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Member of the Board of Managing Directors of Helaba

Annual Press Conference 2021

Webkonference
Frankfurt am Main

24. März 2021

The spoken word shall prevail.

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Good morning everyone

While Mr Groß has given you an overview and assessment of our Group results, I would now like to delve deeper into the issues of our credit portfolio quality and risk provisioning.

Helaba's **total lending volume**, which comprises loan drawdowns and committed lines of credit, rose from 208.3 billion euros to 215.2 billion euros last year. At the same time, the composition of the portfolio remained almost unchanged, both in terms of customer groups and regional distribution. Our most important customer groups continue to be the public sector, corporates and commercial real estate.
We registered the biggest rise compared to the previous year among public sector clients and our total lending exposure here has now surpassed 60 billion euros. However, this also includes increased deposits at the Bundesbank. Helaba was also able to expand its business with corporate clients. As a result, more than 50 percent of our portfolio is now related to lending to companies and the public sector.
The regional breakdown demonstrates that our business is heavily focused on Germany, with two thirds of the portfolio attributable to our home market.
We therefore continue to have a broadly diversified credit portfolio with a clear focus on Germany.

In the following chart, you can see **the total lending volume broken down by default rating class**. The distribution illustrates the very good quality of Helaba's portfolio. 95 percent of the total lending volume (205 billion euros) still has excellent to satisfactory ratings. We have particularly observed an overhang of negative rating migrations in some sub-portfolios. These are offset by stable ratings in other sub-portfolios. Overall, however, our rating structure remains stable.

Due to the pandemic, there has been a slight increase in the **NPL ratio** to 0.5 percent. In this regard, we are starting from an extremely low level (2019: 0.4 percent) and are still below the average among German banks of 1.3 percent (as of 30 June 2020), which is very low anyway compared to other European countries. Non-performing exposures account for 0.9 billion euros of total loans and advances - meaning the consolidated net and gross book value of assets in the scope of the EBA's supervisory financial reporting (FINREP) - of 164 billion euros. This also demonstrates the very good quality of Helaba's portfolio.

Ladies and Gentlemen,

The 2020 financial year was dominated to a considerable extent by the fallout from the Covid-19 pandemic.

In reacting to the crisis, we have taken rapid and efficient **risk controlling** measures to mitigate the consequences. We identified sectors particularly affected by the crisis and placed them under close observation. At the same time, we modified our new business strategy and limits accordingly.

Furthermore, we made adjustments to our risk appetite framework within the scope of our risk strategy, which determines the risks the bank is prepared to accept. Our controlling instruments serve as the basis to enable a differentiated and proactive risk provisioning. In this way, we can ensure the quality of new lending business in a targeted manner and thus limit any potential deterioration in the existing portfolio.
However, thanks to the good quality of our portfolio, there have only been very few actual credit defaults to date.
Since our loan portfolio is strongly focused on corporate clients from Germany, as I have already explained, government assistance measures and emergency liquidity facilities, as well as temporary amendments to German insolvency laws, have naturally also had a positive effect.

As Mr Groß said in his remarks, we assume that the number of credit defaults will rise. We therefore significantly increased our **loan loss provisions** in 2020 to -305 million euros. Here, it is important to highlight the composition of the allocations to risk provisioning. The overwhelming majority of these provisions is attributable to portfolio-based risk provisioning. Only about one-sixth of allocations to risk provisioning are related to specific events of default. Allocation to Stage 3, in which actual impairments on individual exposures are recognised, remains at a low level of -53 million euros despite the Covid-19 pandemic. The largest allocation of -258 million euros was made to so called Stage 2 (IFRS 9), which includes the aforementioned management adjustment of 123 million euros, a forward-looking provision for exposures that are not yet acutely at risk of default and a provision for the expected deterioration in macroeconomic parameters of 85 million euros.

A **glance at the segment** breakdown shows that most net additions to impairments were allocated to the Other segment. As in previous years, we have allocated both the management adjustment and the provision for a potential deterioration in macroeconomic parameters here. In the operating segments, on the other hand, allocations to loan loss provisions are still moderate. In the real estate segment, risk provisioning is at a very low level with allocations of 4 million euros. Despite our good risk profile, we anticipate a significant increase in this segment going forward. Loan loss provisions in the Corporates & Markets segment amounted to -63 million euros, compared to -68 million euros in 2019. In the Retail & Asset Management segment, net allocations to risk provisioning increased significantly (2020: -29 million euros; 2019: -3 million euros). This is mainly a result of substantially higher loan loss provisions at Frankfurter Sparkasse (-24 million euros), although most of these provisions were recognised there in Stages 1 & 2 as a precautionary measure.

Overall, the significantly higher and adequately funded level of risk provisioning is also reflected in the risk costs. **Risk provisioning expenses** in relation to RWAs of counterparty risks are noticeably higher at 57 bps in 2020, which is 3.5-times higher than the previous year.

