

SUPPLEMENT NO. 2

dated 21st January, 2021

to the

DEBT ISSUANCE PROGRAMME PROSPECTUS

dated 7th May, 2020

of



Erste Abwicklungsanstalt

(incorporated as a public law entity with partial legal capacity in the Federal Republic of Germany (Germany) and operating under the umbrella of the Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung; the FMSA))

Euro 20,000,000,000 Debt Issuance Programme

This Supplement No. 2 (the **Supplement**) constitutes a supplement for the purposes of Article 23.1 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14th June, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (the **Prospectus Regulation**) to the debt issuance programme prospectus of Erste Abwicklungsanstalt dated 7th May, 2020 (the **Prospectus**), which has been prepared in connection with the Euro 20,000,000,000 Debt Issuance Programme (the **Programme**) established by Erste Abwicklungsanstalt (**EAA** or the **Issuer**). Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read and construed in conjunction with, the Prospectus (as supplemented by supplement no. 1 to the Prospectus dated 7th October, 2020 (the **Supplement No. 1**) and all documents incorporated by reference in the Prospectus.

Copies of the Prospectus, Supplement No.1, this Supplement and all documents incorporated by reference in the Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu/programme/Programme-ErsteAbwicklung/13741). For the avoidance of doubt, the content of the aforementioned website does not form part of this Supplement and has not been scrutinised or approved by the *Commission de Surveillance du Secteur Financier* (the **CSSF**).

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statements in or incorporated by reference in the Prospectus, the statements in (a) above will prevail.

Erste Abwicklungsanstalt accepts sole responsibility for the information contained in this Supplement. Having taken all reasonable care to ensure that such is the case, Erste Abwicklungsanstalt confirms that the information contained in this Supplement is, to the best of its knowledge and belief, in accordance with the facts and does not omit anything likely to affect the import of such information.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or

material inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of any Notes to be issued under the Programme since the publication of the Prospectus.

A. Amendments to the section commencing on page 12 of the Prospectus which is entitled "Risk Factors"

- 1. In the subsection commencing on page 12 of the Prospectus which is entitled "1. Risks Relating to the Issuer's Business Activities and the Financial Markets" the first paragraph of the subsection entitled "Credit Exposure and Increased Loss Provisions" shall be replaced in its entirety as follows:**

Pursuant to EAA's charter as of 11th December, 2009, as last amended on 17th December, 2020 (*Statut; the Charter*), EAA was set up to wind-up the portfolio of risk assets and non-strategic businesses/assets that comprised loans, public finance securities, other tradable securities and structured credit products which were acquired from WestLB AG (now: **Portigon**) and its subsidiaries. Hence, the Issuer's business consists almost entirely of administering distressed and non-strategic financial assets acquired from Portigon and Portigon's subsidiaries with a view to releasing Portigon and Portigon's subsidiaries from, in particular, the credit risk attributable to such financial assets, and is thus subject to the risk that debtors of such assets and other contractual partners may become unable to meet their obligations vis-à-vis the Issuer (including, but not limited to effects following from the outbreak of COVID-19 (as further described in the subsection entitled "*Pandemic Outbreak of SARS-CoV-2 ("COVID-19")*").

- 2. In the subsection commencing on page 15 of the Prospectus which is entitled "3. Legal, Regulatory and Tax Risks and Other Risks" the second paragraph of the subsection entitled "Legal Risks" (as replaced by Supplement No. 1) shall be replaced in its entirety as follows:**

In addition, against the background of investigations by the public prosecution authorities into dividend arbitrage transactions, Portigon set aside provisions for capital gains tax and interest that may have been unjustifiably credited in previous years as described in its annual financial statements for its financial year 2019 and, according to information publicly available, expects a loss for its financial year 2020 in connection therewith. Portigon has also contacted the Issuer and has subsequently filed a lawsuit against the Issuer requesting reimbursement of such potential expenses as it believes that, on the basis of the transfer contracts concluded in 2012 by the liable parties within the scope of the transfer of the Follow-up Portfolio, the Issuer would assume the risk in this respect. Should Portigon be held liable to refund any such capital gains tax (and interest) which may have been unjustifiably credited and should the Issuer in turn be held liable to reimburse Portigon accordingly, this may have a material adverse effect on the Issuer's financial situation.

