

Press and Investor Relations Release

DEPFA BANK closes first PFI collateralised loan obligation

Dublin / Frankfurt, 12 November 2004

DEPFA BANK plc, the specialist public finance bank has successfully completed the securitization of part of its UK public infrastructure loan portfolio through a synthetic collateralized loan obligation (CLO) structure. This transaction was intermediated by KfW Foerderbank, the German promotional bank.

The **£391.7 million** issue (approx. EUR 560 million) comprises 24 loans made by DEPFA to finance UK Private Finance Initiative (PFI) projects across a number of sectors of public infrastructure including schools, hospitals, roads, police stations, court buildings and other public offices. This is the first time such assets have been securitized in this way, and is expected to provide an important precedent for a growing market.

Deal Structure

Essentially DEPFA is transferring the major part of the credit risk on the loans in the pool by purchasing credit protection via a Credit Default Swap from KfW, who then in turn purchases credit protection on the reference pool from a number of banks and institutional investors: the £355.7 million non-funded Super-Senior Tranche (rated AAA/Aaa by S&P and Moody's respectively) has been insured by AMBAC, a leading US monoline insurer. The tranches of the issue below Super Senior (rated AAA to BB by S&P) in aggregate amounting to £32.05 million, have been placed with investors who have purchased floating rate credit-linked notes issued by Essential Public Infrastructure Capital plc ("EPIC"), a special purpose company registered in Ireland. DEPFA will retain the 'first-loss' interest in the transaction.

The loans will remain on DEPFA's balance sheet, which will continue to be administered and managed by the company. DEPFA mandated Merrill Lynch International to arrange the transaction and was advised by lawyers A&L Goodbody (in Dublin) and Clifford Chance (in London).

Benefits for DEPFA

As a result of this transaction DEPFA has reduced the amount of regulatory capital required to support the loans, thereby materially improving the return on equity of its infrastructure financing activities. The transaction will reduce the risk-weighted assets of the Group by ca. EUR 500 million.

This transaction will therefore enable DEPFA to increase its already substantial involvement in the public infrastructure market on a competitive footing. The know-how gained from this initial transaction will also smooth the way for DEPFA to channel more infrastructure assets into the secondary markets in the future.

Additionally, institutional investors and banks now have an additional way of gaining exposure to the UK infrastructure market and it is likely that other major PFI lenders will follow DEPFA's lead in due course.

DEPFA's infrastructure finance business (including both lending and advisory services to public and private clients) is complementary to DEPFA's direct "on-budget" lending business to central and local governments generally. In addition to its involvement in the UK PFI market, DEPFA's Infrastructure Finance Unit, is active in funding essential public infrastructure projects (typically through Public Private Partnerships (PPP's) or similar structures in Europe, North America and Japan. Since its inception in September 1999, DEPFA's Infrastructure Finance Unit has funded over 80 projects in the transportation, water and waste management and public "accommodation" (i.e. schools, hospitals, public offices etc.) sectors.

Company profile:

DEPFA BANK plc is a leading provider of global financial services to the public sector clients worldwide. It is a Dublin-based public limited company, incorporated under Irish law, with a network of subsidiaries and branch offices across Europe, as well as in the US, Japan and Hong Kong. DEPFA's products and services cover the entire range of the public sector's financing needs, from budget financing to the funding of public infrastructure products and investment banking solutions for public-sector authorities.

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