



DEPFA BANK plc: 2nd Quarter 2006 Results Investor Presentation

 **DEPFA BANK**

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



Overview

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Pre tax profits in €m	Q2 2006	Q2 2005	Change %
Budget Finance	145	103	41%
Infrastructure Finance	8	3	167%
Client Product Services	11	-2	n.a
Global Markets	30	100	-70%
Corporate Centre	-20	-40	n.a.
Total Group pre Tax	174	164	6%
Total Group after Tax	140	126	11%
Cost/Income Ratio	24.3%	24.1%	
RoE after taxes	22.8%	25.3%	
Headcount (avg.)	545	492	

Q2 2006 Results - Key points

- Q2 result confirms fundamental shift towards high-quality, client driven revenues.
- RoE (after tax): 23% in Q2, within targeted ROE corridor of 20-25% for FY 2006
- Earnings growth in 2006 driven by client segments Budget Finance, Infrastructure Finance and Client Product Services: + € 126 m in pre-tax profit (H1 2006 v H1 2005). This more than compensates for drop in Global Markets income of € 95 m
- DEPFA is committed to the Public Sector Business Model. We see Public Sector Activities growing globally.
- DEPFA is exploiting favourable trends: budget constraints, increasing professionalism of public sector counterparties and greater private sector involvement in public infrastructure projects
- Future growth based on organic development: new products and regional expansion

Overview

Q2 2006 results (IFRS)

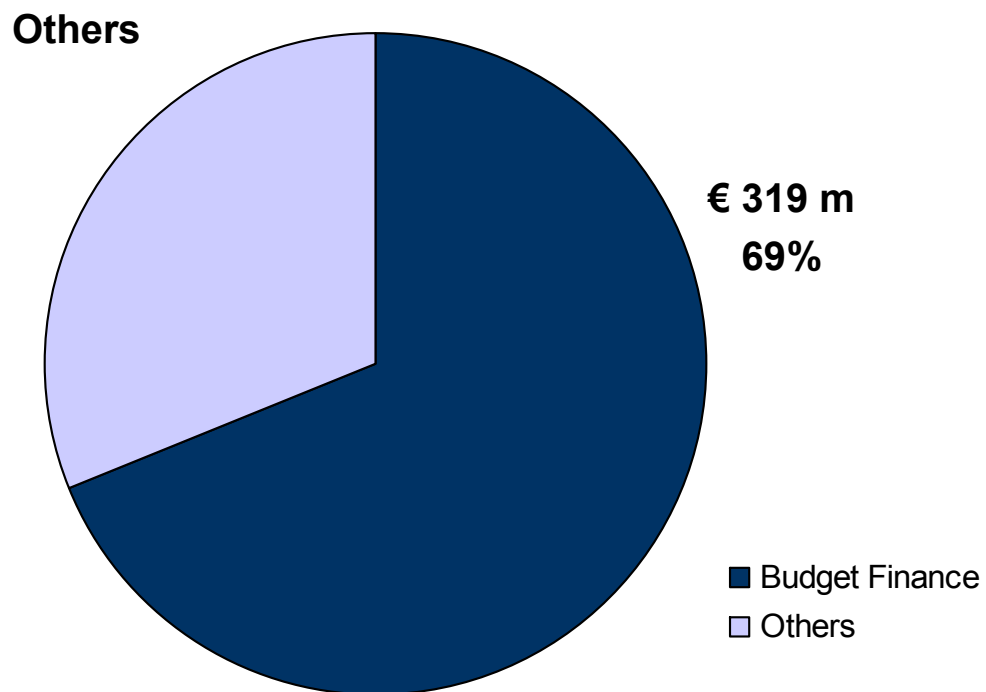
	Q2 2006 € m	Q2 2005 € m	Abs. Change € m	Change %
Net interest income	110	96	14	15%
Net fee and commission income	12	5	7	140%
Net trading income	41	-181	222	n.a
Gains less losses from financial assets	67	292	-225	-77%
Other operating income	0	4	-4	n.a
Total operating income	230	216	14	6%
Personnel expenditure	-33	-31	-2	6%
Other administrative expenditure	-19	-17	-2	12%
Depreciation on fixed assets	-2	-3	1	-33%
Other expenditure	-2	-1	-1	
Operating expenses	-56	-52	-4	8%
Income before taxes	174	164	10	6%
Taxation	-34	-38	4	-11%
Group net income	140	126	14	11%
Key balance sheet items	30.06.2006	31.12.2005		
Public Finance Volume (incl. public sector related)	209,827	202,970	6,857	3%
of which drawn	187,429	181,499	5,930	3%
of which undrawn	22,398	21,471	927	4%
Shareholders' Capital	2,480	2,304	176	8%
Total assets	221,011	228,630	-7,619	-3%

Overview

Group Quarterly P&L (IFRS)

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

1st half 2006 Total Operating Income



	1st half 2005	1st half 2006	% Change
Net interest income	141	176	25
Non-interest revenues	88	143	63
Total operating income	229	319	39
Operating expenses	-42	-43	2
Profit before taxation	187	276	48
Average equity	1,050	1,308	25
RoE pre tax	36%	42%	
	31.12.2005	30.06.2006	
Financing volume (on B/S)	152,333	167,418	10
Financing volume (off B/S)	14,329	20,723	45