B. Amendments to the section commencing on page 79 of the Prospectus which is entitled "Description of the Issuer"

- 1. In the subsection on page 79 of the Prospectus which is entitled "Introduction" the fourth paragraph shall be replaced as follows:**

On 23rd December, 2009, the first portfolio of structured securities (also referred to as the **§ 8 Portfolio**) was spun off with retroactive effect, for accounting purposes, as of 1st January, 2009. The transaction was effected by way of a spin-off for acquisition (*Abspaltung zur Aufnahme*) pursuant to section 123 (2) no. 1 of the German Reorganisation Act (*Umwandlungsgesetz*) in conjunction with section 8a (8) of the German Act for Establishing a Financial Market and a Economic Stabilisation Fund – Stabilisation Fund Act (*Gesetz zur Errichtung eines Finanzmarkt- und eines Wirtschaftsstabilisierungsfonds – Stabilisierungsfondsgesetz*; the **StFG** (until 17th July, 2020 abbreviated as **FMSStFG**)).

2. **In the subsection on page 80 of the Prospectus which is entitled "*Establishment and Domicile*" the first paragraph shall be replaced in its entirety as follows:**

EAA was established on 11th December, 2009. Pursuant to EAA's charter as of 11th December, 2009, as last amended on 17th December, 2020 (Statut; the **Charter**), EAA was set up for the time period which will be required to wind up the portfolio of risk assets and non-strategic businesses/assets acquired from WestLB and WestLB's subsidiaries. Upon completion of such winding-up, EAA will be dissolved. According to the current winding-up plan (*Abwicklungsplan*) (the **Winding-up Plan**), this is envisaged to occur in 2027.

3. **The subsection on page 81 of the Prospectus which is entitled "Managing Board" (as replaced by Supplement No. 1) shall be replaced in its entirety as follows:**

Managing Board

The Managing Board manages the business of the Issuer. The members of the Managing Board and their principal activities performed outside the Issuer, if any, are:

Christian Doppstadt

Horst K pker

Member of the supervisory board of EDD AG

Member of the supervisory board of Westdeutsche Spielbanken GmbH

Other than that, the members of the Managing Board do not perform any principle activities outside the Issuer which are significant with respect to the Issuer.

There are no conflicts or potential conflicts of interest between the duties of any member of the Managing Board to the Issuer and such member's private interests or other duties.

4. **In the subsection commencing on page 81 of the Prospectus which is entitled "*Supervisory Board*" the fourth paragraph and the table commencing on page 81 of the Prospectus relating to the members of the Supervisory Board (each as replaced by Supplement No. 1) shall be replaced in their entirety as follows:**

The following is a list of the current members of the Supervisory Board:

1. Chairman: Dr. Patrick Opdenh vel, State Secretary in the Ministry of Finance of North Rhine-Westphalia, D sseldorf
2. Vice Chairman: Joachim Stapf, Senior Assistant Secretary (*Leitender Ministerialrat*) in the Ministry of Finance of North Rhine-Westphalia, D sseldorf
3. Michael Breuer, President of the Rheinischer Sparkassen- und Giroverband;
4. Hans Buschmann, former Deputy Association Director of the Rheinischer Sparkassen- und Giroverband;
5. Rolf Einmahl, Lawyer, Member of the Landschaftsversammlung of the Landschaftsverband Rheinland;
6. Henning Giesecke, Managing Director of GSW Capital Management GmbH and former Chief Risk Officer of HypoVereinsbank AG and UniCredit Group;

7. Wilfried Groos, Chairman of the Managing Board of Sparkasse Siegen;
 8. Frank Hellwig, Chairman of the Executive Board of Wirecard Bank AG
 9. Dr. Achim Kopf, Head of Risk Control of the Bundesrepublik Deutschland - Finanzagentur GmbH;
 10. Matthias Löb, Director of the Landschaftsverband Westfalen-Lippe;
 11. Klaus Rupprath, Senior Managing Director and Head of Capital Markets of NRW.BANK;
 12. Jürgen Wannhoff, Vice President and Member of the Managing Board of the Sparkassenverband Westfalen-Lippe.
5. **In the subsection on page 86 of the Prospectus which is entitled "Legal and Arbitration Proceedings" the third paragraph (as replaced by Supplement No. 1) shall be replaced in its entirety as follows:**

Against the background of investigations by the public prosecution authorities into dividend arbitrage transactions, Portigon set aside provisions for capital gains tax and interest that may have been unjustifiably credited in previous years as described in its annual financial statements for its financial year 2019 and, according to information publicly available, expects a loss for its financial year 2020 in connection therewith. Portigon has also contacted the Issuer and has subsequently filed a lawsuit against the Issuer requesting reimbursement of such potential expenses as it believes that, on the basis of the transfer contracts concluded in 2012 by the liable parties within the scope of the transfer of the Follow-up Portfolio, the Issuer would assume the risk in this respect. Following a detailed assessment of the asserted claim on the basis of the information available to the Issuer and with the assistance of external legal advisors, the Issuer considers this claim to be unfounded, and has rejected its payment.

