

INVESTMENT CONSIDERATIONS

Prospective investors should carefully consider the following information in conjunction with the other information contained in this Offering Circular. Defined terms used herein have the meaning given to them in "Description of the Preferred Securities."

Risks Associated with the Guarantor's Financial Condition

An investment in the Preferred Securities will have similar economic risks to an investment in non-cumulative perpetual preference shares issued directly by the Guarantor having the same liquidation preference and rate of distribution as the Preferred Securities. It is expected that the Issuer's sole source of funds to pay Distributions on the Preferred Securities will be payments which it receives from its investments in one or more debt instruments issued by a member of the Group (the "**Subordinated Note**"). The rights of Holders shall be represented solely by the Subordinated Guarantee and the Preferred Securities, and under no circumstances will the rights of Holders be represented by the Subordinated Note nor shall Holders be entitled to receive or hold the Subordinated Note. The Preferred Securities are guaranteed on a limited and subordinated basis by the Guarantor pursuant to the terms of the Subordinated Guarantee. Accordingly, if the Guarantor's financial condition were to deteriorate, the Holders may suffer direct and materially adverse consequences, including non-payment of Distributions on the Preferred Securities or of payments under the Subordinated Guarantee.

Limitations to remedies of Holders under the Subordinated Guarantee

Holders may not receive payments from the Guarantor under the Subordinated Guarantee in circumstances where the Guarantor is prevented by applicable Irish banking regulations or legal or other regulatory requirements from making such payments.

Distributions Not Cumulative

Distributions on the Preferred Securities are not cumulative. As set out in "*Description of the Preferred Securities*," Distributions on the Preferred Securities will be paid on each Distribution Payment Date out of interest received by the Issuer from its investments in the Subordinated Note and from other resources legally available, except that the Issuer will not pay any Distributions and the Guarantor will not make payment in respect of any Distributions in the circumstances set out in "*Description of the Preferred Securities – Distributions*".

The discretion of the Guarantor's board of directors to resolve that a Distribution should not be paid is unfettered, except that the Guarantor's board of directors will exercise such discretion not to pay if the Guarantor or any of its Subsidiaries has suspended payment of, deferred or not paid the most recent payment on any of its preference shares (unless such payment is the last payment in the Dividend Stopper Period) or Tier 2 Securities (unless prior to the relevant Distribution Payment Date all the arrears of interest in respect of such Tier 2 Securities have been paid).

If Distributions on the Preferred Securities for any Distribution Period are not paid for the reasons stated above, the Holders will not be entitled to receive such Distributions (or any payment under the Subordinated Guarantee in respect of such Distributions).

Perpetual Nature of the Preferred Securities

The Preferred Securities are perpetual securities and have no fixed final redemption date and Holders have no rights to call for the redemption of the Preferred Securities. Although the Issuer may redeem the Preferred Securities in certain circumstances (including at its option on 8th June, 2011 or on any Distribution Payment Date thereafter or following the occurrence of a Capital Disqualification Event at any time), there are limitations on its ability to do so. Therefore, Holders should be aware that they may be required to bear the financial risks of an investment in the Preferred Securities for an indefinite period of time.

Substitution

If a Capital Deficiency Event occurs and is continuing the General Partner has the discretion to cause, and if the Regulator so requires will cause, the substitution of the Preferred Securities with fully paid non-cumulative preference shares issued by the Guarantor.

Although the Guarantor has undertaken to apply for a listing for the Substituted Preference Shares there can be no assurance that, in the event that a Capital Deficiency Event occurs and is continuing, a recognised stock exchange will agree to list such Substituted Preference Shares.

If a Preferred Securities Substitution occurs it is the current intention of the General Partner to arrange for an alternative method for investors to hold their Substituted Preference Shares. If an accountholder elects for this alternative method, then instead of delivering each unit of Substituted Preference Shares directly to the investors, the General Partner will invite a third party investment bank to arrange for the establishment of a finance company which will receive each relevant unit of Substituted Preference Shares. Each relevant investor will receive a security in a nominal amount of €1,000 issued by the finance company and backed by the Substituted Preference Shares.

The General Partner will only offer this alternative means of holding the Substituted Preference Shares if under Irish law in force at the time of the Preferred Securities Substitution such an arrangement would enable investors to hold the security in Clearstream, Frankfurt and receive cash flows on the Substituted Preference Shares free of Irish withholding taxes and such security would be transferable free of Irish stamp taxes.

It may not be possible for the Guarantor and the General Partner to effect this arrangement and the efficacy of any such arrangement is subject to any change in the tax or regulatory regime.

If the Guarantor issues the Substituted Preference Shares directly to the Holders then under the current Irish tax regime dividends on such Substituted Preference Shares may be subject to Irish withholding taxes. In such circumstances the Guarantor will, subject to having available distributable profits, pay such additional amounts by way of extra dividend to investors as may be necessary in order that the net payments under the Substituted Preference Shares, after any withholding for taxes imposed by Ireland on such payments, will equal the amount that would have been received in the absence of any such withholding.

If any Substituted Preference Shares are issued directly to investors transfers will be subject to Irish stamp duty at a rate of 1 per cent., see "Taxation – Ireland".

In addition, the tax treatment for holders of Substituted Preference Shares or the security issued by the finance company may be different from that for Holders of the Preferred Securities.

