MOODY'S INVESTORS SERVICE

COMPANY PROFILE

# Landesbank Hessen-Thüringen GZ

Frankfurt am Main, Germany

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## Company Overview

Landesbank Hessen-Thüringen GZ (Helaba) is a German universal bank with a regional focus on its core centres in the federal states of Hesse, Thuringia, North Rhine-Westphalia and Brandenburg.

Helaba operates as a central bank for 159 savings banks in the aforementioned four federal states. In Hesse and Thuringia, Helaba and the savings banks form the Sparkassen-Finanzgruppe Hessen-Thüringen, operating as a single economic unit. In North Rhine-Westphalia and Brandenburg, Helaba and the savings banks have signed cooperation and business agreements.

Helaba provides a range of wholesale and retail banking services to corporate and private clients, institutional customers, central, regional and local public authorities, and municipal corporations. It distributes its products and services from its twin head offices in Frankfurt am Main and Erfurt, through branch offices in Germany, France, the UK and the US, and representative offices in Spain, Sweden, Russia, China and Singapore. In Switzerland (Zurich), Helaba is represented through its subsidiary Frankfurter Bankgesellschaft (Schweiz) AG.

Helaba was established in 1953 as Hessische Landesbank, following the tripartite merger of Hessische Landesbank Darmstadt, Nassauische Landesbank Wiesbaden and Landeskreditkasse zu Kassel. The bank was rebranded with its current name on 1 July 1992. Its largest shareholder is the Savings Banks and Giro Association Hesse-Thuringia, which holds 68.85% of its total share capital.

In July 2012, Helaba integrated WestLB's Verbundbank, the savings bank business of the former WestLB AG (WestLB), as well as its cash management, securities and custodial businesses. As part of this transaction, Helaba became the central bank of 105 savings banks in North Rhine-Westphalia and 11 savings banks in Brandenburg, enhancing its long-standing presence in Hesse and Thuringia.

*Source: Company Reports (annual report Dec 2015), Moody's research*

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## Financial Highlights (as Reported)

*Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Landesbank Hessen-Thüringen GZ, please see <Landesbank Hessen-Thüringen GZ page on moodys.com>.*

EXHIBIT 1

**Latest Full-Year Results**

Landesbank Hessen-Thüringen GZ

| (in € Billion) | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 | % Change 15/14 | % Change 14/13 |
|---|---|---|---|---|---|
| Total Assets | 172.3 | 179.5 | 178.3 | (4.03) | 0.68 |
| Total Shareholders' Equity | 7.7 | 7.4 | 7.2 | 4.44 | 1.51 |
| Shareholders' Equity excluding Minority Interest | 7.7 | 7.3 | 7.2 | 4.49 | 1.52 |
| Total Own Funds | 10.9 | 10.0 | 9.4 | 9.17 | N/M |
| Tier 1 Ratio (%) | 14.9 | 14.3 | 12.8 | 60 bps | N/M |
| Net Income (after taxes) | 0.42 | 0.40 | 0.34 | 5.54 | 18.51 |
| Net Income Attributable to Equity Holders | 0.43 | 0.40 | 0.34 | 6.48 | 17.94 |

Notes: 1) Consolidated financials are considered

2) "Shareholders' Equity excluding Minority Interest" is calculated by deducting "Minority Interest" from "Total Shareholders' Equity"

3) "Total Own Funds" and "Tier 1 Ratio" for Dec 2015 and Dec 2014 are stated in accordance with the Basel III framework, while those for Dec 2013 are in accordance with the Basel II framework

*Source: Company Reports (annual report December 2015 and December 2014)*

EXHIBIT 2

**Latest First-Half Results**

Landesbank Hessen-Thüringen GZ

| (in € Billion) | 30-Jun-16 | 30-Jun-15 | % Change 16/15 |
|---|---|---|---|
| Total Assets | 175.6 | 180.5 | (2.71) |
| Total Shareholders' Equity | 7.6 | 7.5 | 2.13 |
| Tier 1 Ratio (%) | 14.9 | 13.7 | 120 bps |
| Net Income (after taxes) | 0.18 | 0.24 | (22.36) |

Note: Consolidated financials are considered

*Source: Company Reports (half-yearly report June 2016 and June 2015), Company data*

## Business Activities

Helaba is a universal bank in Germany. It provides wholesale banking services to corporate and institutional customers; central, regional and local public authorities; and municipal corporations. It also provides retail banking services through its 100%-owned subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft. Furthermore, it is the central bank for savings banks in the four federal states of Hesse, Thuringia, North Rhine-Westphalia and Brandenburg, and provides products and services to all German savings banks.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Helaba redefined its operating segments in 2014.[1] As of 31 December 2015, the bank operated through the following five segments: S-Group Business, Private Customers and SME Business; Real Estate; Corporate Finance; Financial Markets; and Public Development and Infrastructure Business. In addition, it maintains an Other segment, which includes the results of transaction banking services such as cash management and settlement/custody services, as well as items not directly attributable to other segments. In the financial year ended 31 December 2015, the largest contributor to the bank's net interest income was the Real Estate segment.

