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Press and Communication

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Helaba generates pre-tax profit of EUR 238 million in first half of 2017

- **Helaba satisfied with first-half earnings**
- **Welcome growth in new business**
- **Risk position comfortable**
- **Board of Managing Directors reiterates full-year forecast**

Frankfurt am Main – Helaba Landesbank Hessen-Thüringen closed out the first half of 2017 with consolidated net earnings before taxes under IFRS of EUR 238 million. The consolidated net profit after taxes amounted to EUR 150 million. The result thus fell short of the previous year's strong figures of EUR 279 million before and EUR 184 million after taxes, as expected. In a challenging competitive market, the bank performed well in all business segments. In this respect, a significant increase in net trading income as well as lower provisions for losses on loans and advances had a particularly positive impact. At the same time, however, the low interest rate environment and volatile net income from hedge accounting and derivatives weighed on earnings in the first half of the year.

“In view of on-going challenges for our sector, we are satisfied with our earnings in the first six months of 2017. Growth in new business is especially encouraging and, in this regard, we have benefited from our excellent and long-term customer relationships as well as our strong market position”, emphasises Herbert Hans Grüntker, the Chairman of Helaba's Board of Managing Directors. “As a result of the persistent zero and negative interest rate scenario, we reiterate our forecast for 2017 in which we expect a significant decline in net profits. From today's perspective we are optimistic that we will be able to exceed the earnings target we had set ourselves for the year as a whole”, Grüntker added.

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Overview of key figures in first half-year

Given the persistence of zero and negative interest rates, **net interest income** fell by EUR 69 million to EUR 542 million. The good quality of the portfolio resulted in lower **provisions for losses on loans and advances** in the first half of 2017 in an amount of minus EUR 2 million (H1 2016: minus EUR 75 million). **Net fee and commission income** rose by 8 percent to EUR 180 million, which primarily resulted from a positive development in fees from Helaba and Frankfurter Sparkasse's cash management and foreign trade finance activities as well as Helaba Invest's asset management business. **Net trading income** increased to EUR 168 million, after minus EUR 13 million in the same period last year. In a similar way to the first quarter of 2017, valuation adjustments on derivatives as a consequence of higher long-term interest rates contributed to this.

In common with the net trading income, **net income from hedge accounting and derivatives** was affected by its market valuation. Having generated earnings of EUR 107 million in the first half of the previous year, it amounted to minus EUR 108 million in the period under review. The main reason for this decline was the fact that the cross-currency basis spread had an opposite effect compared to last year in relation to the refinancing of foreign currency transactions.

Net income from financial investments (incl. at-equity valuation) declined to EUR 7 million (H1 2016: EUR 10 million). **Other net operating income** rose by EUR 9 million to EUR 108 million. **General and administrative expenses** increased by just over 4 percent to EUR 656 million. In common with the year before, this item already includes full provision for the bank levy as well as the DSGVO and SGVHT security reserves.

In total, this results in a **consolidated net profit before taxes** of EUR 238 million (H1 2016: EUR 279 million) and **after taxes** of EUR 150 million (H1 2016: EUR 184 million).

In the first half of 2017, the **balance sheet total** of the Helaba Group shrunk from EUR 165.2 billion to around EUR 164 billion. **Loans and advances to customers** amounted to EUR 91.7 billion, representing a reduction of approximately EUR 1.4 billion, mainly due to currency effects, compared to the level at the end of 2016 (31 December 2016: EUR 93.1 billion). The amount of **new medium and long-term business** – excluding WIBank's competitively neutral promotional loan activities – showed encouraging growth, rising to EUR 9.1 billion (H1 2016: EUR 8.8 billion).

As of 30 June, the **CET1 capital ratio** ("phased in") was 15.1 percent and 14.9 percent ("fully loaded"). The **cost/income ratio** on the reporting date of 30 June 2017 amounted to 73.3 percent (30 June 2016: 64.0 percent) and **return on equity** (before taxes) reached 6.1 percent.

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Overview of business segments

In the segment of **Real Estate**, net income before taxes rose by around 10 percent to EUR 195 million (H1 2016: EUR 178 million). Thus, the corporate division of Real Estate Finance once again made the largest contribution to consolidated net income. The level of new medium and long-term business declined in the first half of 2017, compared to the same period in 2016, by 14 percent to EUR 4.2 billion (H1 2016: EUR 4.9 billion). Provisions for losses on loans and advances amounted to EUR 3 million (H1 2016: minus EUR 14 million).

In the **Corporate Finance** segment, net income before taxes of EUR 65 million was considerably above the earnings in the same period last year of minus EUR 10 million, mainly as a result of lower provisions for credit losses. In the first six months of the year, the amount of new medium and long-term business of EUR 2.7 billion significantly exceeded the EUR 1.9 billion achieved in the same period of 2016. Provisions for losses on loans and advances, at minus EUR 31 million, were considerably lower than last year's figure of minus EUR 110 million.

Net income before taxes of minus EUR 10 million in the segment of **Financial Markets** was substantially lower than the previous year's result (H1 2016: EUR 38 million). Net trading income rose to EUR 138 million (H1 2016: minus EUR 22 million). The net income from non-trading derivatives and financial instruments accounted for using the fair value option declined by EUR 205 million to minus EUR 109 million (H1 2016: EUR 96 million). This was chiefly a result of lower valuation gains on financial instruments accounted for using the fair value option as well the reverse effect of taking cross-currency basis swaps into account in the scope of valuing derivatives.

