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**Chairman of the Board of Managing Directors  
of Helaba**

**Annual Press Conference  
2019**

**MAIN TOWER  
Frankfurt am Main**

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*The spoken word shall prevail.*

Ladies and Gentlemen,

I, too, would like to extend you a warm welcome to this year's Annual Press Conference. Before I come to the 2018 financial year, I would first like to introduce our new colleague in the Board of Managing Directors, Frank Nickel. Frank is no stranger to Helaba. For three years he managed the bank's branch in Kassel before becoming Chairman of the Management Board of Sparkasse Werra-Meißner in 1999. Since 2010, he has also been a member of Helaba's Supervisory Board as well as its Risk and Credit Committee and Audit Committee. Most recently, he also acted as Chair of Helaba's Risk and Credit Committee. On 1 March, Frank succeeded Klaus-Jörg Mulfinger and - until he is confirmed by the European Central Bank - will be in responsible for Sparkassen Lending and S-Group Services, Sparkassen Support North and South as well as Landesbausparkasse (LBS) Hessen-Thüringen in his capacity as Executive Vice President.

In addition, we are delighted that Christian Schmid, who is responsible for the Real Estate and Administration divisions as well as our real estate subsidiaries GWH and OFB, received confirmation from the European Central Bank in December last year and was therefore took up his position on the Board of Managing Directors.

Ladies and gentlemen, in keeping with tradition, Dr. Hosemann will then guide you through the Group's results in detail. Afterwards, I will present the measures and initiatives that we have implemented or launched as part of our strategic Agenda 2018. Finally, I would like to wrap things up with an outlook for the current 2019 financial year.

However, if you will allow me, I should like to start by making an overall assessment of our annual results for 2018.

Ladies and Gentlemen,

The 2018 financial year was an action-packed one for Helaba and one in which we made a lot of progress. Once again - and particularly in the second half of 2018 - we were able to demonstrate that we have a strong market position in our core business fields. The "volume of new medium and long-term business" (excluding WIBank's competitively development business), the key figure relevant to our bank, saw a further improvement compared with the previous year, in which we already achieved a good result, rising to 19.0 billion euros (2017: 18.5 billion euros).

With a consolidated net profit before tax under IFRS of 443 million euros, and after tax of 278 million euros, we have achieved a result approaching that of the previous year.

In addition to the ongoing policy of low and negative interest rates, we are seeing increasingly intense competition. On the one hand, this is being driven by new competitors such as insurance companies in the long-term credit business, and on the other by digitalisation. Margins and earnings are coming under increasing pressure. At the same time, the cost side is dominated more and more by investments that are necessary to further digitalise the bank's own activities and to satisfy regulatory requirements.

Against this backdrop, we are satisfied with the overall results of the Group.

Looking ahead, our good market position in our various core business fields is our greatest and most crucial strength.

Our company has a sustainable and well diversified business model. We are firmly embedded in the real economy and occupy strong market positions in our core business fields. We provide our owners with a wide range of highly effective

products and services and we have been a reliable partner for decades. All these aspects are part and parcel of this bank's DNA.

Our revised segment reporting demonstrates our balanced earnings mix, which enables us to compensate for setbacks in individual segments. Allow me to elaborate on this - also with a view to developments in the 2018 financial year.

1. Our bank continues to be one of the leading providers of commercial real estate finance. In 2018, this enabled us to expand our lending volume once again. We significantly increased our syndication business, particularly with the savings banks and Helaba Invest launched and successfully placed the first real estate credit fund for our affiliated savings banks. In addition to this, GWH established the first special fund for residential real estate, which has met with strong demand from the savings banks. This enabled us to exploit our strong position and broad-based presence in the real estate business to provide our S-Group partners with attractive products.
2. Our corporate finance activities also grew noticeably. In addition, with the acquisition of DVB's Land Transport portfolio, we have shown that we are prepared to take advantage of opportunities when they present themselves in order to strengthen our market position.
3. While our Real Estate Lending and Corporates & Markets segments are heavily credit-driven, our Retail & Asset Management activities - which predominantly comprise Frankfurter Sparkasse, Frankfurter Bankgesellschaft, GWH, Helaba Invest, LBS and our securities custodian business - include a high proportion of fee and commission or other income and thus make an important contribution to our balanced earnings mix.

4. In the Development Business segment, the establishment of Hessenkasse within WIBank was proof of our capacity to act and justified the trust placed in us by the State of Hesse.
5. By acquiring Dexia Kommunalbank Deutschland, which is after all the fifth-largest issuer of public-sector Pfandbriefe in Germany, we demonstrated our ability to act and our willingness to seize business opportunities.

Therefore, with a large number of projects, we kept Helaba on the move in 2018 and strengthened it to meet future challenges.

I would now like to hand over to my colleague Dr Detlef Hosemann will give a detailed report on the figures for 2018.

### **Review of the strategic agenda**

Ladies and Gentlemen,

You have no doubt attended a number of annual press conferences this year already at which almost all the challenges and pressures that our industry has to face were presented from different angles. As I do not wish to make any further contribution to this very exhaustive discussion, I will turn instead to the way in which this bank is confronting the situation.

