

Press Release

DEPFA Funding IV LP will not pay the next coupon on its Preferred Securities

Dublin/Munich, 5 March 2010 – Dublin-based DEPFA BANK plc, a subsidiary of Hypo Real Estate Holding AG (HRE), has determined that its Tier 1 issuing vehicle DEPFA Funding IV LP will not make payments on its € 500 million Preferred Securities (XS0291655727) on the next Distribution Payment Date scheduled 21 March 2010.

Preferred securities are a particular class of subordinated Tier 1 instruments. The conditions for coupon payments are set out in the terms and conditions of each issue. Coupon payments are at the discretion of the Board of Directors of DEPFA BANK plc unless a contractual or other legal prohibition on payment exists. As of 5 March 2010 such a situation exists whereby DEPFA BANK plc is not permitted to pay coupons owing to an insufficiency of adjusted distributable reserves as calculated from the latest available audited annual accounts of the company.

In addition, DEPFA BANK plc considers servicing these instruments would conflict with the EU Commission's rules for banks subject to a restructuring aid investigation. In its Communication on restructuring aid to financial institutions of July 2009 the Commission sets out that "banks should not use state aid to remunerate own funds (equity and subordinated debt) when their activities do not generate sufficient profits". HRE has been in receipt of restructuring aid from the Federal Republic of Germany and is awaiting a final ruling on the compatibility of such aid.

DEPFA BANK plc will make a decision regarding the payment of coupons on its other subordinated Tier 1 instruments, DEPFA Funding II LP (XS0178243332) and DEPFA Funding III LP (DE000A0E5U85), closer to their scheduled distribution payment dates on 30 October 2010 and 8 June 2010 respectively. Nevertheless, in this context DEPFA BANK plc does not expect that any such coupon payments will be made in 2010.

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