Helaba

Press Release

25.03.2020

Helaba satisfied with performance in 2019

- Consolidated net profit before tax of EUR 533 million significantly above previous year
- Positive special effect from first-time consolidation of KOFIBA
- Volume of new business rises once again
- Noticeable rise in net interest income and net fee and commission income
- Increased general and administrative expenses have negative impact
- Project Scope - Growth through Efficiency - successfully implemented
- CET-1 ratio of 14.2 percent still comfortably above regulatory requirements
- Implications of coronavirus pandemic make it impossible to provide forecast for 2020 at present time

Frankfurt am Main – Helaba Landesbank Hessen-Thüringen achieved a consolidated net profit before tax under IFRS of EUR 533 million in the 2019 financial year. The bank's result was therefore EUR 90 million higher than the previous year's net profit of EUR 443 million. After tax, the consolidated net profit rose by EUR 202 million to EUR 480 million (previous year: EUR 278 million).

"Against a backdrop of continued fierce competition and a persistently challenging business environment, we are satisfied with the past financial year. While the acquisition of KOFIBA, formerly Dexia Kommunalbank Deutschland, had a clearly positive effect on our balance sheet, expenses in conjunction with our Scope efficiency programme, which were recognised in the annual financial statements, had a particularly negative impact. The development in our customer business is especially encouraging. Once again, we succeeded in increasing our volume of new business. Both net interest income and net fee and commission income saw marked improvements. This reflects the fact that we were able to achieve extremely positive results from our operating customer business, particularly due to a strong performance in the fourth quarter, while at the same time successfully implementing and finalising important strategic projects such as the integration of the former KOFIBA and the acquisition of DVB Bank SE's Land Transport Finance customer loan portfolio," said Herbert Hans Grüntker, Chairman of Helaba's Board of Managing Directors, in his assessment of the 2019 financial year. "At the present time, it is not yet possible to make any meaningful forecast for the bank's 2020 earnings since the economic consequences of the coronavirus pandemic are still unfolding. For this reason, we have decided to refrain from providing an outlook for the current financial year."

The figures for the 2019 financial year at a glance

Net interest income rose by EUR 119 million to EUR 1,191 million (previous year: EUR 1,072 million), mainly due to higher volumes in our customer lending activities. At EUR -86 million (previous year: EUR 45 million), **provisions for losses on loans and advances** returned to a near-normal level once again. Risk provisioning also includes the additional allocation of a portfolio allowance in the form of a management adjustment of EUR 31 million. The increase in provisions for losses on loans and advances reflects the general deterioration in the economy as a whole. Overall, Helaba enjoys a high portfolio quality. **Net fee and commission income** saw a broad-based increase of EUR 46 million to EUR 395 million (previous year: EUR 349 million). This was primarily generated by Helaba, Frankfurter Sparkasse and Helaba Invest and was chiefly driven by growth in fees and commission from loans and guarantees as well as from asset management activities.

Net income from fair value measurement, which comprises net trading income and net income from hedge accounting and other financial instruments measured at fair value, increased by EUR 98 million to EUR 143 million (previous year: EUR 45 million). The client-driven capital market business had a particularly positive effect here.

Other net income rose to EUR 387 million (previous year: EUR 370 million), largely as a result of special effects arising from the first-time consolidation of KOFIBA in an amount of EUR 125 million. The allocation of a provision for the Scope efficiency programme had a negative impact of EUR 71 million. **General and administrative expenses** climbed to EUR 1,521 million (previous year: EUR 1,451 million), which was mainly attributable to significantly higher non-staff costs in connection with the implementation of regulatory requirements, the bank levy and allocations to institutional protection schemes of the Sparkassen-Finanzgruppe as well as higher personnel expenses.

In the 2019 financial year, the Helaba Group's **balance sheet total** grew by EUR 44 billion to EUR 207.0 billion (31 December 2018: EUR 163.0 billion), principally as a result of the consolidation of KOFIBA and the increased acceptance of deposits and loans from customers. The **business volume** increased by EUR 44.8 billion to EUR 245.7 billion (31 December 2018: EUR 200.9 billion). **Loans and advances to customers** rose to EUR 118.5 billion (31 December 2018: EUR 96.3 billion). At EUR 21.5 billion, the volume of new medium and long-term business - excluding WIBank's competitively neutral promotional business - was above the previous year's figure of EUR 19.0 billion.

