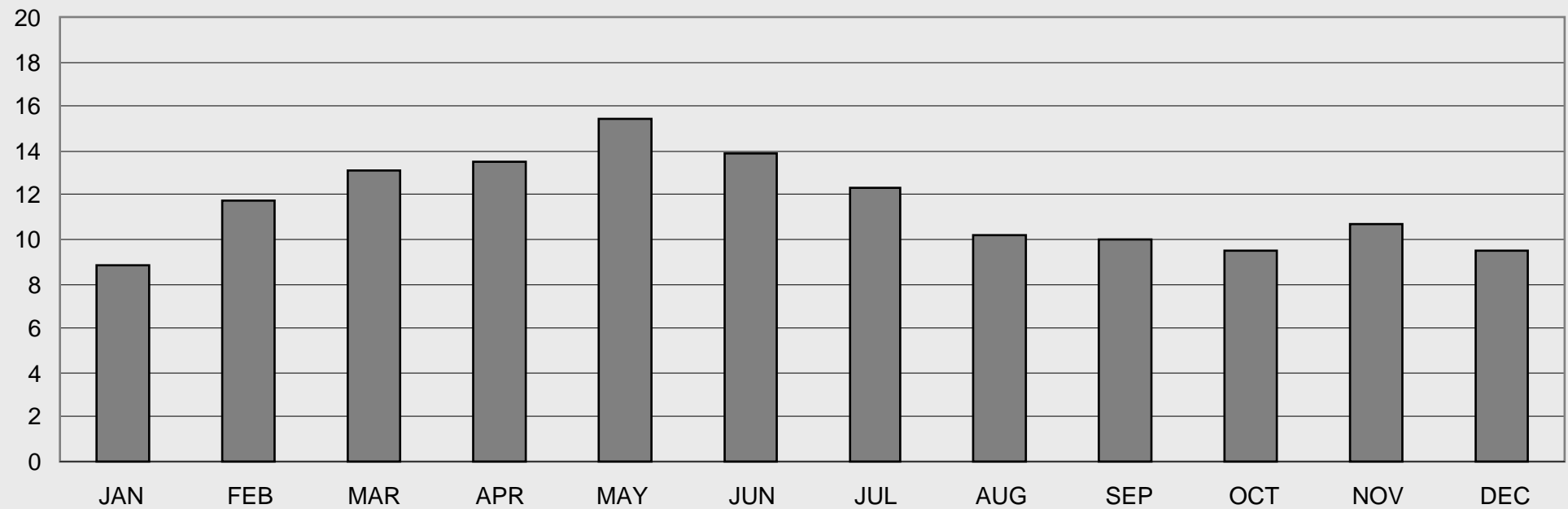
Market Risk Taking

Relevant market risk drivers	<ul style="list-style-type: none">• Interest Rates• Credit Spreads• Foreign Exchange Rates• Equity Prices• Inflation indices• Volatilities
Budget and Infrastructure finance	<ul style="list-style-type: none">• Micro-hedged bond and loan financing, minimal interest rate risk, irrelevant spread risk
Client product Services	<ul style="list-style-type: none">• Micro-hedged and back-to-back products, minimal interest rate risk• Macro hedging with limited interest rate and volatility risk
Global markets	<ul style="list-style-type: none">• Carry positions• Proprietary trading • All relevant market risk drivers covered

Market Risk

Market Risk Taking

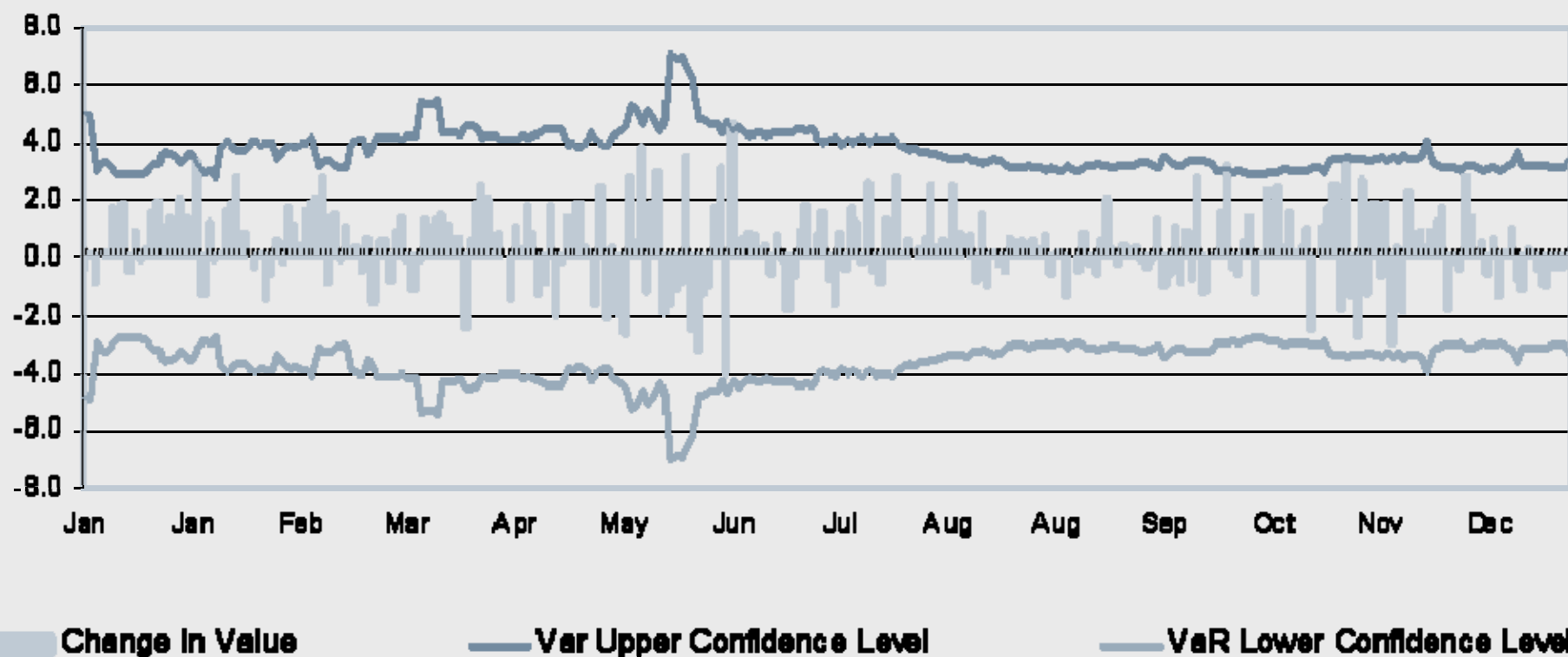
Trading Book Average Monthly VaR 2006 (10 day horizon, 99 % confidence) in €m:



Market Risk

Market Risk Taking

Trading Book Backtesting Graph 2006 (1 day horizon, 99 % confidence) in €m:



Operational Risk

Key Messages

- **Strong Operational Risk Governance Structure** – a strong governance structure is in place to support the management of operational risk, with a direct reporting line to the Chief Risk Officer
- **Clear, Firm-wide mandate for Operational Risk** – the Group Operational Risk department is mandated to operate across all business segments and locations, and assess risk front-to-back through the processing cycle
- **Seasoned and experienced Operational Risk team** – since September 06, the Operational Risk team has been augmented with 7 seasoned professionals from Tier 1 investment banks
- **Robust tools and methods for identifying, assessing and mitigating key operational risks** – a variety of industry best-practice methods are employed to proactively manage the operational risk profile of the Firm
- **Controlled approach to implementing new businesses and products** – the Firm recognises the risks inherent in undertaking new businesses or new products and adopts a control-focused approach to new initiatives

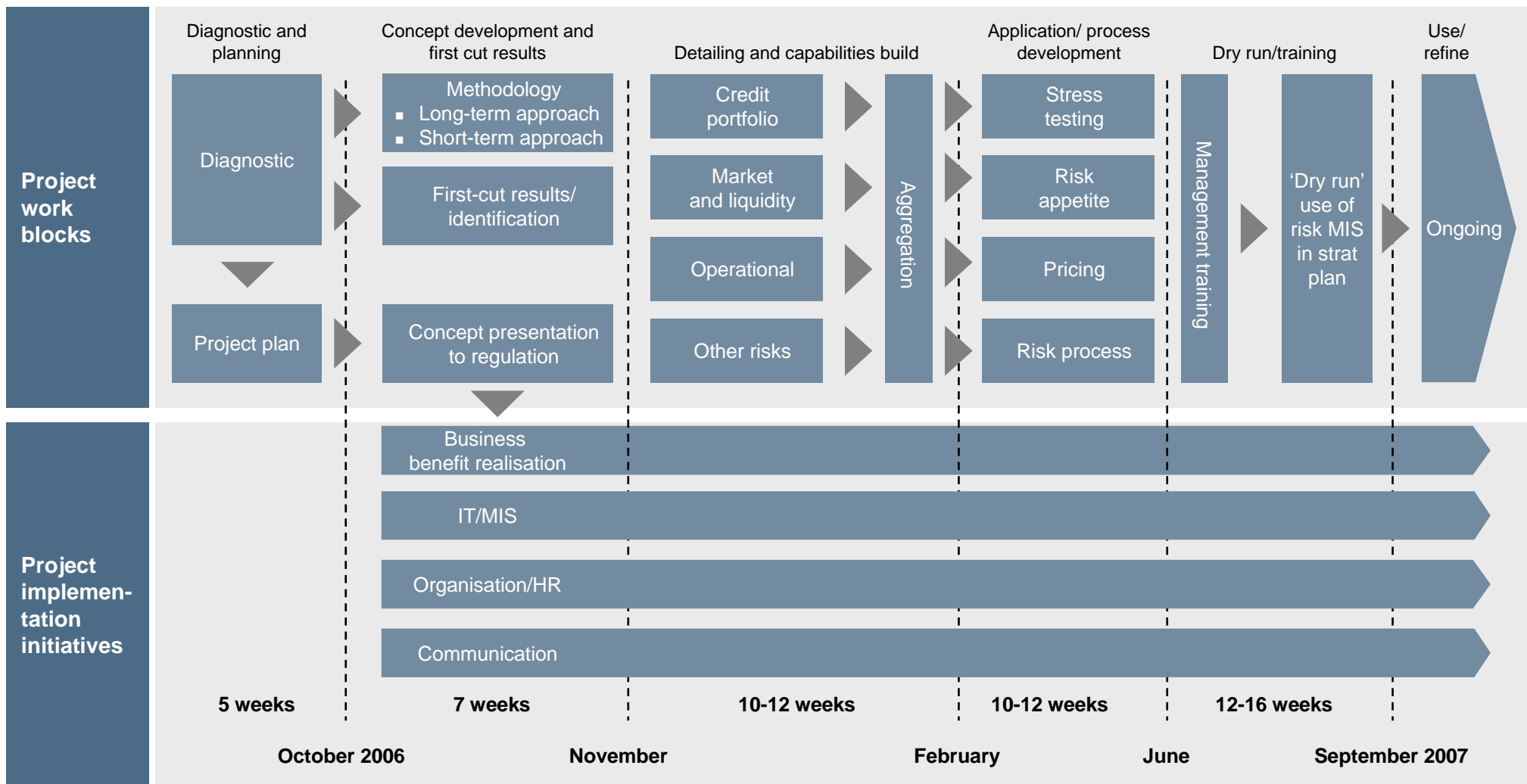
The aim is to embed Economic Capital as one of the management tools at DEPFA

Economic Capital

	Purpose
Economic Capital Framework	<ul style="list-style-type: none">• Introduce risk measures that communicate risk across risk categories and business lines in a consistent manner• Create and develop the stress testing framework to reflect the full range of material risks that could affect the solvency of the bank• Embed Economic Capital in key management processes related to risk taking
Risk appetite	<ul style="list-style-type: none">• Linkage of new metrics (economic capital measures and stress tests) to strategic direction of the bank<ul style="list-style-type: none">– Management sets risk tolerance targets– MIS to track risk taking
Performance assessment/pricing	<ul style="list-style-type: none">• Roll-out risk-adjusted profitability measures to all business units• Deal level risk based pricing
Risk process/ Limit setting/ Capital Allocation	<ul style="list-style-type: none">• Cascade Top of the house risk measures to lower levels, e.g.<ul style="list-style-type: none">– Desk level– Ultimate ambition is individual customer/transaction• Relating economic capital measures to limit framework in a simple way
Capital management	<ul style="list-style-type: none">• Optimise capital levels<ul style="list-style-type: none">– Relate available capital to required economic capital, as well as capital on a regulatory basis– Manage volatility in capital requirements– Capital planning

Economic Capital

Programme Overview



Introduction and Strategy

Financials

Risk

Global Trends in the Public Sector

Client Relationship Management

Budget Finance

Infrastructure Finance

Client Product Services

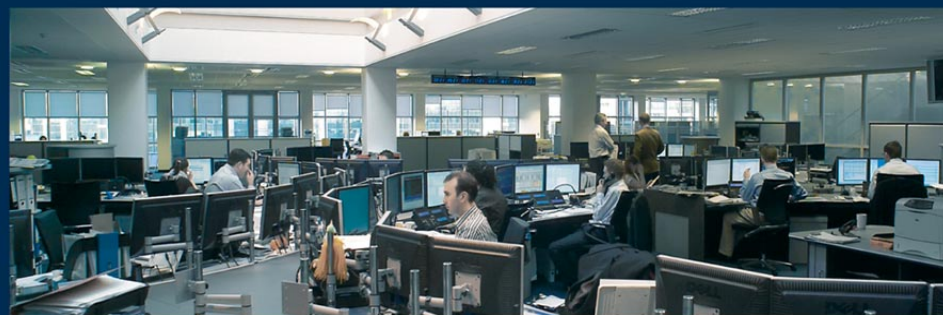
Global Markets

U.S. Business Strategy

Capital Markets Day

Global Trends in the Public Sector, May 2007

DEPFA BANK plc



 **DEPFA BANK**

Dublin Amsterdam Chicago Copenhagen Frankfurt Hong Kong London Madrid Milan Mumbai New York Nicosia Paris Rome San Francisco Sao Paulo Tokyo Warsaw

What is the Public Sector?

Key Economic Trends

The Triggers for Change

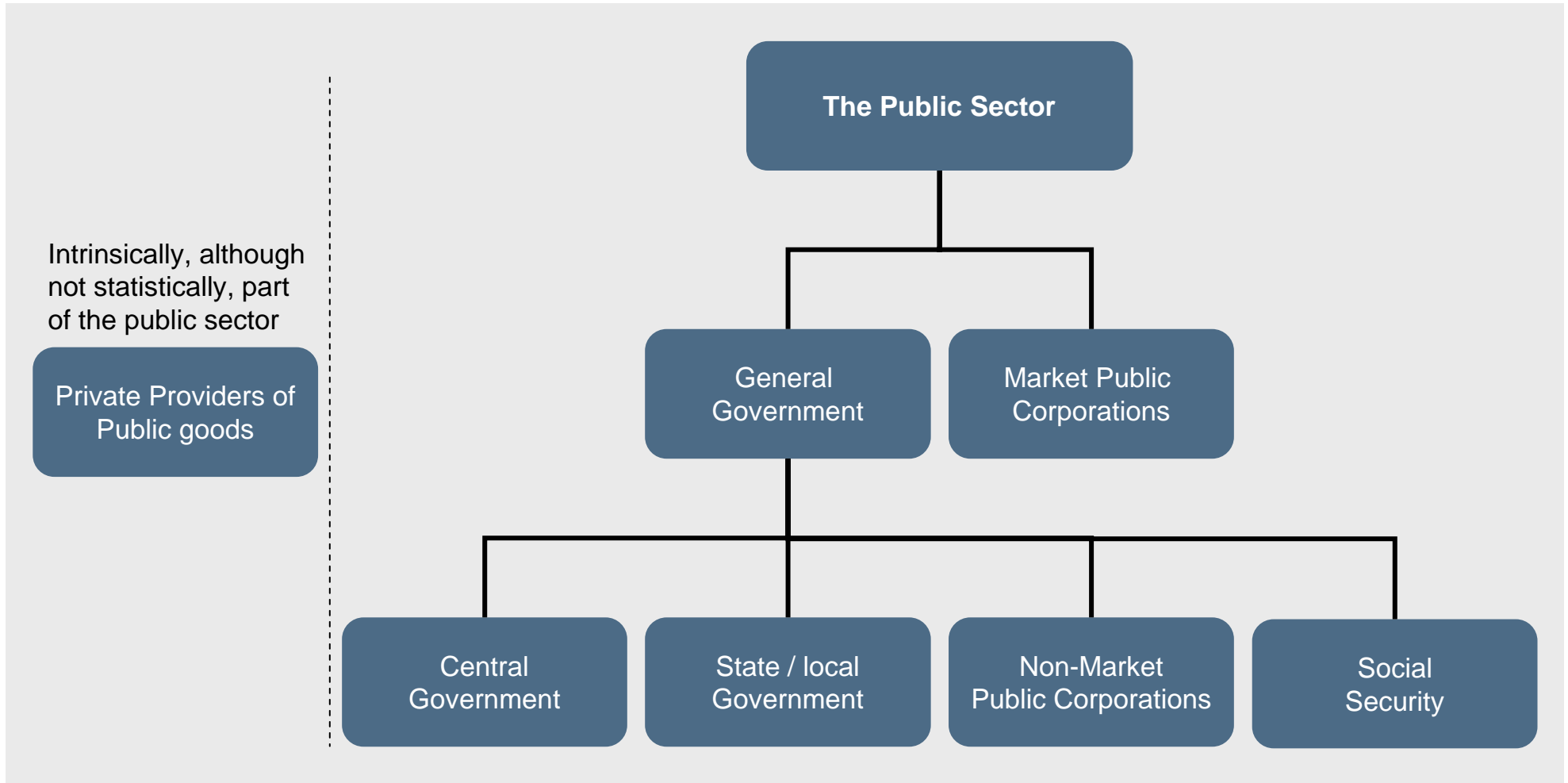
Public Sector Response

Summary

Challenges and Opportunities for the Banking Sector

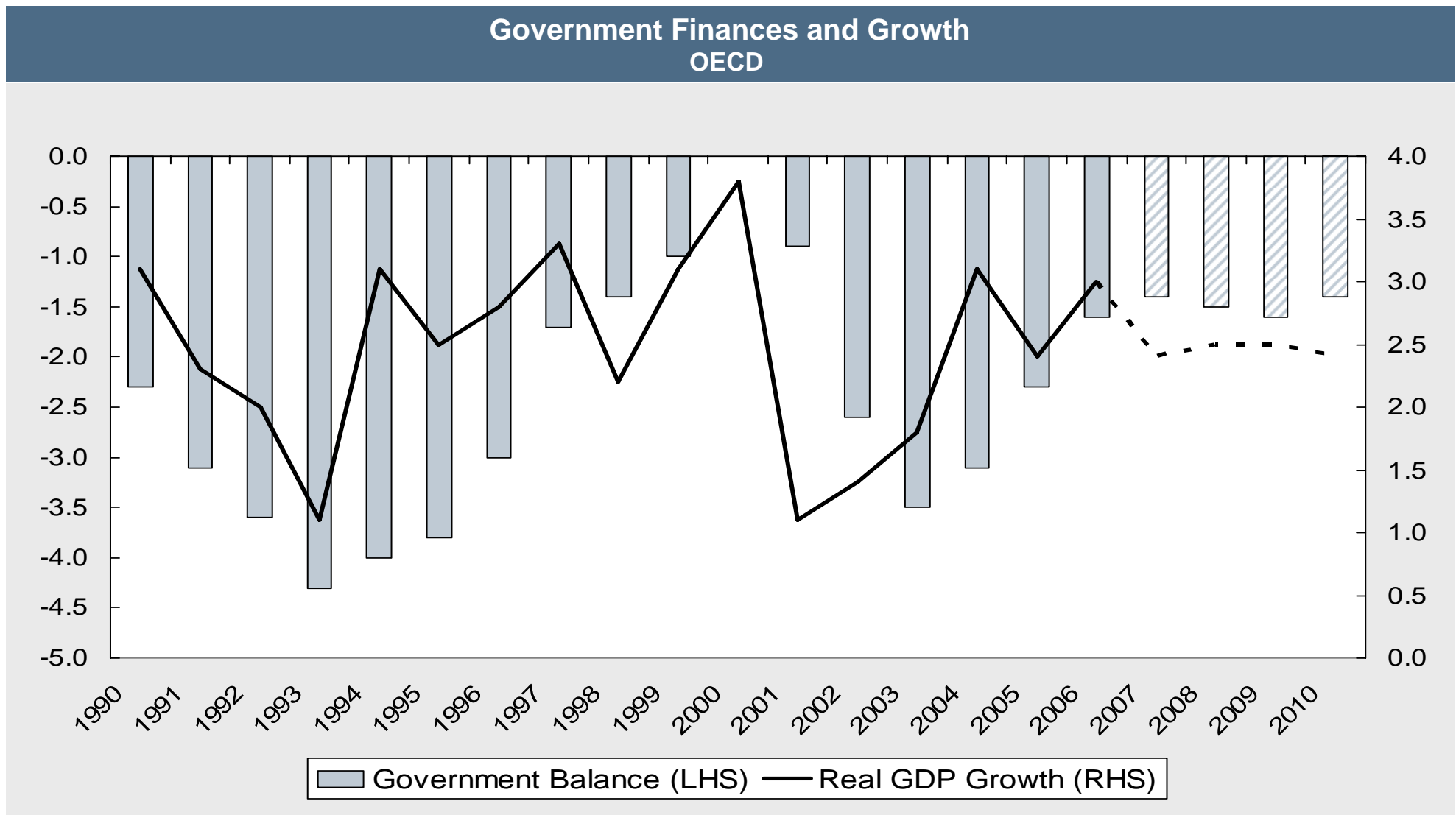
Global Trends in the Public Sector

What is the Public Sector?



Global Trends in the Public Sector

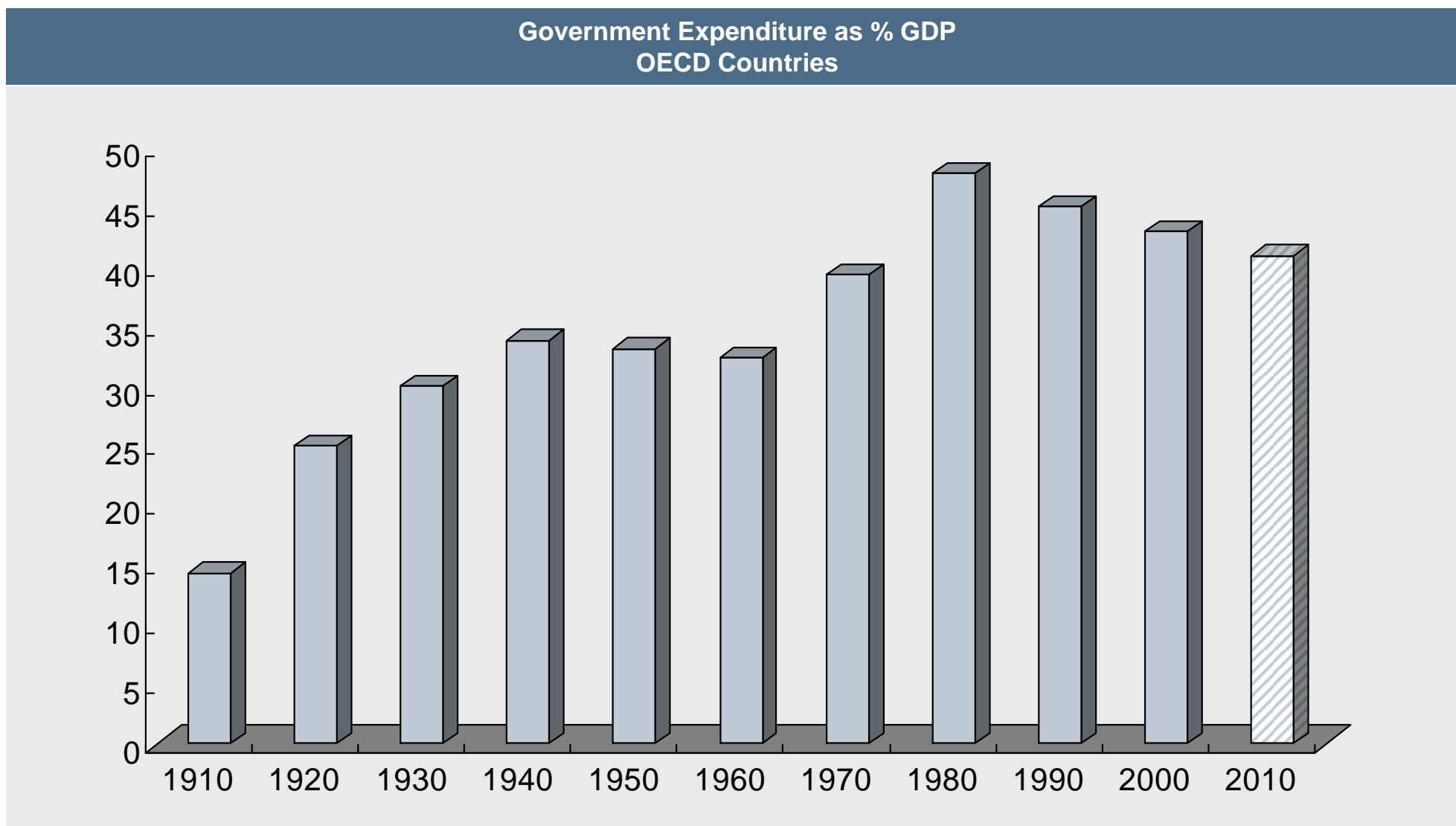
Key Economic Trends: Improving balances....but largely cyclical



Source: EIU

Global Trends in the Public Sector

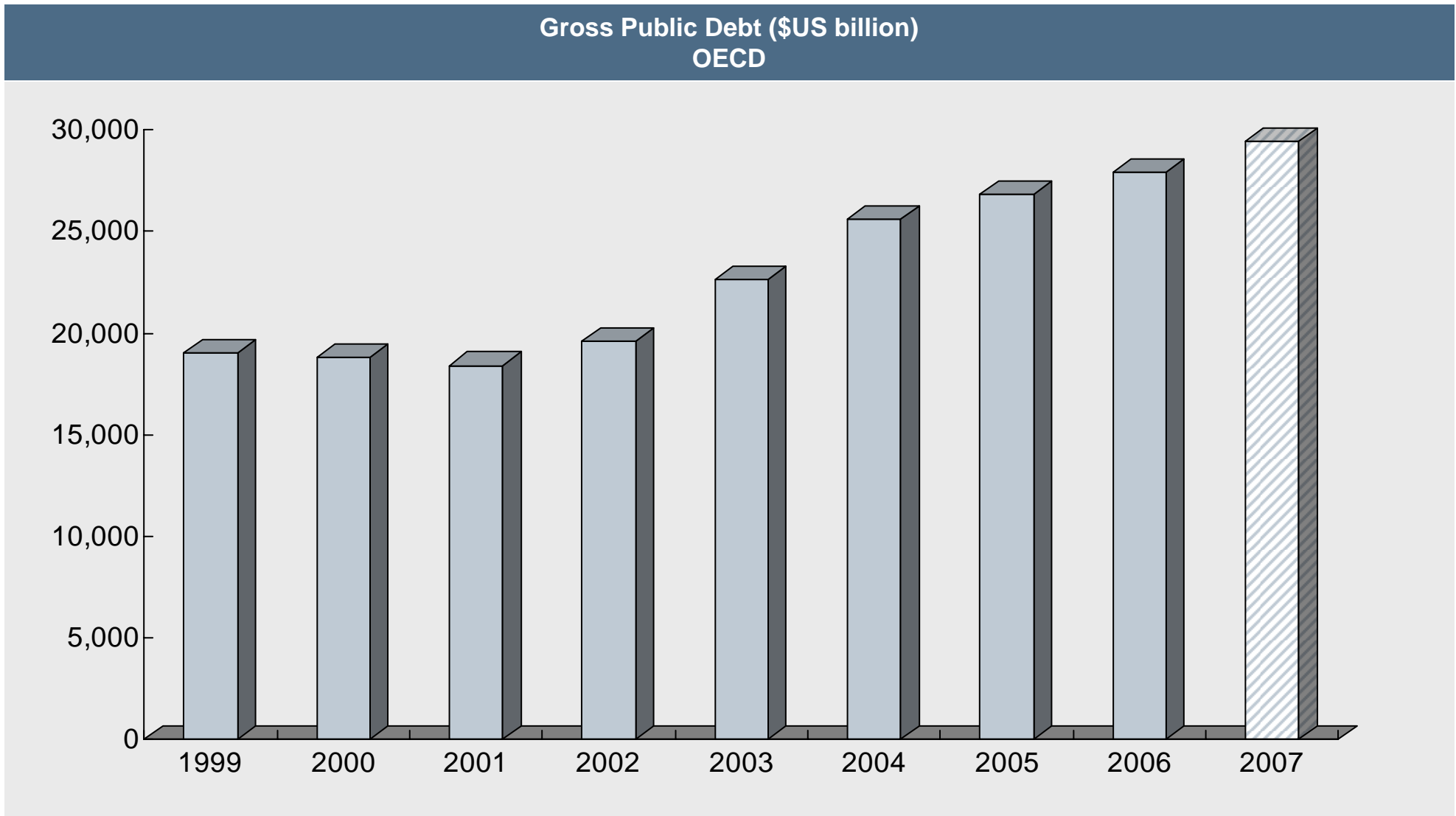
Key Economic Trends: Government Expenditure



Source: OCED, Tanzi and Schuknecht (2000)

Global Trends in the Public Sector

Key Economic Trends: Debt



Source: OECD, IMF

Global Trends in the Public Sector

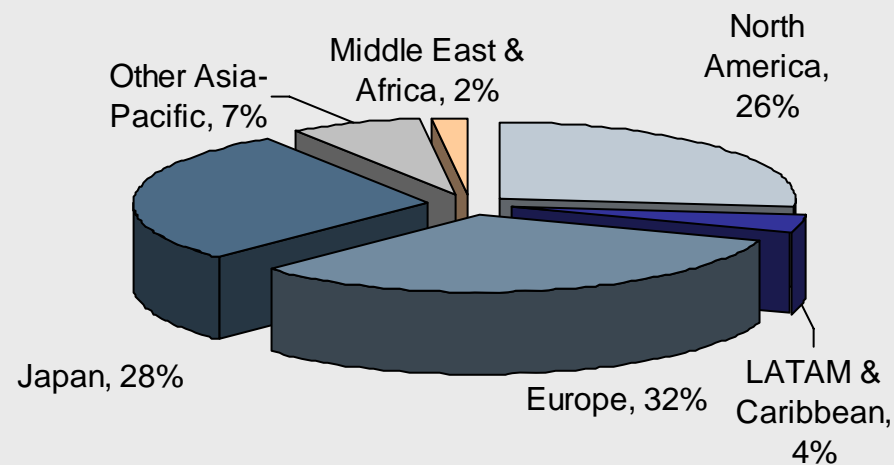
Government Debt Stock: Overview

Total Stock of Government Debt at \$30.4 trillion in 2007

Total Debt Stock, \$bn (2005 – 2007)

	2007f	2006e	2005
Global Total	30,414	28,644	26,881
Sovereigns	24,785	23,530	22,352
Local & Regional Govts	5,629	5,113	4,529
U.S.	7,336	6,926	6,569
Federal	5,126	4,901	4,715
State & Local	2,210	2,025	1,854
Canada	741	732	736
Federal	346	348	358
Provincial & Local	396	384	378
Latin America and the Caribbean	1,310	1,058	870
Sovereigns	1,291	1,038	853
LRGs	19	19	18
Europe	9,872	9,418	8,247
Sovereigns	8,241	7,941	6,968
LRGs	1,632	1,477	1,280
Japan	8,448	7,942	8,048
Sovereign	7,327	6,957	7,251
LRGs	1,121	984	798
Other Asia-Pacific	2,082	1,980	1,857
Sovereigns	1,989	1,892	1,768
LRGs	94	87	89
Middle East and Africa	467	452	440

Regional Distribution of Debt Stock, 2007



Source: Standard and Poor's

- **Economic philosophy**
 - Liberalisation/privatisation/globalisation are dominant trends
- **Expectations**
 - Increasingly educated and empowered public
- **Technology**
 - Knowledge intensive economy facilitates greater private participation
- **Increased Budget Constraints**
 - Both current and future

