27.08.2014 – 09:43 Uhr

Helaba with stable business and earnings development in first half- year

Frankfurt am Main (ots) -

- Net interest income rises by 10 per cent
- Substantial fall in provisions for loans and advances
- CET-1 ratio reaches 12.9 per cent
- Annual earnings projected to be in line with targets
- Joint venture in foreign trade finance

In the first half of 2014, Helaba achieved earnings before tax of EUR 322 million, a result that was only slightly below the exceptionally high level of the previous year (EUR 336 million). After allowing for income taxes, the Group result amounted to EUR 216 million.

Hans-Dieter Brenner, Helaba's CEO, is extremely satisfied with this result: "The welcome growth in net interest income is worth highlighting because it demonstrates, as does the rise in net commission income, that our strength lies in our customer-related activities. In the wholesale business as well as the S-Group, private customer and SME segments, we were able to achieve good margins on new business, despite historically low interest rates. The substantial fall in provisions for loans and advances is a reflection of how well the German economy is performing. Beyond that, it is testimony to the solid nature of our lending portfolio and the good creditworthiness of our customers. Net trading income was noticeably lower than in the previous year, in which the result was influenced by a considerable tightening in spreads, but nevertheless remains in line with our forecast."

Over the further course of the year, Helaba's CEO sees an imminent economic slowdown in Germany, weak growth in parts of Europe as well as the unstable geopolitical situation in Eastern Europe and the Middle East as particular risks to the bank's earnings position. Brenner: "As long as there are no extreme market distortions, I anticipate that Group earnings for the year will be somewhat lower than the very high level achieved in 2013 but that we will not have any trouble in achieving our planned targets."

Currently, Helaba is in the midst of a strategic realignment with respect to its foreign trade finance operations. The aim is to considerably increase the efficacy of Helaba's services for the savings banks and its key accounts and to be in a position to provide all the relevant foreign trade finance products. In the course of this strategy, Helaba will concentrate on the focus regions of German companies' international business. In order to support these activities, the bank is opening a further representative office in Singapore this year. Region that Helaba does not fully cover will be served by co-operations. In accordance with this strategy, the bank is entering into a joint venture with the group of the 25 largest savings banks in Germany (G25) and BNY Mellon.

Significant growth in net interest and commission income

The bank succeeded in boosting net interest income to EUR 657 million, representing a rise of 10 per cent or EUR 59 million. In spite of an environment characterised by historically low interest rates, good margins were achieved on a volume of new business that remained practically constant.

Provisions for loans and advances, at EUR -45 million, were EUR 78 million lower than the year before. It should be noted in this case that, pursuant to IFRS 10, instead of creating a loss provision Helaba showed corresponding value adjustments for individual borrowers in the other operating result. After deducting provisions for loans and advances, the net interest income of EUR 475 million in the first half of the previous year had risen to EUR 612 million in the current reporting period.

Net commission income rose by EUR 13 million to EUR 154 million. In this case, commission from transaction services, securities trading and custodial business, as well as from asset management, saw particularly strong growth.

As expected, net trading income of EUR 94 million returned to a normal level. This result was generated to a large extent by customer-driven capital market activities. Net trading income was EUR 154 million below the same period last year, which was characterised by a significant tightening in credit spreads.

The result from hedges and derivatives, too, is strongly characterised by the market value of securities, rising by EUR 29 million to EUR 49 million. There was an improvement in the result from financial investments, including the result from companies using the equity accounting method, which rose to EUR 12 million.

The other operating result fell by EUR 37 million to EUR 36 million, also owing to consolidation. This was primarily driven by the result from property held as a financial investment (EUR 66 million). Among other things, the increase in reserves set aside for restructuring activities in the scope of the Helaba PRO cost and process optimisation project, as well as depreciations on financed assets, had a negative impact on the result.

General administration expenses rose by EUR 17 million to EUR 635 million. The rise in personnel costs was mainly a result of salary adjustments. The increase in other administrative expenses was related, among other things, to IT projects in connection with regulatory requirements and the migration of IT systems.

Earnings before tax amounted to EUR 322 million, having reached EUR 336 million in the same period of the year before.

