

Hypo Real Estate Holding AG

Public Section of 2013 §165(d) Tailored Resolution Plan

Final Version as of 12/20/2013

Public Section

(i) Executive Summary

Section 165(d) of the Dodd-Frank Act (“DFA”) and its implementing rules require, among other things, any company covered by section 165 (d) to produce a resolution plan to provide for such company’s rapid and orderly resolution in the event of material financial distress or failure. The implementing rules (collectively, the “Rule”) were jointly issued by the Federal Reserve System (the “Board”), codified at 12 C.F.R. Part 243, and the Federal Deposit Insurance Corporation (the “FDIC” and together with the Board, the “Agencies”), codified at 12 C.F.R. Part 381, on November 1, 2011.

Hypo Real Estate Holding AG (“HRE”) is a foreign based covered company and must file a Resolution Plan for its U.S operations, the New York State licensed New York branch (“NY Branch”) of its Irish subsidiary DEPFA BANK plc. References to the Rule contained herein are to 12 C.F.R. Part 243 promulgated by the Board.

HRE is fully owned by the “Financial Market Stabilization Fund” (“SoFFin”) that is administered by a government agency of the Federal Republic of Germany called Federal Agency for Financial Market Stabilisation (“FMSA”), due to the state aid in relation to the stabilization measures granted to HRE by the Federal Republic of Germany and approved by the European Commission on July 18, 2011. Thus, HRE’s business strategy and business model is to a large extent influenced by the conditions and commitments agreed between the European Commission and the Federal Republic of Germany during the state aid approval process. HRE attempts to sell DEPFA Group and its U.S. operations prior to the end of 2014. In the event a sale is not executed, DEPFA Group is going to be winded down. Currently, DEPFA Group will not carry out any new business operations until they are reprivatized. It is managing only its existing asset portfolio as well as the cover pools and exposures. In preparation for the sale / wind-down, the NY Branch has not booked any new business since 2008. Between 2008 and 2013 management has reduced the balance sheet as well as employee headcount via attrition and transfer of assets and employees to FMS Wertmanagement AöR (“FMSW”) on September, 30, 2013. The NY Branch does not plan to conduct new business in the near future.

Under the requirements of the Rule, Covered companies are required to assess their U.S. banking operations for the presence of “Material entities”, “Critical operations”, and “Core business lines”. Therefore, HRE performed such an assessment and determined that it has no Material entities, Critical operations or Core business lines operating in the U.S. and as defined in the Rule. The focus of the Resolution Plan is limited to the orderly resolution of the NY Branch. The resolution will be driven by the requirements of the New York State receivership procedures for the orderly liquidation of a banking entity in resolution.

In the following the main involved parties are described briefly.

Overview of Hypo Real Estate Holding AG

HRE is a legal entity under German public law and is headquartered in Munich, Germany with a focus on specialized banking services for real estate finance and public sector finance. It has two subsidiaries:

- Deutsche Pfandbriefbank AG („pbb“) and
- DEPFA Bank plc and its main banking subsidiaries DEPFA ACS BANK, Hypo Public Finance

Bank and Hypo Pfandbriefbank International S.A. (“DEPFA Group”).

At December 31, 2012, HRE’s annual financial report as of December 31, 2012 reflected USD 223 billion (EUR 169 billion) in total assets. At December 31, 2012, HRE had approximately 1.399 employees.

Overview of DEPFA BANK plc

DEPFA BANK plc, headquartered in Dublin, Ireland comprises DEPFA ACS Bank and Hypo Pfandbrief Bank International S.A. DEPFA BANK plc is fully owned by HRE and operates branches in Rome, Paris, London, Tokyo, Eschborn and New York. DEPFA BANK plc is a provider of financial services to public sector clients worldwide providing a range of banking, financial and related services. DEPFA Group is regulated by the Central Bank of Ireland and the German Federal Financial Supervisory Authority (“BaFin”). On October 2, 2007, the entire ordinary share capital of the company was acquired by HRE. Under the EU State Aid ruling DEPFA BANK plc cannot conduct any new business at least until its divestment/ reprivatization. The two main business activities of DEPFA BANK plc are presently:

- Run-down of existing portfolios (DEPFA core and non-core balance sheet)
- Servicing for FMS-WM: DEPFA BANK plc is acting as sub-servicer for pbb, which has entered into SLA’s with FMS-WM. Under these agreements pbb provides the servicing for the group’s assets that have been transferred to FMS-WM. According to the EU state aid ruling pbb terminated the servicing by the end of September 2013.

Overview of the New York Branch

The NY Branch is in the status of winding down / reprivatization. Therefore, it has not conducted new business activities since 2008. Between 2008 and 2013, management has worked to ensure the reduction of the balance sheet as well as employee headcount via attrition and transfer of assets. DEPFA’s employees servicing the FMSW’s assets were transferred to FMSW on October 1, 2013. However, some assets still remain in the transfer process and it is reasonable for management to expect ongoing facilitation of the process. An After Sales Agreement is currently in place, with underlying Service Level Agreement in draft to facilitate this process; however, this relationship is not deemed material to DEPFA BANK plc. The NY Branch does not plan to conduct new business in the near future.

The NY Branch is licensed by the New York State Department of Financial Services (“NYSDFS”). The NY Branch is subject to regulatory oversight by the Federal Reserve Bank of New York and the New York State Department of Financial Services and, indirectly through Holding, to BaFin.