Global Trends in the Public Sector

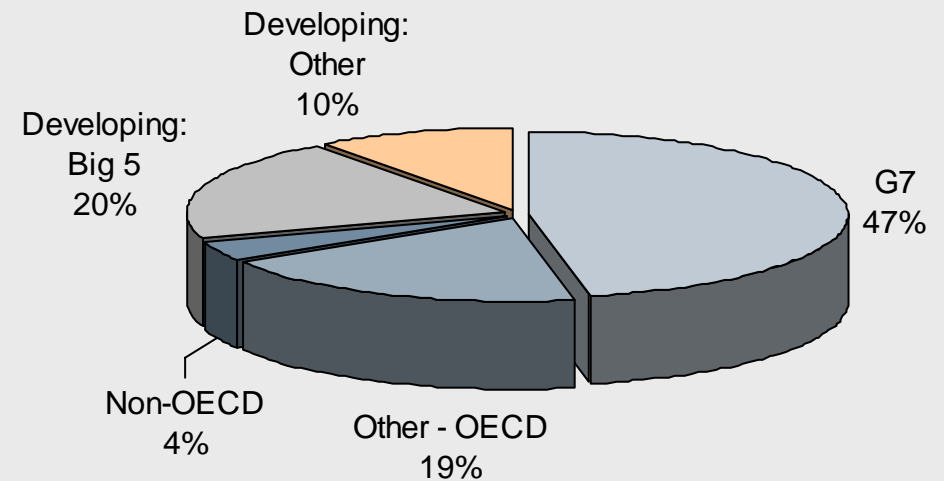
The Triggers for Change: Substantial Infrastructure Needs

US\$ 1.8 Trillion Expected Annual Investment Needs (2000 - 2030)

Global Annual Investment Needs in Various Sectors, \$bn (2000 - 2030)

	2000 - 2010	2010 - 2020	2020 - 2030	Av Annual
Road	220	245	29	252
Rail	49	54	58	54
Telecoms	654	646	171	490
Electricity	127	180	241	183
Water	576	772	1037	795
Total	1,626	1,897	1,799	1,774

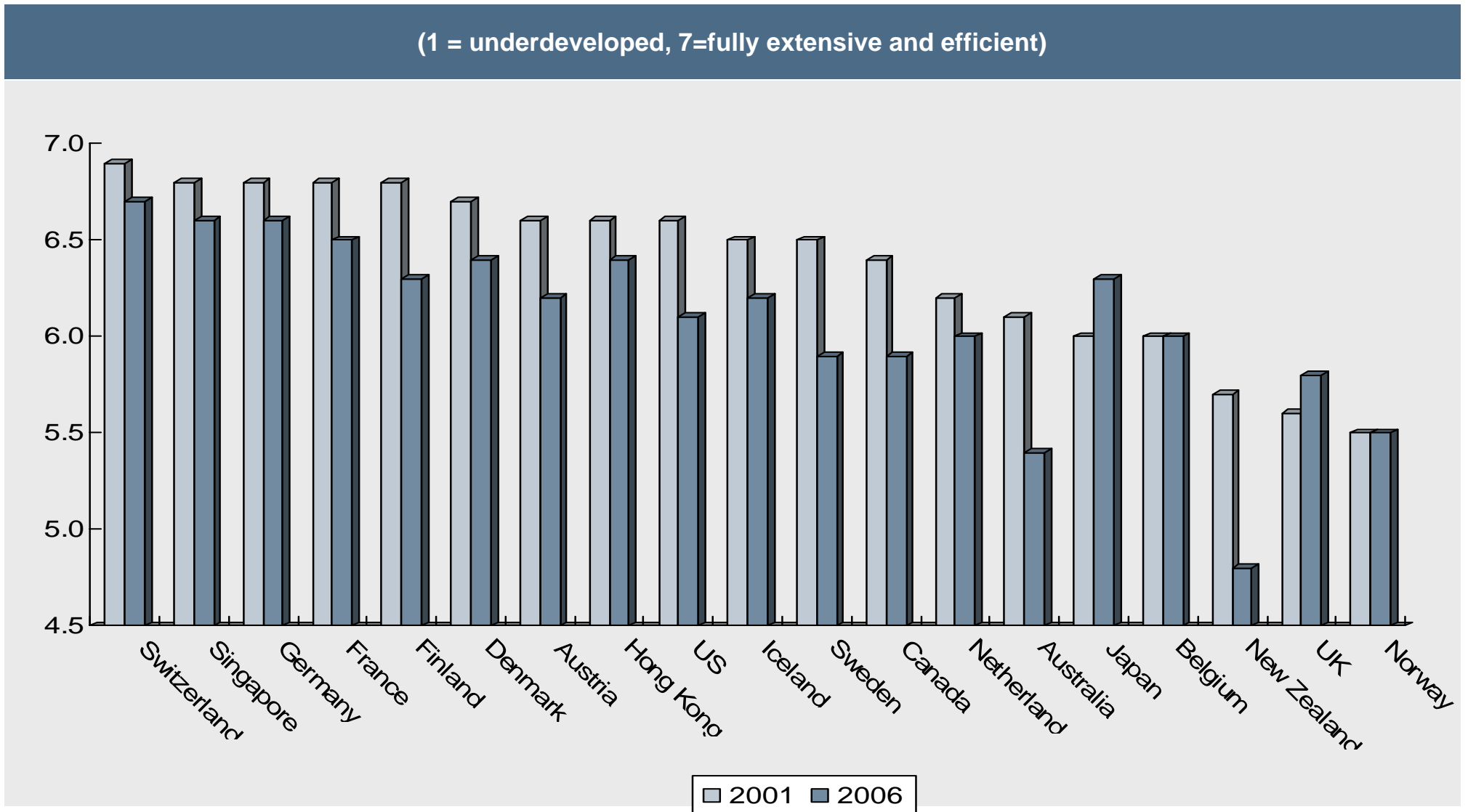
Regional Distribution of Annual Investment in Roads, 2000 - 2030



Source: OECD

Global Trends in the Public Sector

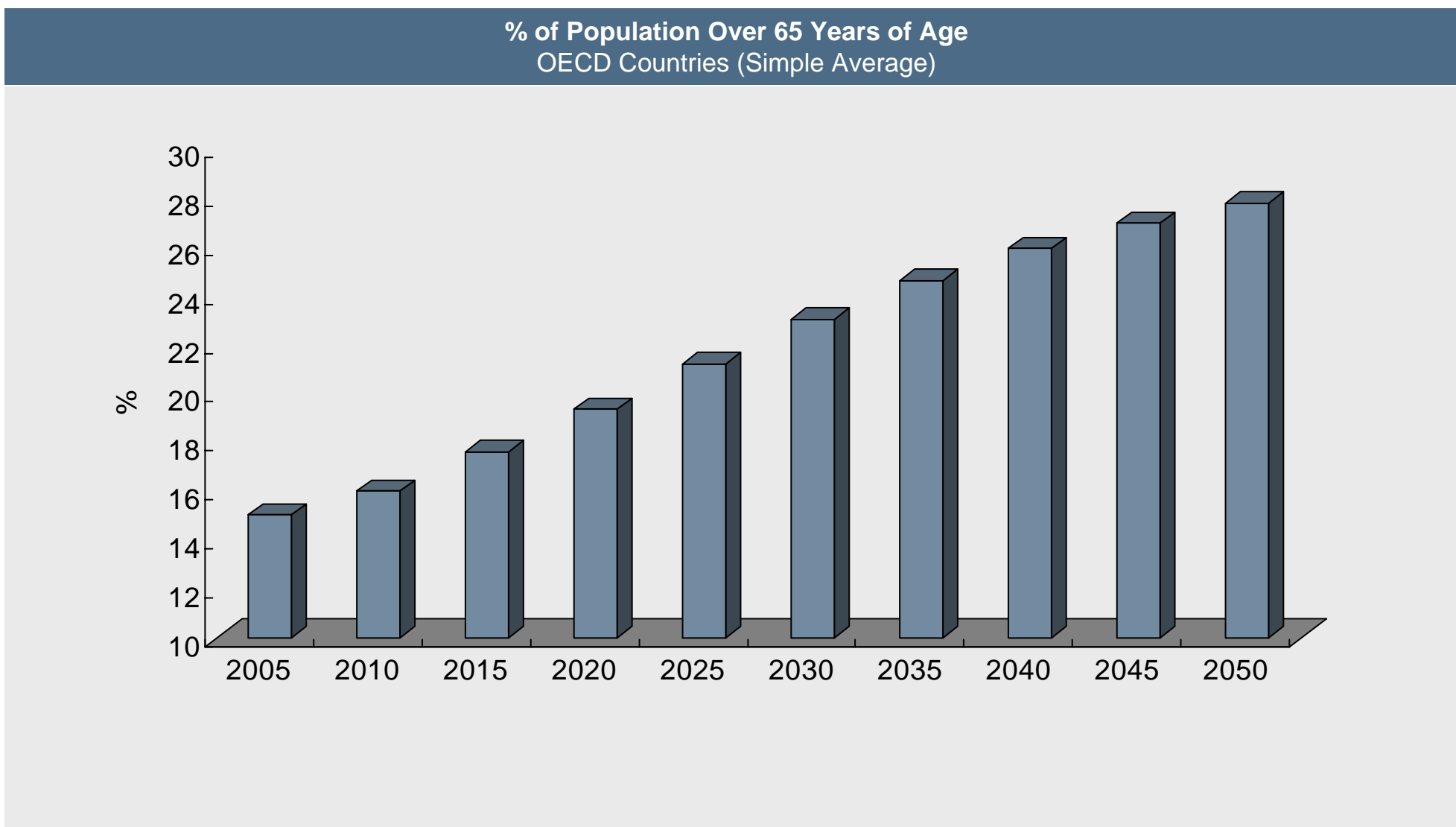
The Triggers for Change - Deteriorating Infrastructure



Source: WEF Global Competitiveness Report 2006/07

Global Trends in the Public Sector

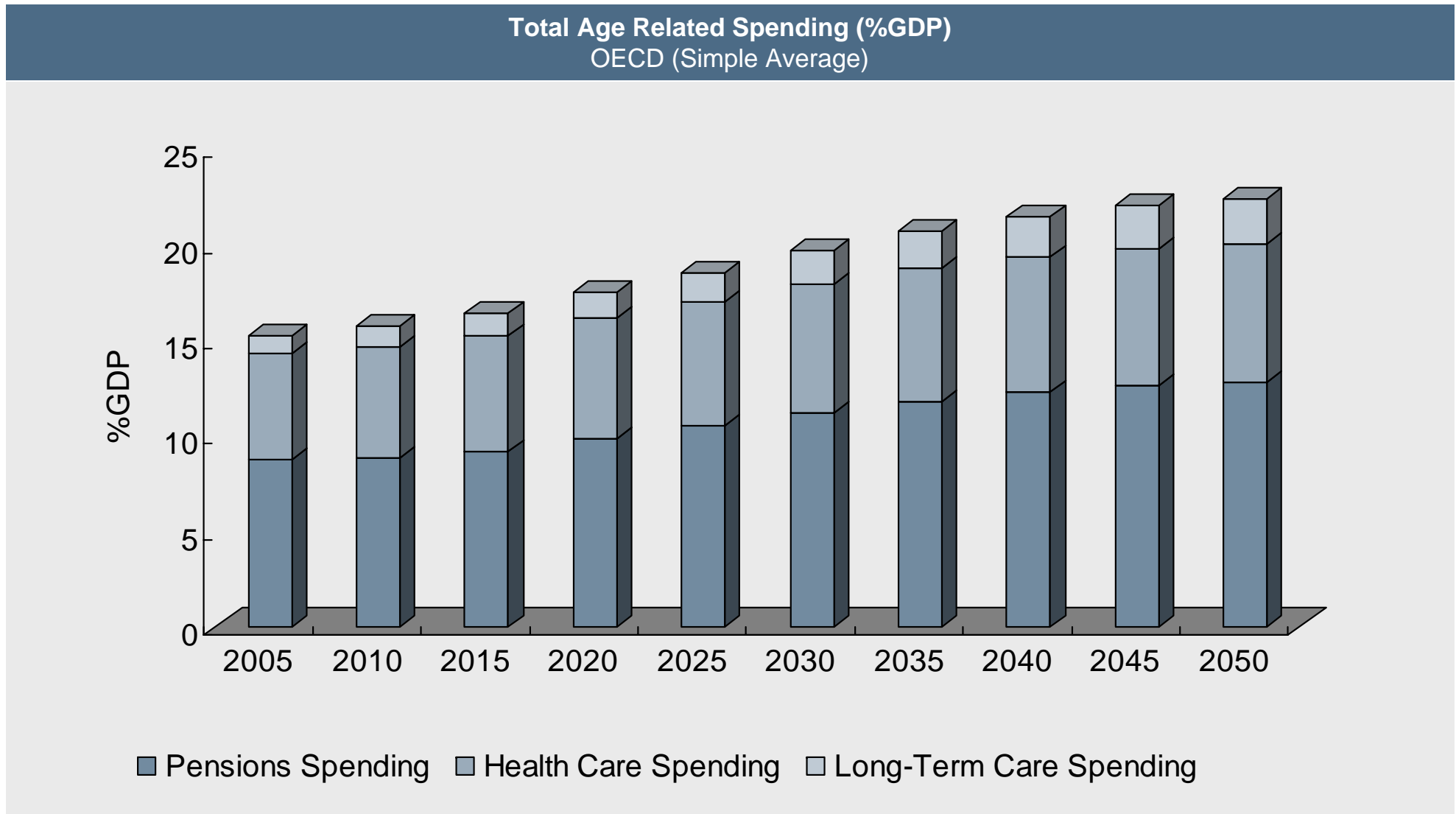
The Triggers for Change: Population Ageing



Source: OECD, IMF, Standard and Poor's, European Commission

Global Trends in the Public Sector

The Triggers for Change: Increasing Pension Burden

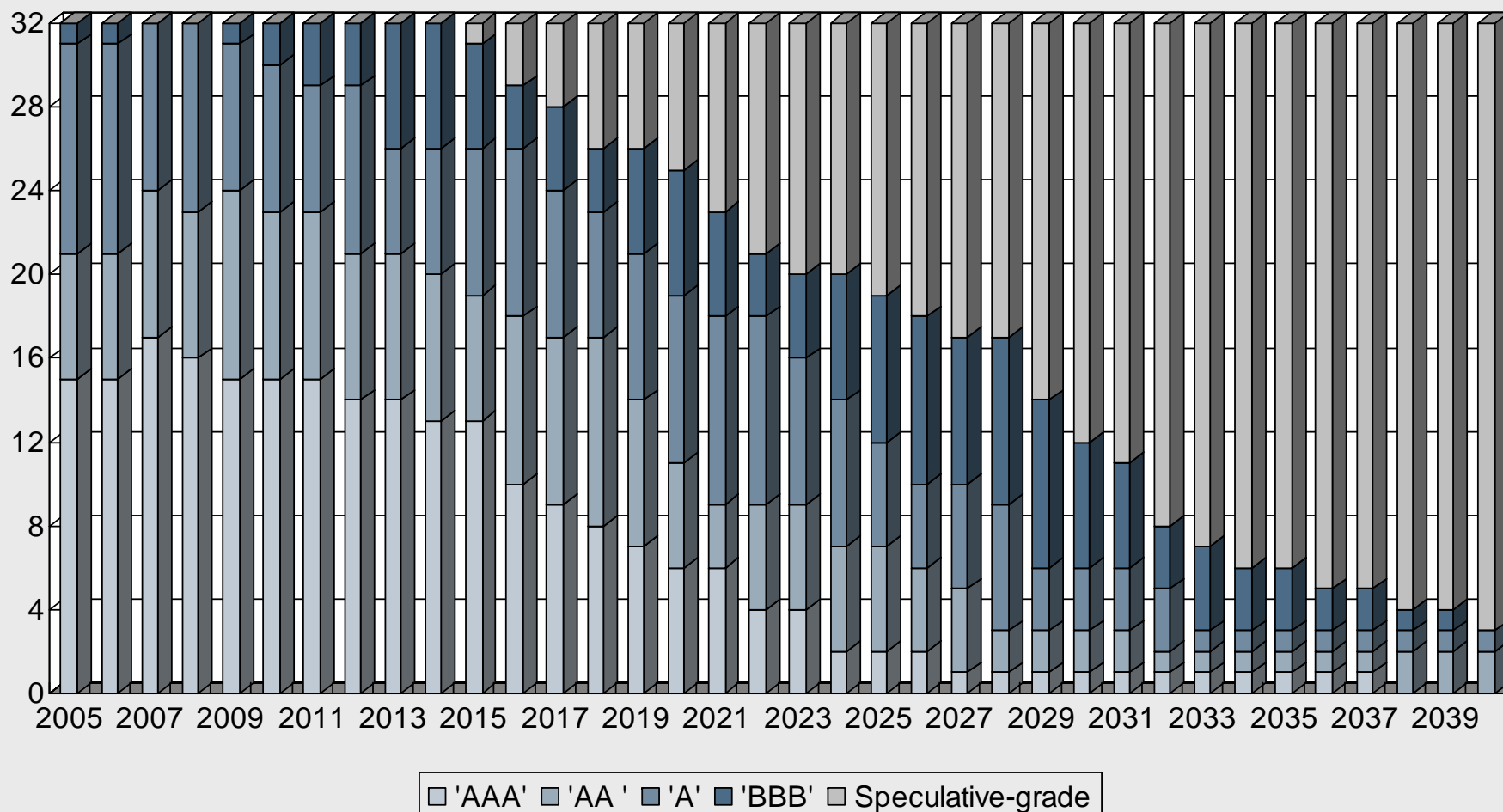


Source: OECD, IMF, Standard and Poor's, European Commission

Global Trends in the Public Sector

The Triggers for Change: The Do-Nothing Scenario

Hypothetical Long-Term Sovereigns Ratings Distribution

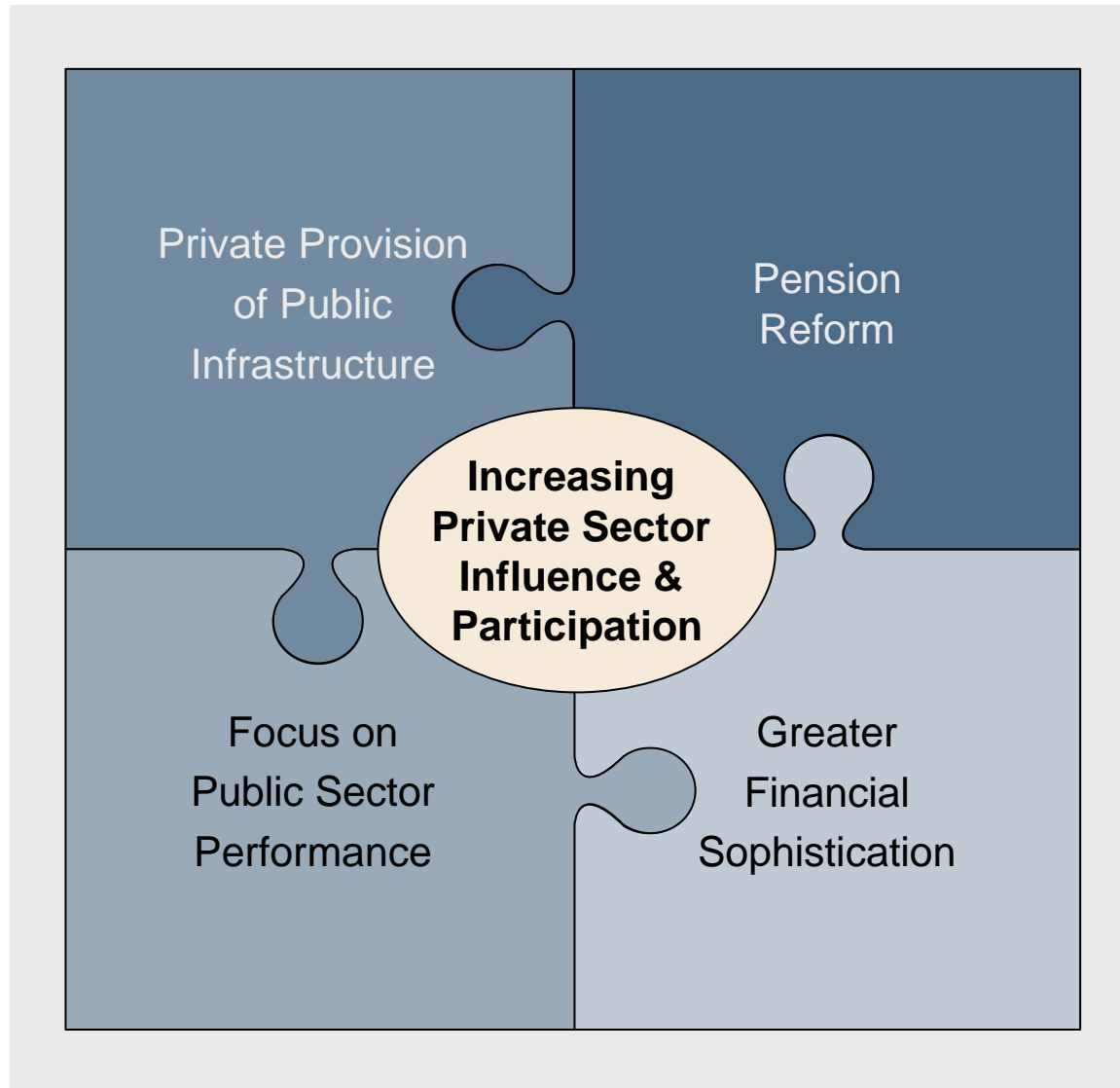


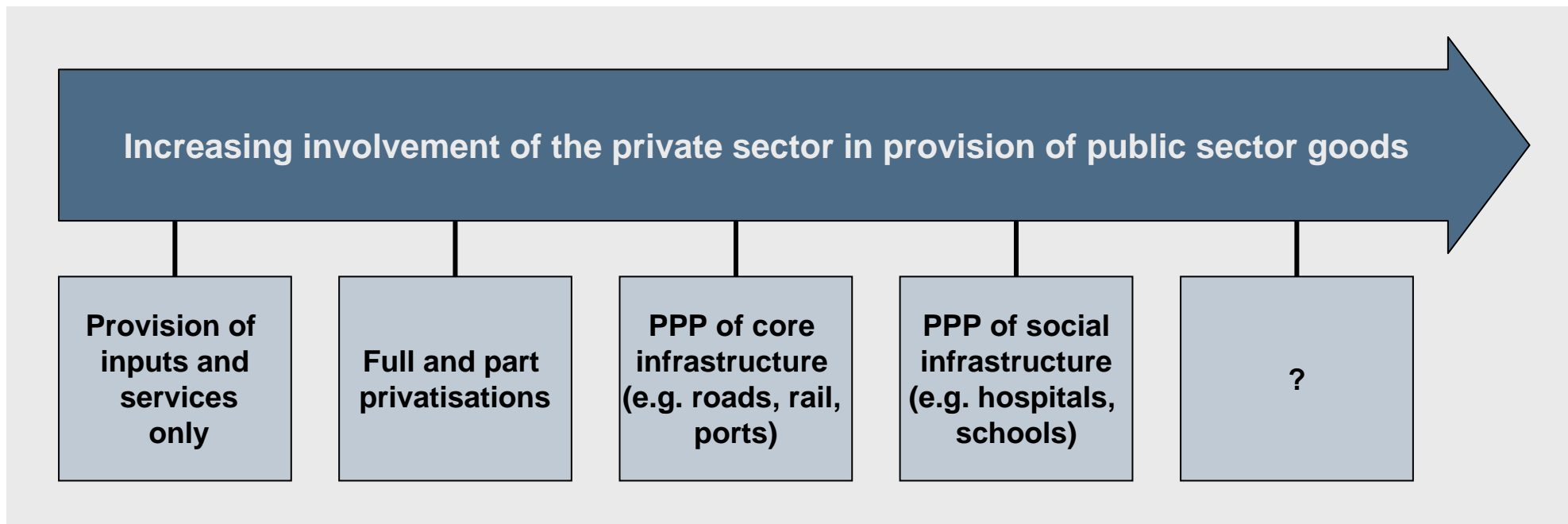
Source: Standard & Poor's (2006)

Will not happen because.....

Global Trends in the Public Sector

Public Sector Response: Major reforms are being implemented





Global Trends in the Public Sector

Public Sector Response: Privatisation – Government as a Regulator

Value of Transaction in Selected Countries, \$bn

	2001	2002	2003	2004	2005	2006
France	0.8	4.2	2.4	19.7	37.8	11.2
Germany	5.1	0.4	1.3	15.4	3.6	11.1
Italy	8.4	5.5	7.4	16.2	21.6	0.9
UK	1.4	0.1	5.8	0.1	0.3	6.1
Western Europe	22.0	13.4	26.1	61.8	75.8	47.5

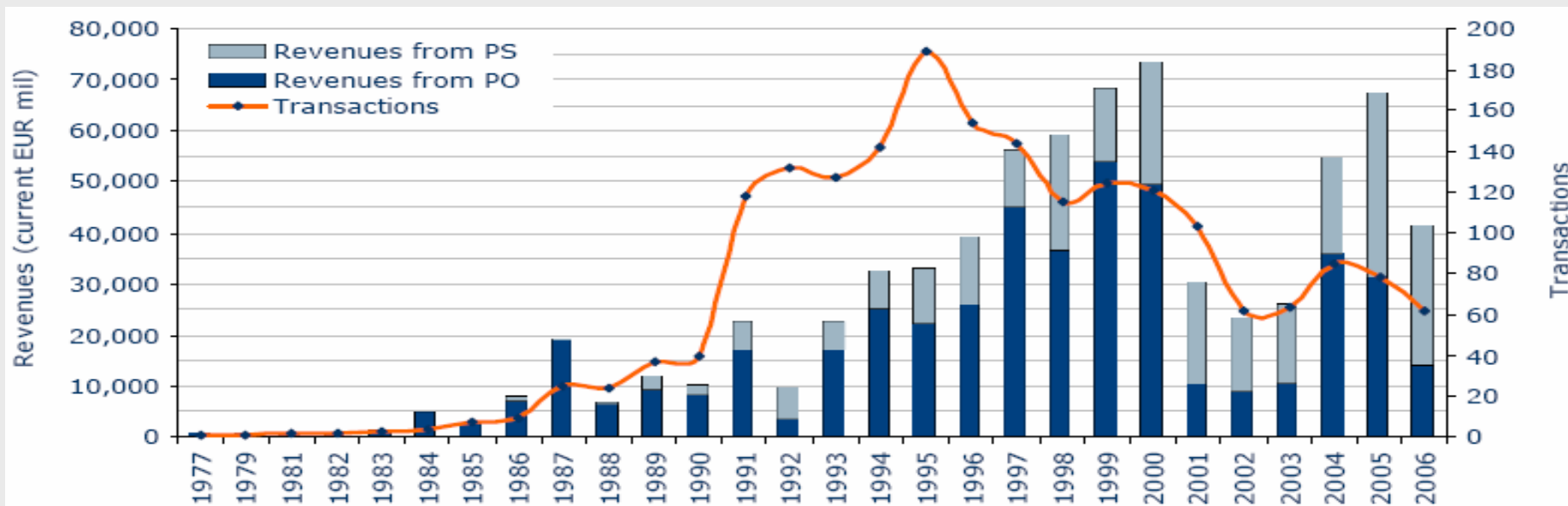
Source: Privatization Barometer

Value of Transactions In Developing Economies, \$bn

	2001	2002	2003	2004	2005
East Asia & Pacific	1.3	1.8	7.7	7.9	14.4
Europe & Central Asia	7.9	10.6	8.9	14.8	32.9
Latin America & Caribbean	3.1	0.3	0.4	2.2	0.9
Middle East & North Africa	0.2	0.1	6.5	3.3	4.2
South Asia	0.4	2.2	0.9	4.7	3.7
Sub-Saharan Africa	0.6	0.5	0.5	0.2	0.8
Total Developing	13.6	15.5	25.0	33.1	56.9

Source: World Bank Privatization Database

Privatization Revenues and Transaction in Europe 1977 - 2006



PS: Private Sale
PO: Public Offer

Source: Privatization Barometer

- **PPPs increasingly favoured**
 - reduced life-cycle costs
 - more efficient allocation of risk
 - faster implementation
 - improved service quality
 - additional revenue
- **Different triggers in different regions**
- **Increasing number of PPP models**
- **Increasing number of sectors**
- **Specialist PPP agencies**

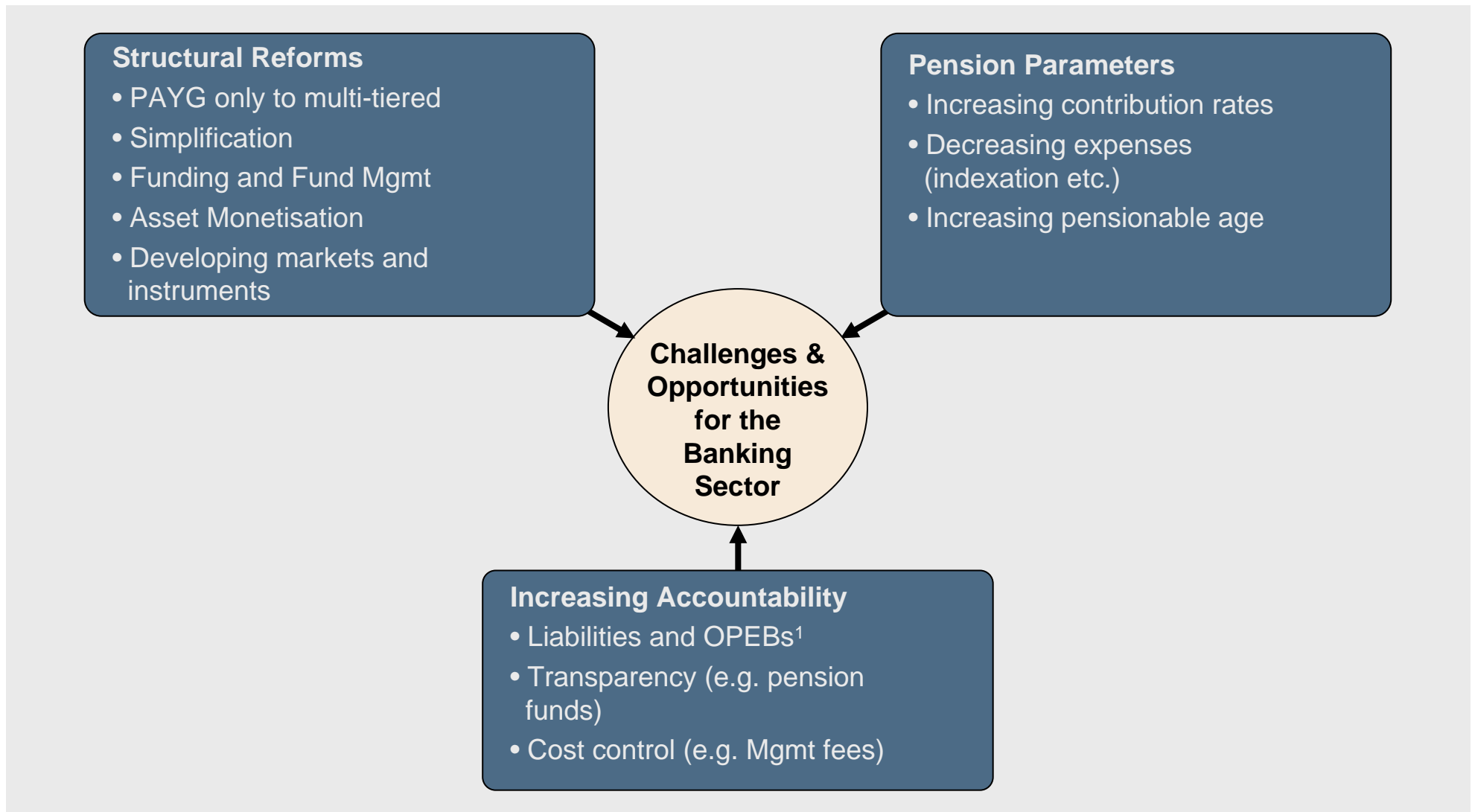
Global Trends in the Public Sector

Public Sector Response - International Comparison of PPPs

	Transport	Schools	Hospitals	Prisons	Environment	Defence
UK	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue
Ireland	Light Blue	Light Blue	Light Grey	Light Yellow	Light Yellow	Light Yellow
Portugal	Dark Blue	Light Yellow	Light Grey	Light Yellow	Light Blue	Light Yellow
Spain	Dark Blue	Light Yellow	Light Blue	Light Yellow	Dark Blue	Light Yellow
Italy	Light Blue	Light Yellow	Light Blue	Light Yellow	Light Blue	Light Yellow
Scandinavia	Light Blue	Light Blue	Light Grey	Light Yellow	Light Grey	Light Yellow
Netherlands	Light Blue	Light Blue	Light Yellow	Light Grey	Light Blue	Light Yellow
France	Light Grey	Light Yellow	Light Grey	Light Grey	Light Grey	Light Yellow
Germany	Light Blue	Light Blue	Light Grey	Light Grey	Light Blue	Light Grey
Hungary	Light Blue	Light Yellow	Light Yellow	Light Grey	Light Yellow	Light Yellow
Poland	Light Blue	Light Yellow	Light Grey	Light Yellow	Light Blue	Light Yellow
United States	Dark Blue	Light Yellow	Light Blue	Light Grey	Light Grey	Light Yellow
India	Dark Blue	Light Blue	Light Blue	Light Yellow	Light Blue	Light Yellow
Japan	Dark Blue	Dark Blue	Dark Blue	Light Blue	Dark Blue	Light Yellow
Australia	Dark Blue	Light Blue	Light Blue	Light Blue	Light Grey	Light Blue

