PRESS RELEASE

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Press and Communication
MAIN TOWER · Neue Mainzer Strasse 52-58
60311 Frankfurt am Main · www.helaba.de
Tel.: +49 (0) 69 / 9132 – 2192

Wolfgang Kuss
E-Mail: wolfgang.kuss@helaba.de

Ursula-Brita Krück
E-Mail: ursula-brita.krueck@helaba.de

Helaba Group reports profit of EUR 607 million before tax

- **New all-time high in the company's history**
- **Good operating business leads to rise in income from net interest, fees and commission**
- **Higher dividend payment with simultaneous consolidation of capital base**
- **Core capital ratio (CET-1) reaches 13.4 per cent, total capital ratio 18.5 per cent**
- **Strategic push into foreign trade finance as well as into mobile and e-commerce**

Frankfurt am Main – Helaba Landesbank Hessen-Thüringen achieved Group-wide earnings before tax of EUR 607 million in the 2014 financial year, which represents a rise of 25.7 per cent compared to the previous year's result of EUR 483 million, which was already very high. After allowing for taxes, earnings rose by 18.5 per cent and reached EUR 397 million. As a result of the first-time application of various IFRS rules, the Group's financial statements for the year ended 31 December 2014 are based on a newly defined scope of consolidation. This led to a corresponding adjustment to the comparative figures of the year before. Hans-Dieter Brenner, Helaba's CEO, commented: "Once again, Helaba can look back on an extraordinarily profitable and successful business year. Last year, we were able to continue the progress we had made in previous years by continuing the positive trend in profitability. Despite the on-going low interest rate cycle and a significant increase in the structural costs for the bank due to regulatory issues, we still succeeded in achieving the best-ever result in our corporate history."

Helaba's Chief Executive described the result as outstanding in a number of respects:

- A consistent focus on customer-related activities forms the basis for this success and it is reflected in the earnings trend across all business segments. It is the principal reason for the growth in net interest income and the rise in net income from fees and commission.

- The bank absorbed lower charges in 2014, which also facilitated this positive development. Compared to the previous year, provisions for loans and advances were considerably lower. General administrative expenses also had a lesser impact on the result than in the years before. Brenner: "In the medium term, we anticipate being able to limit the rise in costs, which is related to day-to-day business operations, to its current level. The implementation of the cost and efficiency programme Helaba Pro will also make a contribution to achieving this. The bigger challenge will be managing cost increases driven by regulatory issues".

- From retained earnings of the Helaba individual institution, which rose to EUR 110 million, the bank will pay out – subject to agreement by relevant committees – dividends on the share capital and a participation in the profits based on capital contributions. In this way, the owners will also participate directly in the good earnings growth.

- The Helaba Group's capital base was further strengthened. As of the end of 2014, the core capital ratio was 13.4 per cent, according to transitional rules pursuant to CRR/CRD IV. In a "fully-loaded" scenario, if applied in full, it amounted to 11.8 per cent (previous year: 10.7 per cent). The total capital ratio was 18.5 per cent (previous year: 17.4 per cent). Return on equity rose from 6.9 to 8.3 per cent. Brenner adds: "Our capitalisation, which fulfils all existing regulatory requirements, is thus extremely comfortable."

Balance sheet

Helaba's consolidated balance sheet total saw a marginal expansion and reached approximately EUR 180 billion. The business volume, which includes off-balance sheet liabilities and fiduciary activities, rose by 2.3 per cent to around EUR 205 billion.

In the context of a positive economic environment, customer-related activities performed well on an operational level. The bank lifted the volume of new medium-term and long-term business by six per cent to EUR 18.4 billion. The portfolio of loans and advances to customers remained at the previous year's level of EUR 91 billion. At the same time, loans and advances to corporate customers grew while those to the public sector fell. Thanks to the bank's solid liquidity position, loans and advances to savings banks declined to EUR 9 billion. The proportion of loans and advances to customers – a measure of the degree to which the bank is intertwined with the real economy – amounted to 56 per cent of the balance sheet total.

Income statement

Thanks to improved structural interest income from the existing customer loan portfolio, the net interest income, at EUR 1.3 billion, was EUR 77 million higher than the previous year.

Provisions for loans and advances fell from EUR 240 million in the previous year to EUR 80 million in the year under review. Apart from a significantly reduced requirement, EUR 75 million of this reduction is also a result of changes to the scope of consolidation. The related charge is now included in the other operating result. After provisions for loans and advances, the net interest income grew from EUR 976 million to EUR 1,213 million.

Fee and commission income rose from EUR 300 million to EUR 317 million. This was predominantly a result of a growth in commission from Helaba's securities and custodian bank business as well as in Helaba Invest's asset management activities.

As expected, the net trading income was reduced to earnings from the customer-driven capital market business and came to EUR 126 million (2013: EUR 344 million).

