Helaba

Annual Financial Report 2020

Annual Financial Statements of Helaba

Values with impact.

Contents

Management Report and Annual Financial Statements of Landesbank Hessen-Thüringen Girozentrale

Management Report and Annual Financial Statements of Landesbausparkasse Hessen-Thüringen

Management Report of Landesbank Hessen-Thüringen Girozentrale

Management Report

Basic Information About the Bank

Business model of the Bank

Landesbank Hessen-Thüringen (Helaba) is a credit institution organised under public law; its long-term strategic business model is that of a full-service bank with a regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkassen-Finanzgruppe. One key aspect of Helaba's business model is its legal form as a public-law institution. Helaba operates as a for-profit entity in line with the applicable provisions of the Charter and the Treaty of the Formation of a Joint Savings Banks Association Hesse-Thuringia. The Treaty and the Charter establish the legal framework for Helaba's business model. Other factors central to this business model are Helaba's status as part of the Sparkassen-Finanzgruppe with its institutional protection scheme, the distribution of tasks between Sparkassen, Landesbanken and other S-Group companies, the large stake in Helaba owned by the Sparkassen organisation, and Helaba's retention and expansion of its activities in the S-Group and public development and infrastructure business.

Helaba serves its clients in three functions: as a commercial bank, as a Sparkasse central bank and as a development bank.

As a commercial bank, Helaba operates in Germany and abroad. Helaba's hallmarks include stable, long-term customer relationships. It works with companies, institutional clients and the public sector.

Helaba is a Sparkasse central bank and S-Group bank for the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg and, therefore, for around 40 % of all Sparkassen in Germany. It operates as a partner to the Sparkassen rather than as a competitor.

Helaba and the S-Group Sparkassen in Hesse and Thuringia together constitute the Sparkassen-Finanzgruppe Hessen-Thüringen, which follows a business model based on economic unity and a joint S-Group rating. Comprehensive co-operation and business agreements have been entered into with the Sparkassen and their associations in North Rhine-Westphalia. In addition, there are sales co-operation agreements with the Sparkassen in Brandenburg. The agreements with the Sparkassen in North Rhine-Westphalia and Brandenburg complement the S-Group Concept of the Sparkassen-Finanzgruppe Hessen-Thüringen, which continues in its current form.

In its capacity as the central development institution for Hesse, Helaba administers public-sector development programmes through Wirtschafts- und Infrastrukturbank Hessen (WIBank). As a dependent institution within Helaba, WIBank enjoys a direct statutory guarantee from the State of Hesse, which is in compliance with applicable European Union (EU) law. WIBank's business activities are guided by the development objectives of the State of Hesse. Helaba also has stakes in a number of other development institutions in Hesse and Thuringia.

In addition to Helaba, the business model includes further strong, well-known brands (in some cases, legally independent subsidiaries) that complement the Group's product portfolio.

Helaba is the market leader in the home loans and savings business in both Hesse and Thuringia through Landesbausparkasse Hessen-Thüringen (LBS).

Frankfurter Sparkasse, a wholly owned subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region with around 810,000 customers. It also has a presence in the nationwide direct banking market through 1822direkt.

Frankfurter Bankgesellschaft (Schweiz) AG (FBG) and its wholly owned subsidiary Frankfurter Bankgesellschaft (Deutschland) AG provide Helaba's products and services for Sparkassen in private banking and in the wealth and asset management businesses. FBG, which operates as the private bank of the Sparkassen-Finanzgruppe, acquires high-net-worth customers in Germany through Sparkassen in the S-Group with which it has a collaboration agreement. In its role as a central partner for the Sparkassen, Frankfurter Bankgesellschaft offers the Family Office service, enhancing its range of professional advisory services in connection with all asset-related matters. With the investment in IMAP M&A Consultants AG (Deutschland), Frankfurter Bankgesellschaft extended its range of services for family-owned businesses from the beginning of 2020 to include consulting services in connection with mergers and acquisitions (M&A).

The wholly owned subsidiary Helaba Invest is one of Germany's leading institutional asset management companies that administer and manage both securities and real estate. Its product range includes special funds for institutional investors and retail funds as a management and / or advisory portfolio, comprehensive fund management (including reporting and risk management), advice on strategy and support for indirect investments. Within the Sparkassen-Finanzgruppe, Helaba Invest is the largest provider of special funds for institutional investors.

The GWH Group manages almost 50,000 residential units and is therefore one of the largest housing organisations in Hesse. The group focuses on developing housing projects, managing and optimising residential property portfolios, and initiating and supporting residential real estate funds.

The OFB Group is a full-service group of companies in the fields of real estate project development, land development and the construction and project management of high-value commercial real estate. It operates throughout Germany with a particular focus on the Rhine-Main region.

Helaba's registered offices are situated in Frankfurt am Main and Erfurt, and it also has branches in Düsseldorf, Kassel, Paris, London, New York and Stockholm. The branches allow Helaba to strengthen its local presence close to customers and Sparkassen. The foreign branches provide Helaba with access to the funding markets, particularly those markets based on the US dollar and pound sterling. The organisation also includes representative and sales offices, subsidiaries and affiliates.

Management instruments and non-financial performance indicators

As part of managing the Bank as a whole, Helaba has integrated systems in place for business and productivity management. This is based on a multi-level margin accounting system. Controlling comprises both the management of absolute income and costs and the integrated management of contribution margins. The target is to achieve a cost-income ratio of less than 70 % at Helaba Group level. This figure is the ratio of general and administrative expenses to net operating income. The annual planning process, from which a budgeted balance sheet and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances analysed based on a management income statement produced in the margin accounting system at regular intervals in the course of the financial year. In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

One key indicator used to manage portfolios is the volume of new medium- and long-term business (defined as new business with a funding term of more than one year). Systematic preliminary costings are carried out for loan agreements, in particular to ensure that new business is managed with a focus on risk and profitability.

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). Taking into account the relaxation permitted by the ECB because of the COVID-19 pandemic, the minimum Common Equity Tier 1 (CET1) capital ratio (including capital buffer requirements) required to be maintained by the Helaba Regulatory Group (as defined by the German Banking Act (Kreditwesengesetz, KWG) and the Capital Requirements Regulation (CRR)) in 2020 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB was 8.75 %.

This figure takes into account the ECB's decision in response to the COVID-19 pandemic that, with immediate effect in 2020, the capital requirements derived from the SREP need no longer be held exclusively in the form of Common Equity Tier 1 capital; instead, some of them can be held in the form of Additional Tier 1 capital and Tier 2 capital. In addition, various country-related countercyclical capital buffer rates have been adjusted by national supervisory authorities as part of measures implemented to address the impact from the COVID-19 pandemic.

Profitability targets are managed on the basis of, for example, the economic return on equity (ratio of profit before taxes to average capital employed in the financial year determined in accordance with IFRS). Helaba has set a target range of 5 % to 7 % at Group level for economic return on equity before tax.

The leverage ratio measures the ratio between regulatory capital and the unweighted total of all on-balance sheet and off-balance sheet asset items including derivatives. Currently, banks must disclose the leverage ratio and report it to the supervisory authorities as an indicator for monitoring purposes. However, based on a new EU Regulation amending the CRR published at the beginning of June 2019, a binding minimum leverage ratio of 3.0 % will apply from mid-2021. Helaba is already taking this ratio into account in its management systems.

The CRR specifies that banks must calculate a (short-term) liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The regulatory minimum LCR is 100 %. At Group level, Helaba has set itself a target of achieving an LCR of more than 125 %.

The amended CRR published in 2019 implements the NSFR in the EU and it will be mandatory to comply with the NSFR requirements from June 2021. The NSFR is already being taken into account in Helaba's management systems. Both liquidity ratios are leading to an increase in liquidity management costs and therefore have a negative impact on profitability.

As part of the implementation of the Single Resolution Mechanism (SRM) in Europe, the competent resolution authority has specified an institution-specific minimum requirement for own funds and eligible liabilities (MREL). The binding MREL for the Helaba Regulatory Group – based on figures as at 31 December 2018 – is 8.94 % of total liabilities and own funds (TLOF). This equates to 24.9 % of risk-weighted assets (RWAs).

To fund itself, Helaba draws on different sources and products, focusing in particular on the anchor sources of funding available through direct and indirect Sparkasse business (proprietary and customer transactions) as a result of belonging to a strong association of financial institutions. Development funds raised through WIBank and Pfandbrief issues are also a cost-efficient component of its stable funding base.

As the central S-Group bank in the Sparkassen-Finanzgruppe, Helaba is continuously expanding its business relationships with Sparkassen throughout Germany. Helaba has many divisions and subsidiaries that work in partnership with the Sparkassen with the objective of generating the greatest possible benefit for the Sparkassen from this collaboration.

Helaba's over-riding commitment to sustainability is set out in the Treaty of the Formation of a Joint Savings Banks Association Hesse-Thuringia, which requires it to operate in the public interest.

The detail of its mission to serve the public interest is filled in by the Helaba sustainability principles, These principles acknowledge the Helaba Regulatory Group's environmental and social responsibilities and establish standards of conduct regarding business activities, business operations, staff and corporate social responsibility. Sustainability in the sense of environmental and social responsibility is therefore an integral part of the binding Group-wide business strategy, as is sustainability in the sense of fair corporate management. Helaba's risk assessment and risk management processes thus incorporate the identification and assessment of environmental risks as well as issues from a social and ethical perspective.

The Helaba Regulatory Group's understanding of sustainability goes beyond tackling the challenge of climate change to encompass all ESG (environmental, social and governance) criteria, which are addressed using selected tools.

1. In its business strategy, Helaba commits to the objectives of the Paris Agreement and supports the climate objectives of the German federal government and the European Union. The exclusion criteria integrated into the risk strategy provide Helaba with an effective tool for preventing ESG risks in new business. The filter for ESG risks at Helaba is therefore already tightly meshed on a qualitative basis and implemented as a mandatory part of the standard risk management process.
2. The social aspects of the sustainability criteria are addressed in the corporate values and through Helaba's membership of the UN Global Compact. With this step, the Bank recognises international standards for environmental protection, human and labour rights, and anti-corruption measures.
3. The governance framework and the Code of Conduct document Helaba's rules on proper corporate management.

In lending operations, Helaba has established mandatory Group-wide sustainability criteria that have been incorporated into the risk strategies and are reviewed each year. Its aim is to use the risk management system to minimise sustainability risks, including the transitional and physical risks caused by climate change, that may arise from its financing activities. For critical sectors of the economy, it has developed specific lending criteria that rule out controversial business practices in particular, and take into account sector-specific risk issues.

Together with more than 170 Sparkassen and three other Landesbanken, Helaba was also one of the first signatories to the "Commitment by German Savings Banks to climate-friendly and sustainable business practices".

The Helaba Group's sustainability performance is regularly rated by sustainability rating agencies. The ratings are a core component in the process of analysing and refining Helaba's sustainability profile. Helaba is constantly upgrading its range of sustainability management tools with the aim of achieving continuous improvement in these third-party ratings.

The Helaba Group has a stable rating in the upper average range for the global industry and the upper midrange among the comparison group of German banks and Landesbanken from all relevant sustainability rating agencies. These ratings were confirmed in the latest rating process. Its rating from the Sustainalytics rating agency improved by one risk category. The Helaba Group has thereby consolidated its competitive position from the perspective of sustainability and is continually and consistently improving its sustainability profile.

Employees

- HR strategy
  The basic principles of Helaba's HR activities are derived from its business strategy. These principles incorporate social, economic and regulatory changes. The core tasks include, for example, strategy-oriented and needs-based recruitment of suitable employees, the provision of professional services, attractive remuneration and ancillary benefits (such as occupational pensions), and continuing professional development that focuses on sustainability aspects (including the management of young talent and employees with high potential). Helaba focuses particularly on health management, the development of its corporate culture and diversity management. Various indicators, such as a low staff turnover rate, average length of service and low absenteeism, confirm that employees are satisfied and highly committed.

- Remuneration principles
  The business strategy and risk strategy specify the degree of flexibility available to employees. This then also forms the basis for the remuneration system. Helaba's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration strategy, taking account of the corporate culture. The remuneration strategy takes into account the attainment of targets specified in operational planning when determining an overall budget for the Bank and allocating the budget for variable remuneration at unit level, thereby ensuring that there is a link between the remuneration strategy and divisional strategic objectives. For the corporate centre units, budgets are allocated based on the results generated by the Bank as a whole and the attainment of qualitative targets. This system rules out the possibility of incentives for individual employees to enter into disproportionately high risks. The fixed salaries are based on market requirements.

- Sustainable human resources development
  Helaba invests in the professional development of its employees both to satisfy its current skills needs and to meet future business requirements. Processes are therefore set up on a sustainable basis. A regular structured dialogue between managers and employees creates transparency in working relationships, ensures that targets are clear and allows development opportunities to be discussed. To support the implementation of suitable action plans, all employees can access a needs-based range of internal seminars covering professional, personal, social and methodological development. This is supplemented by third-party training and, if suitable, opportunities in the form of work and study programmes or courses leading to professional qualifications. Based on the Bank's internal life-stage model, employees at different stages in their professional careers are offered suitable development activities so that they can remain productive in the business over the long term and develop their capabilities according to their potential.

- Management of young talent and high-potential employees
  Demographic change and ongoing digitalisation will have an impact on Helaba's competitiveness in the long term. The recruitment, development and retention of young talent and high-potential employees is therefore correspondingly important. Based on vocational training and general trainee programmes, plus internships for students, Helaba offers those at the start of their careers the opportunity to become familiar with banking practice and acquire basic skills. To reach the young target group, recruitment is making greater use of digital media. In addition, Helaba is focusing internally on the development of existing employees with high potential, to provide the individuals concerned with the foundations for a career as a technical specialist or executive manager. These employees are provided with targeted development based on their strengths and areas of learning; either individually or as part of a programme for high-potential employees, they can prepare systematically for future tasks with increased responsibility.

- Health management
  Helaba operates an occupational health management system and a company sports programme, helping employees to maintain their physical and mental well-being and nurturing an awareness of the need for a healthy lifestyle. It also provides an employee assistance programme, an advisory service for employees and managers, which staff can use to obtain help in connection with professional, family, health or other personal issues. As a result of the COVID-19 pandemic, Helaba took action in 2020 to protect the health of its employees and rapidly arranged for most jobs to be carried out remotely from home; it then provided support for home working by offering virtual training aimed at helping employees work in a healthy manner.

- Transformation support
  The objective of the “Scope – Growth through Efficiency” transformation project, which has been implemented throughout the Group, is to safeguard Helaba’s long-term future and create scope for innovation. This project brings together various growth initiatives, the efforts to advance the digitalisation of the business and the “Helaba in Bewegung” process for transforming the corporate culture. The latter aims to move the corporate culture towards new approaches in terms of ways of working, processes and forms of collaboration. Helaba has also set out the framework for its future working environment in a programme with the tagline “New Work@Helaba”. Having acquired the Helaba Campus, a new office building at the Offenbach site, Helaba has laid the foundations for half of its workforce to take a more agile approach to collaboration and to shorten the lines of communication. The process of introducing mobile technology throughout Helaba was initiated in 2020, establishing key infrastructure for remote working and thus facilitating concentrated job activities and smooth operation of virtual teamwork. In all these transformation projects, the HR unit plays a key role as adviser and partner for employees and managers in the implementation of the various activities and also ensures that the transformation is supported by appropriate change management.

- Diversity management
  Helaba is constantly striving to create conditions in which it is possible for employees to achieve a work/life balance. This includes the offer of childcare places and the use of flexible types of working and working-time models. Helaba focuses, in addition, on the implementation of measures in the context of diversity management. Particular attention is being paid to the advancement of women. In a voluntary commitment, Helaba aims to increase the percentage of women in management positions to more than 30 % overall. Women are being provided with support in the form of dedicated seminars and appropriate mentoring.

COVID-19 Crisis

The COVID-19 crisis – already considered to be the most serious economic crisis of recent decades – has fundamentally changed the operating environment for banks. The very first months of the pandemic led to a sharp rise in uncertainty and volatility in capital markets.

The pandemic is likely to ease gradually during the course of 2021 as the vaccination programme progresses. Following a continuation in the tough economic conditions at the start of the year, a substantial rebound in the global economy is anticipated from the spring onwards.

- Operational stability in the pandemic
  From an operating perspective, Helaba adapted to the new requirements and was able to establish remote working for employees within a short period of time. As the first infections emerged in Germany in January 2020, Helaba began to gradually set in motion the business continuity processes envisaged for such an eventuality. The various measures were implemented in full during the official restrictions in the first and second lockdowns. The operational stability of the processes is monitored continuously. Helaba has been able to maintain the stability of its processes at all times. Suitable precautionary measures have also been introduced at subsidiaries. Processes at subsidiaries are stable. The performance of outsourcing service providers and their operational stability are also being monitored as planned; no significant restraints have been identified.

- Economic impact of the pandemic
  The Helaba Regulatory Group’s overall liquidity situation remains sound. Throughout the period of the pandemic, the liquidity coverage ratio (LCR) for the Helaba Regulatory Group has remained well above the risk tolerance threshold of 120 % and the minimum required ratio of 100 %. The liquidity coverage ratio (LCR) for the Helaba Regulatory Group was 201.6 % as at 31 December 2020 (31 December 2019: 225.3 %). As the COVID-19 pandemic unfolded, there was a noticeable increase in the drawdown of credit lines by corporate clients in March. In many cases, these funds were then immediately re-deposited in accounts held with Helaba. Ad-

ditional liquidity reserves were mobilised. Helaba also stepped up its monitoring of the impact from new lending business on the liquidity position during the crisis. However, this action was gradually scaled back as the tension on money and capital markets eased and the ECB's liquidity measures were implemented.

As at 31 December 2020, the Helaba Regulatory Group's Common Equity Tier 1 (CET1) capital ratio stood at 14.7 %, which was above the corresponding figure of 14.2 % at the end of 2019. The risk-weighted assets (RWAs) remained at the level of the 2019 year-end; the improvement in the capital ratio resulted from an increase in Common Equity Tier 1 capital. Over the course of the whole of 2020, the Helaba Regulatory Group's capital position remained at a comfortable level in excess of the regulatory requirements and above the threshold values set in the recovery plan. The Helaba Regulatory Group satisfied all regulatory requirements, even after taking into account the temporary deterioration in the stress scenarios.

The Executive Board is closely monitoring the ongoing changes in all relevant parameters. To this end, it has set up temporary additional reporting processes and implemented further risk management measures. For further details, please refer to the risk report.

More information on the economic impact is presented in the "Net Assets, Financial Position and Results of Operations" section of the management report.

- Development and support loan business
  On behalf of the State of Hesse, WIBank is providing help for businesses in Hesse in the current critical situation for the economy; this help takes the form of specific support programmes. Various types of assistance in the form of (trust) loans, credit, subsidies, equity investments and guarantees are available to small and medium-sized businesses, start-ups, freelancers and the self-employed.

  Since March 2020, a total of more than 7,600 business owners in Hesse have received support commitments from WIBank with a value of € 236 m to help mitigate the consequences of the COVID-19 crisis. Most of the support commitments (€ 221 m) were able to be provided through a direct loan from WIBank under the "Hessen-Mikroliquidität" programme. A further € 15 m was accounted for by liquidity support for small and medium-sized enterprises (SMEs) in Hesse. In addition, Beteiligungs-Managementgesellschaft Hessen mbH (BMH), a subsidiary of WIBank, has supported start-ups and small enterprises with special liquidity-boosting quasi-equity investments (Liquiditätsbeteiligungen) amounting to a total of € 8.6 m, enabling these businesses to strengthen their capital base.