6. **The subsection commencing on page 86 of the Prospectus which is entitled "Material Contracts" (as replaced by the Supplement No. 1) shall be replaced in its entirety as follows:**

Material Contracts

EAA has entered into the following material contracts which could have an impact on the Issuer's ability to meet its obligations to Holders in respect of the Notes to be issued by EAA pursuant to the Programme:

EAA has entered into a total of six spin-off agreements pursuant to which it has acquired risk assets and non-strategic businesses/assets from Portigon and certain of Portigon's subsidiaries. The first spin-off agreement was entered into by EAA and WestLB (now: Portigon) in December 2009 with regard to the § 8 Portfolio. In connection with the transfer of the Main Portfolio, EAA and WestLB (now: Portigon) entered into two additional spin-off agreements. The fourth spin-off agreement was made between EAA and Westdeutsche ImmobilienBank AG (**WIB**), one of WestLB's subsidiaries, pursuant to which WIB transferred loans and other liabilities to EAA. The fifth and sixth spin-off agreements were made between EAA and Portigon in 2012 in respect of the Follow-up Portfolio. Under each of the six spin-off agreements entered into in connection with the transfer of the § 8 Portfolio, the Main Portfolio and the Follow-up Portfolio, EAA is obliged to make a compensation payment (*Ausgleichszahlung*) to the relevant transferor.

In connection with the transfer of the Main Portfolio and the Follow-up Portfolio and due to legal implications in certain foreign jurisdictions which impose restrictions on the transfer of assets by way of spin-off, EAA also entered into five sub-participation agreements with WestLB (now: Portigon), WIB and WestLB Europa Holding GmbH (**WEH**). Under such sub-participation agreements, EAA, in return for a certain consideration payment, acquired the economic but not the legal title to certain assets belonging to the Main Portfolio as well

as the Follow-up Portfolio. Portigon, WIB and WEH remain the holders of title to all rights and obligations in connection with the assets which are the subject of such sub-participation agreements but will hold the assets on trust for EAA. Pursuant to section 8a (9) of the StFG, sections 16 to 18 and section 20 of the German Act for the Acceleration and Simplification of the Acquisition of Shares in and Risk Positions of Enterprises of the Financial Sector by the Fund "Financial Market Stabilisation Fund – **FMS**" and of the Real Economy by the Fund "Economic Stabilisation Fund – **WSF**" – Economic Stabilisation Acceleration Act (*Gesetz zur Beschleunigung und Vereinfachung des Erwerbs von Anteilen an sowie Risikopositionen von Unternehmen des Finanzsektors durch den Fonds "Finanzmarktstabilisierungsfonds – **FMS**" und der Realwirtschaft durch den Fonds "Wirtschaftsstabilisierungsfonds – **WSF**" (Wirtschaftsstabilisierungsbeschleunigungsgesetz – **WStBG**)) apply to such transfer. EAA bears the economic risk of such assets.*

Pursuant to a transfer agreement entered into by EAA and WestLB International SA, EAA also acquired assets of the Main Portfolio from WestLB International SA by way of an asset deal for a certain purchase price.

In connection with the transfer of the Follow-up Portfolio and due to legal implications in certain foreign jurisdictions which impose restrictions on the transfer of assets by way of spin-off, EAA also entered into two risk transfer agreements with Portigon. Under the risk transfer agreements, EAA assumes the economic benefits and risks but legal title remains with Portigon in respect of two derivatives portfolios. One derivative portfolio consists of exchange traded derivatives and the other comprises over-the-counter (OTC) derivatives. Portigon remains the holder of title of all rights and obligations in connection with the derivatives which are the subject of the risk transfer agreements but will hold such rights and obligations in trust for EAA. Pursuant to section 8a (9) of the StFG, sections 16 to 18 and section 20 of the WStBG apply to such transfer. EAA bears the economic risk of such assets.

In relation to those assets of the Main Portfolio and the Follow-up Portfolio for which neither a transfer by way of spin-off nor by way of sub-participation nor by way of a risk transfer was possible or opportune, EAA granted various guarantees in favour of Portigon. Under such guarantees, EAA is obliged to compensate Portigon for any losses incurred in connection with the underlying assets. In return, EAA is entitled to receive guarantee fees under such guarantee agreements.