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Helaba achieves significant improvement in first half of 2013

Frankfurt (ots) -

- Group earnings grow by more than 18 per cent
- Buoyant new business volume with satisfactory margins
- Outlook for year cautiously optimistic

Helaba, Landesbank Hessen-Thüringen, continued its upward growth trend in the first half of 2013. It achieved group-wide earnings before taxes of EUR 336 million, surpassing the result of the same period last year by EUR 48 million. After making allowance for taxes, group earnings amounted to EUR 230 million, representing an increase of EUR 36 million.

Hans-Dieter Brenner, CEO of Helaba, sees the result in a positive light: "The bottom line is that all operating units, which include whole sale business just as much as S-Group, private customer and SME business, have achieved good results. This led to a growth in net interest and net commission income. On top of that, there was yet another increase in the net trading income, despite the previous year being characterised by appreciations in value, to which major contributions were made by the customer-driven capital market business. In spite of this good interim result, I am still not inclined to be overly optimistic with regards to the outlook for the year as a whole. Although in view of an expected economic upturn in Europe and other regions I anticipate that our operating business will continue on a stable upward path, we see the net trading income dipping below last year's result by the end of the year. We should not lose sight of the fact that the sovereign debt crisis in the eurozone has not yet run its course and could put further pressure on the markets. For this reason I expect that our group net earnings at the end of the year may just undershoot the record earnings of the previous year.

Net interest income after provisions for loans and advances, net commission income and net trading income positive

At EUR 581 million, it was possible to boost the net interest income after provisions for loans and advances by EUR 34 million. An expansion in customer business, an increase in the interest margin as well as the business taken over from the S-Group Bank NRW all contributed to this.

Provisions for loans and advances, at EUR -137 million, turned out to be EUR 25 million lower than the year before. After inclusion of loan loss provisions, the net interest income grew to EUR 444 million, from a total of EUR 385 million in the first half of 2012.

The net commission income was up by EUR 21 million to EUR 142 million. Commission from payment transactions developed positively, also as a result of the inclusion of the S-Group Bank NRW. Helaba Invest also managed to increase its commission income.

It was once again possible to achieve an increase in the net trading income in the reporting period, by EUR 26 million to a total of EUR 243 million. The main reasons for this were the favourable market environment, in particular, as well as the capital market business with institutional customers and the savings banks.

The result from hedges/derivatives was strongly affected by market movements, reaching EUR 40 million after EUR -16 million in the previous year. The result from financial investments (incl. the result from companies accounted for using the equity method) also improved due to market-related factors from EUR -15 in the year before to EUR 8 million.

The other operating result reached EUR 86 million, having amounted to EUR 107 million in the same period in 2012. A significant factor was the result from property, which is retained as a financial investment, of EUR 75 million. There was a charge due to a write down of goodwill.

General administration expenses grew by EUR 116 million to EUR 627 million. The increase in personnel costs was primarily a result of the integration of more than 400 employees from the S-Group Bank NRW as well as adjustments to salaries. Furthermore, increased costs for IT projects, costs for services in connection with the operation of the S-Group Bank NRW as well as accounting in full for a substantial increase in the annual bank levy in an amount of EUR 48 million had a negative impact.

Earnings before tax amounted to EUR 336 million, after EUR 288 million in the previous year.

After deductions were made for income taxes of EUR 106 million, consolidated net income reached EUR 230 million (corresponding period of previous year: EUR 194 million).

Balance sheet appreciably reduced - loans and advances to customers dominate assets side

Helaba's group balance sheet total fell from EUR 199.3 billion to EUR 180.9 billion in the first half of 2013. On the assets side, the proportion of loans and advances to customers reached 50 per cent of the balance sheet total, growing slightly to EUR 91.4 billion. Loans and advances to banks incl. cash reserve fell by EUR 10.7 billion to EUR 21.5 billion due to a reduction in overnight money and time deposits. Assets held for trading shrunk to EUR 35.2 billion.

On the liabilities side, liabilities due to banks fell by EUR 6.3 billion to EUR 33.0 billion. A fall in securitised liabilities by EUR 7.6 billion to EUR 49.5 billion mainly resulted from a decline in uncovered bearer bonds.

New customer business expanded - refinancing structure adjusted

The volume of new medium and long-term new business increased by EUR 0.9 billion to EUR 7.8 billion. The lion's share was attributable to real estate finance, with a new business volume of EUR 3.9 billion, well in excess of 50 per cent of which was generated in Germany. In corporate finance business, the volume of new transactions amounted to EUR 1.7 billion and it had a special focus on project finance and corporate customer business. S-Group business and the Frankfurter Sparkasse's business contributed a total of EUR 1.2 billion, business with the public sector EUR 0.9 billion. In capital market business, Helaba arranged five promissory note issues for companies with a total volume of more than EUR 700 million. In addition, it supported six German and French local authorities in issuing promissory notes with a volume of EUR 460 million. With the takeover of the certificate platform from the former WestLB, completed last year, Helaba has risen to become one of the leading issuers in Germany.