  A COVID-19 assistance programme referred to as the Hesse fund for economic stabilisation measures has also been created to provide support primarily for medium-sized businesses and those that have been unable to obtain any other aid so far.

  More than 600 applications for investment subsidies amounting to approximately € 1 m have already been approved under the programme phased in from December 2020 to support hospitality businesses.

  To assist hospitals in Hesse, compensation payments amounting to a total of around € 770 million have been made because of the additional charges caused by the COVID-19 crisis and the need to establish additional intensive care capacity with ventilators.

  Further programmes to support sports organisations and safeguard arts infrastructure have been implemented. Additional measures are being set in motion.

  In its role as a forwarding institution, Helaba has been providing assistance since 23 March 2020 for the Sparkassen-Finanzgruppe Hessen-Thüringen with the implementation of the COVID-19 support programmes operated by funding institutions (including KfW development bank), among other things by advising on the selection of the assistance programmes and by providing information on the requirements of the funding institutions and on the processing of both support loan applications and the existing procedures that follow. By the end of December 2020, Helaba had forwarded a total of 2,939 applications for COVID-19 assistance programmes with a total value of around € 910 m.

- Relaxation of regulatory requirements
  In a letter dated 30 March 2020, the ECB notified that, as a result of the COVID-19 pandemic, it was extending all the deadlines set for the Helaba Regulatory Group in all supervisory decisions and supervisory letters, generally by a period of six months.

  Owing to the exceptional circumstances resulting from the COVID-19 pandemic, the ECB no longer requires the 2020 Pillar II capital requirement to be held exclusively in the form of CET1 capital, which has been the case to date; instead, some of it can be held in the form of Additional Tier 1 (AT1) capital and Tier 2 capital. Overall, the Pillar II capital requirement remains unchanged at 1.75 %. Within this requirement, 0.98 % must be held as CET1 capital, 0.33 % as AT1 capital and 0.44 % as Tier 2 capital.

  In addition, the Single Resolution Board (SRB) has extended the deadlines chosen for Helaba in the context of resolution planning.

  Standard-setters have also made deadline changes as a consequence of the COVID-19 pandemic. For example, consultation periods have been extended, the publication of final documents has been delayed and application dates for new regulatory requirements have been postponed.

  The 2020 European Banking Authority (EBA) stress test scheduled for the period 31 January to 31 July 2020 has been postponed until 2021. An additional EU-wide transparency exercise was carried out instead, the results of which were published by the EBA on 8 June 2020. The 2021 EBA stress test was initiated in January 2021 and will end with the notification of the findings by the EBA on 31 July 2021.

  In connection with the revision of the CRR, Helaba decided to make use of the arrangement in article 473a CRR and applied to the ECB for authorisation to implement the IFRS 9 transitional rules for the dynamic approach. The ECB issued an authorisation for Helaba on 19 May 2020 and the period ending 30 June 2020 therefore includes the first-time application of the transitional rules.

- Customers
  Helaba focuses on long-term customer relationships built on trust, never more so than when times are tough. As part of its range of services and advisory activities, Helaba also helps its customers to raise funds through the capital markets.

  Despite the high quality of the lending portfolio and a very low ratio of non-performing loans (NPL ratio) in the Helaba Regulatory Group of just 0.54 % at the end of 2020, Helaba has received requests from customers for payment deferrals and the suspension of repayments as a consequence of the crisis. In this context, Helaba maintained a special watchlist from mid-March with a view to carrying out even closer monitoring of customers and transactions particularly affected by the COVID-19 crisis. The customers and transactions on this watchlist were transferred later in the year to Helaba's regular watchlist. Helaba's corporate clients are also applying for assistance from government support programmes. In this case, Helaba is accordingly integrating support programmes into its range of services for customers. Further details on credit risk are presented in the risk report.

Economic Report

Macroeconomic and sector-specific conditions in Germany

The predominant feature of 2020 was the COVID-19 pandemic, which led to a serious recession in Germany. Gross domestic product contracted by 5.3 % on a calendar-adjusted basis. Actual economic output fell by 5 % owing to the higher number of working days. Consumer spending shrank by 6 % in 2020. On the other hand, government spending went up by 3.4 %. Spending on capital equipment fell sharply. In the spring, border closures and lockdowns in many of Germany's export markets seriously disrupted supply chains and led to a slump in foreign trade. Industrial activity has been recovering since the autumn despite the pandemic. Construction activity, primarily in the residential sector, has proved to be a stabilising factor in Germany. The growth in gross domestic product in the third quarter was interrupted by the lockdown in the fourth quarter. Towards the end of the year, the closure of many service providers and retailers again had a negative impact.

In view of the continued restrictions, the first quarter of 2021 is expected to be weak. A recovery is anticipated from the spring onwards, as a result of which economic growth in Germany for the whole of 2021 is projected to reach 3.7 %. The inflation rate in 2020 was just 0.5 % as a consequence of the temporary reduction in VAT in the second half of the year and low energy costs. A return to higher tax rates and an average oil price for the year around US$ 60 per barrel will have an inflationary impact in 2021, with the result that the inflation rate in Germany is expected to increase to just under 2 %.

More and more areas of economic activity are becoming digitalised, driven by continuous advances in information technology. Online and mobile channels are presenting financial service providers with new ways of offering products and of accessing and exchanging data with customers. The COVID-19 crisis has given even further impetus to this trend, at the same time substantially boosting the willingness of all parties to use digital services.

Online banks, high street banks and increasingly non-bank web-based businesses (termed fintech companies or fintechs) too have developed new communication and sales channels in private customer business, in some cases in competition and in other cases in co-operation with one another. To an ever greater extent, attention is now focusing on business with corporate clients, real estate customers and institutional investors as well. For some time, derivative platforms have enabled currency hedges to be effected using standardised processes, lending portals arrange funding for small and medium-sized corporate customers through banks or directly through institutional investors and banks analyse their customer data in search of more effective ways of offering products. Around the globe, blockchain technology is being refined to find new, faster and more cost-effective methods of exchanging data; besides the handling of foreign trade finance, digital payments on a blockchain basis have also become a greater focus of attention recently. Following the lead of young innovative businesses, established businesses, banks and supervisory authorities have also increasingly become aware of the advantages (and also the negative macroeconomic implications) of using these alternative means of payment. Helaba believes that these circumstances offer significant potential for long-term changes, which is why it became involved in 2020, among other things, in the "Programmable money" working group led by the German Federal Ministry of Finance and Deutsche Bundesbank.

On 31 January 2020, the United Kingdom (UK) left the EU. The EU-UK Trade and Cooperation Agreement signed on 30 December 2020, which provisionally came into force on 1 January 2021, means that a no-deal Brexit has been avoided. In this regard, Helaba took action back in 2018 by submitting to the British supervisory authorities an application to establish a third-country branch for the Helaba branch in London. Until approval is received, the London branch falls within the scope of the Temporary Permissions Regime regulation issued by HM Treasury (the UK's finance and economics ministry). The regulation allows firms currently passporting into the UK to continue new and existing regulated business within the scope of their current permissions for a limited period of time.

Key developments in the regulatory framework were as follows:

- Prudential supervision by the ECB (Single Supervisory Mechanism, SSM)
  The Helaba Regulatory Group (within the meaning of the KWG and the CRR), together with its affiliated subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, is among the banks classified as "significant" and therefore subject to direct supervision by the ECB. The ECB sent the Helaba Regulatory Group a letter dated 10 December 2019 notifying it of the findings of the Supervisory Review and Evaluation Process (SREP). The resulting minimum Common Equity Tier 1 capital ratio to be maintained by the Group comprised the Pillar 1 minimum capital requirement, the Pillar 2 capital requirement and the capital buffers.

Taking into account the latest situation as at 30 June 2020 (ECB decision, see above), the minimum CET1 capital ratio to be maintained by the Helaba Group is now 8.75 %.

- German Risk Reduction Act
  The German Act on Reducing Risk and Strengthening Proportionality in the Banking Sector or Risk Reduction Act (Risikoreduzierungsgesetz, RiG) will transpose into German national law the EU Banking Package (specifically Capital Requirements Directive V (CRD V) and Bank Recovery and Resolution Directive II (BRRD II)) adopted in June 2019. The RiG is an omnibus act in which a total of 13 German acts are revised. The main additions and amendments are being applied to the German Banking Act (Kreditwesengesetz, KWG) and the German Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz, SAG). The RiG was published in the German Federal Law Gazette on 14 December 2020. Most of the provisions came into force on 28 or 29 December 2020; the effective dates of the remainder are 28 June 2021 or 1 January 2023. Any measures that are necessary at Helaba are being implemented by the relevant deadlines.

- EU "Action Plan: Financing Sustainable Growth"
  The EU Taxonomy Regulation, an important element of the EU's "Action Plan: Financing Sustainable Growth", came into force in June 2020. The Taxonomy Regulation is a key component of the action plan and specifies which economic activities can be considered sustainable; the definitions are subject to mandatory application. The aim of this regulation is to provide investors with guidelines on which investments are used to finance environmentally sustainable economic activities and prevent greenwashing. Further delegated acts related to this action plan are anticipated in mid-2021.

- ECB Guide on climate-related and environmental risks
  Following the completion of a consultation process, the ECB published the final version of its guide on climate-related and environmental risks on 27 November 2020. In this guide, the ECB sets out how it expects banks to manage and disclose such risks. The ECB's document aims to provide banks classified as "significant" with guidance on how they can integrate climate-related and environmental risks in their governance and risk management structures and how they can take these risks into account when specifying and implementing their business strategies. In the next step, the ECB will invite banks to carry out a self-assessment in 2021 based on the recommendations and explore the findings in the consultations between the supervisor and the banks. In addition, the ECB intends to make climate-related risks a key area of focus in the supervisory stress tests scheduled to be carried out in 2022. Helaba is analysing the need for action arising from the ECB guide and the EU action plan and is holding discussions with other member institutions of banking associations about issues relating to the interpretation and implementation of the guide and plan.

- Minimum Requirements for Risk Management (MaRisk)
  October 2020 saw the start of the consultation on the sixth revision to MaRisk. This revision will primarily implement three sets of EBA guidelines: Guidelines on management of non-performing and forborne exposures, Guidelines on outsourcing arrangements and Guidelines on ICT and security risk management. The supervisory authority plans to publish the final revised version of MaRisk by the end of the first quarter of 2021. It will not comment on a possible implementation timeline until a later date.

Business performance

The market environment in banking business for financial institutions was significantly impacted by the COVID-19 pandemic in 2020. The volume of new medium- and long-term business (excluding the WIBank development business, which does not form part of the competitive market) declined year on year to € 16.2 bn (2019: € 20.0 bn). Loans and advances to customers were more or less stable at € 102.9 bn (31 December 2019: € 103.5 bn). Added to these were loans and advances to Sparkassen in the amount of € 6.4 bn (31 December 2019: € 6.2 bn). The focus on lending in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba's business model.

The COVID-19 pandemic also had a significant impact on the market environment for funding business for financial institutions. Following a positive start to the year, the outbreak of the pandemic caused huge turmoil on money and capital markets in March and April. The effects were eased again in subsequent months with the help of global monetary policy measures introduced by central banks and comprehensive support programmes instigated by national governments. In particular, the improved terms for the ECB's targeted longer-term refinancing operations III (TLTRO III) in June settled down the funding environment for financial institutions to a great extent. During the year, there was a further deterioration in negative interest rates and the general level of interest rates in the euro zone hit new historic lows. Market conditions began to return to some semblance of normality in the second half of the year with spreads at the end of 2020 at similar levels to those at the end of the previous year. The Helaba Group had no difficulty in meeting its medium- and long-term funding requirements in 2020.

Including the tender drawdown of € 8 bn, the Helaba Group raised medium- and long-term funding of around € 22.5 bn (2019: € 18.0 bn), with unsecured funding amounting to approximately € 12.4 bn (2019: € 11.3 bn). Pfandbrief issues amounted to € 5.9 bn in total (2019: € 6.7 bn), with public Pfandbriefe accounting for approximately 55 % and mortgage Pfandbriefe around 45 % of this total. This included € 3.8 bn of own-use Pfandbriefe for depositing with the ECB in connection with TLTRO III. A further TLTRO III drawdown of € 8.0 bn in September was also used for the purposes of optimising income. Despite the further drop in low interest rates, sales of retail issues placed through the Sparkasse network amounted to € 2.0 bn (2019: € 2.6 bn). As in previous years, the customer deposits in the retail business within the Group, in particular through the subsidiary Frankfurter Sparkasse, brought further diversification to the funding base. Frankfurter Sparkasse also participated in the ECB's TLTRO III programme with a drawdown of € 1.4 bn. In addition, new medium- and long-term funding at WIBank amounted to just under € 2.4 bn.

Helaba's cost-income ratio was 70.8 % as at 31 December 2020 compared with 72.3 % as at 31 December 2019. Having shown a further improvement, it was therefore only marginally higher than the target range (2020 target: < 70 %). Return on equity declined to 1.2 % (31 December 2019: 5.3 %) and was therefore outside the target range of 5 to 7 %.

As at 31 December 2020 Helaba's CET1 capital ratio was 12.3 % (31 December 2019: 11.8 %) and its total capital ratio 17.8 % (31 December 2019: 17.8 %). Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published.

CRD IV provides for a transitional phase until the end of 2021 for capital instruments that are currently recognised as regulatory Tier 1 capital, but will not meet the future requirements for such capital. At Helaba, this affects silent participations with a nominal amount of € 518 m, a situation that remains unchanged compared with the prior year.

As at 31 December 2020, Helaba's leverage ratio was 4.1 % (31 December 2019: 3.7 %) and therefore above the specified minimum ratio of 3.0 %.

The liquidity coverage ratio (LCR) for Helaba was 193.7 % as at 31 December 2020 (31 December 2019: 220.2 %).

The NPL ratio for the Helaba Regulatory Group (in accordance with EBA risk indicator code AQT_3.2) was 0.54 % as at 31 December 2020 (31 December 2019: 0.44 %). As in the previous year, therefore, Helaba fell below the German average published in the EBA Risk Dashboard, which at 1.3 % (as at 30 June 2020) was already very low by European standards.

As at 31 December 2019, the MREL ratio for the Helaba Regulatory Group stood at 61.6 % based on RWAs and 20.1 % based on TLOF. The MREL portfolio was therefore well in excess of the MREL of 8.94 % of TLOF set by the competent resolution authority.

One of Helaba's core strategic areas of activity is to provide targeted support, particularly in the form of new products, to help its customers with the transformation to a sustainable future. In the asset management business, Helaba structures projects in the renewable energy and social & digital infrastructure segments. It is also expanding its sustainable finance advisory service, in which it offers a broadly based range of information across sectors and products around the theme of sustainable finance covering all financial instruments (loans, promissory notes, bonds, leases, guarantees, etc.). Helaba continues to be involved in the syndication of green, social and ESG-linked finance and promissory notes.

In the sustainable promissory note segment of the market, Helaba is one of the leading arrangers and supported a number of transactions of this nature in 2020. For example, it was involved in the issue of ESG-linked promissory notes in which the interest costs related to the promissory note were linked to the sustainability performance of the business.

Helaba has also supported its customers in the transformation process by entering into a number of sustainable guarantee facilities. In these facilities, environmental, social and corporate governance (ESG) criteria are established as the basis for environmentally friendly financing and guarantees are issued under a guarantee master agreement, taking into account these criteria. Ultimately, the margins in the guarantees are also based on the criteria.

Helaba reviews its business model on a regular basis and continues to refine it.

In this regard, Helaba has updated and refocused its strategic agenda and its long-term quantitative targets. In particular, the business model for Helaba and the Group as a whole is to be diversified across a broader base in order to strengthen net fee and commission income and to achieve a better balance across all the sources of income. The strategic agenda now includes the updating of IT systems, the aim of which is also to give further impetus to digital transformation.

In addition, the Helaba Regulatory Group intends to expand its ESG expertise across its entire range of products and services so that it can make the most of future growth opportunities and have the necessary capability to support its customers with sustainable finance products. The structured promotion and reinforcement of diversity is a further component aimed at, among other things, enhancing Helaba's innovative capabilities and securing them over the long term.

The transformation project "Scope – Growth through Efficiency" adds a new dimension to the strategic agenda. The objective of the project is to counter the anticipated increase in costs and downward pressure on income, thereby creating the necessary flexibility for investment in further growth. A further overall objective has been to place an even greater focus on customers in Helaba's structures in order to facilitate continuation of the growth trajectory. In March 2020, Helaba introduced its new organisational structure and initiated the process of implementing the specified changes. This implementation process is being systematically followed up.

Net Assets, Financial Position and Results of Operations

Key performance data for 2020

	2020	2019	Changes	
	in € m	in € m	in € m	in %
Business volume	212,743	201,799	10,945	5.4
Total assets	180,778	168,907	11,871	7.0
Operating result before loss allowances	387	146	241	> 100,0
Net additions to loss allowances and net remeasurement gains / losses	–280	–46	–234	>–100,0
Net income for the year	41	346	–305	–88.1

The reporting currency of the management report is the euro (€). Euro amounts are generally rounded to the nearest million. Minor discrepancies may arise in totals or in the calculation of percentages in this report due to rounding.

The Bank does not include the cost of servicing the additional Tier 1 capital instruments in its presentation of the results of operations. For this reason, net interest income and therefore also the operating result and net income for the year reported under the results of operations are € 14 m (2019: € 14 m) higher than in the income statement prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). In addition, income from equity investments and dividends is not shown separately under results of operations, but instead included in net interest income.

Results of operations

	2020	2019	Changes	
	in € m	in € m	in € m	in %
Net interest income	1,226	984	242	24.6
Net fee and commission income	199	191	7	3.9
Net income of the trading portfolio	–13	77	–90	>–100,0
Other net operating income	–85	–66	–19	–28.1
Net operating income	**1,327**	**1,186**	**141**	**11.9**
General and administrative expenses	–940	–1,040	100	9.6
Operating result before loss allowances	**387**	**146**	**241**	**>100,0**
Net additions to loss allowances and net remeasurement gains/losses	–280	–46	–234	>–100,0
Additions to/reversals of contingency reserves (section 340f HGB)	–15	–9	–6	–66.7
Extraordinary result	–	252	–252	–100.0
Operating result before taxes	**93**	**343**	**–250**	**–72.9**
Taxes on income	–52	3	–54	>–100,0
Additions to the fund for general banking risks (section 340g HGB)	–	–	–	–
Net income for the year	**41**	**346**	**–305**	**–88.1**

In 2020, the Bank generated an increase in operating income, which was € 141 m higher than the operating income achieved in the previous year. Despite negative net income of the trading portfolio and a very sharp drop in other net operating income, the operating result before loss allowances climbed to € 387 m (2019: € 146 m) due to the very sharp rise in net interest income and a significant fall in general and administrative expenses.

Depressed by a very sharp year-on-year increase in the expense under net additions to loss allowances/net remeasurement gains/losses and the absence of the extraordinary result of € 252 m reported in the previous year, the Bank's operating result before taxes dropped by € 250 m to € 93 m. After taking into account a tax expense of € 52 m (2019: tax income of € 3 m), net income for the year amounted to € 41 m (2019: € 346 m).

