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Helaba completes its inaugural credit risk sharing transaction

Helaba has successfully completed its inaugural credit risk sharing transaction. The bank was able to free up risk-weighted assets (RWAs) of around EUR 800 million for a reference portfolio amounting to approx. EUR 2.1 billion.

Landesbank Hessen-Thüringen Girozentrale (Helaba) has successfully completed its inaugural credit risk sharing transaction. The bank was able to free up risk-weighted assets (RWAs) of around EUR 800 million for a reference portfolio of corporate loans amounting to approx. EUR 2.1 billion. This innovative transaction meets the required regulatory criteria of "significant risk transfer" (SRT compliance) and "simple, transparent, standardised" (STS compliance).

In a credit risk sharing transaction, also known as on-balance-sheet securitisations, rather than selling any actual loans, default risks are synthetically transferred to investor(s). The contractual relationship between Helaba and its borrowers remains unaffected. There were three tranches which referenced a corporate portfolio of EUR 2.1 billion, with Helaba holding the equity tranche (first loss) as well as the senior tranche. A special purpose entity (SPE) provided Helaba with credit protection for the mezzanine tranche, which was funded by the SPE issuing credit-linked notes (CLNs) equivalent to the amount of the credit protection. The CLNs were sold to the Dutch pension fund investor PGGM and the Swedish pension fund Alecta. Helaba acted as originator and lead manager in the chosen transaction structure, which included additional support from Citi as structuring and placement agent. To support the administration and management of the transaction, a cutting-edge IT system from iconicchain was used, which largely automated the internal processes.

"We have ventured into new territory with this means of securitisation", commented a delighted Thomas Groß, Helaba's CEO, on the successful completion of the transaction. He added: "This ground-breaking transaction clearly demonstrates that we have the capability to develop innovative products that enjoy widespread acceptance in the market".

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Thomas Groß
CEO Helaba

Christian Keller, Head of Markets for Germany and Austria at Citi: “The whole team at Citi is delighted to have helped support Helaba in closing their first-ever credit risk sharing transaction, resulting in attractive RWA relief on the bank’s corporate loan book. This is the first transaction for Helaba’s newly set up credit-risk sharing program and we are looking forward to supporting in the future as well.”

Mascha Canio, Head of Credit & Insurance Linked Investments at PGGM: “Investing in Helaba’s inaugural credit risk sharing transaction marks the addition of a new counterparty to the portfolio we manage on behalf of our client PFZW and provides further diversification given the unique client base of Helaba. Furthermore, the STS qualification achieved by the transaction testifies to Helaba’s desire to implement the highest standards in risk transfer, which PGGM strongly supports.”

Tony Persson, Alecta’s head of Fixed Income and Strategy, shares: “We welcome this addition to our growing portfolio of credit risk sharing investments and are very happy to be adding a new risk sharing relationship with Helaba. For Alecta the transaction offers a valuable source of credit diversification and opportunity to benefit from Helaba’s specific client base. This fits well with the long term strategy of our fund and will create value for our 2.6 million Swedish customers. We look forward to further grow our portfolio and see plenty of scope getting exposure to many different loan books and thereby providing additional capacity to lend to the real economy.”

“We are honoured to be Helaba’s IT provider of choice for managing the complete administrative and reporting lifecycle of their first credit risk sharing transaction”, András Vajda, CEO of iconicchain added. He continued: “This Project is another proof how iconicchain’s cutting-edge technology can support innovative banks’ such as Helaba’s objectives.”

Helaba was supported by SKS and Deloitte, while Linklaters acted as Helaba’s legal adivsor; Simmons & Simmons acted as legal advisor to PGGM and Alecta and Clifford Chance as legal advisor for Citi.

Contact



Ursula-Brita Krück

Deputy Press Officer

+49 69 / 91 32 - 21 92

LinkedIn

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