After making allowance for income tax of EUR 106 million, Group earnings came to EUR 216 million (first half of 2013: EUR 231 million).

Balance sheet total and customer receivables stable

The balance sheet total of the Helaba Group declined slightly from EUR 178.3 billion to EUR 176.5 billion. Loans and advances to customers, at EUR 91 billion, remained at a similar level to 2013. On top of that, there were EUR 9 billion in loans and advances to savings banks. The amount of customer-related business as a proportion of the Group balance sheet, reflecting the fact that Helaba's business model is entrenched in the real economy, thus increased in the first half of 2014 to 57 per cent.

The principal changes on the asset side resulted from the decline in loans and advances to banks, including cash reserve, by EUR 2.2 billion to EUR 20.9 billion. There was a targeted reduction of 5 per cent in assets held for trading, accounted for at market value, to EUR 30.8 billion.

On the liabilities side, liabilities due to banks fell by EUR 2.2 billion to EUR 32.0 billion. Securitised liabilities were increased by EUR 0.7 billion to EUR 49.1 billion. This particularly included an expansion in the volume of public Pfandbriefe of EUR 1.6 billion. Subordinated capital rose from EUR 5.1 billion at the end of 2013 to EUR 5.3 billion.

Positive development in new business with good margins CET-1 capital ratio at 12.9 per cent

The volume of medium and long-term new business in the Helaba Group reached EUR 7.9 billion (2013: 7.8 billion). EUR 4.4 billion of this was attributed to real estate finance and EUR 1.5 billion to activities with corporate customers and project finance transactions within the Corporate Finance business segment. The S-Group business with the savings banks, the private customer and SME business and the home loan and savings business together contributed EUR 1.5 billion. In the capital market business, Helaba arranged 30 Schuldschein issues for companies with a total volume of EUR 3.5 billion. Furthermore, it supported 7 Schuldschein issues for local authorities with a total volume of EUR 320 million.

The market environment for refinancing activities in the first half of 2014 was positive. Around EUR 6.0 billion (same period in 2013: EUR 3.5 billion) in medium and long-term funding had been raised by the middle of the year. The volume of unsecured funding was around EUR 3.0 billion (same period in 2013: EUR 2.2 billion). Revenues from retail issues for private customers of the savings banks amounted to approximately EUR 2.1 billion (same period in 2013: 1.5 billion). There was an overall volume of Pfandbrief issues of about EUR 3.0 billion (same period in 2013: 1.3 billion), of which EUR 2.6 billion were public Pfandbriefe. For the first time, Pfandbrief issues in the first half of the year included a dual-tranche benchmark with a total volume of EUR 1 billion and maturities of three and seven years. In order to strengthen the regulatory supplementary capital, subordinated issues with a volume of around EUR 200 million were placed with institutional customers. Customer deposits in the retail segment, principally at Frankfurter Sparkasse, contribute to a further diversification of the bank's funding sources.

Since the beginning of the years, the determination of regulatory capital requirements as well as the calculation of capital ratios has been conducted in accordance with provisions laid out in the CRD IV/CRR. In the first six months of the year, the core capital ratio rose from 12.8 per cent to 13.7 per cent. With a tier 1 (CET-1) capital ratio of 12.9 per cent as of 30 June 2014 and a total capital ratio of 17.8 per cent, Helaba's capital ratios are significantly higher than the regulatory capital requirements laid out in the CRR, which have been tightened considerably, both in a quantitative and qualitative way. Helaba's leverage ratio of 3.9 per cent as of 30 June 2014 is also considerably above the future regulatory minimum requirement of 3 per cent. Thus, Helaba is well prepared for the ECB/EBA stress test.

Segment Report

Real Estate segment

The Real Estate segment comprises the business divisions of real estate lending and management. Subsidiaries in the real estate business are also part of this segment.

Helaba is among the leading German banks active in this business field. Within the Real Estate segment, real estate lending makes the largest contribution to earnings. The latter achieved a 12 per cent increase in the volume of medium and long-term new business compared to the same period last year, reaching EUR 4.4 billion. The margin on the existing portfolio saw a slight improvement while margins on new business were satisfactory, which led to a rise in the net interest income in this segment. The amount of provisions for loans and advances was significantly lower than last year's level. The result of real estate subsidiaries, especially GWH, showed a positive development compared to the same period in 2013.