Allow me, if I may, to refer to my opening remarks on Helaba's business model. Our bank has a future-proof business model. That is why neither need nor are we going to make any fundamental changes to our basic organisation. However, it is incumbent upon us to constantly work on refining our business model. I would like to take this opportunity to remind you of our three-pronged strategic agenda, which I mentioned at our Annual Press Conference last year:

1. Refining our business model and implementing growth initiatives
2. Modernising our infrastructure in terms of IT, organisation and digitalisation
3. Enhancing our responsible corporate culture and values

With this triad of initiatives, we would like to continue making Helaba fit for the future and driving the bank forward.

Ladies and Gentlemen,

At this point, I would like to reflect on the past year, our activities, measures and initiatives.

### **Refining the business model – focused growth**

With the completion of the business portfolio review in 2018, we created a sound basis for systematically fine-tuning our business model. We also launched strategic growth initiatives that build on this approach.

In the real estate segment, we have used our long-term customer relationships, long-standing roots in our target markets and our product expertise to further expand our real estate lending business. We have expanded our range of syndication products and also specifically enabled savings banks to participate in lending business that we have acquired. In cooperation with Helaba Invest, a real estate credit fund for savings banks was also launched for the first time. GWH WertInvest (GmbH) was successfully established and is currently in the process of setting up an open-ended real estate credit fund that invests exclusively in residential real estate. Both new funds are attracting a great deal of interest from savings banks.

In Corporate Finance, we are focusing on selected product initiatives that, for example, expand our product range for structured supply chain finance.

In international trade finance, the objective we are pursuing in cooperation with the Sparkassen-Finanzgruppe is to provide export-oriented corporate customers with products and services that support their activities abroad. Together with the savings banks, other Landesbanks and affiliated companies, we want to pool our strengths within the organisation in this business field that is crucial for our corporate clients.

The Scandinavian business in Stockholm has proven so successful we decided to convert our representative office, which opened as recently as 2016, into a branch office last year.

However, we do not want to rely solely on internal growth initiatives, but also take advantage of opportunities for inorganic growth - but only where it is appropriate. With the acquisition of the "Land Transport" portfolio from Deutsche Verkehrsbank (DVB), we have selectively expanded our own portfolio in order to strengthen our market position in this segment and lay the foundation for further growth. Our very comfortable CET1 ratio of 14.9 percent puts us in a position to seize business opportunities of this kind.

### **Digitalisation as an engine for growth**

We see the opportunities that digitalisation offers us as an important lever for more growth. In 2018, we already successfully took advantage of the possibilities of digitalisation to enhance the ways in which we interact with our customers.

Our client portals for corporates and real estate customers have met with a consistently and, in some cases, surprisingly positive response. Our customers

appreciate the clarity and ease of use. The portals create service-oriented value added for our customers and enable additional business to be generated.

With METAPlus Digital, we transformed the syndicated loan process for savings banks into a digital application and integrated it into the savings banks' IT system, OSPlus. The savings banks can now make easier, faster and more transparent use of Helaba's services in their lending activities with corporate customers without any system discontinuity.

With the establishment of Helaba Digital, the investment company for digital start-ups, we have also responded to this rapidly developing market.

The aim of Helaba Digital is to make strategic investments in innovative companies whose digital solutions actively complement and enhance our business model and optimise the bank's core processes.

These endeavours have already yielded the first results: "komuno", a digital platform for municipal loans, which acts as an intermediary between local authorities and banks in the procurement of municipal finance and greatly simplifies the tendering process. After successful initial transactions, we initially made the platform available to savings banks before extending it to all banks, as our objective is to become the leading marketplace in this segment.

However, developing software solutions in-house is not always the best way to achieve your goals. For the digital processing of Schuldschein loans, for example, we opted for the independent platform vc trade, in which more than 280 investors and eight arranging banks now participate.

### **Modern infrastructure and IT**

The future viability of a bank requires a sustainable infrastructure. This is why we initiated the Alpha programme back in 2017. The aim is to fundamentally

modernise the IT systems and organisational structures in order to lay the foundation for the bank's long-term performance and, at the same time, satisfy regulatory requirements. This is not only associated with increased costs, but also ties up a large chunk of the bank's capacities.

### **Responsibility & values**

The third focus of our strategic agenda in 2018 was the continued development of our corporate culture. We updated our mission statement by involving a broad cross-section of our employees. Our value-based approach has been accentuated even more strongly as a feature that distinguishes us from the competition. The core values of "reliability", "focusing on the customer" and "enthusiasm" that we formulated stand for the way in which we want to achieve our goals and work together with our customers. Our customers also appreciate this approach to conducting business by following clear principles and this was emphatically confirmed in a customer survey. Over 90 percent of our business partners are highly satisfied with the service we provide. We achieved particular approval ratings for the factors of trustworthiness, reliability, security and partnership.

