PRESS RELEASE

24. August 2016

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Helaba on track at half time

- **Half-year results lower, in line with forecast**
- **Volume of new business remains on a high level**
- **Negative impact from low interest rates and volatile earnings components**
- **Stress test confirms comfortable level of capital backing and proven business model**

The Helaba Group generated a profit before taxes of EUR 279 million in the first half of 2016, which was approximately 23 per cent below last year's very good result of EUR 362 million. After accounting for income taxes, Group earnings amounted to EUR 184 million, a decline of 22 per cent compared to the same period last year.

In spite of this, Herbert Hans Grüntker, Chief Executive of the bank, is satisfied with the results: "Volume of new business has remained stable on the good level of previous years. Net fee and commission income showed a welcome rise. Low and even negative interest rates are leading to a fall in the net interest income, although it is not as significant as we had projected. Uncertainty surrounding Brexit had a negative effect on the trading result in the second quarter. Earnings are slightly above our target after six months. In view of the challenging business environment in which we find ourselves, we are satisfied with this result."

In respect of the earnings forecast for the year as a whole, Helaba's CEO remains steadfast in his cautious assessment: "We live in a time of uncertainty and crises. The current geopolitical and economic developments are unsettling the markets and leading to greater volatility. Furthermore, the on-going phase of low and negative interest rates is leaving its mark on our figures. It will become increasingly difficult, if not impossible, to compensate for this negative impact on the earnings side. Therefore, we see little room for optimism and continue to adhere to our original forecast for the year as a whole, which anticipates a noticeable decline in the consolidated net profit."

P+L: Net fee and commission income rises, trading result turns negative

Net interest income amounted to EUR 611 million, which represents a fall of EUR 57 million compared to the same period last year. Among other things, the historically low level of interest rates led to lower earnings due to the higher cost of creating liquidity reserves and to negative margins on deposits.

Provisions for losses on loans and advances of EUR -75 million (previous period: EUR -66 million) confirm Helaba's conservative risk profile. After risk provisioning, the net interest income of EUR 602 million fell to EUR 536 million.

Net fee and commission income rose by EUR 9 million to EUR 172 million. Both the lending and guarantee business contributed to this, in addition to the business segments of cash management and international trade finance. There was also a small increase in fees and commission from Helaba Invest's asset management activities.

There was a net loss in the trading position of EUR -13 million, after a profit of EUR 128 million in the previous period. While the trend in operating income from customer-driven capital market activities was satisfactory, uncertainty over the outcome of the EU referendum in the United Kingdom led to higher credit valuation adjustments (CVAs) as well as to a widening of credit spreads.

The result from derivatives and financial instruments not held for trading accounted for at fair value is significantly influenced by market volatility. It rose from EUR -18 million in the previous year to EUR 107 million.

Earnings from financial investments (incl. equity valuation) increased to EUR 10 million (previous period: EUR -3 million).

The other operating result amounted to EUR 99 million compared to EUR 102 million in the same period last year. It is characterised by earnings from properties held as financial investments, which reached EUR 74 million (previous period: EUR 71 million).

General administration expenses rose by EUR 21 million to EUR 631 million. The bank levy, expenses for association levies as well as contributions to the security reserves of the national and regional savings bank associations DSGV and SGVHT for 2016 are fully factored into this position.

The consolidated net profit before taxes amounted to EUR 279 million (previous period: EUR 362 million). Deducting income taxes of EUR 95 million results in a consolidated net profit after taxes of EUR 184 million (previous period: EUR 237 million).

Balance sheet total shows high proportion of loans and advances to customers

Helaba's consolidated balance sheet total rose from EUR 172.3 million at the end of 2015 to EUR 175.6 million. The asset side continues to be dominated by a high proportion of loans and advances to customers. When taking into account loans and advances to savings banks in an amount of EUR 7 billion, they comprise a stable 58 percent of the balance sheet total and have thus risen by around EUR 1 billion to EUR 94 billion. Of this, EUR 32.3 billion is related to commercial real estate loans and EUR 14.9 billion to infrastructure loans.

Liabilities due to customers increased to EUR 49.5 billion. Liabilities due to banks showed a downward trend, falling EUR 3.8 billion to EUR 32.2 billion.