As of 31 December 2019, the CET-1 ratio amounted to 14.2 per cent (previous year: 14.9 per cent). Return on equity (before tax) reached 6.3 percent (previous year: 5.4 percent) and the cost-income ratio 71.1 percent (previous year: 78.5 percent)

Segment report

The **Real Estate** segment focuses on larger-scale commercial portfolio and project financing for real estate. At EUR 257.0 million (previous year: EUR 242.0 million), pre-tax earnings in this segment were higher than in the previous year. The volume of new medium and long-term business increased slightly to EUR 10.0 billion (previous year: EUR 9.8 billion). The combination of a persistently strong real estate market and good portfolio quality led to the reversal of provisions for losses on loans and advances in an amount of EUR 13.0 million, thus exceeding the already low level of the previous year (EUR -14.0 million)

In addition to credit products, the **Corporates & Markets** segment also comprises trading and sales activities as well as payment transactions. Earnings before tax in this segment fell to EUR 61.0 million (previous year: EUR 119.0 million). An increase in operating income was offset by significantly higher net risk provisioning of EUR -68.0 million (previous year: EUR 0.0 million). At EUR 126.1 million (previous year: EUR 173.6 million), the Corporate Finance division once again made the largest contribution to earnings in this segment. New medium and long-term business in the Corporate Finance division rose by around a third to EUR 8.2 billion (previous year: EUR 6.1 billion). In addition to higher business volumes, the acquisition of DVB Bank SE's Land Transport Finance portfolio had a positive impact of approximately EUR 1 billion. Net interest income fell below the previous year's level while an increase in net fee and commission income and the net operating income from the client-driven capital market business were offset by charges resulting from higher valuation haircuts on derivatives.

The **Retail & Asset Management** segment includes Retail Banking, Private Banking and Asset Management (via the subsidiaries of Frankfurter Sparkasse, Frankfurter Bankgesellschaft and Helaba Invest), Landesbausparkasse Hessen-Thüringen and GWH. This segment's pre-tax earnings of EUR 188 million were lower than the previous year's figure of EUR 205 million, with the largest contributions coming from GWH and Frankfurter Sparkasse. This result in this segment was adversely impacted by the absence of a positive special effect due to the sale of LB(Swiss) Investment AG in the previous year. At EUR -3.5 million, provisions for losses on loans and advances in this segment were virtually unchanged compared to the previous year (EUR -4.3 million)

In the **WIBank** segment, earnings before tax amounted to EUR 27 million, representing an increase of EUR 8 million on the previous year's figure of EUR 19 million. Net interest income rose by EUR 9 million to EUR 60 million due to a growth in business activities. At EUR 40 million, net fee and commission income was identical to the previous year's level (previous year: EUR 40 million).

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Income Statement of Helaba Group under IFRS as of 31 December 2019

	01.01.-31.12.2019	01.01.-31.12.2018	Change	
	In EUR (millions)	In EUR (millions)	In EUR (millions)	In %
Net interest income	1,191	1,072	119	11.1
Provisions for losses on loans and advances	-86	45	-131	>-100.0
Net interest income after provisions for losses on loans and advances	**1, 105**	**1,117**	**-12**	**-1.1**
Net fee and commission income	395	349	46	13.2
Gains or losses on non-trading deriva-tives and financial instruments to which the fair value option is applied	143	45	98	>100.0
Share of profit or loss of equity-accounted entities	24	13	11	84.6
Other net operating income	387	370	17	4.6
General and administration expenses (incl. scheduled depreciation and amortisation)	-1,521	-1,451	-70	-4.8
Consolidated net profit before tax	**533**	**443**	**90**	**20.3**

	31.12.2019	31.12.2018	Change
	In EUR (billions)	In EUR (billions)	In EUR (billions)
Balance sheet total	207.0	163.0	44.0
Business volume	245.7	200.9	44.8

Key indicators

	2019 financial year	2018 financial year
	In %	In %
Cost/income ratio	71.1	78.5
Return on equity (before tax)	6.3	5.4

	31.12.2019	31.12.2018
	In %	In %
CET1 ratio “fully loaded”	14.2	14.9
Total capital ratio “phased in”	19.0	20.6
Leverage ratio “phased in”	4.5	5.1

Helaba’s ratings

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	Moody's	Fitch	Standard & Poor's
Issuer rating	Aa3	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

Further information on earnings and business figures as well as segment performance can be found at www.helaba.com/de/investorrelations

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About Helaba:

One of the leading banks in the German financial capital of Frankfurt, the Helaba Group employs approximately 6,100 people and has total assets of 207 bn euros. It offers a complete range of financial services from a single source for companies, banks and institutional investors. Helaba provides innovative, high-quality financial products and services for the Sparkassen. It serves as the Sparkasse central bank for Hesse, Thuringia, North Rhine-Westphalia and Brandenburg, making Helaba a strong partner for some 40 percent of Germany's Sparkassen. Helaba is also the regional market leader in retail banking through its subsidiary Frankfurter Sparkasse and has a presence in direct banking through 1822direkt. Landesbausparkasse Hessen-Thüringen, Helaba's independent home loans and savings division, uses the Sparkassen as sales partners and is the market leader in both Hesse and Thuringia. WIBank, which comes under Helaba's Public Development and Infrastructure Business unit, supports development programmes for the State of Hesse. Helaba also engages in many areas of public life by sponsoring ground-breaking cultural, educational, environmental, sports and social projects.