Earnings before tax in this segment were EUR 167 million, representing an almost 40 per cent increase.

Corporate Finance segment

The Corporate Finance segment consists primarily of earnings from corporate customer activities and tailored financial solutions.

At EUR 1.5 billion, the level of medium and long-term new business in the Corporate Finance business field was slightly lower than the year before. Due to weak demand, especially for corporate loans, this new business was not able to compensate for maturities in the existing portfolio. Project-based financing activities, especially the financing of infrastructure projects, showed further welcome growth. The result before tax in this segment, at EUR 91 million, was marginally higher than last year.

Financial Markets segment

The business segment of Financial Markets includes the results of the Global Markets, Asset and Liability Management, Public Sector Sales as well as Financial Institutions and Public Finance divisions.

Net interest income in this segment mainly results from lending to domestic and foreign public sector municipalities as well as from earnings generated by capital market transactions for retail customers. Medium and long-term new business with domestic and foreign municipalities amounted to EUR 0.8 billion. The bank was successful in maintaining its position as market leader in the Schuldschein market for corporates and the public sector. In capital market activities, improved earnings from primary market transactions and from business in foreign notes and coins and precious metals led to a rise in the net commission income. The result before tax of this segment was EUR 79 million. The higher result in the same period last year was characterised by a very positive market environment and a significant tightening in credit spreads.

Asset Management segment

The Asset Management segment represents earnings from Helaba Invest Kapitalanlagegesellschaft mbH as well as the Frankfurter Bankgesellschaft Group. Helaba Invest was able to expand its volume of assets under management by around 6 per cent, which contributed to higher net commission income. This segment's earnings before tax amounted to EUR 3 million and thus approached the level seen last year.

S-Group Business segment

The S-Group Business segment comprises the activities of the S-Group Bank and the Landesbausparkasse Hessen-Thüringen. Two years after Helaba assumed the role as central clearing bank for all savings banks in the states of North Rhine-Westphalia and Brandenburg, the migration of all existing portfolios to Helaba's systems was completed as planned on 30 June 2014. The bank is to open a further sales office in Münster.

As the leading German S-Group Bank, Helaba maintains business relationships to almost all savings banks in Germany.

Having overhauled its range of joint lending services in the corporate loan business last year, Helaba is currently in the process of improving its position as a competent partner for foreign trade finance. Now, Helaba is ready to support the savings banks and their customers with all relevant foreign trade finance products. An agreement has been signed with the G25 group of the largest savings banks and BNY Mellon to form a joint venture in foreign trade finance for the region of Southeast Asia, India and China (APAC).

As expected, the gross volume of new business of LBS Hessen- Thüringen showed a somewhat more subdued development in light of the introduction of a new tariff generation. As a result of historically low investment returns, the net interest income continued to decline.

The result before tax in the S-Group Business segment was marginally lower than the equivalent period in 2013.

Public Development and Infrastructure Business segment

This segment mainly includes the activities of Wirtschafts- und Infrastrukturbank Hessen (WIBank), which operates for the State of Hesse in managing and supporting public development business.

The first half of the year was characterised by the continued growth in subsidised programmes for infrastructure, small businesses and housing development. In order to refinance the municipal protection shield, which was established to achieve permanently balanced fiscal budgets for local authorities in Hesse, WIBank placed another bond on the capital markets. By expanding its development activities, it was able to increase the net interest income.

The result before tax in this segment was EUR 9 million, which was slightly lower than last year.

Frankfurter Sparkasse

This segment consists of the result of Frankfurter Sparkasse including its consolidated subsidiaries. As a consequence of low interest rates, the net interest income saw a slight fall. Net commission income was somewhat higher than the same period in 2013. Earnings before tax in this segment, at EUR 68 million, were a little above those achieved in the previous year.

Outlook for the year

Helaba has a stable and balanced business model with sustained growth in earnings. That is why its customers value it as a reliable partner. External conditions, however, can have negative consequences for business development. Risks to Helaba's earnings in the second half of the year include a more pronounced economic slowdown in Germany and continued weak growth in certain eurozone countries. This could bring about a further decline in demand for credit. Political instability in Eastern Europe, too, and the crises in the Middle East pose risks for the financial markets.

