



NRW.Bank (Portigon) Resolution Plan

Public Section
December 31, 2013
Version 1.0



Executive Summary

Portigon AG is a financial services institution headquartered in Düsseldorf, Germany and overseen by the German regulator - the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht or "BaFin"). In July 2012, Portigon AG, acting prior to July 2012 under the company name "WestLB AG," formally changed its name to Portigon AG. Portigon AG is the same legal entity as WestLB AG. This entity will hereinafter be referred to as "Portigon AG".

Following a decision by the European Union Commission (the "EU") in December 2011, Portigon AG has acted under a strategic plan for rapid and orderly resolution under the supervision of its German regulator and the EU. As a result of the EU decision, the German government mandated Portigon AG to undergo a fundamental transformation resulting in cessation of all commercial banking and capital market activities. All required agreements for Portigon AG's break-up have been ratified by all respective German and European regulatory authorities. As of June 30, 2012, Portigon AG has ceased all banking related activities. Since then it has operated as a provider of portfolio management and other services for the financial services industry, such as financial reporting, operations, IT and compliance services. In the event of material financial distress or failure, Portigon AG would further assess any actions that could be taken at a more rapid pace while still maintaining an orderly resolution, and seeking to avoid material economic losses and market disruption.

Portigon AG's shareholders are the State of North-Rhine Westphalia (69.49%) and NRW Bank (30.51%); NRW Bank itself is 100% owned by the State of North-Rhine Westphalia. Therefore, Portigon AG is directly and indirectly a 100% subsidiary of such state. Neither shareholder has a physical presence in the US, nor direct interaction with the US operations of Portigon AG, however, as shareholders of Portigon AG, NRW Bank and the State of North-Rhine Westphalia are members of Portigon AG's (non-executive) supervisory board. Neither shareholder is in any way engaged in the daily management or regulatory functions of Portigon AG. Neither shareholder controls Portigon AG's day to day operations, nor provides a member to the managing board of Portigon AG. Accordingly, the State of North-Rhine Westphalia and NRW Bank are only passive, albeit controlling, investors in Portigon AG.

In late 2012, the resolution plan or "wind-down" for Portigon AG was initiated. A portion of non-US assets were transferred to Helaba Landesbank Hessen-Thuringen ("Helaba"), a third party German Landesbank, while other global assets were sold to various other third parties. The economic interest in most of Portigon's remaining portfolio was transferred pursuant to German law via split off, participation, guarantee or other transfer agreements to Erste Abwicklungsanstalt ("EAA"). As a result of the wind-down, (i) the balance sheet for Portigon AG has reduced from \$130 billion as of December 31, 2012, to \$71 billion as of September 30, 2013 (most remaining assets have been risk transferred to EAA), with risk weighted assets of Portigon AG of only \$2.6 billion as of September 30, 2013, and (ii) Portigon AG's New York balance sheet has reduced from \$14 billion as of December 2012, to \$3.7 billion as of September 2013, with risk weighted assets as of September 30, 2013 of approximately \$0.1 billion.

EAA is a structurally and financially independent German public law entity under the umbrella of the Financial Market Stabilization Authority (Bundesanstalt für Finanzmarktstabilisierung or "FMSA"). EAA conducts its transactions in accordance with economic principles with an objective to wind-down assets while adhering to the principle of risk minimization. It does not assume new risks and is not geared toward new business. EAA's long-term credit rating is "AA-" by Standard & Poors, "Aa1" by Moody's and "AAA" by Fitch.

Portigon AG remains the lender of record and service provider/portfolio manager for the assets and liabilities that have been synthetically transferred to EAA by way of participation or guarantee.

Portigon AG currently has a presence in Europe, North America and Asia, but the wind-down includes initiatives to close all locations other than New York, London and the Head Office in Düsseldorf, as quickly as possible. Portigon AG maintains banking licenses where necessary.

Portigon AG has initiated the process for an orderly wind-down of all remaining activities in the U.S. with the exception of those that will be contained in its new division, PFS NY (as defined and described further below).

1) Names of Material Entities

Portigon AG New York Branch

Portigon AG conducts banking business in the United States through its NY Branch (hereinafter referred to as "Portigon NY"), which is licensed by the NY State Department of Financial Services.

Portigon Securities Inc.

Portigon AG operates a non-banking entity in the US- Portigon Securities Inc. ("PSI").