As a logical consequence to this, our values-based approach is also expressed by our new claim "Values with impact", which we have placed at the centre of the new brand campaign as a key promise of performance.

Helaba's solid capital base and stability resulted in the bank successfully passing the EBA's stress test in 2018. Our good equity ratio is not only the basis of our position of strength, but also made it possible for us to achieve inorganic growth. Last year, for example, we impressively underscored the fact that Helaba is able to do deals.

## **2018: the bottom line**

2018 was an action-packed year in which Helaba made good progress with its strategic agenda. After initial muted activity, customer business developed positively and the risk situation remains positive. This testifies to the bank's outstanding portfolio quality. Last year, we were also able to selectively expand our business portfolio through acquisitions. Overall, we generated a profit on a par with the previous year despite the challenging structural challenges. With the initiatives we have launched, we have laid the foundations for future growth.

## **Landesbank consolidation**

Ladies and Gentlemen,

Before I turn to the current financial year and our goals, I would like to address an issue that you, ladies and gentlemen, have undoubtedly been eagerly anticipating, namely the Landesbank sector. In close consultation with Helaba's executive bodies and owners, Helaba's Board of Managing Directors made a non-binding offer in October 2018 to participate in Nord/LB's capital increase. Just to make one thing clear at this point: we did not need any advice or support from third parties and none was taken.

The submission of a non-binding offer was based on three aspects:

1. A business logic: The intention of merging two banks of roughly the same size was to reduce the structural costs of a merged institution, which are constantly rising in connection with regulatory requirements, among other things. In other words, a merged institution would have meant drastic cuts to administrative expenses.

2. A strategic logic: Landesbank Hessen-Thüringen already acts as the S-Group Bank for 40 percent of all savings banks in Germany. This already makes us the leading S-Group Bank in Germany. A merger of the two institutions would have created the S-Group Bank north of the Main River, which would then have served well over half of all savings banks.
3. A regulatory logic: the merged entity would have had to report adequate key regulatory figures from the outset.

As you all know, we did not reach a consensus with the savings bank owners of NORD/LB regarding the approach of a permanent and irreversible integration of the merged bank into the Sparkassen-Finanzgruppe - the key word here being the "export" of our successful S-Group concept. For this reason, Helaba's executive bodies and Board of Managing Directors decided not to make a binding offer to participate in the capital increase and to terminate the negotiations.

Irrespective of this, the question of consolidation in the Landesbank sector has been on the agenda since October last year. My position, which is well known, is that the owners of these institutions are the ones who must get the ball rolling. Nevertheless, Helaba's Board of Managing Directors welcomes the fact that there could be some momentum on the question of the structure of the Landesbank sector. However, from the Board of Managing Directors' point of view, momentum alone is not enough.

When considering the issue of consolidation among Landesbanks, the first issue that must be addressed is that of the business model. Then comes the question of ownership structure. Only if there are clear ideas and opportunities in this respect can a consolidation of the Landesbanks be successful.

The desire among the savings banks to hold a very large stake in a consolidated S-Group institution is plausible and understandable. However, it is also logical and understandable that institutions that are wholly owned by the savings banks should participate in this consolidation, not as the icing on the cake, but from the very beginning as an "initial charm offensive".

### **Outlook for 2019**

After this excursion into the Landesbank scene, I would now like to turn my attention to 2019 at Helaba. This year, too, we will continue to work on implementing our strategic agenda. I previously outlined the most important features of this, which are:

- our growth initiatives,
- our digitalisation initiatives as well as the modernisation of our technical infrastructure
- and the ongoing development of our corporate culture

We want to consistently push ahead with addressing all of these issues. In 2019 we intend to expand these initiatives by a fourth point.

We assume that the new reality of the banking business, consisting of the ECB's zero or low interest rate policy, the regulation of business models and ongoing digitalisation, will remain the norm. This means that there will continue to be intense competition. Spending and capital expenditure to meet regulatory requirements, modernise technical infrastructure, digitise processes and customer systems and enter new market segments will also remain high. In this environment, we want to continue to grow, because stagnating earnings on the one hand and rapidly mounting expenses on the other do not constitute a recipe for long-term

success. In addition to implementing our targeted growth initiatives, we will expand our strategic agenda by an additional fourth point, namely "Growth through efficiency". By increasing efficiency, we want to slow the rise in costs while at the same time exploiting the resulting room for manoeuvre to systematically implement our growth initiatives. We have these opportunities for growth because our customers trust us and appreciate our advice, as our customer survey has unequivocally shown.

I am confident that the addition of "Growth through efficiency" will effectively complement our strategic agenda of growth initiatives, digitalisation and corporate culture. Implementing it will make Helaba even stronger and will ensure that we can continue to expand our strong market position in the future and take advantage of market opportunities.

In light of the initiatives that we have already launched, we expect to achieve an overall result comparable to that of the previous year, despite the ongoing impact of the interest rate environment and regulatory requirements. Thank you very much for your attention and I now look forward to answering any questions you may have.

Thank you!