The expansion of the S-Group bank function led to a further improvement in the liquidity position and to an adjustment in the refinancing structure. The procurement of medium and long-term funds on the capital markets fell by EUR 4 billion to EUR 3.5 billion. With a volume of EUR 2.2 billion, the proportion of uncovered issues made up two thirds of this, of which EUR 1.5 billion were retail issues. A total volume of EUR 1.3 billion in public Pfandbriefe were issued. Two benchmark issues with maturities of five and ten years accounted for EUR 500 million each of this and met with strong investor demand, both nationally and internationally.

In order to strengthen the supplementary (Tier-2) capital, a volume of around EUR 500 million in subordinated bonds was successfully placed. They were predominantly placed with German institutional customers and had maturities of ten years and longer.

As of 30 June 2013, total group equity amounted to EUR 6.9 billion. With a core (Tier 1) capital ratio of 11.7 per cent and a total capital ratio of 16.6 per cent, the banking group has an adequate liable capital position.

Segment report

Real Estate segment

The segment of Real Estate includes real estate finance as well as participations. In the first half of 2013, the volume of medium and long-term new business in real estate finance grew by 18 per cent to EUR 3.9 billion compared to the same period last year, with new business margins being satisfactory. The interest margin in the existing portfolio was slightly increased compared to the previous year. Further, the increase in new business led to higher transaction-driven earnings. Earnings before taxes from the Real Estate segment amounted to EUR 121 million and a rise of EUR 19 million compared to the same period in 2012 was therefore achieved.

Corporate Finance segment

The Corporate Finance segment mainly consists of earnings from corporate customer business, special finance operations as well as selected participations.

In corporate lending, the volume of new business, at EUR 1.7 billion, remained at last year's level. The overall business volume grew by around EUR 2.5 billion, chiefly as a result of the acquisition of loans and advances to customers from the former WestLB. Earnings before taxes in this segment, at EUR 91 million, were significantly above the previous year's result.

Financial Markets segment

The segment of Financial Markets incorporates the results from the business units of capital markets, asset/liability management, public sector sales as well as financial institutions and public finance.

The net interest income from this segment mainly stems from domestic and international public sector lending activities as well as from earnings from capital market activities. The volume of new business with domestic public sector entities increased by 40 per cent, reaching EUR 1.1 billion. Earnings before taxes in this segment, at EUR 189 million, were considerably higher than the previous year and were due to the good net trading income.

Asset Management segment

The expansion of customer business in private banking and wealth management is reflected in a rise in commission income from Frankfurter Bankgesellschaft. In asset management, Helaba Invest was able to grow its assets under control by around 4 per cent and they thus made a higher contribution to commission income. Earnings before taxes in this segment reached EUR 5 million and were slightly below last year's result of EUR 6 million.

S-Group Business segment

As a consequence of taking over the central bank function for the savings banks in North Rhine-Westphalia and Brandenburg, the net interest income of the S-Group Bank increased, primarily due to the joint lending and certificate business. A rise in net commission income was achieved thanks to a positive development in payment transactions.

The range of S-Group banking services provided by Helaba has met with a positive response across Germany. Business with the savings banks in NRW picked up significantly in all business areas. In corporate customer business, the newly designed joint

lending programme MetaPlus had a positive effect.

As expected, the development in gross new business by LBS Hessen- Thüringen in the reporting period was more subdued after the introduction of new building loan tariffs (Bauspartarife). The balance sheet total grew by 4.7 per cent. Net interest income declined due to historically low investment returns. Earnings before taxes in the S-Group Business segment, at EUR 8 million, were below last year's result of EUR 10 million.

Public Development and Infrastructure Business segment

The Public Development and Infrastructure Business is principally represented by the Wirtschafts- und Infrastrukturbank Hessen (WIBank), the development bank of the state of Hesse.

The net interest income of WIBank increased as a result of an expansion in funding for infrastructure, housing and economic development. The assumption of new activities in relation to agricultural development and the regional fund for aircraft noise protection led to a growth in the net commission income. WIBank supports the government of State of Hesse in implementing stable financial structures for local authorities in order to guarantee their long-term viability. Earnings before taxes were EUR 11 million and above last year's result of EUR 7 million.

Frankfurter Sparkasse segment

This segment includes the results from Frankfurter Sparkasse as a sub-group and its consolidated subsidiaries. The first half of the year saw a continuation in the positive earnings development at the forth-largest German savings bank. Stable operating revenues from customer business and a nearly unchanged rise in administration expenses resulted in the second-best operating result before provisions for loans and advances ever. Earnings before taxes in this segment, at EUR 66 million, were below last year's result of EUR 82 million.

Cautiously optimistic outlook for the year

For 2013 as a whole, Helaba expects that group-wide earnings will not quite reach the level achieved in 2012. This earnings forecast is underpinned by the stable development in operating activities. Net trading income is projected to reach a level below last year's very good result. Necessary capital investments in IT infrastructure in order to fulfil new regulatory requirements and the costs of integrating the S-Group Bank NRW will continue to put pressure on administration expenses in the further course of the year. In terms of medium and long-term new business, Helaba anticipates slightly exceeding last year's volume.

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