Budget Finance

Profit and Loss – Quarter on quarter

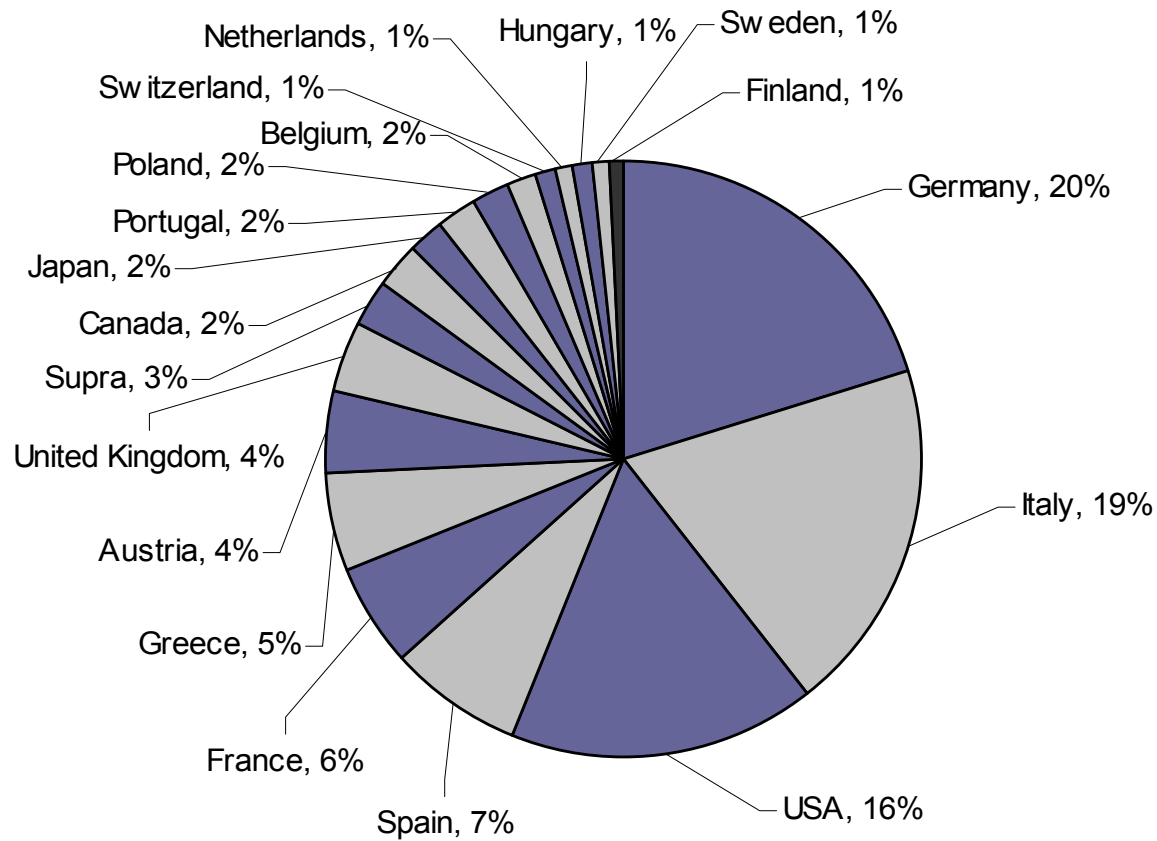
€m	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q2 2006 vs Q2 2005
Net interest income	71	70	80	88	86	90	29%
Non-interest revenues	35	53	24	20	69	74	40%
Total operating income	106	123	104	108	155	164	33%
Operating expenses	-22	-20	-20	-23	-24	-19	-5%
Profit before taxation	84	103	84	85	131	145	41%

- **Strong increase in net interest income (+ 29% y-o-y), share of total net interest income has risen to 82% vs. 73% in Q2 2005**
- **Margins on new business stable; total margin unchanged ca. 20 bp**
- **New business origination robust to maintain good volume growth: Priority is on improving average margin and high AA2 asset quality of the portfolio.**
- **Continued progress in penetrating United States market, which now represents 15% of total business volume**
- **Flight to quality in the capital markets led to opportunistic sales of lower yielding West European sovereign assets**

Budget Finance

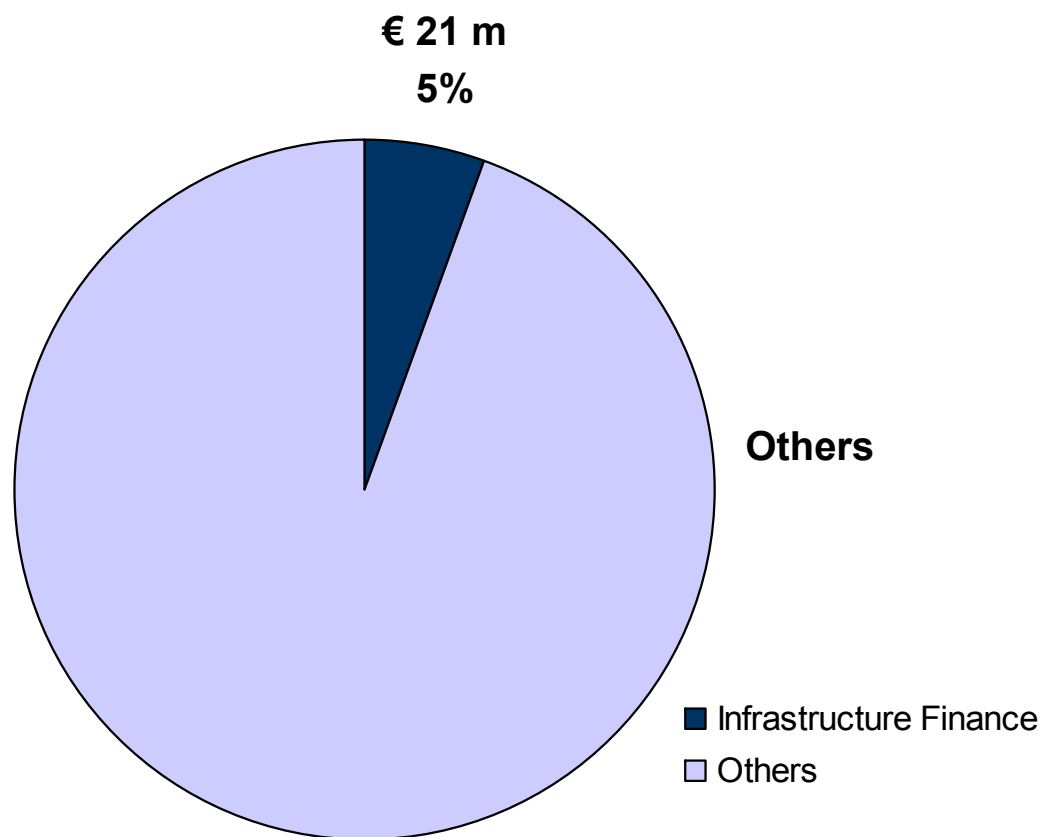
Geographic Breakdown (On- and Off-Balance sheet)