- Many years experience
- First projects signed
- Projects in planning stage
- No experience

Source: DEPFA



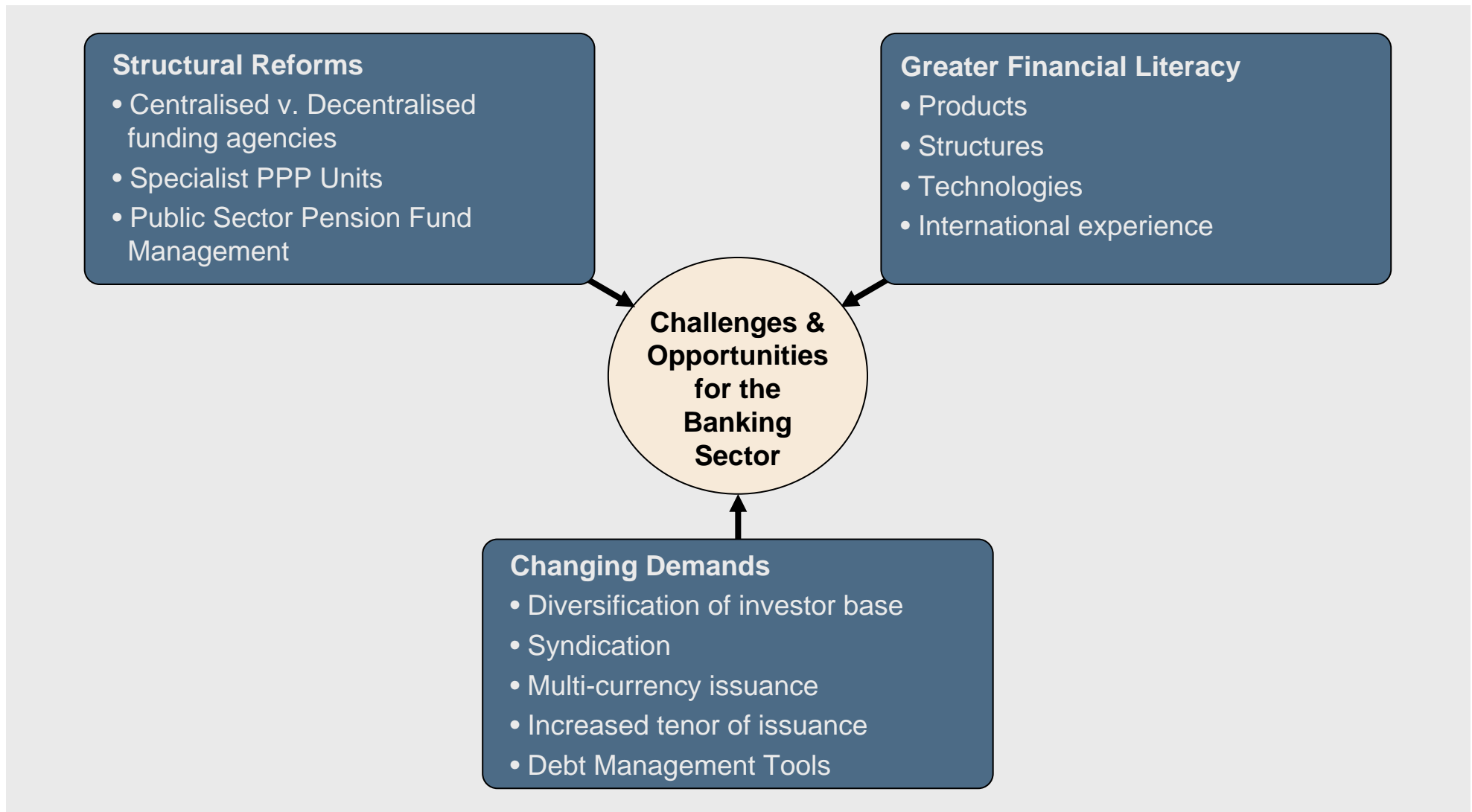
¹ Other Post Employment Benefits

Increasing Results Orientation

- *Quality v. Quantity* of expenditure
- Ex-ante analysis
- Increased performance monitoring
- Ex-post analysis

Increasing Flexibility

- Decentralization
- Agencification/specialisation
- Intra-governmental co-ordination
- HRM arrangements
- E-government



- Unsustainable debt and funding gaps have been and will continue to be the main triggers for reform
- More knowledgeable, sophisticated and demanding public sector agencies
- The reform process is a continuum - emerging markets following suit - but level and depth of reform differs greatly
- Increasing private sector involvement – government as regulator rather than sole provider

Key Challenges and Opportunities

- To anticipate and meet the public sector's increasingly sophisticated and specialised demands by leveraging off past experience and expertise
- Finance less traditional candidates for private provision e.g. health and education
- Provide off-budget solutions to an increasingly sophisticated public sector
- Use more complex and wider range of products to meet client needs more closely
- Turn the challenge of regulatory developments into an opportunity
- Provide advisory services by leveraging off past experience
- Banking sector must change from lender to partner

Introduction and Strategy

Financials

Risk

Global Trends in the Public Sector

Client Relationship Management

Budget Finance

Infrastructure Finance

Client Product Services

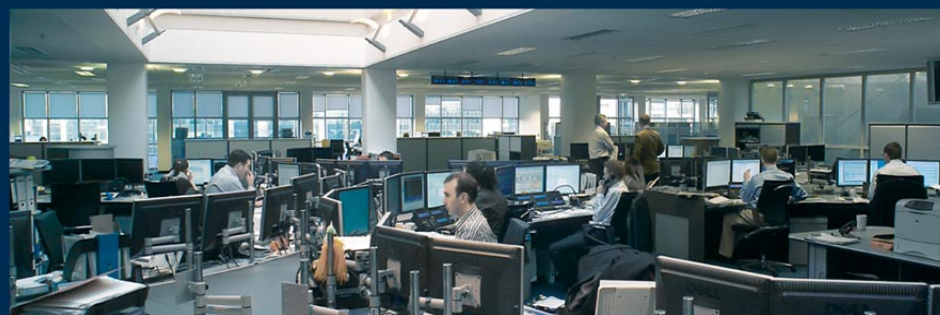
Global Markets

U.S. Business Strategy

Capital Markets Day

Client Relationship Management, May 2007

DEPFA BANK plc

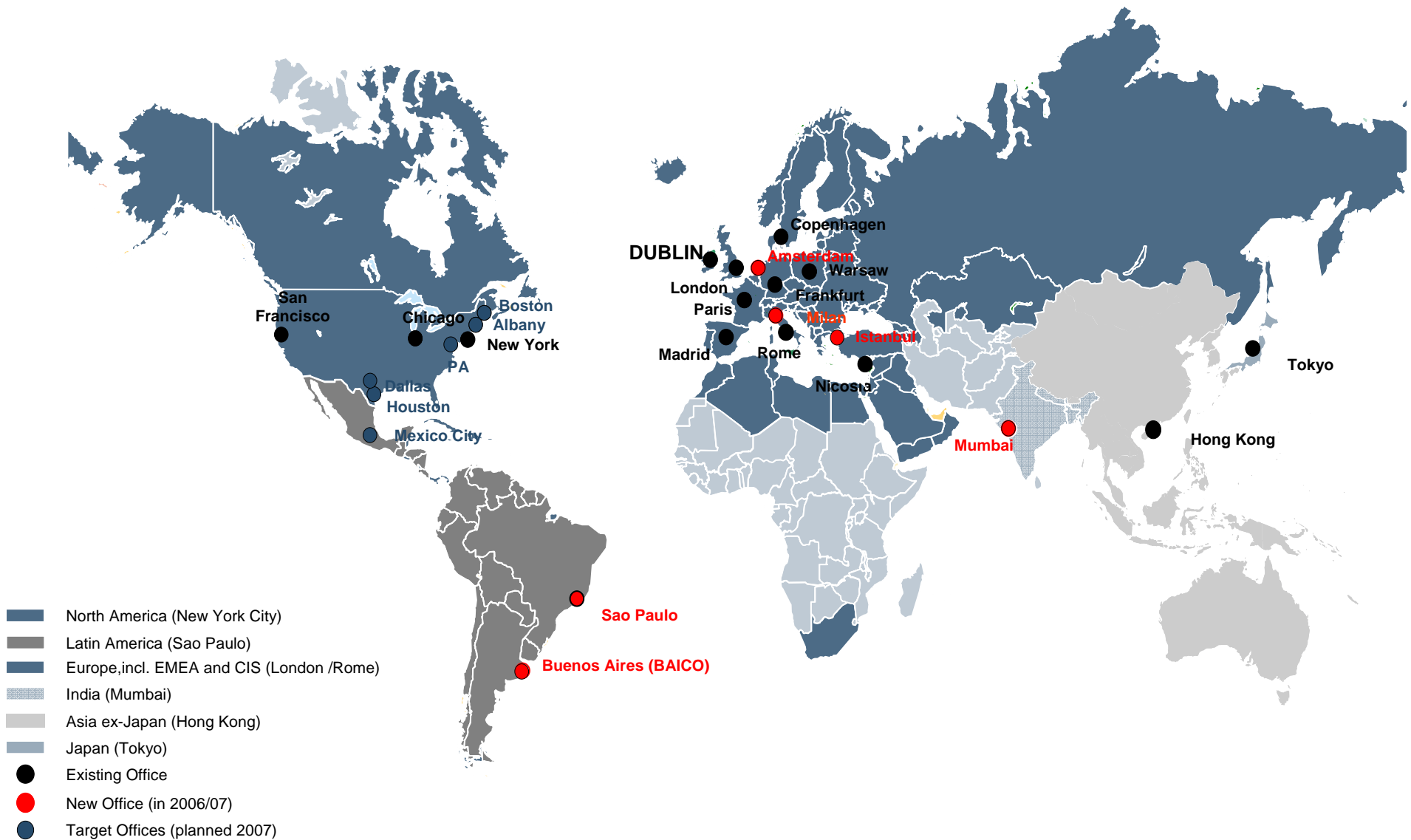


 **DEPFA BANK**

Dublin Amsterdam Chicago Copenhagen Frankfurt Hong Kong London Madrid Milan Mumbai New York Nicosia Paris Rome San Francisco Sao Paulo Tokyo Warsaw

Client Relationship Management

DEPFA serves clients through a global network



Client Relationship Management

Regional Leadership has been introduced

Europe



Bill Marrone

- 27 years in corporate and investment banking
- Senior management positions at Chase Manhattan and Mediocredito/Capitalia (Head of Int. Division)
- MBA in Finance and International Economics from Colombia University

North America



Ken Gibbs

- Public finance banker at Kidder Peabody, CSFB and Lazard Freres prior to joining First Albany in 1993
- Past member of the Board of Directors of Municipal Securities Rulemaking Board
- BA from Harvard College

Japan



Fumiya Aoki

- Over 30 years in banking
- Built up experiences in major business segments such as public sector finance, corporate finance, and financial institutions
- 15 years, member of credit committee of Deutsche Bank, Tokyo

India



Ashish Bajpai

- Specialised in emerging markets for the last 14 years
- Capital markets experience gained at Lehman Brothers and CSFB
- Focused on sovereigns, public sector and infrastructure entities in developing countries
- Qualified as a chartered accountant with price Waterhouse, London

Asia



Stephen Diao

- 18 years experience in investment banking
- Senior management positions at Morgan Stanley, Credit Suisses, Barclays Capital (Head of Debt Capital Markets Asia Pacific)
- Specialist in fixed income new issue origination and syndicate for sovereign and quasi-sovereign public sector borrowers

Latin America



Frank Ottersbach

- 25 years in banking with Chase Manhattan (6 years); WestLB Group (11 years) and DEPFA (8 years)
- Postings in London; Frankfurt; New York; Lima; Caracas; Asuncion; Nicosia and now Sao Paulo.
- Masters degree - American Graduate School of International Management

Role

- Responsibility for all Client Relationship activities and management of country heads in respective region
- Coordination of / involvement in all DEPFA business activities in the region

Client Relationship Management

Europe

Focus and Outlook:

- Strong presence in Western Europe as home market
- Expanding office network in Central, Eastern and South East Europe to leverage the expertise of existing European franchise
- Broadening the product spectrum (e.g., pension advisory; structured Finance)
- During 2006 and 2007 DEPFA has played an increasingly important and prominent role in the financing of Euro-denominated issuance by the Region's sovereigns
- DEPFA is complementing this underwriting activity by building up its distribution platform and its market making capacity, leveraging from our own issuance programme

Total Exposure*: ~EUR 180bn

Number of Clients: ~ 1,200

Number of Offices:

12

Number of Staff:

550 (of which 300 in Dublin)

Client Relationship Management Staff:













60



* Including undrawn commitments

Client Relationship Management

Transaction Highlights – Clients Europe

HUNGARY	SWEDEN	SLOVENIA	ROMANIA	CZECH REPUBLIC	ITALY
 Hungarian Development Bank Ltd. Hungarian Development Bank €500m Eurobond Joint Lead Manager October 2006	 Municipality of Jönköping SEK 105m Loan November 2006	 DARS d.d. €150m Loan Arranger November 2006	 Banca Comerciala Romana €500m Term Loan Facility Arranger November 2006	 Czech Export Bank €75m Term Loan Facility Arranger November 2006	 Regione Veneto €350m Bond Joint Bookrunner December 2006
LATVIA	BELGIUM	FRANCE	SPAIN	PORTUGAL	DENMARK
 City of Riga €1.3m Loan December 2006	 SPGE €30m Loan January 2007	 AP-HM €50m Loan January 2007	 Ens Public de Radiotelevisió de Les Illes Balears €30m Loan March 2007	 Region of Portugal Securitisation €2.8m €2.8m Securitisation April 2007	 Energinet.dk Gaslager Holding A/S DKK 1.5 billion Term Loan May 2007

Client Relationship Management

North America

Focus and Outlook:

- Footprint in the U.S. significantly increased over recent years (now biggest country exposure)
- Good presence in the U.S. in mainly liquidity and standby facilities; derivatives; underwriting and broker/dealer business will grow through the acquisition of First Albany
- Established player in Canada
- Major player in U.S. Guaranteed Investment Contract (GIC) market
- Leader in Infrastructure Finance

Total Exposure*: ~EUR 50bn

Number of Clients: ~ 380

Number of Offices: 8

Number of Staff: 107

Client Relationship Management Staff: 50



* Including undrawn commitments

Client Relationship Management

Transaction Highlights – North America

<p>USA</p>  <p>Colorado Housing and Finance Authority</p> <p>€125.8m Liquidity Facility</p> <p>November 2006</p>	<p>USA</p>  <p>City of Detroit Sewage Disposal System</p> <p>€125.4m Liquidity Facility</p> <p>September 2006</p>	<p>USA</p>  <p>City of Detroit Water Supply System</p> <p>€121.3m Liquidity Facility</p> <p>August 2006</p>	<p>USA</p>  <p>Georgia Municipal Association</p> <p>€127.6m Liquidity Facility</p> <p>July 2006</p>	<p>CANADA</p>  <p>Province of Quebec</p> <p>CDN200m Bond Arranger</p> <p>October 2006</p>	<p>CANADA</p>  <p>Financement-Québec</p> <p>CAD 200m EMTN Arranger & Sole Investor</p> <p>February 2007</p>
<p>USA</p>  <p>City of Charlotte</p> <p>€400m Liquidity Facility</p> <p>August 2006</p>	<p>USA</p>  <p>Oakland University</p> <p>€48.6m Liquidity Facility</p> <p>August 2006</p>	<p>USA</p>  <p>Industrial Development Authority of Kansas City</p> <p>€155.8m Liquidity Facility</p> <p>July 2006</p>	<p>USA</p>  <p>Icon Parking</p> <p>\$350m Mandated Lead Arranger</p> <p>June 2006</p>	<p>CANADA</p>  <p>Financement-Québec</p> <p>CAD 200m EMTN Arranger & Sole Underwriter</p> <p>October 2006</p>	<p>CANADA</p>  <p>Ville de Montreal</p> <p>CAD150m Bond Private Placement</p> <p>May 2007</p>

Client Relationship Management

Latin America

Focus and Outlook:

- Opened office in Sao Paulo end of 2006
- Established exclusive cooperation agreement with BAICO for Argentina and Uruguay. We plan to put similar structures into place in other principal countries in Latin America.
- Seek relative value through local currency transactions and structured deals; & emphasis on origination and distribution.
- Open office in Mexico City in 2007

Total Exposure*: < EUR 1bn

Number of Clients: ~ 30

Number of Offices: 2 (+ 1 BAICO)

Number of Staff: 8

Client Relationship Management Staff: 5



* Including undrawn commitments

Client Relationship Management

Transaction Highlights – Clients Latin America

CHILE



Puerto Terrestre Los Andes

Custom Building €30.5m

Mandated Lead Arranger

July 2006

CHILE



Autopista Central

Toll Road €41.3m

Participant

June 2006

CHILE



Autopista Del Maipo

Toll Road €60m

Participant

September 2006

Client Relationship Management

India

Focus and Outlook:

- The international financing requirements of Public sector entities in India is growing rapidly as India tries to meet the large funding needs of a rapidly developing economy.
- The Indian government has identified poor infrastructure as the main constraint to economic growth and is working on mobilising internal as well as international expertise and capital to address the issue.
- DEPFA is working closely with numerous public sector entities and nodal agencies in meeting the above requirements by leveraging its global capital markets expertise.
- DEPFA's global experience within the PPP sector is also allowing it to work on numerous initiatives with local partners and the Central Government for capacity building within the field of social infrastructure.

Total Exposure*: < EUR 1bn

Number of Clients: ~ 20

Number of Offices: 1

Number of Staff: 10

Client Relationship Management Staff: 6



* Including undrawn commitments

Client Relationship Management

Transaction Highlights – Clients India

INDIA



Hindustan Petroleum Corp Limited

JPY 17.5bn
Loan

Mandated Lead Arranger

March 2007

INDIA




Rural Electrification Corp Limited

JPY 23.5bn
Loan

Mandated Lead Arranger

March 2007

INDIA



Export Import Bank of India

JPY 26bn
Samurai Bond

Lender

November 2006

INDIA



Export Import Bank of India

JPY 11.6bn
Loan

Sole Arranger

September 2006

INDIA



NTPC

\$225m
ADB CFS Loan

Lead Manager

August 2006

Client Relationship Management

Japan

Focus and Outlook:

- Well established presence since 1997
- Huge potential for Infrastructure Financing
- Reform of central and local government system has created new business opportunities
- More deployment of private money in public sector finance through securitization of governmental loans, sales of fixed assets
- Renewals and integration of public infrastructure facilities by the central as well as local government

Total Exposure*: ~EUR 10bn

Number of Clients: ~ 70

Number of Offices: 1

Number of Staff: 34

Client Relationship Management Staff: 4



* Including undrawn commitments

Client Relationship Management

Transaction Highlights 2007 – Clients Japan

JAPAN



Ministry of Finance
Special Account for
National Forest Service

JPY 6.1 bn
Loan

Lender

February 2007

JAPAN



Okayama
Prefecture

JPY 10 bn
Loan

Sole Lender

March - April 2007

JAPAN



Kumamoto
Prefecture

JPY 10 bn
Loan

Sole Lender

April 2007

JAPAN



Hiroshima
Prefecture

JPY 15 bn
Loan

Sole Lender

April 2007

JAPAN



Shimane
Prefecture

JPY 20 bn
Loan

Sole Lender

April 2007

Client Relationship Management

Asia (Ex-Japan Ex-India)

Focus and Outlook:

- New leadership for Asia since 2006
- DEPFA acted as lead investor for international benchmark bonds by the Korean sovereign, Korea public policy banks and the Indonesian sovereign
- Seek to extract value through the full spectrum of the transaction chain: origination, structuring, liability management, underwriting, distribution. Leverage buy-side strengths.
- Broaden franchise footprint: Australia, China, Hong Kong, Indonesia, Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Vietnam

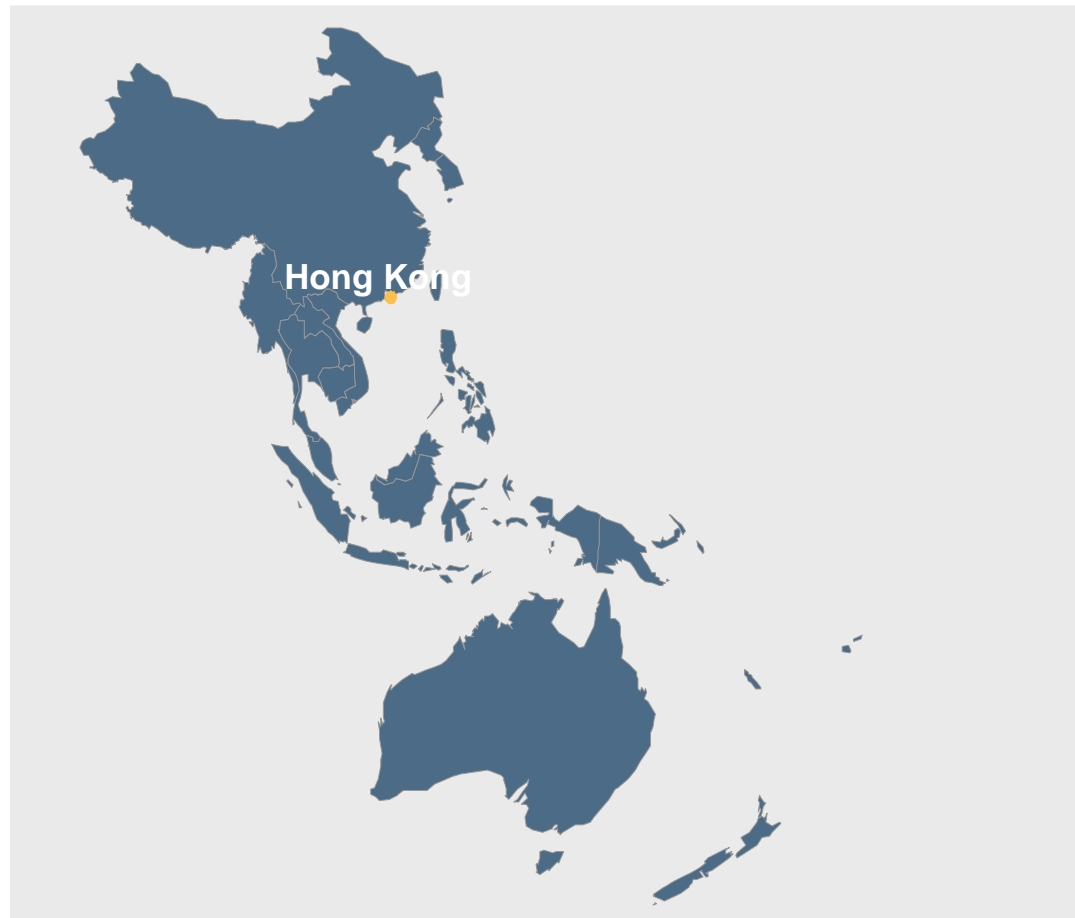
Total Exposure*: ~EUR 3bn

Number of Clients: ~ 30

Number of Offices: 1

Number of Staff: 10









Client Relationship Management Staff: 7



* Including undrawn commitments

Client Relationship Management

Transaction Highlights – Clients Asia (Ex-Japan Ex-India)

<p>VIETNAM</p>  <p>Socialist Republic of Vietnam</p> <p>\$750m Bond Issue</p> <p>Key Investor</p> <p>October 2005</p>	<p>KOREA</p>  <p>Export-Import Bank of Korea</p> <p>\$600m Bond Issue €325m Bond Issue</p> <p>Co-Lead Manager</p> <p>February 2006</p>	<p>KOREA</p>  <p>Korea Development Bank</p> <p>€500m FRN Issue</p> <p>Co-Lead Manager</p> <p>March 2006</p>	<p>KOREA</p>  <p>Export-Import Bank of Korea</p> <p>\$300m Bond Issue \$500m Bond Issue</p> <p>Co-Lead Manager</p> <p>October 2006</p>
<p>KOREA</p>  <p>Republic of Korea</p> <p>€375m Bond Issue \$500m Bond Issue</p> <p>Co-Lead Manager</p> <p>December 2006</p>	<p>INDONESIA</p>  <p>Republic of Indonesia</p> <p>\$1.5b Bond Issue</p> <p>Key Investor</p> <p>February 2007</p>	<p>KOREA</p>  <p>Export-Import Bank of Korea</p> <p>€750m Bond Issue</p> <p>Joint Lead Manager and Bookrunner</p> <p>February 2007</p>	<p>KOREA</p>  <p>Korea Development Bank</p> <p>€300m FRN Issue \$600m FRN Issue</p> <p>Joint Lead Manager</p> <p>March 2007</p>

Introduction and Strategy
Financials
Risk
Global Trends in the Public Sector
Client Relationship Management

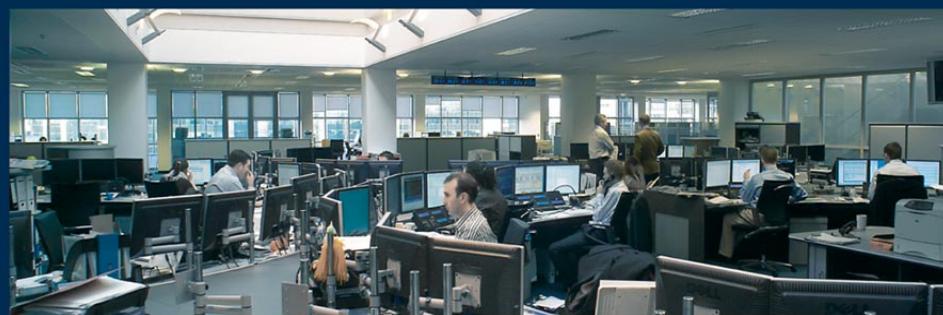
Budget Finance

Infrastructure Finance
Client Product Services
Global Markets
U.S. Business Strategy

Capital Markets Day

Budget Finance, Dublin May 2007

DEPFA BANK plc



 **DEPFA BANK**

Dublin Amsterdam Chicago Copenhagen Frankfurt Hong Kong London Madrid Milan Mumbai New York Nicosia Paris Rome San Francisco Sao Paulo Tokyo Warsaw

Overview

Mission

- To be one of the leading global Public Finance lenders
- To increase the total return of our portfolio
- To be a diversified wholesale global issuer of short and long term debt instruments
- To provide a distribution platform for DEPFA products and public sector assets

What We Said: Capital Markets Day 2006

- Stable margin on new asset generation
- Broader range of funding products
- Increased name recognition
- Increased penetration among investors
- Increasingly skilled and experienced staff
- Increased focus on Syndication and Sales

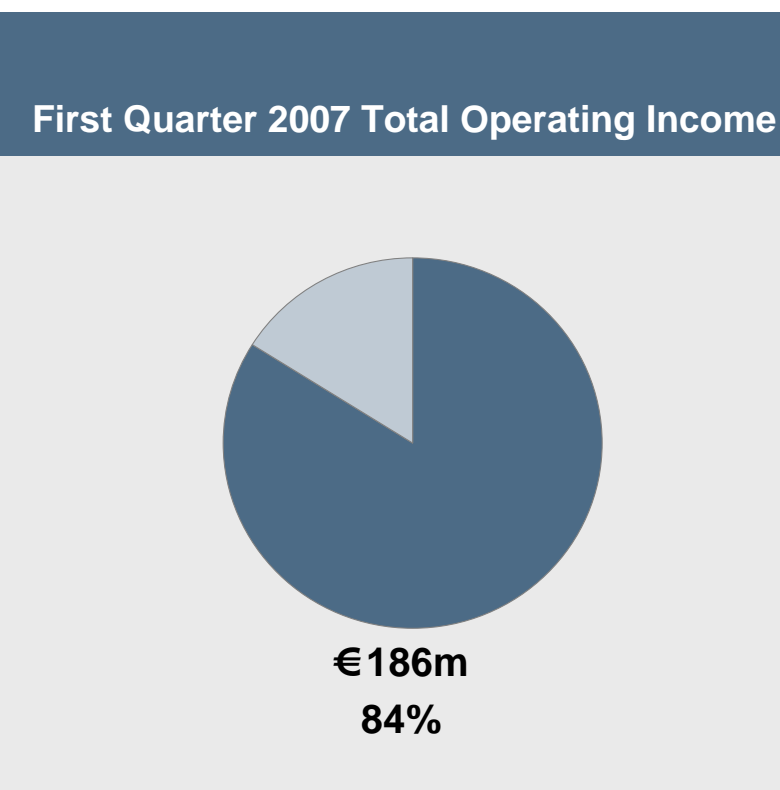
What We Did

- Added €12bn at 14 basis points over libor
- €500m Tier 1, \$30yr, structured Yankee CDs
- Won Euroweek award (€2bn ACS Nov 06)
- 88% US placement (\$1.25bn ACS March 07)
- Won staff from competitors & investment banks
- Priced 582 deals; underwrote €8bn; 12 Public Sector book-running mandates

Achieved Key Targets laid out at Capital Markets Day 2006
Demonstrated DEPFA's uniqueness: sustainable Public Sector Assets flow and resilient Funding

Overview

Structure		
Balance Sheet Management	Funding	Distribution
<ul style="list-style-type: none"> ▪ Lending ▪ Portfolio Management 	<ul style="list-style-type: none"> ▪ Money Markets ▪ Capital Markets 	<ul style="list-style-type: none"> ▪ Syndication ▪ Sales



<i>€ millions</i>	2005 Quarter Average	2006 Quarter Average	2007 Q1
Net Interest Income	77	89	89
Non-Interest Revenues	33	71	97
Total Operating Income	110	160	186
Operating Expenses	-21	-21	-26
Profit before Taxation	89	139	160
Average Financing volume (on B/S)	155,418	168,187	163,780
Average Financing volume (off B/S)	16,165	21,418	22,342

Budget Finance – Balance Sheet Management

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Budget Finance – Balance Sheet Management

The Dynamics of our Balance Sheet

€million	Budget Finance	Other Segments	Total
Volume end of 2005	186,034	19,386	205,420
New commitments	52,507	14,906	67,413
Sales	-27,493	-1,562	-29,055
Maturities and other	-21,725	-3,126	-24,851
Volume end of 2006	189,323	29,604	218,927
Volume end of Q1 2007	182,919	32,752	221,671

