PRESS RELEASE

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Helaba satisfied with business performance and profit in 2017

- **Consolidated profit before taxes of EUR 447 million**
- **Decline in profit lower than expected**
- **Strong market position maintained – risk situation remains positive**
- **Improvement in CET1 ratio to 15.2 percent**
- **Further growth in net fee and commission income**
- **Stable performance anticipated for 2018**

Frankfurt am Main – Helaba Landesbank Hessen-Thüringen reported a consolidated profit before taxes under IFRS of EUR 447 million for the 2017 financial year. Consolidated net profits after taxes amounted to EUR 256 million. The result was therefore below the strong prior year's figures of EUR 549 million and EUR 340 million, respectively, as anticipated in the previous annual forecast. Despite a persistence in the challenging market environment, Helaba managed to generate a satisfactory result.

In his assessment of the result for the 2017 financial year, Herbert Hans Grüntker, the Chairman of Helaba's Board of Managing Directors, comments: "All things considered, we are satisfied with the development of Helaba's business activities and earnings situation. We knew that the year was going to be a challenging one and that we could expect a noticeable decline in profits. However, we concluded the year with a better-than-expected result. We have maintained our strong position in the market and our risk situation remains positive".

Income statement and statement of financial position

Net interest income, at EUR 1,094, was EUR 137 million lower than the comparable figure in the previous year (EUR 1,231 million), having been impacted by the on-going phase of zero and negative interest rates. There was a net gain of EUR 56 million (2016: charge of EUR -154 million) due to reversals of **provisions for losses on loans and advances**. Compared to the previous year, net fee and commission income rose by EUR 14 million to EUR 354 million. **Net trading income** achieved significant growth, rising to EUR 268 million after EUR 146 million in 2016.

Compared to the year before, the **income from hedge accounting and non-trading derivatives** was influenced by the opposite effect of the liquidity components of foreign currencies (cross-currency basis spread) in connection with refinancing foreign currency transactions. In the period under review, this amounted to a loss of minus EUR 127 million after plus EUR 46 million in the previous year.

Income from financial investments (incl. equity-accounted entities) declined to EUR 35 million (previous year: EUR 53 million). Due to non-recurring effects (among others, the full amortisation of goodwill at Frankfurter Sparkasse in an amount of EUR 68 million as well as unscheduled impairments in connection with the postponement of the introduction of a new core banking system in an amount of EUR 31 million), other net operating income fell by EUR 40 million to EUR 79 million. The rise in **general and administration expenses** of EUR 80 million to EUR 1,312 million was mainly a result of increased IT costs and consultancy expenses in relation to implementing regulatory requirements and business-driven expenditure.

This resulted in a **consolidated profit before taxes** of EUR 447 million (previous year: EUR 549 million) and **net profit after taxes** of EUR 256 million (previous year: EUR 340 million).

As of 31 December 2017, the **consolidated balance sheet total** of the Helaba Group had fallen by EUR 6.9 billion to EUR 158.3 billion compared to the end of 2016. **Loans and advances to customers** amounted to EUR 90.2 billion (31 December 2016: EUR 93.1 billion). Encouraging growth in new business was offset by a continued higher-than-planned level of repayments as well as currency effects. The volume of new medium and long-term business, excluding WIBank's competitively-neutral promotional loan business, was unchanged at EUR 18.5 billion compared to the year before (EUR 18.5 billion).

The **CET1 ratio** ("phased in") amounted to 15.4 percent, or 15.2 percent ("fully loaded"), as of 31 December. The **cost/income ratio**, which was affected by the above-mentioned non-recurring charges, reached 77.0 percent in 2017. **Return on equity** (before taxes) was 5.7 percent.

Segment Report

The segment of **Real Estate** once again made the largest contribution to profits. Earnings before taxes in this segment declined slightly to EUR 377 million (previous year: EUR 401 million), of which EUR 91.2 million was generated by GWH. The volume of new medium and long-term business amounted to EUR 8.7 billion (previous year: EUR 10.4 billion). Provisions for losses on loans and advances were plus EUR 1 million (previous year: minus EUR 3 million).

Compared to the same period last year, the business unit of **Corporate Finance** achieved an approximately 30-percent rise in the volume of new medium and long-term business to EUR 5.6 billion (previous year: EUR 4.3 billion). This segment's income before taxes, at EUR 94 million, was considerably higher than the year before (minus EUR 54 million). At minus EUR 78 million, provisions for losses on loans and advances were significantly below the previous year's figure of minus EUR 226 million. A considerably reduced risk provisioning requirement for the ship financing portfolio was the main factor behind the recovery in this segment's result.

Thanks to stable earnings from customers, net trading income in the **Financial Markets** segment climbed to EUR 235 million (previous year: EUR 127 million). Furthermore, in terms of German Public Finance activities, the volume of new medium and long-term business rose by EUR 0.3 million in 2017 to EUR 1.5 billion. Overall, this segment reported a decline in income before taxes to EUR 4 million (previous year: EUR 114 million) due to volatile measurement effects. Income from non-trading derivatives and financial instruments to which the fair value option is applied amounted to minus EUR 121 million (previous year: plus EUR 40 million). This was primarily a result of the inverse effect of taking into account the liquidity components of foreign currencies (cross-currency basis swaps) in the remeasurement of derivatives, which was included in this item.

