PRESS RELEASE

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Helaba with earnings of EUR 381 million before taxes in Q3

- **Results exceed target**
- **Earnings forecast confirmed**
- **Risk situation remains comfortable**
- **Challenging business environment unchanged**

Frankfurt am Main – Helaba Landesbank Hessen-Thüringen generated pre-tax profits of EUR 381 million in the first nine months of 2017, a decline of EUR 36 million compared to the very good result achieved in the same period last year. The consolidated profit after taxes amounted to EUR 249 million (previous year: EUR 266 million). This means that Helaba performed well in the context of a market environment that continues to be challenging. The significant growth in net trading income and the low level of provisions for losses on loans and advances had a positive effect. Apart from a decline in net interest income due to the ECB's monetary and QE policies, valuation effects resulting from cross-currency basis spreads (CCBS) once again had a negative impact.

Herbert Hans Grüntker, the Chairman of Helaba's Board of Managing Directors, gives his assessment of the results from the first nine months of 2017: "The figures from the first three quarters underline our forecast for 2017 in which we expect an overall decline in earnings for the year as a whole. Due to the current development, we are optimistic that we will be able to exceed our planned target for the year. We are particularly pleased about this in view of the fact that trading conditions remain challenging and will do so for the foreseeable future".

Overview of key figures in Q3

Net interest income, at EUR 815 million, was EUR 98 million below the figure in the same period last year (EUR 913 million), having been affected by the on-going phase of zero and negative interest rates. The quality of the portfolio, which continues to be good, resulted in a low level of **provisions for losses on loans and advances** of EUR 19 million (same period last year: EUR 140 million). Compared the first nine months of 2016, net fee and commission income rose by EUR 8.0 million to EUR 263 million. Net income from **trading activities** increased considerably to EUR 227 million, having amounted to EUR 79 million in the same period the year before.

The inverse effect compared to the previous year of taking the liquidity components of foreign currencies (cross-currency basis spread) into account in connection with refinancing foreign currency transactions also impacted the **net income from hedge accounting and derivatives** in the third quarter. In the period under review, it amounted to minus EUR 87 million after plus EUR 63 million in the previous year.

Net income from financial investments (incl. at-equity valuation) increased to EUR 16 million (same period last year: EUR 12 million). **Other net operating income** declined by EUR 20 million to EUR 124 million. **General and administrative expenses** rose by EUR 49 million to EUR 958 million.

After the first nine months of the year, this led to a **consolidated net profit before taxes** of EUR 381 million (same period last year: EUR 417 million) and **after taxes** of EUR 249 million (same period last year: EUR 266 million).

Compared to year-end 2016, the **balance sheet total** of the Helaba Group was slightly lower, falling by EUR 2.1 billion to EUR 163.1 billion, as of 30 September 2017. **Loans and advances to customers** amounted to EUR 90.6 billion (31 December 2016: EUR 93.1 billion). An encouraging growth in new business is offset by a higher-than-anticipated level of repayments and negative currency effects. At EUR 13.2 billion, the amount of new medium and long-term business – excluding WIBank's competitively neutral promotional loan activities – saw a slight increase once again compared to the same period last year (EUR 12.5 billion).

As of 30 September, the **CET1 capital ratio** ("phased in") was 15.3 percent and 15.1 percent ("fully loaded"). The **cost/income ratio** on the reporting date of 30 September 2017 amounted to 70.5 percent (30 September 2016: 62.0 percent) and **return on equity** (before taxes) reached 6.5 percent.

Overview of business segments

In the segment of Real Estate, net income before taxes climbed to EUR 294 million (same period last year: EUR 279 million), of which EUR 71.1 million was related to GWH. While benefitting from the positive risk situation, this segment's earnings exceeded those of the same period in 2016 - which were themselves high – and once again made the largest contribution to consolidated net income. The level of new medium and long-term business, at EUR 6.4 billion, was lower than the equivalent figure in the prior year period (EUR 7 billion). Provisions for losses on loans and advances amounted to EUR 4 million (same period last year: minus EUR 10 million).

In the **Corporate Finance** segment, net income before taxes of EUR 73 million was considerably higher than in same period last year (minus EUR 20 million). The amount of new medium and long-term business rose significantly compared to the previous period to EUR 3.6 billion (same period last year: EUR 2.8 billion). Provisions for losses on loans and advances, at minus EUR 48 million, were markedly below the level in the first nine months of 2016 of minus EUR 175 million.

Despite volatile valuation effects, net income before taxes in the segment of **Financial Markets** increased to EUR 46 million (same period last year: EUR 40 million). Thanks to a stable level of customer revenues, the net trading income grew to EUR 201 million (same period last year: EUR 58 million). Net income from non-trading derivatives and financial instruments accounted for using the fair value option fell to minus EUR 87 million (same period last year: plus EUR 45 million). This was primarily a result of the inverse effect of taking cross-currency basis swaps into account in the scope of valuing derivatives, which is included in this item.