S-Group Business, Private Customers and SME Business: This segment, which accounted for 31.5% of Helaba's net interest income in 2015, comprises the activities of S-Group Bank and Landesbausparkasse Hessen-Thüringen.[2] This segment provides a range of banking products and services to savings banks, and to their private and small and medium-size enterprise (SME) customers. It also includes Frankfurter Sparkasse's retail business and Frankfurter Bankgesellschaft's private banking operations. As of 31 December 2015, this segment reported total consolidated assets of €37.1 billion.

Real Estate: This segment, which in 2015 accounted for 32.1% of the bank's net interest income, provides a range of real estate lending and management services in Germany and internationally to commercial investors (both private and institutional), real estate funds and residential property companies. Its products and services include traditional real estate financing of commercial and residential estates, residential participations, planning and support services for own and third-party real estate, private-public partnership projects and facility management services. It also includes the activities of the bank's real estate subsidiaries, OFB Group (a commercial real estate project development and construction management company) and GWH Group (a housing company). As of 31 December 2015, this segment reported total consolidated assets of €34.1 billion.

Corporate Finance: This segment, which accounted for 28.0% of the bank's net interest income in 2015, provides financing services, including tailored financing solutions, corporate loans, transport finance, project finance, trade and commodity finance, asset-backed securities/forfaiting, acquisition finance, leasing, balance sheet structuring and pension management, to SMEs, large companies and government entities. As of 31 December 2015, this segment reported total consolidated assets of €26.1 billion.

Financial Markets: This segment, which accounted for 4.4% of the bank's net interest income in 2015, provides loans, traditional capital market products and a range of financial instruments used to manage interest rate, currency and credit risks, and liquidity. In addition, it includes the bank's treasury, trade and sales activities. This segment is subdivided into the following five business divisions: Financial Institutions and Public Finance; Capital Markets; Asset/Liability Management; Sales Public Authorities; and Asset Management. As of 31 December 2015, the Financial Markets segment reported total consolidated assets of €60.7 billion.

Public Development and Infrastructure Business: This segment, which accounted for 4.0% of Helaba's net interest income in 2015, includes the activities of Wirtschafts- und Infrastrukturbank Hessen (WIBank), which operates for the State of Hesse in managing and supporting state public development business. WIBank is a legally dependent public institution and carries a statutory guarantee (Gewährträgerhaftung) from the State of Hesse. As of 31 December 2015, this segment reported total consolidated assets of €16.1 billion.

*Source: Company Report (annual report Dec 2015), Moody's research*

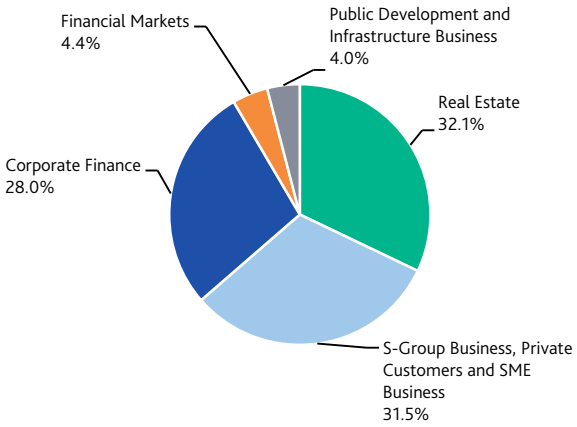
[1] In 2014, the new business segment S-Group Business, Private Customers and SME Business was established. It consolidated the results of the previous separately reported, retail business of Frankfurter Sparkasse (Sparkassen) and the private banking operations of Frankfurter Bankgesellschaft Group. Helaba Invest Kapitalanlagegesellschaft mbH's institutional asset management results were reported as part of the Financial Markets segment.

