

## **Press and Investor Relations Release**

### **DEPFA closes second EPIC CLO**

Dublin / Frankfurt, 12<sup>th</sup> July 2006.

**DEPFA BANK plc** has successfully completed the securitization of part of its global infrastructure loan portfolio, through a synthetic collateralized loan obligation (CLO) structure intermediated by **KfW Bankengruppe**.

The **€ 900 m** issue initially comprises 42 loans made by DEPFA to finance Public Private Partnership (PPP) based projects across a number of sectors of public infrastructure including schools, hospitals, roads, and public transportation systems in a number of countries in Europe, North America and Asia. The transaction is a follow up to DEPFA's EPIC PFI securitization which closed in November 2004 and which was the first securitisation of UK PFI assets. EPIC II with its global, multi-currency portfolio further extends the market for infrastructure CLOs.

#### ***Deal Structure***

Essentially DEPFA is transferring the major part of the credit risk on the loans in the pool by purchasing credit protection from KfW, who then in turn purchases credit protection on the reference pool from a number of banks and institutional investors. The € 805.25 m Super-Senior Tranche (rated AAA/AAA by Fitch and S&P respectively) has been hedged by Assured Guaranty, a monoline insurer. The tranches of the issue below Super Senior (rated AAA to BB by S&P and Fitch) in aggregate amounting to € 79 m, have been placed with investors who have purchased floating rate credit-linked notes issued by **Essential Public Infrastructure Capital II GmbH**, a special purpose company registered in Germany.

The loans will remain on DEPFA's balance sheet, which will continue to administer and manage them. DEPFA will retain the "first-loss" interest in the transaction. Merrill Lynch International was mandated to arrange the transaction. Legal advisers to DEPFA were Linklaters (in Frankfurt and London) and A&L Goodbody (in Dublin) and to Merrill Lynch International were Allen & Overy (in Frankfurt and London).

### ***Benefits to DEPFA***

As a result of this transaction, DEPFA has reduced the amount of regulatory capital required to support the loans by more than € 70 m. At the same time the return on equity in the Infrastructure Finance segment improved materially and a considerable amount of credit risk was removed. 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 way of gaining exposure to the global infrastructure market.

DEPFA's infrastructure finance business (including both lending and advisory services to public and private clients) is complementary to the bank's direct "on-budget" lending business to central and local governments generally. Since its inception in September 1999, DEPFA's Infrastructure Finance Unit has funded over 100 projects in the transportation, water and waste management and public "accommodation" (i.e. schools, hospitals, public offices etc.) sectors.

### ***KfW Bankengruppe***

KfW Bankengruppe gives impetus to economic, political and social development worldwide. With its long-term, low-interest loans KfW promotes small and medium-sized enterprises and business start-ups, among others. With its securitisation platforms, KfW offers banks the opportunity to securitise credit risks under a highly standardised scheme. Such securitisation transactions reduce the capital requirement of the banks, thus giving them new scope for lending. The

two securitisation platforms for SME loans (PROMISE) and for residential mortgage loans (PROVIDE) were set up in 2000 and 2001, respectively. In addition, KfW stimulates innovations and the equity capital market, advances environmental protection and encourages the expansion of municipal infrastructure. The activities of KfW are not only limited to financing of investments in Germany. KfW also plays an active role in the business areas of export and project finance, promotion of the developing countries and advisory and other services.

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