

Ad Hoc Announcement - For immediate release

RE: Agreement by DEPFA ACS BANK to purchase their own covered bond securities from FMS Wertmanagement AöR, to cancel them, and to sell assets to FMS-WM to reduce its cover pool

12 October 2017

Issued on behalf of DEPFA ACS BANK (“**DEPFA ACS**” or the “**Issuer**”) 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 Issuer and the covered bonds.

Background:

In January 2016 FMS Wertmanagement AöR (“**FMS-WM**”), the parent company of DEPFA BANK plc (“**DEPFA plc**”, together with the Issuer, “**DEPFA**”), announced a public tender for covered bonds issued by DEPFA ACS (“**covered bonds**” or “**ACS**”). In July 2016 DEPFA announced that FMS-WM had purchased an aggregate nominal amount of Euro 4.8bln of ACS and that FMS-WM continued to buy such covered bonds in the market. On 4 November 2016 DEPFA announced the completion of a buyback by the Issuer from FMS-WM of approximately Euro 4.0bln in total nominal amount of ACS and a sale to FMS-WM of an equivalent value of public sector assets. On 15 September 2017, FMS-WM announced that it held a nominal value of Euro 2 bln of DEPFA bonds (ACS). FMS-WM also indicated in the press release that additional measures were planned for the second half of 2017 to further reduce DEPFA’s total assets.

Purchase of covered bonds:

The relevant corporate bodies of FMS-WM and the boards of DEPFA have approved a transaction involving the purchase by DEPFA ACS in early November 2017 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 2.0bn. The total nominal amount of the purchase of registered notes of DEPFA ACS (rounded in Euros) is approximately Euro 1.1bln. The details of the purchase of the global notes for DEPFA ACS are set out in the table below:

Issuer: DEPFA ACS

ISIN / Common Code	Maturity Date	Issuance Currency	Amount Purchased (issuance currency)	Principal Amount Outstanding (issuance currency)	Listing
XS0246642523	20/03/2026	USD	100,000,000.00	0.00	Luxembourg
XS0225861060	11/08/2032	USD	50,000,000.00	0.00	Dublin
US249575AN19 / DE000A0LPMX0	16/03/2037	USD	1,000,000.00	27,390,000.00	Dublin
XS0209003697	07/01/2020	EUR	400,000,000.00	0.00	London
XS0244760061	20/10/2021	EUR	100,000,000.00	0.00	Not listed
XS0259316882	30/06/2021	EUR	75,000,000.00	0.00	Not listed
XS0215668376	01/04/2020	EUR	50,000,000.00	0.00	Dublin
XS0236319975	08/12/2025	EUR	50,000,000.00	0.00	Not listed
XS0218532249	20/05/2020	EUR	25,000,000.00	25,000,000.00	Dublin
XS0222699091	21/06/2020	EUR	10,000,000.00	0.00	Frankfurt
XS0277535075	25/05/2031	EUR	10,000,000.00	0.00	Not listed

It is the intention of DEPFA ACS to 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 2.0bln (in nominal value) of public sector assets. This is a further step in the wind down plan to help reduce the cover pool of DEPFA ACS.

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 ACS buyback policy:

As published last October 2016: DEPFA ACS has from time to time bought back its ACS on the market on a reverse enquiry basis and at prevailing market prices. Whether or not DEPFA ACS accepts such enquiries is dependent on a number of factors including legal, regulatory and commercial considerations. These considerations remain for DEPFA ACS for any future reverse enquiries of their outstanding ACS. Since January 2016 DEPFA has referred all reverse enquiries to FMS-WM's treasury department. In principle DEPFA ACS remains 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 ACS or purchases additional ACS in the market, DEPFA ACS remains 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 plc in order to wind down the DEPFA Group. FMS-WM acquired DEPFA plc on 19 December 2014.

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