[2] Throughout this section, such percentages are calculated excluding "Consolidation/Reconciliation" and the Other segment

EXHIBIT 3

**Business Segment**

(% of Net Interest Income, consolidated, for 2015)



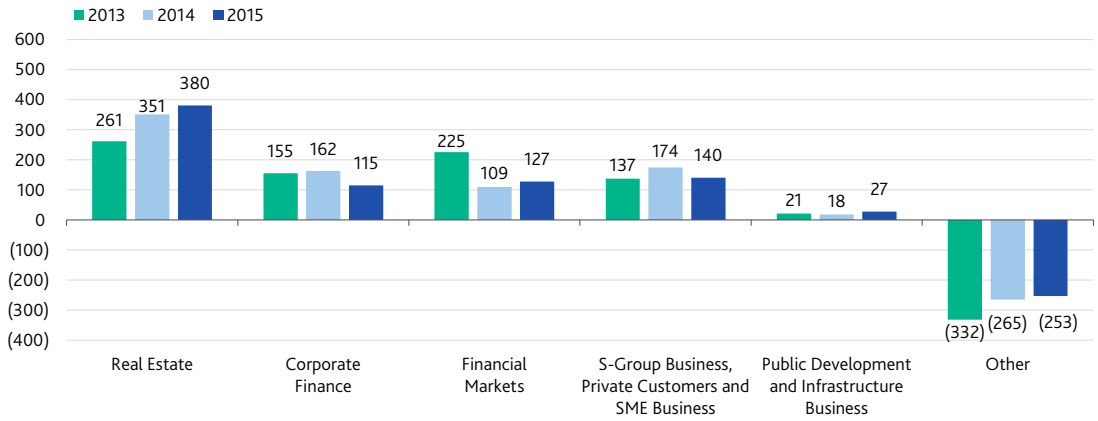

Note: Excluding "Consolidation/Reconciliation"

*Source: Company Report (annual report Dec 2015, Pg: 111)*

EXHIBIT 4

**Income Before Tax per Business Segment**

(consolidated, in € Million)




Note: Excluding "Consolidation/Reconciliation"

*Source: Company Reports (annual report Dec 2015, Pg: 111 and Dec 2014, Pg: 102)*

## Distribution Capacity and Market Share

Helaba is a German bank with a regional focus on its core centres of Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. It acts as the central bank (Sparkassenzentralbank) for 159 savings banks. In addition, it acts as the development and infrastructure bank for the State of Hesse, through WIBank.

The bank conducts retail banking services through its subsidiary Frankfurter Sparkasse, via a network of 82 branches and advice centres in the Rhine-Main region. Helaba provides direct banking services via the internet and telephone through its subsidiary 1822direkt (the direct banking arm of its subsidiary Frankfurter Sparkasse), which as of 31 December 2015 operated approximately 524,000 accounts in Germany.

Landesbausparkasse Hessen-Thüringen (LBS), a legally dependent business unit within Helaba, is a leading savings and mortgage loan association in Hesse and Thuringia. It distributes its products and services through the savings banks, serving approximately 700,000 customers, and had €5.2 billion in total assets, as of 31 December 2015.

Helaba Invest, the asset management subsidiary of Helaba, is a German fund-management company for special (bespoke) investment trusts. As of 31 December 2015, it reported assets under management of €149.2 billion.

Helaba provides its products and services through its twin head offices in Frankfurt am Main and Erfurt; five branch offices based in Germany (Duesseldorf and Kassel), France (Paris), the UK (London) and the US (New York); through representative offices in Spain (Madrid), Sweden (Stockholm), Russia (Moscow), China (Shanghai) and Singapore; and sales offices in Germany. In Switzerland (Zurich), Helaba is represented through its subsidiary Frankfurter Bankgesellschaft (Schweiz) AG.

The geographical distribution of the bank's income was as follows:

EXHIBIT 5

**Landesbank Hessen-Thüringen GZ**

| | Income (%) | |
|---|---|---|
| Geography | 2015 | 2014 |
| Germany | 85.7 | 87.0 |
| Europe (excluding Germany) | 8.1 | 7.5 |
| Rest of World (excluding Europe) | 6.2 | 5.5 |
| **Total** | **100.0** | **100.0** |

Note: Income is calculated by taking into account loan loss provisions

*Source: Company Report (annual report Dec 2015), Company data, Moody's research*

## Ownership and Structure

Helaba, a public law institution registered in Germany, is the parent company of the Helaba Group. Previously, it had been owned by the Savings Banks and Giro Association Hesse-Thuringia, the State of Hesse and the Free State of Thuringia. Following the integration of WestLB's Verbundbank business, the bank increased its share capital by €111.88 million to €588.88 million, and its other capital as part of its core Tier 1 capital by €888.12 million. As a result of this transaction, the following entities became shareholders of the bank: the Rhineland Savings Banks and Giro Association (Rheinischer Sparkassen- und Giroverband); the Savings Bank Association Westphalia-Lippe (Westfälisch-Lippischer Sparkassenverband); FIDES Beta GmbH, Trustee for the Reserve Fund of the Landesbanken; and FIDES Alpha GmbH, Trustee for the Regional Savings Banks Support Funds.

