

STOCK EXCHANGE ANNOUNCEMENT

Ad Hoc Announcement - For immediate release

14 January 2015

RE: Proposed Tender Offer for Preferred Securities

Issued on behalf of the following companies and limited partnerships in respect of their listed debt:

DEPFA BANK plc (“ DEPFA ”)	DEPFA Funding II LP
DEPFA ACS BANK	DEPFA Funding III LP
HYPO Pfandbrief Bank International S.A.	DEPFA Funding IV LP

FMS Wertmanagement AöR (“**FMS-WM**”), the parent company of DEPFA, has informed DEPFA that it proposes to launch a tender offer inviting holders of the following securities:

€400,000,000 6.50 per cent. Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities issued in two series of €300,000,000 on 28 October 2003 and €100,000,000 on 5 February 2004 by DEPFA Funding II LP (the “**DEPFA II Securities**”) ISIN: XS0178243332;

€300,000,000 Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities issued on 7 June 2005 by DEPFA Funding III LP (the “**DEPFA III Securities**”) ISIN: DE000A0E5U85; and

€500,000,000 Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities issued on 16 March 2007 by DEPFA Funding IV LP (the “**DEPFA IV Securities**”) ISIN: XS0291655727,

each guaranteed by DEPFA (together, the “**Preferred Securities**”), to tender those securities for purchase by FMS-WM on the terms described below and in relation thereto FMS-WM has entered into a commitment agreement with certain holders of those securities as described below.

FMS-WM has further informed DEPFA that on 22 December 2014 certain holders of the Preferred Securities (the “**Committed Holders**”) representing approximately 70% of the DEPFA II Securities, 59% of the DEPFA III Securities and 66% of the DEPFA IV Securities entered into an agreement with FMS-WM pursuant to which the Committed Holders have undertaken to tender their Preferred Securities for purchase by FMS-WM on the terms of a tender offer that FMS-WM proposes to launch and to vote in favour of certain amendments to the terms and conditions of the Preferred Securities in an associated consent solicitation process (the proposed tender offer and consent solicitation are referred to as the “**Proposed Transaction**”). The agreement between FMS-WM and the Committed Holders does not restrict the Committed Holders' ability to trade Preferred Securities, subject to the transferees agreeing to commit to tender those Preferred Securities and to vote in favour of those amendments. This agreement is subject to customary provisions including regarding an outside termination date for consummation of the Proposed Transaction, which provisions can be extended by mutual agreement of the parties.

The Proposed Transaction remains subject in its entirety to regulatory approval by the competent regulator. FMS-WM has agreed with the Committed Holders to launch the Tender Offer Memorandum timely following positive indication by the regulator.

If it proceeds, the Proposed Transaction will be launched with the issuance of a Tender Offer Memorandum. FMS-WM has informed DEPFA that it is not able at this time to state with certainty whether or when the issuance of the Tender Offer Memorandum will take place.

The Committed Holders and FMS-WM have agreed that the Proposed Transaction will include a tender offer by FMS-WM for the Preferred Securities at a Purchase Price of €0.604509 (sixty point four five zero nine cents) per €1 (one euro) of liquidation preference of each DEPFA II Security and DEPFA IV Security as defined in the relevant limited partnership agreement, and €0.584509 (fifty eight point four five zero nine cents) per €1 (one euro) of liquidation preference of each DEPFA III Security as defined in the relevant limited partnership agreement.

Tendering holders of preferred securities will be required to vote in favour of certain amendments to the terms and conditions of the Preferred Securities and related guarantees. Pursuant to such amendments, holders of Preferred Securities who do not tender their Preferred Securities to FMS-WM will become subject to a redemption of such Preferred Securities at the option of the respective issuer of the Preferred Securities or of DEPFA as guarantor at a redemption price of €0.595 (fifty nine point five cents) per €1 of liquidation preference of each DEPFA II Security and DEPFA IV Security as defined in the relevant limited partnership agreement and €0.575 (fifty seven point five cents) per €1 of liquidation preference of each DEPFA III Security as defined in the relevant limited partnership agreement.

FMS-WM has informed DEPFA that acceptance of the tender by FMS-WM will be made subject only to the conditions that in each class of the Preferred Securities valid tenders are received in an amount of not less than 50 per cent. of the nominal amount of Liquidation Preference plus one Preferred Security of each such class and that regulatory approval has been obtained. Otherwise the Tender Offer Memorandum will contain only standard tender conditions.

FMS-WM has agreed to pay the Committed Holders a Commitment Fee of €22,139,320 in aggregate due on completion of the purchase of Preferred Securities by FMS-WM pursuant to the tender offer.

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