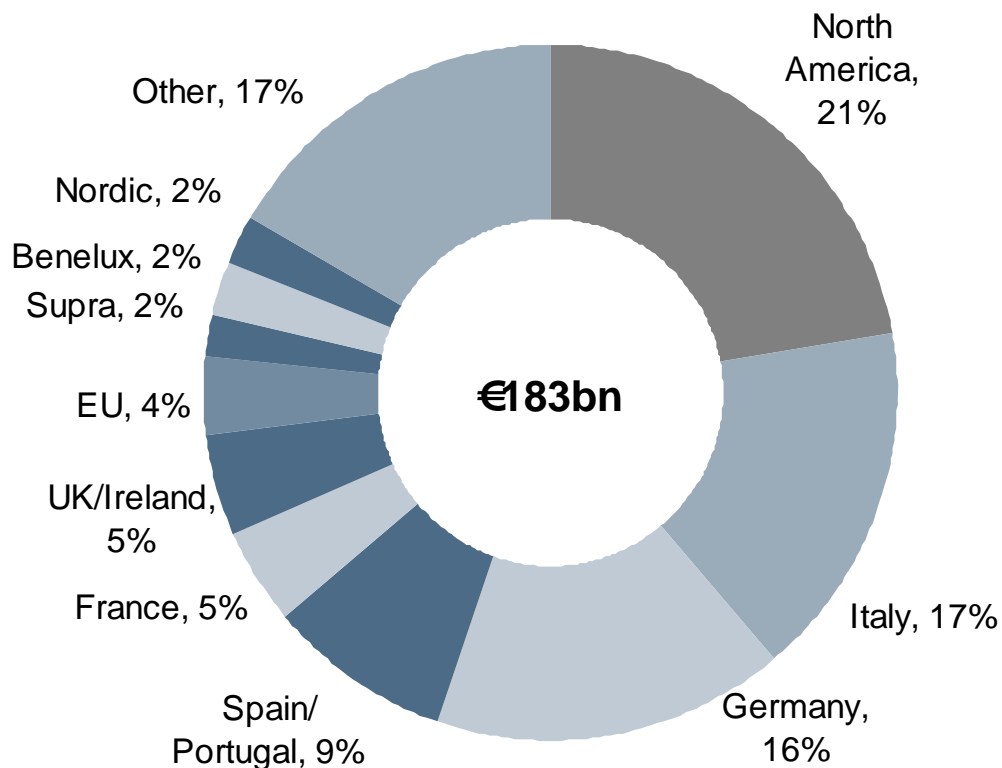
Comments

1. 2006 (and Q1 2007) provided for an environment of tightening spreads
2. In 2006 the Balance Sheet grew moderately with our equity growing stronger than our Balance Sheet Total
3. In a spread-widening scenario we can increase our leverage to provide growth
4. In a spread-tightening scenario we need to continue to balance new commitments and sales to provide P&L growth

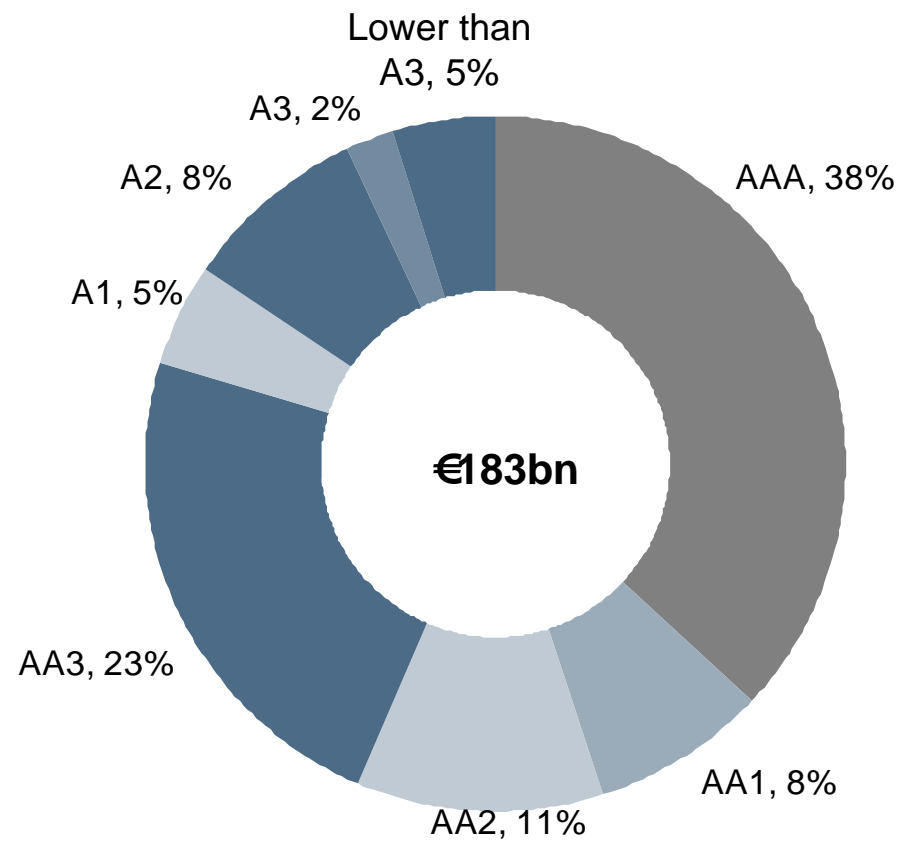
Budget Finance – Balance Sheet Management

Budget Finance's €183bn portfolio

Portfolio by Country



Portfolio by Rating



Average AA2

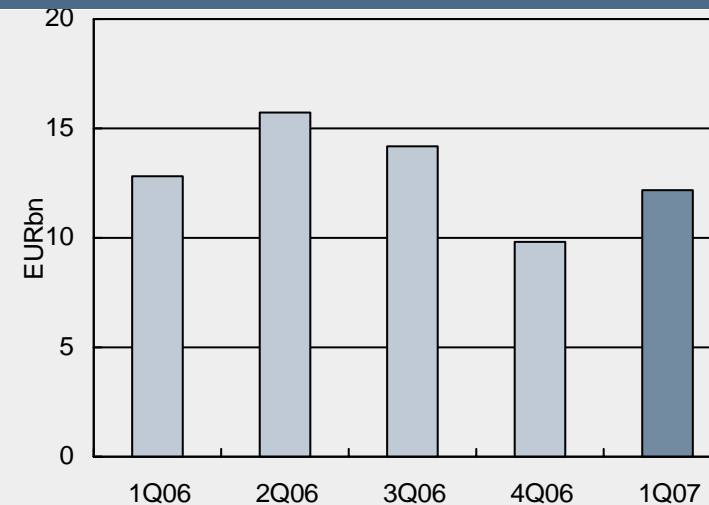
- DEPFA's portfolio is one of the largest Public Sector portfolios globally
- It provides excellent credit quality and is fully hedged against interest rate movements

Lending

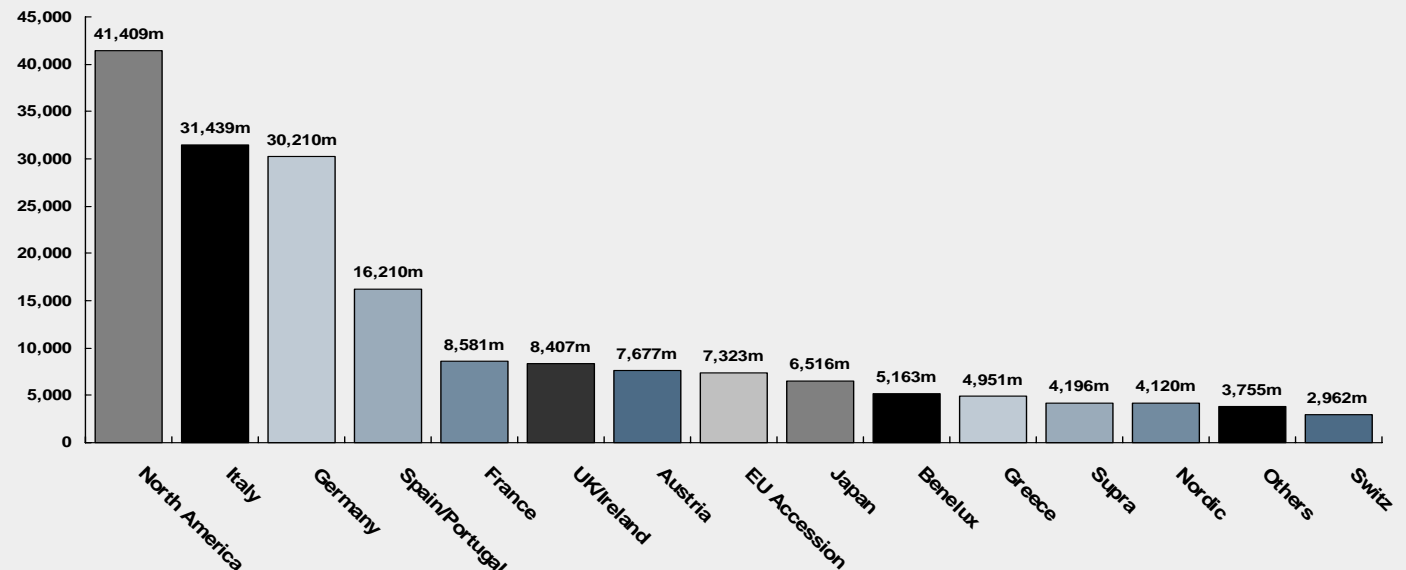
Trends

- Despite increased competition and further tightening of global credit spread:
 - Pick up in new commitments in Q1
 - Further diversification in country mix

New Commitments



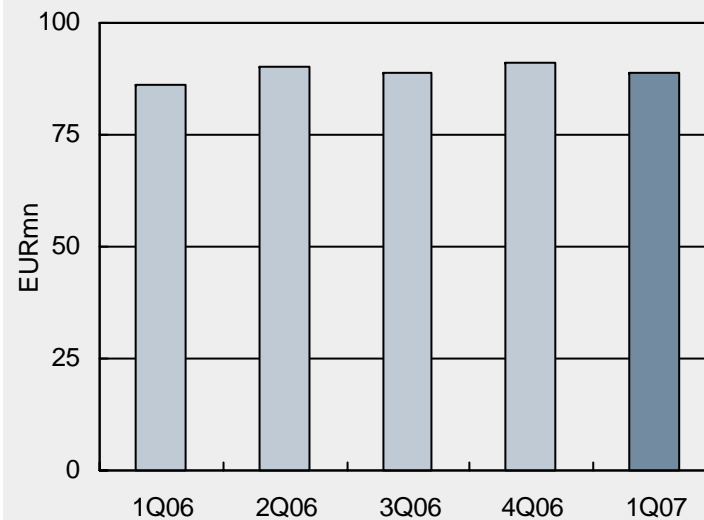
Portfolio Composition



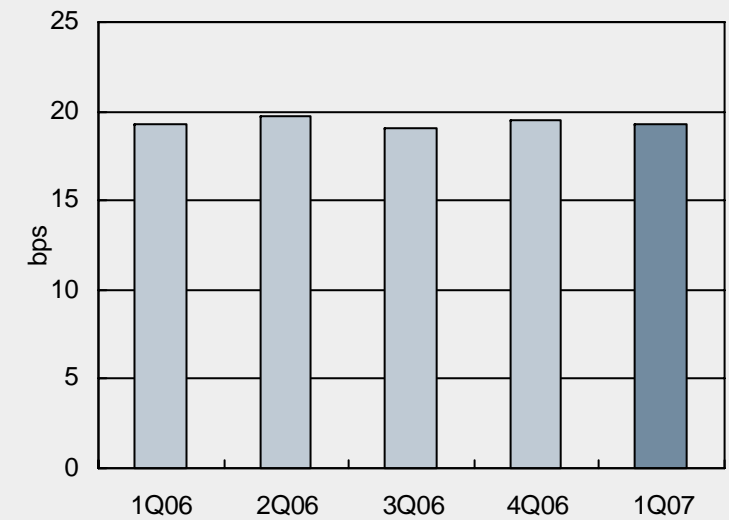
Trends

- Despite increased competition and further tightening of global credit spread:
 - Solid Net Interest Income revenues
 - Average margin stable at approximately 20bps

Net Interest Income



Portfolio Margin



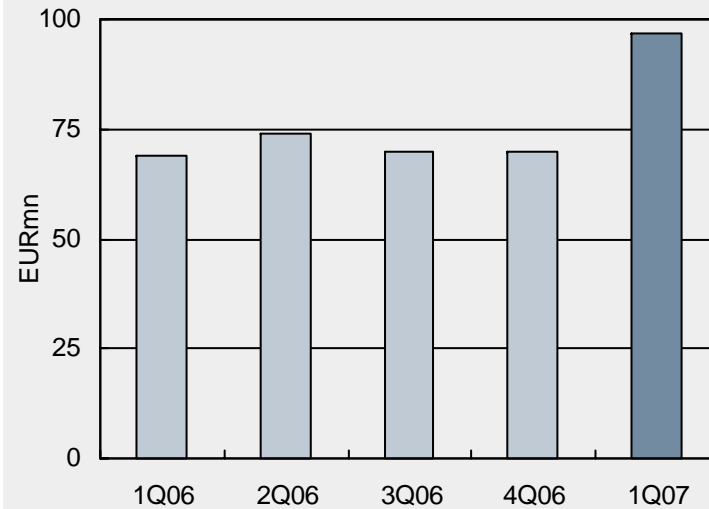
Objectives

- Through the global expanded client network strengthen and deepen the lending universe
- Further global diversification of lending
- Leverage in markets with high return expectations
- Play an increased role in Public Sector bond issues
- Increased local currency lending backed by local currency funding
- Through change in ACS Covered Bond legislation increase capacity to invest in countries uncorrelated with EU

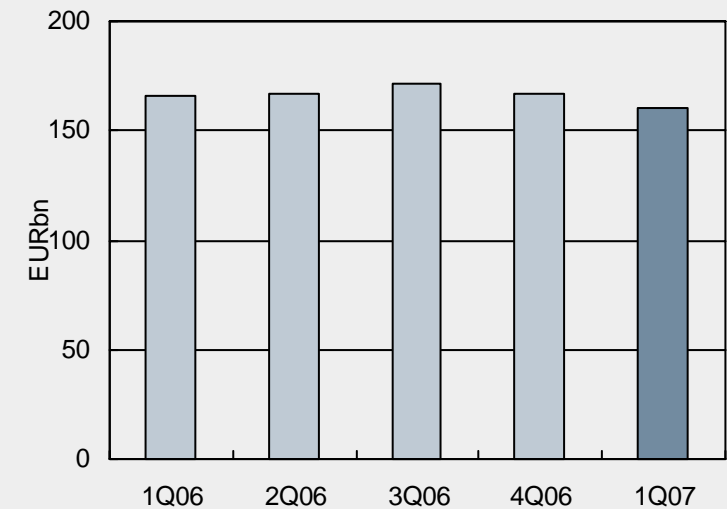
Trends

- Taken advantage of increased credit spreads tightening in core markets:
 - Increased revenues from portfolio optimization
 - With stable portfolio size

Non-Interest Revenues



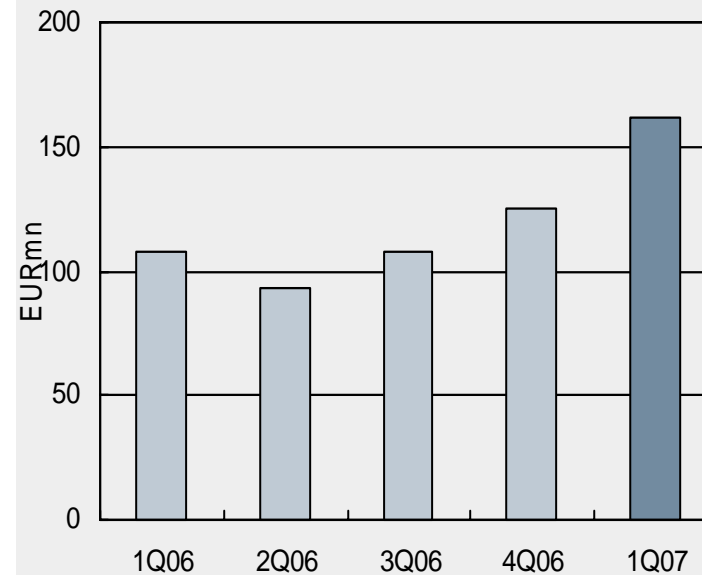
Portfolio Size



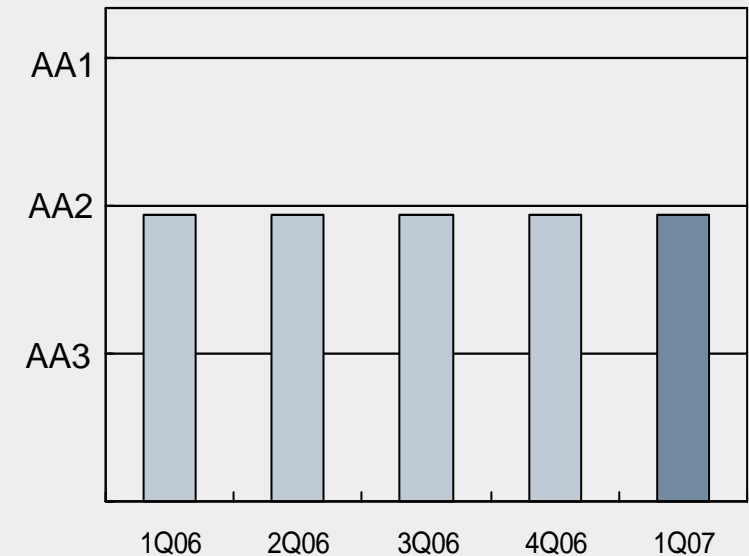
Trends

- Taken advantage of increased credit spreads tightening in core markets:
 - Increased OCI from the portfolio at the same time
 - Maintained high credit quality (AA2) on total portfolio

OCI (after tax)



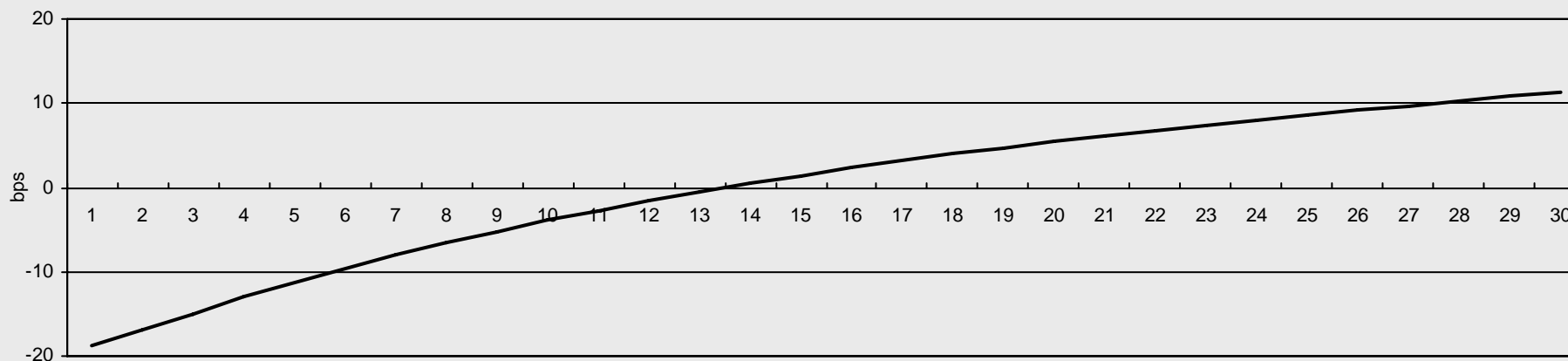
Credit Rating



Budget Finance – Balance Sheet Management

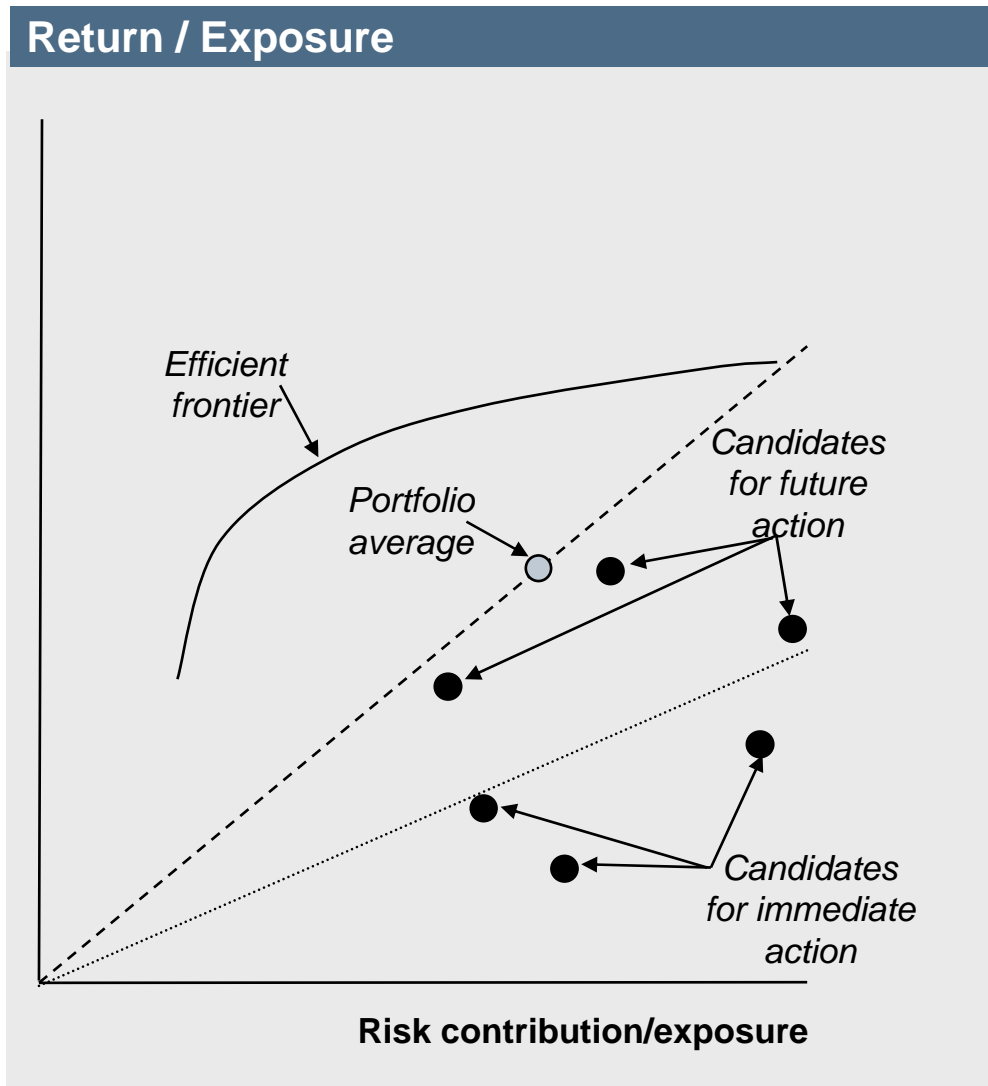
Portfolio Management – working example

Credit Spread across the Italy Credit Curve



Buy €1bn	Bought at Asset Swap Level	Sale at Asset Swap Level	Gain bps	A / L margin in bps	NII €m	Sale of Assets €m	Total Return €m
5Y	-11.2	-13.0	1.8	-3.2	-0.3	0.6	0.3
10Y	-3.9	-5.2	1.3	4.1	0.4	0.9	1.3
15Y	1.4	0.5	0.9	9.4	0.9	1.0	1.9
20Y	5.5	4.7	0.7	13.5	1.3	0.9	2.2
25Y	8.6	8.0	0.6	16.6	1.7	0.8	2.5
30Y	11.4	10.8	0.6	19.4	1.9	0.9	2.8

- Gain from a €1bn purchase held for 1 year based on a constant credit curve => no credit spread volatility

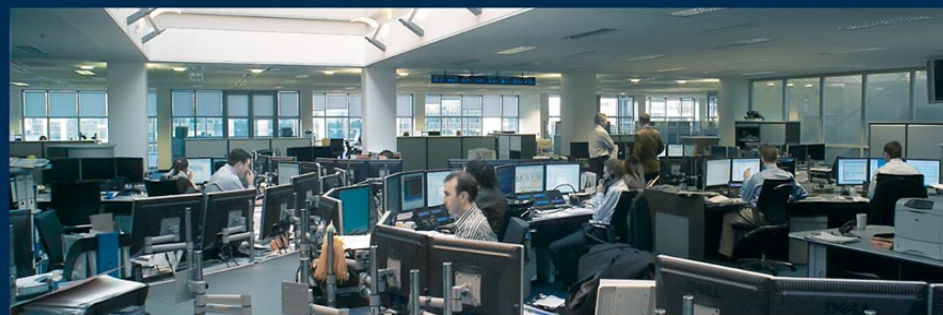


The aim is to make DEPFA even more capital efficient

- **Decision criteria**
 - On-strategy vs. off-strategy
 - Return per unit of risk
 - Absolute amount of risk
- **Tools**
 - Portfolio Review
 - Risk Based Pricing
- **Actions**
 - Risks currently in the portfolio
 - New risks being considered

Budget Finance – Funding

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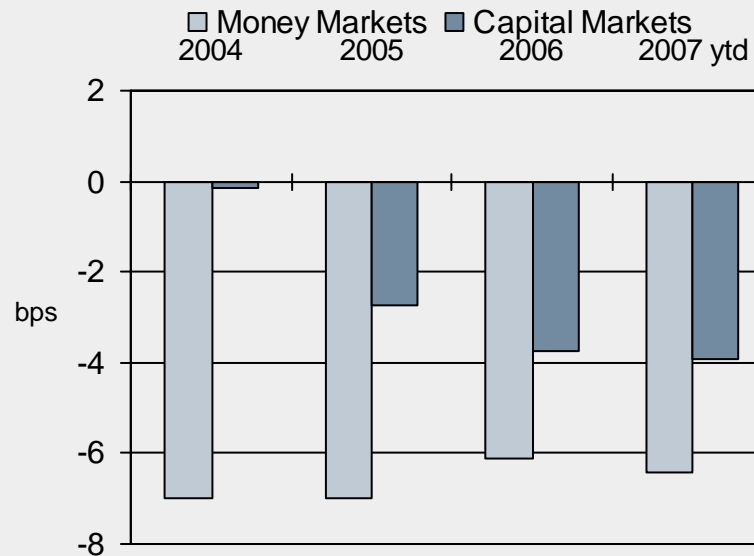
 **DEPFA BANK**

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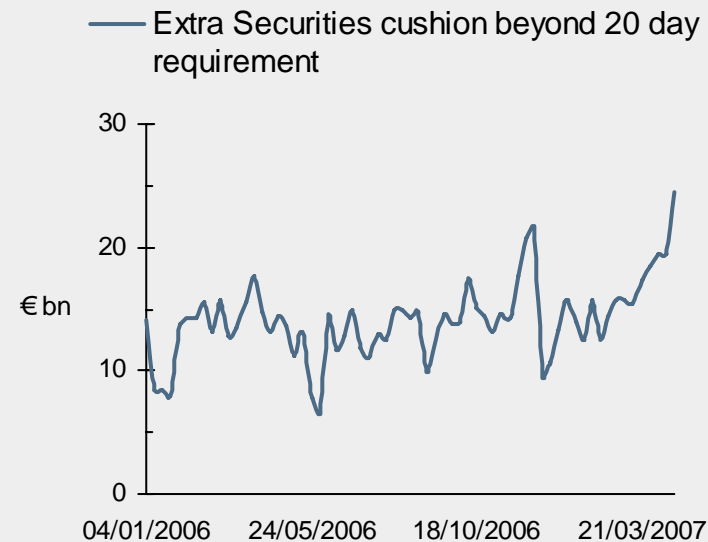
Overview

- Stable funding composition: Long-Term (51%), Repo (23%), and Short-term (26%)
- Globally diversified funding platforms lead to improved sub-libor funding
- Significant extension of long-term funding tenor and stable short term tenor
- Strong Liquidity Reserves
- First ever long (30yr) USD covered bond: \$1.25bn, 88% US allocation

Funding Margin



Liquidity Reserves



The Group Funding Strategy

- Group funding strategy is designed to secure the liquidity of the bank at all times and is founded on several key principles:
 - Maximise access through broadest range of products and markets
 - Extend duration in each market where possible
 - Maintain discipline on cost of funding
 - Match fund assets by currency where possible
 - Ensure a diversified investor base

- All these points serve to ensure that DEPFA has:
 - Ample access to liquidity
 - A strong cost of funding under various rates and economic scenarios
 - Diversity of access that can withstand changes in investor sentiment and focus

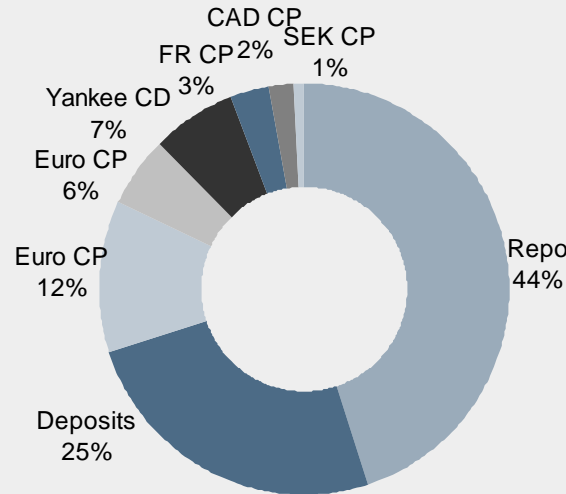
Budget Finance – Funding

Multiple markets and currencies

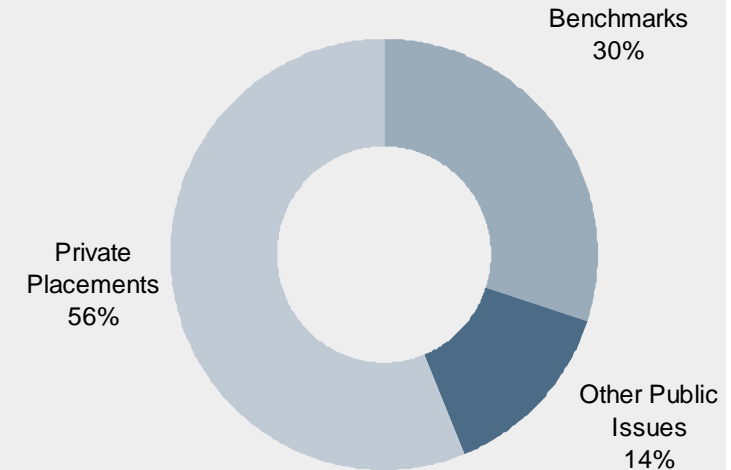
- DEPFA has abundant access to liquidity due to continual innovation in expanding funding programmes:
 - 7 Money Markets liquidity platforms
 - 3 Capital Markets funding entities and multiple points of market access

- DEPFA has decreased currency concentration dependency compared to peers:
 - Money Markets funds in over 20 currencies
 - Capital Markets has funded in 13 currencies 2007 ytd