As per 30.06. 2006



Total financing volume € 188.1 bn

1st half 2006 Total Operating Income

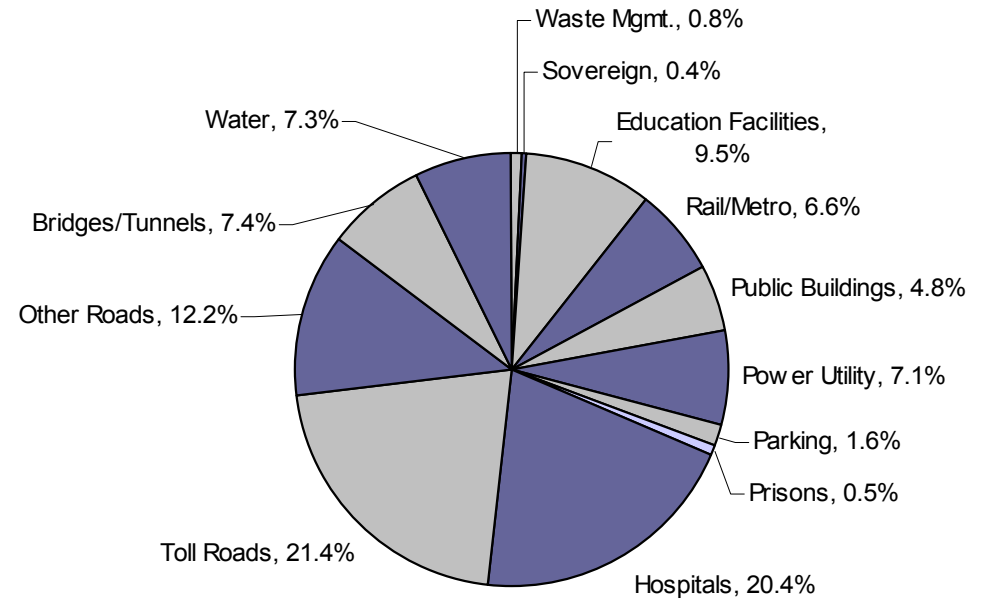
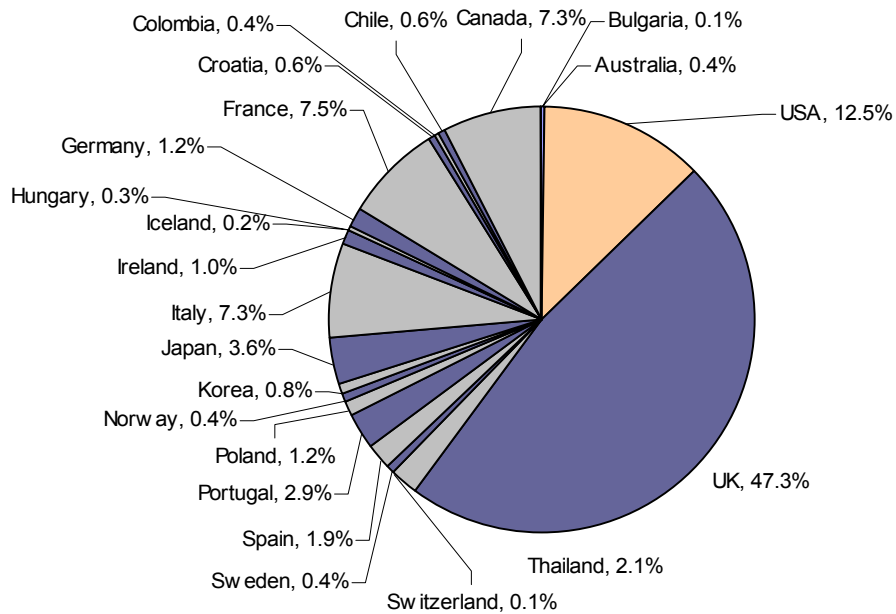


	1st half 2005	1st half 2006	% Change
Net interest income	10	12	20
Non-interest revenues	2	9	350
Total operating income	12	21	75
Operating expenses	-6	-9	50
Profit before taxation	6	12	100
Average equity	112	173	54%
RoE pre tax	11%	14%	
	31.12.2005	30.06.2006	
Financing volume (on B/S)	1,629	4,057	149
Financing volume (off B/S)	795	1,675	111

