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Helaba Group with earnings of EUR 485 m after third quarter

- **Net interest income stable, net fee and commission income increases**
- **General administration expenses slightly below previous year**
- **New business with customers rises to EUR 13.9 bn**
- **Sound financial ratios**

Frankfurt am Main – In the first nine months of 2015, Helaba achieved a group-wide result before taxes of EUR 485 m, which was EUR 22 m or 4 per cent below last year's very good result of EUR 507 m. The pro-rata budget target was significantly exceeded. Group-wide earnings after taxes reached EUR 319 m (previous year: EUR 340 m).

Herbert Hans Grüntker, Helaba's Chief Executive, draws a positive conclusion from the Q3 results: "These interim results reflect the good development of Helaba's operating business with customers. The level of new medium and long-term business increased once again. This also translates into a stable net interest income and higher earnings from fees and commissions. Despite increased regulation-induced costs and higher contributions to guarantee funds, general administration expenses were lower than in the previous year. With a view to the end of the current financial year, I am optimistic that we will exceed our targets. From today's perspective, I anticipate achieving a result at the level of last year's record earnings of EUR 607 million".

P&L: net interest income stable, income from fees and commissions increases, general administration expenses decline

The net interest income amounted to EUR 983 m and thus rose by 0.5 per cent, slightly higher than the same period of the previous year (EUR 978 m).

Provisions for losses on loans and advances, at minus EUR 114 m, were noticeably higher than last year's level (minus EUR 62 m), but were nevertheless below the pro-rata budget target. After provisions for losses on loans and advances, the net interest income fell by 5.1 per cent to EUR 869 m.

Net income from fees and commissions rose by EUR 16 m, or 7 per cent, to EUR 245 m. Fees and commissions from asset management activities as well as from the lending and guarantee business performed especially well.

Thanks to a stable level of customer business, net trading income of EUR 119 m in the third quarter remained on the same level as last year (EUR 121 m), despite a challenging market environment.

Net income from hedge accounting and non-trading derivatives amounted to minus EUR 1 m (previous year: EUR 72 m).

The result of financial investments (including companies valued at equity) declined by EUR 11 m to EUR 13 m. Among other things, this was impacted by an impairment on a HETA Asset Resolution AG (Klagenfurt) bond in an amount of minus EUR 38 m.

The other operating income grew by EUR 90 m to EUR 147 m, largely as a result of net income from equity investments in the real estate sector (EUR 103 m). Furthermore, the absence of exceptional charges that affected the prior year’s result had a positive effect.

General administration expenses declined by EUR 5 m to EUR 907 m compared to the same period in the previous year. While personnel expenses rose by EUR 22 m to EUR 465 m due to additional costs arising from collective bargaining agreements, a reduction in other administration expenses of EUR 27 m to EUR 442 m was achieved, in spite of fully absorbing the costs of the new European bank levy and higher contributions to guarantee funds of the Sparkassen-Finanzgruppe. The absence of costs for services provided by Portigon AG had a positive impact.

Earnings before taxes reached EUR 485 m, after EUR 507 m in the previous year. After deducting income taxes of EUR 166 m, which were at nearly the same level as last year, the Group’s net earnings amounted to EUR 319 m (previous year: EUR 340 m).

Balance sheet total almost unchanged with rise in loans and advances to customers

At EUR 178 bn, the Group balance sheet total fell slightly by EUR 1 bn compared to the end of 2014. Loans and advances to customers rose by 3 per cent to around EUR 94 bn, in part due to exchange rate effects but primarily as a result of an increase in loans and advances to corporate and real estate customers as well as to the public sector. Assets held for trading fell by approximately EUR 3 bn to just over EUR 28 bn.

On the liabilities side, liabilities due to banks increased by EUR 1.8 bn to slightly above EUR 37 bn, securitised liabilities by EUR 2.7 bn to EUR 51 bn and liabilities due to customers by EUR 3.5 bn to around EUR 49 bn. Due to an increase in short-term deposits, trading liabilities fell to just over EUR 20 bn.

At EUR 206 bn, the Helaba Group’s total business volume remained on the same level as the year before.

Positive trend in new business while margins continue to fall
Sound development of financial ratios

On a group-wide basis, the amount of new medium and long-term business (not including promotional activities by WIBank) reached EUR 13.9 bn (previous year: EUR 12.5 bn). Of this new business, EUR 7.5 bn was attributed to Real Estate Finance and EUR 3.5 bn to Corporate Finance. The S-Group business with savings banks, the private customer and SME business as well as the home savings business contributed EUR 1.9 bn. EUR 0.8 bn in new medium and long-term business was concluded with local and regional authorities. The average interest margin of the entire portfolio of new medium and long-term business was above the target value but significantly below margins achieved in the previous year.

