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Press and Communication

MAIN TOWER · Neue Mainzer Strasse 52-58
60311 Frankfurt am Main · www.helaba.de
Tel.: +49 (0) 69 / 9132 – 2192

Wolfgang Kuss

E-Mail: wolfgang.kuss@helaba.de

Ursula-Brita Krück

E-Mail: ursula-brita.krueck@helaba.de

At EUR 510 million, Helaba maintains group earnings at previous year's level

- **Result after taxes improves by 11 per cent**
- **Core (tier 1) capital ratio rises to 12.8 per cent**
- **Dividend payments increase once again and bank's capital base strengthened**
- **Integration of S-Group Bank largely completed – business significantly reinforced**

Frankfurt am Main – Helaba, Landesbank Hessen-Thüringen, achieved group-wide earnings before taxes in the last financial year amounting to EUR 510 million, thereby almost equalling the very high result of the year before of EUR 512 million. After taxes, earnings rose by 11.3 per cent to EUR 354 million. Helaba's CEO Hans-Dieter Brenner comments: "Since 2011 we have been operating at an earnings level of around EUR 500 million. In this time, we have additionally created a risk buffer in the mid nine-figure range, which is recorded as an expense. This has substantially reinforced the bank's capital position."

In view of the successful integration of the S-Group Bank NRW, Helaba's CEO is particularly satisfied with this result. He sees four principal reasons for this:

- The positive development of the customer business, which was decisive in contributing to rising income from interest, fees and commission. The expansion of the core regions Helaba operates in also had a positive impact on the result. The net trading income continues to be characterised by a growing contribution from customers and a favourable market environment.
- The earnings level is stable despite significantly higher encumbrances. General and administrative expenses increased due to necessary non-recurrent expenditures in the course of taking over the S-Group Bank. The high costs in connection with implementing regulatory requirements also had a negative effect. Brenner: "These are long-term costs and will remain with us for the next few years".
- The owners will receive an increased distribution in an amount of 11.6 per cent. At the same time, the capital base will be strengthened, chiefly in terms of the core (tier 1) capital. Brenner: "Since the outbreak of the financial crisis in 2007, Helaba has shored up its capital base by two billion euros out of its own resources whilst consistently distributing dividends as well as sharing profits and paying interest on all of its capital contributions and silent participations."

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- The solid capital base improved once again. Before adoption of the annual financial report, the Tier-I capital ratio had risen from 11.2 to 12.8 per cent and the total capital ratio had climbed from 15.9 to 17.4 per cent. Helaba thus fulfils all future requirements of the CRD IV/CRR.

Balance sheet

This is the first time that the inclusion of the S-Group Bank in 2012 has influenced the earnings, financial and asset positions of the Helaba Group for a full-year period. It was accompanied by a conscious shrinking of the balance sheet, which fell by 10.6 per cent in 2013 to EUR 178.1 billion. The reasons for this were the reduction in liquidity positions, which had been taken over, as well as the planned decrease in assets held for trading. The business volume fell by 10.1 per cent to EUR 200 billion.

In lending activities to customers, the volume of new business grew by 15 per cent to EUR 17.2 billion. Brenner: "This was made possible without compromising the profitability of transactions. On the contrary, the average margin for new business saw another increase compared to the year before." This enabled the reduction to portfolios, due to regular repayments and early redemptions, to be fully compensated for. Loans and advances to customers amounted to EUR 91 million, as in the year before. In addition, there were EUR 12 billion in loans and advances to the savings banks in the S-Group. Customer business as a proportion of the balance sheet total was lifted by more than six percentage points to approximately 58 per cent. The continued reduction in non-customer related business also contributed to this and led to an intentional decline in risk-weighted assets and in the balance sheet total.

Income statement

Dr Detlef Hosemann, Helaba's CFO, was pleased with the result achieved in 2013: "Operating income saw a further positive development. Apart from expenses incurred due to the integration of the S-Group Bank, the positive effects of this transaction and the associated expansion of our core region show through in our earnings position in 2013."

The net interest income, at EUR 1.2 billion, was EUR 50 million above the previous year. The S-Group Bank portfolio and the expansion of business in North Rhine-Westphalia contributed to this.

Provisions for loans and advances, at EUR 281 million, rose in comparison to the year before and reached the level seen in 2011 and 2010. Apart from individual valuation allowances there was a portfolio valuation allowance in an amount of EUR 273 million for exposures not acutely at risk of default. In this way, the bank has created a comfortable level of provision for its lending business. After provisions for loans and advances, the net interest income had risen slightly from EUR 917 million to EUR 924 million.

