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Press and Communication

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Helaba steady on course

- **Profit before tax down on last year but still ahead of forecast**
- **Net interest income down as expected**
- **Satisfactory progress in customer business**
- **Forecast for the year as a whole confirmed**

Frankfurt am Main – Helaba Landesbank Hessen-Thüringen generated a Group net profit before taxes of EUR 417 million in the first nine months of 2016, which was approximately EUR 68 million (14 percent) below last year's very good result, as expected, but still ahead of the pro rata forecast. Group net profit after taxes amounted to EUR 266 million (2015: EUR 319 million).

Herbert Hans Grüntker, Chairman of Helaba's Board of Managing Directors, feels his forecast has been vindicated: "It is becoming increasingly difficult to compensate for the effects on earnings of the current phase of low and negative interest rates. Net interest income declined in line with expectations, but net fee and commission income was up appreciably. We remain ahead of the pro rata forecast in terms of earnings and are also satisfied with the progress made in customer business, especially the strength of new customer lending business."

Income statement: net interest income down; appreciable increase in net fee and commission income

Net interest income amounted to EUR 913 million. A reduction of this magnitude as compared with last year (EUR 983 million) was expected due to the ongoing period of persistently low or negative interest rates.

Provisions for losses on loans and advances rose by EUR 26 million to EUR 140 million, meaning that they were still significantly below the pro rata forecast. Net interest income after provisions for losses on loans and advances fell by 11 percent to EUR 773 million.

Net fee and commission income rose by a solid 4 percent to EUR 255 million thanks in large part to increased commissions in asset management and foreign trade finance business.

Net trading income improved markedly in the third quarter to reach EUR 79 million (first six months of 2016: net trading loss of EUR 13 million), thanks in part to further reductions in write-

downs, but was still barely two-thirds of last year's figure (EUR 119 million) owing to the prevailing uncertainty in the financial markets.

The result from non-trading derivatives and financial instruments to which the fair value option is applied improved from a net loss of EUR 1 million last previous year to a net gain of EUR 63 million as at 30 September 2016.

Net income from financial investments is virtually unchanged at EUR 12 million (2015: EUR 13 million).

Other operating income remained slightly short of last year's figure (EUR 147 million) at EUR 144 million because of lower one-off effects attributable to deconsolidations.

General and administrative expenses of EUR 907 million were at a similar level to last year (EUR 909 million). Personnel expenses fell slightly, but there was a particularly noticeable rise in operating costs, especially in the area of IT applications.

Statement of financial position

The Helaba Group's total assets have increased by EUR 2.7 billion (+1.6 percent) since the end of 2015. Business volume rose by EUR 2.9 billion to a solid EUR 203 billion.

On the assets side, the loans and advances to customers item remains encouragingly strong at approximately EUR 93 billion. Loans and advances to banks including cash reserve increased by EUR 3 billion. Trading assets fell by EUR 0.7 billion.

On the liabilities side, liabilities due to banks decreased by approximately EUR 6.3 billion to just short of EUR 30 billion. Liabilities due to customers increased by approximately EUR 2 billion to almost EUR 50 billion while securitised liabilities rose by nearly EUR 4 billion to EUR 51 billion.

Customer business remains strong

New medium- and long-term customer lending business (excluding WIBank development business, which does not form part of the competitive market) remained strong at EUR 12.5 billion (2015: EUR 13.9 billion). Commercial real estate business accounted for EUR 7.0 billion of this figure. Business with corporate customers and project finance transactions in the Corporate Finance segment contributed EUR 2.8 billion, while the volume of S-Group business with Sparkassen, private customers and SME business and home loan and savings business reached EUR 1.9 billion. A total of EUR 0.8 billion in new business was acquired with domestic and foreign central, regional and local public authorities.

The volume of medium and long-term funding tapped in the capital markets in the first nine months of the year was up significantly on the same period last year (EUR 11.6 billion) at EUR 12.8 billion, EUR 9.9 billion (2015: EUR 6.9 billion) of which was obtained on an unsecured basis. That it is able to make such extensive use of unsecured funding options demonstrates the high regard in which the Bank's issues are held in the market. Sales of retail issues for Sparkasse customers rose slightly to just short of EUR 2.0 billion (2015: EUR 1.9 billion). Pfandbrief issues amounted to

almost EUR 3.0 billion (2015: EUR 4.0 billion), with mortgage Pfandbriefe accounting for approximately 60 percent of this figure.