The NY Branch office is located at 622 Third Avenue, 29th floor, New York, NY 10017 within the jurisdiction of New York State. The NY Branch engages in business with customers primarily located in the United States, comprising primarily federal and state agencies, U.S. municipalities, institutional investors, publicly-traded entities, financial institutions, U.S. registered broker-dealers, and other entities. Currently, the NY Branch is not permitted to enter into new business; thus the NY Branch’s main business function is supporting DEPFA BANK plc with existing exposures. Other main business functions are:

- Guaranteed Investment Contracts (“GICs”): This includes servicing the investment needs of public sector clients in the U.S. The GIC team has in the past provided fixed and floating rate investment products through many platforms
- Portfolio management: Monitoring of credit assets on the books of DEPFA BANK plc booked outside the US.
- Treasury: Management of the NY Branch’s short-term liquidity requirement and the interest rate

- risk for DEPFA BANK plc associated with its US portfolios.
- Oversight of assets: Management of oversight of assets that were synthetically transferred to FMS Wertmanagement.
- Payments & Financial Markets Operations (“PFMO”): PFMO is responsible for payments and OFAC monitoring, post-trade processing of securities, money market and derivative transactions. Key tasks include payments and cash management, collateral management, derivatives and money market settlement, securities settlements and reconciliation.

(ii) **Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources**

The balance sheet of HRE is set forth below:

Assets	As of Dec 31, 2012 in €Mio.
Cash reserve	3,501
Trading assets	16,180
Loans and advances to credit institutes	17,454
Loans and advances to customers	66,456
Risk provision	-358
Financial provision	50,906
Property, plant. & equipm. incl. those under construction	3
Intangible assets	52
Other assets	12,878
Claims on income taxes	1,905
Sum of assets	168,977

Liabilities	As of Dec 31, 2012 in €Mio.
Amounts owed to credit institutions and central banks	14,072
Amounts owed to customers	20,957
Liabilities evidenced by certificates	86,398
Trade liabilities	16,000
Provisions	354
Other liabilities	20,285
Income tax liabilities	1,942
Minority interests	2,729

Liabilities	As of Dec 31, 2012 in €Mio.
Sum of liabilities	162,737
Equity	6,240
Sum of liabilities	168,977

The consolidated statement of financial position of DEPFAs Bank plc is set forth below:

Assets	As of Dec 31, 2012 in €Mio.
Cash reserves	1,564
Trading assets	13,364
Loans and advances to other banks	10,191
Loans and advances to customers	16,853
Allowance for losses on loans and advances	-102
Losses on loans and advances recoverable under financial guarantees	69
Financial investments	25,334
Property, plant and equipment	1
Intangible assets	12
Other assets	5,798
Income tax assets	214
Current tax assets	2
Deferred tax assets	212
Total assets	73,298

Liabilities	As of Dec 31, 2012 in €Mio.
Liabilities to other banks	6,631
Liabilities to customers	9,085
Liabilities evidenced by certificates	34,654
Trading liabilities	13,317
Provisions	148
Other liabilities	6,016
Income tax liabilities	244

Liabilities	As of Dec 31, 2012 in €Mio.
Current tax liabilities	31
Deferred tax liabilities	213
Subordinated capital	1,082
Total liabilities	71,177

Equity	As of Dec 31, 2012 in €Mio.
Equity attributable to equity holders	
Share capital	106
Share premium	1,142
Capital reserve	1,500
Preferred securities	1,136
Retained earnings	-1,723
Other reserves	-40
Available for sale	-42
Currency translation	2
Total equity	2,121
Total equity and liabilities	73,298

(iii) A description of derivative activities and hedging activities

The NY Branch does not currently conduct any new derivatives trading. Any derivative on the books and records of the NY Branch are legacy derivatives that are used for hedging. Therefore, there are no new derivatives trading being done on behalf of the NY Branch. The legacy derivatives for the NY Branch include interest rate swaps, interest rate options (i.e. swaptions) and spot foreign exchange.

(iv) A list of memberships in material payment, clearing and settlement systems

The NY Branch is not a member of any material payment, clearing or settlement system.

(v) A description of foreign operations

The NY Branch has no foreign operations (other than the Head Office) material to its resolution.

(vi) The identities of material supervisory authorities

The NY Branch is supervised by the following authorities:

Supervisory authorities
USA
New York Department of Financial Services
Federal Reserve Bank of New York
Ireland
Central Bank of Ireland

(vii) **The identities of the principal officers**

Principal officers of the NY Branch	
Name	Function
Sandra Borowsky	Branch Manager, NY Branch
Edwin Rivas	Head of Compliance, NY Branch

(viii) **A description of the corporate governance structure and processes related to resolution planning**

The authority and responsibility for the resolution plan rests with the management board of HRE, headquartered Munich, Germany. A steering team consisting of Senior Management Officials of the NY Branch, DEPPFA BANK plc and HRE (Munich) was formed to serve as the principal advisory committee to HRE management board. The management board has delegated U.S. Resolution Planning responsibility to that steering team. The steering team is responsible for monitoring, steering, and delegating all necessary tasks that may arise related to resolution planning. The Branch Manager of the NY Branch is the chair of the steering team.

(ix) **A description of material management information systems**

The NY Branch uses the following material management information systems:

- Bloomberg L.P. provides access to market data
- Bottomline is critical to back office operations to execute payments.
- Mysis offers the application “Summit” that is a front to back trading and risk system
- SAP provides a financial accounting and controlling module.

(x) **A description, at a high level, of the Covered company’s resolution strategy, covering such items as the range of potential purchasers of the Covered company, its Material entities and Core business lines.**

As a branch of HRE’s legal entity DEPPFA BANK plc, the NY Branch would be liquidated under New York State Banking Law. Pursuant to New York law, the Superintendent of the New York State Department of Financial Services administers substantial resolution policies and procedures to which the

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NY Branch would be subject.