PRESS RELEASE

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Helaba reports best-ever Group Earnings Before Tax under IFRS in an amount of EUR 492 million

- **Owners will receive a dividend of 8 per cent**
- **Requirements of EBA and Basel III are satisfied**
- **Regulatory environment requires portfolio adaptations and cost optimisation**

Frankfurt am Main - With Group earnings before tax in an amount of EUR 492 million, Helaba Landesbank Hessen-Thüringen exceeded both its targets and the previous year's result (EUR 398 million) and confirmed its earnings forecast. CEO Hans-Dieter Brenner is satisfied: "This is our best performance not only since the introduction of IFRS accounting in 2007, but also the highest Group earnings before tax ever generated by Helaba. Consolidated net income rose by EUR 99 million to EUR 397 million. This performance is indeed impressive and we are highly satisfied with this result."

The development of the trading result was extremely volatile. After an excellent first half of the year (EUR 173 million), there was a change for the worse in the fourth quarter in particular, due to the aggravation of the debt crisis and the associated spread increases, which in the end led to a negative trading result of EUR 44 million. This trading result was more than offset by positive valuation effects from banking book derivatives. The result of hedges/derivatives rose by EUR 287 million to EUR 292 million. Brenner: "Quite clearly the rollercoaster ride the financial markets experienced in 2011 posed extreme challenges to bank management and control."

Reliability, competence and competitiveness in Brenner's opinion form the basis for this good performance. For him, this is demonstrated by five factors in particular.

1. Thanks to its sustainable, customer-oriented business model, the Bank is in a position to stay on a stable, ascendant earnings path, even during periods of market turbulence. Despite a lower balance sheet total, net interest income and net commission income have increased.

2. In the financial year 2011, Helaba again generated a result which enables all subordinated capital to be serviced, allocations to revenue reserves to strengthen Tier-1 capital and the reporting of a net income for the year. The owners will receive an unchanged dividend of 8 per cent.

3. The management and control of the Bank in the year 2011 again remained geared to the further strengthening of the capital base, in addition to generating significantly higher income. The Tier-1 Capital Ratio reached 10.3 per cent – after the establishment of the annual accounts – and the bank achieved a Total Capital Ratio of 15.3 per cent. Since the conversion of the silent participations in the amount of EUR 1.9 billion into capital contributions of the State of Hesse at the end of 2011, Helaba has complied with the requirements of both Basel III and the criteria defined by the EBA for CET-1 capital.

4. Pre-tax ROE improved from 7.9 per cent to 9.2 per cent. The Cost-Income-Ratio declined from 61.0 to 56.6 per cent. Prudential risk assets remained constant at EUR 57.3 billion – despite stricter capital-backing requirements for trading operations and securitized positions, which were tightened at the end of the year.

5. Thanks to its robust condition, Helaba is one of the credit institutions with the highest creditworthiness ratings. The downgrades in the past year have not had an influence on either the Bank's access to funding in the capital markets or on funding costs. Brenner: "In my opinion, the positive Group net profit before taxes that has been generated again should be a factor which ensures that our rating position will at least not deteriorate compared to our main competitors."

Key Elements of the Consolidated Accounts

Balance Sheet

The consolidated balance sheet total of Helaba declined by 1.4 per cent in the financial year 2011 to EUR 164.0 billion. The decline of the balance sheet total is due to unscheduled redemptions of loans and advances to customers and the focused reduction in the trading assets. The business volume was down by 3.4 per cent to EUR 186.6 billion.

Despite an increase in new business, loans and advances to customers declined to EUR 84.0 billion. Extraordinary redemptions by customers and the replacement of bank loans by bond issues as a result of the favourable capital market environment had an impact here. The share of loans and advances to customers in the balance sheet total amounts to 51.2 per cent.

In the lending business with customers, an above-target volume was generated in Helaba’s medium and long-term new business - including loan renewals - in an amount of EUR 14.4 billion. Of this total, Real Estate Finance accounted for EUR 6.7 billion, Corporate Finance for EUR 4.1 billion, business with the savings banks and with municipal authorities for EUR 1 billion each and Frankfurter Sparkasse for EUR 0.9 billion. Brenner: "Helaba was thus once again one of the banks which provided comprehensive services to their customers even during difficult market phases."