Earnings from hedges and derivatives not held for trading rose from EUR -12 million in the previous year to EUR 51 million in the year under review. The liquidity component of foreign currencies (cross currency basis spread), in the scope of valuing derivatives, made a positive contribution to this.

The other operating result fell from EUR 137 million to EUR 70 million, in particular as a consequence of changes to the scope of consolidation.

General administration expenses declined to EUR 1.2 billion. The rise in personnel costs can mainly be attributed to a salary adjustment in 2014. The principal reason for a fall in non-personnel costs was the planned expiration of the service agreement with Portigon AG on 30 June 2014.

After deducting income taxes in an amount of EUR 210 million (previous year: EUR 148 million), the net income after taxes rose by 19 per cent to EUR 397 million.

Dr. Detlef Hosemann, Helaba's CFO, gave his assessment of the result: "2014 was characterised by a further improvement in the earnings performance of our customer-driven business. The bank was able to convert its deep roots in the real economy into further earnings growth. Helaba is therefore very well positioned to meet the challenges ahead."

Segments

Real Estate
In the Real Estate segment, the volume of new medium-term and long-term business rose by 9 per cent to EUR 9.6 billion; including short-term lending it amounted to EUR 11.6 billion. At year end, the loan portfolio had grown to EUR 34.3 billion. Germany accounted for 57 per cent of new business, with office and retail properties making up the largest part of lending. As a result of an increase in loans and advances to customers, the result from real estate lending saw significant growth compared to the year before. Earnings before tax in this segment were EUR 351 million, compared to EUR 261 million in the previous year.

Corporate Finance
The volume of new medium-term and long-term business in Corporate Finance was EUR 4.6 billion, or around 7 per cent, higher than the previous period; short-term business amounted to EUR 3.9 billion. The loan portfolio grew to EUR 36.7 billion in this segment. The focus of activities was on corporate lending as well as on specialised lending. Earnings before tax in this segment were EUR 162 million (2013: EUR 155 million).

Financial Markets
The customer-focused ***Capital Markets*** business successfully maintained its leading position in the corporate Schuldschein (promissory note) market with a volume of just around EUR 4 billion. In business with public-sector customers, Helaba supported bonds issued by German federal states in a volume of EUR 8.4 billion and, for the first time, it placed a joint bond in North Rhine-Westphalia. The high level of demand for municipal loans remained largely stable. In terms of Helaba's own ***refinancing operations***, medium-term and long-term funds in an amount of EUR 15.2 billion were raised. The emphasis was on uncovered funds (EUR 8.4 billion) and Pfandbriefe (covered bonds – EUR 6.3 billion). To strengthen the Tier 2 capital, EUR 0.5 billion in subordinated capital was raised. In the business field of ***Financial Institutions and International Public Finance***, lending activities with the non-German public sector were restricted, as previously, to high-quality customers. In ***Asset Management***, Helaba Invest was able to expand its volume of special funds ("Spezialfonds") under management to just over EUR 100 billion.

Earnings before tax in this segment, at EUR 109 million, were below last year's level due to the normalisation of the trading result.

S-Group, Private Customer and SME Business
In 2014, the sales strategy of the ***S-Group Bank*** was realigned. Now, a central key account manager is available to each savings bank. In this way, we are able to foster a closer relationship to the savings banks and drive an expansion in the business. The S-Group quota has reached a high and stable level in Hesse and Thuringia; in North Rhine-Westphalia, it has largely achieved its agreed targets after two years of co-operation.
In the ***home savings business***, LBS Hessen-Thüringen managed to increase sales of home savings contracts by 5 per cent. ***Frankfurter Sparkasse*** can look back yet again on a positive financial year. It raised its volume of new customer business and, after further bolstering its capital position, its earnings before tax increased to EUR 103 million. ***Frankfurter Bankgesellschaft*** acquired additional assets under management amounting to EUR 1 billion in 2014. Currently, the private wealth manager within the Sparkassen-Finanzgruppe manages assets of around EUR 9 billion.
Earnings before tax in this segment were EUR 174 million and thus considerably above the EUR 137 million generated in the previous period.

Public Development and Infrastructure Business
New business generated by **WIBank**, Wirtschafts- und Infrastrukturbank Hessen, returned to a normal level of EUR 2.2 billion after the expiry of payments from the municipal protection scheme (2013: EUR 4.1 billion). Consequently, the gross portfolio of development loans issued by WIBank rose to EUR 16.3 billion. Earnings in this segment, at EUR 18 million, were slightly below those in the previous period.

