PRESS RELEASE

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Helaba continues on positive earnings trajectory in first half of 2012

- **Operating customer business and net trading income show satisfactory development**
- **New business grows by ten per cent**
- **Brenner optimistic about full-year results**
- **Helaba takes over function as central bank for savings banks in North Rhine-Westphalia and Brandenburg**

Frankfurt am Main – Despite a weakening economic situation, the continuing debt crisis in certain Eurozone member states as well as high volatility on the financial markets, Helaba Landesbank Hessen-Thüringen was able to sustain its positive earnings trend in the first half of 2012. It achieved group earnings before taxes of EUR 288 m, representing a drop of EUR 45 m compared to the EUR 333 m result in same period last year. Hans-Dieter Brenner, CEO of Helaba, is optimistic about what has been achieved: “The Helaba group’s good earnings position is characterised by a successful continuation of operating activities in customer business as well as in S-Group, private customer and SME business at the same high level as last year. On top of that there is the net trading result, which was ahead of target. Although we are behind our best-ever half-year result of 2011, on a pro rata basis compared to last year we have already reached almost 60 per cent of the entire 2011 result. Even if the political discussion about approaches to solving the debt crisis should lead to further market turbulence, I see Helaba on a positive earnings path thanks to a stable development in customer business. Thus I am confident, and remain committed to the goal from today’s point of view, of striving for a result in the 2012 financial year approaching the high level of the previous year.”

Net interest income after loan loss provisions stable, trading result increases
Administration costs affected by one-off charge for S-Group bank

The net interest income of EUR 547 m is substantially higher than last year’s EUR 488 m. All business units contributing significantly to the interest surplus saw an increase in their net interest income thanks to sustained positive customer business.

Provisions for losses on loans and advances, at EUR -162 m, were EUR 63 m higher than the previous year. This is partly a result of the difficult situation on the financial markets and the bank’s valuation methods, which continue to be conservative. Despite higher loan loss provisions, net interest income after provisions for losses on loans and advances amounted to EUR 385 m and was therefore only slightly below last year's result of EUR 389 m. Net commission income declined by EUR 10 m to EUR 121 m as a result of adjustments to strategic business policy. The net trading income saw an improvement of EUR 44 m to EUR 217 m by virtue of the favourable interest rate and credit trading environment as well as intensified business with the savings banks and other customers.

At EUR 54 m, the net income from hedge accounting and derivatives fell by EUR -16 m and was lower than last year. This fall was, as had already been seen in the first quarter, mainly attributable to an IFRS requirement to take the liquidity components of foreign currencies into account when valuing derivatives.

Net income from financial investments including the result of companies accounted for using the equity method improved by EUR 5 m to EUR -15 m. A write down on a participation held by Frankfurter Sparkasse in Landesbank Berlin had a negative impact on this.

The other operating result grew by EUR 6 m to EUR 107 m, which was primarily due to the disposal of investment properties.

General administrative expenses increased by EUR 32 m to EUR 511 m. The reasons for this are one-off charges in connection with the takeover of the S-Group bank in North Rhine-Westphalia as well as accounting in full for the bank levy, at EUR 26 m for the 2012 financial year (2011: EUR 20 m).

Earnings before taxes were EUR 288 m and were thus EUR 45 m below the previous year's result. The business segments of real estate, S-Group business and Frankfurter Sparkasse achieved a growth in their results on a pro rata comparison with last year.

After deducting taxes on income, consolidated net income amounts to EUR 194 m (2011: EUR 271 m).

Balance sheet total shows slight increase – assets side dominated by loans and advances to customers

The consolidated balance sheet total of Helaba increased in the first half of 2012 from EUR 164.0 bn to EUR 166.5 bn. The structure of the assets side is characterised by a proportion of loans and advances to customers which has reached more than 50 per cent. Loans and advances to customers are unchanged in comparison with 31 December 2011, accounting for EUR 83.0 bn. There has been an on-going targeted reduction in trading assets measured at fair value for many years and, as of the reporting date, they accounted for EUR 36.7 bn. In preparation for new regulatory requirements, bonds accounted for under financial investments were increased from EUR 18.2 bn to EUR 19.8 bn for liquidity purposes.

On the liabilities side, loans and advances to banks grew by EUR 1.9 bn to EUR 33.4 bn. The increase in overnight money and time deposits to EUR 5.7 bn contributed to this. At EUR 37 bn, securitised liabilities remained practically unchanged, with a reduction of other bonds in favour of Pfandbriefe.

The volume of medium and long-term new business amounted to EUR 6.9 bn on a group-wide basis, which represents a growth of around 10 per cent compared to the same period last year. The focus of new business was on the core segments of real estate finance (EUR 3.3 bn) and corporate finance (EUR 1.8 bn). S-Group business and the customer business of Frankfurter Sparkasse accounted for a share of EUR 1.0 bn and business with public authorities for EUR 0.8 bn. In the first six months of the year, Helaba acted as the arranger for 13 corporate Schuldschein issues with a total volume of EUR 2.4 bn. Helaba is one of the market leaders in this segment. Helaba anticipates achieving a volume of new business of between EUR 13 bn and EUR 14 bn in 2012.

