

25 November 2014

Press and Communication

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Helaba Group achieves result of EUR 507 million by end of third quarter

- **New all time high in Group result expected for 2014 as a whole**
- **Net income from interest, fees and commission continues to grow**
- **New business from customers rises to EUR 12.5 billion**
- **Financial ratios show solid development**

Frankfurt am Main – By the end of the third quarter of 2014, Helaba had achieved earnings before tax of EUR 507 million. It thus surpassed last year's figure of EUR 442 million, which was already at a high level, by EUR 65 million or 14.7 per cent. After allowing for income taxes, Group earnings amounted to EUR 340 million.

This means that the bank has already equalled its full year result for 2013 after only three quarters. Hans-Dieter Brenner, Helaba's CEO, gives a positive assessment of the result: "Trends that had an effect as early as the middle of 2014 have continued. This applies both to the significant growth in net interest income as well as to the rise in net fee and commission income. They testify to the fact that we are still making good progress in our core business fields, despite historically low interest rates and slightly declining margins. The steep fall in provisions for loans and advances underlines the good quality of our credit portfolios, which is similarly reflected in the results from the ECB's Comprehensive Assessment. As expected and planned, net trading income is substantially lower than last year. Capping general administration expenses at the level of the previous year also facilitated the good result. The figures now in front of us underpin our expectation that we will be able to drive Group earnings before tax for the full 2014 financial year to a new high compared to the previous year."

Profit and loss statement at a glance

Net interest income amounted to EUR 978 million, which represents an increase of 9.5 per cent or EUR 85 million, albeit the rise levelled off somewhat in the third quarter.

Provisions for loans and advances, at EUR -62 million, were a significant EUR 140 million lower than the previous year's level and substantially below projections. It should be noted that, pursuant to IFRS 10, instead of creating a loss provision, corresponding value adjustments for individual borrowers are included in the other operating result. After deducting provisions for loans and advances, the net interest income had risen from EUR 691 million in the previous year to EUR 916 million.

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Net fee and commission income rose by EUR 14 million to EUR 229 million. Commission from payment transactions, securities and custodial business as well as asset management all made a positive contribution to this.

Net trading income returned to a normal level of EUR 121 million. Despite being considerably lower than last year's figure of EUR 298 million, the latter had however benefitted from a significant tightening in credit spreads.

The result from financial investments (including the result from companies using the equity accounting method) showed an improvement to reach EUR 24 million, mainly as a result of divestitures.

The other operating result declined to EUR 57 million. It was primarily characterised by the result from property held as a financial investment (EUR 96 million). Among other things, reserves allocated to restructuring activities in the scope of the Helaba PRO cost and process optimisation project had a negative impact on the result.

At EUR 912 million, general administration expenses remained at the same level as last year (EUR 915 million). While there was a small increase in personnel costs, other administration expenses fell from EUR 453 million to EUR 437 million. The migration of the S-Group Bank NRW, which was completed on time, and the associated expiration of the service agreement with Portigon AG, in addition to a lower bank levy, contributed to the reduction in costs. There was a further slight rise in IT costs due to the implementation of regulatory requirements.

Earnings before tax reached EUR 507 million, having amounted to EUR 442 million in the same period last year.

After allowing for income taxes of EUR 167 million, Group earnings came to EUR 340 million (same period last year: EUR 292 million).

Balance sheet total and customer receivables practically unchanged

The balance sheet total of the Helaba Group was almost unchanged at around EUR 179 billion. Loans and advances to customers, at almost EUR 91 billion, remained at a similar level to 2013. Of this, EUR 66 billion is attributable to corporate and real estate customers, around EUR 20 billion to the public sector as well as approximately EUR 6 billion to private customers. On top of that, there were over EUR 9 billion in loans and advances to savings banks. Thus, 56 per cent of the Group balance sheet total is associated with customer-related business.

Loans and advances to banks, including cash reserve, declined by EUR 1.5 billion to almost EUR 22 billion. The reduction in assets held for trading, accounted for at market value, to EUR 31.3 billion can be attributed to a fall in bonds (EUR -4.0 billion) and to receivables held for trading (EUR -1.1 billion). On the other hand, the positive market value of derivative financial instruments rose by around EUR 4 billion.

On the liabilities side, liabilities due to banks fell to EUR 33 billion and those due to customers saw a parallel rise to around EUR 45 billion. Securitised liabilities increased to approximately EUR 50

billion. In particular, the volume of public Pfandbriefe was expanded at the expense of uncovered bonds. Helaba's business volume rose by EUR 2.0 billion to EUR 202 billion.

Good progress in new business with slightly lower margins Solid development in key figures

The volume of medium and long-term new business in the Helaba Group (including Frankfurter Sparkasse) reached EUR 12.5 billion (same period in 2013: EUR 11.5 billion), representing a 9 per cent growth. EUR 6.8 billion of this was attributed to real estate finance and EUR 2.7 billion to the segment of Corporate Finance. The S-Group business with the savings banks as well as private customer SME activities together contributed EUR 1.8 billion. New business with public sector municipalities reached EUR 1.1 billion.