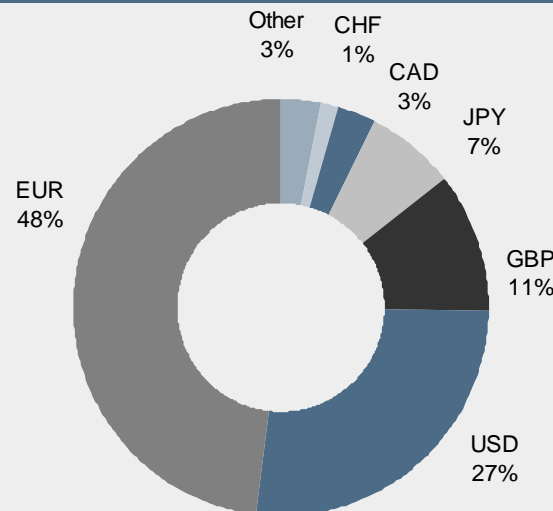
Money Markets Funding



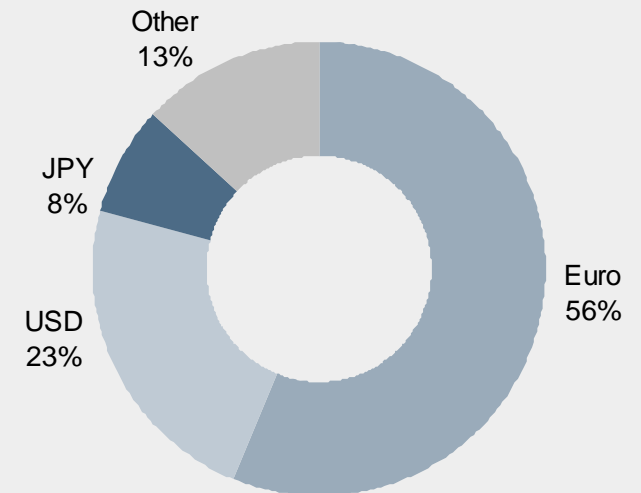
Capital Markets Funding by Type



Money Markets Funding by Currency



Capital Markets Funding by Currency

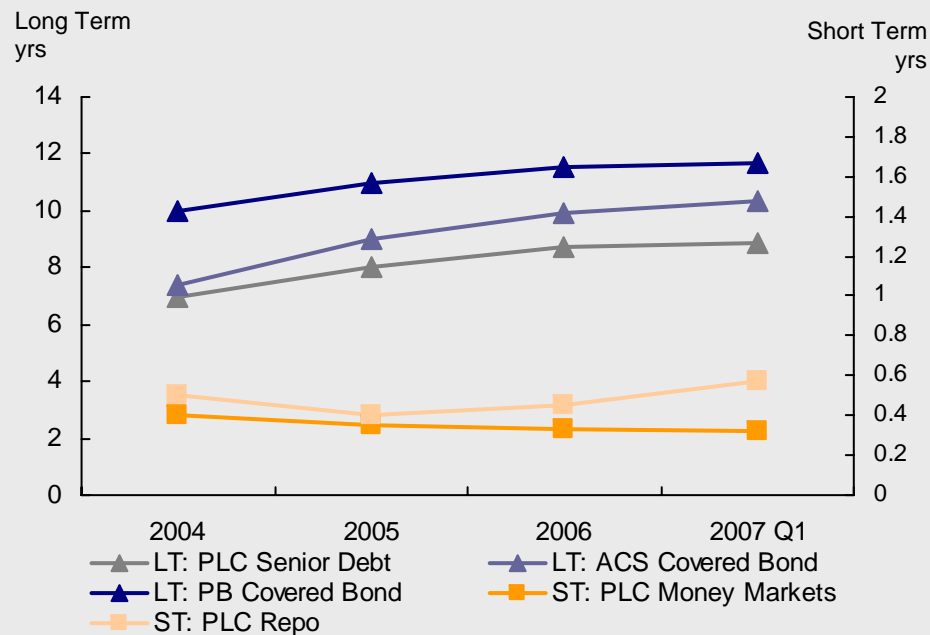


Budget Finance – Funding

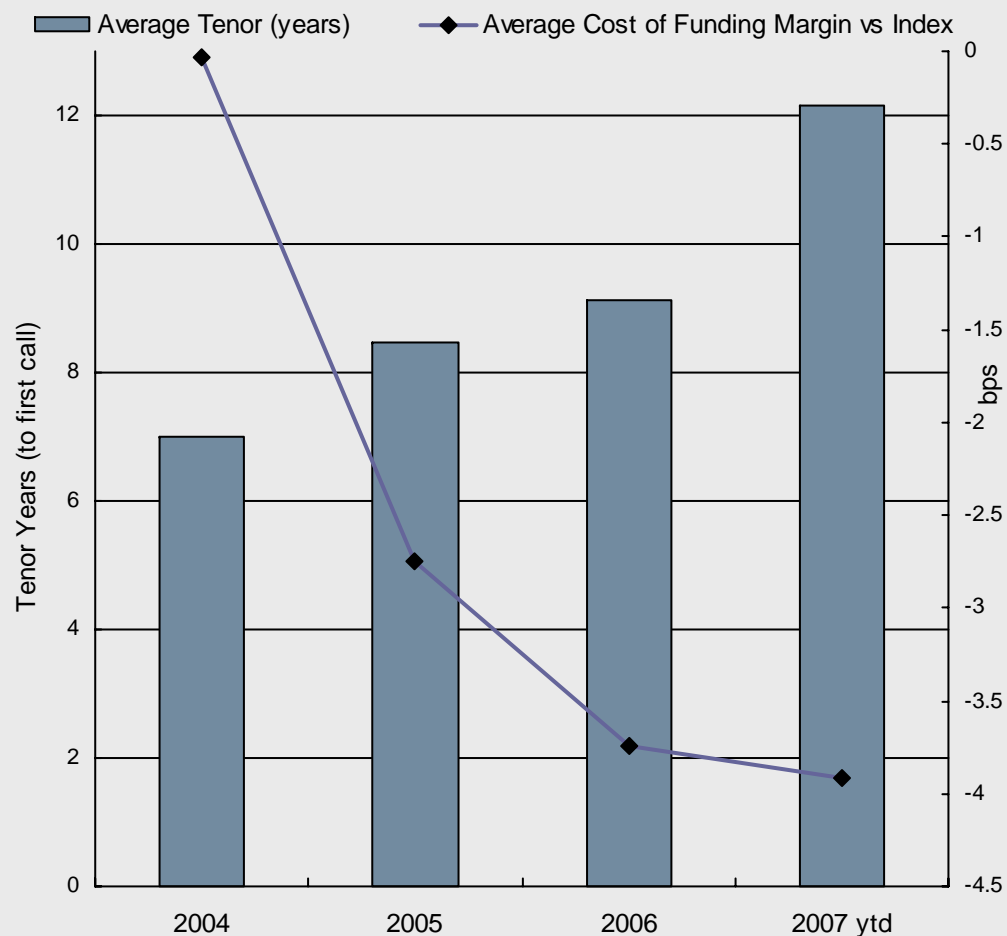
Extended Durations and Decreased Costs

- The Money Market strategy is to maintain a stable footprint in the market by tenor
- The Capital Markets strategy is to exploit periods of flatter funding yield curves to enhance the tenor of the long-term book
 - This has been successfully achieved in each of the last 3 years

Development of Average Tenor of Funding Book



Aggregate cost of new Long-Term Funding & Tenor 2004 - 2007ytd

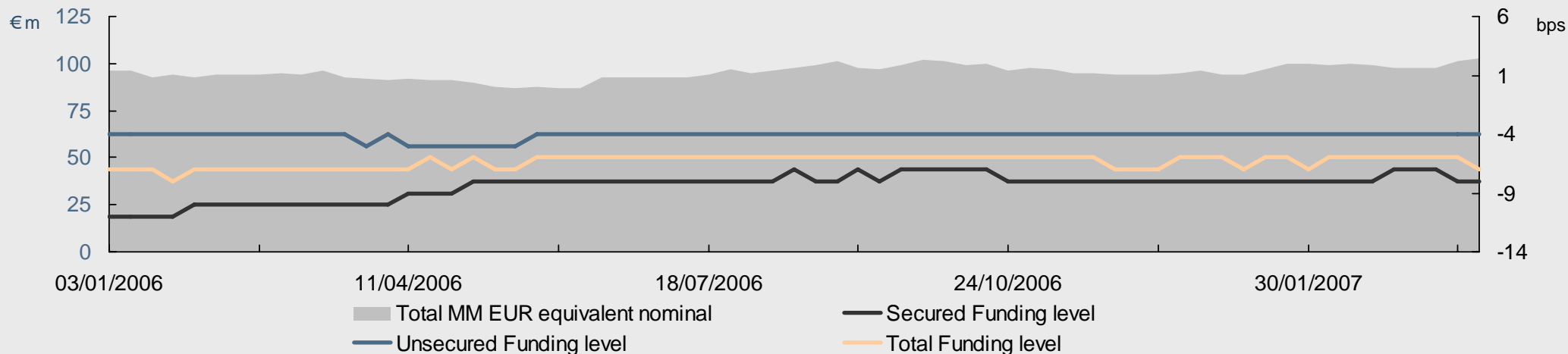


Budget Finance – Funding

DEPFA's credit and discipline in funding programmes is recognised

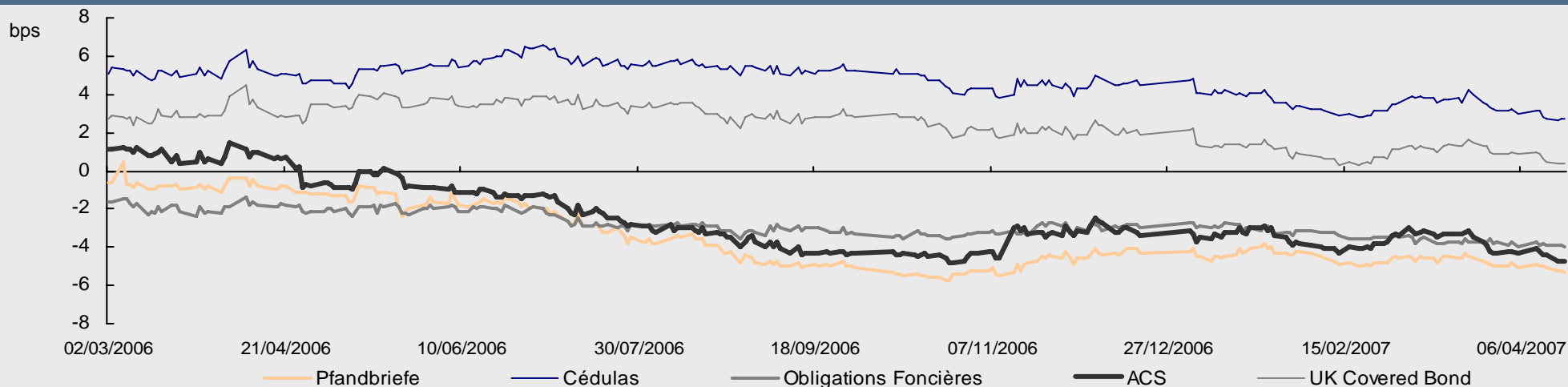
- DEPFA's cost of funding is stable in Money Markets and decreases in Capital Markets

Short-Term Outstandings and Cost of Funding



- DEPFA's funding discipline has been recognised by the market as ACS and PFB credits outperform peers

Development of Covered Bond Spreads (2013/2015)

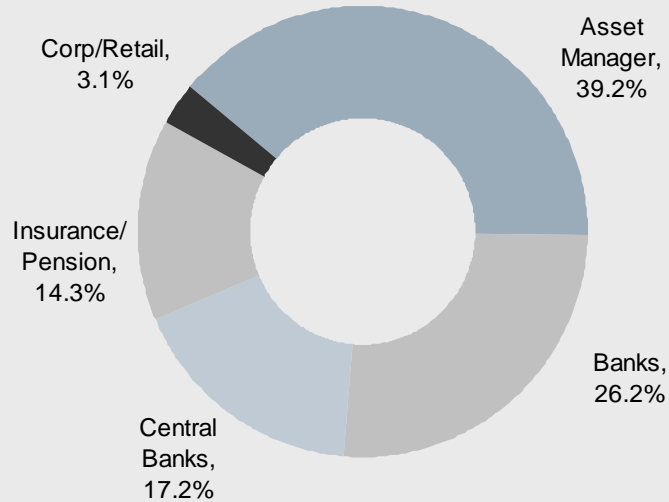


Budget Finance – Funding

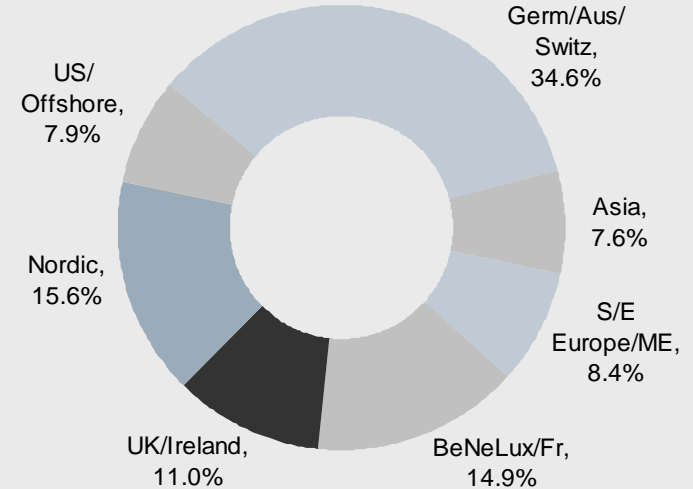
DEPFA's Covered Bond investor base is global and well diversified

DEPFA has successfully penetrated the major regions and investor types

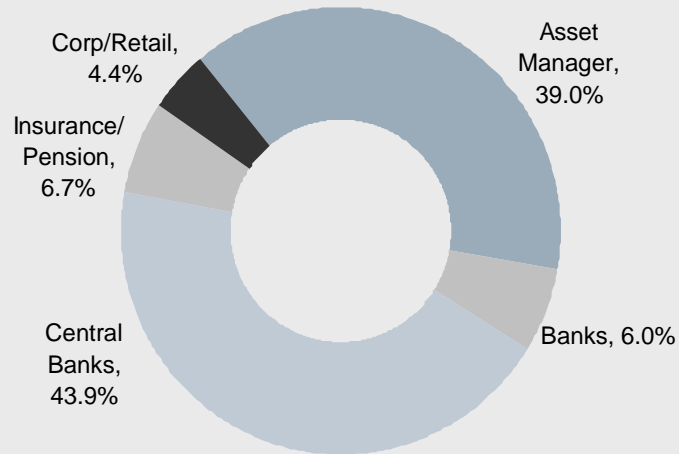
DEPFA EUR Benchmark Distribution by Investor Type



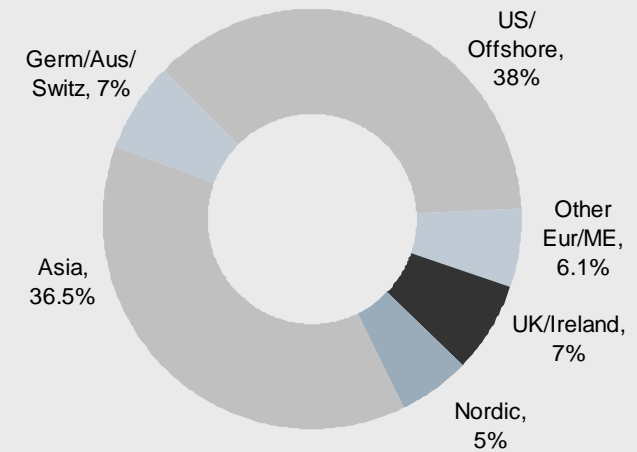
DEPFA EUR Benchmark Distribution by Geography



DEPFA ACS USD Benchmark Distribution by Investor Type



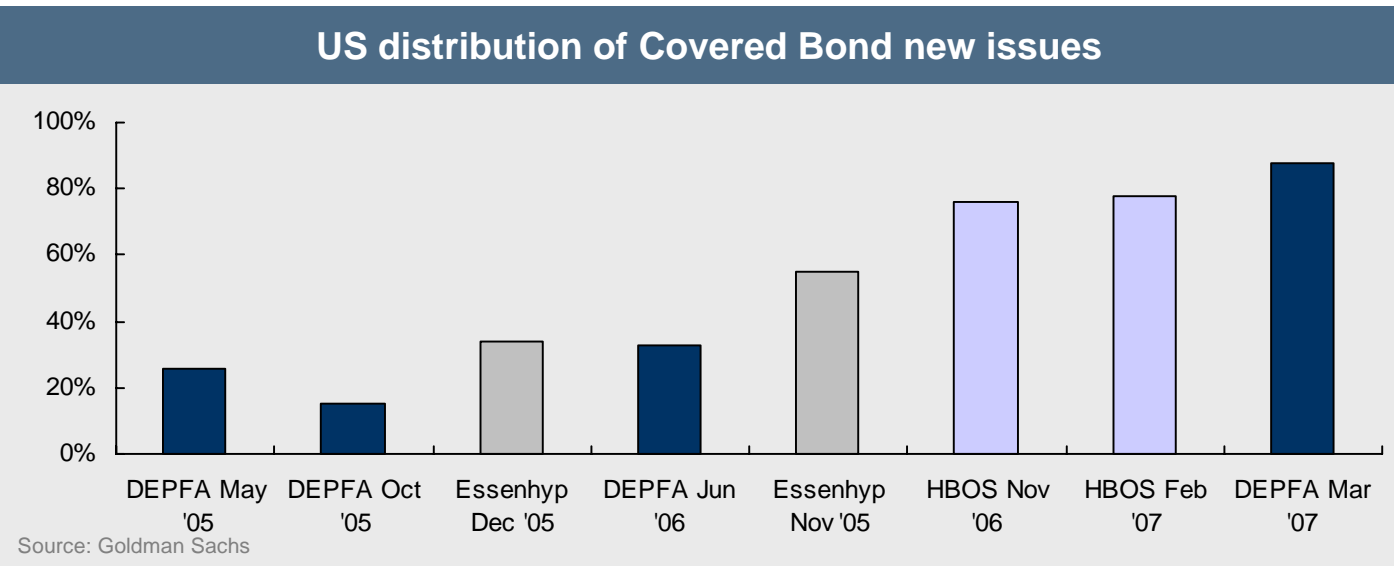
DEPFA ACS USD Benchmark Distribution by Geography



Source: DEPFA All ACS Benchmarks 2003 - 2007

Budget Finance – Funding

The latest 30-year benchmark met all our five criteria



- **Maximise access through the broadest range of markets**
 - Transaction ‘opened’ access to pure US Agency-style market
- **Extend duration where possible**
 - Large volume of 30-year funding
- **Maintain discipline on Cost of Funding**
 - 30-year issue cost just 2bps more on index basis than last EUR 10-year benchmark in November 2006
- **Match fund assets where possible**
 - Locked-in USD funding – while maintaining liquidity of underlying USD assets
- **Ensure diversified investor base**
 - 88% sold to US accounts – highest ever % for any Covered Bond issue
 - 79% new investors compared to last 3 US Dollar issues

However, many types of transaction can have a strategic aim

The 30-year ACS transaction, generated headlines and new investors...

US demand amazes Depfa on \$1.25bn 30yr covered bond

Depfa ACS Bank showed just how fast US demand for covered bonds is developing this week, by issuing a \$1.25bn 30 year deal — the first significant 30 year covered bond in dollars — and placing 88% of the paper with US investors.

That is the highest percentage of US sales yet achieved on a dollar covered bond. Depfa's Irish asset covered security, sold under Rule 144A, was led by Goldman Sachs, Merrill Lynch and Morgan Stanley.
Source: Euroweek

US buys DEPFA's story

DEPFA has historically been widely considered the most successful issuer of global US dollar-denominated covered bonds, though its story has recently been overshadowed by the hype surrounding possible new entrants. But its latest endeavour, which extends its already established curve out to 30 years, will undoubtedly secure its reputation as a dollar covered issuer for a long time to come. **Rachelle Horn and Andrew Stein report.** Source: IFR

US investors swamp Depfa with calls on 30 year ACS sale

continued from page 1
participants believe is more than they absorbed in the previous decade of issuers' attempts to crack the US market.

That total includes 55% of a

only around 3bp against swaps during the volatility.

"This is a validation of covered bonds as an agency product," said Tim Skeet, head of covered bond origination at Merrill Lynch in

deal roadshow, it had been considering such an issue for some time.

"We first started thinking about such a transaction in December, around the time of several covered bond conferences in New York," said

about the product, so we kept the book open until we had answered all their queries."

Although Depfa could have achieved pricing of 1bp over mid-swaps, the deal was re-offered at 2bp.

Source: Euroweek

... however even a short-dated EUR issue can have a strategic benefit

- Jumbo Dec 09 transaction priced at mid swaps -9.5bps
- Tightest non-Pfandbrief issue ever
- 55 new investors to DEPFA ACS
- Double normal distribution into Germany

DEPFA gets a grip on Germany

Also notable was the distribution. "In contrast to our benchmark programme, this deal saw some 55 investors in the book who were new to the DEPFA ACS name, which also accounted for just under half of the total bonds allocated," said

Hoggett. With 59% placed in Germany, Austria and Switzerland, she explained that the amount placed in those regions was double what DEPFA would normally achieve in its benchmarks.

Source: IFR

Budget Finance – Funding

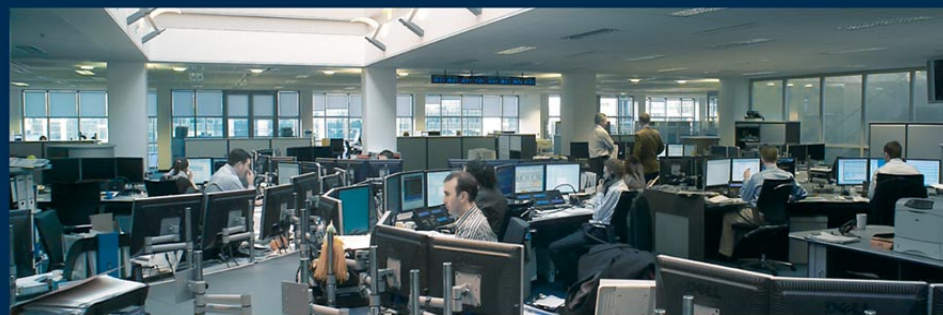
Security of access is a function of the product utilised

Product Type	Money Market Products	Repo	Long-Term Senior Unsecured	Covered Bonds
Liquidity secured by:	<ul style="list-style-type: none"> ▪ Constant price making ▪ Multiple markets and currencies ▪ Buy-back flexibility ▪ Direct counterparty trading and dialogue ▪ Tenor and structure flexibility ▪ Active marketing ▪ Supporting book of repo-eligible securities 	<ul style="list-style-type: none"> ▪ Book of available high quality repo-eligible assets ▪ Multiple repo windows ▪ Constant management of the repo portfolio 	<ul style="list-style-type: none"> ▪ Constant price making ▪ Structure, size, tenor and currency flexibility ▪ Relationships with multiple counterparties ▪ Active marketing 	<ul style="list-style-type: none"> ▪ Active benchmark programme focused on all key geographic regions ▪ Name and product recognition ▪ Innovation ▪ Active MTN and Registered Note business ▪ Active marketing
Impact on product of:				
DEPFA rating downgrade	Mild: less than 1 bp	No impact: dependent on asset base	Mild: less than 1 bp	No impact: CBs would remain AAA
Credit curve steepening	Mild: less than 1 bp	Mild: negligible impact	Mild / Positive: more structured opportunities	Positive: Covered Bond spreads improve
Flight to quality	Mild: more impact on tenor than cost – if any	Positive: demand for highly rated collateral	Mild: return to more plain vanilla product	Positive: Covered Bond spreads improve

The structure of DEPFA's liabilities – long-term AAA and short-term unsecured, provides fundamental support in numerous credit scenarios
Standard flight to quality response is: enhance AAA investments and shorten duration – both of which DEPFA's funding programmes facilitate

Budget Finance – Distribution

DEPFA BANK plc



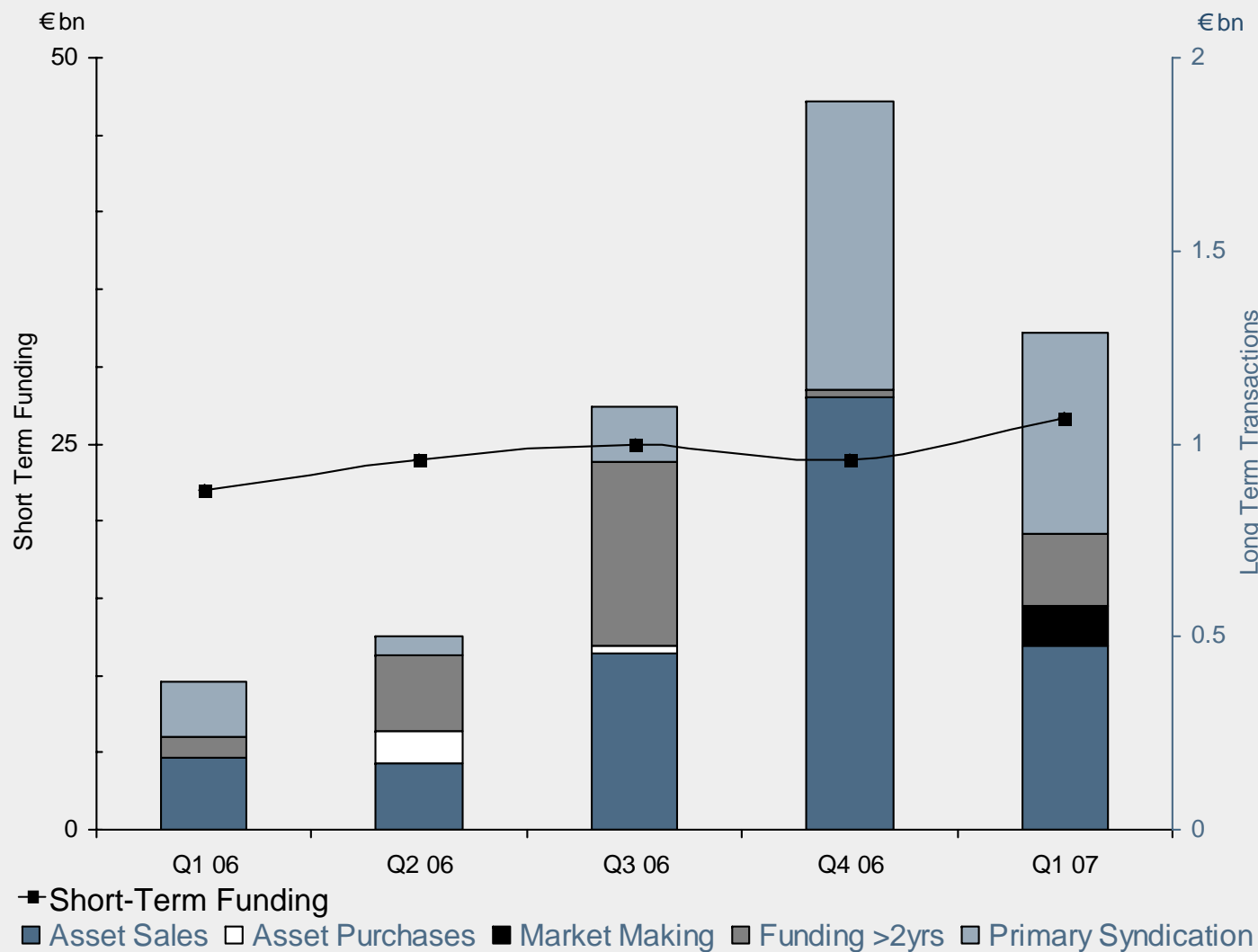
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Achievements

- Deepening penetration of investor clients by Salesforce
 - Own Salesforce distributes 50% of DEPFA's short term funding programme
 - #1 position in Capital Markets MTN League Tables for the first time 2006
 - Direct sales of long-term assets €1.3bn to investors in Q1 2007
- Direct access to more than 400 investors globally
- Significantly expanded account base

Short-Term and Long-Term Asset Transactions



Objectives

- To continue to broaden the institutional investor base
- Increased sales coverage in new markets: Asia and Americas
- Increased penetration of DEPFA Funding Products and Public Sector Assets to existing institutional investors
- Expand on US platform, enhanced distribution through:
 - First Albany
 - Structured Yankee CDs
 - 144a MTNs
 - Covered Bonds

Budget Finance – Distribution

Transactions

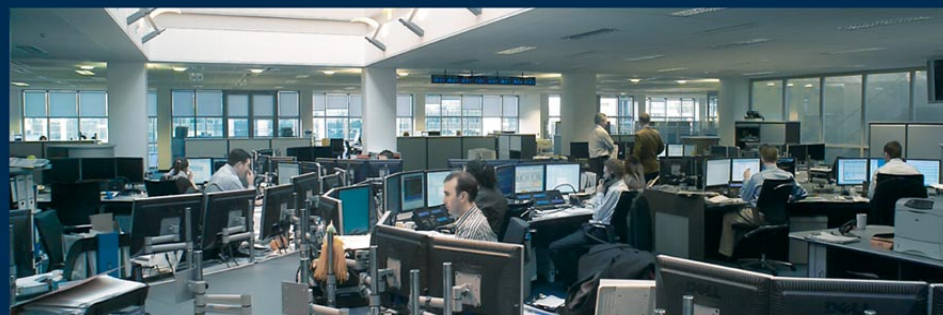
<p>SPAIN</p>  <p>Comunidad Autónoma de Castilla-La Mancha €200,000,000 Eurobond Issue Joint Bookrunner January 2006</p>	<p>GREECE</p>  <p>Hellenic Railways €13,300,000 Bond Loan Sole Arranger June 2006</p>	<p>SPAIN</p>  <p>Comunidad de Madrid €300,000,000 Bond Issue Bookrunner September 2006</p>	<p>HUNGARY</p>  <p>Hungarian Development Bank Ltd. Hungarian Development Bank €500,000,000 Eurobond Joint Bookrunner October 2006</p>
<p>ITALY</p>  <p>Regione Veneto €350,000,000 Bond Issue Joint Bookrunner November 2006</p>	<p>SOUTH KOREA</p>  <p>KEXIM €50,000,000 Bond Issue Joint Bookrunner February 2007</p>	<p>INDIA</p>  <p>Rural Electrification Corp USD 200,000,000 JPY Syndicated Facility Joint MLA March 2007</p>	<p>INDIA</p>  <p>Hindustan Petroleum USD 150,000,000 JPY Syndicated Facility MLA March 2007</p>

Introduction and Strategy
Financials
Risk
Global Trends in the Public Sector
Client Relationship Management
Budget Finance
Infrastructure Finance
Client Product Services
Global Markets
U.S. Business Strategy

Capital Markets Day

Infrastructure Finance, May 2007

DEPFA BANK plc



 **DEPFA BANK**

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- Introduction
- Overview of Market Developments
- Our Performance
- Outlook and Prospects

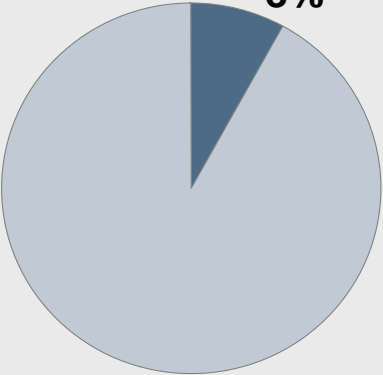
Mission: To provide off-budget infrastructure financing products for the benefit of our public sector clients
To build up a good quality infrastructure loan portfolio, with an appropriate balance between risk and reward
To develop synergies with DEPFA's other core business lines (e.g. Budget Finance, CPS)

Milestones

- Threefold increase in Q1 net income to € 12m
- Leader in UK PFI schools projects
- Acquisition finance deals in US and UK
- Index-linked funding of U.K. utilities
- Financial advisor reputation established in US and France
- Strong growth in Australian deals
- Hybrid availability/revenue conference centre transaction in Ireland

Opportunities

- Pipeline of 300 potential transactions
- North American market becoming very active
- Strong deal flow in UK where we are one of the leaders
- Water and transport in Italy
- Good pipeline in Australia
- Acquisition finance / advisory (sell and buy sides): utilities, ports, roads, airports
- Equity investment in infrastructure projects

First Quarter 2007 Total Operating Income	<i>Million EUR</i>	2005 Quarter Average	2006 Quarter Average	2007 Q1
<p style="text-align: center;">€18m 8%</p> 	Net interest income	5	10	16
	Non-interest revenues	1	4	2
	Total Operating Income	6	14	18
	Operating Expenses	-4	-5	-6
	Profit before taxation	2	9	12
	Average Financing volume (on B/S)	1,701	4,187	6,429
	Average Financing volume (off B/S)	902	1,775	2,732

What does “INFRASTRUCTURE” mean to DEPFA?

Sectors	<ul style="list-style-type: none">• Transport, Utilities and “Social” Infrastructure (“accommodation” projects such as schools, hospitals, police stations, prisons and government offices)
Typical features	<ul style="list-style-type: none">• Provision of essential infrastructure services• Stable long-term, (often inflation-linked) cash flows• Acceptable credit rating and pricing• Inelasticity to economic cycles• Monopolistic industry characteristics with high barriers to entry

How does IFU create value for DEPFA’s franchise?

Products	<ul style="list-style-type: none">• Financial Advisory / Equity / Mezzanine Debt / Senior Debt / Derivatives
Synergies	<ul style="list-style-type: none">• CRM – relationship building with public sector clients• CPS – new business opportunities for risk hedging products• BUDGET FINANCE – more “hybrid structures” (e.g. Tubelines / TFL; French PPP’s)

Where are we going?