Helaba raised a medium and long-term funding volume of EUR 7.5 bn, of which unsecured issues accounted for EUR 4.9 bn and public and mortgage Pfandbriefe amounted to EUR 2.6 bn. With a volume of EUR 1.0 bn, Helaba once again issued a public jumbo Pfandbrief in the second quarter of 2012. Thanks to a highly attractive spread, it was mainly placed with international institutional investors. Furthermore, the bank was able to secure medium and long-term funding in USD and GBP from institutional investors. With the takeover of the certificate platform of former WestLB, finalised in the middle of July, the bank is strongly expanding its market position in the certificate business. Customer deposits in retail business – Frankfurter Sparkasse and 1822direkt – contributed to a further diversification in the bank’s funding sources.

The equity of the Helaba Group was EUR 5.7 bn as of 30 June 2012. With a Tier 1 capital ratio of 10.4 % (31 December 2011: 10.1 %) and an overall capital ratio of 15.6 % (31 December 2011: 15.3 %), the group company possesses sufficient liable equity. A capital increase was completed at the beginning of July in connection with the takeover of the S-Group bank NRW, in which Helaba additionally strengthened its core Tier 1 capital by EUR 1 bn.

The cost-income ratio declined from 56.6 per cent (31 December 2011) to 53.2 per cent. The return on equity before taxes saw an improvement from 9.2 per cent to 10.3 per cent.

Outlook: Brenner optimistic about full-year results

From today’s perspective, Helaba is striving for group net earnings for the full year which will approach the high level of 2011. A stable development in operating business as well as an above-average net trading result form the basis for this earnings forecast.
Brenner: “Furthermore, I am confident about finally achieving the takeover of the S-Group business from the former WestLB as well as entry into the Commercial Register by the middle of September. Together with assuming the central bank function for the savings banks in the Federal States of North Rhine-Westphalia and Brandenburg, which has already taken place, this will form the basis for the further strategic development of Helaba.”

Helaba Group 1st half year 2012 earnings under IFRS

	01.01.–30.06. 2012	01.01.-30.06. 2011	Changes	
	in EURm	in EURm	in EURm	in %
Net interest income	547	488	59	12.1
Provisions for losses on loans and advances	-162	-99	-63	-63.6
Net interest income after provisions for losses on loans and advances	385	389	-4	-1.0
Net commission income	121	131	-10	-7.6
Net trading income	217	173	44	25.4
Result of hedges/derivatives	-16	38	-54	>-100.0
Net income from non-current financial assets (incl. assets valued using the equity method)	-15	-20	5	25.0
Other operating result	107	101	6	5.9
General administrative expenses	-511	-479	-32	-6.7
Group earnings before taxes	**288**	**333**	**-45**	**-13.5**
Taxes on income	-94	-62	-32	-51.6
Group net profit	**194**	**271**	**-77**	**-28.4**

Balance Sheet Development Helaba Group as of 30 June 2012 under IFRS

	30.06.2012	31.12.2011	Changes	
	in EURm	in EURm	in EURm	in %
Loans and advances to banks incl. cash reserve	17,278	15,646	1,632	10,4
Loans and advances to customers	84,035	84,041	-6	-
Impairments on loans and advances	-1,166	-1,256	90	7.2
Trading assets	36,734	37,960	-1,226	-3.2
Positive fair value of non-trading derivatives	4,728	4,285	443	10.3
Financial investments, incl. companies accounted for using the equity method	20,413	18,805	1,608	8.6
Investment property; property, plant and equipment; intangible assets	3,010	2,918	92	3.2
Income tax assets	572	636	-64	-10.1
Other assets	942	950	-8	-0.8
Total assets	**166,546**	**163,985**	**2,561**	**1.6**
Liabilities due to banks	33,409	31,533	1,876	5.9
Liabilities due to customers	41,388	41,907	-519	-1.2
Securitised liabilities	37,005	37,243	-238	-0.6
Trading liabilities	38,098	37,198	900	2.4
Negative fair value of non-trading derivatives	4,198	3,916	282	7.2
Provisions	1,448	1,279	169	13.2
Income tax liabilities	361	357	4	1.1
Other liabilities	598	592	6	1.0
Subordinate capital	4,368	4,466	-98	-2.2
Equity	5,673	5,494	179	3.3
Total liabilities	**166,546**	**163,985**	**2,561**	**1.6**

Financial Ratios

in %	1.1.-30.6.2012	1.1.-30.6.2011
Cost-Income ratio[1]	53.2 %	52.6 %
Return on equity (before taxes)[1]	10.3 %	12.6 %
	30.06.2012	31.12.2011
Total capital ratio	15.6 %	15.3 %
Tier-1 capital ratio	10.4 %	10.1 %

[1] incl. banking levy

Helaba 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	AAA
Mortgage Pfandbriefe	–	AAA	–
Financial strength/Viability rating	D+	a+*	–

(*) Joint group rating of the Sparkassen-Finanzgruppe Hessen-Thüringen