Net interest income, a key component of Helaba's income, was € 1,226 m compared with € 984 m in the previous year. The rise in net interest income was due largely to the absence of one-off items that had a negative impact in the previous year. Prior-year net interest income was negatively impacted by proactive adjustments aimed at compensating for negative effects on net interest income in subsequent years arising from the takeover of Dexia Kommunalbank Deutschland (DKD; renamed KOFIBA-Kommunalfinanzierungsbank GmbH (KOFIBA)). If this and other one-off items from the KOFIBA transaction are disregarded, then net interest income rose by around 6 %. This was due to both a greater portfolio on average and a slightly higher average margin. These preventive adjustments were offset in the previous year by a gain from the KOFIBA takeover amounting to € 333 m, which was reported under extraordinary result.

Net fee and commission income rose by € 7 m year on year to € 199 m and was derived largely from fee and commission income on payment transactions (€ 72 m) and in the lending and guarantee business (€ 73 m). The increase was attributable to higher fees and commissions for the management of public-sector subsidy and development programmes and an improved contribution from LBS from the brokering of home savings contracts.

All realised and unrealised contributions to income from trading transactions are reported under net income of the trading portfolio. Once again, the net loss of € 13 m (2019: € net income of 77 m) resulted mainly from interest rate-related business, the focus of the customer-driven capital market activities. The net loss in 2020 reflects high market volatility triggered by the

COVID-19 pandemic. The decline was driven mainly by measurement markdowns on derivatives against the backdrop of the market volatility.

Other net operating income amounted to a net expense of € 85 m (2019: net expense of € 65 m). The difference compared with the previous year was due largely to lower cost reimbursements on commissioned work undertaken for third parties and write-downs of € 9 m (2019: € 0 m).

General and administrative expenses declined by € 100 m to € 940 m. These expenses comprised personnel expenses of € 370 m (2019: € 407 m), non-personnel operating expenses of € 545 m (2019: € 609 m) and depreciation charges on property and equipment plus amortisation charges on intangible assets totalling € 24 m (2019: € 24 m). Pay-scale increases in September 2019 and November 2020, together with the recruitment of additional employees in selected units within Helaba in accordance with the strategy, led to a rise in personnel expenses. In contrast, the initial impact from the implementation of the "Scope" programme and lower additions to pension provisions and provisions for bonuses reduced the overall expenses. Helaba employed an average of 3,395 people in the year under review (2019: 3,442). Non-personnel operating expenses included the European bank levy in the amount of € 49 m (2019: € 41 m) and expenses for the Association overhead allocation and the reserve funds in the amount of € 48 m (2019: € 54 m). IT and consultancy expenses included in non-personnel operating expenses fell markedly compared with the previous year.

The net operating income of € 1,327 m (2019: € 1,186 m) and general and administrative expenses of € 940 m (2019: € 1,040 m) combined to give an operating result before loss allowances of € 387 m (2019: € 146 m), equating to an increase compared with the previous year of € 241 m. The cost-income ratio (CIR), which is the ratio of general and administrative expenses to net operating income, was 70.8 % as at 31 December 2020 (31 December 2019, after the extraordinary result: 72.3 %).

Net additions to loss allowances / net remeasurement gains / losses and additions to / reversals of contingency reserves (section 340f HGB) break down as follows:

	2020	2019	Changes	
	in € m	in € m	in € m	in %
Net additions to loss allowances and net remeasurement gains / losses	**–280**	**–46**	**–234**	**>–100,0**
Result of lending operations	–273	–111	–162	>–100,0
Result of investment operations	2	–1	3	>100,0
Result of securities allocated to the liquidity reserve, fixed assets and banking book derivatives	–9	66	–75	>–100,0
Additions to / reversals of contingency reserves (section 340f HGB)	**–15**	**–9**	**–6**	**–66.7**

The rise in loss allowances for loans and advances resulted in a net addition to loss allowances of € 273 m in the reporting year (2019: € 111 m). This negative trend was driven in particular by net additions to general loss allowances at stages 1 and 2. The very substantial rise was caused by the COVID-19 pandemic. In the year under review, the heightened risk was only specifically reflected to a small extent in the individual calculations of loss allowances as a result of rating deteriorations and default events, but Helaba is expecting defaults to increase considerably going forward. The portfolio-based loss allowance at stage 2 of € 60 m recognised as at 31 December 2019 was increased by € 123 m. In addition, the forecast deterioration in macroeconomic parameters, which was evaluated as part of the regular loss allowance process as a "specific scenario", led to an adjustment of the loss allowances for stages 1 and 2 of € 85 m.

The result of investment operations was a gain of € 2 m compared with a loss of € 1 m in the previous year.

The result of securities allocated to the liquidity reserve is the net amount of write-downs strictly to the lower of cost or market value, disposal gains and losses and reversals of write-downs required under section 253 (5) of the HGB. Together with the net redemption gain / loss on long-term securities and the net remeasurement gain/loss on banking book derivatives, this item resulted in the contribution of a loss of € 9 m to the net remeasurement gains/losses (2019: gain of € 66 m). The result reflects high market volatility triggered by the COVID-19 pandemic. The decline was due mainly to impairment losses on special funds triggered by the widening of credit spreads.

The contingency reserves under section 340f of the HGB were raised by € 15 m, (2019: € 9 m) which meant that the operating result before taxes totalled € 93 m compared with € 343 m in 2019.

The takeover of DKD (KOFIBA) completed in the previous year led to a gain on the merger of € 333 m in 2019. A sum of € 81 m was also recognised as a restructuring provision in the previous year. The combination of both one-off items led in 2019 to the recognition of an extraordinary result of € 252 m.

Tax expense amounted to € 52 m (2019: tax income of € 3 m), resulting in net income for the year of € 41 m (2019: € 346 m).

The net income for the year of € 27 m (2019: € 332 m) reported in the income statement prepared in accordance with the HGB also includes the cost of servicing the additional Tier 1 capital instruments in the amount of € 14 m (2019: € 14 m).

The original plan to distribute an amount of € 90 m from the consolidated net profit for 2019 to the owners based on their shareholdings and capital contributions was withdrawn in line with a pronouncement by the European Central Bank (ECB) because of the COVID-19 pandemic. The amount was instead treated as profit carried forward.

Together, net income for the year and profit carried forward allow Helaba to service all subordinated debt, additional Tier 1 capital instruments and silent participations, as well as make appropriations to its revenue reserves to strengthen Tier 1 capital and report net retained profits.

Balance sheet

Assets

	31.12.2020	31.12.2019	Changes	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	36,540	26,635	9,905	37.2
Loans and advances to customers	102,868	103,513	−645	−0.6
Bonds and equities	16,466	18,922	−2,455	−13.0
Trading portfolio (assets)	19,160	14,604	4,556	31.2
Equity investments and shares in affiliated companies	2,032	2,052	−20	−1.0
Other assets	3,711	3,181	529	16.6
Total assets	**180,778**	**168,907**	**11,871**	**7.0**

Equity and liabilities

	31.12.2020	31.12.2019	Changes	
	in € m	in € m	in € m	in %
Liabilities due to banks	55,972	37,986	17,987	47.4
Liabilities due to customers	43,423	41,091	2,332	5.7
Securitised liabilities	57,110	63,564	–6,454	–10.2
Trading portfolio (liabilities)	8,947	11,376	–2,429	–21.4
Own funds	10,244	10,128	116	1.1
Other liabilities	5,082	4,762	320	6.7
Total equity and liabilities	**180,778**	**168,907**	**11,871**	**7.0**
Business volume	212,743	201,799	10,945	5.4

Helaba's total assets rose from € 168.9 bn to € 180.7 bn in financial year 2020. The growth in total assets was mainly attributable to additional liquidity safeguarding measures in connection with the COVID-19 pandemic and higher fair values of derivatives.

On the assets side of the balance sheet, loans and advances to customers continued to dominate, accounting for a large proportion of total assets (56.9 %). They declined by € 0.6 bn to € 102.9 bn.

The most significant change in assets resulted from the rise of € 9.9 bn in loans and advances to banks including cash reserve to € 36.5 bn. This was attributable primarily to a considerably higher level of liquidity held in response to the COVID-19 pandemic and resulted in a rise in the volume of demand deposits held with Deutsche Bundesbank.

The volume of bonds and equities allocated to the investment and liquidity portfolio declined by € 2.5 bn to € 16.5 bn. The main investments were bonds and other fixed-income securities totalling € 15.4 bn (31 December 2019: € 17.9 bn). Equity shares and other variable-income securities were unchanged compared with the previous year at € 1.0 bn.

Trading assets rose by around € 4.6 bn year on year to € 19.2 bn. This was due to the return on own bonds and notes as well as higher positive fair values of derivatives as a result of changes in the level of interest rates.

The most significant change in liabilities resulted from the rise of € 18.0 bn in liabilities due to banks to € 56.0 bn. This rise was due mainly to Helaba's participation in the ECB's TLTROs and additional funds raised to build liquidity. Of the liabilities due to banks, € 15.5 bn (31 December 2019: € 11.4 bn) was accounted for by liabilities to Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg.

Liabilities due to customers rose by € 2.3 bn to € 43.4 bn. Our customers' increased demand for financing due to the COVID-19 pandemic resulted in some of the loans granted being deposited in current accounts and in overnight and term deposit accounts held with the Bank. Liabilities due to customers included home savings deposits of € 5.2 bn (31 December 2019: € 5.1 bn).

Securitised liabilities fell by € 6.5 bn to € 57.1 bn. The portfolio of bonds issued amounted to € 53.8 bn (31 December 2019: € 50.9 bn). Within securitised liabilities, the issuance programmes comprising short-term money market instruments amounted to € 3.3 bn (31 December 2019: € 12.6 bn).

The trading portfolio (liabilities) declined by € 2.4 bn to € 9.0 bn. Trading liabilities amounted to € 4.7 bn (31 December 2019: € 7.1 bn) and trading derivatives (liabilities) to € 3.6 bn (31 December 2019: € 3.0 bn).

The business volume, which includes off-balance sheet business in addition to total assets, rose by € 10.9 bn to € 212.7 bn.

Own funds

The own funds of the Bank reported in the balance sheet (equity excluding net retained profits, including the fund for general banking risks, profit participation rights, subordinated liabilities, and additional Tier 1 instruments) totalled € 10.2 bn as at 31 December 2020 (31 December 2019: € 10.1 bn).

The Bank's regulatory own funds as at 31 December 2020 – i.e. before the annual financial statements were adopted and thus before appropriations to revenue reserves were taken into consideration and including an allowance surplus of € 204 m resulting from the comparison of expected losses against loss allowances at the end of 2019 – amounted to € 9.4 bn. This included Tier 1 capital of € 7.1 bn. The capital contributions classified as CET1 capital amounted to € 1.9 bn; contributions of € 564 m were classified as additional Tier 1 capital.

The Bank's own funds requirements under the CRR amounted to € 4.2 bn as at 31 December 2020. This resulted in a total capital ratio of 17.8 % for Helaba; the Tier 1 capital ratio was 13.4 % and the CET1 capital ratio 12.3 %.

The own funds requirements specified by the CRR for the exposures for which capital charges are required were met at all times in 2020.

As in previous years, Helaba further strengthened its equity by making appropriations to revenue reserves.

Results of operations by business area

In 2020, the volume of new medium- and long-term business in Real Estate Finance shrank significantly year on year to € 6.9 bn. However, margins on new business rose sharply compared with the previous year. While the average volume of business was stable in 2020, income declined slightly year on year due to lower transaction-related income.

In the newly created Asset Finance division that emerged from the former Corporate Finance division, the volume of new medium- and long-term business showed a very strong fall to € 2.3 bn; margins on new business shrank significantly. Conversely, the average volume of business grew markedly and income rose sharply. However, it is important to bear in mind the addition in the course of 2019 of a land transport finance credit portfolio taken over from DVB Bank SE (DVB), which is only reflected in the comparative amounts on a pro rata basis.

In the likewise newly created Corporate Banking division (also formerly Corporate Finance), the volume of new medium- and long-term business dropped markedly to € 4.1 bn while margins on new business held steady. The average volume of business grew noticeably and combined with a strong year-on-year increase in income.

Net trading income generated in the capital markets business was well below the prior-year figure due to spread-induced measurement markdowns. Customer income continued to decline significantly compared with the previous year.

In the Treasury division, income was in line with the prior-year figure. A sharp fall in income from the certificates business contrasted with a strong rise in income in Interest Rate Management. In the municipal lending business, new business volume amounted to € 0.7 bn, which more or less equated to the prior-year level. Income from this business declined slightly in 2020.

The Savings Banks & SME division comprises Sparkasse lending business including development loans for the Sparkassen, all cash management products and lending business for SME customers. In the development lending business, the volume of business rose to € 5.2 bn due primarily to the support measures initiated by the German federal government in 2020 as a result of the COVID-19 pandemic. Income from payment transaction products increased year on year and the number of transactions climbed to 7.9 bn in 2020 (2019: 7.2 bn).

Gross new business at LBS declined sharply in the reporting period due in particular to the closure of Sparkasse branches and LBS finance centres as a result of the COVID-19 pandemic. LBS successfully achieved its positive earnings target in the year under review despite the ongoing negative effect on earnings of the current sustained period of low interest rates.

Helaba performs public development functions for the State of Hesse through Wirtschafts- und Infrastrukturbank Hessen (WIBank). Business volume in 2020 remained at the prior-year level. The strong increase in income was achieved on the back of the optimisation of the funding structure, the expansion of the development business and one-off items.

Comparison with prior-year forecasts

The following table shows a comparison between the actual values achieved in the year under review for the key performance indicators used by Helaba and the original forecasts:

	2019 forecast for 2020	2020 actual
Net interest income	Significant increase	Very significant increase
Net fee and commission income	Marked increase	Moderate increase
Net income of the trading portfolio	Very significant increase	Very significant decline
Other net operating income	Very significant improvement	Very sharp decline
General and administrative expenses	Virtually unchanged	Significant decline
Loss allowances	Markedly higher level	Very significantly higher level
Operating result before taxes	Unchanged compared with the previous year	Very significant year-on-year decrease
Cost-income ratio	68 %	71 %
Volume of new medium- and long-term business	€ 17.6 bn	€ 16.0 bn

The main variances from Helaba's forecast business performance are described below.

Among the factors behind the higher-than-budgeted rise in net interest income were the corporate loans business, higher dividend distributions from Group subsidiaries and one-off items related to KOFIBA.

The rise in net fee and commission income in customer business was not as strong as forecast.

Net trading income was very substantially below the forecast, mainly because of the rise in measurement markdowns as a consequence of the COVID-19 pandemic.

The level of interest rates in 2020 was lower than anticipated and led to a higher interest cost from the unwinding of the discount on pension provisions, which depressed other net operating income.

Personnel expenses were positively impacted by the decline in employee benefit expense for pensions due to an above-average pension adjustment. Non-personnel operating expenses saw a greater decrease as a result of a lower level of project activities, third-party services and building expenses compared with the forecast. In addition, individual types of costs were well below budget as a result of the COVID-19 pandemic, for example because of the travel and contact restrictions.

The operating result before taxes primarily reflected a sharp increase in loss allowances compared with previous years due to the COVID-19 pandemic and was therefore well below the prior-year figure. The cost-income ratio (CIR) was 70.8 %.

Risk Report

The Executive Board is responsible for all of the risks to which the Helaba Regulatory Group is exposed and for defining a risk strategy consistent with the business strategy. Drafted in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities and with the Rules of Procedure for the Executive Board, the risk strategy lays down the principal elements of the approach adopted to dealing with risk, the objectives of risk containment and the measures employed to achieve these objectives within the Helaba Regulatory Group. The risk strategy covers all of the main business units in the Helaba Regulatory Group as defined by the KWG and the CRR.

Once adopted by the Executive Board, the risk strategy is presented to and discussed with the Supervisory Board and the Board of Public Owners.

The business strategy and risk strategy of the Helaba Regulatory Group are integrally linked to the business strategy and risk strategy of Sparkassen-Finanzgruppe Hessen-Thüringen.

The principal objectives of the Helaba Regulatory Group's risk strategy are to uphold the organisation's conservative risk profile and maintain risk-bearing capacity while ensuring that all regulatory requirements are satisfied. The risk management system accordingly plays a central role in the management of the company.

The risk management process has been refined over the years to create a range of sophisticated tools for and an environment conducive to risk containment. The methods employed to identify, quantify, contain and monitor risks and the systems required to implement them have undergone continuous development, as have organisational provisions such as process and system documentation and guidelines detailing responsibilities.

Principles

Responsibility of executive management

The Executive Board is responsible – regardless of the distribution of business responsibilities – for all of the risks to which the Helaba Regulatory Group is exposed and for implementing the risk strategy policy throughout the regulatory consolidation group. It defines the risk strategy with reference to the risk-bearing capacity of the Helaba Group (economic perspective) and the Helaba Regulatory Group (regulatory perspective) as determined in an analysis of the initial business policy position and an assessment of the associated primary risks defined in the risk inventory process, and is responsible for ensuring compliance with the risk strategy defined by means of the establishment of an efficient risk management process. All Regulatory Group companies are included, alongside Helaba (with LBS and WIBank), in the procedures and processes for identifying, assessing, containing, monitoring and communicating risks. Effective risk management throughout the Group is thus assured.

Protection of assets

Risks may be assumed only as permitted under the general risk strategy and the specific risk strategies and only in pursuit of the strategic objectives of the Helaba Regulatory Group on the basis of the risk appetite framework (RAF), in particular in order to maintain the Helaba Regulatory Group's long-term earnings power while protecting its assets as effectively as possible and accomplishing its mission.

Protection of the Bank's reputation

Effective risk management and the avoidance of legal or regulatory breaches that could damage its reputation are absolutely vital for the Bank if it is to preserve its positive image and achieve the best possible rating. A corresponding control process to assess reputation risks in new business has been implemented.

Segregation of functions

The independence of risk controlling and risk containment must be assured in order to maintain objectivity and transparency. Independent control processes are implemented wherever the type and degree of risk so require. The responsibilities of the organisational units for risk identification and containment, risk quantification, risk monitoring and risk reporting follow a "three lines of defence" (3-LoD) policy. Please refer to the "Principal risk monitoring areas" section for details of this concept.

Transparency

The comprehensive and objective reporting and disclosure of risks is another important component of the Helaba Regulatory Group's risk strategy and is indispensable for the proper notification, by the Executive Board, of the corporate bodies, the banking regulator and the public at large.

Cost efficiency
The cost efficiency of the individual lines of defence (3-LoD) and, in particular, of the systems they use also has to be considered. The expenditure incurred in connection with risk monitoring (and also risk containment) is reasonable given the pertinent regulatory requirements and the risks under consideration in each case.

Risk appetite framework
The Helaba Regulatory Group defines the RAF as a holistic approach to risk containment. Factors known as RAF indicators are identified and then used to produce a complete description of the risk profile in material terms. The RAF indicators comprise indicators that apply across all risk types and others that are specific to particular risk types; they focus on regulatory and economic capital adequacy, the appropriateness of liquidity coverage and on the sustainability of earnings power. For each RAF indicator, the Executive Board specifies threshold values for risk appetite, risk tolerance and – where relevant – risk capacity; these values are used to convert the main risk strategy objectives into operational details as part of the planning. Risk appetite refers to the level of risk that the Helaba Regulatory Group is prepared to assume to attain its strategic objectives. Risk tolerance indicates the level of variance from the risk appetite that Helaba is still prepared to tolerate in an unfavourable environment to reach its strategic objectives. On the basis of regulatory limits (where available), risk capacity specifies the maximum level of risk that the Helaba Regulatory Group can take on.