New customer business stabilises on a high level

The volume of new medium and long-term customer business – excluding the competitively neutral development business of WIBank - remained on a high level of EUR 8.8 billion (previous period: EUR 9.4 billion). Commercial real estate business accounted for EUR 4.9 billion of this. Business with corporate clients as well as project finance transactions within the Corporate Finance segment contributed EUR 1.9 billion. S-Group business with the savings banks, the retail and SME business as well as the home loan and savings business achieved a new business volume of EUR 1.3 billion. A total of EUR 0.7 billion in new business was acquired with domestic and foreign public-sector municipalities. The capital markets business supported six Schuldschein and bond issues for public-sector municipalities with a total volume of EUR 400 million. Furthermore, they supported a total of 14 transactions for German federal states and European regions with a volume of EUR 4.4 billion. Finally, they arranged bonds and Schuldscheine for corporate clients in an amount of EUR 13.4 billion.

A volume of EUR 9.6 billion (previous period: EUR 7.7 billion) in medium and long-term funding was tapped on capital markets. The share of uncovered funding amounted to EUR 7.3 billion (previous period: EUR 4.1 billion). Sales of retail issues for customers of savings banks reached EUR 1.3 billion, thus equalling last year's high level. Pfandbrief issuance stood at around EUR 2.3 billion (previous period: 3.0 billion), with mortgage Pfandbriefe making up approximately 60 percent of this volume. To a large extent, Helaba was able to fund itself on a "senior unsecured" basis, which reflects the bank's excellent reputation as an issuer on the market.

As of 30 June 2016, the Group-wide core equity tier 1 ratio (CET1, phased in) amounted to 13.9 percent. The total capital ratio had reached 20.1 percent and the regulatory leverage ratio was 4.1 percent. In the 2016 EU-wide stress test, conducted by the European Banking Authority (EBA) and the European Central Bank (ECB), as expected Helaba once again proved itself to be a very solid institution with a comfortable level of capital backing.

Performance of segments

Real Estate segment

The Real Estate segment includes the corporate divisions of Real Estate Finance and Real Estate Management. Equity holdings in real estate companies (GWH Group, OFB Group) are also allocated to this business segment.

This segment made the largest contribution to the Group's net profit. The volume of new medium and long-term business declined by 6 percent to EUR 4.9 billion. Due to a high level of repayments, the average portfolio size was slightly smaller. As a result of falling margins on new business, the net interest income was below last year's level. On the other hand, provisions for losses on loans and advances were higher than in the same period in the previous year.

The profit before taxes in this segment amounted to EUR 180 million (previous period: EUR 227 million).

Corporate Finance segment

The segment of Corporate Finance incorporates the results of business with corporate clients and the special finance business, including consolidated equity investments.

In the business area of Corporate Finance, the volume of new medium and long-term business, at EUR 1.9 billion, was lower than that generated last year. The segment's net interest income was lower, but almost reached its target for the period. As a consequence of a further increase in risk provisioning on the shipping portfolio, provisions for losses on loans and advances were noticeably higher than the previous year's level.

For this reason, the profit before taxes in this segment declined to EUR -3 million, which was considerably lower than that achieved last year (EUR 69 million).

Financial Markets segment

The segment of Financial Markets encompasses results from the business areas of Capital Markets, Asset/Liability Management, Public Sector Sales as well as Financial Institutions and International Public Finance. Furthermore, the results of Helaba Invest Kapitalanlagegesellschaft mbH are also included in this segment.

Net interest income in this segment primarily resulted from lending activities with domestic and international municipalities as well as earnings from the customer-driven capital markets business. The volume of new medium and long-term business with domestic and international municipalities amounted to EUR 0.6 billion.

Once again, net fee and commission income from Helaba Invest's asset management services rose compared to the year before.

The profit before taxes in this segment, at EUR 33 million, was below the level in the same period last year of EUR 44 million.

S-Group, Retail Customer and SME business segment

This segment comprises results from Frankfurter Sparkasse, the S-Group Bank, Landesbausparkasse Hessen-Thüringen (LBS) as well as the Frankfurter Bankgesellschaft (FBG) Group.

Earnings before provisions for losses on loans and advances at the S-Group Bank declined to EUR 54 million (previous period: EUR 71 million). General and administration expenses rose marginally, leading to a deterioration in the S-Group Bank's contribution to the profit of this segment compared to last year.

In Frankfurter Sparkasse’s activities, the low level of interest rates expressed itself in a shrinking net interest income and in lower earnings from financial investments. In terms of net fee and commission income as well as of other operating income, the results of the previous year were reached and exceeded, respectively. General and administration expenses remained stable. Frankfurter Sparkasse’s profit before taxes was EUR 63 million and thus slightly above last year’s level (EUR 60 million).