Infrastructure Finance

Country and Sector Breakdown

As per 30 June 2006



Financing volume € 5.7 bn

Infrastructure Finance

Profit and Loss – Quarter on quarter

Infrastructure Finance

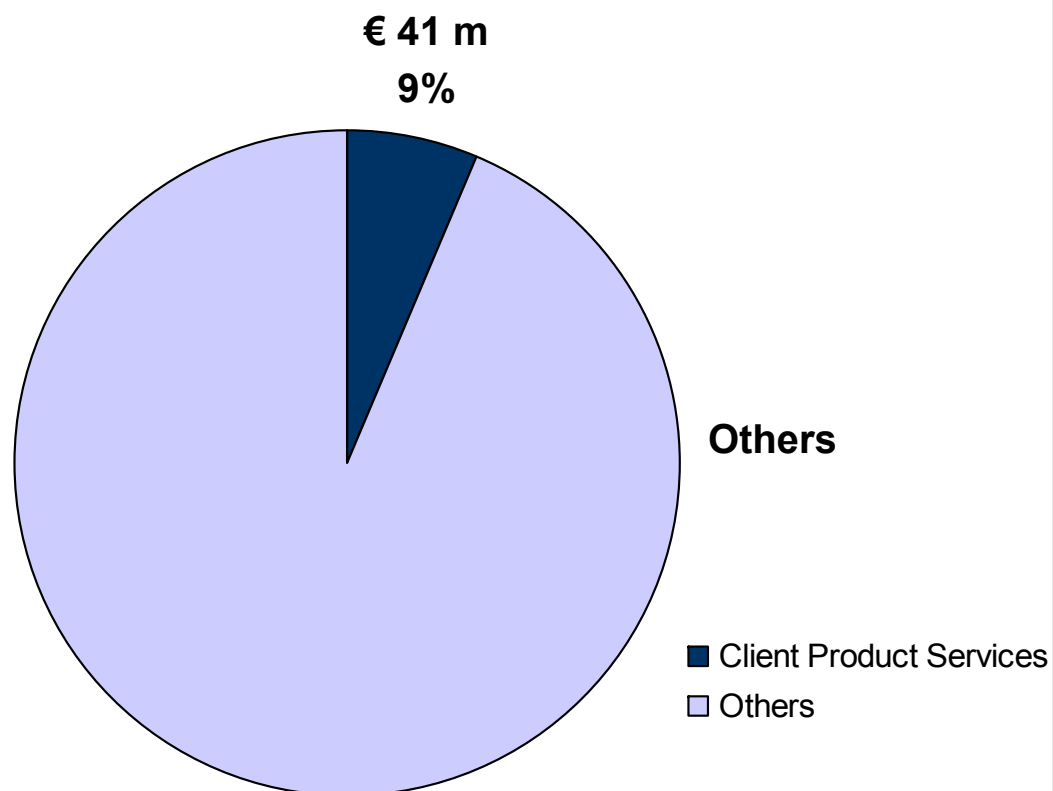
€m	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q2 2006 vs Q2 2005
Net interest income	5	5	5	5	6	6	20%
Non-interest revenues	1	1	1	2	2	7	
Total operating income	6	6	6	7	8	13	117%
Operating expenses	-3	-3	-4	-4	-4	-5	67%
Impairment losses	0	0	0	-3	0	0	
Profit before taxation	3	3	2	3	4	8	167%

- Increase in total revenues due to increased advisory fees.
- Strong pipeline of deals in the United States, in particular in roads sector as municipalities increasingly embrace concept of PPP to raise finance from existing assets and to regenerate essential infrastructure
- Infrastructure Finance transactions this year have provided significant additional revenue for swap structures that are presented in the Client Product Services
- Second major securitisation of loans of up to € 900 m (EPIC II) carried out in July 2006

EPIC II

- EPIC II builds on the success of the EPIC I UK PFI securitization which closed in November 2004 and which was the first ever securitisation of UK PFI assets
- EPIC II is only the third infrastructure loan securitisation to date and represents an important step forward in the development of this financing tool
- EPIC II with its global, multi-currency portfolio located in North America, Europe, Asia and Australia extends the market for infrastructure CLOs
- As a result of this transaction, DEPFA has substantially reduced the amount of regulatory capital required to support the loans, thereby materially improving the return on equity and at the same time transferring a substantial amount of credit risk
- This transaction will therefore enable DEPFA to increase its already substantial involvement in the PFI/PPP market on a competitive footing
- Additionally, institutional investors and banks now have an alternative means of gaining exposure to the global infrastructure market

1st half 2006 Total Operating Income



	1st half 2005	1st half 2006	% Change
Net interest income	0	0	
Non-interest revenues	6	41	>100
Total operating income	6	41	> 100
Operating expenses	-7	-11	57
Profit before taxation	-1	30	
Average equity	10	30	
RoE pre tax	n/a	> 100%	
	31.12.2005	30.06.2006	
Financing volume (on B/S)	0	0	
Financing volume (off B/S)	0	0	

Client Product Services

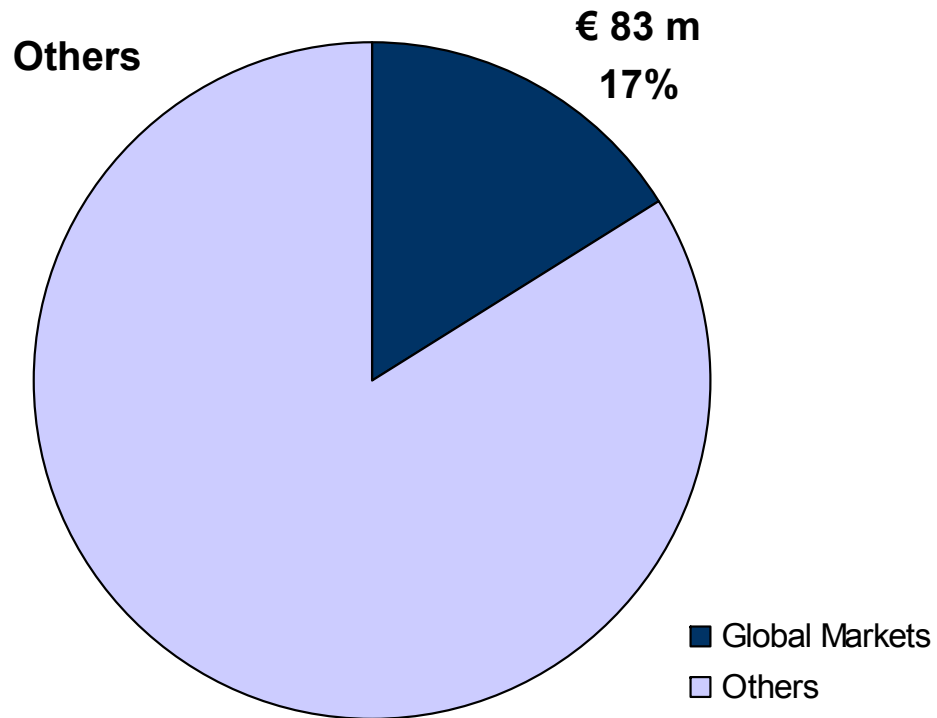
Profit and Loss – Quarter on quarter

Client Product Services

€m	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006
Net interest income	0	0	0	1	-2	2
Non-interest revenues	4	2	7	8	27	14
Total operating income	4	2	7	9	25	16
Operating expenses	-3	-4	-4	-5	-6	-5
Profit before taxation	1	-2	3	4	19	11