Risk-Bearing Capacity / ICAAP
The procedures for quantifying and containing risks ensure that the primary risks always fall within the risk-taking potential and that risk-bearing capacity is thus assured. Risk-bearing capacity is one of the factors considered in defining the risk strategy.

Compliance with regulatory standards
The implementation of regulatory requirements, which proceeds in close consultation with the banking regulator, also has a decisive influence on the risk strategy. The Helaba Regulatory Group's regulatory capital backing and the determination of the regulatory capital are based on the provisions of the CRR and take account of the stipulations of the Supervisory Review and Evaluation Process (SREP).

Risk culture
The risk culture at the Helaba Regulatory Group consists of the attitudes and conduct of Helaba's employees in relation to risk awareness, risk appetite and risk management. The risk culture at the Helaba Regulatory Group fosters an environment in which risks are identified and consciously handled to ensure that decision-making processes lead to results that comply with the approved risk strategy requirements and reflect Helaba's risk appetite. The Helaba Regulatory Group's risk culture therefore extends beyond the governance framework and the established controls. The refinement of the risk culture is an ongoing task for all employees and managers at the Helaba Regulatory Group. The Helaba Regulatory Group's risk culture has the following components:

- A set of corporate values adopted by the Executive Board that set out the Helaba Regulatory Group's basic values and guiding principles.
- Responsibilities: every employee knows, understands and complies with Helaba's corporate values, with the risk appetite and risk tolerance relevant to their organisational unit and with the system set down in writing.
- Communication and critical dialogue: Helaba's working environment is characterised by respect, tolerance and trust. Everyone has the right to mutual respect, free from any kind of discrimination. The Helaba Regulatory Group seeks to promote an open working climate.
- Incentives: the remuneration system reflects the Helaba Regulatory Group's business priorities and aims to ensure that employees are properly rewarded for their efforts and achievements without being encouraged to take inappropriate risks in any way.

Auditing
The Internal Audit function audits all of Helaba's activities and processes in line with their risk content. This helps to safeguard transactions and financial assets. Assessments of the efficacy and adequacy of the internal control system facilitate the ongoing development and improvement of the risk management processes.

Risk Classification

Risk types
The primary risk types for the purposes of containment in the Helaba Regulatory Group result directly from its business activities. The structured risk inventory process, which is implemented annually and, where necessary, in response to relevant developments, examines which risks have the potential to dam-

age the Helaba Regulatory Group's financial position (including capital resources), financial performance or liquidity position to a material degree. The following primary risk types have been identified.

- The default risk or credit risk is defined as the potential economic loss that can arise as a result of non-payment by or a deterioration in the creditworthiness of borrowers, issuers, counterparties or equity investments and as a result of restrictions on cross-border payment transactions or performance (country risk).
  - The potential economic loss is determined using internal or external credit assessments and risk parameters assessed by Helaba itself or set out in regulatory specifications.
  - The default risk does not include credit standing risks, which are mapped in the market risk under the residual risk and the incremental risk.
  - The equity risk – the potential economic loss as a result of non-payment by or a deterioration in the creditworthiness of an equity investment – that is not managed at the level of the individual risk types also forms part of the default risk. Such developments can lead to a decline in the value of the holding, to the reduction or cancellation of dividend payments, to loss transfers and to contribution, margin call and liability obligations.

- The market risk is the potential economic loss as a result of disadvantageous movements in the market value of exposures due to changes in interest rates, exchange rates, share prices and commodity prices and their volatility. In this context changes in interest rate levels in one market segment lead to general interest rate risks, specific interest rate changes (for example on the part of an issuer) lead to residual risks and changes in the price of securities subject to a credit rating as a result of rating changes (including default) lead to incremental risks.

- The liquidity and funding risk is broken down into three categories. The short-term liquidity risk is the risk of not being able to meet payment obligations as they fall due. Structural liquidity risks result from imbalances in the medium- and long-term liquidity structure and a negative change in the organisation's own funding curve. Market liquidity risks result from the insufficient liquidity of assets, with the consequence that positions can be closed out only, if at all, at a disproportionately high cost. The liquidity risks associated with transactions not included in the balance sheet lead to short-term and/or structural liquidity risks depending on their precise nature.

- The term "non-financial risk" (NFR) has been introduced in the regulatory framework and in German/European supervisory law as a structure attribute separate and distinct from financial risk (such as market risk and default risk) but a final, binding definition has yet to be forthcoming. It is up to the banks to shape its meaning according to their risk profile.

  Non-financial risk at the Helaba Regulatory Group includes reputation risk as well as operational risk. Operational risk comprises the NFR sub-risk categories of operational risk in the narrow sense (includes aspects of reputation risk and matters relating to compliance, business continuity management, human resources and taxes), legal risk, conduct risk, model risk, information risk, third-party risk and project risk.

  Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

  Operational risk also includes the following NFRs:
  - Legal risk is defined as the risk of loss for the Helaba Regulatory Group resulting from infringements of legal provisions that have the potential to result in (i) legal proceedings or (ii) internal actions to avert such losses. Breaches of contract relating to matters of creditworthiness (for example in the case of loan contracts) do not fall within this definition.
  - Conduct risk is defined as the current or potential risk of loss for an institution as a result of an inappropriate offer of financial (banking) services, including cases of intentional or negligent misconduct.
  - There are two distinct aspects to model risk:
    I. One involves the risk of underestimating the regulatory or economic capital requirement as a result of using models to quantify risks. This is in part a reflection of the fact that a model can never entirely capture reality. This aspect of model risk is taken into account at the Helaba Regulatory Group
       a) as part of determining the own capital requirement for internal Pillar I models using the model premiums/safety margins demanded by regulatory requirements and
       b) in economic risk management via a risk potential premium for the primary risk types.

II. The other aspect of model risk involves the risk of losses associated with the development, implementation or inappropriate use of models by the Helaba Regulatory Group for the purposes of decision-making. This aspect is factored into operational risk. The analysis of operational risk does not include the models covered under I. a) and model risks already covered by the risk potential premiums in accordance with I. b).

- Information risk, which is a component of operational risk, comprises the risk of losses resulting from a failure to provide the specified protection, in terms of availability, integrity, confidentiality and (as part of integrity) authenticity, for the Helaba Regulatory Group's information values at a technical, procedural, organisational or human resources level, both internally and externally (including cyber risks), irrespective of form (digital, physical or verbal).
  I. IT risks are information risks resulting from the use of the IT systems and associated processes (own processes and those operated by third parties) for which the bank is responsible that threaten to compromise the protection of information.
  II. Cyber risks are information risks resulting from attacks on IT systems from outside the IT systems (own systems and those operated by third parties) for which the bank is not responsible that threaten to compromise the protection of information.
  III. Non-IT risks are information risks other than IT or cyber risks. These arise in connection with paper-based documents or the spoken word and threaten the protection of information.
- Third-party risk entails matters related to non-financial risk in outsourcing and other external procurement activities. Outsourcing risk and the risk from other outsourcing transactions are defined as the risk of loss / damage to the Helaba Regulatory Group due to defective performance or loss of performance by the service provider. Risks in relation to the service provider may in principle arise from
  I. underlying conditions at the service provider (creditworthiness, foreign legal risk, political stability),
  II. performance (personnel, equipment and IT resources, reputation) and
  III. dependence and concentration (concentration risk, market position).

  Risks in relation to the service provider may in principle arise from
  a) unsatisfactory quality / incomplete performance
  b) untimely fulfilment
  c) other contractual obligations not being satisfactorily performed or performed at all (e.g. violation of legal or contractual regulations that may limit in particular the usefulness of the service provided or increase the complexity of management and control).
- Project risk involves the risk of an event occurring that could give rise to negative consequences for project objectives or imposes scheduling, financial, human resources and / other constraints.

- Business risk is the potential economic loss attributable to possible changes in customer behaviour, in competitive conditions in the market, in general economic conditions or in the regulatory environment. Damage to the Helaba Regulatory Group's reputation could also trigger a change in customer behaviour.

- Reputation risk involves the possibility of a deterioration in the Helaba Regulatory Group's public image (its reputation for competence, integrity and trustworthiness) in the form of the perceptions of the individuals having a business or other relationship with the Helaba Regulatory Group. Most of the material impact of reputation risk finds expression in the business and liquidity risk. Reputation risk is consequently assigned to these risk types in the risk type system. Reputation risk encompasses reputation loss caused by direct actions as well as by the effects of operational losses. The reputation risk profile is mapped entirely under operational risk.

- Regulatory risk is the potential economic loss resulting from business constraints caused by new, unexpected (bank-specific) regulations, amendments to existing regulations or the unclear interpretation of regulations. The material consequences of regulatory risk impact on business risk and regulatory risk is consequently assigned to business risk in the breakdown of risk types.

- Real estate risk comprises the real estate portfolio risk – the potential economic loss from fluctuations in the value of an entity's own real estate – and the real estate project management risk associated with project development business. Risks associated with the provision of equity and loan capital for a project are excluded from this risk type, as are risks associated with real estate finance.

Risk Concentrations

Risk concentrations can occur both within a single risk type and across different risk types. The areas responsible for risk monitoring are charged with managing – that is to say identifying, quantifying, containing and monitoring – risk concentrations and reporting on identified risk concentrations in line with their respective accountability for major risk types, risk-bearing capacity and stress tests.

Both concentrations within a risk type (intraconcentrations) and concentrations across risk types (interconcentrations) are analysed and integrated into the risk management reporting and decision-making processes. No risk-mitigating diversification effects between the risk types are applied in the risk-bearing capacity calculation. The design of the extreme market dislocation stress scenarios across all risk types, moreover, implicitly takes account of the main risk concentrations between risk types of significance.

Risk Management Process

Risk management at the Helaba Regulatory Group comprises four elements that are best understood as consecutive phases in a single continuous process.

1. Risk identification

Risks affecting the Helaba Regulatory Group are identified continuously as an integral part of daily operations. Once identified, each risk is assigned to the relevant risk type. Comprehensive identification and incorporation into existing risk measurement systems and the associated risk monitoring processes are particularly important in connection with the introduction of new products and complex transactions. The central monitoring units are involved in the authorisation of new products as part of the New Product Process for lending business and trading business. The risk inventory process to be completed for the Helaba Regulatory Group annually and on an ad-hoc basis also helps to identify previously unknown risks and ensure that any of material significance are incorporated into the risk management process.

2. Risk assessment

Effective mapping of individual transactions and risk parameters in the risk measuring systems enables qualitatively and quantitatively robust risk measurement and assessment for the various risk types. A variety of models, methods and processes are used for this purpose. The Helaba Regulatory Group applies corresponding premiums and discounts to cover the model risk that results from the use of models and is confirmed in the course of independent validations.

3. Risk containment

The information obtained in the risk identification and quantification phases provides the basis for risk containment by the local management units. Risk containment encompasses all of the measures aimed at incurring, reducing, limiting, avoiding or transferring risks within the Executive Board's defined limits and RAF thresholds plus additional management variables for default risk.

4. Risk monitoring and reporting

The Risk Controlling unit provides independent central risk monitoring of the following risk types: default risk (including equity risk), market risk, liquidity risk, non-financial risk, real estate risk and business risk. The responsibilities of the Risk Controlling unit in this regard include the specification of appropriate methods, their implementation and the operation of the associated models. An integral component of these monitoring activities is the submission of reports to the relevant authority holders and committees covering the main risk types, risk-bearing capacity, the status of the RAF indicators and the status of the relevant indicators from the recovery plan (MaSan). The internal models used in Risk Controlling to assess risk in accordance with Pillars 1 and 2 are in addition recorded in a model inventory and validated regularly. The Risk Controlling unit (Independent Validation Group) is responsible for model governance, including maintaining the model inventory and ensuring that independent validation is carried out.

Risk Management Structure

Entities involved

The Executive Board has established a Risk Committee in accordance with the applicable banking regulatory requirements to implement and monitor the Helaba Regulatory Group's risk strategy, first and foremost, and to aggregate all of the risks – that is to say the default risks, market, liquidity and funding risk, non-financial risks (including operational risks), business risks and real estate risks – assumed across the Helaba Regulatory Group and evaluate their combined implications. The Risk Committee is charged with identifying risks at the Helaba Regulatory Group at the earliest possible stage, designing and monitoring the RAF and the calculation of risk-bearing capacity and determining measures aimed at avoiding risk and generating containment mechanisms for risk management. It also approves the containment and quantification methods employed by the various units and assesses the appropriateness of the tools applied in light of the extent of the risk.

The Executive Board has set up the Asset/Liability Management Committee and the Credit Committee of the Executive Board (VS-KA) to complement the Risk Committee. The main task of the Asset/Liability Management Committee is to manage the strategic market risk portfolio with independent responsibility and in support of the Executive Board. The Credit Committee of the Executive Board is responsible for individual lending decisions in accordance with the authority framework established by the Rules of Procedure for the Executive Board. The Risk Committee, on the other hand, is charged with containing the default risk of the entire portfolio and coordinating syndication business.

Appointments to the committees and the committees' duties, jurisdiction and responsibilities are governed in separate rules of procedure approved by the Executive Board.

The organisational guidelines specify that the approval of the entire Executive Board or of the Supervisory Board or one of its committees must be obtained for decisions on matters of particular significance such as acquiring, changing or disposing of equity investments, granting loans above a certain threshold and defining the cumulative limit for market risks. Helaba's Charter, moreover, requires that any decision to take on or make changes to strategic equity investments involving a stake in excess of 25 % also be approved by the Board of Public Owners.

Risk management at Regulatory Group companies

Companies belonging to the Regulatory Group are incorporated into risk management activities at Regulatory Group level by taking account of the risks established in the course of the annual or, where applicable, an ad hoc risk inventory. The starting point for determining inclusion is all direct equity investments of Helaba Bank under commercial law plus special purpose entities, special funds and all of Helaba's front office units. The regular risk inventory covers the companies belonging to the Regulatory Group for which there exists a material legal or economic reason for inclusion. The list of companies to be included is drawn up with reference to a catalogue of criteria. Companies belonging to the Regulatory Group that are not included in the risk inventory are considered through the mechanism of the equity risk.

One outcome of the risk inventory process is to determine which Regulatory Group companies are included in risk management at Group level with which risk types and which Regulatory Group companies are considered only through the mechanism of the equity risk. Companies belonging to the Regulatory Group are included in risk management at the level of individual risks in line with their primary risk types.

These companies must in addition establish an appropriate risk management process for any of their own risks that are assigned to the risk type at Regulatory Group level. The officers responsible for the relevant risk types and methods stipulate precisely how risks are to be included. The mode of inclusion in the methods used in the risk management process varies from risk type to risk type.

Principal risk monitoring areas ("three lines of defence", 3-LoD)

The responsibilities of the organisational units follow a "three lines of defence" (3-LoD) policy. This governance policy sets out roles and responsibilities to ensure there is independent monitoring and internal auditing of the effectiveness of the risk containment and monitoring functions that have been implemented. At Helaba (including LBS and WIBank) and in the major Regulatory Group companies, the containment of risks in the first line of defence is separated in terms of disciplinary and organisational reporting lines from the independent monitoring of risks in the second line of defence. The three lines of defence policy is implemented at Helaba (including LBS and WIBank) as follows:

First line of defence (LoD 1)

The first line of defence assumes risks in the course of its (business) activities, bears these risks and has responsibility for the results. In particular, it is responsible for controlling its risks and designing controls, with due regard for the methods specified by LoD 2.

Second line of defence (LoD 2)

A second line of defence (specifically including the Risk Controlling, Credit Risk Management, Restructuring/Workout, Compliance, and Group Steering units) to provide independent monitoring of LoD 1 has been established for all primary risk types. The main task is a holistic global assessment of all risks on an individual basis and at portfolio level – both at Helaba (including LBS and WIBank) and in the major Regulatory Group companies.

Third line of defence (LoD 3)

Internal Audit conducts risk-based audits, in particular of the appropriateness and effectiveness of the activities of the first two lines of defence.

To enable the aforementioned organisational units at the Helaba Regulatory Group to carry out their assigned responsibilities, the other organisational units must offer appropriate support by providing the necessary information and assistance.

Risk types	**Risk containing units (LoD 1)**	**Risk monitoring units (LoD 2)**	**Reviewing unit (LoD 3)**
Default risk including equity risk	Product units (Lending units, Capital Markets, Treasury: Municipal Loans)	Risk Controlling (portfolio level) Group Steering (equity risk) Credit Risk Management, Restructuring/Workout (individual exposure level and individual portfolio level)	Internal Audit
Market risk	Capital Markets, Treasury	Risk Controlling	
Liquidity and funding risk	Capital Markets (OTC/Money Market Trading), Treasury	Risk Controlling	
Non-financial risk (NFR)	All units	Risk Controlling, together with specialist functions[1] in the following units: Group Steering, Compliance including Information Security Management, Human Resources and Legal Services, Accounting and Taxes and Organisation	
Business risk	Product units	Risk Controlling	
Real estate risk	Portfolio and Real Estate Management	Risk Controlling	
Tasks across all risk types	–	Risk Controlling (including, among others, calculation of risk-bearing capacity, including potential risk exposures, capital planning, model governance)	

[1] The specialist functions in the case of non-financial risk are responsible alongside the Risk Controlling unit for relevant NFR/NFR sub-risk categories (as set out in the risk type breakdown) that are described in detail in the sub-risk strategy for non-financial risk.

The independent management of risk (risk containment, risk monitoring) within the major Regulatory Group companies is generally structured in the same way as at the Helaba Regulatory Group in terms of the three lines of defence principle. There may, however, be specific arrangements in place as well.

LBS and WIBank are integrated into the Helaba Regulatory Group's risk management and have supplementary requirements for their own risk management where necessary.

Internal Audit

The Internal Audit function, which reports to and is directly subordinate to the Executive Board, performs its tasks independently and without external direction. It examines and assesses all of Helaba's activities and processes, including activities and processes that have been outsourced, on the basis of risk considerations. It conducts audits at subsidiaries both in its role as the internal auditor and when specifically asked to do so. The annual audit plan drawn up in accordance with the risk-oriented multi-year plan and approved by the Executive Board forms the basis of all auditing activities.

Internal Audit focuses in particular on assessing the efficacy and adequacy of the Internal Control System and of risk management, thereby helping to safeguard financial assets. Internal Audit also supports major projects.

The scope and findings of audits are documented in accordance with uniform standards. Written audit reports are supplied promptly to the Executive Board and the people responsible for the units audited. The timely resolution of deficiencies identified is monitored and matters are escalated if necessary. Internal Audit reports significant audit findings, the actions adopted and the implementation status of these actions to the Executive Board and Supervisory Board every quarter. The Executive Board, Supervisory Board and Audit Committee are also presented with a summary annual report on auditing activities.

Compliance

The Compliance function reports to and is directly subordinate to the Executive Board (in accordance with the German Minimum Requirements for Risk Management (AT 4.4.2 MaRisk)). The institution has appointed a Head of Compliance, who is registered with the supervisory authorities as performing the functions of the Group Anti-Money Laundering Officer, the MaRisk Compliance Officer and the WpHG Compliance Officer.

