PRESS RELEASE

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Helaba achieves record half-year results

- **Significant growth in customer business**
- **Net income from interest, fees and commissions as well as trading rises**
- **Positive earnings forecast**

In the first half of 2015 Helaba achieved earnings before tax in an amount of EUR 362 million, a result which was thus significantly above last year's very good level of EUR 322 million. After allowing for income taxes, Group earnings amounted to EUR 237 million, representing an increase of 9.7 per cent over same period in the previous year.

Helaba's Chief Executive, Hans-Dieter Brenner, views the result very positively: "The Helaba Group's earnings position reflects the strength of our operating business with customers. Notwithstanding the low level of interest rates and mounting competition, we were able to achieve sufficient margins from a further rise in new business. Accordingly, we once again managed to expand all revenue positions on our P&L, despite starting from the high-water mark of 2014. In addition, this positive trend in earnings benefitted from a decline in general administration costs. The result before tax is thus also above that of last year."

In respect of the earnings forecast for the year as a whole, Helaba's CEO strikes a similarly optimistic note: "In view of the earnings level we had reached by the middle of the year and against the backdrop of a successful start to the second half of the year, I am optimistic that we will be able to achieve our projected result with ease, thereby seamlessly building on the previous year's very good performance."

P&L: Fee and commission income and trading result increase

Net interest income amounted to EUR 668 million, which was slightly higher than last year (first half of 2014: EUR 657 million). Despite the historic low in interest rates, new business transactions generated sufficient margins with a marginal growth in portfolios.

Provisions for loans and advances were EUR -66 million (first half of 2014: EUR -45 million).

Fee and commission income rose by EUR 9 million to EUR 163 million. In particular, commission from Helaba Invest's asset management developed positively.

Net trading income, at EUR 128 million, was above that of the same period in the previous year (EUR 94 million). The customer-related capital market business benefitted from a correction on the bond markets and increased volatility.

Earnings from derivatives not held for trading and financial instruments of the fair value option are also strongly influenced by their mark-to market valuation. They fell from EUR 44 million to minus EUR 18 million.

The result from financial investments (incl. equity valuation) declined from EUR 15 million to EUR -3 million. It was affected by an impairment on a bond from HETA Asset Resolution AG in an amount of EUR -37 million.

The other operating result amounted to EUR 102 million (first half of 2014: EUR 36 million). It mainly comprised earnings from the property portfolios held as financial investments (EUR 71 million). Furthermore, the absence of exceptional charges incurred last year had a positive effect.

General administration expenses declined by EUR 25 million to EUR 610 million. The growth in personnel costs, which rose to EUR 308 million, resulted from tariff adjustments. The reduction in other administration expenses, of EUR 33 million to EUR 282 million, was primarily a result of the discontinuation of charges for the services of Portigon AG. Among other things, taking the full projected cost of the bank levy for 2015 into account, in an amount of EUR -53 million (first half of 2014: EUR -36 million), had a negative impact on expenses.

Earnings before tax amounted to EUR 362 million (first half of 2014: EUR 322 million).

Group earnings, after deducting income taxes of EUR 125 million, reached EUR 237 million (first half of 2014: EUR 216 million).

Stable balance sheet total and significant growth in loans and advances to customers

The balance sheet total of the Helaba Group increased slightly from EUR 179.5 billion to EUR 180.5 billion. Loans and advances to customers, on the other hand, rose substantially by EUR 4.6 billion to EUR 95.7 billion. Of this, EUR 33.9 billion is attributable to commercial real estate lending and EUR 15.7 billion to infrastructure lending. In addition, there were EUR 8 billion in loans and advances to savings banks. The high level of customer business as a proportion of the Group balance sheet of around 60 per cent is a reflection of how closely Helaba's business model is intertwined with the real economy.

On the liabilities side, liabilities due to customers rose by EUR 4.9 billion to EUR 50.3 billion. Securitised liabilities were increased by EUR 3.4 billion to an amount of EUR 51.7 billion. Subordinated capital grew from EUR 5.4 billion at the end of 2014 to EUR 5.5 billion.

Business with customers picks up considerably
New business margins under pressure but remain adequate and satisfactory

Business performance in the first half of 2015 was characterised by a very positive trend in the operating business with customers. The volume of new medium and long-term business (except development business) amounted to EUR 9.4 billion (2014: EUR 7.9 billion) and was thus ahead of target. Of this, EUR 5.2 billion was generated by Real Estate Finance and EUR 2.2 billion by business with corporate clients and project finance transactions within the segment of Corporate Finance. The S-Group business with savings banks, the private customer and SME business and the home loan and savings business together contributed EUR 1.3 billion to this. A total of EUR 0.6 billion in new business with domestic and foreign public-sector municipalities was achieved. In the capital market business, Helaba arranged 21 Schuldschein (promissory note) issues for companies and local authorities with a total volume of approximately EUR 2 billion. Although new business margins came under pressure due to heightened competition, they remained adequate.

