24 August 2023 Press release Investors

Helaba achieves higher profit in first half of 2023 despite negative impact from real estate and raises medium-term forecast

- Consolidated net profit before tax of € 336 m in first half of 2023 slightly above same period last year (+2.8 percent)
- Charges from real estate business of around 225 million euros processed
- Net interest income benefited from turnaround in monetary policy, rising significantly to € 817 m (+22.7 percent); modest decline in net fee and commission income
- Loan loss provisions increased to € 108 m (+28.2 percent) - total amount of top-level adjustments remains at comfortable € 413 m
- General and administrative expenses stabilised at € 867 m
- CET1 ratio unchanged at 13.9 percent - substantially above regulatory requirements
- Annual forecast 2023 specified to pre-tax earnings at the upper end of the previously stated range of 500 to 700 million euros
- In medium term, Helaba anticipates further noticeable growth in pre-tax profit

In the first six months of 2023, Helaba achieved a higher consolidated net profit before tax of EUR 336 million and anticipates a net profit for the year as a whole at the upper end of its previously forecast range of between EUR 500 to 700 million. In respect of its medium-term outlook, the Group expects to achieve a further noticeable increase in pre-tax earnings.

The first half of 2023 saw Helaba's **consolidated net profit before tax under IFRS** edge up to EUR 336 million (H1 2022: EUR 327 million). The changed monetary policy environment was reflected in this result. **Net interest income** climbed sharply to EUR 817 million (H1 2022: EUR 666 million). At EUR 259 million, **net fee and commission income** was slightly lower than the equivalent prior-year figure (H1 2022: EUR 269 million). This was mainly due to lower contributions from securities and custodian activities as a result of the disposal of the latter business line.

Cyclical changes on real estate markets were reflected in higher charges of around EUR 225 million, which were partially offset by the reversal of certain risk provisioning items. The net negative impact included additional **loan loss provisions** of EUR -108 million (H1 2022: EUR -85 million) as well as a lower **result from investment property** (mainly from GWH) of EUR 86 million (H1 2022: EUR 119 million). Total risk provisioning at Helaba still includes comfortable **top-level adjustments** of EUR 413 million (31 December 2022: EUR 483 million).

General and administrative expenses of EUR -867 million (H1 2022: -869 million) remained stable. A decline in the Group's personnel and mandatory expenses compensated for an increase in other, capital expenditure-driven administrative costs.

"Once again, our half-year results demonstrate that we are on a solid, long-term growth trajectory. Thanks to our broadly diversified business model, we were able to offset the effect of weaker real estate markets. This is yet further testimony to Helaba's resilience, particularly in such a challenging environment", affirmed Thomas Groß, Helaba's CEO.

Thomas Groß is confident about the Group's full-year performance in 2023: "Helaba is in a strong position: we have everything necessary to enable us to continue operating success-fully in the market and to seize opportunities for additional growth arising from the transformation of the economy towards a sustainable model. That is why our target for 2023 is now at the upper end of our previously declared range of EUR 500 to EUR 700 million."

Looking further ahead, Thomas Groß also expresses a sense of optimism: "We are confident that the quality of our real estate portfolio means we are well placed - both in this market cycle and for the future. In view of the positive momentum in and the broad diversification of our business, we expect a further noticeable and sustained rise in the Group's earnings before tax over the medium term." Previously, the medium-term forecast was for an annual profit before tax of EUR 500 million.

Additional key figures for H1 2023 at a glance

The **result from fair value measurement** (of instruments held and not held for trading) amounted to EUR 99 million (H1 2022: 137 million). However, the positive performance of fund investments was outweighed by the lower fair value of derivatives.

Compared to the same period last year, the **other result** decreased to EUR 46 million (H1 2022: EUR 89 million). This was primarily due to the absence of a positive non-recurring effect from the previous year and to unplanned write-downs on real estate held as inventories.

Based on Helaba's continued solid capital position, its **CET1 ratio** remained at 13.9 percent (H1 2022: 13.9 percent).

The **cost-income ratio (CIR)** improved to 61.0 percent (H1 2022: 61.7 percent).

Return on equity (RoE) reached a level of 8.1 percent (H1 2022: 8.7 percent) and was therefore above the Group's target corridor.

The **Group's balance sheet total** remained broadly stable at EUR 212.4 billion (31 December 2022: 211.5 billion).

After tax, the Group achieved an 8.1 percent rise in its **consolidated net profit** to EUR 241 million (H1 2022: EUR 223 million).

Segment report

The **real estate** segment's contribution to the Group's net earnings was dominated by a cyclically challenging environment on property markets. Despite this, there was a modest rise in net interest income. However, the impact of the monetary policy turnaround on the real estate market resulted in a very significant increase in loan loss provisions compared to the same period last year. Consequently, net earnings before tax fell to EUR -25 million (H1 2022: EUR 145 million).

Net earnings before tax in the **Corporates & Markets** segment amounted to EUR 207 million (H1 2022: EUR 291 million). A sharp rise in net interest income was more than offset by weak performance in trading activities. The most significant drivers of the higher net interest income were the divisions of Savings Banks and SMEs as well as Corporate Banking. The decline in net earnings from trading activities was largely attributable to a marked deterioration in the fair value measurement of financial instruments due to interest rate rises and changes in credit spreads.

The **Retail & Asset Management** segment achieved net earnings before tax of EUR 163 million (H1 2022: 78 million). This increase was mainly driven by a substantial rise in net interest income as well as a positive fair value measurement of Frankfurt Sparkasse's special fund portfolio. The result from investment property recognised here had a marked negative impact on the otherwise very positive trend in this segment.

WIBank reported net earnings before tax of EUR 29 million (H1 2022: EUR 23 million). This improved result was attributable to higher interest rate levels and demand for lending, which remained stable. WIBank performs essential development funding activities for the German state of Hesse. Its services are provided on the basis of a full-cost principle. Net interest and net fee and commission income were in line with target figures. Due to temporary effects during the year, administrative expenses were lower than planned on a pro-rata basis.

The **Other segment** recorded a net earnings before tax of EUR -38 million (H1 2022: -210 million), reflecting the impact of the release of management adjustments and lower mandatory contributions.

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