In view of adverse effects as a consequence of the zero and negative interest rate environment, the segment of **S-Group Business, Private Customers & SME Business** achieved a respectable income before taxes of EUR 82 million (previous year: EUR 99 million). On the other hand, there was encouraging growth in earnings from business with savings banks. At Frankfurter Sparkasse, the low level of interest rates led to a decline in net interest income, whereas there was a welcome rise in net fee and commission income. Overall, the Frankfurter Sparkasse's income before taxes under IFRS in this segment amounted to a total of EUR 103.6 million (previous year: EUR 130.6 million). Income before taxes of LBS declined by around EUR 6 million to minus EUR 14.8 million. This reduction was primarily a result of fully accounting for provisions for restructuring measures. Frankfurter Bankgesellschaft was able to increase its year-on-year income by EUR 2.4 million to EUR 0.4 million (previous year: minus EUR 2 million).

The segment of **Public Development and Infrastructure Business**, which mainly comprises the activities of WIBank, reported a stable income before taxes of EUR 19 million that was just under the previous year's result of EUR 22 million. A rise in the volume of promotional loans of EUR 3 million led to a higher net interest income. Net fee and commission income from promotional lending, at EUR 40 million, was unchanged compared to the year before. This was offset by increased investment costs for IT systems.

Outlook for 2018

With a view to the current financial year, Grüntker said: "2017 was an outstanding year for the German economy and we expect this upswing to continue in 2018, albeit it with some exceptions. However, interest rates will continue to be mired at a very low level this year. Against this backdrop, we assume that conditions will remain equally challenging. We anticipate a stable performance in our business and a profit before taxes in the mid-triple-digit million range".

Income statement of Helaba Group under as of 31 December 2017 (IFRS)

	01.01.-31.12. 2017	01.01.-31.12. 2016		Change
	In EUR millions	In EUR millions	In EUR millions	in %
Net interest income	1,094	1,231	(137)	(11.1)
Provisions for losses on loans and advances	56	(154)	210	>100
Net interest income after provisions for losses on loans and advances	**1,150**	**1,077**	**73**	**6.8**
Net fee and commission income	354	340	14	4.1
Net trading income	268	146	122	83.6
Net income from hedge accounting / derivatives	(127)	46	(173)	>(100)
Net income from financial investments (incl. at-equity valuation)	35	53	(18)	(34.0)
Other net operating income	79	119	(40)	(33.6)
General and administrative expenses	(1,312)	(1,232)	(80)	(6.5)
Profit before taxes	**447**	**549**	**(102)**	**(18.6)**
Taxes on income	**(191)**	**(209)**	**18**	**8.6**
Consolidated net profit	**256**	**340**	**(84)**	**(24.7)**

Statement of financial position of Helaba Group as of 31 December 2017 (IFRS)

	31.12.2017	31.12.2016	Change	
	In EUR billions	In EUR billions	In EUR billions	in %
Loans and advances to banks incl. cash reserve	20.9	18.3	2.6	14.2
Loans and advances to customers	90.2	93.1	(2.9)	(3.1)
Allowances for losses on loans and advances	(0.4)	(0.8)	0.4	50.0
Trading assets	16.3	20.5	(4.2)	(20.5)
Positive fair values of non-trading derivatives	2.9	4.0	(1.1)	(27.5)
Financial investments incl. shares in equity-accounted entities	24.1	25.8	(1.7)	(6.6)
Other assets	4.3	4.3	0.0	0.0
Total assets	**158.3**	**165.2**	**(6.9)**	**(4.2)**
Liabilities due to banks	31.5	30.1	1.4	4.7
Liabilities due to customers	49.5	46.8	2.7	5.8
Securitised liabilities	48.2	50.9	(2.7)	(5.3)
Trading liabilities	12.3	18.7	(6.4)	(34.2)
Negative fair values of non-trading derivatives	2.3	3.9	(1.6)	(41.0)
Provisions, other liabilities	3.0	3.2	(0.2)	(6.3)
Subordinated capital	3.5	3.7	(0.2)	(5.4)
Equity	8.0	7.9	0.1	1.3
Total liabilities	**158.3**	**165.2**	**(6.9)**	**(4.2)**

Development of segments of Helaba Group (IFRS, income before taxes)

	01.01.-31.12.2017 In EUR millions	01.01.-31.12.2016 In EUR millions
Real Estate	377	401
Corporate Finance	94	(54)
Financial Markets	4	114
S-Group Business, Private Customers & SME Business	82	99
Public Development & Infrastructure Business	19	22
Other	(204)	(118)
Consolidation/Transition	75	85
Group	**447**	**549**

Key Indicators

	01.01. – 31.12.2017	01.01. – 31.12.2016
	in %	in %
Cost/income ratio	77.0	63.7
Return on equity (before taxes)	5.7	7.2
	31.12.2017	31.12.2016
CET1 capital ratio	15.4	14.3
CET1 capital ratio “fully loaded”	15.2	13.8
Total capital ratio	21.8	20.5
Leverage ratio	4.9	4.7

Helaba's ratings

	Moody's Investors Service	FitchRatings	Standard & Poor's Corp.
Long-term rating / Issuer rating	A1	A+*	A*
Short-term rating	P-1	F1+*	A-1*
Public-sector Pfandbriefe	Aaa	AAA	-
Mortgage Pfandbriefe	-	AAA	-

* Based on joint group rating for the S-Group Hesse-Thuringia