PSI is a Delaware corporation and a wholly-owned subsidiary of Portigon AG. PSI is a self-clearing broker/dealer, authorized by the Financial Industry Regulatory Authority ("FINRA") to engage in trading for its own account,

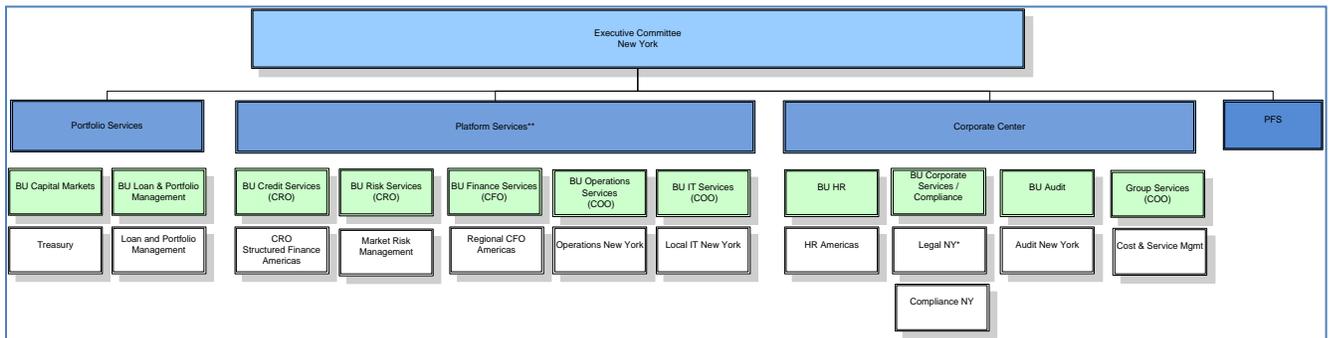
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private placement of securities, and brokering security transactions on an agency or riskless principal basis. Due to changes in business strategies, the business activity of PSI has been diminishing since 2008 and currently is limited to clearing and custody for Portigon NY. PSI's total assets as of September 30, 2013 are \$32 million and are mainly highly liquid assets. The assets are funded almost entirely with equity.

A directive has been given to the PSI Board of Directors to commence an orderly closure of PSI as soon as feasible. Its closure shall be properly coordinated by PSI registered personnel, FINRA representatives, and local Portigon NY branch management, to ensure compliance with regulatory requirements, efficient closure of contractual commitments, and a smooth transition of services performed on behalf of Portigon NY. Closure is expected in the first half of 2014.

2) Description of Core Business Lines

Portigon NY's remaining business lines are Portfolio Services (consisting of Capital Markets and Loan & Portfolio Management), Platform Services, Corporate Center and PFS, as described further below:



* Located in Düsseldorf

** Reports to BU Head in London, who in turn reports to Global Head

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Portfolio Services

Capital Markets –

The remaining business units consist of Interest Rate Derivatives, Municipal Guaranteed Contracts ("Muni GICs") and Treasury (Structured Deposits, Certificate of Deposits, and Subordinated Debt).

Interest Rate Derivatives is a legacy interest rate swap portfolio consisting of bank/dealer, clients, legacy SPE and EAA's risk transfer trades. The portfolio is managed by Portigon AG's London Branch ("Portigon London") and monitored by Portigon NY. No new trades are permitted and the portfolio is being gradually reduced in close cooperation with head office.

Muni GICs is a legacy portfolio managed by Portigon NY on behalf of EAA. EAA has granted Portigon NY authority to manage the portfolio in line with EAA risk governance policies and tolerances. Portfolio management activities include the management of market risk (duration), establishing proper risk hedges and maintaining proper collateral.

Treasury maintains and monitors daily funding requirements for Portigon NY. Except for existing third party liabilities, all funding is provided by Portigon AG. Portigon NY settles USD account balances at the end of each day for Portigon London and Portigon AG. Portigon NY does not explicitly solicit third party liabilities and is no longer active in the market place.

Loan and Portfolio Management ("LPM") - serves as the 'portfolio manager' for the remaining NY assets that have been risk transferred to EAA. The portfolio management activities essentially comprise the management of performing and non-performing loans, and surveillance and valuation of structured securities positions on behalf of EAA.