Thanks to the confidence of investors, the sound business development and good ratings, Helaba obtained the funds required for funding this new business at competitive terms and with a well diversified structure in the capital markets. Medium to long-term borrowings amounted to EUR 12 billion. Of this total, unsecured issues accounted for EUR 9 billion and Pfandbrief (covered bond) issues for EUR 3 billion, among them for the first time USD-denominated public Pfandbriefe. The sale of retail issues, amounting to EUR 2.3 billion, also significantly exceeded the previous year's level.

Income Statement

CFO Dr. Detlef Hosemann states three reasons for the renewed improvement in performance on the year before. First, net interest income and net commission income increased, even though the balance sheet total and the business volume declined. Second, risk provisioning was below the previous year's level. Third, the trading result was more than offset by positive effects from the result of hedges/derivatives due to the use of the fair value method.

Net interest income, amounting to more than EUR 1 billion, increased by 5 per cent on the previous year's level. The retail business of Frankfurter Sparkasse accounts for one quarter of net interest income.

Provisions for losses on loans and advances, amounting to EUR 273 million, were slightly below the previous year's figure. Of this total, an amount of EUR 180 million is attributable to itemized valuation allowances for bad debts where there was a concrete risk of default. For exposures to which no default criteria apply, we increased the portfolio allowance by about EUR 80 million. In this context, an adequate buffer for unexpected defaults has also been established.

Net commission income rose from EUR 249 million to EUR 254 million in 2011. As in the year before, net commission income remained a very stable element of operating earnings.

Helaba’s net trading loss for the year amounted to EUR 44 million, after reporting a semi-annual profit of 173 million. The overall trading result for 2012 is expected to be positive should the markets stabilise, thanks to a reversal in impairments.

The result of hedges/derivatives rose by EUR 287 million to EUR 292 million. This strong increase is mainly due to taking the liquidity component of foreign currency in connection with the valuation of derivatives into account, which is required under IFRS.

Income from non-current financial assets, including companies valued at equity, which is negative at EUR 16 million, improved slightly. The write-downs concern Greek government bonds in an amount of EUR 58 million in particular as well as the shareholding in Landesbank Berlin which is held indirectly via Frankfurter Sparkasse.

The Other operating result declined significantly, from EUR 357 million to EUR 209 million. This is solely due to the deconsolidation of HANNOVER LEASING, which was still fully consolidated in the year before.

The decline of general administrative expenses, from EUR 1.1 billion to just under EUR 1 billion is also due to the deconsolidation of HANNOVER LEASING at the end of 2011. On the basis of adjusted figures, personnel expenses remained practically unchanged at EUR 513 million. Non-personnel expense increased markedly on an adjusted basis, from EUR 428 million to EUR 484 million. This increase was essentially due to the bank levy of about EUR 30 million.

Earnings before tax amounted to EUR 492 million, after EUR 398 in the year before. After taking **taxes on income** in the amount of EUR 95 million into consideration, Helaba generated a consolidated net income of EUR 397 million.

Hosemann arrives at a positive assessment of Helaba's performance: "In 2011 Helaba again demonstrated that it can generate consistently good earnings in a difficult and volatile market environment. It is not always possible to compensate for the fair value effects of IFRS accounting. What is much more important however is the consistency of results from operating activities in our customer business which have been on a sustainably positive trajectory for years. "

Changes in the regulatory Environment require Adaptation Measures

The new fundamental prudential and regulatory requirements that apply on an international level, as well as the hardening of the silent participations of the State of Hesse and their conversion into equity eligible under Basel III (capital contribution by the State of Hesse), will lead to significantly higher capital and liquidity costs for Helaba in future. At the same time, the risk/reward profiles of individual transactions and entire business fields will change. Brenner: "The consequences for competition and profitability in the banking sector are significant and will force us to take corrective action."

The Bank intends to respond to these challenges by adapting the business portfolio and optimising costs further. The necessary optimisation of the business processes will require personnel cutbacks over the next four years. Brenner: "These measures, which have been forced upon us by changes in the fundamental regulatory requirements and for which there is therefore no alternative, will enable us to strengthen the sustainability and long-term viability of Helaba. I cannot deny, however, that this will also call for considerable sacrifice."

