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Press and Communication
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Helaba sees decline in Q1 earnings

- **Impact of volatile income from hedge accounting and derivatives negative**
- **Net interest income below previous year due to negative interest environment**
- **Renewed rise in net fee and commission income**
- **New business on a high level**
- **Risk situation eases**
- **Profit before taxes of EUR 75 million considerably below last year**
- **CET1 ratio ("fully loaded") improves**
- **Board of Managing Directors reiterates earnings target for 2017**

Frankfurt am Main – In the first quarter of 2017, Helaba Landesbank Hessen-Thüringen generated a consolidated net profit before taxes of EUR 75 million, which was EUR 63 million lower than the Q1 2016 result of EUR 138 million. After taxes, the consolidated net profit reached EUR 47 million, after EUR 91 million in the same period last year.

Against a backdrop of ongoing zero and negative interest rates, the net interest income fell by EUR 24 million to EUR 277 million. The positive macroeconomic environment and the good quality of the credit portfolio resulted in a net reversal in loan loss provisions of EUR 5 million in the first quarter of 2017.

On the basis of positive customer business, the net fee and commission income rose by just over 7 percent to EUR 91 million. The most significant contributions to this were made by Helaba Invest's asset management activities and the segment of cash management. The net trading income increased to EUR 72 million after EUR 26 million in the same period last year. Lower valuation adjustments on derivatives were partly responsible for this rise.

The net income from hedge accounting and derivatives had a noticeable impact on this quarter's earnings, having declined from EUR 67 million in the first quarter of 2016 to minus EUR 68 million. The fall in this typical IFRS item includes both the absence of the positive base effect in the same period last year as well as the negative impact of taking this year's liquidity components of foreign currencies (cross-currency basis spread) into account.

The other net operating income grew by EUR 17 million to EUR 59 million, which was largely a result of earnings contributions from the real estate portfolio generated by the GWH Group.

General and administrative expenses rose by 2.8 percent to EUR 362 million. This reflects, in particular, IT and consultancy expenses in connection with the implementation of regulatory and operational requirements. In common with the previous year, this item already includes full provision for the bank levy and security reserves in an amount of EUR 68 million.

The Helaba Group's balance sheet total climbed by EUR 7.4 billion to EUR 172.6 billion compared to the end of 2016. Business volume increased by EUR 8.1 billion to EUR 203.0 billion, which was related to the bank's funding strategy. The bank took advantage of the favourable market environment at the beginning of the year to issue a significant volume of debt securities.

Consequently, on the asset side of the balance sheet, loans and advances to banks including a cash reserve deposited at the central bank, rose by EUR 10.0 billion to EUR 28.3 billion. Trading assets fell slightly to EUR 18.9 billion, after a previous amount of EUR 20.5 billion. New medium and long-term customer business, at EUR 4.6 billion, almost reached the same high level achieved in the first quarter of last year. Thanks to the positive trend in the bank's operating business with customers, loans and advances to customers of EUR 92.4 billion remained on a similar level to that at the end of 2016 (31 December 2016: EUR 93.1 billion)

As of 31 March, the CET1 capital ratio ("phased in") amounted to 14.3 percent. The CET1 capital ratio ("fully loaded") improved to 14.1 percent from a level at the end of 2016 of 13.8 percent. Return on equity (before taxes) was 3.9 percent.

Herbert Hans Grüntker, the Chairman of Helaba's Board of Managing Directors, regards this as a confirmation of his previous forecast: "The political and economic environment in which we are operating continues to be challenging. As expected, the ECB's deposit rate, which was reduced as early as 2016 to minus 0.4 percent, as well as its Corporate Sector Purchase Programme, are having a negative impact on areas of our retail and cash management activities that are particularly sensitive to changes in interest rates as well as on the bank's own investment portfolio. We are generally satisfied with the growth in our customer business. With this in mind, we reiterate our original earnings target for 2017, in which we expect a significant decline in the net profit."

Income statement of Helaba Group as of 31 March 2017 (IFRS)

	01.01.-31.03. 2017	01.01.-31.03. 2016		Change
	in EUR m	in EUR m	in EUR m	in %
Net interest income	277	301	-24	-8.0
Provisions for losses on loans and advances	5	-39	44	-
Net interest income after provisions for losses on loans and advances	**282**	**262**	**20**	**7.6**
Net fee and commission income	91	85	6	7.1
Net trading income	72	26	46	>100
Net income from hedge accounting / derivatives	-68	67	-135	-
Net income from financial investments (incl. at-equity valuation)	1	8	-7	-87.5
Other net operating income	59	42	17	40.5
General and administrative expenses	-362	-352	-10	-2.8
Profit before taxes	**75**	**138**	**-63**	**-45.7**

Statement of Financial Position of Helaba Group as of 31 March 2017 (IFRS)

	31.03.2017	31.12.2016		Change
	in EUR bn	in EUR bn	in EUR bn	in %
Loans and advances to banks incl. cash reserve	28.3	18.3	10.0	54.6
Loans and advances to customers	92.4	93.1	-0.7	-0.8
Allowances for losses on loans and advances	-0.6	-0.8	0.2	25.0
Trading assets	18.9	20.5	-1.6	-7.8
Positive fair values of non-trading derivatives	3.6	4.0	-0.4	-10.0
Financial investments incl. shares in equity-accounted entities	25.8	25.8	-	-
Other assets	4.2	4.3	-0.1	-2.3
Total assets	**172.6**	**165.2**	**7.4**	**4.5**
Liabilities due to banks	32.1	30.1	2.0	6.6
Liabilities due to customers	48.7	46.8	1.9	4.1
Securitised liabilities	56.7	50.9	5.8	11.4
Trading liabilities	16.6	18.7	-2.1	-11.2
Negative fair values of non-trading derivatives	3.4	3.9	-0.5	-12.8
Provisions, other liabilities	3.7	3.3	0.4	12.1
Subordinated capital	3.6	3.6	-	-
Equity	7.8	7.9	-0.1	-1.3
Total liabilities	**172.6**	**165.2**	**7.4**	**4.5**

Key indicators

	01.01. - 31.03.2017	01.01. - 31.03.2016
	in %	in %
Cost-income ratio	83.8	66.6
Return on equity (before taxes)	3.9	7.2
	31.03.2017	31.12.2016
CET-1 capital ratio “phased in”	14.3	14.3
CET-1 capital ratio “fully loaded”	14.1	13.8
Total capital ratio	20.5	20.5
Leverage ratio	4.4	4.7

Ratings

	Moody’s Investors Service	FitchRatings	Standard & Poor’s Corp.
Issuer/ long-term rating with preferential right to payment **	Aa3	A+*	A*
Short-term rating	P-1	F1+*	A-1*
Public Pfandbriefe	Aaa	AAA	-
Mortgage Pfandbriefe	-	AAA	-

* Joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen
** Corresponds in principle to long-term senior unsecured debt according to §46f (5 & 7) KWG ("with preferential right to payment")