The overall market environment for funding activities was positive. Around EUR 7.7 billion (first half of 2014: EUR 6.0 billion) in medium and long-term funding was raised on the capital markets in the first half of the year. The uncovered funding volume was around EUR 4.1 billion (first half of 2014: EUR 3.0 billion). In a low interest rate environment, sales of retail issues for private customers of the savings banks declined to EUR 1.3 billion (first half of 2014: EUR 2.1 billion). Issues of Pfandbriefe totalled approximately EUR 3.0 billion, as last year, divided equally between public and mortgage Pfandbriefe. Subordinated funds in a volume of around EUR 500 million contributed to strengthening the bank's refinancing basis.

The common equity tier 1 (CET 1) capital ratio was 12.9 per cent and the total capital ratio was 17.9 per cent. The leverage ratio, at 3.8 per cent, was significantly above the future regulatory minimum requirement of 3 per cent.

Earnings position of segments

Real Estate segment

The Real Estate segment includes the business divisions of real estate finance and real estate management. Real estate participations also form part of this business segment.

Helaba is a major player in the commercial real estate finance business. This business field made the largest contribution to the earnings of this segment. The volume of new medium and long-term business increased by 19 % to EUR 5.2 billion. Despite a slight decline in new business margins, net interest income in this segment increased as a result of higher portfolio volumes. Provisions for loans and advances were notably lower than the year before. Real estate participations generated slightly higher earnings.

Earnings before tax in this segment were EUR 227 million, which corresponds to a 35 % increase.

Corporate Finance segment

The Corporate Finance segment primarily comprises earnings from the corporate lending and specialised finance business.

In the business division of Corporate Finance, the volume of new medium and long-term business, at EUR 2.2 billion, rose considerably above the previous year's level of EUR 1.5 billion.

Due to an increase in provisions on loans and advances, earnings before tax from this segment were EUR 69 million and thus considerably below those of last year (EUR 91 million).

Financial Markets segment

The segment of Financial Markets includes earnings from the divisions of Global Markets, Asset and Liability Management, Public Sector Sales and Financial Institutions and Public Finance. It also comprises the results of Helaba Invest Kapitalanlagegesellschaft mbH.

The net interest income of this segment mainly resulted from lending to domestic and foreign municipalities as well as earnings from the customer-related capital market business. The volume of new medium and long-term business with domestic and foreign municipalities amounted to EUR 0.6 billion.

In Helaba Invest's asset management business as well as in activities with foreign financial institutions, there was a rise in net fee and commission income compared to the previous year.

Earnings before tax in this segment, at EUR 44 million, were significantly lower than last year's result (first half of 2014: EUR 86 million).

S-Group, Private Customer and SME segment

This segment includes earnings of Frankfurter Sparkasse, the S-Group Bank, Landesbausparkasse Hessen-Thüringen (LBS) as well as the Frankfurter Bankgesellschaft Group (FBG).

Earnings before provisions for loans and advances of the S-Group Bank increased to EUR 71 million (first half of 2014: EUR 53 million). Administration expenses were slightly lower, with the result that S-Group Bank earnings in this segment showed considerable improvement compared to the previous year.

The low interest rate level resulted in reduced net interest income for Frankfurter Sparkasse. In terms of net fee and commission income as well as other operating income, the performance generated in the previous year was exceeded. With a small decline in administration expenses, earnings before tax of Frankfurter Sparkasse in this segment, at EUR 60 million, were below last year's level (EUR 68 million).

LBS Hessen-Thüringen achieved gross new business of just under the level generated in the previous year and contributed EUR 4 million (first half of 2014: EUR 5 million) to the earnings of this segment. Frankfurter Bankgesellschaft was able to increase its volume of assets under management as well as its contribution to earnings in this segment compared to same period last year.

Earnings before tax in the segment of S-Group, Private Customers and SME business, at EUR 85 million, were noticeably higher than those achieved last year (EUR 65 million).

Public Development and Infrastructure Business segment

The activities of Wirtschafts- und Infrastrukturbank Hessen (WIBank) form the main component in the segment of Public Development and Infrastructure Business. The State of Hesse has bundled its development activities in WIBank under the umbrella of Helaba.