Regionally	<ul style="list-style-type: none">• Focused geographic expansion where we can see added value to DEPFA’s franchise
Structurally	<ul style="list-style-type: none">• Those sectors which have key features of “essentiality” and an acceptable risk/reward balance

- **The Infrastructure Finance Unit (“IFU”) is a market leader in the international infrastructure finance market. We are recognized for our key strengths:**
 - Commitment to public sector finance
 - Knowledge of different public infrastructure project structures used worldwide
 - Experienced and highly-qualified personnel
 - Flexibility and speed of response
 - Broad geographic coverage
 - Capacity for arranging large transactions with varying terms

Introduction



TheBanker

- **No. 1 in Transportation Mandated Lead Arranger Roles** and **No. 4 in PPP Mandated Lead Arranger Roles** by Infrastructure Journal for 2006
- **No. 1 among North American Transportation Mandated Lead Arrangers** by Project Finance Magazine for the first half of 2006
- **Gold Award for Project Financing for Golden Ears** from the Canadian Council for Public Private Partnerships, 2006
- **North America PPP Deal of the Year for Golden Ears Bridge** from Project Finance Magazine, 2006
- **Infrastructure Journal Deal of the Year for Golden Ears Bridge** from Infrastructure Journal, 2006
- **North American Transport and Overall Deal of the Year for the Indiana Toll Road** from Project Finance Magazine, 2006
- **Most Innovative Non-Traditional Public Finance Transaction for the Indiana Toll Road** from The Bond Buyer, 2006
- **US Road Deal of the Year for the Indiana Toll Road** from Jane's Transport Finance
- **Deal of the Year for Pocahontas Parkway** from ARTBA, 2006
- **Bank of the Year, Global PPP Debt Arranger** from Infrastructure Journal, 2005

- **GLOBAL MARKET**

- Developed countries

- Market potential for PPP's over next 10-15 years is “hundreds of billions of Euro”
- Every country is using some form of PPP to access private sector expertise and capital
- In 2006 *Infrastructure Journal* ranked DEPFA 4th in global PPP MLA league table with 6% market share

- Developed countries

- Demand is big...but so are the problems – capacity, affordability, transparency, etc.

- **PRIVATISATION OF INFRASTRUCTURE**

- Which sectors? Countries?
- Private Equity or Project Finance model?
- Threat or opportunity?

- **RISKS INCREASING**

- Some markets overheating: driven by high institutional liquidity
- Pressure on credit structures
- Pressure on pricing
- Pressure on resources (public / private)

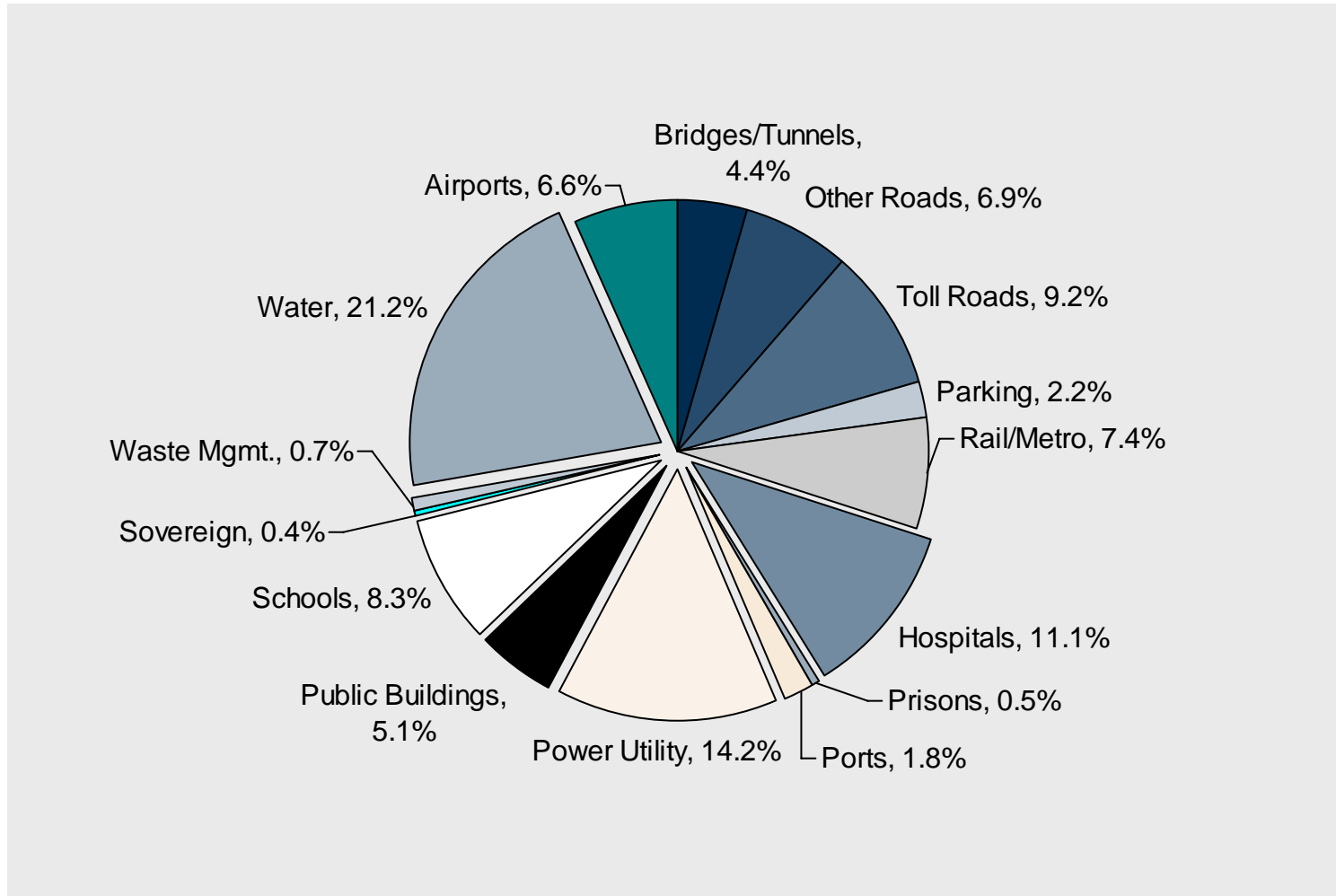
Our Performance

Portfolio Growth 2004 – Q1 2007

Assets in €million	2004	2005	2006	Q1 2007
Total Commitments	2,263	2,893	8,197	10,214
Total Drawn Balances	1,417	1,879	5,741	7,117
Number of Transactions	81	99	151	188

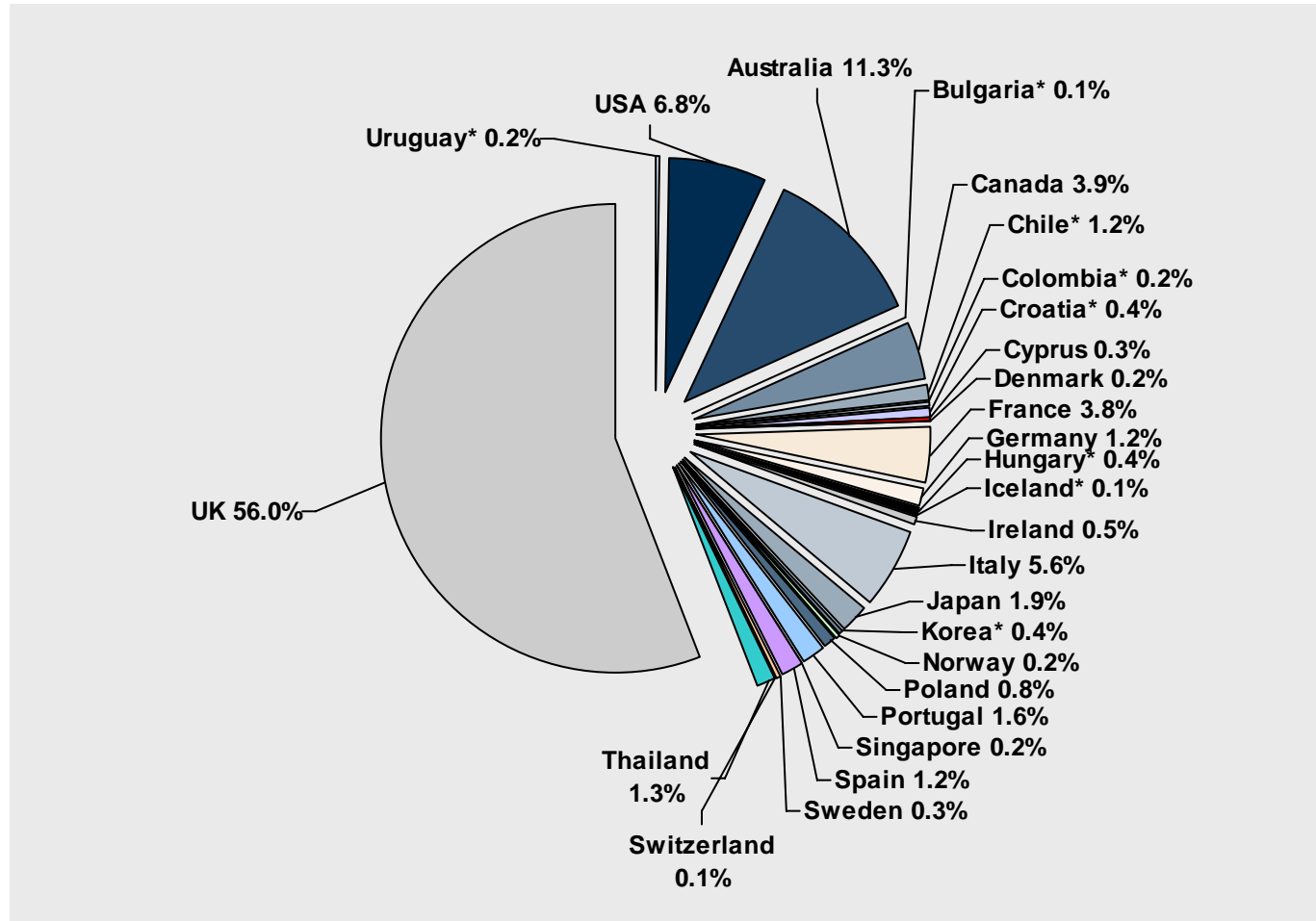
Our Performance

Commitments by Sector Q1 2007



Our Performance

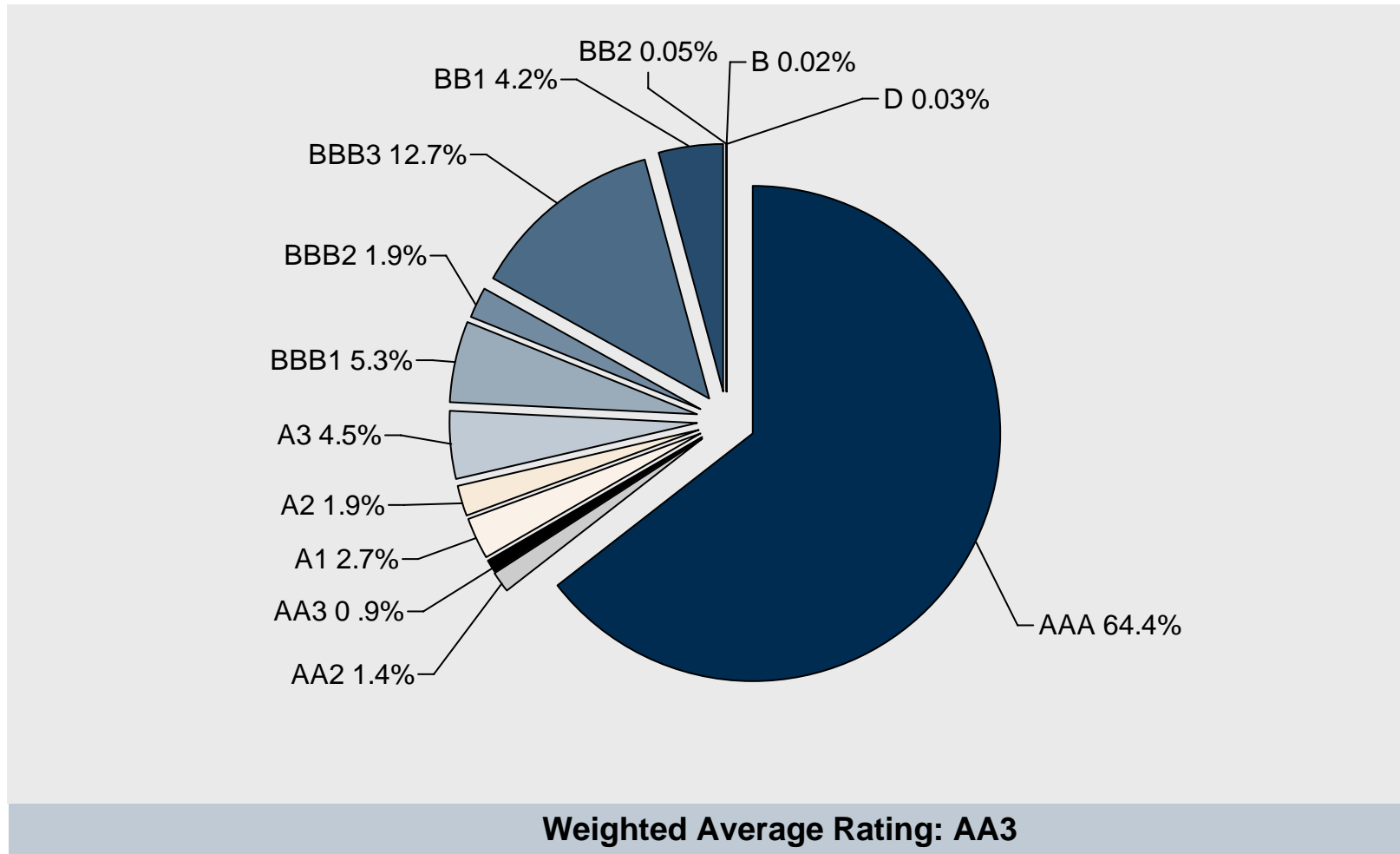
Commitments by Country Q1 2007



* Some or all of the political risk exposure has been credit enhanced

Our Performance

Internal Ratings Breakdown



Highlight transactions

N. America

GCT Container Terminals (OTPP), USA (Conor Kelly)

Europe

National Conference Centre, Ireland (John Kirwan)

Asia Pacific

Gulf Electric Power, Thailand (Paul Leatherdale)

Resources

- We have grown the team to ca. 60, and will continue to invest in well qualified people, based locally when appropriate to originate and execute new business

- On November 24, 2006, Orient Overseas (International) Limited announced the sale of its Terminals Division to Ontario Teachers Pension Plan, one of the largest financial institutions in Canada (with net assets exceeding C\$96 billion) for US\$2.35 billion
- This transaction (GCT Container Terminals) is the largest container terminal acquisition in North America to date
- DEPFA acted as a sub-underwriter (ca. €116m equivalent) in this transaction
- The acquisition consists of a diversified portfolio of port terminals on both the East Coast and West Coast – (i) Deltaport in Delta British Columbia, (ii) Vanterm in Vancouver, British Columbia and (iii) Global Terminal in Bayonne, New Jersey. The fourth terminal, New York Container Terminal in Staten Island, New York is awaiting regulatory approval from the Port Authority of New York/New Jersey

- These terminals operate in the two fastest growing, high volume ports in North America and represent approximately 6% of total container flows to the major U.S. and Canadian ports in 2006
- The Terminals Division recorded earnings before interest, taxation, depreciation and amortization of US\$76.4 million and net profits after taxation of US\$36.1 million for the year ended 31 December 2005. The Terminals expect to generate 2006 revenues and EBITDA of \$498.9 million and \$114.3 million, respectively
- The acquisition multiple was 21.3x estimated 2006 EBITDA
- The credit facility was structured as a hybrid between leveraged financing and traditional project financing
- Internal rating: BBB3
- Term: 7 years
- Approximate annual revenues: € 1.7m
- Approximate RORA: 21.7% p.a.

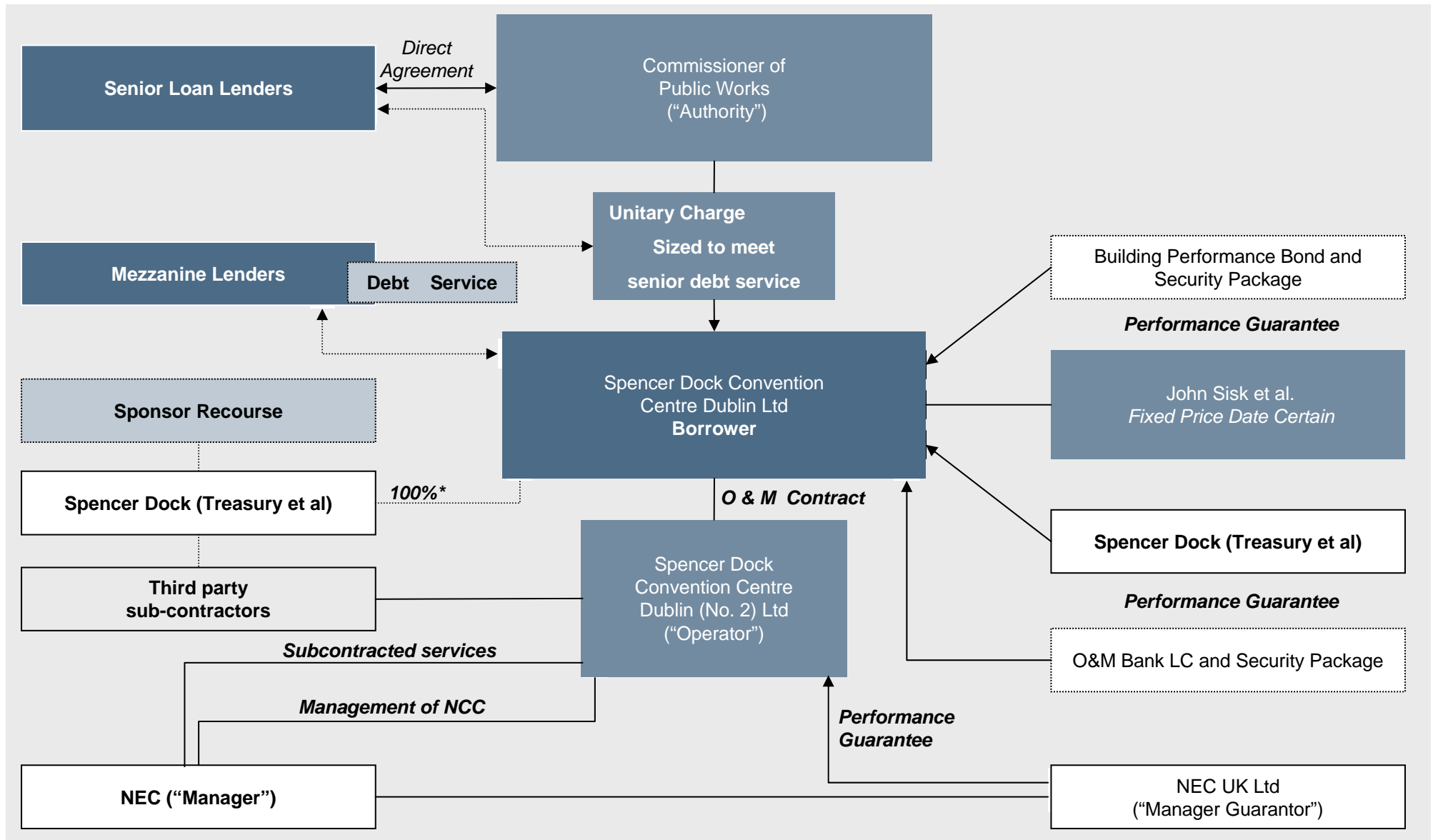
- €265m senior (€250m) and mezzanine financing (€15m) and associated derivative products
- DEPFA one of two Mandated Lead Arrangers
- Sponsors are ultimately Treasury Holdings, John Sisk and Harry Crosbie
- Structured as a PPP – the first of its kind in Europe
- 25 year Concession from the Office of Public Works (OPW) (+ 4 year build period) to construct and operate the centre
- Under the Concession there is an ‘availability payment’ from the OPW which covers the senior debt service obligations
- The project company can also earn income from conference related activities over the duration of the Concession

- As per a typical PPP project the construction risk is transferred under a fixed price and date certain contract with the contractor (John Sisk)
- Unusually the O&M risks are operated by a second SPV which is run on a part fixed price part cost plus basis by NEC
- Outcome: a profitable, landmark and investment grade transaction
- Internal Rating: BBB3
- Term: 27 years
- Approximate annual revenues: € 1.3m
- Approximate RORA: 16% p.a.

Infrastructure Finance

National Conference Centre, Ireland - continued

Structure of the Transaction: Turnkey Contract



- The purpose of the deal is to re-finance the existing USD and THB denominated loans borrowed from Thai local banks, eligible for Asian Bond Insurance to be provided by NEXI. DEPFA's guarantee commitment €128 m
- After financial closing of three Japanese ECA insured PPI deals in Korea (Daegu-Busan Expressway and Seoul Beltway) and Croatia (HAC) in the past few years, DEPFA was welcomed by Nippon Export and Investment Insurance (NEXI). (100% owned and 95% reinsured by the Government of Japan)
- This successfully demonstrated DEPFA's growing reputation in the area of Japanese ECA covered cross-border PPI and on/off-budget finance transactions
- Internal Rating: A1
- Term: 10 years
- Approximate annual revenues: € 0.3m
- Approximate RORA: 80% p.a.

Transaction

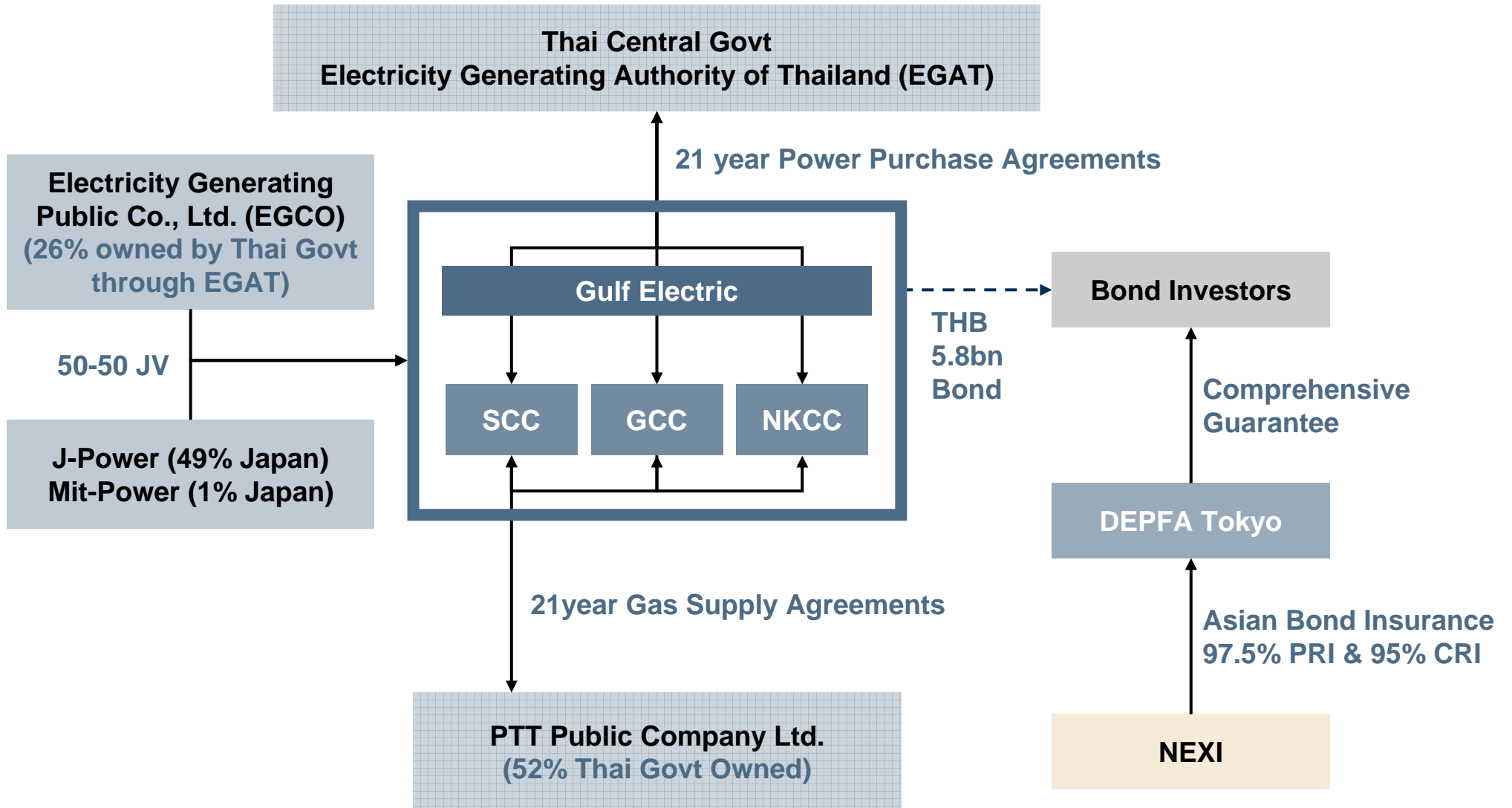
Timeline

Key Features



- DEPFA guaranteed a THB 5.8bn 10-year bond issued by Gulf Cogeneration Co., Ltd (GCC), the operating power generation SPC of Gulf Electric Public Company
- Started in May 2005 and concluded on April 26, 2006
- This innovative structure enabled the refinancing of the original loans to finance Gulf Electric's three power generating SPCs under one cross- collateralised deal structure at significantly lower cost
- Local currency bonds issued were rated AAA domestically (based on DEPFA's AA- rating)
- DEPFA reinsured most of the risk with NEXI (the Japanese Government owned Export Credit Agency)

Deal Structure – Key Elements



How did DEPFA add value?

<p>“AA-” Rating</p>	<ul style="list-style-type: none"> • DEPFA’s stable AA – rating is higher than Thailand’s local currency rating of A • Provides the Issuer with a strong local AAA rating benefit – the same credit quality as the Sovereign Rating => cost saving to Issuer
<p>SPECIALITY</p>	<ul style="list-style-type: none"> • Proven track record in Public Sector Finance • Deep knowledge about the project and structured transactions • Ability to use our own balance sheet
<p>OTHER</p>	<ul style="list-style-type: none"> • NEXI Eligible PF player (through DEPFA Tokyo) • No Local Branch Franchise in Thailand • neutral towards both Thai and Japanese sponsors

This transaction structure is attractive to DEPFA in view of:

- ✓ No need to have a local branch in the host country
- ✓ Tokyo Branch within DEPFA's global network, as NEXI recognises only Tokyo Branch of DEPFA as the eligible counterparty
- ✓ Lower Capital Usage: 5% BIS risk weighting due to NEXI cover
- ✓ Low Project Risk Exposure: "brownfield" deal based on proven operating history
- ✓ Not just a one-off transaction: good door opener for subsequent mandates based on similar structures



New opportunities for IFU

Sectors	Products	Regions
<ul style="list-style-type: none">• Power<ul style="list-style-type: none">– Renewable energy (wind, waste to energy)– Desalination• Ports• Parking• Utilities<ul style="list-style-type: none">– Distribution of gas, water, electricity	<ul style="list-style-type: none">• Equity<ul style="list-style-type: none">– Direct– Co-financing with partners– Future fund management opportunities• Structured Export Finance	<ul style="list-style-type: none">• South America• Middle East• India• Asia

New opportunities for IFU

Asset Growth

- Need to balance risk and reward
 - Must continue our **very good credit record to date**
- Capital management
 - CLO Structures
 - Syndication and sales
 - BASEL II Impact: good or bad for market? For DEPFA?
- Credit & Administration
 - Need to maintain investment in support functions

Revenue Growth

- Asset portfolio income
 - NII “locked-in”
 - Commission / Fees
- Swaps – synergies with CPS
- Advisory Fees
 - Resource intensive
 - Contingent upon success

Synergies

- Swaps – synergies with CPS
- Enhanced relationship with key Public Sector clients together with CRM: we can assist them (formally and informally) in assessing the various financing options for new / existing infrastructure

Introduction and Strategy

Financials

Risk

Global Trends in the Public Sector

Client Relationship Management

Budget Finance

Infrastructure Finance

Client Product Services

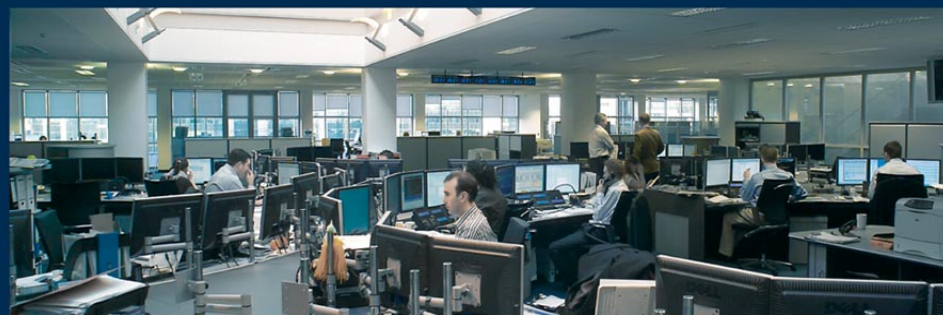
Global Markets

U.S. Business Strategy

Capital Markets Day

Client Product Services, May 2007

DEPFA BANK plc



 **DEPFA BANK**

Dublin Amsterdam Chicago Copenhagen Frankfurt Hong Kong London Madrid Milan Mumbai New York Nicosia Paris Rome San Francisco Sao Paulo Tokyo Warsaw

Mission: Provide tailored debt and asset management products based on understanding the drivers and limitations of our clients through the local relationship managers and create a competitive advantage through our proprietary knowledge in the Public Sector world

Capital Markets Day 2006

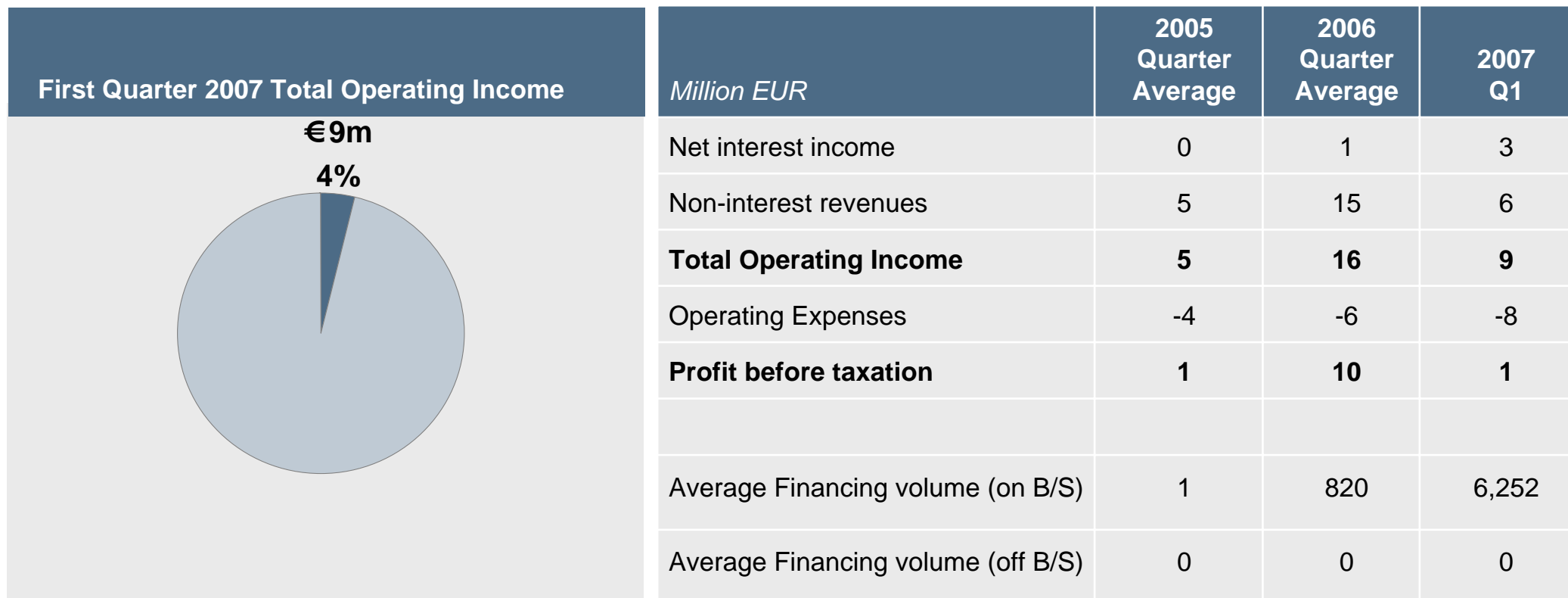
What We Said

- Deal Flow of ~240 client trades
- Generate EUR 60 to 70mn
- Minimal risk with no change in VaR limit
- Continue investment in trading and marketing

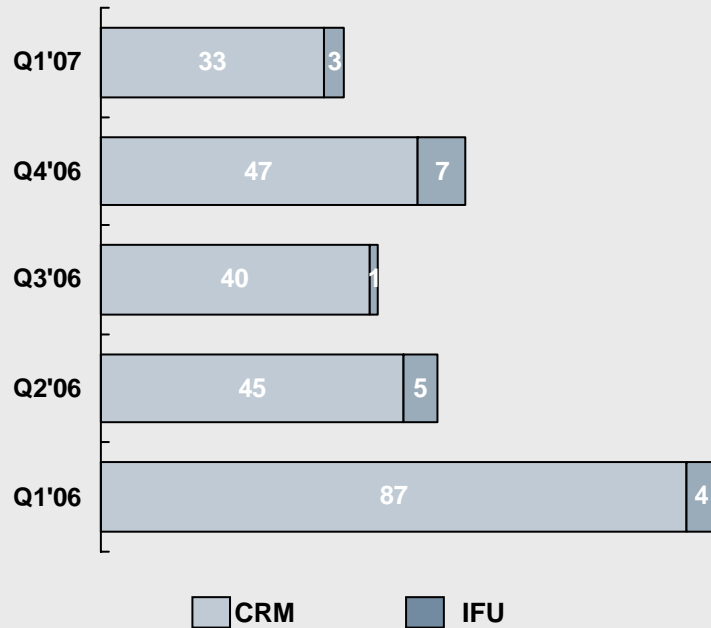
What We Did

- 236 trades
- EUR 61mn
- No limits breaches in the year
- Strengthened and expanded existing teams

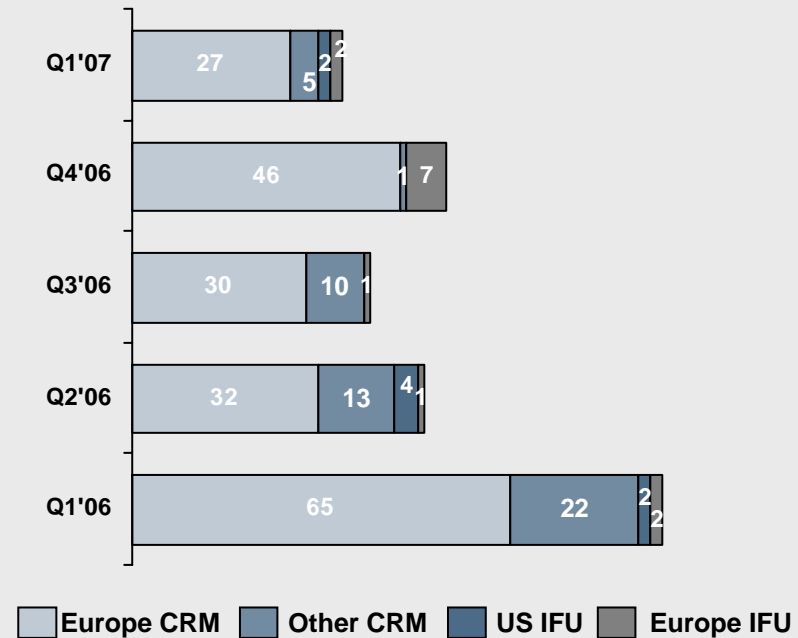
Achieved Key Targets Laid Out At Capital Markets Day 2006



Number of Trades



Number of Trades by Region



- CRM / IFU synergies producing flow of trades
- Restructuring of CRM to further increase flows
- IFU pipeline strong and expect trades to crystallise

IFRS requires initial measurement at the transaction price unless a different Fair Value (FV) can be derived from observable market data. This can be achieved by;

- Observing the FV from other market transactions in the same instruments
- Where there are no other market transactions in the same instrument,
 - Using a valuation model to calculate FV, and
 - Using only Observable market data as inputs to the valuation technique

How is this affecting CPS?

