Helaba completes its inaugural credit risk sharing transaction

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".

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.

About Helaba
One of the leading banks in the German financial capital of Frankfurt, the Helaba Group employs approximately 6,300 people and has total assets of 212 bn Euro. It offers a complete range of financial services from a single source for companies, banks and institutional investors. Acting sustainably has long been a central tenet of Helaba's business model and reflects our public service mission. Our aim is to provide our clients with expert advice on ESG issues as well as bespoke financing solutions designed to help them successfully navigate their own transition towards a sustainable future. The Helaba Group also engages in many areas of public life by sponsoring ground-breaking cultural, educational, environmental, sports and social projects.
www.helaba.com

About PGGM
PGGM is a not-for-profit cooperative pension fund service provider. As a pensions administrator, asset manager and advisor to pension fund boards, it executes its social mandate: to provide for good old-age incomes for 4.4 million participants in the Netherlands. On March 31, 2022 PGGM managed long-term pension capital of EUR 273 billion worldwide. Rooted firmly in the Dutch healthcare sector, PGGM develops innovative provisions for labour market issues in this sector, alone or with strategic partners. Our member organisation PGGM&CO supports 764,000 workers and pensioners with a background in healthcare.
https://www.pggm.nl/en/

About Alecta
Alecta manages occupational pension plans for 2.6 million people and 35,000 businesses across Sweden. We were founded in 1917 and we are owned by our customers. Our most important task is to ensure that our customers occupational pension grows, while working to ensure that more people can benefit from the security which an occupational pension provides. On March 31, 2022 Alecta had SEK 1178 billion in assets under management.
www.alecta.se