

Press Release

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Helaba satisfied with 2020 result despite Covid-19

- Consolidated net profit before tax of EUR 223 million
- Transformation programme yielding positive results
- Strong performance of operating activities, with notable growth of 10.1 percent in net fee and commission income
- Stringent cost management reduces general and administrative expenses by 3.4 percent
- Significant increase in risk provisioning to € 305 million which is adequately funded without any major defaults to date
- CET1 ratio at a very good level of 14.7 percent, exceeding previous year and comfortably above regulatory requirements
- Outlook: Consolidated net profit in 2021 in line with previous year's result, assuming risk provisioning remains largely unchanged

Frankfurt am Main – Helaba Landesbank Hessen-Thüringen succeeded in achieving a satisfactory result in the 2020 financial year, despite the negative impact in the wake of the Covid-19 pandemic. The bank posted a consolidated net profit before tax under IFRS of EUR 223 million (previous year: EUR 518 million). After tax, the consolidated net profit amounted to EUR 177 million (previous year: EUR 470 million). "Our Group earnings reflect the fact that the transformation programme that we have launched is having a positive effect. Overall, our operating activities performed well. Thanks to stringent cost management, we were able to halt the trend of rising costs. At the same time, remeasurement effects, which had weighed significantly on our results for the first half of 2020, declined considerably in line with our expectations. On balance, we can be justifiably satisfied when looking back at the result we achieved in 2020", commented Thomas Groß, Helaba's CEO, in summing up the Group's annual results.

The figures for the 2020 financial year at a glance

Net fee and commission income increased sharply by EUR 40 million to EUR 435 million (2019: EUR 395 million), while **net interest income**, at EUR 1,172 million, was slightly below the previous year's level (2019: EUR 1,191 million). **Income from rented properties**, primarily at GWH, once again proved to be a stable and dependable earnings component. In the period under review, it amounted to EUR 215 million (2019: EUR 214 million).

At the same time, the bank succeeded in halting the trend of steadily rising costs. In the course of the ongoing transformation programme, the Group's organisational structure was noticeably streamlined in 2020 and cost-cutting measures were defined and implemented. In addition, IT and consulting expenses were noticeably reduced. Overall, **general and administrative expenses** decreased to EUR -1,468 million (2019: EUR -1,521 million).

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Due to the Covid-19 pandemic, the altogether good performance of the Group's operating activities was overshadowed by a substantial increase in risk provisioning and a marked decline in the result from fair value measurement. Thanks to its good portfolio quality, Helaba has not recorded any major loan defaults to date. However, given the defaults that it anticipates in 2021, the bank proactively increased its **provisions for losses on loans and advances** in 2020 to an adequate level of EUR -305 million (2019: EUR -86 million) and considers itself well prepared to cope with upcoming challenges. Helaba will remain well capitalised going forward so that it can continue to act as a reliable partner for its clients in the future, too.

The negative valuation effects in the first half of 2020 were of a temporary nature and subsided considerably in the second half of the year, as expected. Consequently, Helaba reported a **net income from fair value measurement** of EUR 4 million at the end of the year (2019: EUR 128 million).

At 14.7 percent, the **CET1 ratio** is at a very good level and significantly above current regulatory requirements. The increase compared to the previous year (2019: 14.2 percent) is mainly attributable to a rise in the Group's capital base.

The Helaba Group's **balance sheet total** rose by EUR 12.3 billion to EUR 219.3 billion. This increase was primarily due to measures to boost liquidity in the wake of the Covid-19 pandemic as well as higher market values of derivatives.

Segment report

Amid a challenging market environment, the **Real Estate** segment generated a pre-tax result of EUR 252 million, which was on a par with the previous year (2019: EUR 257 million). In the **Corporates & Markets** segment, the decline in the result from fair value measurement overshadowed the encouraging performance of operating activities, particularly in corporate finance. The segment's result before tax fell to EUR 5 million (2019: EUR 71 million). Earnings before tax in the **Retail & Asset Management** segment saw a moderate increase to EUR 202 million (2019: EUR 195 million). Frankfurter Bankgesellschaft, Helaba Invest, Frankfurter Sparkasse and LBS were the principal drivers of this growth. In addition, rental income from GWH's residential property portfolio, which is allocated to this segment, continued to make a stable contribution to earnings. At **WIBank**, the pre-tax result of EUR 33 million was above the previous year's level (2019: EUR 26 million). During the Covid-19 pandemic, WIBank has been a dependable partner in supporting local businesses with targeted aid programmes on behalf of Hessian state government. It granted funding commitments of EUR 236 million for around 7,600 businesses and entrepreneurs in Hesse. Total earnings in the **Other** segment, at EUR -267 million, were significant below the previous year (EUR -30 million). Negative valuation effects in the result from fair value measurement as well as absence of extraordinary gain from addition of KOFIBA included in previous year's result also had adverse impact in this respect. This segment also includes management and pandemic-related adjustments to risk provisioning.

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A refined strategic agenda to safeguard Helaba's future viability

"The strong performance in our operating activities demonstrates that, with our diversified business model, we are well placed for the future, particularly in times of crisis. In 2020, Helaba took the opportunity to pave the way for the continued successful development of its business. Thanks to our refined strategic agenda and the initiatives it has set in motion, we are in an ideal position to face the challenges that await us," affirmed Thomas Groß.