There are three departments within the Compliance division: Corporate Compliance, Information Security Management (ISM), which includes data protection, and Compliance Money Laundering and Fraud Prevention/TF. The Chief Information Security Officer (CISO) representative function and the Data Protection Officer are based in the ISM department.

The MaRisk Compliance function, which forms part of the Corporate Compliance department, promotes the adoption of effective procedures to implement and ensure compliance with the principal legal rules and stipulations identified in the context of risk and conducts related checks. It also conducts regular analyses in this connection of the adequacy and efficacy of the business processes and practices associated with the implementation of and compliance with the principal legal rules and stipulations in Helaba.

The tasks of the capital market compliance function at Helaba are the responsibility of the Corporate Compliance I unit. Corporate Compliance I advises the operational divisions, and monitors and assesses principles, processes and procedures in terms of the relevant legal provisions and any inherent capital market compliance risk (advisory/review/controlling). The unit also performs regular risk-oriented monitoring activities based on a prior risk analysis, paying particular attention in this regard to the rules prohibiting insider dealing and market manipulation, and identifies and regulates potential conflicts of interest.

The Compliance Money Laundering and Fraud Prevention/TF department, acting in its capacity as the central authority for the purposes of Section 25h KWG, develops internal principles and adequate transaction- and customer-related safeguards and checks to prevent money laundering, the funding of terrorism and criminal acts. The precautionary organisational measures to be implemented are based in part on the Group risk analysis (money laundering, terrorism financing and fraud prevention) and also in part on the Group Policy. This Group Policy sets out the Group's general ground rules, which reflect the relevant legal and regulatory requirements. Monitoring software keeps business relationships under constant surveillance. The Compliance Money Laundering and Fraud Prevention/TF department is also responsible for the implementation of the legal requirements created by the Agreement between the United States of America and the Federal Republic of Germany to Improve International Tax Compliance (FATCA) and the international Automatic Exchange of Information (AEOI) process.

Information Security Management

The Information Security Management function is responsible for ensuring the proper control, coordination and development of information security management in line with the business strategy, risk strategy and IT strategy.

It also determines and defines necessary security requirements arising in connection with relevant best practices, laws and regulations, supports the regular analysis of information protection classifications and coordinates appropriate technical and organisational measures to ensure that an adequate level of security is maintained.

Implementation of existing requirements is monitored and deviations which could have repercussions for the Helaba Regulatory Group are fed into the information risk process. Measures and checks for sustainable risk reduction and risk monitoring are continuously refined.

The Data Protection Officer reports to and advises the Executive Board and all organisational units and employees with regard to data protection requirements. The function involves responsibility for monitoring the implementation of and compliance with the requirements of data protection law and for relevant employee training and measures to raise awareness of data protection issues among employees. Helaba maintains a record of processing activities (Art. 30 GDPR) covering procedures that involve the processing of personal data. This record provides the basis for ensuring that the processing of personal data complies with the data protection regulations. Helaba has developed an information security management system (ISMS) aligned with the ISO 27001 standard to ensure the availability, confidentiality and integrity of data (Art. 5 and Art. 32 GDPR) and to assess the resilience (maintenance of operability) of data-processing systems.

These functions report directly to the Executive Board.

Risk-Bearing Capacity / ICAAP

Established procedures for quantifying and containing risks ensure that all primary risks within the Helaba Group and Helaba Regulatory Group are always covered by risk cover pools and that its risk-bearing capacity is thus assured.

In terms of concept, the lead risk-bearing capacity approach reflects the supervisory requirements for an ICAAP at institutions from an economic internal perspective. In other words, the calculation of risk-bearing capacity takes into account all risks that could jeopardise the continued existence of the Helaba Group as a going concern from an economic internal perspective. The economic limitation and containment of risks is also based on ensuring risk-bearing capacity in accordance with this economic internal perspective. The risk tolerance and risk appetite related to the risk exposures in this perspective are specified in the RAF.

Risk-bearing capacity is determined on the basis of a time frame of one year in the economic internal perspective and both risk exposures and risk cover pools are designed and quantified for this period.

The economic risk cover pools are calculated on the basis of own funds determined in accordance with IFRS financial reporting requirements, adjusted for economic correction factors. These factors ensure a loss absorption capacity comparable with regulatory CET1 capital.

In terms of risk, risk exposures for default risk (including equity risk), market risk, operational risk, business and real estate risk are included in the analysis for the economic internal perspective with a confidence level of 99.9 %. This approach is used to demonstrate that the economic risk cover pool is adequate enough – even if rare and serious loss scenarios should materialise – to ensure that the Group can continue as a going concern on the basis of its own resources, i.e. without recourse to third-party funds.

The risk-bearing capacity assessment for the Helaba Group covering all risk types reveals that the existing risk cover pools at the end of 2020 once again exceeded the quantified risk exposures by a substantial margin, underlining the conservative risk profile. Helaba had a capital buffer of € 4.0 bn in respect of its economic risk exposures as at the reporting date (31 December 2019: € 4.3 bn).

Helaba regularly examines the effects of historical and hypothetical stress scenarios on risk-bearing capacity as well as analysing risk-bearing capacity for given reference dates. The scenarios considered include macroeconomic stress scenarios and a scenario involving exceptional market dislocation based on the most extreme changes in parameters observed over the historical time frame (usually observed market dislocation occurring in a global financial crisis).

To complement the economic internal perspective as the lead approach for ensuring risk-bearing capacity in Pillar II, an analysis using the regulatory internal perspective is conducted quarterly. The regulatory internal perspective examines how the primary Pillar II risks affect the regulatory ratios in accounting terms and the Helaba Regulatory Group's internal objectives for capital ratios in the context of the RAF over a multi-year period. This analysis is conducted using various macroeconomic scenarios. Pillar II risks affect regulatory capital, both through profit and loss and through other comprehensive income, whereas Pillar I risk quantification is reflected in a change in risk-weighted assets (RWAs).

The objective of this analysis is to ensure ongoing compliance with regulatory requirements and with the internal targets derived from the risk strategy and RAF. The capital ratios achieved under the simulated scenarios exceed the regulatory minimum CET1 capital ratio by a significant margin.

A number of reverse stress tests are also conducted to investigate what kind of idiosyncratic or market-wide events could jeopardise the continued existence of the Helaba Group or Helaba Regulatory Group as a going concern. The analyses focus on the regulatory minimum capital requirements, the available liquidity reserves and economic risk-bearing capacity in the economic internal perspective. There is currently no indication of any of these scenarios becoming a reality.

Other protection mechanisms

There are other protection mechanisms in addition to the risk cover pool. Helaba is a member of the Reserve Fund of the Landesbanken and Girozentralen and is thus included in the Sparkassen-Finanzgruppe's protection scheme, which comprises the eleven regional Sparkasse support funds, the aforementioned reserve fund and the deposit security reserve fund of the Landesbausparkassen.

The most notable features of this protection scheme are the way that it safeguards the viability of the affiliated institutions, especially their liquidity and solvency, its risk monitoring system for the early detection of specific risk profiles and its use of a method based on risk parameters defined by the supervisory authorities to calculate the amounts to be paid into the protection scheme by the various institutions.

The legally dependent Landesbausparkasse Hessen-Thüringen, the subsidiary Frankfurter Sparkasse, and Frankfurter Bankgesellschaft (Deutschland) AG, which is a subsidiary of Frankfurter Bankgesellschaft (Schweiz) AG (which in turn is a subsidiary of Helaba), are also directly integrated into this protection scheme.

The Sparkassen-Finanzgruppe scheme includes a deposit guarantee scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected in the Helaba Group amount to € 17.2 bn in total (31 December 2019: € 16.4 bn). The German Federal Financial Supervisory Authority (BaFin) has recognised the Sparkassen-Finanzgruppe's institutional protection scheme as a deposit guarantee scheme for the purposes of the German Deposit Guarantee Act (EinSiG).

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide Joint Liability Scheme. It covers the liabilities of Helaba and Frankfurter Sparkasse to customers, including banks, insurance companies and other institutional investors, and their securitised liabilities. Liabilities that serve or have served at the institutions as components of own funds pursuant to Section 10 KWG, such as asset contributions of dormant shareholders, liabilities under profit participation rights and subordinated liabilities, are not covered irrespective of their remaining term. The total volume of the fund is equal to 0.5 % of the affiliated institutions' total risk exposure amount as defined by article 92(3) CRR and stood at € 622 m at the end of 2020 (31 December 2019: € 606 m).

The Sparkassen- und Giroverband Hessen-Thüringen has undertaken to make up the shortfall between the amount actually paid in and the full amount should the fund be required before such time as the full amount has been contributed.

Rheinischer Sparkassen- und Giroverband (RSGV) and Sparkassenverband Westfalen-Lippe (SVWL) have each also unilaterally set up an additional regional reserve fund for Helaba.

Development institution WIBank, which is organised as a dependent institution within Helaba, enjoys the direct statutory guarantee of the State of Hesse as regulated by law and as permitted under EU law on state aid.

Default risk

Lending business is one of Helaba's core activities and the acceptance, control and containment of default risks accordingly constitutes one of its core competencies. Events in the market and developments in the regulatory environment for banks are together generating a continuous stream of new challenges for internal default risk management, making rigorous examination of the existing procedures absolutely essential.

Guiding these steps is a comprehensive and universal risk strategy derived from the business strategy. The specific risk strategy for default risks defines the risk propensity, differentiated by product, customer segment and risk type, for every business segment. It is reviewed annually.

Basel III / CRR

Helaba applies the IRBA. The corresponding regulatory requirements as set out in Basel III / CCR are implemented in Helaba's procedures and systems with the internal rating methods (default rating) for the lending portfolio, the Collateral Management System, the credit loss database, which is used to record and analyse the default portfolio and the specific loan loss allowances, and a regulatory calculation module.

Risk monitoring using the global limit system

Helaba employs a global limit system that records counterparty-specific default risks promptly in a structured and transparent manner. The system uses counterparty limits based on a combination of the creditworthiness (rating) of counterparties and Helaba's risk-bearing capacity.

Cumulative limits for each borrower are recorded in the global limit system at Group level to help monitor, limit and contain default risks. All types of loans in accordance with Articles 389 et seq. of the CRR made to borrowers in both trading and banking book activities are counted against these cumulative limits. Advance payment and settlement risks attributable to foreign currency and securities transactions, current account intraday risks, creditor risks associated with direct debits and what are referred to as "additional risks from constructs" are approved as commercial risks and counted against separate limits.

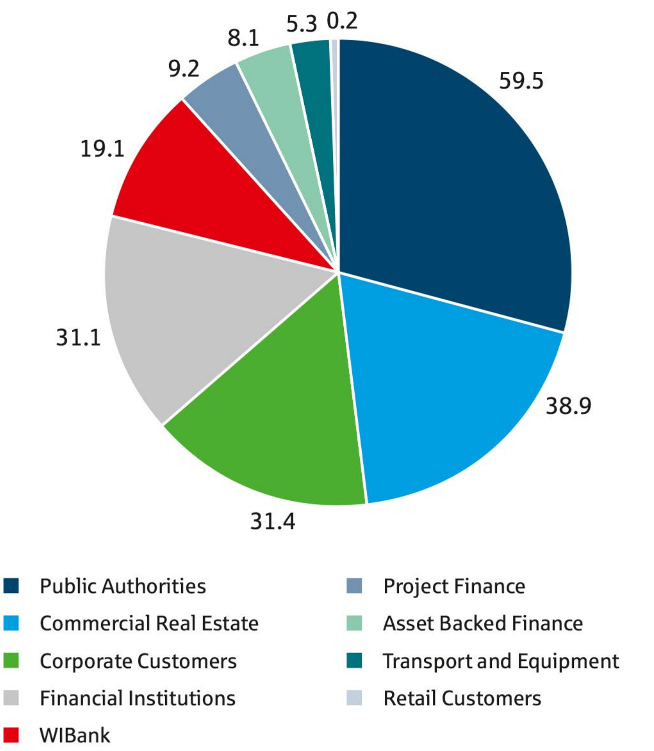
The approved total limits are allocated to individual borrowers, product categories and the operating divisions concerned in accordance with the application for approval. The utilisation of the individual limits is monitored on a daily basis and appropriate measures are initiated immediately if any limit is exceeded.

Swaps, forward transactions and options are counted towards the total limit at their credit equivalent amounts based on an internal add-on method. The Risk Controlling unit validates and, where appropriate, adjusts the add-ons once a year or on an ad hoc basis (for example in the event of market turmoil). All other trading book positions (for example money market trading and securities) are valued at market prices.

Creditor risks associated with direct debits and secondary risks resulting from leasing commitments (lessees) or guarantees received are also recorded as commercial risks for the relevant risk-bearing entity.

Chart 1 shows the total volume of lending (comprising drawdowns and unutilised lending commitments) at Helaba of € 202.9 bn as at 31 December 2020 (31 December 2019: € 195.6 bn) broken down by portfolios. The total volume of lending is the risk exposure value calculated in accordance with the legal provisions applicable to large exposures before applying the exemptions in relation to calculating utilisation of the large exposure limit and before applying credit mitigation techniques.

Total volume of lending by portfolios
(Helaba Bank)
Chart 1 in € bn



The lending activities in the narrow Group companies as at 31 December 2020 focused on the following portfolios: public sector, commercial real estate and corporate customers.

The summary below provides an overview of the regional breakdown of the total lending volume in the narrow Group companies by borrower's country of domicile.

Region — in € bn

	31.12.2020	31.12.2019
Germany	133.3	123.2
Rest of Europe	48.3	48.3
North America	19.9	22.5
Oceania	0.5	0.6
Other	1.0	0.9

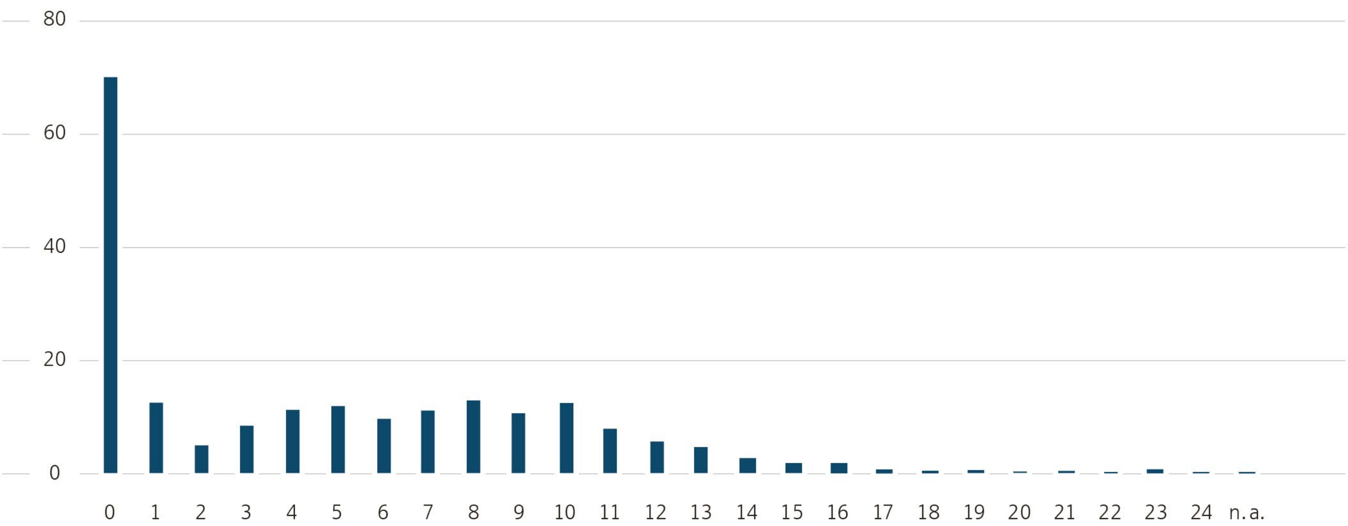
The table shows that Germany and other European countries continue to account for most of the total lending volume. The UK accounts for an exposure of € 6.4 bn (31 December 2019: € 8.5 bn).

Creditworthiness / risk appraisal

Helaba employs 16 rating systems developed together with DSGV or other Landesbanken and two rating systems developed internally. Based on statistical models, these systems classify loan exposures, irrespective of the customer or asset group, by the fixed probability of default (PD) using a 25-point cardinal default rating scale.

Chart 2 shows the total volume of lending in Helaba of € 202.9 bn (31 December 2019: € 195.6 bn) broken down by default rating category.

Total volume of lending by default rating category (Helaba Bank)
Chart 2 — in € bn



Collateral

Like the creditworthiness of borrowers or counterparties, the collateral arrangements (or general credit risk reduction techniques) available are of major importance when determining the extent of default risks. Collateral is measured in accordance with Helaba's lending principles. The measurement is adjusted as part of the regular or ad hoc monitoring process if there are any changes in factors relevant for measurement purposes.

Helaba's Collateral Management System meets the necessary conditions to allow full advantage to be taken of the comprehensive opportunities for recognising credit risk reduction techniques that enhance shareholders' equity in accordance with the CRR. It provides the data resources required to verify and distribute the assets eligible as collateral to the risk exposures secured.

Country risks

Helaba's definition of country risk encompasses the risk of sovereign default as well as transfer and conversion risk, which means that country risk exposure also includes individual transactions entered into by a Helaba location with a borrower in the same country in local currency (local transactions).

Helaba has a uniform methodology for the internal measurement and allocation of country risks based on the entity bearing the economic risk. The risk initially assigned to the borrower's country of domicile in accordance with the strict domicile principle is accordingly transferred, subject to certain conditions, to the country of domicile of the parent company of the Group, the lessee or, in the case of cash flow structures and when collateral is involved, to the country of the entity bearing the economic risk.

The country risk system is the central tool for the comprehensive, timely and transparent risk-oriented recording, monitoring and containment of country risks. All of Helaba's lending and trading units, including subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services, are involved in country risk containment. The total country risk, excluding the countries of the euro zone, may not exceed six times the liable capital of the Helaba Group of institutions. As of 31 December 2020, utilisation was less than four times the liable capital.

The Credit Committee of the Executive Board defines country limits for all countries apart from Germany. The overall limit assigned to a country is subdivided into a lending limit and a trading limit. The country risks for long-term transactions are also subject to additional sub-limits.

The internal rating method for country and transfer risks provides 25 different country rating categories based on the uniform master scale used throughout the Bank. All classifications are established at least annually by the Economics and Research department and ultimately defined by the Credit Risk Management unit. The Capital Markets unit, which performs the central coordination function for country limit requests, presents a country limit proposal on this basis factoring in bank-specific considerations and relevant factors relating to business policy and risk methodology and the Credit Committee of the Executive Board then sets the limits for the individual countries based on this proposal.

Helaba has no defined country limits for countries falling into the weakest rating categories (22 – 24).

Country risk (transfer, conversion and sovereign default risks) from Helaba loans issued by Helaba to borrowers based outside Germany amounted to € 64.1 bn (31 December 2019: € 67.1 bn), most of which was accounted for by borrowers in Europe (69.2 %) and North America (29.3 %). As at 31 December 2020, 81.1 % (31 December 2019: 79.6 %) of these risks were assigned to country rating classes 0 and 1 and a further 18.8 % (31 December 2019: 20.3 %) came from rating categories 2 – 13. Just 0.1 % (31 December 2019: 0.1 %) fell into rating class 14 or worse.

