22 August 2018 Investors

Helaba with profit before tax of EUR 200 million in first half of 2018

After tax, the consolidated net profit amounted to EUR 140 million

- Pre-tax profit on target
- Noticeable recovery in volume of new business in Q2
- Risk situation comfortable
- CET1 ratio rises to 15.5 percent
- Implementation of regulatory requirements weighs on administration expenses

Helaba Landesbank Hessen-Thüringen ended the first half of the year with a consolidated profit before tax of EUR 200 million, which was EUR 38 million below the EUR 238 million generated in same period last year. After tax, the consolidated net profit amounted to EUR 140 million (H1 2017: EUR 150 million).

“Conditions remain challenging and are having a particularly negative impact on the net interest income. In contrast, the volume of new business picked up noticeably in the second quarter, as expected, and the risk situation remains comfortable. For the year as a whole, we therefore continue to expect a profit before tax in a mid-triple-digit million range," said Herbert Hans Grüntker, Chairman of Helaba's Board of Managing Directors.

H1 2018 figures at a glance

Net interest income, which was affected by the on-going phase of zero and negative interest rates, declined by EUR 9 million to EUR 521 million. Thanks to the bank’s comfortable risk situation, loan loss provisions made a positive contribution of EUR 13 million towards earnings (H1 2017: minus EUR 2 million). The **net fee and commission income** fell slightly to EUR 172 million (H1 2017: EUR 180 million).

Net trading income fell by EUR 160 million to EUR 8 million. This significant decline was largely due to the widening of credit spreads at the end of the first half. In addition, net trading income in the same period of the previous year was strongly influenced by positive remeasurement effects. Net trading income was offset by a considerable valuation-related improvement in the **net income from hedge accounting and other non-trading financial instruments at fair value** of EUR 22 million (H1 2017: minus EUR 109 million). In the previous year, this item had been impacted by temporary remeasurement effects, which have been recognised directly in equity since 2018.

The **other net income** rose by EUR 39 million to EUR 179 million. **General and administrative expenses** increased to EUR 720 million (plus EUR 49 million). IT and consulting expenses in connection with the implementation of regulatory and business-driven requirements had a particularly strong impact here. This expenditure is associated with the modernisation of Helaba's IT infrastructure and process organisation.

Overall, the **consolidated profit before tax** reached EUR 200 million (H1 2017: EUR 238 million) and the **consolidated profit after tax** stood at EUR 140 million (H1 2017: EUR 150 million).

The Helaba Group's **balance sheet total** rose by EUR 8.7 billion to EUR 166.9 billion in the first half of 2018. The **business volume** increased by EUR 11.4 billion to EUR 202.3 billion. At EUR 89.5 billion, loans and **advances to customers** (financial assets measured at amortised cost) were almost unchanged compared to the end of last year (31 December 2017: EUR 88.7 billion). The volume of new medium and long-term business - excluding WIBank's competition-neutral promotional loan business - amounted to EUR 7.8 billion (H1 2017: EUR 9.1 billion). This almost offset the weaker first quarter and, as expected, the development of new business picked up.

The core CET1 ratio (fully-loaded) amounted to 15.5 percent on 30 June. Return on equity (before tax) reached 5.0 percent.

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Herbert Hans Grüntker
Chairman of Helaba's Board of Managing Directors

Overview of business segments

Since the beginning of the 2018 financial year, Helaba has aligned its segment reporting more closely to the customer and risk structure of its business. The bank separates its activities into the segments of "Real Estate", "Corporates & Markets", "Retail & Asset Management" and "WIBank".

The **Real Estate** segment focuses on larger commercial portfolio and project financing for real estate. Earnings before tax in this segment fell slightly by EUR 12 million to EUR 122 million. The volume of new medium and long-term business reached EUR 3.7 billion (H1 2017: EUR 4.3 billion). As in the previous year, net risk provisioning in the real estate lending business was slightly positive.

The **Corporates & Markets** segment offers products for all customer groups. Its profit before tax fell to EUR 59 million (H1 2017: EUR 159 million), mainly due to a marked decline in net trading income. At around EUR 78.3 million, the Corporate Finance division made the largest contribution to earnings in this segment. At EUR 2.8 billion, new medium and long-term business in the Corporate Finance division was on a similar level to that achieved in the comparable period last year (H1 2017: EUR 2.9 billion).

The **Retail and Asset Management** segment includes Retail Banking, Private Banking, Landesbausparkasse Hessen-Thüringen as well as Asset Management activities (GWH and Helaba Invest). At EUR 133 million, this segment's profit before tax was moderately above the previous year's level (H1 2017: EUR 126 million). Of this amount, EUR 56.0 million is attributable to GWH and EUR 52.5 million to Frankfurter Sparkasse (H1 2017: GWH EUR 52.6 million, Frankfurter Sparkasse EUR 60.0 million). LBS reported cumulative growth of 5.4 percent in new business (home savings contracts) in the first half of the year.

The **WIBank** business segment mainly comprises the division of Wirtschafts- und Infrastrukturbank Hessen. At EUR 9 million, profit before tax in this segment was unchanged from last year. Both net interest income (EUR 24 million) and net fee and commission income (EUR 19 million) corresponded to the pro rata figures for the previous year.

Balance sheet development and P&L figures

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