Strategic initiatives in 2015

Since the beginning of 2014, Helaba has been in the process of implementing a new strategy in **foreign trade finance**. It will both significantly improve its range of services for key accounts as well as become the preferred S-Group partner for the savings banks in this business field. The initiative is associated with the recruitment of new staff and further capital expenditure. A new efficient IT infrastructure for the processing of foreign documentary business, known as "Helaba Trade Online", is being made available to customers. All the significant foreign trade products will now be offered. With correspondent banking relationships in 120 countries, Helaba supports its and the savings banks' customers in regions with a high volume of foreign trade with Germany. A new representative office was opened in Singapore.

In the course of the digital revolution, the behaviour of customers has and will continue to change fundamentally. Customers' needs have risen considerably. In the **Cash Management** business, Helaba is taking account of this development. Savings banks and Landesbanks are the most important providers of payment transaction services in Europe. Helaba is the second-largest payment clearer in Germany. The bank also has a leading role in the card business with savings banks, retail customers and network operators. In the scope of a strategy supported by the German Savings Banks Association, DSGV, Helaba is aiming to support the savings banks and to improve its position in the mobile and e-commerce markets with competitive payment systems.

Outlook

Economic conditions in Germany and Europe are favourable. Germany should remain the vanguard of growth in the eurozone in 2015, as well. German export industry is benefitting from the depreciation of the euro due to the ECB's QE programme. Brenner notes: "Against this background, I am convinced that Helaba's strongly customer-focused business will continue to generate a stable operating income, even in an environment of low interest rates and volatile exchange rates. For 2015, the bank plans to continuously develop its business segments with a corresponding expansion in customer-driven earnings."

At the same time, the rising cost of fulfilling regulatory requirements, increasing charges and a higher bank levy are weighing on the bank's profitability. In terms of cost management, controlling the rising structural costs in the bank will therefore remain the biggest challenge going forward. Brenner concludes: "Overall, we anticipate that Group-wide earnings before tax in 2015 will be approximately 7 to 8 per cent lower than in the period under review. Nevertheless, we expect to see a successful financial year with remarkably good earnings".

Balance Sheet Helaba Group under IFRS as of 31 December 2014

	31.12.2014	31.12.2013	Change	
	in EURbn	in EURbn	in EURbn	in per cent
Loans and advances to banks incl. cash reserve	21.6	23.1	-1.5	-6.5
Loans and advances to customers	91.1	91.0	0.1	0.1
Impairments on receivables	-1.0	-1.1	0.1	9.1
Assets held for trading	31.3	32.3	-1.0	-3.1
Positive market value of derivatives not held for trading	5.8	4.7	1.1	23.4
Financial investments (incl. result from companies using the equity accounting method)	26.6	24.2	2.4	9.9
Other assets	4.1	4.1	-	-
Total assets	**179.5**	**178.3**	**1.2**	**0.7**
Liabilities due to banks	35.6	34.2	1.4	4.1
Liabilities due to customers	45.3	43.9	1.4	3.2
Securitised liabilities	48.3	48.4	-0.1	-0.2
Trading liabilities	29.2	33.7	-4.5	-13.4
Negative market value of derivatives not held for trading	5.4	3.5	1.9	54.3
Provisions, other liabilities	2.9	2.3	0.6	26.1
Subordinated capital	5.4	5.1	0.3	5.9
Equity	7.4	7.2	0.2	2.8
Total liabilities	**179.5**	**178.3**	**1.2**	**0.7**

Income statement

	2014	2013	Change	
	in EURm	in EURm	in EURm	in per cent
Net interest income	1,293	1,216	77	6.3
Provisions for loans and advances	-80	-240	160	66.7
Net interest income after provisions for loans and advances	**1,213**	**976**	**237**	**24.3**
Net commission income	317	300	17	5.7
Net trading income	126	344	-218	-63.4
Result from hedges/derivatives	51	-12	63	-
Result from financial investments (incl. result from companies using the equity accounting method)	45	-8	53	-
Other operating result	70	137	-67	-48.9
General administration expenses	-1,215	-1,254	39	3.1
Group earnings before tax	**607**	**483**	**124**	**25.7**
Income taxes	-210	-148	-62	-41.9
Net group earnings	**397**	**335**	**62**	**18.5**

Ratings

	Moody's Investors Service	FitchRatings	Standard & Poor's Corp.
Long-term liabilities	A2**	A+*	A*
Short-term liabilities	P-1	F1+*	A-1*
Public Pfandbriefe	Aaa	AAA	-
Mortgage Pfandbriefe	-	AAA	-
Financial strength /viability rating	D+	a+*	-

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

** Rating under review up A1

Financial ratios

	2014 in per cent	2013 in per cent
Cost/income ratio	63.9	63.4
Return on equity (before tax)	8.3	6.9
CET-1 capital ratio “phased in”	13.4	12.5
CET-1 capital ratio “fully loaded”	11.8	10.7
Total capital ratio	18.5	17.4
Leverage ratio	4.0	3.4