The first half of the year was characterised by the expansion of funding for infrastructure, economic development and housing promotion. Within the scope of administering the municipal protection scheme to ensure the long-term viability of local authorities in Hesse, WIBank has meanwhile disbursed a total of EUR 2.4 billion to Hessian municipalities. Net interest income grew as a result of an expansion in development activities. Net fee and commission income was also slightly higher than in the same period last year.

Earnings before tax in this segment, at EUR 11 million, were marginally above those generated in the previous year (EUR 9 million).

Outlook for the year

Global economic growth is asymmetrical: while the economies of emerging markets are weak, economic expansion in the USA will continue, even after the impending reversal in interest rates. The recovery in the euro area will become broader, with monetary policy remaining extremely loose.

In the first half of the year, Helaba was able to build on the positive business and earnings performance achieved in the previous year. The increase in costs was moderate and provisions for loans and advances were far below projected values. In respect of new medium and long-term business, Helaba expects to generate a total volume in an amount of around EUR 17 billion for the year as a whole. Risks to Helaba’s earnings in the second half of the year include a persistent underlying danger of contagion from the unstable situation in Eastern Europe and the Middle East. As long as there are no severe setbacks on the financial markets that spill over into the real economy, the chances are good that the bank will be able to seamlessly build on the good result it achieved last year.

Income statement of Helaba Group as of 30 June 2015 under IFRS

	01.01.–30.06. 2015	01.01.–30.06. 2014	Change	
	EURm	EURm	EURm	in %
Net interest income	668	657	11	1.7
Provisions for loans and advances	-66	-45	-21	-46.7
Net interest income after provisions for loans and advances	**602**	**612**	**-10**	**-1.6**
Net fee and commission income	163	154	9	5.8
Net trading income	128	94	34	36.2
Result from derivatives not held for trading and financial instruments of the fair value option	-18	44	-62	>-100.0
Result from hedges / derivatives	-2	5	-7	>-100.0
Result from financial investments (incl. equity valuation)	-3	12	-15	>-100.0
Other operating result	102	36	66	>100.0
General administration expenses	-610	-635	25	3.9
Group earnings before tax	**362**	**322**	**40**	**12.4**
Income taxes	-125	-106	-19	-17.9
Consolidated net income	**237**	**216**	**21**	**9.7**

Balance sheet of Helaba Group as of 30 June 2015 under IFRS

	30.06.2015	31.12.2014	Change	
	EURm	EURm	EURm	in %
Loans and advances to customers incl. cash reserve	20,687	21,612	-925	-4.3
Loans and advances to customers	95,729	91,109	4,620	5.1
Impairments on receivables	-1,015	-1,007	-8	-0.8
Assets held for trading	29,000	31,262	-2,262	-7.2
Positive market value of derivatives not held for trading	4,764	5,828	-1,064	-18.3
Financial investments (incl. companies valued at-equity)	27,484	26,629	855	3.2
Property, equipment and intangible assets	2,465	2,493	-28	-1.1
Deferred income taxes	379	371	8	2.2
Other assets	1,031	1,192	-161	-13.5
Total assets	**180,524**	**179,489**	**1,035**	**0.6**
Liabilities due to banks	35,137	35,612	-475	-1.3
Liabilities due to customers	50,269	45,320	4,949	10.9
Securitised liabilities	51,670	48,320	3,350	6.9
Liabilities held for trading	22,661	29,219	-6,558	-22.4
Negative market value of derivatives not held for trading	4,829	5,351	-522	-9.8
Provisions	2,155	2,152	3	0.1
Income tax liabilities	120	125	-5	-4.0
Other liabilities	707	630	77	12.2
Subordinated capital	5,521	5,410	111	2.1
Equity	7,455	7,350	105	1.4
Total liabilities	**180,524**	**179,489**	**1,035**	**0.6**

Segment Development of Helaba Group as of 30 June 2015 under IFRS (earnings before tax)

	01.01.-30.06.2015 In EURm	01.01.-30.06.2014 In EURm
Real Estate	227	167
Corporate Finance	69	91
Financial Markets	44	86
S-Group, Private Customer and SME Business	85	65
Public Development and Infrastructure Business	11	9
Others	-117	-165
Consolidation/Transition	43	69
Group	**362**	**322**

Financial Ratios

	01.01.-30.06.2015	01.01.-30.06.2014
Cost-income ratio	58.8%	63.4%
Return on equity (before tax)	9.9%	8.9%
	30.06.2015	31.12.2014
Total capital ratio	17.9%	18.5%
CET 1 ratio (“phased in”)	12.9%	13.4%
CET 1 ratio (“fully loaded”)	11.7%	11.8%

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