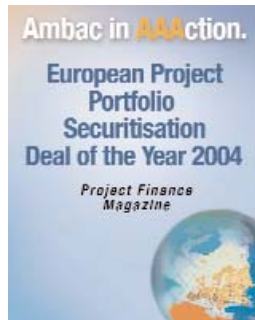


Major Irish Bank Completes First Securitisation of Public Infrastructure Loans



£355,000,000

Essential Public Infrastructure Capital plc

Synthetic CLO of DEPFA's UK Private Finance Initiative Loans

Since 1992, financing for over 600 public facilities and infrastructure projects have closed as part of the U.K.'s Private Finance Initiative (PFI) and the list of additional and future projects is long. DEPFA Bank PLC, based in Ireland, has been a major underwriter of PFI loans since 1999 - their UK PFI portfolio was about £726 million in mid-2004. With £5 billion of additional PFI financing activity expected annually in the UK market for the next several years, DEPFA was anxious to utilise its PFI experience and increase its involvement in this sector. Regulatory capital requirements, however, could potentially limit DEPFA's future PFI involvement. As a result, the bank worked with a financial team to create an innovative means to manage its PFI loan portfolio.

Working through a special-purpose vehicle created for this transaction - Essential Public Infrastructure Capital PLC (EPIC)- DEPFA structured a synthetic securitisation of 24 of its portfolio of PFI loans. The £391.7 million transaction of floating rate credit linked notes is essentially a synthetic collateralised loan obligation. The structure centers on a credit default swap agreement with Kreditanstalt für Wiederaufbau (KfW), the German promotional bank. Through the deal, DEPFA transfers a major part of its credit risk on the loans in the pool by purchasing credit protection in the form of a credit default swap from KfW. DEPFA retains the flexibility to replenish the loans in the pool over a five-year period. The £355.7 million super senior swap tranche is guaranteed by triple-A monoline guarantor Ambac Assurance, lowering overall transaction costs and reassuring investors about this first-of-a-kind deal. The loans, which remain on DEPFA's balance sheet, will continue to be administered and managed by the bank. As a result of the transaction, however, DEPFA reduced its risk-weighted assets by about EUR500 million, giving the bank flexibility to increase its future involvement in the public infrastructure market on a more competitive footing.

While the transaction was the first of its kind, investors reacted favorably and the deal was fully subscribed. UK PFI loans represent strong credits and other banks with significant PFI involvement are expected to utilise this technique in the future.

For additional information, please contact:

Cynthia Parker, Managing Director, +44 20 7786 4311, cparker@ambac-uk.com

Louise Minford, Director, +44 20 7786 4345, lminford@ambac-uk.com

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