United Kingdom exposures

Helaba's net exposure to borrowers in the United Kingdom across the narrow Group companies amounted to € 5.9 bn as at 31 December 2020 (31 December 2019: € 8.2 bn). This decrease stems primarily from reduced exposures in the financial Institutions portfolio.

Following the adoption of the EU-UK Trade and Cooperation Agreement negotiated between the United Kingdom and the European Union, Helaba maintains the view that its portfolio of loans to UK borrowers will not suffer any substantial impairment in the short term.

Credit risk processes and organisation

The MaRisk contain differentiated rules in respect of the organisation of lending business, of lending processes and of the design of the methods used to identify, quantify, contain and monitor risks in lending business.

The Executive Board has defined the main requirements of business policy regarding structural and procedural organisation in lending business in separate organisational guidelines for lending business.

Approval procedure

The approval procedure followed by Helaba ensures that no credit risks are entered into without prior approval. The rules of procedure for the Executive Board state that loans above a certain value require the approval of the Supervisory Board Risk and Credit Committee. Commitments in amounts below this value are approved at different authorising levels (Executive Board, Credit Committee of the Executive Board, individual members of the Executive Board, staff members) depending on the amounts involved. Loans are approved on the basis of detailed risk assessments. In accordance with the MaRisk, the loan documents in what is designated risk-relevant business always comprise two independent opinions, one from the relevant front office unit and one from the relevant back office unit. The representative of the relevant back office unit also always has a right of veto in this connection as part of an escalation process. The ultimate decision rests with the entire Executive Board.

The procedure also takes account of the concentration limits derived from the Helaba Group's risk-bearing capacity, which place an additional limit on exposures in line with the default rating category of the economic group of connected clients. All loans also have to be reviewed at least once every twelve months. Mechanisms for ensuring on a daily basis that limits are not exceeded include the use of the global limit system, which aggregates all loans (credit lines and utilisations) extended by the narrow Group companies for each group of connected clients.

Quantifying default risks

For regulatory purposes, expected and unexpected default risks are quantified using the regulatory calculation module. Expected default risks are treated for calculation purposes on a transaction-by-transaction basis in the form of the expected loss. The calculation for regulatory purposes is carried out using the internal rating methods and regulatory loss given default (LGDs). The equity to be held available in accordance with the CRR to cover unexpected losses is also calculated on a transaction-by-transaction basis and is used for containment purposes for both the specific transaction and the risk capital.

Default risks are determined for the purposes of internal containment using a value-at-risk approach. Risks are quantified using a Credit Metrics-based credit risk model (Monte Carlo simulation) developed in house taking account of risk concentrations and additional migration and stochastic LGD risks. The value-at-risk (VaR) calculated from the simulated probability distribution provides a measure – with a probability (confidence level) of 99.9 % (economic internal perspective) – of the upper limit of the potential loss of a portfolio within a period of one year.

The risk parameters applied additionally include migration matrices and LGD parameters estimated internally and empirically measured correlation values as well as the internal rating methods. The overall risk assumes a simultaneous, correlated onset of losses (systematic risk).

The quantification of default risk is additionally assessed against various scenarios to determine the impact of corresponding stress situations. The risk parameters are modelled scenario by scenario for this purpose.

The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity indicates that the economic risk exposure for the Helaba Regulatory Group from default risk, calculated on the basis of the VaR, was € 1,558 m (31 December 2019: € 1,636 m). The economic risk exposure has reduced primarily as a result of the shrinking of the HI funds, almost all of the assets of which had been sold as at the reporting date. There has also been a moderate fall in the risk associated with Frankfurter Sparkasse. Other customary rating and exposure changes remained in balance over the course of the year, with no overall changes in risk.

COVID-19 pandemic

Very close monitoring is being carried out to identify potential effects from the COVID-19 pandemic on credit risk in the narrow Group companies.

To complement existing monitoring approaches, Helaba has analysed sectors to assess how far they are affected and has carried out sensitivity analyses and scenario calculations to facilitate early identification of risks that could gradually materialise over the course of the year. The analyses have revealed that businesses / sectors have been substantially affected by the effects of the COVID-19 pandemic mainly in the following portfolios: commercial real estate, corporate customers, and transport and equipment. The total lending volume to the sectors classified as critical in these portfolios amounted to around € 20.3 bn as at 31 December 2020.

Helaba has since the middle of March been maintaining an overview, based on the portfolios classified as critical, of all customers and transactions that display evidence of heightened credit risk as a result of the effects of the COVID-19 pandemic and have a corresponding early warning indicator. This COVID-19 watchlist was maintained separately from the existing watchlist, with all intensively monitored, recovering and non-performing loans, until 30 September 2020 and then transferred over to the standard watchlist monitoring process. All of the exposures on the COVID-19 watchlist were individually reviewed on the basis of a current risk assessment prior to transfer to determine whether they qualified as an exposure subject to workout. In this review, an analysis was carried out, taking into account the situation specific to the business and industry concerned, to establish whether the lockdown and consequential effects from the pandemic were not just temporary, i.e. whether a permanent deterioration in financial circumstances should be anticipated. All other exposures from the COVID-19 watchlist were transferred to the normal customer relationship management channel. Reporting on the sub-portfolios and companies classified as critical was integrated into regular risk reporting at the same time.

The following table shows the volume in respect of the sectors classified as critical and the volume of the customers/transactions in these sectors already on the watchlist, broken down by the portfolios commercial real estate, corporate customers and transport and equipment as at the reporting date:

Portfolio	Critical sectors	Watchlist
Commercial Real Estate	€ 7.4 bn	€ 0.8 bn
Corporate Customers	€ 10.1 bn	€ 1.7 bn
Transport and Equipment	€ 2.8 bn	€ 0.7 bn

Overall, the lending portfolio for the narrow Group companies proved to be stable for the most part in 2020. Heightened risk only materialised to a small extent in the form of rating deteriorations or default events. Nevertheless, despite government assistance and individual concessions to borrowers to cushion the adverse effects of COVID-19, it is probable that there will be a substantial rise in loan defaults over the course of 2021.

Loss allowances

Appropriate loss allowances are recognised to cover default risk. The adequacy of the loss allowances is reviewed regularly and adjustments are made where necessary. The anticipated effects of the COVID-19 pandemic have been appropriately taken into account.

Equity Risk

The equity risk category brings together those risks attributable to equity investments whose individual risk types are not considered separately in risk controlling activities by risk type. Equity risks do not have to be considered for an equity investment if all risk types of relevance for the equity investment concerned are integrated into Group-wide risk management (at the level of individual risks) in line with their relative significance and the relevant legal options. Financial instruments classified under the CRR as equity exposures are also reported as equity risks alongside the equity investments under commercial law.

The risk content of each individual equity investment is classified with regard to value using a two-phase catalogue of criteria (traffic-signal method). In addition, the risk assessment is based on the appraisal and development of the rating of the company concerned within the framework of the Bank's internal rating method. Equity risks are reported quarterly to the Risk Committee of the Executive Board and the Risk and Credit Committee of the Supervisory Board.

The composition of the equity investments portfolio is virtually unchanged from year-end 2019. The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 107 m (31 December 2019: € 103 m) for the Helaba Group from equity risk. The increase was mainly attributable to new investments in private equity/mezzanine funds.

Market Risk

Risk containment

Helaba manages market risks for the trading book and the banking book as part of its overall bank management. Clearly defined responsibilities and business processes create the necessary conditions for effective limitation and containment of market risks. The subsidiaries are integrated into the containment process as part of group-wide risk management according to a graduated system based on the risk inventory process in line with the specific business activities involved. Attention in this area focuses principally on subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG. Market risks are quantified using Helaba's own methods.

Trading activities focus for strategic purposes on customer-driven business, which is supported by a demand-led product range. Responsibility for containing trading book exposures rests with the Capital Markets unit, while the Treasury unit has responsibility for funding and for the management of the interest rate and liquidity risks in the banking book. The own issues repurchase portfolio belonging to the trading book also falls under the jurisdiction of the Treasury unit.

Limitation of market risks

Helaba employs a uniform limit structure to limit market risks. The process through which limits are allocated involves Helaba's internal corporate bodies and, in the context of limit definition for the risk-bearing capacity, the Risk and Credit Committee of the Supervisory Board.

Acting on the recommendation of the Asset/Liability Management Committee, the Risk Committee allocates limits to the risk-incurring business units and the various types of market risk within the scope of the defined cumulative limit for market risks. In addition separate limits are defined for the trading book and the banking book. Responsibility for the onward allocation of limits to Helaba's subordinate organisational units and its various sites rests with the divisions to which a limit has been assigned. Stop-loss limits and volume limits are also used independently in the trading units to limit market risks.

Compliance with the cumulative market risk limit was maintained at all times in the year under review

Risk monitoring

The Risk Controlling unit is responsible for identifying, quantifying and monitoring market risks. This responsibility includes checking transactions for market conformity and determining the economic profit or loss as well as risk quantification. In addition, the reconciliation statement with external Accounting is prepared.

Continuous functional and technical development of the methods and systems used and intensive data entry play a key role in ensuring that Helaba's market risks are recorded properly. A special process owned by the New Products Committee has to be completed whenever a new product is introduced. New products must be incorporated correctly into the required systems for position recording, processing, profit or loss determination, risk quantification, accounting and reporting before they can gain authorisation.

A comprehensive reporting regime ensures that the relevant members of the Executive Board and the position-keeping units are notified daily of the risk figures calculated and the economic profit and loss generated on the basis of current market prices. Information about the current risk and earnings situation is in addition provided weekly to the entire Executive Board and the Asset/Liability Management Committee and monthly to the Risk Committee. Any breach of a defined limit triggers the escalation process to limit and reduce the associated risks.

Quantification of market risk

Market risk is quantified using a money-at-risk approach backed up by stress tests (which also include the widening of spreads, as has occurred in the COVID-19 pandemic), the measurement of residual risks, sensitivity analyses for credit spread risks and the assessment of incremental risks for the trading book. The money-at-risk (MaR) figure corresponds to what is deemed, with a certain confidence level, to be the upper threshold of the potential loss of a portfolio or position due to market fluctuations within a prescribed holding period.

The risk measurement systems employed in the Helaba Group for each of the various types of market risk (interest rates, share prices and foreign exchange rates) all use the same statistical parameters in order to facilitate comparisons across the different risk types. This also makes it possible to aggregate the risk types into an overall risk. The overall risk assumes that the various different losses occur simultaneously. The MaR figure calculated using the risk models provides a measure of the maximum loss that will not be exceeded, with a probability of 99.0%, on the basis of the underlying historical observation period of one year and a holding period for the position of ten trading days.

The summary below presents a reporting date assessment of the market risks (including correlation effects between the portfolios) taken on as at the end of 2020 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market risk types. The increase in the linear interest rate risk in the banking book is primarily attributable to the market volatility resulting from the COVID-19 pandemic. Various country- and rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 87 % (31 December 2019: 83 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions 10 % (31 December 2019: 10 %). In the field of equities, the focus is on securities listed in the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar, Canadian dollar and sterling positions. Residual risk amounted to € 28 m for the Group (31 December 2019: € 13 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 120 m (31 December 2019: € 180 m). The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 950 m (excluding CVA risk, 31 December 2019: € 664 m) for the Group from market risk. The rise in economic risk exposure was primarily attributable to the increase in linear interest rate risk and residual risk caused by the heightened market volatility triggered by the COVID-19 pandemic.

Group MaR by risk type

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Trading book	29	22	25	20	3	–	1	2
Banking book	93	59	88	53	1	1	4	5
Total	**118**	**75**	**111**	**68**	**3**	**1**	**4**	**6**

The risk measuring systems are based on a modified variance-covariance approach or a Monte Carlo simulation. The latter is used in particular for mapping complex products and options. Non-linear risks in the currency field, which are of minor significance at Helaba, are monitored using sensitivity analyses.

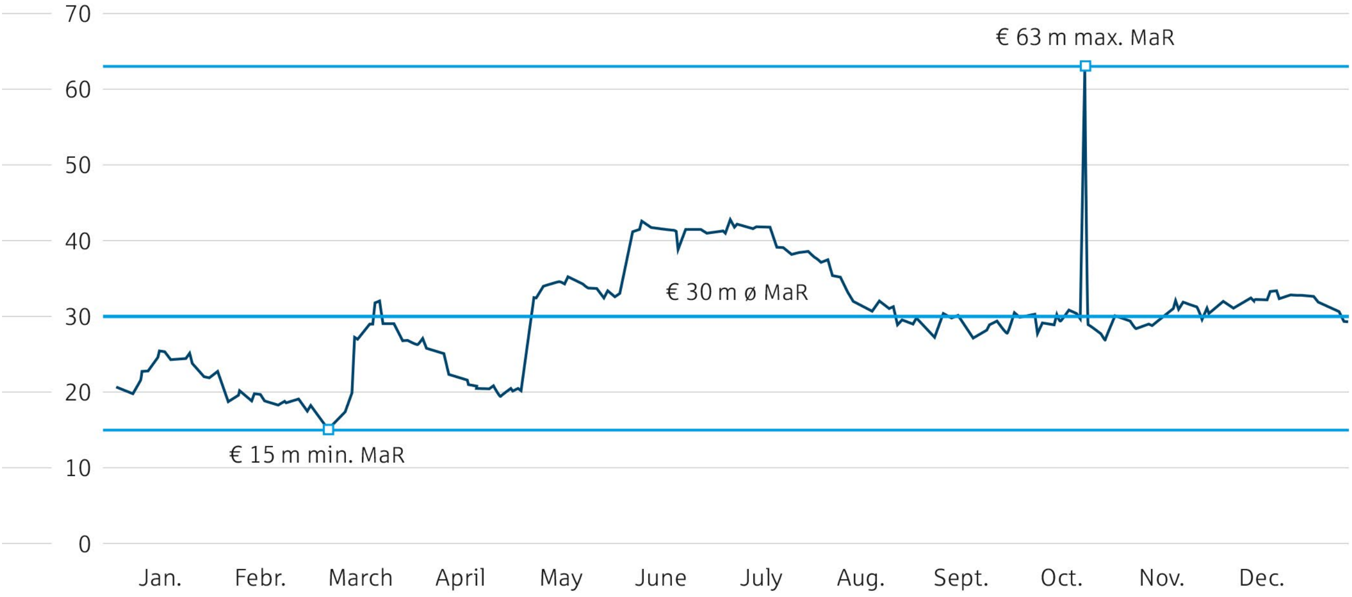
Internal model in accordance with the CRR

Helaba calculates the regulatory capital required for the general interest rate risk using an internal model in accordance with the CRR. This model, which consists of the risk measurement systems MaRC² (linear interest rate risk) and ELLI (interest rate option risk), has been approved by the banking regulator. The MaR in the internal model at year-end amounted to € 26 m.

Market risk in the trading book

All market risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba uses the parameters prescribed by the regulatory authorities – a 99 % confidence level, a holding period of ten trading days and a historical observation period of one year – for internal risk management as well. Chart 3 shows the MaR for the trading book (Helaba) for the 2020 financial year. The average MaR for 2020 as a whole was € 30 m (2019 as a whole: € 21 m), the maximum MaR was € 63 m (2019 as a whole: € 28 m) and the minimum MaR was € 15 m (2019 as a whole: € 13 m). The changes in risk in the 2020 financial year stemmed predominantly from linear interest rate risk and were attributable to regular parameter updates (volatility, correlations), which also reflected the market fluctuations caused by the COVID-19 pandemic, and to a normal level of reallocated exposures. The maximum MaR was reached in connection with a fixing date and associated hedging activities.

Daily MaR of the trading book in financial year 2020
Chart 3 in € m



Helaba's international branch offices plus Frankfurter Bankgesellschaft (Schweiz) AG and Frankfurter Sparkasse make the most recent business data from their position-keeping systems available to Group headquarters in a bottom-up process so that consolidated MaR figures can be calculated for the Group. The market parameters, in contrast, are made available in a standard form right across the Group in a top-down process. This arrangement means that risk quantification can be performed not just centrally at headquarters, but also locally at the sites.

The summary below shows the average daily MaR amounts for the trading book.

Average MaR for the trading book in financial year 2020 Ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Interest rate risk	21	21	31	19	31	14	27	23	27	19
Currency risk	–	–	1	–	1	1	3	–	1	–
Equities risk	1	1	1	1	1	1	1	1	1	1
Total risk	**22**	**23**	**32**	**20**	**33**	**16**	**31**	**24**	**30**	**21**

Number of trading days: 253 (2019: 250)

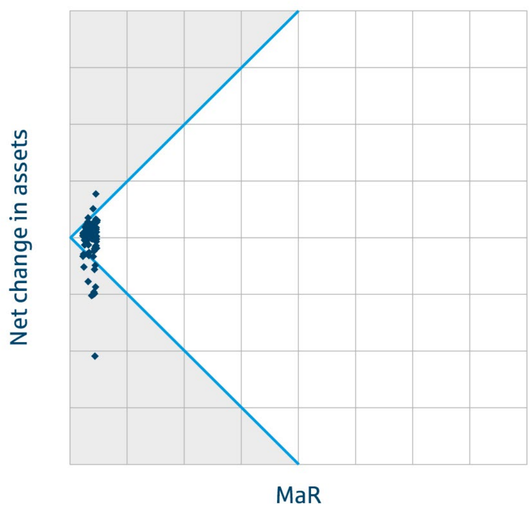
The annual average MaR for the trading book for Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG remains unchanged at € 0 m in each case.

Back-testing

Helaba carries out clean mark-to-market back-testing daily for all market risk types to check the forecasting quality of the risk models. This involves determining the MaR figure for a holding period of one trading day with a one-tailed confidence level of 99 % and a historical observation period of one year. The forecast risk figure is then compared with the hypothetical change in the net value of the trading book, which represents the change in the value of the portfolio over one trading day for an unchanged position and on the basis of new market prices. Any case in which the decrease in the net value of the trading book exceeds the potential risk figure constitutes a back-testing outlier.

Chart 4 shows the back-testing results of the Helaba risk models for the trading book across all types of market risk in financial year 2020.

Back-testing for the trading book in financial year 2020
Chart 4



The market volatility in the second half of March 2020 as a result of the COVID-19 pandemic led to an increased number of back-testing outliers in the internal model for the general interest rate risk. On the basis of the CRR "quick fix" approved by the European Parliament, Helaba submitted an application to ignore these outliers as they were not attributable to deficiencies in model quality. The application was approved by the banking supervisor on 20 July 2020. The internal model for the general interest rate risk additionally produced three negative outliers in clean back-testing and five negative outliers in dirty back-testing in 2020 in regulatory mark-to-market back-testing (2019: no negative outliers).

Stress test programme

A proper analysis of the effects of extraordinary but not unrealistic market situations requires the use of stress tests in addition to the daily risk quantification routine. Various portfolios are remeasured regularly under the assumption of extreme market scenarios. Portfolios are selected for stress testing on the basis of the level of exposure (significance) and the presence or absence of risk concentrations unless specific banking regulatory provisions apply. Stress tests are carried out daily on Helaba's options book. The results of the stress tests are included in market risk reporting to the Executive Board and are taken into consideration in the limit allocation process.

Methods available for use in stress testing include historical simulation, Monte Carlo simulation, a modified variance-covariance approach and a variety of scenario calculations – including those based on the main components of the correlation matrix. Helaba also performs stress tests to simulate extreme spread changes. The stress tests for market risks are supplemented by reverse stress tests and stress tests across risk types conducted in the course of Helaba's calculation of risk-bearing capacity.

