

Press release

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Erste Group and ASFINAG successfully launch Europe's first entirely blockchain-based capital markets issuance

- Newly developed permissioned blockchain platform used for the issuance of a *Schuldscheindarlehen*
- Transaction marks the first time such an instrument has been issued without a traditional paper-based process occurring in parallel
- Blockchain-based platform offers improved speed, lower operational risk and greater transparency
- Platform's open architecture allows the future integration of additional banks and platforms
- Wiener Städtische Versicherung, DONAU Versicherung and Hypo Vorarlberg underline their role as first-mover investors by participating in the issuance

Erste Group and ASFINAG have conducted the first end-to-end digital issuance of a debt financing instrument in Europe via a blockchain platform. The issuance of the EUR 20 mn *Schuldscheindarlehen* ("SSD") by ASFINAG was successfully concluded at the start of the week on Erste Group's newly-developed platform. The Austrian insurance companies Wiener Städtische Versicherung and DONAU Versicherung and the Austrian regional bank Hypo Vorarlberg were among the investors which subscribed to the novel issuance. By applying blockchain technology to provide issuers and investors with improved efficiency, more transparency and a lower level of operational risk, the platform promises to make *Schuldscheindarlehen* and similar capital markets products more accessible and their handling more efficient, both for corporate issuers and for institutional investors.

The issuance of the EUR 20 mn debt financing instrument by ASFINAG, the commercial operator and builder of motorways and expressways in Austria, was concluded on Monday in the inaugural application of the digital issuance platform that Erste Group has developed using Hyperledger Fabric, the Linux Foundation's offering for enterprise blockchain platforms. The entire workflow involved in the issuance of the *Schuldscheindarlehen* was conducted on Erste Group's permissioned blockchain platform, without the parallel implementation of the traditional process involving paper-based documentation and physical signatures. Instead, ASFINAG as issuer, Erste Group as lead arranger, and investors including Wiener Städtische Versicherung, DONAU Versicherung and Hypo Vorarlberg were able to carry out the entire issuance process (distribution, allocation and execution of the *Schuldscheindarlehen* agreement) in an end-to-end digital manner.

Erste Group Corporates & Markets board member Jozef Sikela: "*This blockchain-based capital markets issuance provides another example of Erste Group's success in developing innovative technology-driven solutions that bring real benefits for our clients. We are now focusing on how we can make these benefits accessible to as many of our clients – corporates, financial institutions, public sector-issuers, as well as investors – as possible, thus helping corporates to grow their business and strengthening the region's capital markets and overall growth outlook.*" Bernhard Leder, Head of Group Markets Origination and Funding at **Erste Group**, adds "*We're very proud to have applied blockchain technology in a way that promises to make Schuldscheindarlehen more attractive to both issuers and investors. By removing the need for manual steps that are labour-intensive, slow and potentially error-prone, our real-world implementation of blockchain can make the issuance of such instruments quicker, simpler and more efficient.*"

Klaus Schierhackl (**ASFINAG** CEO) and Karin Zipperer (**ASFINAG** CEO): "*As one of Europe's leading infrastructure providers we naturally build on new technologies in terms of construction, maintenance and tolling. We seize the opportunities of digitalisation – now also in terms of financing. Most important part for us is the absolute security of blockchain technology. We satisfied ourselves of this fact. That is why ASFINAG is on board.*"

Wiener Städtische sees its first mover role confirmed: "*This transaction marks a further step in our digitalization offensive. The forward-looking blockchain technology provides us with an opportunity to implement our investments even more quickly and transparently. At the same time, it addresses our paramount interest in making sure that the highest security standards are met,*" says Christine Dornaus, member of the managing board of Wiener Städtische Versicherung.

"As an insurer, we invest in solid companies and by doing so strengthen Austria as a business location and create added value for our customers. Error-free and smooth processing is particularly important element of our approach to investing. Digitalization allows us to make our processes lean and efficient. Blockchain technology is trend-setting in this respect," Reinhard Gojer, member of the Managing Board of **DONAU Versicherung**, emphasizes.

Michel Haller, CEO of **Hypo Vorarlberg**: *"The blockchain technology opens a path to the digital economy. It creates great opportunities for automatization, potential for increasing efficiency of processes and provides security for transactions. We expect that a huge amount of service business will be handled via blockchain in the future. How the development will go on has to be part of the process in the following years."*

Seconds, not days – all thanks to blockchain

By applying blockchain technology, the tasks involved in the creation and execution of the transaction documentation – an integral stage that usually takes several days to complete in the traditional paper-based process for *Schuldscheindarlehen* issuances – can now be resolved in a matter of just a few seconds. While making it possible to massively reduce the administrative burden associated with such transactions, the platform's implementation of blockchain technology also fully reflects the onboarding procedure and the banking secrecy considerations expected by the participants of *Schuldscheindarlehen* issuances. In addition, Erste Group has structured the platform so that its open architecture would allow for the future integration of additional banks and platforms.