LBS Hessen-Thüringen achieved a gross volume of new business that was marginally below last year’s level and, as in the previous year, contributed EUR 4 million towards the profit of this segment. Frankfurter Bankgesellschaft was successful in boosting its volume of client assets under management.

The profit before taxes in the S-Group, Retail Customer and SME business segment of EUR 50 million was significantly lower than last year’s result (EUR 85 million).

Public Development and Infrastructure Business segment

The segment of Public Development and Infrastructure Business mainly represents the competitively neutral business of Wirtschafts- und Infrastrukturbank Hessen (WIBank). The State of Hesse bundles its development and promotional activities in WIBank under the umbrella of Helaba.

The first half of the year was particularly characterised by an expansion in infrastructure finance. Due to shrinking margins, the net interest income was marginally below last year’s level. The net fee and commission income rose slightly thanks to the implementation of new subsidy programmes.

The profit before taxes in this segment amounted to EUR 12 million, which was marginally above the previous year’s result (EUR 11 million).

Income statement of Helaba Group as of 30 June 2016 under IFRS

	01.01.–30.06. 2016	01.01.– 30.06. 2015	Change	
	EUR millions	EUR millions	EUR millions	in %
Net interest income	611	668	-57	-8.5
Provisions for losses on loans and advances	-75	-66	-9	-13.6
Net interest income after provisions for losses on loans and advances	**536**	**602**	**-66**	**-11.0**
Net fee and commission income	172	163	9	5.5
Net trading income	-13	128	-141	>-100.0
The result from derivatives and financial instruments not held for trading accounted for at fair value	107	-18	125	>100.0
Result from hedges / non-trading derivatives	-1	-2	1	50.0
Result from financial investments (incl. equity valuation)	10	-3	13	>100.0
Other operating result	99	102	-3	-2.9
General and administration expenses	-631	-610	-21	-3.4
Group earnings before taxes	**279**	**362**	**-83**	**-22.9**
Income taxes	-95	-125	30	24.0
Consolidated net profit	**184**	**237**	**-53**	**-22.4**

Balance sheet of Helaba Group as of 30 June 2016 under IFRS

	30.06.2016	31.12.2015	Change	
	EUR millions	EUR millions	EUR millions	in %
Loans and advances to customers incl. cash reserve	19,500	19,053	447	2.3
Loans and advances to customers	94,121	93,194	927	1.0
Impairments on receivables	-981	-986	5	0.5
Assets held for trading	27,048	26,078	970	3.7
Positive market value of derivatives not held for trading	5,228	4,376	852	19.5
Financial investments (incl. companies valued at-equity)	26,520	26,609	-89	-0.3
Property, tangible and intangible assets	2,669	2,512	157	6.3
Income tax receivables	563	495	68	13.7
Other assets	961	925	36	3.9
Total assets	**175,629**	**172,256**	**3,373**	**2.0**
Liabilities due to banks	32,179	35,976	-3,797	-10.6
Liabilities due to customers	49,463	47,727	1,736	3.6
Securitised liabilities	48,602	47,073	1,529	3.2
Liabilities held for trading	25,930	22,423	3,507	15.6
Negative market value of derivatives not held for trading	4,612	4,380	232	5.3
Provisions	2,364	2,089	275	13.2
Income tax liabilities	132	184	-52	-28.3
Other liabilities	655	642	13	2.0
Subordinated capital	4,078	4,086	-8	-0.2
Equity	7,614	7,676	-62	-0.8
Total liabilities	**175,629**	**172,256**	**3,373**	**2.0**

Segment Development of Helaba Group as of 30 June 2016 under IFRS (earnings before taxes)

	01.01.-30.06.2016 In EUR millions	01.01.-30.06.2015 In EUR millions
Real Estate	180	227
Corporate Finance	-3	69
Financial Markets	33	44
S-Group, Retail and SME Business	50	85
Public Development and Infrastructure Business	12	11
Others	-54	-117
Consolidation/Transition	61	43
Group	**279**	**362**

Financial Ratios

	01.01.-30.06.2016	01.01.-30.06.2015
Cost Income Ratio	64.0%	58.8%
Return on equity (before taxes)	7.4%	9.9 %
	30.06.2016	31.12.2015
Total capital ratio	20.1%	19.8%
CET1 ratio (“phased in”)	13.9%	13.8 %
CET1 ratio (“fully loaded”)	13.3%	13.1 %

Ratings

	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	–
Mortgage Pfandbriefe	–	AAA	–
Viability rating		a+*	–

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