Platform Services

Consists of Credit, Risk, Finance, Operations and IT providing the following services for Portigon and its clients (including EAA)

- a. **Credit**- responsible for the monitoring of all credit and operational risks. This also covers collateral management, loan administration and documentation.
- b. **Risk** – Market Risk Management (MRM) responsible for steering and controlling market risk exposure.
- c. **Finance** – responsible for preparation of financial statements, regulatory reporting and tax.
- d. **Operations** – responsible for KYC/Customer on-boarding and rolling reviews; outsource monitoring; static and securities maintenance; reconciliation; investigations; intraday funding monitoring; FX, money market, securities and derivatives processing; funds transfer payment; and compensation processing.
- e. **IT** - responsible for providing the full range of IT services

Corporate Center

Consists of Human Resources, Legal, Compliance, Audit and Cost & Service Management in support of Portigon NY.

PFS

It is anticipated that beginning in February 2014, several of the functions listed above (LMP, Credit, Finance, Operations and IT) will be provided by a newly established subsidiary of Portigon AG, called Portigon Financial Services GmbH (referred to globally as "PFS", and in the case of US operations only, "PFS NY"). PFS will not have any material balance sheet positions.

3) Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources:

See attached document Portigon AG Financial Statement 6-30-2013

4) A description of derivative activities and hedging activities:

Portigon NY's derivatives are a legacy interest rate/currency swap portfolio consisting of bank/dealer, clients, legacy SPE and EAA's risk transfer trades. The original portfolio was used to facilitate hedging for client loans, Muni GICs and various other capital market activities. The portfolio has been reduced since year end, from a notational balance of \$177 billion as of December 31, 2012 to a notional balance of \$20 billion as of September 30, 2013. This represents a reduction of nearly 90%. The entire remaining economic risk of the portfolio has been transferred to EAA via risk participation.

5) A list of memberships in material payment, clearing and settlement systems:

As an essential part of remaining activities in the United States for clients and customers, which have been previously described, Portigon NY controlled legal entities use the following payment systems, clearinghouses, agent bank relationships and depositories.

Provider	Description of Services
The Bank of New York Mellon	Custodial agent for tri-party repos
Depository Trust Company (DTC)	Settlement of equities and corporate fixed income
ClearStream	Settlement of foreign fixed income
Fedwire Funds Services	Payments of proprietary transactions
Fedwire Securities Services	Settlement of government securities
Fixed Income Clearing Corp, Gov't Securities Division (GSD)	Settlement trade netting for US Treasury Bill, Bonds & Notes
SWIFT	Financial messaging related to payment processing

6) A description of foreign operations:

Portigon NY's foreign operations consist of managing the Portigon Cayman Islands Branch (scheduled for closure by Q1, 2014). All of the Portigon Cayman Islands assets have been legally transferred to Portigon AG and Portigon NY has sent an application to the Cayman Islands Monetary Authority for closure of the branch.

7) The identities of material supervisory authorities:

Oversight by US regulators is provided by the Federal Reserve Bank of New York (the "Federal Reserve") and the New York State Department of Financial Services, the latter of which is on site at the Portigon NY office. Deposits with Portigon NY are not insured by the FDIC.

Oversight by German regulators is provided by BaFin, and is handled through Portigon AG's head office in Düsseldorf.

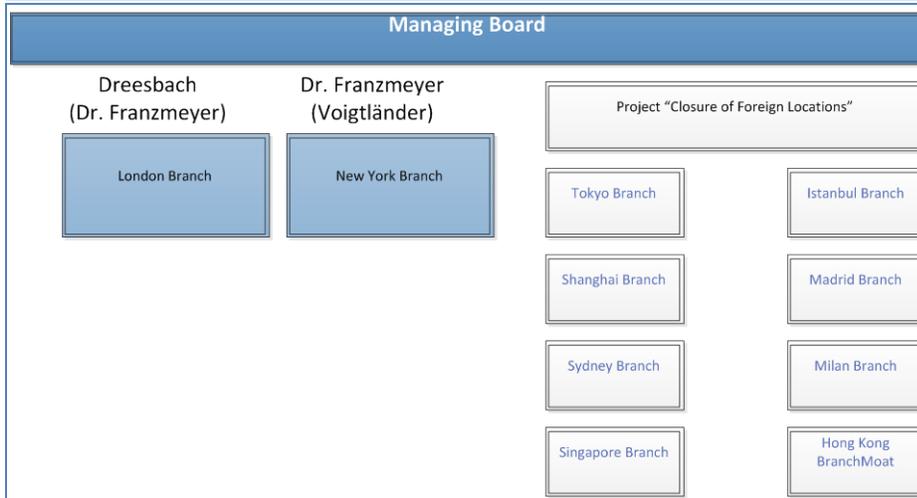
Oversight of PSI is provided by FINRA, the U.S. Securities and Exchange Commission, and the Securities Investor Protection Corporation (SIPC). Additionally, as a wholly-owned subsidiary of Portigon AG, it may also be subject to supervision by the Federal Reserve.

