

Pressrelease

Dr. Josef Wild
Press Spokesman

Bernd Wagner
Press Officer

MEAG
Am Münchner Tor 1
80805 München
Phone +49 89 2489-2072
Fax +49 89 2490-2075
JWild@MEAG.com
www.meag.com

LBBW
Am Hauptbahnhof 2
70173 Stuttgart
Phone +49 711 127-76402
Fax +49 711 127-6676402
Bernd.A.Wagner@LBBW.de
www.LBBW.de

19 February 2019

LBBW enables successful securities transaction with MEAG using distributed ledger technology (DLT)

Blockchain with no strings attached

- **Transactions involving money market paper (ABCP) purchase and redemption completely powered by Corda blockchain technology**
- **Conclusion and winding-up of a contract for the first time without conducting parallel analog process**
- **LBBW creates first digital platform for ABCP, drastically reducing transaction time and streamlining procedures**
- **Rating Agencies Fitch and Moody's confirmed rating for digital issue process**
- **Joachim Erdle, Head of Corporate Finance at LBBW: "Now we have proved the power of distributed ledger technology with no strings attached."**
- **Dr. Frank Wellhöfer, member of the board of management at MEAG: "For us as investor, the blockchain holds a lot of potential for greater efficiency."**

Following the Schuldschein transactions in 2017 and 2018, LBBW has set another milestone in the use of blockchain by the financial sector. With the MEAG, asset management company of Munich Re and ERGO, as an

investor, the bank as platform provider enabled the issuing company "Weinberg Capital DAC" to conduct a legally effective, digital securities transaction using blockchain for the first time without a paper-based, parallel process.

The sale and redemption of a money market paper valued at EUR 1m and a maturity of five days were transacted entirely using the Corda R3 distributed ledger technology (DLT). Joachim Erdle, LBBW's Head of Corporate Finance, says, "Now we have proved the power of distributed ledger technology with no strings attached." LBBW was advised and supported in the technical implementation by its subsidiary targens, a Corda-R3 partner.

The security is a so-called asset-backed commercial paper (ABCP); in other words, a short-term bond backed by trade receivables of small and medium-sized enterprises and lease receivables, issued by Weinberg Capital DAC. Due to their comparatively advantageous interest rates, such money market papers are instruments frequently used by institutional customers and large corporations to manage their liquidity. When conducted using conventional means, ABCP transactions are complicated, require intense coordination, and generally take two days from the time the order is placed until it is booked. That is because various intermediaries sit between issuer and investor: for example a dealer, plus a paying agent, clearing house, and a custodian for settlement.

Distributed ledger technology eliminates the need for these intermediaries. Every booking is recorded and encrypted in linked sets of data and stored on multiple servers. This technique provides transparency and prevents tampering, thereby allowing streamlined, direct, and secure transactions to be carried out virtually in real time. On the new Weinberg DLT Platform – the first digital ABCP platform on the market – registered investors can subscribe commercial papers directly from the issuer with the aid of a user-friendly interface.

The attribution of the security to the buyer is stored as a token in the blockchain and exchanged for payment immediately ("Delivery versus payment"). Execution takes place in automated fashion via smart contracts.

That shortens the transaction process from two days to less than an hour. This mitigates both the settlement risk and the operational risks during execution. Those risks are the result of the previously needed exchange of data between a large number of actors and the associated interfaces.

The rating agencies Fitch and Moody's were also involved and confirmed the existing rating of the Asset Backed Commercial Paper for the digital issue process.

"Commercial papers are the ideal use case for blockchain because of their long and complicated issuing process involving numerous parties. Thanks to this innovative technology, we will be able to create especially significant benefits for our customers. With our digital Weinberg DLT Platform, we now provide a quick, easy, and secure solution," says Joachim Erdle, Head of Corporate Finance at LBBW.

"As an investor, we see great potential for more efficiency in the blockchain. Thanks to the shorter transaction times, we gain a significant amount of flexibility in our cash management, at the same time generating an interest rate advantage from immediate delivery of the security. Accelerated processing minimizes the counterparty and settlement risks," says Dr. Frank Wellhöfer, member of the board of management at MEAG.

Following the successful pilot transaction, LBBW is now developing further the Weinberg DLT Platform with the goal of opening it up to prospective investors. In the area of trade finance, LBBW is pressing ahead with its blockchain activities as a founding member of the Marco Polo Network. Last but not least, following its ABCP transactions, LBBW is working hard toward the complete digitalization of Schuldschein transactions using blockchain.

About LBBW

LBBW is both a medium-sized universal bank and the central bank of the savings banks in Baden-Württemberg, Saxony and Rhineland-Palatinate. With total assets of EUR 238 billion and around 10,000 employees (as of 31 Dec. 2017), LBBW is one of the largest banks in Germany. Its core activities

are the business with corporate customers, in particular small and medium-sized enterprises and the private customer business, as well as savings banks. A further focus is placed on real-estate financing as well as the customer-oriented capital market business with banks, savings banks and institutional investors.

Through its Weinberg issuing company, LBBW is one of the leading sponsors of ABCP programs in Germany and Europe. By securitizing receivables via Weinberg, LBBW enables its corporate customers to tap into alternative streams of financing that take the stress off their balance sheets. The currently committed transaction volume totals roughly EUR 3bn.

About MEAG

MEAG is the asset management company of Munich Re and ERGO. MEAG has locations in Europe, Asia, and North America, offering its vast expertise to institutional investors and private customers. MEAG manages total investments currently valued at approximately EUR 252bn.

Please find a video on youtube:

<https://youtu.be/PidNUSzJel4>