Market risk (including interest rate risk) in the banking book

Helaba employs the MaR approach used for the trading book to map the market risk in the banking book. The risk figures calculated using this approach are supplemented with daily reports from which the maturity structure of the positions taken out can be ascertained. Regular stress tests with holding periods of between ten days and twelve months back up the daily risk measurement routine for the banking book.

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest rate shocks. The computation examines the effects of a rise and fall of 200 basis points in interest rates in line with the requirements of the banking regulator. As of the end of 2020, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 7 m in the value of the Helaba Group banking book (31 December 2019: € 180 m). Of this figure, € –1 m (31 December 2019: € 182 m) would have been attributable to local currency and € 8 m (31 December 2019: € –2 m) to foreign currencies. The change compared with the end of 2019 was mainly due to the lower level of interest rates in conjunction with the regulatory requirements for a maturity-related interest rate floor. Helaba carries out an interest rate shock test at least once every quarter.

Performance measurement

Risk-return comparisons are conducted at regular intervals to assess the performance of individual organisational units. Other aspects, including qualitative factors, are also included in the assessment in acknowledgement of the fact that the short-term generation of profits is not the sole objective of the trading units.

Liquidity and Funding Risk

Ensuring liquidity so as to safeguard its short-term solvency and avoid cost risks in procuring medium-term and long-term funding is a top priority at Helaba, which accordingly employs a comprehensive set of constantly evolving tools to record, quantify, contain and monitor liquidity and funding risks in the internal liquidity adequacy assessment process (ILAAP). The processes, tools and responsibilities in place for managing liquidity and funding risks have clearly demonstrated their value both in the COVID-19 pandemic and over recent years in the face of the global crisis in the financial markets and the resultant turmoil in the money and capital markets. Helaba's liquidity was fully assured at all times in 2020, even in the midst of the COVID-19 crisis.

A liquidity transfer pricing system ensures that all liquidity costs associated with Helaba's various business activities (direct funding costs and liquidity reserve costs) are allocated transparently. The processes of containing and monitoring liquidity and funding risks are combined in the ILAAP and comprehensively validated on a regular basis.

Containment and monitoring

The Helaba Group operates a local containment and monitoring policy for liquidity and funding risks under which each Group company has responsibility for ensuring its own solvency, for potential cost risks associated with funding and for independently monitoring those risks. The corresponding conditions are agreed with Helaba Bank. The subsidiaries falling within the narrow Group companies report their liquidity risks regularly to Helaba as part of Group-wide risk management, allowing a Group-wide aggregated view. All Regulatory Group companies are additionally included in the LCR determination and monitored in accordance with the CRR.

Helaba draws a distinction in liquidity risk management between short-term and structural liquidity management. Overall responsibility for short-term solvency and for structural liquidity management with regard to the funding of new lending business (maintaining the balanced medium- and long-term liquidity structure) rests with the Treasury unit. The same unit is also tasked with the central management of the liquidity buffer for both regulatory purposes (to maintain the LCR) and for collateral management.

The Risk Controlling unit reports daily on the short-term liquidity situation to the relevant managers and reports monthly in the Risk Committee on the overall liquidity risks assumed. Reporting also includes various stress scenarios such as increased drawings on liquidity lines, no availability of interbank liquidity in the financial markets and the possible impact on Helaba of a significant rating downgrade. The stress scenarios encompass both factors specific to the bank and broader market influences. Reverse stress tests are also conducted. Additional ad hoc reporting and decision-making processes for extreme market situations are in place and have demonstrated their value once again in the COVID-19 pandemic

Short-term liquidity risk

Helaba maintains a highly liquid portfolio of securities (liquidity buffer) that can be used to generate liquidity as required in order to assure its short-term liquidity. The current liquidity situation is managed with reference to a short-term liquidity status indicator that is based on a proprietary economic liquidity risk model and is determined daily. The model compares expected liquidity requirements for the next 250 trading days against the available liquidity from the liquid securities portfolio. The calculation of the available liquidity includes markdowns to take into account unexpected market developments affecting individual securities. Securities that are used for collateral purposes (for example repos and pledges) and are thus earmarked for a specific purpose are deducted from the free liquid securities portfolio. The same applies in respect of securities maintained as a liquidity buffer for intra-day liquidity management. The main currency for short-term liquidity at Helaba is the euro, with the US dollar also significant.

The short-term liquidity status concept has been chosen to allow various stress scenarios to be incorporated. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are five days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. The utilisation rate in the most relevant scenario (solvency) was 0 % as at the reporting date (31 December 2019: 0 %) as a result of the excellent level of liquidity adequacy. The figure remained at 0 % (31 December 2019: 0 %) when Frankfurter Sparkasse was included. The average utilisation rate in 2020 was 4 % (2019: 3 %), similar to the prior-year level and reflecting the very good liquidity position during the year, which the Helaba Group was able to maintain at all times, even when markets became volatile because of the COVID-19 pandemic.

The Helaba Regulatory Group manages short-term liquidity in accordance with the regulatory LCR requirements in parallel with the economic model. The two perspectives are integrated through the ILAAP. The ratio stood at 202 % on 31 December 2020 (31 December 2019: 225 %).

Money market staff borrow/invest in the money market (interbank and customer business, commercial paper and certificates of deposit) and make use of ECB open market operations and facilities in performing the operational cash planning tasks necessary to ensure short-term liquidity. Intraday liquidity planning is carried out in the Operations unit.

Off-balance sheet loan and liquidity commitments are regularly reviewed with regard to potential drawdowns and features of relevance to liquidity and are integrated into liquidity management. Guarantees and warranties are similarly reviewed. Helaba determines and plans the liquidity to be held available using a scenario calculation that includes a market disturbance.

A total of € 2.1 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents an increase of € 0.3 bn as compared with the previous year. No liquidity had been drawn down from stand-by lines in US public finance business as of the reporting date (as was the case at the end of 2019).

Credit agreements, in particular those of consolidated property companies, may include credit clauses that can result in distribution restrictions or even in the agreements being terminated. The Group faces no significant liquidity risk even if such a termination should threaten in individual cases.

Structural liquidity risk and market liquidity risk

The Treasury unit manages the liquidity risks in Helaba's commercial banking activities, which consist essentially of lending transactions including floating-interest roll-over transactions, securities held for the purpose of safeguarding liquidity and medium- and long-term financing, via the central asset/liability management system (ZDS). Funding risk is managed on the basis of liquidity gap analyses where liquidity mismatches are limited. The NSFR to be introduced by the regulator through CRR II on 30 June 2021 is used for management. Helaba prevents concentrations of risk from arising when obtaining liquidity by diversifying its sources of funding. Market liquidity risk is quantified in the MaR model for market risk. A scenario calculation using a variety of holding periods is carried out. The scaled MaR suggested no significant market liquidity risk as at 31 December 2020, as was also the case at 31 December 2019. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

The Executive Board defines the risk tolerance for liquidity and funding risk at least annually. This covers the limit applicable for short-term and structural liquidity risk (funding risk), liquidity building for off-balance sheet liquidity risks and the definition of the corresponding models and assumptions. A comprehensive plan of action in the event of any liquidity shortage is maintained and tested for all locations. The plan of action was activated in response to the COVID-19 pandemic and was used to support liquidity management at the start of the crisis as a precautionary measure.

Non-Financial Risk / Operational Risk

Principles of risk containment

The Helaba Regulatory Group identifies, assesses, monitors, controls and reports non-financial risk using an integrated management approach in accordance with the regulatory requirements. This approach encompasses Helaba and the major Regulatory Group companies according to the risk inventory.

The containment and monitoring of non-financial risk are segregated at disciplinary and organisational level at the Helaba Regulatory Group. Risk management is accordingly a local responsibility discharged by the individual units, which are supervised by specialist monitoring units with responsibility for sub-categories of non-financial risk.

The specialist central monitoring units are responsible for the structure of the methods and processes used to identify, assess, monitor, control and report the sub-categories of non-financial risk. The methods and processes used for the risk sub-categories follow minimum standards that have been specified centrally to ensure that the framework for non-financial risk is designed on a standardised basis.

The management of sub-categories of non-financial risk that form part of operational risk must comply in full with the established methods and procedures used for operational risk. This means that these risks are taken into account appropriately as part of the quantification of operational risk and, from a structural perspective, are thus identified, assessed and included in the calculation of the risk capital amount accordingly. In the case of sub-categories of non-financial risk that are not covered by operational risk, these risks are taken into account in a number of ways, such as risk exposure markups, safety margins and buffers. Overall, Helaba comprehensively ensures that the sub-categories of non-financial risk are taken into account in the risk-bearing capacity/ICAAP.

The central Risk Controlling unit is responsible for monitoring compliance with the minimum standards applicable to the non-financial risk framework.

Quantification

Risks are quantified for Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model for operational risk based on a loss distribution approach, which takes into account risk scenarios and internal and external losses to calculate economic risk exposure. This also includes internal losses and risk scenarios that relate to sub-categories of non-financial risk and form part of operational risk. Such risks include legal risk, third-party risk, information risk and project risk. The summary below shows the risk profile as at the end of 2020 for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Regulatory Group that are included in risk management at the level of individual risks.

Operational risks – risk profile

Economic risk exposure — in € m

	Reporting date 31.12.2020	Reporting date 31.12.2019
	VaR 99,9%	VaR 99,9%
Helaba Bank	188	217
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	90	88
Total	**278**	**305**

The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 278 m (31 December 2019: € 305 m) for the Helaba Regulatory Group from operational risk. The fall in this figure can be traced essentially to the updating of the risk scenarios.

COVID-19 pandemic

Business continuity management (BCM) measures were implemented in response to the COVID-19 pandemic. These measures included a greater level of remote working to ensure the health and safety of employees and maintain the availability of operating processes. The loss situation was therefore affected by additional costs as a result of COVID-19. The risk situation related to non-financial risk increased a little as a result of the pandemic.

Documentation system

The documentation system lays down details of the internal control procedures and the due and proper organisation of business. The defined framework for action is marked out in the documentation system in the form of regulations governing activities and processes.

Clear responsibilities have been defined within Helaba for the creation and continuous updating of the various components of the documentation system. The Efficiency/Process Management department assists the specialist units responsible for the activities and processes to create and publish the regulations.

Legal risk

The Human Resources and Legal Services unit is responsible for monitoring legal risks. It is represented on Helaba's Risk Committee with an advisory vote and reports on the legal risks that have become quantifiable as ongoing or imminent court proceedings involving Helaba or its subsidiaries.

The legal aspects of major undertakings are coordinated with the Human Resources and Legal Services unit. Legal Services provides specimen texts and explanations for contracts and other declarations with particular legal relevance where expedient as a contribution to preventive risk management. The lawyers of the Human Resources and Legal Services unit have to be involved in the event of any deviations or new rulings. If the services of external legal experts are sought either in Germany or elsewhere, their involvement in principle proceeds under the management of Human Resources and Legal Services.

The Human Resources and Legal Services unit drafts agreements, general business conditions and other relevant legal declarations as part of its legal counselling support services in co-operation with the other units of the Bank. The Human Resources and Legal Services unit is involved in the examination and negotiation of any legal texts submitted by third parties.

If any mistakes or unexpected developments detrimental to Helaba are encountered, the lawyers help to identify and remedy the problems and avoid any recurrence in future. They assume responsibility for examining and evaluating events for factors of particular legal significance and conduct any proceedings launched. This applies in particular in respect of countering any claims asserted against Helaba.

The Human Resources and Legal Services unit monitors current developments in case law for the Bank and analyses potential impacts on Helaba.

Human Resources and Legal Services reports on legal risks by making submissions to the Executive Board, documenting ongoing and imminent court proceedings and coordinating on a formalised basis with other units.

Third-party risk – outsourcing and other external procurement

The Organisation division (Purchases) is responsible in the specialist 2nd LoD for monitoring third-party risk in outsourcing arrangements and other external procurement activities.

Outsourcing Governance defines the framework for the monitoring and containment of Helaba's outsourcing arrangements, including the associated roles and responsibilities. The actual monitoring and containment of outsourcing arrangements is performed directly by the relevant Local Sourcing Management (LSM) function. Central Sourcing Management within Purchases defines the framework for the operational implementation of containment and monitoring. This includes developing and regularly updating methodologies and tools. Central Sourcing Management monitors the local implementation and application of the methods and procedures for local sourcing management as the central supervisory authority. Central Sourcing Management additionally provides executive management with a regular consolidated report on outsourcing arrangements in place. The overarching objectives, scope and guiding principles applicable within the scope are set out in Helaba's outsourcing strategy.

Other external procurement activities in the services category are considered separately from outsourcing. Purchases manages and monitors other external procurement activities in accordance with the written procurement process.

Information risk

Helaba's defined information security requirements provide the foundation for an appropriate level of security and for the secure utilisation of information processing. The level of information security maintained and the extent to which it is appropriate given the applicable circumstances are monitored, reviewed and refined continuously through the information security management system (ISMS).

The identification and reporting of information risks can be triggered by various processes. These processes are intended to ensure that discrepancies in relation to the requirements are identified (allowing risks to be detected at an early stage) and that appropriate actions to reduce these risks are defined and implemented. Associated documents are updated and refined on a regular basis.

Helaba also actively manages information risk (IT, non-IT and cyber risk). Information risk and the associated security measures and checks are reviewed, periodically and on an ad hoc basis, monitored, and contained to this end. The Helaba Regulatory Group thus takes proper account of all three protection imperatives of information security – availability, integrity (which includes authenticity) and confidentiality – in order to avoid any detrimental impact on its ability to operate.

COVID-19 pandemic

The Information Security Management function has been actively involved in the reviewing of existing security measures and the implementation of new business continuity management (BCM) measures in connection with the COVID-19 pandemic. Addressing the information security issues associated with expanding remote working capabilities was a particular priority. The safety measures implemented ensured there was no significant increase in security incidents as more employees moved to remote working.

Business continuity management

Helaba adopts an end-to-end approach to processes for the purposes of business continuity management. Business continuity plans to be followed in an emergency have been drawn up for the processes classed as critical. These business continuity plans are subject to tests and exercises to verify their effectiveness and are updated and enhanced on a regular basis to ensure that emergency operation and the restoration of normal operation both proceed properly.

Where IT services are outsourced to or procured from external service providers, the related contractual documents contain provisions relating to preventive measures and measures to limit risks. Specialist units of Helaba work together with IT service providers to conduct regular tests of the documented procedures for safeguarding operation and the technical restoration of data processing.

Accounting process

The objective of Helaba's internal control and risk management system in relation to the accounting process is to ensure proper and reliable financial reporting. The Helaba Group's accounting process involves individual reporting units that maintain self-contained posting groups and prepare local (partial) financial statements in accordance with HGB and IFRS. Helaba's reporting units comprise the Bank (Germany), the branch offices outside Germany, LBS, WIBank, all consolidated companies and sub-groups and all companies and sub-groups accounted for using the equity method.

Helaba's Accounting and Taxes unit consolidates the partial financial statements from the reporting units to produce both the single entity financial statements under HGB and the consolidated accounts under IFRS. Accounting and Taxes also analyses and prepares the closing data and communicates it to the Executive Board.

The components of the internal control and risk management system for the purposes of the accounting process are as follows:

- Control environment
- Risk assessment
- Controls and reconciliations
- Monitoring of the controls and reconciliations
- Process documentation
- Communication of results

The components of Helaba's control environment for the accounting process include appropriate staffing of the units involved, in particular Accounting and Taxes, with properly qualified personnel. Regular communication ensures that the individual employees receive all of the information they need for their work promptly. Any failures that occur despite all of the checks in place are addressed and remedied in a defined process. The IT system landscape used in the accounting process is subject to IT security strategies and rules that ensure compliance with the German generally accepted accounting principles (GoB)/German principles for the proper maintenance and archiving of books, records and documents in electronic form and for data access (GoBD).

Helaba focuses primarily on the probability of occurrence and the extent of any potential error when assessing risks in the accounting process. The impact on the closing statements (completeness, accuracy, presentation, etc.) should the risk eventuate is also assessed.

The accounting process includes numerous controls and reconciliations in order to minimise its risk content. Extensive IT-based controls and reconciliations are used in addition to the control measures (including the double verification principle) applied to ensure the accuracy of manual operations such as data entry and calculations. These IT-based controls include mechanisms for subsidiary ledger / general ledger reconciliation checks and HGB / IFRS consistency checks. The controlling and reconciliation processes are themselves monitored by means of statistical evaluations for the reconciliations and reviews of individual validation measures. Internal Audit is involved in the controlling process and carries out regular audits of accounting.

The procedure to be followed in accounting is set out in a number of different complementary forms of documentation. Accounting policies for HGB and IFRS define stipulations for the accounting methods to be used and also contain provisions on group accounting. The latter relate in particular to the parent company of the Group and the sub-groups included. Rules concerning organisational factors and the preparation process are included in addition to the stipulations on approach, measurement, reporting and disclosure requirements that apply throughout the Group. The individual reporting units have direct responsibility for incorporating stipulations in varying degrees of detail concerning the procedure to be applied in the various processes and subprocesses followed in the preparation of the financial statements. Accounting policies and procedures are accessible to employees at all times via the Helaba Group's intranet.

Accounting and Taxes performs analytical audit steps on the results of financial reporting (the closing figures determined). This entails plausibility checking the development of the figures over the course of the year. The closing figures are also cross-checked against planning outputs, expectations and extrapolations based on business progress. Finally, the figures are checked for consistency with analyses prepared independently elsewhere within Helaba. Primary and deputy responsibilities are assigned for this purpose at Group level for each reporting unit and each entry in the Notes. The figures are discussed regularly with the Executive Board following this preliminary analysis and validation.

Helaba was required to convert the annual financial statements and the management report into a standard electronic reporting format, the European Single Electronic Format (ESEF), for the first time in the reporting year. The preparation of the ESEF documents forms part of the accounting process. The documents must comply with the stipulations of section 328 (1) of the HGB concerning the electronic reporting format. Helaba has instituted the internal controls required for this purpose.

Operational risk in the narrow sense of taxes

Errors in operating procedures and processes that impact on legally required financial accounting and reporting can also have a bearing on tax matters in certain circumstances. The general requirements for the design of risk-related operational processes at Helaba and the special requirements from the internal control and risk management system for the accounting process apply in respect of activities involving procedures and processes with particular risk potential and to reduce the risk of errors. Banking business can also give rise to operational risk in the narrow sense of taxes if the applicable tax laws are not properly observed in proprietary and customer business. Helaba additionally operates a tax compliance management system (TCMS) to ensure that it always complies properly with its tax obligations and that reputation risks are avoided as far as possible in this connection. The TCMS, which has been designed to take into account legal and business management principles, focuses on compliance with tax regulations and the avoidance of tax-related operational risk. Based on a 3-LoD model, the identification, containment and monitoring of operational risk in the narrow sense of taxes are a cornerstone of the TCMS (see Risk Management Structure section above). Risk-focused tasks, procedures and control requirements form an integral part of Helaba's operating business processes along with continuous monitoring. The TCMS also extends to the foreign branches.

The overarching objectives and principles are set out in Helaba's tax strategy, which forms an integral part of the business strategy.

The 'Taxes' department is responsible for the system of tax-related instructions (process cluster tax processes), which also regulates the over-arching tax-related control requirements. Specialised monitoring in the TCMS as part of Helaba's risk management structure is performed by the 'Taxes' department in conjunction with tax compliance coordinators in the individual departments.