8) The identities of the principal officers:

Portigon AG's corporate governance structure consists of a Managing Board, a Supervisory Board, a shareholders' meeting, and a local Executive Committee. The Managing Board's primary responsibilities include strategic management, resource allocation, financial accounting and reporting, risk management and corporate control. The Managing Board is supported in the performance of its leadership and oversight duties by central infrastructure units and other service departments, as well as functional committees chaired by its members, (see below chart). The Managing Board reports to the Supervisory Board on a regular basis.

Second level management is comprised of senior representatives from the Business Units and regional management appointed by the Managing Board. Second level leadership serves as a management body to coordinate Portigon AG Group's business and regions. Its prime tasks and responsibilities include providing ongoing information to the Managing Board on business developments and particular transactions, regularly reviewing business segments, consulting with and advising the Managing Board on strategic decisions and preparing recommendations for the Managing Board's decisions. The chart below depicts the members of the Management Board and second level management with each member's area of responsibility.

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The Supervisory Board's primary responsibility is to oversee the Managing Board's management of Portigon AG. The Supervisory Board's duties also include, but are not limited to: making recommendations on resolutions to be voted on by the shareholders, appointing and removing members of the Managing Board, determining the terms and conditions of the employment contracts of Managing Board members and their other affairs, and establishing rules for its conduct and committees' business, as well as type of transaction that are subject to its approval.

The annual shareholders' meeting accepts the annual financial statements, resolves on the distribution of profits, decides on discharging the Managing Board and Supervisory Board and appoints the auditor. In addition, it decides on capital increases and elects the members of the Supervisory Board.

Portigon NY is managed by an Executive Committee ("ExCo") that has regional oversight and is overseen by Portigon AG's Managing Board. ExCo members are as follows: Managing Board member of Portigon AG and ExCo Chairman; Portigon NY's General Manager, Local COO/ CFO and ExCo Secretary; Local Head of Human Resources; Local Chief Risk Officer; Local Head of Treasury; and Local Head of Loan & Portfolio Management. Regional Business Unit Heads of Audit, Legal and Compliance are invited to ExCo meetings, however, they do not have any voting rights.

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9) A description of the corporate governance structure and processes related to resolution planning:

A resolution team has been established in New York and is chaired by Portigon NY's General Manager and Local COO/ CFO (Michael Frank). It is composed of key business unit representatives who have contributed to the resolution plan. Status meetings are held to ensure the resolution plan is properly developed and maintained. The Portigon NY wind-down is the basis for the NY Resolution Plan and is integrated into Portigon AG's overall transformation plan. Progress is reviewed and tracked monthly by ExCo. This information is distributed on a monthly basis to Portigon AG's Managing Board. Additionally, periodic updates (2-3 times a year) are provided directly to Portigon AG's Managing Board.

The resolution plan itself is being prepared by the various local BU heads (noted below). Initial drafts are distributed and commented upon by each of the BU heads. A final draft will be distributed to the Managing Board member who oversees ExCo. After feedback and approval from the Managing Board member has been received, the resolution plan will be submitted to ExCo for approval. It will then be submitted to Portigon AG's Managing Board for final approval.

On a quarterly basis the resolution plan will be distributed to all local business unit heads for review. Any suggested changes will be submitted to ExCo for approval.

The resolution team consists of the following:

- Head of Compliance NY
- Legal Counsel NY
- NY Branch General Manager and Local COO/CFO
- Local Head of Risk Services NY
- Local Head of Group Operations NY
- Various Local Finance Heads
- Local Head of IT NY
- Local Chief Risk Officer NY
- Local Head of Human Resources NY

10) A description of material management information systems:

Portigon AG uses information systems at all levels of operation to collect, process and store data. Data which is needed to carry out the daily operations of the business is aggregated and disseminated to local management. This enables Portigon AG in all regions to effectively manage information for Risk Management, Accounting, Finance, Operations and Regulatory Reporting functions. Business Continuity Policy establishes Crisis Management planning.