In the segment of **S-Group, Retail Customer and SME Business**, net income before taxes of EUR 49 million was below last year's figure of EUR 55 million. Earnings before loan loss provisions at the S-Group Bank increased by EUR 7 million to EUR 60 million (H1 2016: EUR 53 million). As expected, the impact of low interest rates on Frankfurter Sparkasse's activities led to a reduced net interest income compared to the year before and lower earnings from the special fund. On the other hand, this segment reported growth in net fee and commission income. Frankfurter Sparkasse thus accounted for net earnings within this segment of EUR 60 million, which were slightly below those in the same period last year (H1 2016: EUR 63 million). Due to the low interest rate environment, there was a decline in the net interest income generated by LBS. Frankfurter Bankgesellschaft successfully raised its earnings compared to the previous year by EUR 1.5 million.

The segment of **Public Development and Infrastructure Business** mainly reflects the activities of WIBank. Net income before taxes in this segment amounted to EUR 9 million and was therefore below that of the same period last year (EUR 12 million). In the first half of the year, net interest income rose by EUR 1 million thanks to an increase in the volume of promotional loans. Net fee and commission income from the promotional loan business, at EUR 19 million, remained on the same level as last year. Due to higher costs for IT

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services, however, there was a noticeable increase in general and administration expenses.

Income Statement of Helaba Group as of 30 June 2017 (IFRS)

	01.01.-30.06. 2017	01.01.-30.06. 2016		Change
	in EUR millions	in EUR millions	in EUR millions	in %
Net interest income	542	611	(69)	(11.3)
Provisions for losses on loans and advances	(2)	(75)	73	97.3
Net interest income after provisions for losses on loans and advances	540	536	4	0.7
Net fee and commission income	180	172	8	4.7
Net trading income	168	(13)	181	>100
Net income from hedge accounting / derivatives	(109)	106	(215)	>(100)
Net income from financial investments (incl. at-equity valuation)	7	10	(3)	(30.0)
Other net operating income	108	99	9	9.1
General and administrative expenses	(656)	(631)	(25)	(4.0)
Profit before taxes	238	279	(41)	(14.7)
Taxes on income	(88)	(95)	7	7.4
Consolidated net profit	150	184	(34)	(18.5)

Statement of Financial Position of Helaba Group as of 30 June 2017 (IFRS)

	30.06.2017	31.12.2016	Change	
	in EUR billions	in EUR billions	in EUR billions	in %
Loans and advances to banks incl. cash reserve	23.3	18.3	5.0	27.3
Loans and advances to customers	91.7	93.1	(1.4)	(1.5)
Allowances for losses on loans and advances	(0.6)	(0.8)	0.2	25.0
Trading assets	16.9	20.5	(3.6)	(17.6)
Positive fair values of non-trading derivatives	3.3	4.0	(0.7)	(17.5)
Financial investments incl. shares in equity-accounted entities	25.3	25.8	(0.5)	(1.9)
Other assets	4.1	4.3	(0.2)	(4.7)
Total assets	164.0	165.2	(1.2)	(0.7)
Liabilities due to banks	31.9	30.1	1.8	6.0
Liabilities due to customers	49.5	46.8	2.7	5.8
Securitised liabilities	51.1	50.9	0.2	0.4
Trading liabilities	13.9	18.7	(4.8)	(25.7)
Negative fair values of non-trading derivatives	2.8	3.9	(1.1)	(28.2)
Provisions, other liabilities	3.3	3.3	-	-
Subordinated capital	3.6	3.6	-	-
Equity	7.9	7.9	-	-
Total liabilities	164.0	165.2	(1.2)	(0.7)

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Development of Segments of Helaba Group as of 30 June 2017 (IFRS, net income before taxes)

	01.01.-30.06.2017	01.01.-30.06.2016
	In EUR millions	In EUR millions
Real Estate	195	178
Corporate Finance	65	(10)
Financial Markets	(10)	38
S-Group, Retail Customer & SME Business	49	55
Public Development & Infrastructure Business	9	12
Other	(113)	(56)
Consolidation/Transition	43	62
Group	238	279

Key Indicators

	01.01. – 30.06.2017	01.01. – 30.06.2016
	in %	in %
Cost/income ratio	73.3	64.0
Return on equity (before taxes)	6.1	7.4
	30.06.2017	31.12.2016
CET-1 capital ratio “phased in”	15.1	14.3
CET-1 capital ratio “fully loaded”	14.9	13.8
Total capital ratio	21.6	20.5
Leverage ratio	4.7	4.7

Helaba's Ratings

	Moody's Investors Service	FitchRatings	Standard & Poor's Corp.
Long-term rating / issuer rating	Aa3**	A+*	A*
Short-term rating	P-1	F1+*	A-1*
Public Pfandbriefe	Aaa	AAA	-
Mortgage Pfandbriefe	-	AAA	-

* Joint group rating for the S-Group Hesse-Thuringia

** Corresponds in principle to long-term senior unsecured debt according to §46f (5 u.7) KWG ("with preferential right to payment")

The Investor Relations presentation is available to download from our website at <http://ir.helaba.com>