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Press and Communication

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Helaba defies market turbulence – operating result up after the first nine months

- **New business grows by almost 20 %**
- **Annual results expected to beat last year**
- **No exposures in the sub-prime sector**

Provisional data at 30 September 2007 gives the Helaba Group an operating result before risk provisioning and valuation adjustments of €329.2 m, which represents an increase of 0.4 % over the same period last year. The operating result after risk provisioning and valuation adjustments stands at €274.1 m, which is €5 m or 1.9 % up on last year's figure. Dr. Günther Merl, Chairman of the Board of Managing Directors, believes the institution is still firmly on track: "Operating business remains most lively despite the turbulence in the markets, and growth in medium- and long-term new business is running at just short of 20 %, which is very much in line with our ambitious annual plan. We incorporated the spread-related valuation adjustments for securities holdings fully into our results figures on 30 September 2007, and I remain optimistic that come the end of the year, our operating result will top even last year's impressive performance."

The Helaba Group, as was explained in the half-yearly financial report, has absolutely no on- or off-balance-sheet exposures linked to the sub-prime segment of the US mortgage market. The Helaba Group's operational and structural liquidity is secure thanks to its long-term liquidity-building program and consistently rigorous risk management.

The prevailing market conditions influenced the various key earnings components as follows: net interest income, the most important source of earnings, rose by 5.6 % period on period to €698.9 m despite the higher liquidity costs applying since late summer; and net commission income increased by 2.1 % to €166.3 m.

Net income from financial transactions dropped by €61.5 m to -€7.8 m as compared with the same period last year. The corresponding figure at the end of the second quarter of 2007 was still €48.6 m. Results from trading operations remain positive, with the negative swing being attributable solely to spread-related valuation adjustments affecting the securities portfolio held in the trading book. Helaba holds securities worth around €43 bn in the trading book, which is used chiefly in

liquidity management to provide collateral for obtaining liquidity through repo and collateral loan transactions in the interbank market and with central banks. The valuation losses reported on the balance sheet date will be recuperated economically when spreads recover and at the latest on maturity of the securities. The positive effects of October's market recovery have already begun to make their mark.

The balance of other operating expenses and income rose to €160 m, in part as a result of the consolidation of Hannover Leasing. General administrative expenses rose by 10.1 % to €787 m for the same reason, and would actually have fallen without the Hannover Leasing effect.

The risk provisioning and valuation result remains largely unchanged from last year at €5.1 m. This position has been affected not only by a reduced provision for lending risks, but also by the valuation result for securities held in the liquidity reserve. Helaba, as Dr. Merl is keen to make clear, intends to continue applying the valuation at market price principle consistently: "We have not made any reallocations to fixed assets or 'held to maturity' positions either, and have incorporated the full valuation adjustment required on the balance sheet date." Group-wide, the valuation losses across all securities holdings amount to a total of €7.7 m. The Group's provisions in accordance with section 340f HGB have been augmented again.

The Helaba Group reported a business volume of €251.8 bn at 30 September 2007. This equates to a gain of €1.8 bn or 4.9 % as compared with year-end 2006. The balance sheet total shows an increase of 4 % to €174.4 bn. Helaba has been reducing loans and advances to banks for some time, and the recent turbulence in the markets has only accelerated this trend. Overall, loans and advances to banks have fallen by 24.5 % to €21 bn since the start of the year, but loans and advances to customers, boosted in part by rapidly expanding new business, have risen by 6 % to €82.5 bn over the same period. The 14.9 % rise in the securities and shares portfolio, which is now worth €60.8 bn, reflects the Bank's policy, in line with its long-term liquidity management program, of actively exploiting available market opportunities. The year has offered particularly attractive margins, especially in the third quarter, and the Bank has taken advantage of these to increase its holdings.

Outlook: operating result before risk provisioning and valuation adjustments above the previous year's level

Helaba doubled its operating result in the years 2004 to 2006, though it would be unrealistic to expect such rapid growth to persist through 2007. "Provided the market does not have to cope with any further setbacks in the final quarter, we expect the Group's operating result before risk provisioning and valuation adjustments for the year as a whole to exceed the previous year's level. The development of results in October gives cause for optimism", Dr. Merl confirms.

Results of operations, Helaba Group, to 30 September 2007

	01.01.2007 -	01.01.2006 -	Change	
	30.09.2007	30.09.2006	in € million	in %
1. Net interest income*	698.9	662.0	36.9	5.6
2. Net commission income	166.3	162.9	3.4	2.1
3. Net income from financial transactions	-7.8	53.7	-61.5	<-100
4. Result from real estate business	98.8	103.5	-4.7	-4.5
5. Other operating surplus	160.0	60.7	99.3	>100
6. Income from operations	1,116.2	1,042.8	73.4	7.0
7. General administrative expenses	-787.0	-714.8	-72.2	10.1
8. Operating result before risk provisioning/valuation adjustments	329.2	328.0	1.2	0.4
9. Risk provisioning/valuation result	-55.1	-58.9	3.8	-6.5
10. Operating result after risk provisioning/valuation adjustments	274.1	269.1	5.0	1.9

* The return paid on capital contributions by silent partners (€70.7 m at 30 September 2007) is reported as a partial appropriation of profit

Financial ratios

	01.01.2007 - 30.09.2007	01.01.2006 - 30.09.2006
	in %	in %
Cost/income ratio	70.5	68.1
Return on equity (before taxes)	13.4	19.1
Total ratio**	12.0	11.2

* The return paid on capital contributions by silent partners is reported as a partial appropriation of profit

** In accordance with the Solvency Directive; aggregated capital ratio in accordance with the German Banking Act (KWG) in the previous year

Balance sheet figures, Helaba Group, to 30 September 2007

	30.09.2007	31.12.2006	Change	
	in €billion	in €billion	in €billion	in %
Loans and advances to banks	21.0	27.8	-6.8	-24.5
Loans and advances to customers	82.5	77.8	4.7	6.0
Bonds and other securities	60.8	52.9	7.9	14.9
Participations and shares in affiliated companies	1.1	0.9	0.2	22.2
Trust assets	2.9	2.9	-	-
–				
Liabilities to banks	62.1	59.1	3.0	5.1
Liabilities to customers	52.1	48.1	4.0	8.3
–				
Securitised liabilities	44.5	44.7	-0.2	-0.4
Own funds	6.0	6.2	-0.2	-3.2
–				
Balance sheet total	174.4	167.7	6.7	4.0
Business volume	251.8	240.0	11.8	4.9

Helaba ratings

	Moody's Investors Service	FitchRatings	Standard & Poor's Corp.
Long-term securities	Aa2 (stable)	A+ (stable)*	A (positive)
Short-term securities	P-1	F1+*	A-1
Public Pfandbriefe	Aaa	AAA	AAA
Mortgage Pfandbriefe	–	AAA	–
Financial strength/individual rating	C- (stable)	B/C (stable)*	–

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