The negative impact as a consequence of the zero and negative interest rate environment is particularly noticeable in the segment of **S-Group Business, Private Customers and SME Business**. Here, net income before taxes of EUR 67 million was below that reported in the same period last year of EUR 85 million. There was a positive development in total earnings from the S-Group Business. At Frankfurter Sparkasse, the low level of interest rates led to a decline in net interest income, whereas there was a promising rise in net fee and commission income. In total, Frankfurter Sparkasse's net profit before taxes amounted to EUR 83.6 (same period last year: EUR 95 million). As a result of low interest rates, LBS reported a decrease in net interest income compared to the same period last year. Frankfurter Bankgesellschaft was able to boost its net earnings by EUR 1.9 million compared to the first nine months of 2016.

In the segment of **Public Development and Infrastructure Business**, which mainly reflects the activities of WIBank, net income before taxes was EUR 11 million and thus below that generated in the same period last year (EUR 17 million). This decline is largely a result of a rise in administration expenses due to higher costs for IT services. Net interest income rose by EUR 1 million thanks to a growth in promotional loan business. At EUR 28 million, net fee and commission income from promotional activities remained stable compared to the same period last year.

Income Statement of Helaba Group as of 30.09.2017 (IFRS)

	01.01.-30.09. 2017	01.01.-30.09. 2016		Change
	in EUR (millions)	in EUR (millions)	in EUR (millions)	in %
Net interest income	815	913	-98	-10.7
Provisions for losses on loans and advances	-19	-140	121	86.4
Net interest income after provisions for losses on loans and advances	**796**	**773**	**23**	**3.0**
Net fee and commission income	263	255	8	3.1
Net trading income	227	79	148	>100
Net income from hedge accounting / derivatives	-87	63	-150	-
Net income from financial investments (incl. at-equity valuation)	16	12	4	33.3
Other net operating income	124	144	-20	-13.9
General and administrative expenses	-958	-909	-49	-5.4
Profit before taxes	**381**	**417**	**-36**	**-8.6**
Taxes on income	**-132**	**-151**	**19**	**12.6**
Consolidated net profit	**249**	**266**	**-17**	**-6.4**

Statement of Financial Position of Helaba Group as of 30.09.2017 (IFRS)

	30.09.2017	31.12.2016		Change
	in EUR (billions)	in EUR (billions)	in EUR (billions)	in %
Loans and advances to banks incl. cash reserve	24.8	18.3	6.5	35.5
Loans and advances to customers	90.6	93.1	-2.5	-2.7
Allowances for losses on loans and advances	-0.6	-0.8	0.2	-25.0
Trading assets	16.4	20.5	-4.1	-20.0
Positive fair values of non-trading derivatives	3.2	4.0	-0.8	-20.0
Financial investments incl. shares in equity-accounted entities	24.5	25.8	-1.3	-5.0
Other assets	4.2	4.3	-0.1	-2.3
Total assets	**163.1**	**165.2**	**-2.1**	**-1.3**
Liabilities due to banks	31.9	30.1	1.8	6.0
Liabilities due to customers	50.5	46.8	3.7	7.9
Securitised liabilities	50.7	50.9	-0.2	-0.4
Trading liabilities	12.8	18.7	-5.9	-31.6
Negative fair values of non-trading derivatives	2.6	3.9	-1.3	-33.3
Provisions, other liabilities	3.0	3.3	-0.3	-9.1
Subordinated capital	3.6	3.6	-	-
Equity	8.0	7.9	0.1	1.3
Total liabilities	**163.1**	**165.2**	**-2.1**	**-1.3**

Development of Segments of Helaba Group as of 30.09.2017 (IFRS, net income before taxes)

	01.01.-30.09.2017 In EUR (millions)	01.01.-30.09.2016 In EUR (millions)
Real Estate	294	279
Corporate Finance	73	-20
Financial Markets	46	40
S-Group Business, Private Customers & SME Business	67	85
Public Development & Infrastructure Business	11	17
Other	-142	-72
Consolidation	32	88
Group	**381**	**417**

Key Indicators

	01.01. – 30.09.2017	01.01. – 30.09.2016
	in %	in %
Cost/income ratio	70.5	62.0
Return on equity (before taxes)	6.5	7.3
	30.09.2017	31.12.2016
CET-1 capital ratio “phased in”	15.3	14.3
CET-1 capital ratio “fully loaded”	15.1	13.8
Total capital ratio	21.9	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	A1	A+*	A*
Short-term rating	P-1	F1+*	A-1*
Public Pfandbriefe	Aaa	AAA	-
Mortgage Pfandbriefe	-	AAA	-

* Based on joint group rating for the S-Group Hesse-Thuringia

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