S-Group Bank North Rhine-Westphalia – An opportunity for strategic further Development

After successfully completing the current negotiations, Helaba intends to integrate the former S-Group Bank business of WestLB with the savings banks in North Rhine-Westphalia into Helaba, effective 1 July 2012. The S-Group Bank will have total assets of about EUR 40 billion, about EUR 8 billion of risk-weighted assets, EUR 1 billion of equity and about 400 employees. It has been agreed that the S-Group Bank will be transferred to Helaba with a goodwill of zero and that the savings banks in North Rhine-Westphalia, represented by their two savings banks associations, will join the group of owners of Helaba.

Brenner: "This strategic alignment will pave the way for us to continue the development in our strategic business model. We will do whatever is needed to make this transaction a success. However, I am not going to play down the fact that there are still obstacles that need to be overcome."

Outlook

The German economy is expected to end its current sideways movement and return to a moderate growth path in the spring. Interest rates are likely to remain at a low level. Brenner: "For me, the development of earnings seen in the first three months of the 2012 business year is cause for optimism that we are on track to achieve our ambitious earnings targets and that, for 2012, we will see a similarly good performance to the year under review."

Balance Sheet (IFRS) for the Helaba Group as of 31 December 2011

	31 Dec. 2011	31 Dec. 2010	Change	
	in € million	in € million	in € million	in per cent
Loans and advances to banks incl. cash reserve	15,646	14,848	798	5.4
Loans and advances to customers	84,041	87,698	-3,657	-4.2
Impairments on receivables	-1,256	-1,253	-3	-0.2
Assets held for trading	37,960	39,176	-1,216	-3.1
Positive market value of derivatives not held for trading	4,285	3,702	583	15.7
Financial assets, incl. shares in companies accounted for using the equity method	18,805	17,750	1,055	5.9
Investment property; property, plant and equipment; intangible assets	2,918	2,922	-4	-0.1
Income tax assets	636	452	184	40.7
Other assets	950	949	1	0.1
Total assets	**163,985**	**166,244**	**-2,259**	**-1.4**
Liabilities due to banks	31,533	31,679	-146	-0.5
Liabilities due to customers	41,907	40,896	1,011	2.5
Securitised liabilities	37,243	40,389	-3,146	-7.8
Liabilities held for trading	37,198	38,529	-1,331	-3.5
Negative market value of derivatives not held for trading	3,916	3,148	768	24.4
Provisions	1,279	1,190	89	7.5
Income tax liabilities	357	238	119	50.0
Other liabilities	592	484	108	22.3
Subordinate capital	4,466	4,488	-22	-0.5
Shareholders' equity	5,494	5,203	291	5.6
Total liabilities	**163,985**	**166,244**	**-2,259**	**-1.4**

Income Statement *

	2011	2010	Change	
	in € million	in € million	in € million	in %
Net interest income	1,067	1,017	50	4.9
Provisions for loans and advances	-273	-285	12	4.2
Net interest income after provisions for loans and advances	**794**	**732**	**62**	**8.5**
Net commission income	254	249	5	2.0
Net trading income	-44	148	-192	>-100.0
Result of hedges /derivatives	292	5	287	>100.0
Result from financial investments (incl. result from companies accounted for using the equity method)	-16	-25	9	36.0
Other operating result	209	357	-148	-41.5
General administrative expenses	-997	-1.068	71	6.6
Earnings before tax	**492**	**398**	**94**	**23.6**
Taxes on income	-95	-100	5	5.0
Consolidated net income	**397**	**298**	**99**	**33.2**

*The published consolidated figures are preliminary and have not yet been audited

Ratings of Helaba

	Moody's Investors Service	FitchRatings	Standard & Poor's Corp.
Long-term liabilities	A1**	A+*	A*
Short-term liabilities	P-1	F1+*	A-1*
Public Pfandbriefe	Aaa	AAA	AAA
Mortgage Pfandbriefe	-	AAA	-

Financial strength/individual rating	C-**	a+*	-

* Joint group rating of the Sparkassen-Finanzgruppe Hessen-Thüringen

** under review for possible downgrade

Financial Ratios

	2011 in %	2010 in %
Cost-income ratio	56.6	61
Return on equity (before taxes)	9.2	7.9
Total capital ratio	15.3	14.4
Tier-1 capital ratio	10.3	9.6