The primary areas of focus are:

Area Description / Usage

Market Risk Management

Identification, management and reporting of Market Risk through tools that:

- calculate and aggregate daily mark-to-market pricing, profit and loss attribution, risk sensitivities and VaR across all products, transactions and portfolios
- ensure market price conformity
- compute stress testing and perform back testing
- provide daily, weekly and monthly market risk reporting both internally and to external client (EAA)

Liquidity Risk Management

Treasury NY monitors the local liquidity profile on a daily basis for all currencies transacted by Portigon NY. The liquidity profile is stressed daily to ensure that it meets all regulatory requirements as well as local funding needs. The results are reported daily to the various governing bodies. Additionally, internal transfer pricing agreements, maximum outflow limits and composition of funding sources are analyzed to maximize funding sources /uses.

Operational Risk Management

In addition to monthly OpRisk reporting, Portigon's OpRisk concept includes: quarterly reporting, ad-hoc reporting, as well as, regional and local reporting. Furthermore, event-related reporting (e.g. yearly Risk Self Assessment (RSA)), as well as, EAA-Reporting (Portigon's largest customer) also exist.

Major contents of the reports are the analysis and presentation of risk events, the reporting of Risk Indicators, the presentation of RSA and measure tracking results, as well as, a presentation of Scenarios that proved representative.

In order to provide recipient-related reporting for all different recipients, the OpRisk reporting is based on a pyramid or modular approach. The reports include a "Top-Level" summary as well as detailed attachments. The summary is part of both the monthly and quarterly risk reports.

The monthly OpRisk Report is integrated into the monthly Capital and Risk Report to the Portigon Risk Committee (PRC). At the end of each quarter, the monthly report is replaced by the quarterly report. This quarterly report is presented to the Board and the PRC. In addition, the quarterly report is distributed to accountants and Group Audit.

Credit Services

Credit Services' core information and management systems provide analysts and management with daily or monthly:

- Detailed exposure data,
- Risk assessment in form of internal ratings,
- Overviews about key client risks,
- Ongoing detailed monitoring of individual transactions,
- Inclusion and updating of transactions with an increased risk profile in a central global watch list database.

Finance

Finance systems:

- Monitor daily financial products and activity, liquidity and prepare daily P&L
- Prepare and distribute local and central MIS reports
- Prepare and deliver local regulatory reporting and file tax returns
- Submit data and reports for external financial reporting

11) 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.

Portigon AG continues to operate under the wind-down plan described in the Executive Summary above. Assets that could be sold were sold prior to June 2012. Until such time that financial assets that have only been risk-transferred from Portigon to EAA may be assigned outright to EAA, Portigon will remain lender/counterparty of record. Except for the provision of sub-servicing to PFS and the servicing of assets that require a banking license, it is expected that all financial service business in the U.S. will be performed by PFS beginning on or after February 2014. PFS itself is mandated to be sold to a third party by 2016.

The Resolution Plan for Portigon NY assumes a single, large and adverse event that emanates from the U.S., such as a U.S. regulatory mandate to cease U.S. operations immediately (Scenario 1), or that emanates from Germany, such as a German regulatory mandate to cease operations immediately (Scenario 2) or an insolvency event (Scenario 3), that causes a need for a rapid resolution of Portigon NY.

Under Scenarios 1 and 2, Portigon NY management will, under the direction of (i) U.S. regulatory authorities and (ii) German regulatory authorities (with oversight of U.S. regulatory authorities), respectively, undertake immediately, the transfer of servicing rights or management activities affecting assets being serviced or managed by Portigon NY, would engage in valuation of remaining assets for liquidation, and a cessation of all operations as described in the Confidential Section.

Under Scenario 3, it is assumed that Portigon AG will initiate an insolvency proceeding under the laws of the Federal Republic of Germany. As a part of that process, Portigon AG will have to notify its home country regulator, the BaFin in accordance with Section 46b of the German Banking Act. The BaFin is the sole authority and party that is entitled to initiate insolvency proceedings. Should such proceedings be initiated, BaFin will have to be closely involved and informed. In particular, any insolvency court orders will have to be submitted to BaFin. Any such insolvency proceeding initiated in Germany may extend to the assets of Portigon AG in foreign locations, including the US. The resolution of such U.S. assets will need to be coordinated between the U.S. and German regulators or other appropriate authorities.

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ATTACHMENT

Portigon AG Financial Statement 6-30-2013