No Limitation on Senior Debt

The obligations of the Guarantor under the Subordinated Guarantee will rank:

- (a) junior to all liabilities of the Guarantor including subordinated liabilities (in each case other than any liability of the Guarantor which constitutes, or is capable of constituting, Tier 1 Capital or which is referred to in (b) or (c) and any other liability which ranks *pari passu* with or junior to the Subordinated Guarantee);
- (b) *pari passu* with Parity Securities, if any, issued by the Guarantor and any guarantee or support agreement of the Guarantor ranking *pari passu* with the Subordinated Guarantee; and
- (c) senior to Junior Share Capital.

In the event that the Guarantor is wound-up, liquidated or dissolved, the assets of the Guarantor would be available to pay obligations under the Subordinated Guarantee only after all payments have been made on senior liabilities and claims.

The Guarantor is not prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Subordinated Guarantee.

Absence of prior public markets

The Preferred Securities constitute a new issue of securities by the Issuer. Prior to this issue, there will have been no public market for the Preferred Securities. Although application will be made for the Preferred Securities to be listed on the Official Market of the Frankfurt Stock Exchange (*amtlicher Markt*) and has been made for the Preferred Securities to be listed on Eurolist by Euronext Amsterdam, there can be no assurance that an active public market for the Preferred Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Guarantor and other factors that generally influence the market prices of securities.

SUMMARY OF THE PREFERRED SECURITIES AND SUBORDINATED GUARANTEE

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them under "Description of the Preferred Securities". Prospective investors should also consider carefully, amongst other things, the factors set out under "Investment Considerations".

Issuer:	<p>DEPFA Funding III LP (the Issuer), an English limited partnership formed and registered under the Limited Partnerships Act 1907.</p> <p>The business of the Issuer is to raise and provide finance and financial support to the Guarantor and its subsidiaries (together, the Group). The general partner of the partnership will be the Guarantor (the General Partner).</p> <p>The business of the partnership, as administered by, or on behalf of, the General Partner, will include the following:</p> <ul style="list-style-type: none">• acquiring and holding the Issuer's assets;• monitoring the Issuer's assets and determining whether they continue to be suitable; and• functions necessary or incidental thereto. <p>On the Closing Date, the Issuer's principal assets will be a debt instrument or instruments issued by a member of the Group (the Subordinated Note).</p>
Guarantor:	<p>DEPFA BANK plc. The Guarantor is incorporated in Ireland with limited liability and is the holding company of the Group.</p>
Issue:	<p>€300,000,000 Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (the Preferred Securities), each with a liquidation preference of €1,000 (the Liquidation Preference), comprising interests in a limited partnership share in the Issuer.</p>
Use of Proceeds:	<p>The proceeds of the issue of the Preferred Securities will augment the Group's regulatory capital base. The Issuer will use the proceeds raised from the issuance of the Preferred Securities to subscribe for the Subordinated Note.</p>
Subordinated Guarantee:	<p>The Guarantor will on the Closing Date provide a subordinated guarantee (the Subordinated Guarantee), which will be in favour of the Holders.</p>

The Subordinated Guarantee will rank *pari passu* with:

- (a) the most senior non-cumulative perpetual preference shares of the Guarantor (whether or not in issue);
- (b) the guarantee provided by the Guarantor in respect of the outstanding €220,000,000 Floating Rate Non cumulative Trust Preferred Securities issued on 30th May, 2000 by DEPFA Funding Trust; and
- (c) the guarantee provided by the Guarantor in respect of the outstanding €300,000,000 6.50 per cent. Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities and the outstanding €100,000,000 6.50 per cent. Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities issued on 30th October, 2003 and 9th February, 2004 respectively, in each case by DEPFA Funding II LP.

Distributions:

The Preferred Securities will entitle Holders to receive (subject as described below) non-cumulative preferential cash distributions (the **Distributions**).

Distributions will be payable out of the Issuer's own legally available resources annually in arrear on 8th June in each year (each a **Distribution Payment Date**) at the rate of 7.00 per cent. per annum in respect of the period from and including the Closing Date to but excluding the Distribution Payment Date falling on 8th June, 2008 and thereafter at a variable rate of interest per annum which is (i) the aggregate of 0.10 per cent. per annum and the annual spot 10 year EUR fixed versus 6 month EUR EURIBOR swap rate or, if less, (ii) 8.00 per cent. per annum.

Notwithstanding the existence of such resources legally available for distribution by the Issuer, the Issuer will not pay any Distributions to the Holders and the Guarantor will not make any payment in respect of Distributions (including any Additional Amounts) under the Subordinated Guarantee:

- (a) to the extent that such payment, together with the amount of any distributions or dividends paid or scheduled to be paid to holders of Parity Securities on the relevant Distribution Payment Date would exceed Adjusted Distributable Reserves as at the Distribution Determination Date immediately preceding such Distribution Payment Date; or
- (b) even if Adjusted Distributable Reserves are sufficient:
 - (i) to the extent that such payment in respect of the Preferred Securities and/or Parity Securities and/or the Subordinated Guarantee would cause the Guarantor not to meet its minimum capital requirements or not to meet its solvency ratio under the Capital Adequacy Regulations, as determined by