In the capital market business, Helaba arranged 15 Schuldschein issues for companies with a total volume of EUR 2.2 billion. Furthermore, it supported capital market transactions for local authorities with a total volume of around EUR 1 billion.

In the third quarter of 2014, around EUR 8.5 billion (same period in 2013: EUR 7.5 billion) in medium and long-term funding was raised on the capital markets. The volume of unsecured funding was around EUR 4 billion (same period in 2013: EUR 5.1 billion). There was a total volume of Pfandbrief issuance of approximately EUR 4 billion (same period in 2013: EUR 2.4 billion). In order to strengthen the regulatory supplementary capital, subordinated issues in an amount of around EUR 400 million were placed with institutional customers.

The tier 1 (CET-1) capital ratio had risen to 13.1 per cent by the end of the third quarter. In a fully loaded scenario it reached 11.8 per cent. The total capital ratio amounted to 18.1 per cent, compared with 17.4 per cent at the end of 2013. The leverage ratio of 4.0 per cent as of 30 September 2014 was also significantly above future regulatory minimum requirements. Return on equity before tax improved from 6.9 per cent to 9.3 per cent; the cost-income ratio fell from 63.4 per cent to 61.6 per cent.

Outlook for the year

In the first three quarters of 2014, Helaba managed to sustain its positive business and earnings development. After only nine months, it achieved a Group result that approached the best-ever full year results of 2012 and 2013. It can therefore be expected that Helaba will once again achieve a new all-time high in Group earnings for 2014 as a whole.

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P&L Figures

Helaba Group as of 30 September 2014 under IFRS

	01.01.–30.09. 2014	01.01.–30.09. 2013	Change	
	EURm	EURm	EURm	in %
Net interest income	978	893	85	9.5
Provisions for loans and advances	-62	-202	140	69.3
Net interest income after provisions for loans and advances	916	691	225	32.6
Net commission income	229	215	14	6.5
Net trading income	121	298	-177	-59.4
Result from hedges/derivatives	72	25	47	>100
Result from financial investments (incl. result from companies using the equity accounting method)	24	-7	31	
Other operating result	57	135	-78	-57.8
General administration expenses	-912	-915	3	0.3
Group earnings before tax	507	442	65	14.7
Income taxes	-167	-150	-17	-11.3
Net group earnings	340	292	48	16.4

Note: In the 2014 financial year, Helaba's financial statements have been prepared for the first time in accordance with the new consolidation provisions of IFRS 10, 11 and 12 as well as the adjusted IAS 27 and 28. As a rule, changes resulting from this are applied retroactively and thus also lead to an adjustment in the corresponding period of 2013.

Balance Sheet Development
Helaba Group as of 30 September 2014 under IFRS

	30.09.2014	31.12.2013	Change	
	EURm	EURm	EURm	in %
Loans and advances to banks incl. cash reserve	21,561	23,108	-1,547	-6.7
Loans and advances to customers	90,824	91,032	-208	-0.2
Impairments on receivables	-1,034	-1,119	85	-7.6
Assets held for trading	31,300	32,311	-1,011	-3.1
Positive market value of derivatives not held for trading	5,947	4,690	1,257	26.8
Financial investments (incl. result from companies using the equity accounting method)	26,333	24,196	2,137	8.8
Property, equipment, intangible assets	2,495	2,482	13	0.5
Deferred income taxes	286	342	-56	16.4
Other assets	1,165	1,234	-69	5.6
Total assets	178,877	178,276	601	0.3
Liabilities due to banks	33,295	34,162	-867	-2.5
Liabilities due to customers	44,835	43,916	919	2.1
Securitised liabilities	49,552	48,371	1,181	2.4
Trading liabilities	30,599	33,739	-3,140	-9.3
Negative market value of derivatives not held for trading	5,163	3,471	1,692	48.7
Provisions	1,836	1,632	204	12.5
Income tax liabilities	96	83	13	15.7
Other liabilities	627	595	32	5.4
Subordinated capital	5,399	5,073	326	6.4
Equity	7,475	7,234	241	3.3
Total liabilities	178,877	178,276	601	0.3

Financial ratios

in %	01.01.-30.09.2014	01.01.-30.09.2013
Cost-income ratio	61.6	58.1
Return on equity (before tax)	9.3	8.7
	30.09.2014	31.12.2013
Total capital ratio	18.1	17.4
Core capital ratio	14.0	12.8
CET-1 capital ratio	13.1	12,5
CET-1 capital ratio – fully loaded	11.8	10.7
Leverage ratio	4.0	3.4

Ratings of Helaba Group

	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	–

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