1. An absence of observable market data

- Executing derivatives with illiquid names where there is no active market and no other observable data

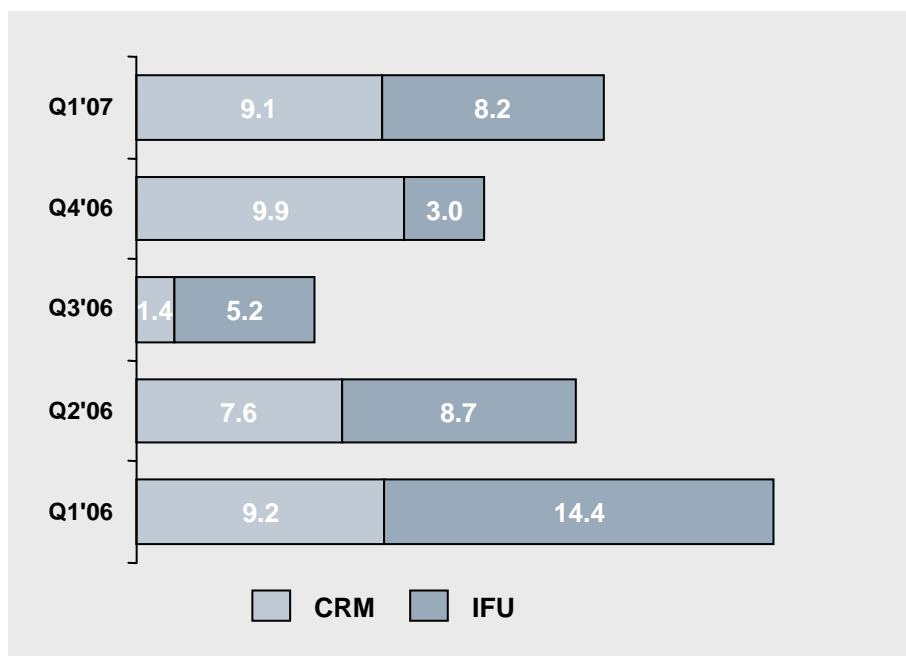
2. Derivatives with complex structures that cannot currently be captured by the valuation model

- Observable market data on the names is available, but
- The complex structure cannot be valued by the current model in use

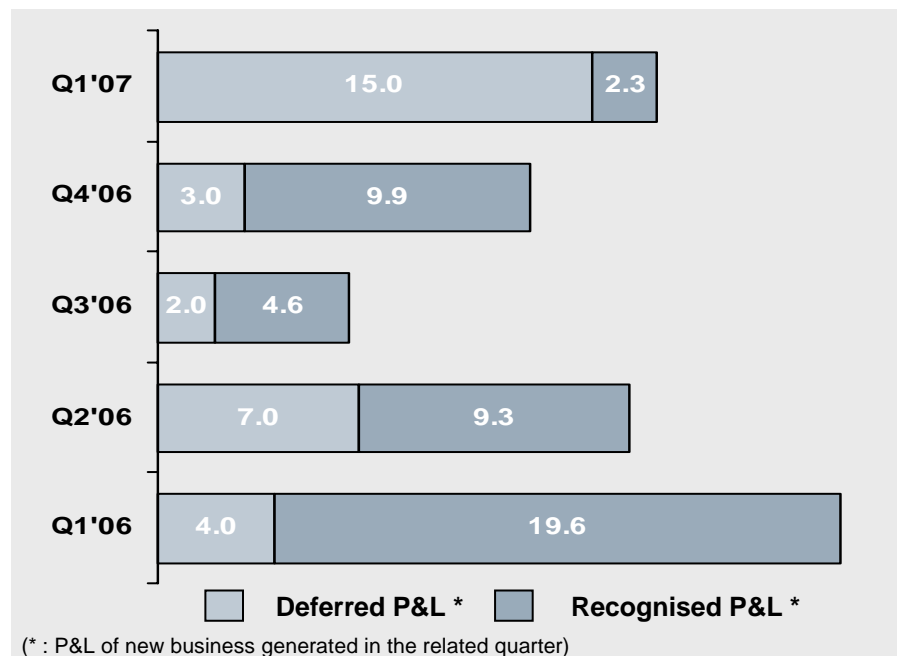
3. Complex loan structures

- Complex structures on loans with illiquid names,
- The structure is fully hedged but embedded value remains in the loan. P&L recognition issues are currently being investigated

Source of P&L



Deferred and Recognised P&L



Deferred P&L comprises of €21mn on client derivatives plus €10mn enhanced spread on structured loans. The deferred P&L will be released by;

- Secondary sales creating observable data
- Credit enhancing the underlying loans
- Trading CDS on the underlying names
- Amortisation over the life of trades

Europe : Key Targets Focus for 2007

- Sustain the profitability growth with "advanced" businesses (France, IFU, Italy)
- Continue to strengthen local derivatives marketing teams
- Develop derivatives flows in Central Europe, Greece and Turkey
- Open an inflation derivatives book (EUR and FRF to start)
- Develop new products
- Enhance quantitative capabilities and distribution processes

US : Key targets and Focus of 2007

- New products in derivatives sales and trading
- Support of Sao Paulo office for client-facing derivatives
- Enhanced distribution of product through DEPFA First Albany
- Greater IFU derivatives flows

Key Trends in 2007

- Tough competition in UK, Italy and Germany
- Lower volatilities since beginning of 2007
- Greater restructuring flows and use of more complex structures

Municipal Reinvestments

Why Does This Market Exist?

- US Public Sector Entities borrow the project funding upfront by issuing tax-free bonds and the proceeds are then deposited with a bank
- The Banks issue Guaranteed Investment Contracts (GICs), with the Municipalities earning returns equal to the tax exempt borrowing cost

Why is DEPFA In This Market?

Size of Funding Opportunity

- The current size of municipal tax exempt debt issuance is approx \$2trillion.
- Annually, in excess of \$300 billion is reinvested in GIC.

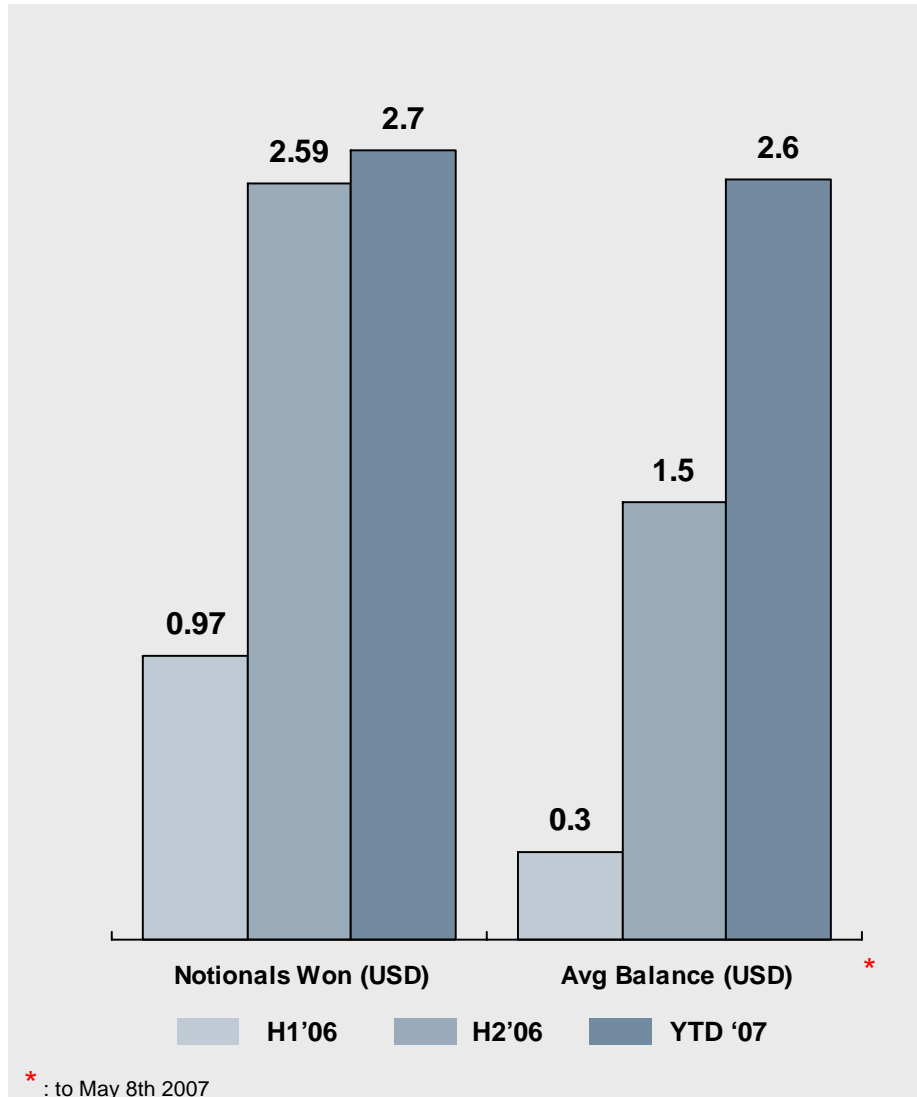
Synergies with other U.S. Public Sector Client Activity

- Assisting in establishing and deepening client relationships
- Creating cross-selling opportunities
- A natural extension of Depfa's expansion in the US market
- Profitable as a stand-alone business

Alternative source of funding

- Historically reliant on the wholesale international capital markets, US Public Sector Authorities create alternative funding sources
- A substantial source of attractive funding achieved at sub LIBOR levels
- GIC Liability profile is a complementary mix to the other funding of the Bank

Municipal Reinvestments



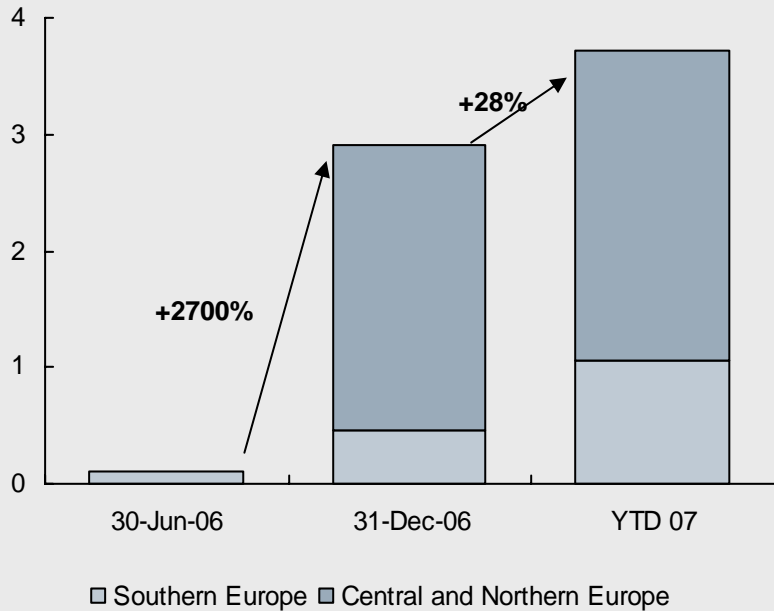
Key Milestones

- DEPFA Established as a Player in the Market
 - Gross funding \$6.26 billion across 260 funds
 - Average balances at \$2.6bil
 - Average life of 2.83 years
 - Average spread to LIBOR – 28 bps
 - \$0.6bil in secured funding
- Q1'07
 - Current Balance of \$3.5 billion
 - Hired an Additional Trader
 - Winning 17% of Eligible Bids
 - Significantly Growing New Business Volumes

Targets for 2007

- Grow Average Funding Balance to \$5billion
- Maintain Funding Margin Above LIBOR -20
- Launch AAA and Forward Purchase Agreements

Securitisation Portfolio at Key Dates



MAJOR OPPORTUNITIES IN 2007

Healthcare Receivables in Italy and Spain

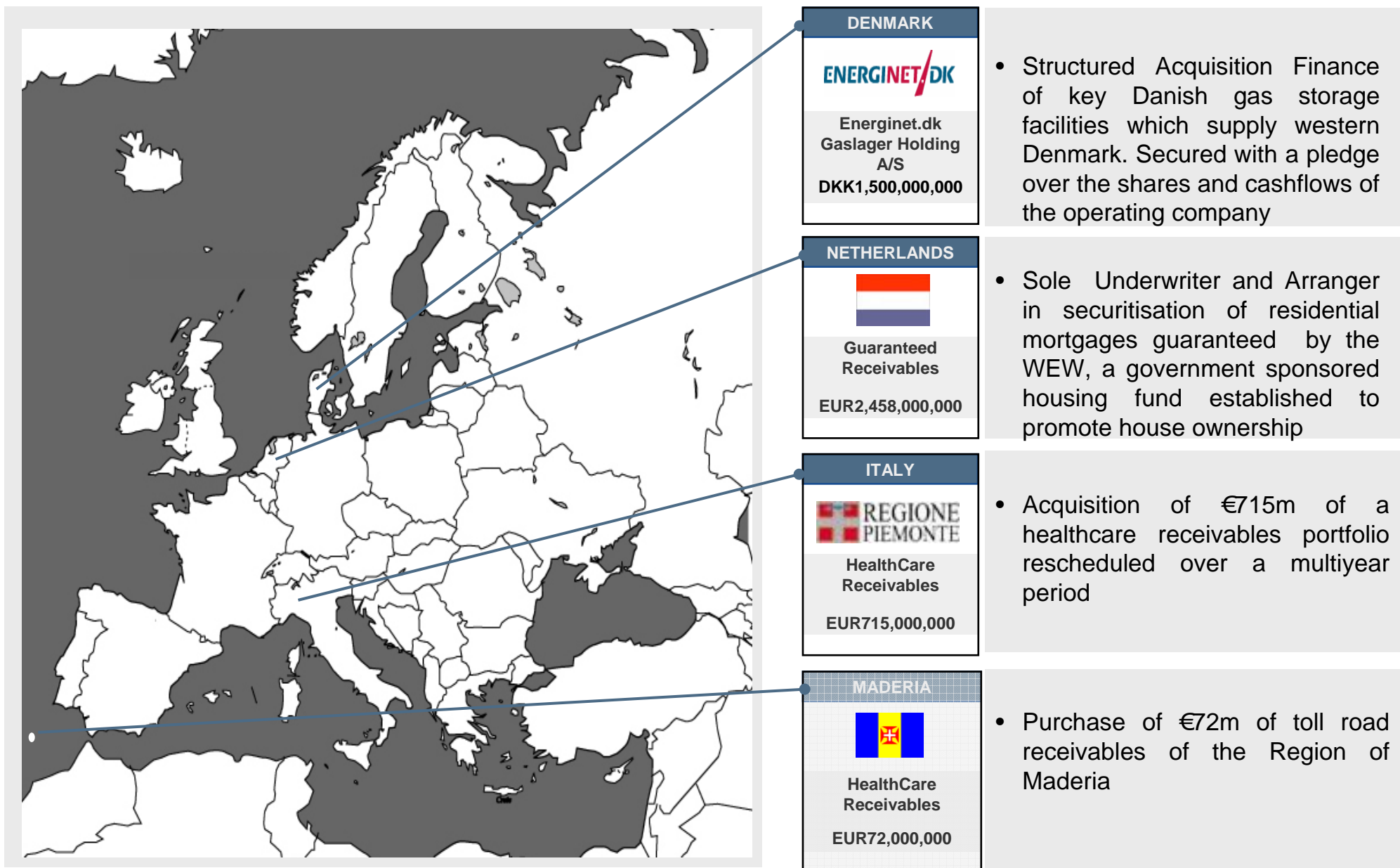
Guaranteed Mortgages in Holland

Real Estate leased to Public Sector Entities

Loans to SMEs supported by Public Entities

- A Strong start to 2007
- Significant Increase in Flow and Volumes
- Current portfolio to produce EUR12mn NII in 2007

Securitisation & Structured Financing



DEPFA has established a global knowledge centre for public sector pensions

- Broad and deep expertise covering all aspects of pension fund finance:
 - Liquidity management
 - Funding
 - Investment management
 - Asset & liability management
 - Risk management
- Driven by capital markets and cash flow orientation, rather than actuarial or accounting view
- Well versed in quantitative modeling as well as in practical and managerial implementation

Financing

- traditional debt
- debt restructuring
- asset monetization
- privatization



Investing

- strategic allocation
- low cost
- transparent

Risk control

- interest and inflation
- optimal use of risk budget ALM

DEPFA Pension Advisory is uniquely positioned

- **Focus and commitment:** only public sector, only pensions and OPEB¹
- **Integrated approach** of asset allocation, risk management and funding / treasury, developing improved strategies and solutions
- **Independent asset management advice:** no conflict of interest since DEPFA has no in-house asset manager
- Working from a **capital markets perspective** complementary to the traditional actuarial approach
- Ready to put the **DEPFA balance sheet** at work

Why a Purely Public Sector Clientele ?

- Public Sector Clientele are the largest provider of pensions and some of the largest players in the capital markets
- Public Sector authorities are facing similar issues all over the world,
 - Demographic pressure
 - Political & social environment, unions
 - Governance and disclosure issues
 - Harmonisation between public and private sector in benefits
 - Transition issues, PAYG² versus funding
- Old-age dependency ratios are increasing sharply

Derivatives

- Maintain / Increase deal flow and profitability in France, Italy, and IFU
- Realise cross selling synergies of Depfa First Albany
- Increase derivative flow coming from Iberia, Germany, and Central Europe

Securitisation

- Build out and continue to close on deal pipeline
- Geographical expansion
- Asset expansion (real estate, tax receipts)

Reinvestment

- Build outstanding notional out to \$5Billion
- Get AAA wrap established

Pension Advisory

- Announce mandates in US/Europe

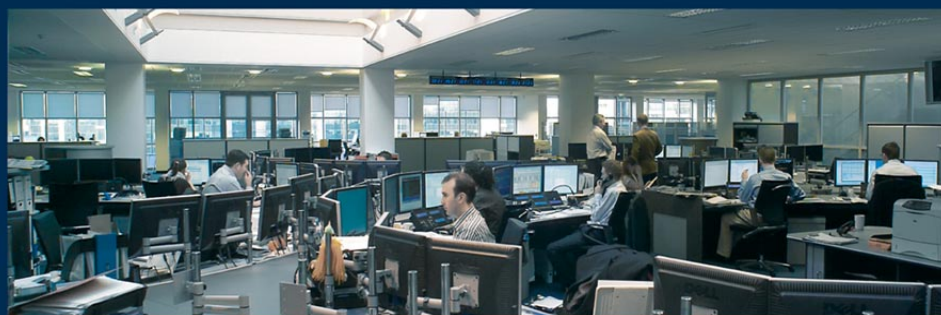
Agenda

- Introduction and Strategy
- Financials
- Risk
- Global Trends in the Public Sector
- Client Relationship Management
- Budget Finance
- Infrastructure Finance
- Client Product Services
- Global Markets**
- U.S. Business Strategy

Capital Markets Day

Global Markets, May 2007

DEPFA BANK plc



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Objectives

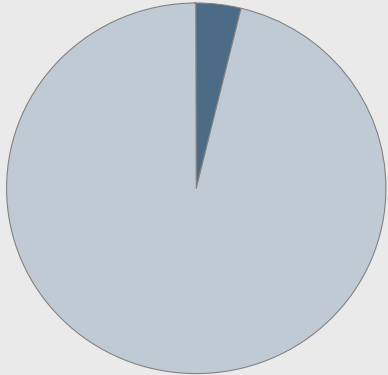
- Contribute 15-20% to DEPFA's returns over the long term
- Up to 10% of Group income in 2007
- Building diversified trading activity as a complement to the client facing business

Global Markets Today

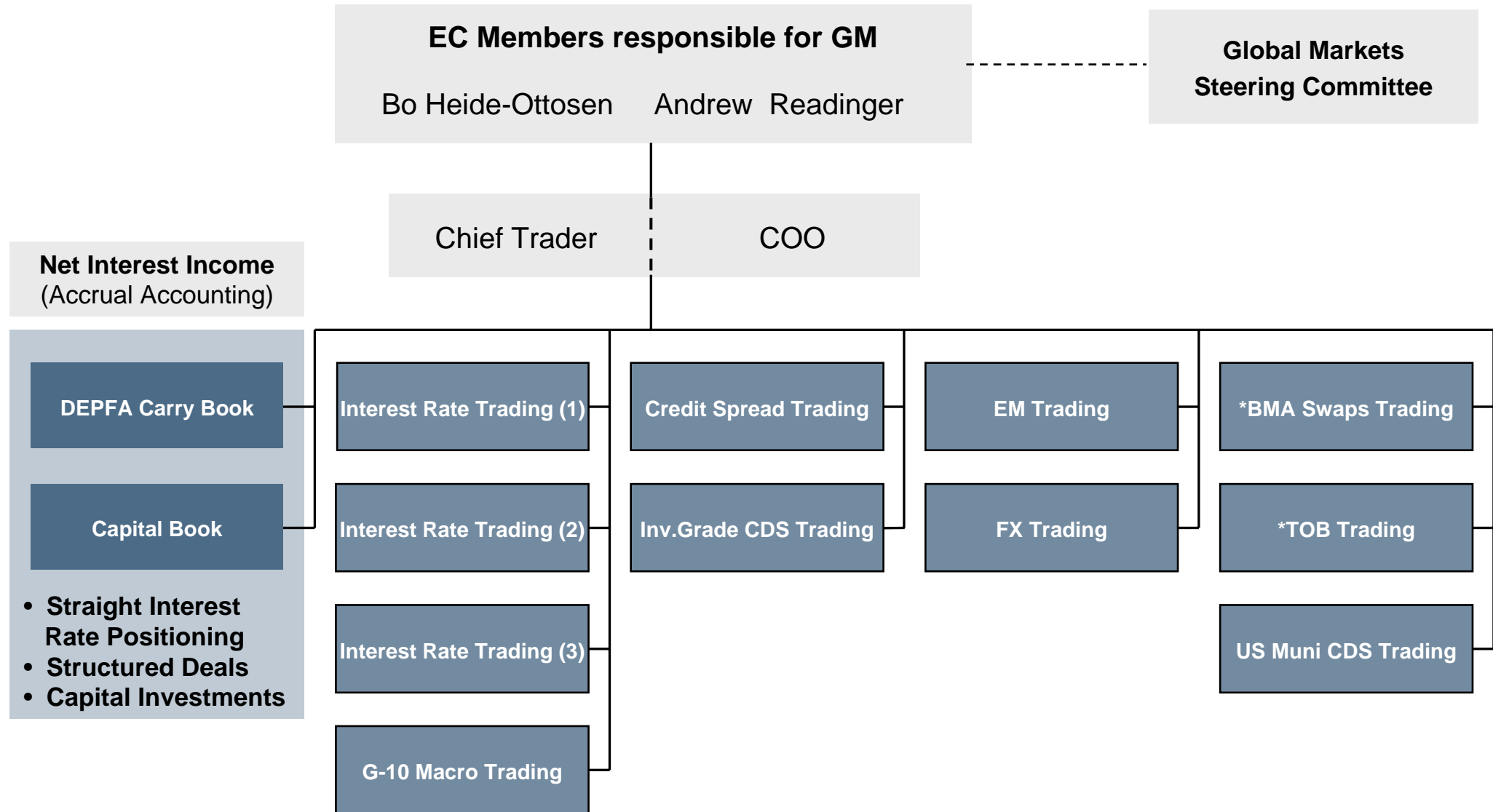
- Enhanced Governance / Risk Control
- Substantially reduced VaR (ca. 50%)
- Diversification started / Expansion of Trading Books
- Management of interest rate legacy positions has a negative impact on P&L

Global Markets Going Forward

- Synergies with client facing segments
- Return to 15%-20% target contribution to Profit before Tax
- Diversification into uncorrelated trading desks
- Expanded Product Catalogue
- Hiring Experienced Traders
- Management of interest rate legacy positions will continue to have a negative impact on results going forward

First Quarter 2007 Total Operating Income	<i>Million EUR</i>	2005 Quarter Average	2006 Quarter Average	2007 Q1
<p style="text-align: center;">€9m 4%</p> 	Net interest income	26	15	-1
	Non-interest revenues	61	21	10
	Total Operating Income	87	36	9
	Operating Expenses	-9	-6	-4
	Profit before taxation	78	31	5
	Average Financing volume (on B/S)	9,762	13,185	14,365
	Average Financing volume (off B/S)	75	0	19

Organisational Structure



*TOB: Tender Option Bonds

*BMA: Bond Market Association

Global Markets Steering Committee

- 5 EC Members (CEO, Deputy CEO, CRO, EC Members responsible for Global Markets)
- Main Tasks:
 - Performance Monitoring
 - Setting the Desks' Risk Limits (VaR, stop loss system)

Enhanced Performance Monitoring Tools

- Increased diversification & number of desks result in more complexity, more autonomy of the traders
- Performance monitoring tools have been enhanced to maintain prudent controls; examples:
 - Improved Trading P&L explanation
 - More sophisticated Limit Report
 - Risk-Adjusted Performance Measurement

Desk Configuration

- **Desk Mandate**
 - Strategy
 - Approved Investment Universe
 - Applicable Trading & Risk Policies
- **Revenue Target**
- **Allocation of Economic Capital**
- **Setting of Risk Limits**
 - VaR / Sensitivities
 - Position and Desk Stop-Losses
 - Other appropriate Market/Credit/Country Risk limits

= Framework in which a trader operates

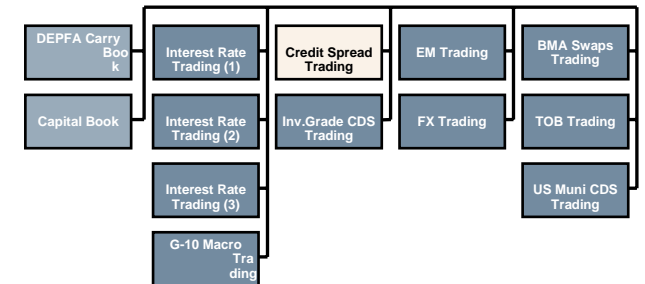
Desk Summary

Location	Type	Revenues	
		Actual Q1	Budget 2007
Dublin	Carry		
Dublin	Carry		
Dublin	Trading		
London	Trading		
Frankfurt	Trading		
Nicosia	Trading		
Dublin	Trading		
London	Trading		
Nicosia	Trading		
London	Trading		
New York	Trading		
New York	Trading		
New York	Trading		
		9,3	70-90

In € million

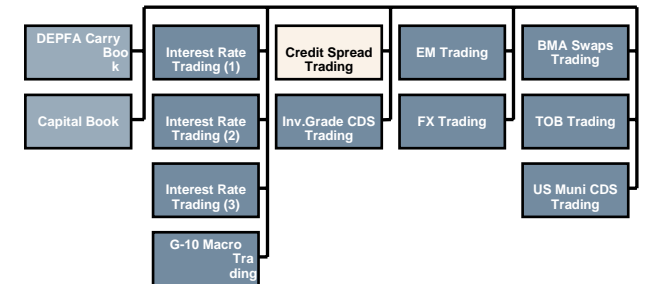
- above target
- on target
- below target

Below budget after Q1, but also significantly de-risked book



Credit Spread Trading Desk

- **Trading in micro-hedged Asset Swap packages – No open risk**
 - Complimentary to and linked with certain Budget Finance activities
 - Focus on mature sovereign / supra / agency markets
- **DEPFA's Advantages**
 - Size of Balance Sheet
 - Issuer knowledge / relationship (this is our business)
 - ASW Option Expiries => knowledge of what others may do
 - Lack of restrictions => maturity / long only / benchmarks / regulation
 - Close relationships with investment banks
 - Leverage off experience
 - Strong presence and experience in Repo Markets

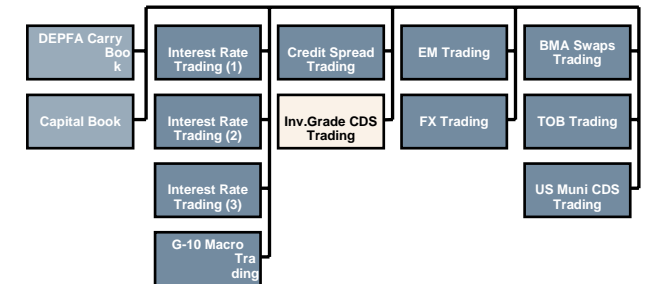


Credit Spread Trading - Trading Example

Outset	<p>10 year Credit Spreads in Hungary</p> <ul style="list-style-type: none"> • Government bonds trade +22bps on Asset Swap • Credit Default Swaps trade +67bps
Trade Inception	<p>Sell Government Bonds at +22bps Buy Credit Default Swap at +67bps</p> <hr/> <p>= Exchanging credit risk generates 45bps pick-up</p>
Closing 6 weeks later	<p>Buy back Government Bonds at +20bps (loss of 2bps) Unwind Credit Default Swap at +40bps (gain of 27bps)</p>
Result	Total Gain of 25bps