Based on the EBA's definition, this corresponds to a cost of risk of 44 bps in relation to loans and advances to customers excluding receivables from the public sector.
In view of these figures, we feel that we are well positioned and prepared to cope with future challenges.

At this point, I would like to take a more detailed look at two portfolios that are of particular importance to us. The first one is our **real estate finance portfolio**, the volume of which amounts to 36.1 billion euros. This is a well-balanced and high-quality portfolio, both in terms of types of use and the locations of the properties it contains. Thanks to the portfolio's focus on the residential, office and logistics markets, which together account for a share of over 70 % of this segment, the consequences of the Covid-19 pandemic have not had such a severe impact on us. As far as residential and logistics properties are concerned, we see a positive development; while in respect of office properties in prime locations, our observations point to a sideways trend. However, the retail property sub-segment has been particularly hard hit by Covid-19.

Of the lending volume amounting to 7.4 billion euros that is attributable to **retail properties**, we are closely monitoring a volume of 0.8 billion euros. This means that we maintain a register of clients and transactions that have exhibited elevated credit risks due to the effects of the Covid-19 pandemic and have triggered a corresponding early warning signal. The lending volume monitored in this way is not specifically at risk of default

and is not to be confused with loan loss provisions. The lockdown has led to a collapse in sales among tenants of retail properties.
Future developments in the retail trade are dependent on the how long the lockdown will last and on the continued trend away from bricks-and-mortar to e-commerce. Depending on the location, competition, concept and positioning of the respective centre, declines in rents and market values are to be expected. In addition, we anticipate shorter lease terms and/or a stronger link between rents and actual generated revenue.
By adjusting our credit risk strategy and approach to new business, we have responded to this situation. We are focusing in our new business on specialised retailers and local shopping centres.
With regard to risk provisioning, the fact that we already predominantly finance properties in central locations of major towns and cities has proven beneficial for us.

The second portfolio I would like to discuss in more detail is our **corporate banking & asset finance portfolio** which has a volume of 50.5 billion euros. The regional focus of this portfolio is on Germany.
This portfolio comprises highly diverse sub-portfolios.
"Corporate Loans and Lease Finance" is the largest sub-portfolio with a share of 42 percent, or 21.0 billion euros, followed by "Asset Backed Finance" with 17 percent, or 8.7 billion euros. In these sub-portfolios, we underwrite trade receivables from our corporate clients within the scope of factoring activities. In project finance, we mainly support clients in the development and expansion of renewable energy projects.

We have observed a particularly severe impact from Covid-19 in the aviation sub-portfolio as well as in parts of the corporate loans portfolio, namely the wholesale and retail trade, traffic/transportation and vehicle manufacturing sectors.

Of our **aircraft finance portfolio** of 2.8 billion euros, a volume of 0.7 billion euros is under close observation. It is clear that the Covid-19 pandemic is having a particularly negative impact on areas such as aircraft and aviation. However, the effects are more pronounced in Europe than in the rest of the world. We have noted that airlines are implementing their own cost-cutting programmes and significantly reducing the size of their fleets at the same time as receiving financial support from governments.
With regard to our aircraft finance portfolio, it should be noted that the aircraft fleets that we finance are mainly composed of types which our analysis suggests have potential for long-term use and will therefore remain in demand.

Ladies and Gentlemen,
Helaba entered the Covid-19 crisis from a very good starting position - with a low NPL ratio and a credit portfolio with a good rating profile. Thanks to the good quality of our portfolio and our efficient risk management, we have weathered the past financial year in good shape. So far, we have recorded relatively few actual defaults. In 2020, we proactively increased our risk provisioning significantly to -305 million euros due to

the coronavirus pandemic, in particular by means of a portfolio-based management adjustment.

The question as to how the situation will develop in 2021 depends to a large extent on macroeconomic and sector-specific trends. We expect the German economy to recover quickly once the lockdown is over and to grow by 3.4 percent. For the euro area, our forecasts point to economic growth of 4.4 percent. Despite this projected economic growth, we anticipate another challenging year with respect to credit risks.

This is particularly true for certain parts of the stationary retail sector. Retail properties are likely to see further declines in rents and property values in 2021. We therefore expect an increase in risk provisioning in the real estate segment compared to the very low level of the previous year.

In the aviation and tourism sectors, too, it is likely to take several years before they return to pre-crisis levels. However, we anticipate a considerable rise in loan loss provisions among our corporate clients as a whole.

We are closely monitoring the risks in the affected sectors and are actively managing them in order that we can proactively respond to any potential developments.

Overall, we expect to make allocations to loan loss provisions in 2021 at the same level as in 2020.

From today's perspective, we expect our risk provisioning requirement to gradually return to normal from 2022.

That concludes my presentation!

I will now give the floor back to Thomas Groß.