Helaba's largest shareholder is the Savings Banks and Giro Association Hesse-Thuringia, which held a stake of 68.85%, followed by the State of Hesse, which holds a stake of 8.10%.

Helaba is protected by the German Sparkassen-Finanzgruppe's institutional support system, through its membership of the Reserve Fund of the Landesbanken and Girozentralen. The reserve fund, one of the 13 security guarantee schemes that together form the joint institutional guarantee system of the German Sparkassen-Finanzgruppe, safeguards the liquidity and solvency of credit institutions. Furthermore, Helaba is a member of the independent regional reserve fund of the Sparkassen-Finanzgruppe Hessen-Thüringen, which provides additional protection for Helaba and the 50 savings banks in Hesse and Thuringia. The reserve fund was established on 1 January 2004, and has no cap on the amounts per creditor guaranteed. As of 31 December 2015, the total reserves of the fund amounted to approximately €521 million. In connection with the integration of WestLB's Verbundbank, additional regional reserve funds were established by the savings banks in North Rhine-Westphalia for Helaba.

*Source: Company Reports (annual report Dec 2015 and Dec 2012), Company data*

## Ownership Structure

As of 31 December 2015, the bank's ownership structure was as follows:

EXHIBIT 6

**Landesbank Hessen-Thüringen GZ**

| Shareholder | % Held |
|---|---|
| Sparkassen- und Giroverband Hessen-Thüringen | 68.85 |
| State of Hesse | 8.10 |
| Sparkassenverband Westfalen-Lippe | 4.75 |
| Rheinischer Sparkassen- und Giroverband | 4.75 |
| Fides Alpha GmbH* | 4.75 |
| Fides Beta GmbH* | 4.75 |
| State of Thuringia | 4.05 |
| **Total** | **100.00** |

* Operating as trustee of the German Savings Banks and Giro Association (DSGV)

*Source: Company Report (annual report Dec 2015)*

## Subsidiaries and Associates

As of 31 December 2015, the bank's major subsidiaries and associates were as follows:

EXHIBIT 7

**Landesbank Hessen-Thüringen GZ**

| | | % Held | |
|---|---|---|---|
| Selected Subsidiaries and Associates | Registered Office | Direct | Indirect |
| 1822direkt Gesellschaft der Frankfurter Sparkasse mbH | Frankfurt am Main | – | 100.00 |
| Frankfurter Bankgesellschaft (Schweiz) AG | Zurich | 100.00 | – |
| Frankfurter Bankgesellschaft (Deutschland) AG | Frankfurt am Main | – | 100.00 |
| Frankfurter Sparkasse | Frankfurt am Main | 100.00 | – |
| GGM Gesellschaft für Gebäude-Management mbH | Erfurt | – | 100.00 |
| GWH Wohnungsgesellschaft mbH Hessen | Frankfurt am Main | – | 100.00 |
| Helaba Invest Kapitalanlagegesellschaft mbH | Frankfurt am Main | 100.00 | – |
| Helaba Asset Services | Dublin | 100.00 | – |
| OFB Projektentwicklung GmbH | Frankfurt am Main | 100.00 | – |

*Source: Company Reports (annual report Dec 2015)*

## Company Management

| Board of Directors | Current Title | Responsibilities |
|---|---|---|
| Herbert Hans Grüntker | Chief Executive Officer and Chairman | Central Staff & Group Strategy Division, Internal Audit, Economics/Research, Human Resources, Legal Services, Sales Public, Authorities, Asset/Liability Management, Capital Markets, Public Development and Infrastructure Business (WIBank), Helaba Invest |
| Thomas Groß | Deputy Chief Executive Officer | Risk Controlling, Credit Risk Management Corporates/Corporate Finance/Financial Institutions, Credit Risk Management Real Estate, Credit Risk Management Restructuring/Workout, Cash Management, Strategy Project Digitalization, Frankfurter Bankgesellschaft |
| Jürgen Fenk | Member of the Board | Real Estate Lending, Debt Capital Markets and Sales Management RE, Real Estate Management, Administration, Financial Institutions and Public Finance, GWH, OFB |
| Dr. Detlef Hosemann | Member of the Board | Accounting and Taxes, Group Controlling, Organisation and Information Technology, Information Security Management, Compliance-Functions, Settlements/Custody Services, Frankfurter Sparkasse |
| Klaus-Jörg Mulfinger | Member of the Board | Verbundbank, Landesbausparkasse Hesse-Thuringia (LBS) |
| Dr. Norbert Schraad | Member of the Board | Corporate Finance, Customer Relationship Management Multinational Corporations, Customer Relationship Management Midcaps, General Manager Sales NRW/Düsseldorf Branch, Sales Services, Customer Relationship Management Public Authorities/Municipal Corporations, Customer Relationship Management Financial Institutions, Customer Relationship Management Corporate Clients |