Fee and commission income, at EUR 300 million, was able to be increased from its previous level of EUR 259 million. Approximately 60 per cent of this growth is attributable to an expansion in the

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business thanks to the integration of the S-Group Bank, which was only included on a pro-rata basis in 2012. In particular it was possible, thanks to the S-Group business, to strengthen the cash management and the securities and custodian bank business. But in asset management, too, a significant increase in the net fee and commission income was achieved.

The net trading income came in at EUR 339 million (2012: EUR 415 million). The year before was characterised by appreciations in value as a result of the tightening of credit spreads. Although weaker, this trend continued into 2013. The net trading income was primarily based on sustainable revenues from customer-initiated trading and there was a further drive to expand this business.

The result from hedges and derivatives not held for trading was minus EUR 1 million, after minus EUR 121 million in the previous year. This result was strongly influenced by taking the liquidity component of foreign currencies into account when valuing derivatives. In 2012, this had resulted in a charge on earnings of EUR 110 million, which receded substantially in 2013.

The result from financial investments including companies accounted for using the equity method improved from minus EUR 13 million in 2012 to plus EUR 2 million.

The other operating result declined marginally by EUR 217 million (2012: EUR 236 million). When the previous year's figures are adjusted for the one-time effect of the sale of a property used by the bank, a rise of EUR 20 million can be seen.

General administrative expenses rose by EUR 90 million to approximately EUR 1.3 billion. The main reasons for this rise can be found in the business of the S-Group Bank NRW, which was only included on a pro-rata basis in the year before. Furthermore, significant costs were incurred in order to comply with regulatory requirements. The bank levy, which increased from EUR 27 million in the previous year to EUR 48 million in 2013, constituted a further considerable encumbrance. On the other hand, a mitigating effect was provided by the depreciation of property and equipment and amortisation of intangible assets having returned to a normal level. At EUR 51 million, they were lower than the previous year.

Due to the tax liability, which was lower than in 2012, earnings after taxes grew by EUR 36 million or 11.3 per cent to reach EUR 354 million. After adjusting for the bank levy, this rise would even have reached 16.5 per cent. Net group income for the year after taxes, which also includes the result for the period of EUR 5 million not affecting earnings, was EUR 359 million, compared with EUR 374 million in the previous year.

Dr Hosemann gives a positive assessment to the development of earnings, both in terms of qualitative as well as quantitative aspects: "From a quantitative perspective, earnings from operational activities in core business fields have continued their upward trajectory. In qualitative terms, we have broadened our customer base and further strengthened the S-Group business with the savings banks."

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Helaba strengthens its market positions in core business fields

The expansion of the core business region was associated with a strong boost to the customer business. Important core business fields grew in new dimensions and the bank's position in the market improved significantly in some cases.

- Helaba is one of the leading providers of real-estate finance in Germany. Medium and long-term new business grew from EUR 7.2 billion to EUR 8.7 billion.
- In the business field of corporate finance, medium and long-term new business was slightly higher than the previous year, at EUR 4.3 billion. A focus of corporate finance activities comprised corporate customer business. In trade finance, the bank is positioning itself as a partner for its own customers and for S-Group customers.
- In cash management/transaction banking, Helaba is the leading service provider in the savings bank organisation and second-biggest payment transaction processor in Germany.
- In public finance, Helaba is a stable financing partner for municipalities in its core regions. The portfolio of loans and advances to the entire public sector amounted to EUR 25 billion. The bank supports the placement of municipal promissory note loans as well as community loans for cities.
- Helaba has established itself in the capital market business as a reliable partner offering high-performance solutions and has strengthened its customer relationships. It is one of the leading banks in the corporate promissory note market.
- Helaba Invest, with a volume of special funds under management of almost EUR 90 billion, is one of the four largest capital investment companies offering institutional asset management services.
- In the refinancing business, the investment of surplus liquidity from the savings banks provides a stable source of refinancing. With an outstanding volume of around EUR 13 billion, Helaba is the third-largest issuer of certificates in Germany.
- Frankfurter Sparkasse is the leading bank for private retail customers and SMEs in the Rhine-Main region. Despite increasing pressure due to the current phase of low interest rates, it has been able to continue a trend of high earnings achieved in previous years.