- Significant revenue synergies with Budget and Infrastructure Finance
- Volatility in total revenues Q1/Q2 2006 due to large transaction effect
- Guaranteed Investment Contracts (GIC) business is being successfully ramped up with deposits from US municipalities now exceeding US\$ 1 billion

1st half 2006 Total Operating Income



	1st half 2005	1st half 2006	% Change
Net interest income	57	41	-28
Non-interest revenues	127	42	-67
Total operating income	184	83	-55
Operating expenses	-19	-13	32
Profit before taxation	165	70	-58
Average equity	387	737	90
RoE pre tax	85%	19%	
	31.12.2005	30.06.2006	
Financing volume (on B/S)	9,094	13,111	44
Financing volume (off B/S)	0	0	

Global Markets

Profit and Loss – Quarter on quarter

Global Markets

€m	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q2 2006 vs Q2 2005
Net interest income	32	25	19	26	22	19	-24%
Non-interest revenues	43	84	90	27	26	16	-81%
Total operating income	75	109	109	53	48	35	-68%
Operating expenses	-10	-9	-8	-7	-8	-5	-44%
Profit before taxation	65	100	101	46	40	30	-70%

- Further fall in contribution of Global Markets to Group profits (Q2: 19% of pre-tax profit vs. 49% in Q2 2005), due to reduced opportunities in current market environment and shift in focus to client driven activities
- Trading gains mainly centre on trading in mature markets sovereign bonds, CDS and BMA Municipal swaps

Corporate Centre

Profit and Loss – Quarter on quarter

Corporate Centre

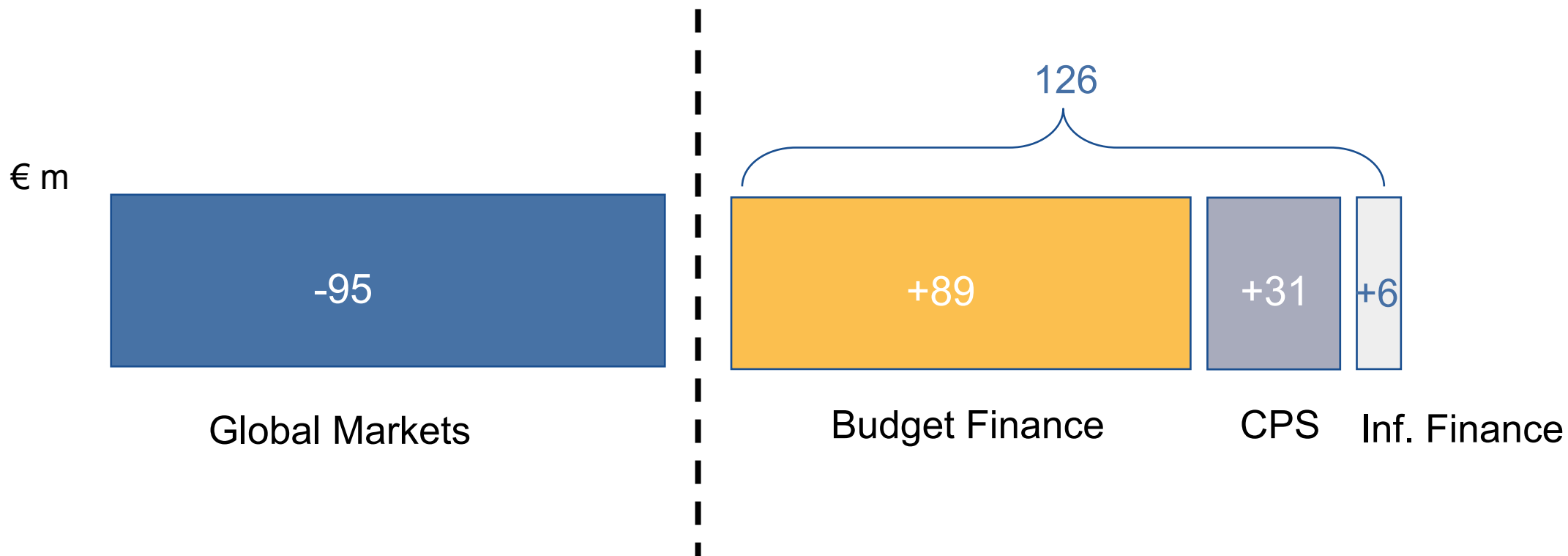
€m	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q2 2006 vs Q2 2005
Net interest income	2	-4	-4	-4	-5	-7	75%
Non-interest revenues	3	-20	2	6	13	9	-145%
Total operating income	5	-24	-2	2	8	2	-108%
Operating expenses	-15	-16	-17	-18	-16	-22	38%
Profit before taxation	-10	-40	-19	-16	-8	-20	-50%

- Results consist of various major recurring items including valuation effects from hedging inefficiencies in non-interest revenues