As of 1 Aug 2016

| Supervisory Board | Affiliation | Appointed by |
|---|---|---|
| Gerhard Grandke | Chairman of the Supervisory Board;<br>Sparkassen- und Giroverband Hessen-Thüringen, Frankfurt am Main/Erfurt: Executive President | Sparkassen- und Giroverband Hessen-Thüringen |
| Dr. Werner Henning | Vice Chairman of the Supervisory Board;<br>County District of Eichsfeld, Heiligenstadt: Chief Administrative Officer | Sparkassen- und Giroverband Hessen-Thüringen |
| Dr. Thomas Schäfer | Second Vice Chairman of the Supervisory Board;<br>Ministry of Finance of the State of Hesse, Wiesbaden: Minister of State | State of Hesse |

As of 01 Sept2016

*Source: Company data*

## Company History

Helaba was established as Hessische Landesbank in 1953 following the tripartite merger of Hessische Landesbank Darmstadt (founded 1940), Nassauische Landesbank Wiesbaden (1840) and Landeskreditkasse zu Kassel (1832). The bank was rebranded with its current name on 1 July 1992.

In September 2005, Helaba acquired Frankfurter Sparkasse, Germany's fourth-largest savings bank.

In August 2009, the bank merged the joint venture Investitionsbank Hessen with LTH – Bank for Public Infrastructure to form WIBank, a legally dependent institution forming part of Landesbank Hessen-Thüringen. In December of that year, Helaba sold its 25% stake in Banque LBLux SA to BayernLB in exchange for a 50% interest in LB (Swiss) Privatbank AG, which became a wholly owned subsidiary.

In September 2010, the bank both expanded and strengthened its private banking and asset management activities for savings banks, by acquiring Frankfurter Bankgesellschaft von 1899 through its existing subsidiary LB (Swiss) Privatbank AG. The combined entity was renamed Frankfurter Bankgesellschaft Privatbank, and is based in both Zurich and Frankfurt am Main.

In June 2011, Helaba sold its 5.5% stake in DekaBank. As of 30 December 2010, the bank sold a 35% stake in Hannover Leasing GmbH & Co. KG to Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH. Currently, Helaba holds 49.3% of Hannover Leasing.

In December 2011, Helaba's three owners decided to start negotiating a possible integration of WestLB's Verbundbank, the savings bank business of WestLB, after reviewing the results of their due diligence on the unit. In July 2012, Helaba acquired WestLB's Verbundbank business, with total assets of around €40 billion and 451 employees. Additionally, the cash management, securities and custodial businesses of the former WestLB were transferred to Helaba. As a result of this transaction, Helaba was assigned the function of central bank of 116 savings banks in North Rhine-Westphalia and Brandenburg.

*Source: Company Reports (annual report Dec 2014, Dec 2013, Dec 2012 and Dec 2010, interim report June 2013), Company data, Moody's research*

## Peer Group

» Bayerische Landesbank

» HSH Nordbank AG

» Landesbank Baden-Wuerttemberg

» Norddeutsche Landesbank GZ

## Subsidiaries and Related Entities Rated by Moody's

» Main Capital Funding Limited Partnership

» Main Capital Funding II Limited Partnership

## Related Websites and Information Sources

For additional information, please see:

» the company's website: www.helaba.de

» the regulator's website: www.bundesbank.de

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## Moody's Related Research

### Credit Opinion:

» Landesbank Hessen-Thüringen GZ, July 2016 (1030862)

### Banking System Outlook:

» Germany, October 2015 (1006359)

### Special Comments:

» Helaba, LBBW, BayernLB and NORD/LB : Peer Comparison: Landesbanks' Revamped Business Models Face New Tests, August 2016 (1027710)

» EBA Stress Test Shows Most EU B Are Resilient to Adverse Conditions, August 2016 (1034448)

» Moody's: Sparkassen Finanzgruppe - Revised Institutional Protection Scheme Leaves Landesbank Ratings Intact For Now, February 2016 (1014218)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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