Business with savings banks develops positively

As the S-Group Bank, Helaba has moved into a new dimension since taking over the role as central clearing bank in North Rhine-Westphalia. Brenner: "This has made us the leading S-Group bank in the German savings bank organisation and it has enabled us to benefit from considerably leaner volume and cost structures. We are registering a major upturn in the S-Group business. Since the beginning of 2013, the figures have consistently been showing an upward trend in all business fields. The nationwide S-Group business has also made a significant contribution to this. We are operating from sales offices in Berlin, Munich and Stuttgart."

Dusseldorf branch gets off to a successful start

The bank employs 420 people at its Dusseldorf branch. The technical migration as well as the organisational and personnel integration have largely been completed. In a number of fields within the S-Group business, the range of products and services has been expanded. The bank is planning further investment.

Furthermore, the new location is also a platform for Helaba's own customer business. With sales and product specialists on the ground, it does not only support the savings banks as a partner but also offers its comprehensive know-how to large companies, institutional customers and the public sector.

Outlook

With a view to the capital position, the risk profile and the existing provisions for loans and advances, Helaba feels sufficiently prepared and well positioned for the Comprehensive Assessment.

For Helaba, 2014 will be a year of securing and expanding its market position. This also applies to its role as the leading S-Group Bank. Brenner: "In view of the economic outlook for the euro area, we expect earnings from operating activities to remain at last year's level. Due to the continued low interest rate environment, earnings will remain under pressure. On the capital markets, credit spreads cannot be expected to tighten any further. The implementation of numerous regulatory measures will have a sustained negative impact on costs. The first quarter of 2014 started well. For the year as a whole, we anticipate group earnings below last year's result."

Balance sheet Helaba Group as of 31 December 2013 under IFRS

	31.12.2013	31.12.2012	Changes	
	in EURm	in EURm	in EURm	in per cent
Loans and advances to banks incl. cash reserve	23,146	32,161	-9,015	-28.0
Loans and advances to customers	90,747	90,821	-74	-0.1
Impairments on receivables	-1,228	-1,205	-23	-1.9
Assets held for trading	32,273	37,954	-5,681	-15.0
Positive market value of derivatives not held for trading	4,691	6,992	-2,301	-32.9
Financial investments (incl. result from companies accounted for using the equity method)	24,292	28,003	-3,711	-13.3
Other assets	4,162	4,575	-413	-9.0
Total assets	178,083	199,301	-21,218	-10.6
Liabilities due to banks	34,106	39,275	-5,169	-13.2
Liabilities due to customers	43,895	47,611	-3,716	-7.8
Securitised liabilities	48,245	57,168	-8,923	-15.6
Liabilities held for trading	33,742	36,148	-2,406	-6.7
Negative market value of derivatives not held for trading	3,489	4,982	-1,493	-30.0
Provisions/other liabilities	2,446	2,937	-491	-16.7
Subordinate capital	5,073	4,363	710	16.3
Equity	7,087	6,817	270	4.0
Total liabilities	178,083	199,301	-21,218	-10.6

Income statement

	2013	2012	Changes	
	in EURm	in EURm	in EURm	in per cent
Net interest income	1,205	1,155	50	4.3
Provisions for loans and advances	-281	-238	-43	18.1
Net interest income after provisions for loans and advances	924	917	7	0.8
Net commission income	300	259	41	15.8
Net trading income	339	415	-76	-18.3
Result from hedges/derivatives	-1	-121	120	-
Result from financial investments (incl. result from companies accounted for using the equity method)	2	-13	15	-
Other operating result	217	236	-19	-8.1
General administration expenses	-1,271	-1,181	-90	7.6
Earnings before taxes	510	512	-2	-0.4
Income taxes	-156	-194	38	-19.6
Net group earnings	354	318	36	11.3

Helaba's ratings with a stable outlook

	Moody's Investors Service	FitchRatings	Standard & Poor's Corp.
Long-term (unsecured)	A2	A+*	A*
Short-term (unsecured)	P-1	F1+*	A-1*
Public Pfandbriefe	Aaa	AAA	-
Mortgage Pfandbriefe	-	AAA	-
Financial strength/viability rating	D+	a+*	-

* Joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen

Financial ratios

	2013	2012
	in per cent	in per cent
Cost-Income Ratio	61.6	61.2
Return on equity (before taxes)	7.4	8.4
Total capital ratio	17.4	15.9
Tier-1 capital ratio	12.8	11.2
