

Ad Hoc Announcement - For immediate release

RE: Agreement by DEPFA ACS BANK and DEPFA Pfandbrief Bank International S.A. to purchase their own covered bond securities from FMS Wertmanagement AöR, to cancel them, and to sell assets to FMS-WM to reduce their cover pools

14 October 2016

Issued on behalf of DEPFA ACS BANK and DEPFA Pfandbrief Bank International S.A. (together, the "Issuers") in each case in respect of its covered bonds (as defined below) listed on a trading venue within the scope of Regulation (EU) No. 596/2014 (the "Market Abuse Regulation"). The Market Abuse Regulation requires disclosure of inside information relating to the Issuers and the covered bonds.

Background:

In July 2016, DEPFA ACS BANK ("DEPFA ACS") and DEPFA Pfandbrief Bank International S.A. ("DEPFA PBI") announced that FMS Wertmanagement AöR ("FMS-WM"), the parent company of DEPFA BANK plc ("DEPFA" and collectively with its subsidiaries DEPFA ACS and DEPFA PBI, the "DEPFA Group"), had purchased certain asset covered securities ("ACS") issued by DEPFA ACS and certain Lettres de Gage Publiques ("LdG" and together with the ACS, the "covered bonds") issued by DEPFA PBI in the market and in the course of a public tender in February 2016 and that FMS-WM continued to buy such covered bonds in the market both in the form of global notes and registered notes. The announcement also indicated that it could be expected as a next step in the wind down plan for the DEPFA Group that the DEPFA Group's liabilities could be reduced and the covered pools of DEPFA ACS and DEPFA PBI adjusted accordingly.

Purchase of covered bonds:

The boards of FMS-WM and the DEPFA Group have approved a transaction involving the purchase by DEPFA ACS and DEPFA PBI in early November 2016 of a certain number of their covered bonds currently held by FMS-WM. The total nominal amount of the purchase of ACS (including global notes and registered notes) of DEPFA ACS (rounded in Euros) is approximately Euro 4.0bn and the total nominal amount of the purchase of LdG (including global notes and registered notes) of DEPFA PBI (rounded in Euros) is approximately 0.8bn. The total nominal amount of the purchase of registered notes of DEPFA ACS (rounded in Euros) is approximately Euro 1.5bn and the total nominal amount of the purchase of registered notes of DEPFA PBI (rounded in Euros) is approximately Euro 0.5bn. The details of the purchases of the global notes for DEPFA ACS and DEPFA PBI are set out in the tables below:

Issuer: DEPFA ACS

ISIN / Common Code	Maturity Date	Issuance Currency	Amount Purchased	Principal Amount Outstanding	Listing
CA249575AG69	31/03/2025	CAD	297,629,000.00	2,371,000.00	London
CA249575AJ09	24/08/2035	CAD	349,450,000.00	550,000.00	Dublin
CH0022738105	13/10/2017	CHF	191,940,000.00	74,705,000.00	Swiss
CH0024021302	15/02/2019	CHF	140,640,000.00	59,360,000.00	Swiss
CH0026116084	31/07/2031	CHF	195,640,000.00	4,360,000.00	Swiss
DE000A0BCLA9	21/05/2019	EUR	551,300,000.00	448,700,000.00	Frankfurt & Dublin
US249575AN19 / DE000A0LPMX0	16/03/2037	USD	934,211,000.00	28,390,000.00	Dublin
XS0206924309	17/12/2024	CHF	50,000,000.00	-	None
XS0235645214	05/12/2025	EUR	100,000,000.00	-	None

XS0239624546	22/12/2030	USD	65,000,000.00	-	None
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Issuer: DEPFA PBI

ISIN / Common Code	Maturity Date	Issuance Currency	Amount Purchased	Principal Amount Outstanding	Listing
CH0026463577	31/08/2020	CHF	304,995,000.00	92,005,000.00	Swiss
XS0294671291	20/04/2027	CHF	50,000,000.00	-	None

It is the intention of both DEPFA ACS and DEPFA PBI that they would purchase these covered bonds and cancel them.

Sale of assets:

Immediately following the covered bond purchase described above FMS-WM will purchase from DEPFA ACS approximately Euro 4.2bln (in nominal value) of public sector assets and approximately Euro 1.1bln (in nominal value) of public sector assets from DEPFA PBI. This is a further step in the wind down plan as identified in the prior announcement to help reduce the cover pools of both DEPFA ACS and DEPFA PBI.

Purchase price and pricing mechanism:

The purchase price of both the covered bonds and the public sector assets will be conducted on an arm's length basis and assessed at fair market value.

The pricing mechanism for arriving at the purchase price of a covered bond will be the sum of the value of all remaining payments of principal and interest discounted at the relevant purchase yield. The purchase yield of a covered bond is subject to market conditions and as such will depend, inter alia, on the relevant interest rate curve, purchase spread and applicable market conventions for each covered bond which will vary depending on the specific commercial characteristics for each covered bond.

DEPFA Group buyback policy:

Since 2010 (as reported in its annual reports) DEPFA ACS has from time to time bought back its ACS on the market on a reverse enquiry basis and at prevailing market prices. The same reverse enquiry policy has been in place for DEPFA PBI with regard to its LdG. Whether or not DEPFA accepts such enquiries is dependent on a number of factors including legal, regulatory and commercial considerations. These considerations remain for DEPFA ACS and DEPFA PBI for any future reverse enquiries of their outstanding ACS or LdG. Since the announcement in January 2016 of FMS-WM's tender offer to certain ACS and LdG noteholders DEPFA has referred all reverse enquiries to FMS-WM's treasury department. In principle DEPFA ACS and DEPFA PBI remain receptive to future reverse enquiries for their covered bonds at fair market prices however such enquires should be made to FMS-WM in the first instance. To the extent that FMS-WM holds outstanding DEPFA Group ACS or LdG or purchases additional DEPFA Group ACS or LdG in the market, DEPFA ACS and DEPFA PBI remain interested in buying back such further covered bonds from FMS-WM at fair market prices with a view to cancelling them subject to the same legal, regulatory and commercial considerations.

FMS-WM

FMS-WM was founded in July 2010 as a German state owned wind down agency in order to wind up risk positions and non-strategic operations of the former Hypo Real Estate Holding AG group in a manner aimed at maximizing the value of the relevant assets. In May 2014 FMS-WM was instructed to take over the whole share capital of DEPFA in order to wind down the DEPFA Group. FMS-WM acquired DEPFA on 19 December 2014.

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