In the first half of 2014, Helaba managed to sustain a positive business and earnings development. Provided the existing risks do not lead to any upheavals in the real economy and on the financial markets, the bank feels that, in view of the stable nature of its operating activities, it is still on course for a successful year.

P&L Figures Helaba Group as of 30 June 2014 under IFRS

	01.01.-	01.01.-	Change
	30.06.	30.06.	

	2014	2013		
	EURm	EURm	EURm	in %
Net interest income	657	598	59	9.9
Provisions for loans and advances	-45	-123	78	63.4
Net interest income after provisions for loans and advances	612	475	137	28.8
Net commission income	154	141	13	9.2
Net trading income	94	248	-154	-62.1
Result from hedges/derivatives	49	20	29	>100
Result from financial investments (incl. result from companies using the equity accounting method)	12	-3	15	>100
Other operating result	36	73	-37	-50.7
General administrative expenses	-635	-618	-17	-2.8
Group earnings before tax	322	336	-14	-4.2
Income taxes	-106	-105	-1	-1.0
Net group earnings	216	231	-15	-6.5

In the 2014 fiscal 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 June 2014 under IFRS

	30.06. 2014	31.12. 2013	Change	
	In EURm	In EURm	In EURm	in %
Loans and advances to banks incl. cash reserve	20,876	23,108	-2,232	-9.6
Loans and advances to customers	91,116	91,032	84	0.1
Impairments on receivables	-1,046	-1,119	73	6.5
Assets held for trading	30,771	32,311	-1,540	-4.8
Positive market value of derivatives not held for trading	5,407	4,690	717	15.3
Financial investments (incl. result from companies using the equity accounting method)	25,388	24,196	1,192	4.9
Property, equipment, intangible assets	2,481	2,482	-1	-
Deferred income taxes	330	342	-12	-3.5
Other assets	1,185	1,234	-49	-4.0
Total assets	176,508	178,276	-1,768	-1.0
Liabilities due to customers	44,524	43,916	608	1.4
Securitised liabilities	49,093	48,371	722	1.5
Trading liabilities	31,419	33,739	-2,320	-6.9
Negative market value of derivatives not held for trading	4,155	3,471	684	19.7
Provisions	1,817	1,632	185	11.3
Income tax liabilities	98	83	15	18.1
Other liabilities	851	595	256	43.0
Subordinated capital	5,268	5,073	195	3.8
Equity	7,306	7,234	72	1.0
Total liabilities	176,508	178,276	-1,768	-1.0

Segment Development Helaba Group as of 30 June 2014 under IFRS (earnings before tax)

	01.01.- 30.06.2014	01.01.- 30.06.2013

	01.01.-30.06.2013	01.01.-30.06.2014
	EURm	EURm
Real Estate	167	121
Corporate Finance	91	90
Financial Markets	79	189
Asset Management	3	5
S-Group Business	1	8
Public Development and Infrastructure Business	9	11
Frankfurter Sparkasse	68	66
Other /Consolidation/ Transition	-96	-154
Group	322	336

Financial Ratios

in %	01.01.-30.6.2013	01.01.-30.0.06.2014
Cost-income ratio	63.4	57.4
Return on equity (before tax)	8.9	9.5

	30.06.2014	31.12.2013
Total capital ratio	17.8%	17.4%
Core capital ratio	13.7%	12.8%
CET-1 capital ratio(1)	12.9%	12.5%

(1) The CET-1 ratio was reported for the first time on 31 March 2014 after the implementation of CRR/CRD IV.

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	_
Mortgage Pfandbriefe	-	AAA	-
Financial strength/ viability rating	D+	a+*	-

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

Press Contact:

Press and Communication
MAIN TOWER · Neue Mainzer Strasse 52-58
60311 Frankfurt am Main · www.helaba.de
Tel.: +49 69 / 9132 ? 2192

Wolfgang Kuss
E-mail: wolfgang.kuss@helaba.de

Ursula-Brita Krück
E-mail: ursula-brita.krueck@helaba.de