Activity in capital market business included supporting nine promissory note and bond issues with a total volume of EUR 550 million for central, regional and local public authorities, and 19 transactions with a total volume of EUR 6.0 billion for German federal states and European regions as well as arranging EUR 16.7 billion of bonds and promissory notes for corporate customers.

The Group-wide Common Equity Tier 1 capital ratio (CET1, phased-in) amounts to 13.8 percent and 13.2 percent on a fully loaded basis as at 30 September 2016. The total capital ratio amounted to 20.0 percent.

Outlook for the year

Herbert Hans Grüntker stands by his forecast for the year as a whole: "Just a few weeks now remain of what has been a thoroughly turbulent and unpredictable year. The course of events over 2016 has fomented uncertainty and fanned the flames of volatility in the financial markets. We are altogether satisfied with Helaba's progress to date in these difficult conditions. Our profit before tax will come in below last year's very good result, as expected, and our forecast is unchanged."

Earnings figures under IFRS, Helaba Group, as at 30 September 2016

	01.01.-31.09. 2016	01.01.-31.09. 2015	Change	
	in € m	in € m	in € m	in %
Net interest income	913	983	-70	-7.1
Provisions for losses on loans and advances	-140	-114	-26	-22.8
Net interest income after provisions for losses on loans and advances	773	869	-96	-11.0
Net fee and commission income	255	245	10	4.1
Net trading income	79	119	-40	-33.6
Net income from hedge accounting and non-trading derivatives	63	-1	64	>100
Net income from financial investments (including investments accounted for using the equity method)	12	13	-1	-7.7
Other net operating income	144	147	-3	-2.0
General and administrative expenses	-909	-907	-2	-0.2
Group net profit before taxes	417	485	-68	-14.0

Statement of financial position under IFRS, Helaba Group, as at 30.09.2016

	30.09.2016	31.12.2015	Change	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	22,102	19,053	3,049	16.0
Loans and advances to customers	93,031	93,194	-163	-0.2
Allowances for losses on loans and advances	-980	-986	6	-0.6
Trading assets	25,376	26,078	-702	-2.7
Positive fair values of non-trading derivatives	5,210	4,376	834	19.1
Financial investments (including shares in equity-accounted entities)	26,027	26,609	-582	-2.2
Real estate, property and equipment, intangible assets	2,691	2,512	179	7.1
Income tax assets	538	495	43	8.7
Other assets	995	925	70	7.6
Total assets	174,990	172,256	2,734	1.6
Liabilities due to banks	29,682	35,976	-6,294	-17.5
Liabilities due to customers	49,866	47,727	2,139	4.5
Securitised liabilities	51,070	47,073	3,997	8.5
Trading liabilities	25,088	22,423	2,665	11.9
Negative fair values of non-trading derivatives	4,337	4,380	-43	-1.0
Provisions	2,359	2,089	270	12.9
Income tax liabilities	129	184	-55	-29.9
Other liabilities	657	642	15	2.3
Subordinated capital	4,082	4,086	-4	-0.1
Equity	7,720	7,676	44	0.6
Total equity and liabilities	174,990	172,256	2,734	1.6

Financial ratios

	01.01. - 30.09.2016	01.01. - 30.09.2015
	in %	in %
Cost-income ratio	62.0	60.2
Return on equity (before taxes)	7.3	8.8
	30.09.2016	31.12.2015
Total capital ratio	20.0	19.8
CET1 ratio (phased-in)	13.8	13.8
CET1 ratio (fully loaded)	13.2	13.1

Helaba ratings

	Moody's Investors Service	Fitch Ratings	Standard & Poor's Corp.
Long-term rating	A1	A+*	A*
Short-term rating	P-1	F1+*	A-1*
Public Pfandbriefe	Aaa	AAA	–
Mortgage Pfandbriefe	–	AAA	–
Viability rating	–	a+*	–

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