Trading Desk Example 2

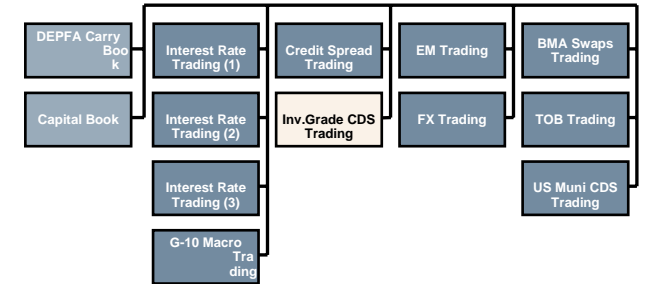
Investment Grade Credit Default Swaps



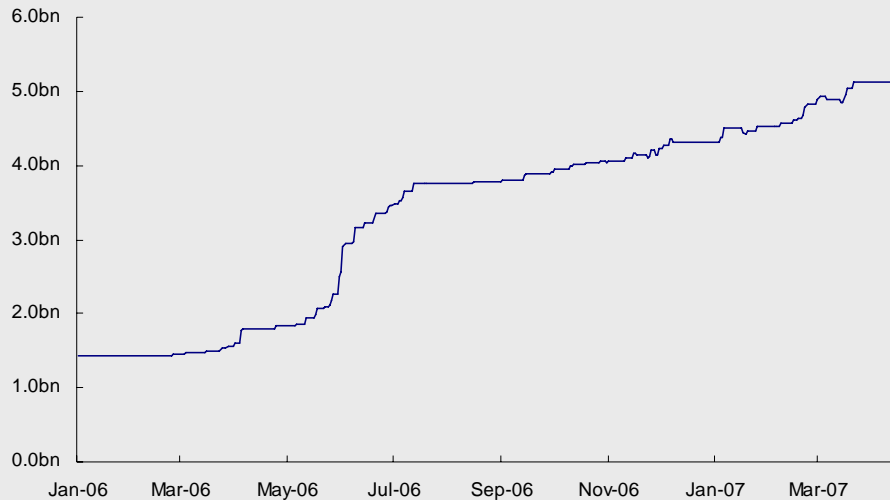
Value	<ul style="list-style-type: none"> ▪ Average life much shorter than cash book ▪ Similar rating / similar spread
Diversity	<ul style="list-style-type: none"> ▪ CDS more sovereign oriented ▪ Diversification into sub-sovereign, Agency and GRE's over last 6 months
Risk Management	<ul style="list-style-type: none"> ▪ Book hedges constrained / credit department concerns
Relative Value	<ul style="list-style-type: none"> ▪ Long / short strategies ▪ Curve steepener strategy
The Boom	<ul style="list-style-type: none"> ▪ Book developed in early 2006 ▪ High growth threefold since then ▪ Two trading Books managed now

Trading Desk Example 2 (continued)

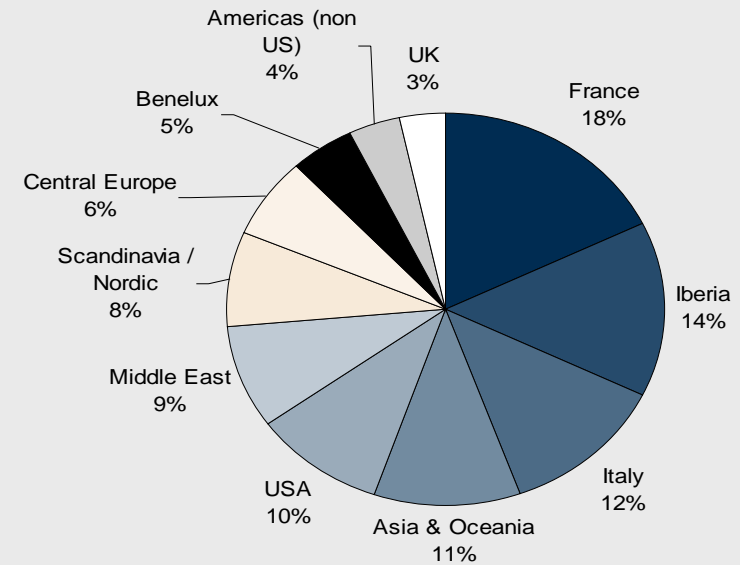
Average Spread **15.17 bps**
Average Maturity **6.8 yrs**
Average Rating **Aa2 / AA**

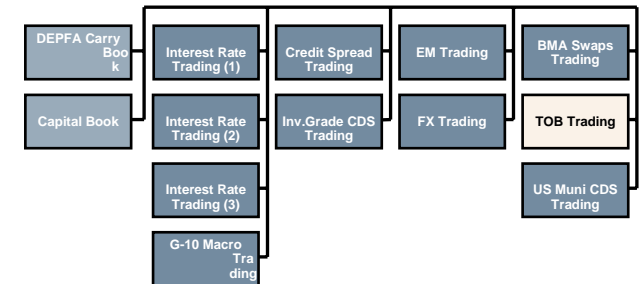


I.G. CDS Book – Size over time



I.G. CDS Book – Geographical Split





Tender Option Bond (TOB) Trading

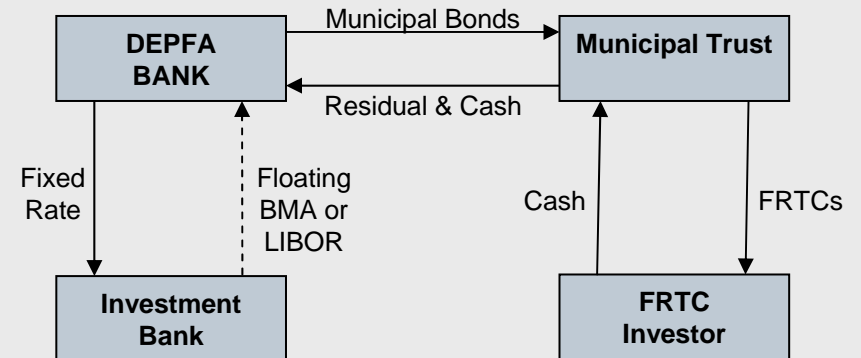
- **Objectives**

- Structured trading to fund tax-exempt bonds on a tax-exempt basis
- Express out performance views on taxable vs. tax-exempt U.S. Muni debt
- Reduce U.S. tax liability for DEPFA

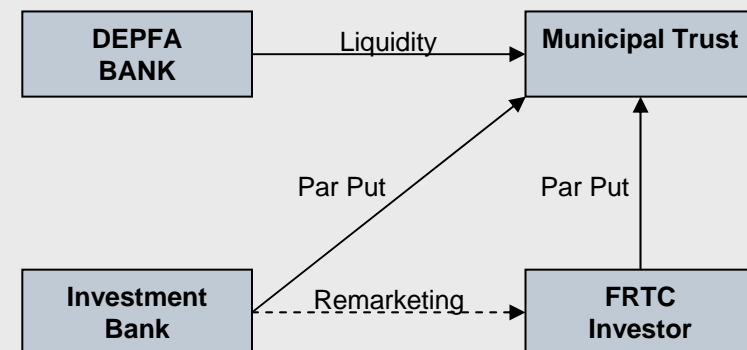
- **Development of TOB Book**

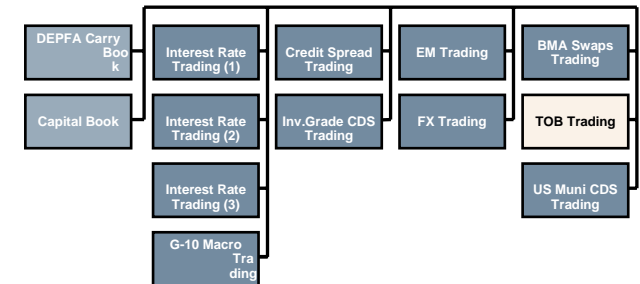
- Since November 2007 the desk has purchased USD 450 million of tax- exempt bonds
- Book will grow to approx. USD 1 bn by year-end

Trust Assets and Issuance



Liquidity and Remarketing

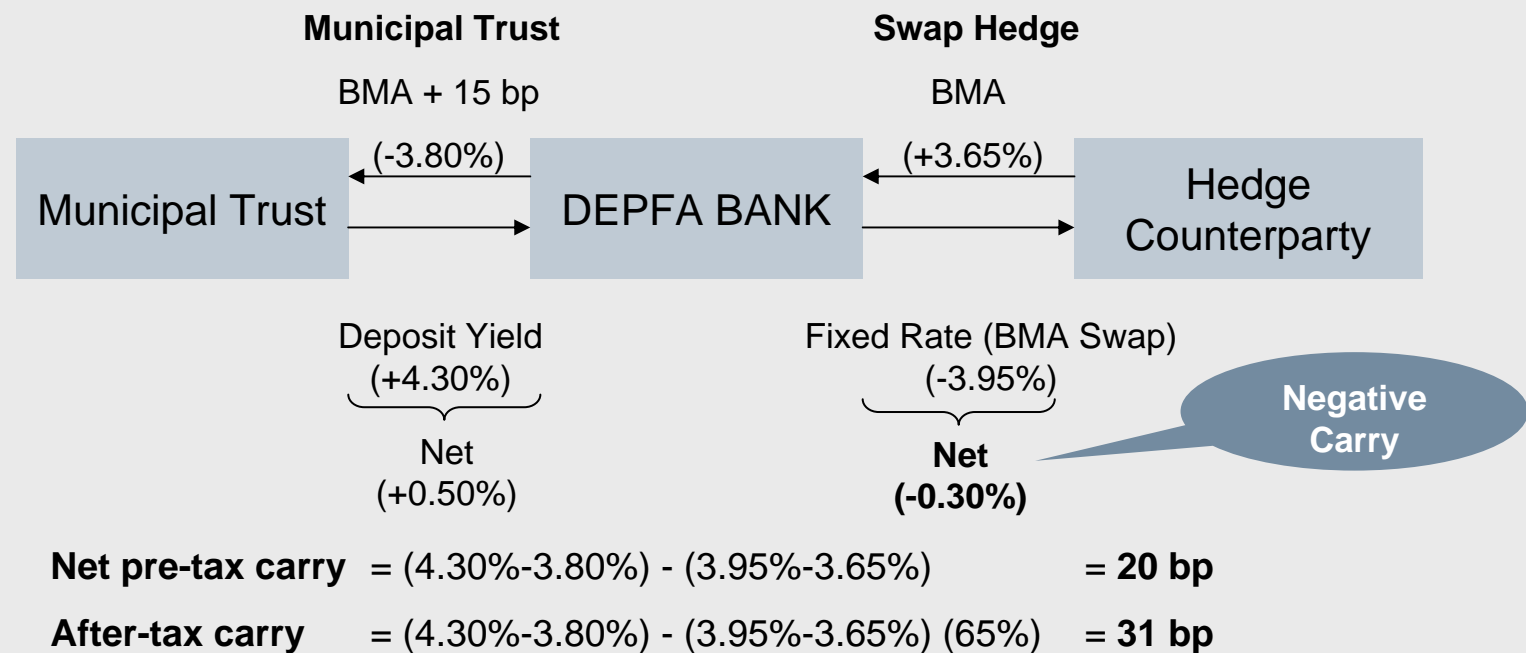




TOB – Swap Hedge of Fixed Asset Price Risk

DEPFA may hedge the price risk of the Fixed rate bonds which are deposited in the trust by entering into a fixed payer swap

DEPFA can deduct the negative carry on the swap from its taxable income, thus increasing the after-tax carry



Global Markets going forward...

- **Continued Diversification of Trading Areas**
 - Expansion of assets classes relevant to public sector
 - Examples: FX, local currency bonds, inflation, and certain commodities
- **Expansion of Approved Product Catalogue**
 - More tailored risk in the form of structured investments Examples: CDO¹, CPDO², Range Accrual, and CPPI³
- **Hiring of 6 - 10 Experienced Traders**
- **Increased Trading**

N.B.: Management will not compromise on building this out properly: No short term gains at the risk of earnings stability and capital preservation.

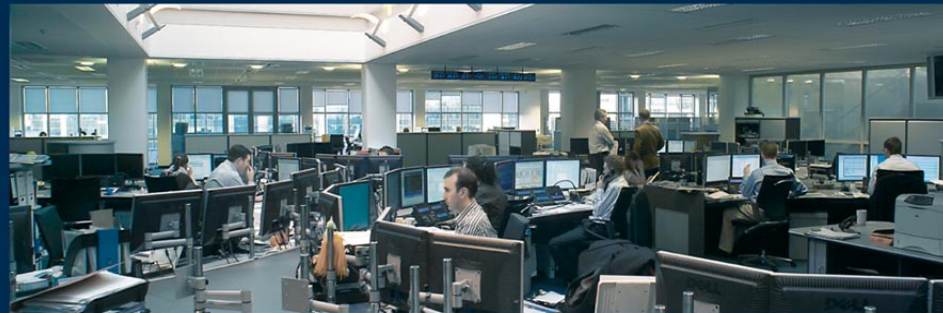
Introduction and Strategy
Financials
Risk
Global Trends in the Public Sector
Client Relationship Management
Budget Finance
Infrastructure Finance
Client Product Services
Global Markets

U.S. Business Strategy

Capital Markets Day

U.S. Business Strategy, May 2007

DEPFA BANK plc



 **DEPFA BANK**

Dublin Amsterdam Chicago Copenhagen Frankfurt Hong Kong London Madrid Milan Mumbai New York Nicosia Paris Rome San Francisco Sao Paulo Tokyo Warsaw

U.S. Business Strategy

U.S. Structure

U.S. Structure

DEPFA BANK plc
New York Branch

Broker Dealer

Derivatives
Guaranteed Investment Contracts
Proprietary Trading
Pension Advisory
Credit
Infrastructure Finance
Treasury

Client Relationship Management
Sales
Trading
Muni Advisory

Personnel

- 69 professionals in 9 locations
 - Public Finance : 27 bankers located throughout the US.
 - Sales & Trading : 35 located mainly in New York

Services

- Banking, sales, trading underwriting, research
- Underwriting, financial advisory and derivatives services to governmental and not-for-profit entities
- Strong secondary market penetration

Financial

- \$35-40 million annually, (equally split between Public Sector and Sales & Trading)
- Historically provided 20-25% total firm revenue

History

- Founded 1953
- Historic base in Northeast
- Expanded nationwide in 1993 with establishment of financial advisory business



Budget Finance

- Largest country exposure of DEPFA (~20%)
- Market leader in provision of liquidity facilities / Letters of Credit
- Increasing importance of syndication and sales

CPS

- Delivers derivatives and structured solutions to US clientele
- Established player in the Guaranteed Investment Contracts market

IFU

- Second largest country exposure (~7%)
- Several benchmark transactions



Public Finance

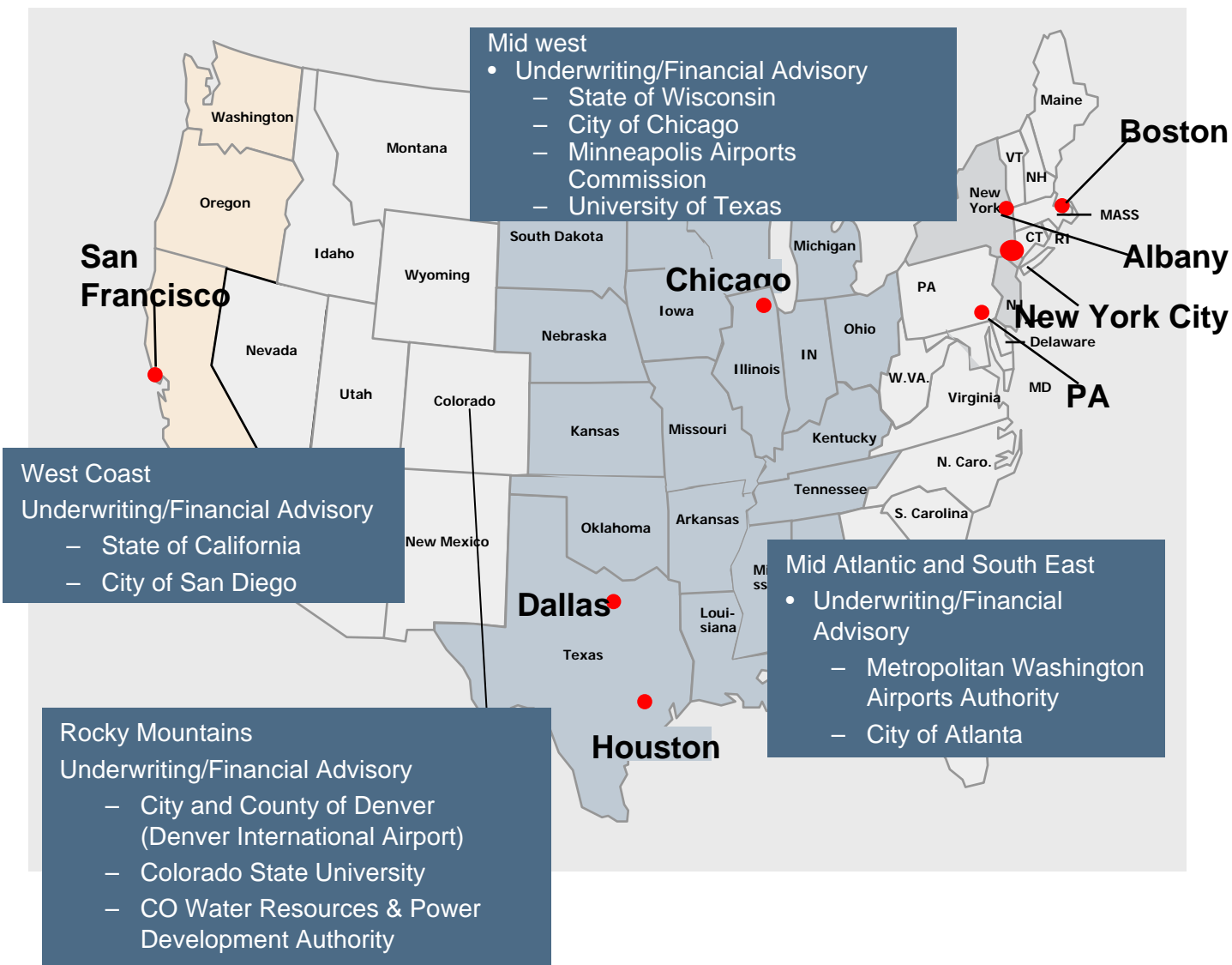
- One of the leading US groups in the senior manager, co-manager and advisor categories
- Over 3,000 municipal issues with a market value of \$400 billion +

Sales And Trading

- One of the largest institutional sales forces in the industry.
- The top trader of municipal bonds among intermediate size broker/dealers
- Broad distribution capacity to handle all types of municipal issues

U.S. Business Strategy

First Albany Municipal Markets Division – Geographical Snapshot 2006



New England

- Underwriting/Financial Advisory
 - State of Massachusetts
 - State of Connecticut
 - VT Economic Development Authority

New York

- Underwriting/Financial Advisory
 - City of New York
 - New York Metropolitan Transportation Authority
 - New York State Dormitory Authority
 - Port Authority of New York and New Jersey

Institutional Sales Clients:

- Rochester (Oppenheimer) Funds
- CNA Loews
- Susquehanna
- Citibank
- Commerce Insurance
- J.P. Morgan
- Guardian Insurance
- Merrill Lynch
- Nuveen
- Conning Asset Management

U.S. Business Strategy

First Albany Municipal Markets Division – Financials Snapshot 2006

2006 Gross Revenue	
Negotiated Senior Managed Underwriting	\$ 6,379,414
Negotiated Co-Managed Underwriting	\$ 5,876,136
Competitive Underwriting	\$ 726,744
Financial Advisory	\$ 3,447,483
Derivatives	\$ 2,468,958
Remarketings	\$ 2,151,731
Secondary Market Trading	\$ 17,047,748
TOTAL	\$ 38,098,214

	Par Amount (US\$ mil)	Rank	Market Share	No of Issues
Senior Managed	2,847.9	20	0.7	182
Co-Managed	40,549.4	16	9.4	365
Advisory	4,823.3	12	1.1	30

First Albany's Municipal Capital Markets Division has been a client-focused, service-oriented provider of financial solutions to governmental and not-for-profit entities nationwide. MCM has always had a strong commitment to both its issuer and investor clients and looks forward becoming part of DEPFA, the leader in the field of public sector solutions

Source: Thomson Financial

U.S. Business Strategy

Rationale of First Albany Transaction

Clients / Franchise	<ul style="list-style-type: none">• Solid franchise value – use of First Albany name and reputation• Adding more than 800 issuer clients and more than 400 investor clients• Strengthening the regional presence through 3 new offices
Products	<ul style="list-style-type: none">• Establishing instant underwriting and sales & trading credibility in the US market• Achieving better access to taxable bonds• Adding additional research capabilities• Jump-starts broker/dealer business
People	<ul style="list-style-type: none">• DEPFA gains a work force skilled in underwriting, syndication, sales, research, and trading US municipal bonds• Approx. a third of the team will work in CRM• Strong and cohesive management team
Strategy/Synergies	<ul style="list-style-type: none">• Strong strategic fit – MCM is exclusively public sector focused• Cornerstone of DEPFA's CRM strategy in North America• Enhanced capital base and DEPFA's product spectrum will raise First Albany's productivity• High cross selling potential, e.g., derivatives
Financial	<ul style="list-style-type: none">• \$12m for a business that is profitable and that has significant upside• Projected return on capital in line with DEPFA Group's aspirations

U.S. Business Strategy

Where Do We Stand in the First Albany transaction?

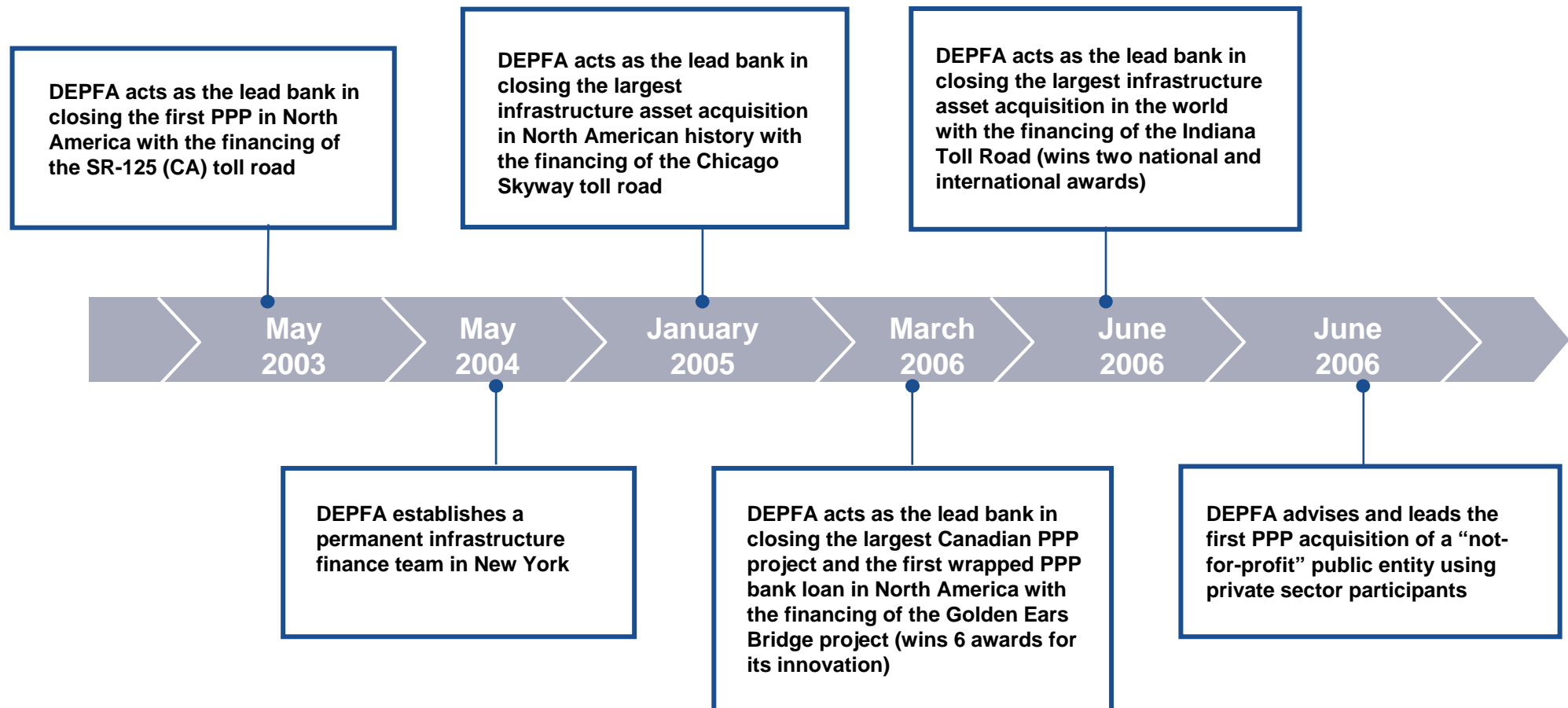
NASD Approval	<ul style="list-style-type: none">• Application complete• Expected 3Q 2007
Integration Underway	<ul style="list-style-type: none">• Business plans incorporated• Personnel integrated• Operations/IT streamlined• Clients ongoing
Initial Success	<ul style="list-style-type: none">• No unplanned attrition• Hiring senior professional underway (2 senior sales professionals; 1 COO from major investment banks)• Joint marketing beginning to pay off<ul style="list-style-type: none">– Public Service Commission of WVA; lead book runner on \$459.3m taxable financing; DEPFA purchaser of significant blocks of bonds– Efforts underway to be appointed to senior management team in Puerto Rico

- A broker-dealer license is necessary to distribute securities in the USA under the SEC Act of 1934
- Budget Finance began a project to obtain a broker-dealer license in Q3 2006
- As a result of the establishment of the new broker-dealer, Budget Finance will:
 - be able to tap deeper into the US markets
 - add local salesforce presence and thereby increase demand for DEPFA products
 - increase liquidity through a wider product selection, client and investor base
 - benefit from wider margins in the US than in Europe
- Budget Finance will benefit from the broker-dealer license through:
 - New channel of distribution of ACS benchmarks
 - Increased purchasing and sales of third-party assets
 - Distribution of other securitisations and infrastructure-type assets

Synergies

Underwriting	<ul style="list-style-type: none">• DEPFA provides First Albany's experienced team with access to increased capital and balance sheet to allow the underwriting of bigger and more transactions
Demand for Taxable Bonds	<ul style="list-style-type: none">• First Albany can arrange deals to fits the risk appetite of DEPFA
Trading	<ul style="list-style-type: none">• More capital means bigger positions and the possibility to hold positions for longer periods
Tender Option Bonds	<ul style="list-style-type: none">• First Albany can source bonds and serve as remarketing agent
Credit	<ul style="list-style-type: none">• First Albany can expand the number of opportunities for DEPFA to provide credit. Clients can reward First Albany for DEPFA's competitive and consistent use of the balance sheet
Pension Advisory	<ul style="list-style-type: none">• First Albany opens many doors for the Advisory team as well as expanding the role the firm can play by acting as an underwriter

IFU Americas - Yesterday

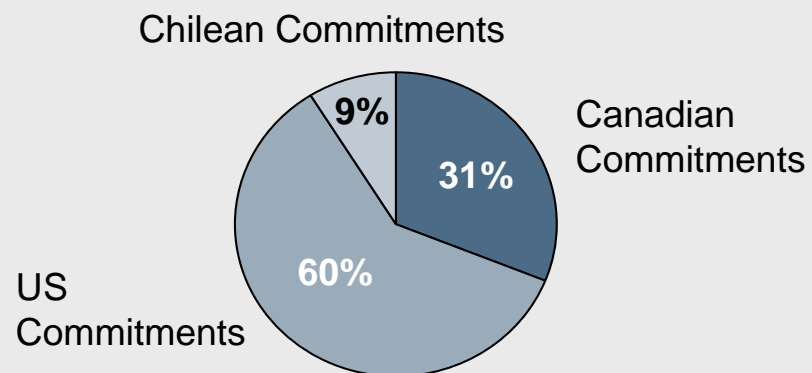


IFU Americas - Today

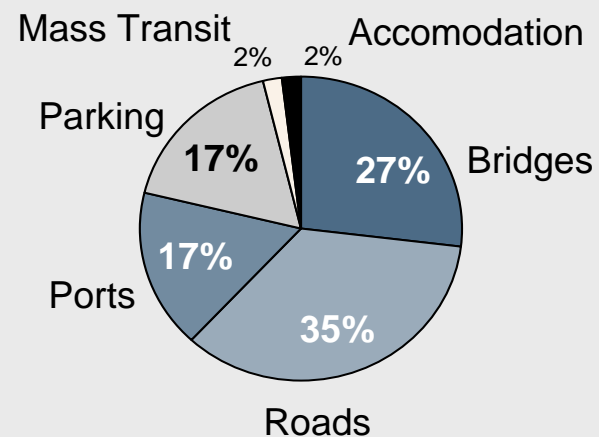
- **Experienced Team**
 - Currently 16 professionals in the IFU Americas team
- **North American Coverage**
 - Two teams covering US and Canada
- **Financial Advisory**
 - c. \$8 billion in private sector infrastructure financial advisory mandates signed
- **Debt Arranging**
 - Current infrastructure pipeline of in excess of \$80 billion (capital value)
- **Derivatives**
 - Structuring CPI, accreting swaps and other innovative derivative products
- **Market Leading Position**
 - IFU Americas continues to be recognized as a market leader in infrastructure financing and advisory in North America

IFU Americas - Today

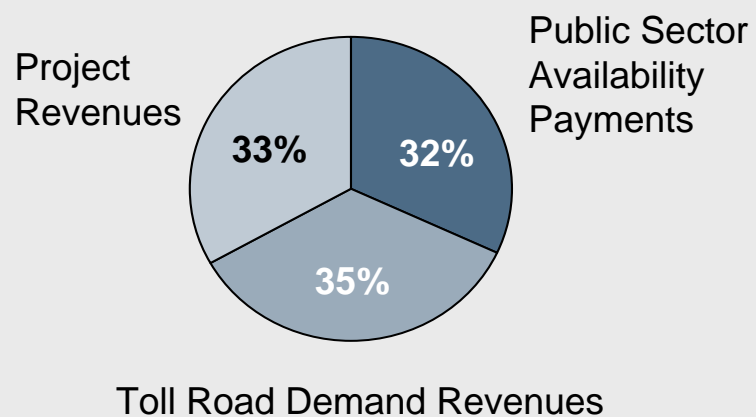
Country



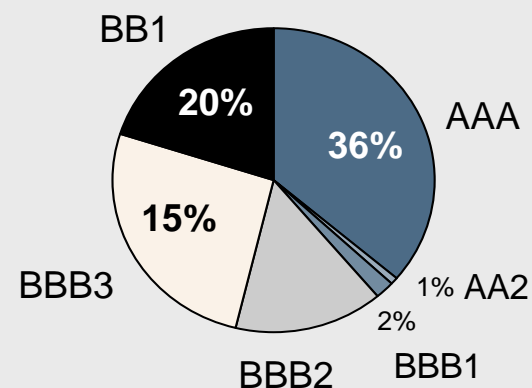
Sector



Revenue Sources



Credit Ratings



IFU Americas - Tomorrow

- New infrastructure finance teams established in New York and São Paulo for Latin America
 - Primary markets: Chile, Brazil, and Mexico
 - Secondary markets: Colombia, Peru, Costa Rica and Uruguay
- New DEPFA Infrastructure Investment Group (“DIIG”) created
- New Syndication Group established for the Americas
- New PPP infrastructure sector opportunities include: airports, renewable energy, healthcare, housing and utilities

IFU Americas and First Albany One Team, One Goal

Financial Advisory

- Greater access to “sell-side” advisory opportunities

Debt Arranging

- Direct access to capital markets and ability to offer taxable and tax-exempt bond underwriting on infrastructure assets

DEPFA Infrastructure Investment Group

- Assist with sourcing assets for the DEPFA Infrastructure Investment Group