Group Accounts

Decrease/Increase in segmental pre tax profit contribution

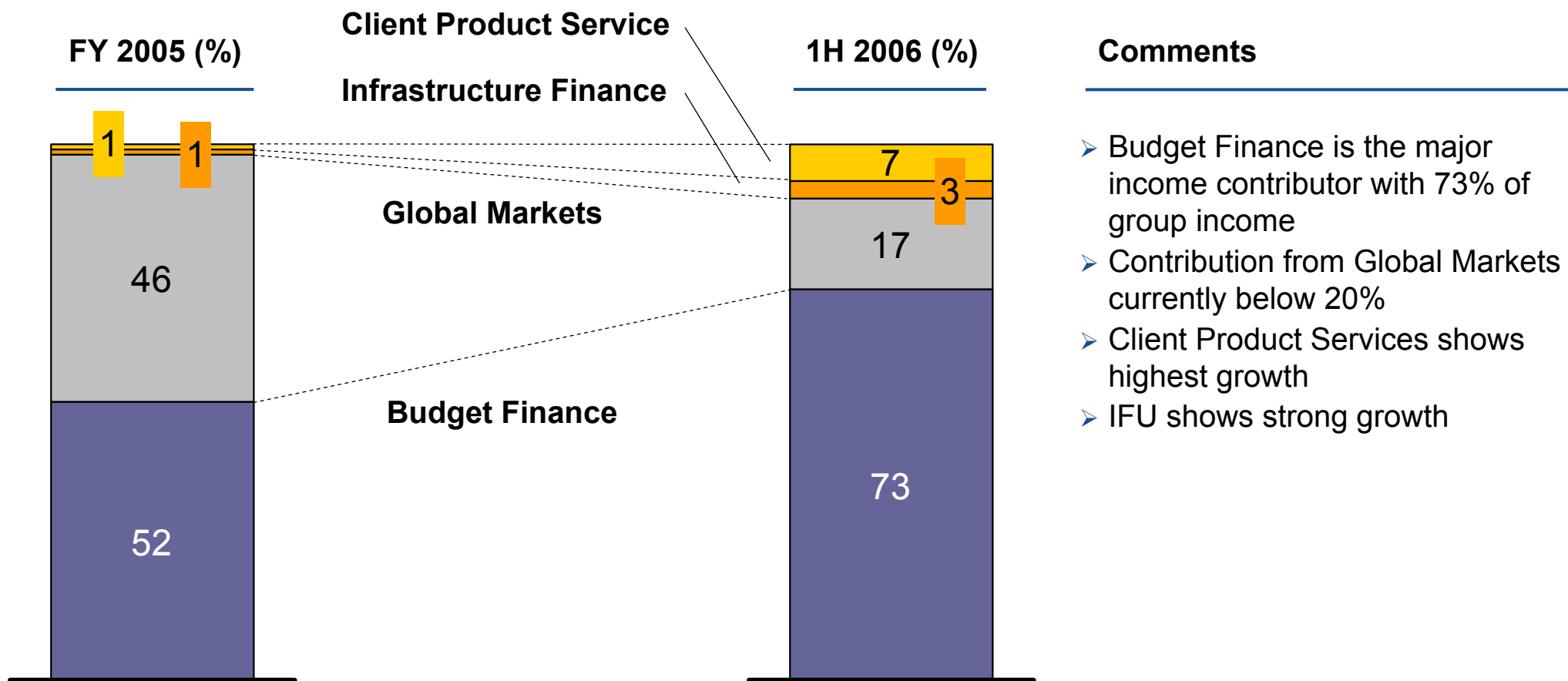
Compensation for shortfall in Global Markets pre-tax profit
1st Half 2006 vs. 1st half 2005



Group Accounts

Earnings mix between segments has changed significantly

- Net operating income -



DEPFA BANK is the only pure Public Sector Bank worldwide

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

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

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

Global trends

Budget constraints

DEPFA response

- On-/Off-Budget Finance
- Balance Sheet Funding

Increasing professionalism

- New products in existing business segments
- Client Product Services
- Client Relationship Management

Private Sector involvement

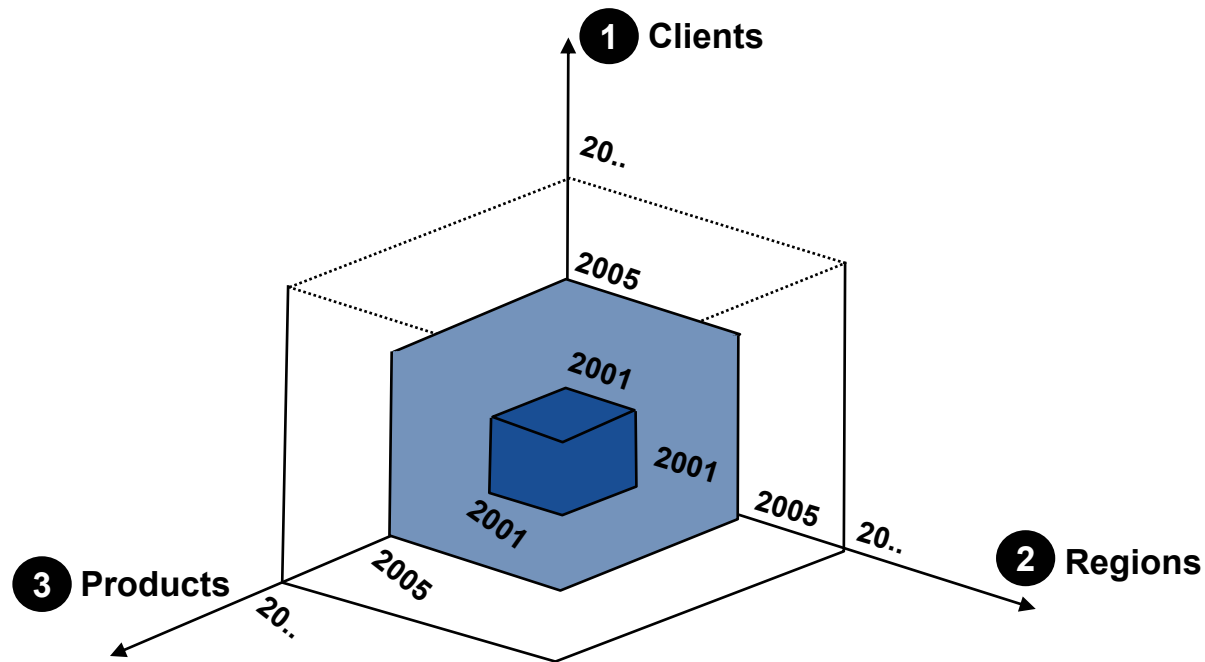
- Infrastructure Finance



Global trends in the Public Sector are opportunities for DEPFA

DEPFA BANK has a scalable business model

DEPFA BANK Universe



Growth path

1 Clients

- Deepen penetration of existing client base
- Expand client base

2 Regions

- Expand global client network across 8 regions

3 Products

- Develop new products, such as
 - Structured products
 - Derivatives
 - Securitisation
 - Pension Advisory
 - ...