***Schuldscheindarlehen* offer distinct benefits for corporates**

Schuldscheindarlehen are a well-established debt financing instrument in Europe, with an outstanding volume of more than EUR 100 bn in the continent's overall SSD market. While this instrument is most popular in the German-speaking countries, the SSD market has become increasingly international over the past few years, with Polish, Hungarian and Czech firms among those making inaugural *Schuldscheindarlehen* issuances.

Schuldscheindarlehen have elements of both loans and bonds, as they involve a bilateral, unregistered and (generally) unrated loan agreement that is sold directly to institutional investors; SSDs cannot be listed. Typically structured as senior unsecured instruments, *Schuldscheindarlehen* tend to have a minimum volume that is significantly lower than the comparable minimums generally relevant for syndicated loans or corporate bonds. In addition, both the documentation and the preparation period for SSDs are generally briefer than those for alternative instruments.

Blockchain technology shows its strength

Blockchain technology provides a new way of storing inalterable data transactions on distributed computers, with that data secured by cryptographic processes. Each blockchain starts with a network whose members are connected to each other and exchange data and assets over the internet in a secure manner. The set-up used by blockchains is also transparent and verifiable, as all such individual transactions must be confirmed by a majority of the participants in the network.

Blockchain technology is especially interesting for many industries, including the financial sector, because it promises to help make transactions of all kinds faster, simpler, more transparent and more cost-efficient in the future.

The blockchain implementation developed by Erste Group for its *Schuldscheindarlehen* platform is built on the basis of the Linux Foundation's Hyperledger Fabric, which leverages container technology to host smart contracts called "chaincode" that comprise the application logic of the system.

Erste Group was advised by Wolf Theiss on legal matters related to the novel use of a blockchain-based process for this issuance, while the consultancy d-fine provided Erste Group with advice on the design and implementation of the blockchain platform.

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ASFINAG is reliable partner on Austria's motorways and expressways. ASFINAG was founded in 1982 and is a federal agency. The responsibilities: ASFINAG plans, finances, builds, maintains, operates and collects toll for 2,220 kilometres of motorways and expressways. More traffic safety, best possible transport links between Austria and its neighboring states and the essential shift of traffic to highways and expressways – these are the aims of ASFINAG with its 2,700 employees. The safety of people is what drives ASFINAG. Motorways and expressways are essential for economy and people, for employment and furthermore for commuters and tourism. ASFINAG builds on highest safety standards to offer the safest motorways and expressways in Europe.

Erste Group is the leading financial services provider in the eastern part of the EU. Its ca. 47,000 employees serve over 16.5 million customers in around 2,500 branches in 7 countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia, Serbia). As per H1 2018, Erste Group had EUR 230 billion in total assets, posted a net profit of EUR 774.3 million and had a tier -1 capital ratio (CET-1, Basel III, phased-in) of 12.6%.

Wiener Städtische Versicherung is the largest subsidiary of Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG). Headquartered in Vienna, Wiener Städtische has nine provincial head offices and 130 branches in Austria, with a total of around 4,000 employees. The company also has branch offices in Italy and Slovenia. Wiener Städtische Versicherung is an innovative, dependable partner for all its customers' needs, in both personal and commercial or corporate situations. As a family-friendly employer, Wiener Städtische Versicherung has implemented a range of measures that enable employees to achieve a better work-life balance, for which it has been awarded the 'Audit berufundfamilie' certificate by the Austrian Federal Ministry of Economy, Families and Youth in 2015.

DONAU Versicherung is part of the Vienna Insurance Group and Austria's fifth-largest insurer. It provides regional support directly to over 740,000 customers across the country through nine provincial head offices and 70 business and service centres. Donau's product portfolio covers all segments of the insurance market. It focuses primarily on personal non-life and motor vehicle insurance – both long-standing and firmly established businesses – and on commercial insurance for SMEs, as well as providing innovative life and health insurance products – all tailored to its customers' requirements. High-quality training and development is reflected in its employees' outstanding advisory skills, and also makes Donau an attractive employer. In view of the steps taken to help its people achieve a better work-life balance, Donau received 'Audit berufundfamilie' (workandfamily audit) certification from the Austrian Federal Ministry of Economy, Family and Youth in 2013, and was recertified in 2016.

The headquarters of **Hypo Vorarlberg Bank AG** (short: Hypo Vorarlberg) are located in Bregenz, the state capital of Vorarlberg. In recent years, the Bank has developed into an extensive financial services provider which offers individual and high-quality advice to private and corporate customers. In 1998, Austria Beteiligungsgesellschaft mbH (founded by Landesbank Baden-Württemberg and Landeskreditbank Baden-Württemberg Förderbank) became a strategic partner and new shareholder of Hypo Vorarlberg. As a consequence, Hypo Vorarlberg now has a potent partner and a sphere of action of a major international bank. Today, the federal state of Vorarlberg holds 76.0308% of the voting rights of Hypo Vorarlberg via Vorarlberger Landesbank-Holding; the rest of the voting rights (23.9692%) are held by Austria Beteiligungsgesellschaft mbH. With total assets of around EUR 13 million and over 700 employees, Hypo Vorarlberg is the largest independent bank in Vorarlberg. It has several branches in Vorarlberg and additional branches in Vienna, Graz, Wels and St. Gallen (CH).