Approximately EUR 11.6 bn in medium and long-term funding had been raised on the capital markets after the first nine months of the year (previous year: 8.5 bn). The amount of unsecured funding totalled EUR 4.9 bn (previous year: EUR 4 bn). As a consequence of the low interest rate environment, sales of retail issues for the savings banks' private customer business declined to around EUR 1.9 bn (previous year: EUR 2.4 bn). The volume of Pfandbrief issues – as in the same period of 2014 - came to a total of EUR 4 bn. Of this, EUR 1.5 bn was attributable to public Pfandbriefe and and EUR 2.5 bn to mortgage Pfandbriefe. Subordinated issues in a volume of around EUR 700 m contributed to strengthening the bank's funding basis.

Taking into account the current transitional phase-in arrangements for capital requirements, as of 30.09.2015 the common equity tier 1 (CET1) ratio was 13.1 per cent. The total capital ratio amounted to 18.3 per cent. When applying the rules applicable from 2018 in a fully-loaded scenario, the core capital ratio reached 12.0 per cent. The leverage ratio was 3.9 per cent.

Return on equity before taxes reached 8.8 per cent and the cost/income ratio was 60.2 per cent.

Outlook for the year

"In the first three quarters of 2015, Helaba continued the positive trend in its business and earnings. In a market environment characterised by increasingly intense competition, the Board of Managing Directors expects an annual result on the same level as the very good previous year, provided no serious market turbulence arises", Herbert Hans Grüntker remarked with a view to the fourth quarter of 2015.

Income Statement of Helaba Group under IFRS as of 30 September 2015

	01.01.–30.09. 2015	01.01.–30.09. 2014	Change	
	in EURm	in EURm	in EURm	in %
Net interest income	983	978	5	0.5
Provisions for losses on loans and advances	-114	-62	-52	83.9
Net interest income after provisions for losses on loans and advances	**869**	**916**	**-47**	**-5.1**
Net fee and commission income	245	229	16	7.0
Net trading income	119	121	-2	-1.7
Net income from hedge accounting / non-trading derivatives	-1	72	-73	-
Net income from financial investments (incl. companies valued at equity)	13	24	-11	-45.8
Other net operating income	147	57	90	157.9
General administration expenses	-907	-912	5	0.5
Group earnings before taxes	**485**	**507**	**-22**	**-4.3**
Taxes on income	-166	-167	1	0.6
Net Group earnings	**319**	**340**	**-21**	**-6.2**

Statement of Financial Position of Helaba Group under IFRS as of 30 September 2015

	30.09.2015	31.12.2014	Change	
	in EURbn	in EURbn	in EURbn	in %
Loans and advances to banks including cash reserve	19.5	21.6	-2.1	-9.7
Loans and advances to customers	93.5	91.1	2.4	2.6
Allowances for losses on loans and advances	-1.0	-1.0	-	-
Trading assets	28.5	31.3	-2.8	-8.9
Positive fair value of non-trading derivatives	5.0	5.8	-0.8	-13.8
Financial investments (incl. companies valued at equity)	28.9	26.6	2.3	8.6
Property, equipment, intangible assets	4.0	4.1	-0.1	-2.4
Total assets	**178.4**	**179.5**	**-1.1**	**-0.6**
Liabilities due to banks	37.4	35.6	1.8	5.1
Liabilities due to customers	48.8	45.3	3.5	7.7
Securitised liabilities	51.0	48.3	2.7	5.6
Trading liabilities	20.4	29.2	-8.8	-30.1
Negative fair value of non-trading derivatives	4.7	5.4	-0.7	-13.0
Provisions, other liabilities	2.9	2.9	-	-
Subordinated capital	5.7	5.4	0.3	5.6
Equity	7.5	7.4	0.1	1.4
Total equity and liabilities	**178.4**	**179.5**	**-1.1**	**-0.6**

Financial ratios

In %	01.01.-30.09.2015	01.01.-30.09.2014
Return on equity (before taxes)	8.8	9.3
Cost/Income ratio	60.2	61.6
In %	30.09.2015	31.12.2014
CET 1 capital ratio	13.1	13.4
CET 1 capital ratio “fully loaded”	12.0	11.8
Leverage ratio	3.9	4.0
Total capital ratio	18.3	18.5

Ratings

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

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