There is room for future organic growth



Financials

Financing Volumes

Changing view on financing volumes

Portfolio breakdown as of 30/06/2006

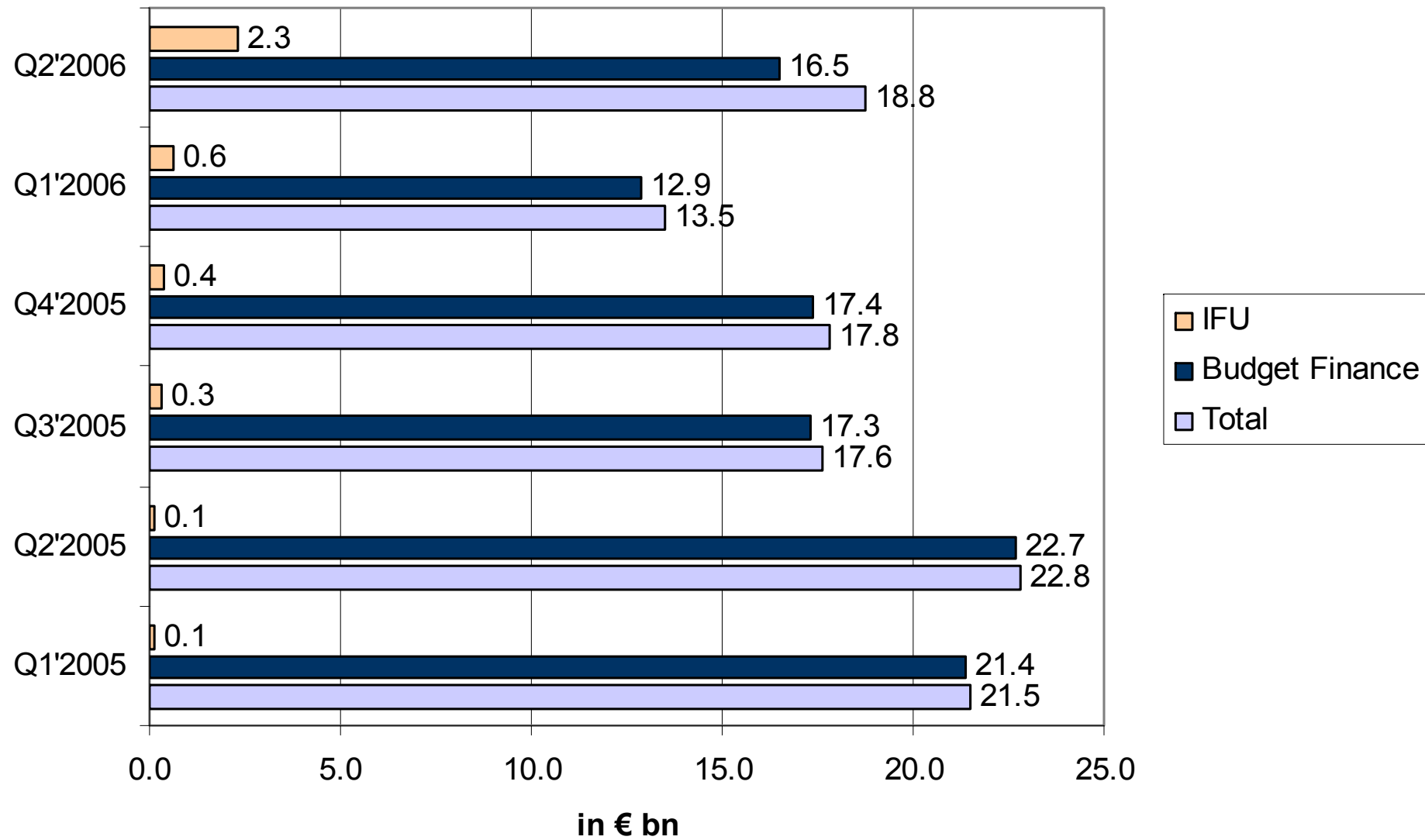
Ongoing we will focus on the development of total financing volume in the client segments

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

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

New Commitments

New commitments in client segments



Financing volumes

Development of public finance volume (including public sector related)