Besides addressing the immediate challenges as a result of the pandemic, Helaba has also set itself the following long-term goals:

- A consolidated net profit before tax in the mid triple-digit million range.
- Net fee and commission income of at least EUR 500 million, with the aim of achieving a balance between net interest income and total income from non-interest-bearing earnings components.
- An increase in the "S-Group benefit", with the objective of integrating Helaba even more tightly into the Sparkassen-Finanzgruppe.

In order to realise these goals, Helaba is systematically pursuing the strategy it has already embarked on. The following three strategic priorities form the core of this approach:

1. Diversifying our business model more broadly and boosting efficiency

In the course of further diversifying its business model, the bank is focusing on more growth in capital-efficient business lines and developing its long-term lending strategy towards a greater emphasis on placing risks with third parties through syndication. In keeping with its remit as an S-Group bank, Helaba will strengthen its S-Group business with the savings banks by using syndication and launching funds and will become even more closely integrated into the Sparkassen-Finanzgruppe.

2. Modernising the IT infrastructure and driving the digital transformation

A modern IT infrastructure serves as a basis for the growth and future viability of a financial services provider. Therefore, having completely replaced the IT equipment in 2020, the focus in 2021 will be on a fundamental modernisation of the IT infrastructure. In addition to the core banking system, aspects such as smart data and artificial intelligence will also play a key role. In order to achieve this, the bank has planned annual capital expenditure in the triple-digit million range. In addition, the bank will consistently exploit opportunities arising from digitisation, both through in-house development as well as by forging partnerships with platforms and service providers.

3. Harnessing sustainability as an opportunity for growth and strengthening diversity

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Finally, the bank will increasingly turn its attention to the issue of sustainability, pursuing a holistic approach that encompasses Helaba itself, its customer relationships and its commitment to society as a whole. The focus in this regard is on expanding its range of sustainable products with the aim of providing its clients with even more effective support in their own sustainable transformation as well as tapping into further potential for growth in this area. As part of its sustainable approach to human resources, Helaba is placing a greater emphasis on promoting diversity and equal opportunities and, among others, has set itself the goal of appointing women to fill more than 30 percent of management positions in future.

Outlook for 2021

With this strategic alignment, Helaba believes it is well prepared for the challenges ahead. Thomas Groß expresses his optimism for the current financial year, even though it will continue to be heavily impacted by the coronavirus pandemic: "Strategically, we have laid the right groundwork for the future. However, the Covid-19 crisis and its repercussions continue to define the macroeconomic and business environment and interest rates are set to languish at all-time lows. Despite this, we anticipate that we will be able to achieve a pre-tax profit in 2021 in line with last year's result, assuming risk provisioning remains largely unchanged."

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Income Statement of Helaba Group under IFRS as of 31 December 2020

	01.01.- 31.12.2020	01.01.- 31.12.2019	Change	
	In EUR (millions)	In EUR (millions)	In EUR (millions)	In %
Net interest income	1,172	1,191	-18	-1.5
Provisions for losses on loans and advances	-305	-86	-220	>-100.0
Net interest income after provisions for losses on loans and advances	867	1,105	-238	-21.5
Net fee and commission income	435	395	40	10.1
Result from investment property	215	214	1	0.5
Result from fair value measurement	4	128	-124	-96.9
Share of profit or loss of equity-accounted entities	4	24	-20	-83.3
Other net operating income	166	173	-6	-3.5
General and administration expenses (incl. scheduled depreciation and amortisation)	-1,468	-1,521	52	3.4
Consolidated net profit before tax	223	518	-295	-56.9

	31.12.2020	31.12.2019	Change
	In EUR (billions)	In EUR (billions)	In EUR (billions)
Balance sheet total	219.3	207.0	12.3
Business volume	257.5	245.7	11.8

Key indicators

	01.01.- 31.12.2020	01.01.- 31.12.2019
	In %	In %
Cost/income ratio	73.5	71.1
Return on equity (before tax)	2.6	6.1

	31.12.2020	31.12.2019
	In %	In %
CET1 ratio	14.7	14.2
Total capital ratio	19.1	19.0
Leverage	4.8	4.5

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Helaba's rating

	Moody's	Fitch	Standard & Poor's
Issuer rating	Aa3	A+*	A*
Short-term rating	P-1	F1+*	A-1*
Public-sector Pfandbriefe	Aaa	AAA	-
Mortgage Pfandbriefe	-	AAA	-

* based on joint group rating for the S-Group Hesse-Thuringia

Further information on earnings and business figures as well as segment performance can be found at: www.helaba.com/de/investorrelations

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About Helaba:

One of the leading banks in the German financial capital of Frankfurt, the Helaba Group employs approximately 6,300 people and has total assets of 219 bn Euro. It offers a complete range of financial services from a single source for companies, banks and institutional investors. Helaba provides innovative, high-quality financial products and services for the Sparkassen. It serves as the Sparkasse central bank for Hesse, Thuringia, North Rhine-Westphalia and Brandenburg, making Helaba a strong partner for some 40 percent of Germany's Sparkassen. Helaba is also the regional market leader in retail banking through its subsidiary Frankfurter Sparkasse and has a presence in direct banking through 1822direkt. Landesbausparkasse Hessen-Thuringen, Helaba's independent home loans and savings division, uses the Sparkassen as sales partners and is the market leader in both Hesse and Thuringia. WIBank, which comes under Helaba's Public Development and Infrastructure Business unit, supports development programmes for the State of Hesse. Helaba also engages in many areas of public life by sponsoring ground-breaking cultural, educational, environmental, sports and social projects.

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