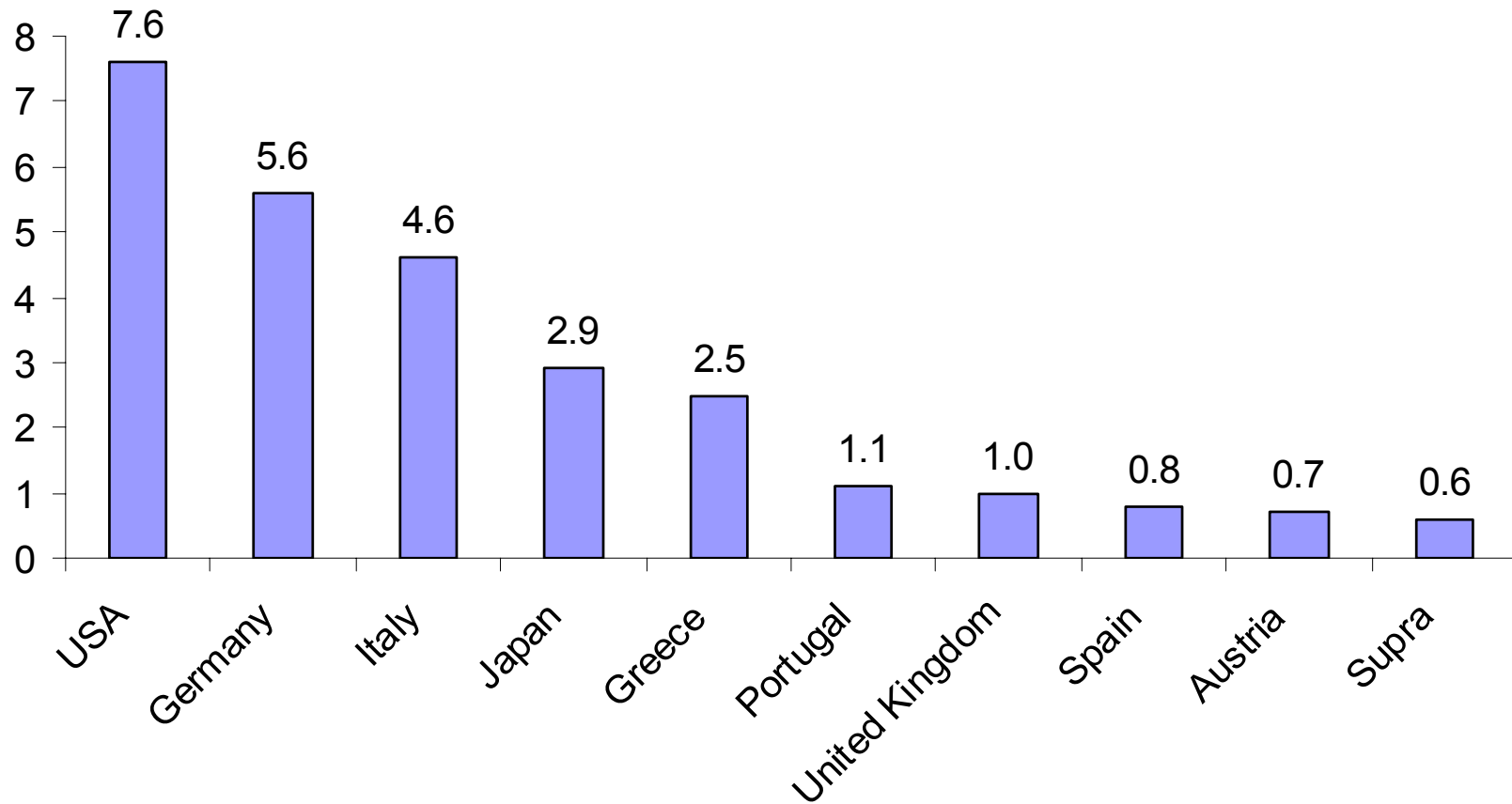
YTD Summary	Total Drawn €M	Total Undrawn €M	Total Financing Volume €M
Volume 31/12/2005	181,499	21,471	202,970
New Commitments (drawn & undrawn)	10,817	3,964	14,781
Sales	- 4,754	-	- 4,754
Maturities and other	- 4,393	- 2,927	- 7,320
Volume 31/03/2006	183,169	22,508	205,677
New Commitments (drawn & undrawn)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

New commitments

Top 10 countries by new public sector commitments in first half

€ bn

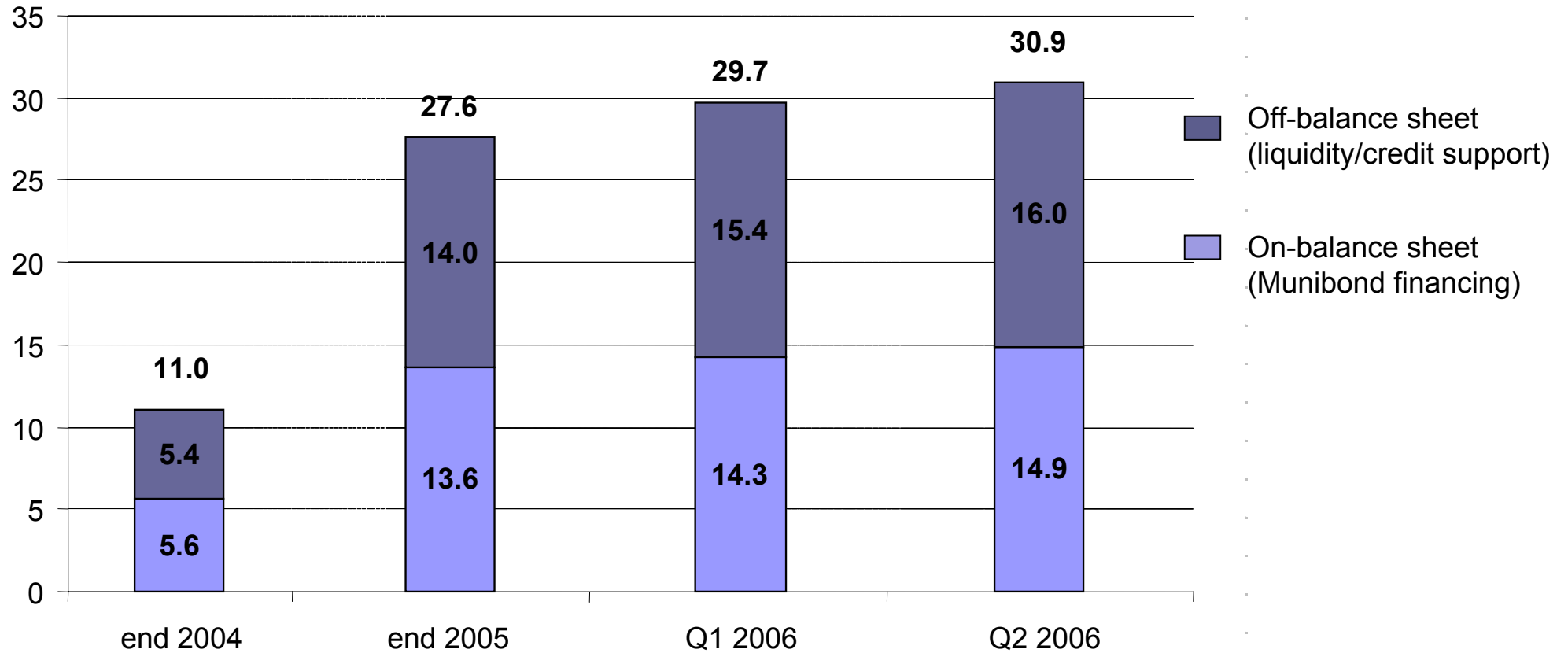
Top ten countries



U.S. Activities

Development of total U.S volumes (on and off balance sheet)

€ bn



Development in Equity (IFRS)

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