A reporting system covering the regular submission of information has been established as part of the TCMS.

Other Risk Types

Business risk

Risk containment in respect of business risks encompasses all of the measures implemented in order to reduce, limit and avoid risks and to keep intentional risk exposure compliant with the risk strategy and the specified limits adopted by the Executive Board. Operational and strategic risk containment is the responsibility of Helaba's front office units and the management of each equity investment. The Risk Controlling unit quantifies business risks for the purposes of calculating risk-bearing capacity and analyses any changes.

The analysis as at the 31 December 2020 reporting date under the economic internal perspective for the calculation of risk-bearing capacity indicates that business risks reduced slightly to € 156 m in the year compared with 31 December 2019 (31 December 2019: € 160 m).

Real estate risk

The Portfolio and Real Estate Management department in cooperation with the Regulatory Group companies handles risk containment for the real estate projects and real estate portfolios. Risk containment encompasses all of the measures implemented in order to reduce, limit and avoid risks and to keep intentional risk exposure compliant with the risk strategy and the specified limits adopted by the Executive Board. The Risk Controlling unit's activities in relation to real estate risks focus on risk quantification and risk monitoring. Risk quantification includes determining the capital necessary to ensure that risk-bearing capacity is maintained.

The analysis as at the reporting date under the economic internal perspective shows a risk of € 174 m (31 December 2019: € 159 m) from real estate projects and real estate portfolios. The increase resulted primarily from the expansion of the real estate project portfolio and the real estate portfolio in one of the Regulatory Group entities and a larger real estate portfolio at Helaba. These risks continue to be fully covered by the expected income from the associated transactions.

Summary

The controlled acceptance of risks plays a central role at Helaba in the management of the company. We accept and manage risks on the basis of our comprehensive risk identification, quantification, containment and monitoring system. Although they are already very highly evolved and satisfy all statutory and supervisory requirements, we refine our methods and systems continuously. Our fundamental organisational principles put in place the structures necessary to ensure successful implementation of the risk strategy defined. Helaba, in conclusion, has at its disposal a stock of proven and effective methods and systems with which to master the risks it chooses to accept.

Non-Financial Statement

Under section 340i (5) of the German Commercial Code (Handelsgesetzbuch – HGB), Landesbank Hessen-Thüringen (Helaba) is under an obligation to prepare a non-financial statement in which it describes the main effects of its business activities in certain non-financial areas (environmental, social and employee concerns, respect for human rights and the prevention and combating of bribery and corruption).

As Helaba's equity investments also have a material effect on non-financial aspects of its business and the Bank adopts a Group-wide approach to sustainability management, the following passages refer to the Group as a whole, with Frankfurter Sparkasse and GWH Immobilien Holding receiving particular attention. Unless otherwise stated, the figures presented always refer to Helaba Bank. Helaba also prepares a non-financial statement and this is contained in the group management report.

In a structured analysis process, the subjects credit finance, asset finance, provision of financial services, residential management, anti-corruption, corporate culture and employee development were identified as being material to Helaba's business activity. The concepts described here generally apply to the Group. If there is any variation from basic principle, this is indicated separately in the text.

In preparing the non-financial statement, Helaba used the German Sustainability Code (DNK) as orientation, and also put together a "DNK Declaration of Conformity" featuring the Global Reporting Initiative (GRI) indicators used in the code. Helaba provides comprehensive reports online on its sustainability activities (nachhaltigkeit.helaba.de). The declaration of conformity in accordance with the DNK can also be accessed on this website.

In the year under review and on the date of the report, no material risks have been identifiable that have had or are very likely to have a serious negative impact on the areas specified above.

The statements in the non-financial statement have been subject to a voluntary external business management audit in accordance with ISAE 3000 (Revised) in which limited assurance is provided by an independent auditor. References to details outside the management report represent additional information and do not form an integral part of the non-financial statement or the management report.

Business Model and Sustainable Business Orientation

Helaba is a public-law credit institution with a mandate to operate in the public interest and has always embraced environmental and social responsibility, in addition to financial considerations, as part of its fundamental identity. The business model enjoys strong regional roots and has a long-term focus. Helaba operates mainly in Germany, but also has a presence in selected international markets. Key features of Helaba's strategy are a conservative risk profile, close interconnection with the real economy and integration into the S-Group. Helaba's business model is described in detail in the section "Basic Information About the Group".

With a view to minimising negative effects on the environment and society and preventing reputational risk, Helaba has drawn up guiding sustainability principles applicable for the Group. These principles include standards of conduct approved by the Executive Board for business activities, business operations, employees and corporate social responsibility. Helaba's corporate values under the tagline "Values with impact" underline its aspirations to make a positive contribution to society and to strengthen Germany as a business location over the long term.

Helaba made sustainability and diversity core elements of its tripartite strategic agenda in 2020. The HelabaSustained programme launched in 2020 aims to advance Helaba's sustainability profile in all environment, social and governance (ESG) fields and to help ensure the entire Helaba Group stands out clearly – both internally and externally – in the future as a sustainable organisation. Helaba intends to integrate the sustainability objectives under development as part of the programme into the management of the company. New products for lending and deposit business with an ESG aspect are also to be developed and sustainability-related advisory services for customers (both corporate customers and customers of the Sparkassen) expanded. Requirements of ESG relevance that are laid down in legislation or by the supervisory authorities are addressed and implemented on an institution-wide basis. The aim is to continue developing the organisational and commercial profile across the board to help Helaba master the looming sustainable transformation of society successfully and live up to the expectations of its various stakeholders.

Helaba introduced a new organisational structure with leaner management levels in March 2020 as part of the "Scope – Growth through Efficiency" project. The basis for the success of this transformation is the refinement of the corporate culture, key features of which are mutual trust and more individual responsibility. Employee concerns and human resources development are being presented in greater detail with this in mind.

Helaba, Frankfurter Sparkasse and Frankfurter Bankgesellschaft signed the "Commitment by German Savings Banks to climate-friendly and sustainable business practices" in 2020 as part of an initiative driven by the German Savings Banks Association (DSGV). The objectives of this voluntary commitment are that institutions make their business operations carbon-neutral by 2035, that their financing and own investments be geared to climate change targets and that they support and facilitate their customers' transformation to climate-friendly models.

Helaba has also signed up to the Ten Principles of the UN Global Compact. With this step, the Bank recognises international standards for environmental protection, human and labour rights, and anti-corruption measures. At both national and international levels, Helaba applies the Universal Declaration of Human Rights and the Declaration on Fundamental Principles and Rights at Work issued by the International Labour Organization (ILO) as overarching principles for all its business activities.

Responsible Business Practices and Social Value Proposition

There is an impact on environmental, social and human rights issues from Helaba's business activities as a bank, from the management of the assets of institutional investors at the Helaba Invest subsidiary, from the housing portfolios of the GWH subsidiary in the real estate business, and from the private customer business operated by the subsidiary Frankfurter Sparkasse.

Helaba does not believe it has any material impact on the environment from its business operations in office buildings. Nevertheless, Helaba is committed to reducing this ecological footprint on a continuous basis. For example, Helaba's main office building (MAIN TOWER) is officially designated as a sustainable and energy-efficient building, having received platinum certification – the highest category available – in accordance with Leadership in Energy and Environmental Design (LEED) standards. Helaba relies on electricity generated from renewable sources for over 90 % of its electricity needs in office buildings. Helaba regularly monitors environmental key performance indicators in relation to its operations and publishes the results transparently on its website.

It also uses a risk-based approach when outsourcing activities and processes. In Helaba's opinion, its supply chain has no material impact on human rights. In a further measure to ensure this is actually the case, Helaba requires all of its suppliers to accept its code of conduct as part of which it is mandatory for suppliers to document that they respect human rights.

Credit finance

Lending business is Helaba's core activity. There is a risk that businesses or projects financed by Helaba could have negative effects on the environment or society. In 2017, Helaba therefore developed sustainability and exclusion criteria for lending. These criteria have been integrated into the existing risk process and risk containment activities and apply throughout the Group.

The aim of the stipulations is to minimise any negative effects of financing arrangements on the environment and society, including the transition risks and physical risks caused by climate change. Under the criteria, financing for activities with a severe adverse effect is to be avoided. Accordingly, it is set out in the specific risk strategy for default risk that it is prohibited to consciously finance projects that could have a serious detrimental environmental or social impact. This includes, but is not limited to, violations of human rights, the destruction of cultural assets, infringements of employee rights, and environmental damage such as the destruction of the natural habitats of threatened species. Consideration of the OECD recommendations on environmental and social due diligence (the OECD Common Approaches) is mandatory for all export finance, for example.

Helaba supports customers with the transformation process necessary to establish a more sustainable business model and intends to continue building up its range of services in this area accordingly. It is already actively involved in a number of transactions using sustainability-linked financing options (ESG-linked loans). Examples include the first sustainable guarantee facility, an arrangement that makes it possible to provide guarantees linked to the sustainability of the customer's activities, which Helaba completed in 2020. Helaba played a leading role in a number of transactions in the market for sustainable promissory notes (“ESG-linked SSD”) in 2020 too and intends to continue building up its market position here in 2021.

The overarching principles are complemented by sector-specific requirements applicable to sectors exposed to heightened ESG risk. Specific criteria have been adopted for the following sectors: energy, coal-fired power plants, dams and hydroelectric power plants, nuclear power plants, mining, oil and gas, agriculture and forestry, paper and pulp, and armaments. This ensures that the funding of activities with heightened ESG risk, such as fracking or the extraction of oil from tar sands, is ruled out. The sustainability criteria for lending are published on Helaba’s website and are therefore also visible to market players. Helaba reviews its risk strategies annually and will adjust or expand sustainability criteria as required.

The containment of default risk is integrated into the risk management system used throughout the Group. The basis is a comprehensive and universal risk strategy derived from the business strategy. This risk strategy was drawn up on a binding basis in accordance with the German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk). ESG objectives were incorporated into the general risk strategy in 2020 to provide an overarching framework for the handling of ESG matters in risk management. Helaba defines ESG factors in the general risk strategy in addition to the ESG objectives. ESG factors are environmental, social or governance factors that have an effect on the ESG objectives established with an eye towards risk management and the occurrence of which might negatively impact Helaba’s net assets (including capital resources), results of operations or liquidity position. ESG factors may occur in all risk types and are therefore taken into account within the risk management processes of the identified risk types.

The Executive Board is responsible for all of the risks to which Helaba is exposed as well as for ensuring compliance with the risk strategy and execution of risk management throughout the Group.

Institutional asset management

Full service manager Helaba Invest supports customers along the whole of the professional asset management value chain. It manages sustainability-linked portfolios and offers customised solutions for investors. Helaba Invest believes it has an overriding duty to ensure that its business activities are sustainable and regards the sustainability of its operations as a key aspect of its socially responsible approach.

Its avowed mission is to promote a sustainable and prosperous society through investment. Helaba Invest’s commitment to sustainability is further underlined by its status as a signatory of the United Nations’ Principles for Responsible Investment (UN PRI) and the Carbon Disclosure Project (CDP). It has also bound itself to abide by the code of conduct of the German Investment Funds Association (BVI), including the guidelines on socially responsible investment and the guidelines on sustainable real estate portfolio management. Helaba Invest intends to encourage regular discussion within the sector as a member of the BVI’s “Responsible Investment” and “Sustainability in Real Estate Funds” working groups and actively to drive the ongoing development of sector-wide standards.

Helaba Invest has embedded its defined sustainability strategy in its business and risk strategy. Helaba Invest published its first declaration of compliance with the German Sustainability Code (DNK) for the 2019 reporting year. The materiality analysis it completed as part of this process identified five areas for action that represent the priorities for its sustainability strategy: good governance, sustainable products and innovations, customer satisfaction, being an attractive employer and demonstrating responsibility for society and the natural environment. Key issues were identified in these action areas and management approaches incorporating strategic targets and indicators to measure target attainment were developed. Helaba Invest adopted an ESG risk strategy based on the recommendations of the German Federal Financial Supervisory Authority (BaFin) in 2020 in recognition of the ever-greater significance of sustainability risks.

Sustainability governance was expanded in 2020 too with the introduction of an overarching ESG Panel and ESG committees in the product units and the establishment of the Sustainability Officer role. The Sustainability Officer develops the sustainability strategy and the comprehensive, company-wide sustainability policy in close consultation with the ESG experts from the relevant product and specialist units.

As at 31 December 2020, Helaba Invest had assets under management of € 134.5 bn in special funds for institutional investors and retail funds (31 December 2019: € 124.6 bn). This figure includes assets of € 57.1 bn specifically relating to sustainability (31 December 2019: € 11.3 bn), equating to a ratio of 42.5 % (31 December 2019: 9.1 %). The increase stems in part from more granular data collection and also from the strategic expansion of the ESG proposition and the resulting increase in customer demand. Helaba Invest has been carrying out ESG screening of all investment securities for its retail equity funds to determine the extent to which they comply with international sustainability standards and conventions, such as the principles of the UN Global Compact, since 2019. It adds sustainable funds to its product portfolio continuously: in 2020, for example, a green bonds fund, an emerging markets corporate bonds fund and a global multi-factor equities fund were designed for the first time. Helaba Invest offers customers sustainability reporting as well, with detailed reports covering indicators such as ESG score, ESG carbon and ESG rating plus analyses of controversial companies and business areas for the relevant customer portfolios.

Helaba Invest developed an ESG investment policy in 2020. The policy, which provides a binding foundation for addressing sustainability factors in the form of ethical standards, risk management and issues relating to climate change for all of the investment processes involved in portfolio management at Helaba Invest, will be published in March 2021.

Helaba Invest is continuously expanding its commitment to sustainability at corporate level too. It promotes an open and tolerant corporate culture and signed up to the Diversity Charter in 2020, making clear its resolve in this area both internally and externally. Helaba Invest aims to minimise its impact on natural resources and the environment. It began offsetting unavoidable CO_2 emissions with climate protection certificates from German non-profit atmosfair in 2020, at the same time taking steps to ensure that its operations were carbon-neutral.

Provision of financial services

Within the Helaba Group, private customer business is primarily conducted by Frankfurter Sparkasse. Frankfurter Sparkasse's Charter specifies that its mission is to promote saving and other forms of wealth accumulation and to satisfy the demand for credit at local level. As the regional market leader in private customer business with the biggest branch network in Frankfurt am Main, Frankfurter Sparkasse has significant influence over the provision of financial services in its territory. It discharges its responsibility for the provision of access to financial services and meets its mandate to operate in the public interest by ensuring it has a broadly based presence in the territory, comprising 73 branches and advice centres, around 20 self-service banking centres and more than 200 automated teller machines (ATMs).

Frankfurter Sparkasse recognises financial inclusion as a key component of its mandate to operate in the public interest. To ensure that access to banking services is available to all sectors of the population, particularly economically and socially disadvantaged customers, Frankfurter Sparkasse offers various types of basic account. As at 31 December 2020, customers held 1,417 basic accounts (31 December 2019: 1,461). Frankfurter Sparkasse makes it easier for the blind and visually impaired to access its services by ensuring that each of its physical branches has at least one ATM with a headphone socket. The online branch of the Frankfurter Sparkasse offers completely barrier-free access to its media operations, too.

Frankfurter Sparkasse pursues a business policy that is consistently focused on customer needs. Regular sales staff training sessions are held, covering the sales philosophy of the Sparkassen-Finanzgruppe and the implementation of guidelines and laws with a consumer focus. Frankfurter Sparkasse believes that it is of fundamental importance to ensure that the advice provided for customers is of high quality. For this reason, for example, quality targets are used as the basis for up to 40 % of the measurement of customer advisor performance; these targets include customer satisfaction requirements. In the case of both retail and corporate customers, regular surveys and annual meetings are used to measure customer satisfaction; the results are used to specify targets. In addition, within the framework of the S-Group Concept in Hesse and Thuringia, reports on customer satisfaction are submitted to the S-Group bodies and the S-Group strategy is used to determine action plans and targets.

Frankfurter Sparkasse considers sustainability strategically in the round, based on the DSGV Commitment and HelabaSustained. The steps taken in this area including appointing a Sustainability Officer to work on issues such as helping Frankfurter Sparkasse become more sustainable in the future and expanding its range of sustainable products.

Residential management

GWH Immobilien Holding GmbH leases out and/or manages some 50,000 homes in its real estate business and therefore holds significant influence over environmental and social issues. The objectives it pursues are to provide high-quality, affordable homes for broad sections of the population and to reduce the detrimental effects of real estate on the environment. GWH is investing on a targeted basis in its existing housing stock and new construction projects to meet the rising demand for housing, particularly in urban centres such as the Rhine-Main and Rhine-Neckar regions. For example, 303 homes for rent were completed in 2020 (2019: 279). GWH also provides local help and advice offices to maintain a trusting relationship with its tenants. Caretakers live on site, consequently becoming part of the local community.

From an environmental perspective, GWH has established processes aimed at continuously optimising the energy and carbon footprint of its residential buildings. Modernisation projects are managed to be sustainable, with GWH taking care to use long-lasting natural materials. For example, it invests on an ongoing basis in improved insulation and more energy-efficient windows in its housing portfolio and uses its own energy service provider (Systeno GmbH) to ensure that more than one third of its homes are supplied with heating energy from energy-efficient combined heat and power (CHP) generation and renewable energy sources.

It regularly checks that these activities have been successful by measuring the savings achieved in CO_2 emissions. According to the latest evaluations, the total energy consumption in 2019 of 418,951 MWh was reduced by approximately 1.60 % as a result of heat insulation improvements and the modernisation of heating systems, saving 1,343 tonnes of CO_2 (2018: 1,008 tonnes of CO_2). Work to optimise heating control equipment accounted for most of the year-on-year improvement in CO_2 savings. Between 2017 and 2019, around 90 % of the residential units received new energy certificates. At 122 kWh / m² / a (2018: 123), the average energy consumption of GWH's residential properties is well below the German average of around 169 kWh / m² / a (last available value for 2015) as published by the nation's energy agency. Around 28 % of living space falls under energy efficiency classes A+ to C, 60 % under classes D to E and approximately 13 % under classes F to H.

In addition to environmental effects, social issues are also of significance for tenants. Among other things, GWH is involved in major housing schemes with wide-ranging sociocultural profiles. Around 20 % of the homes provided by GWH are rent-controlled (subsidised); around 40 % of the homes are located in areas subject to special neighbourhood management from a social perspective. The objective of the neighbourhood management scheme is to implement a range of measures aimed at improving the residents' quality of life and quality of living, as well as bringing about a degree of social equality. GWH draws up individual profiles for 20 large neighbourhoods with around 59 charitable partner organisations and uses them as a basis for the creation of multi-year neighbourhood plans. The process involves analysing strengths and weaknesses and describing development possibilities and opportunities for upgrades. Residents are able to play an active role in the related decision-making processes. The result is that approximately 20 % of maintenance spending goes into continuous neighbourhood improvements such as playgrounds, new lighting systems and attractive communal spaces. In addition, GWH makes premises available for social outreach purposes, including youth support schemes and community centres, and takes part in social projects. It supports housing development residents by setting up help and advice offices, finding local caretakers, and employing welfare officers as points of contact.

A central office to assist tenants encountering payment difficulties began operating in March 2020 as part of the COVID-19 crisis management response and a special "Instruction concerning support for tenants and tradespeople / business partners for the duration of the COVID-19 crisis", which included measures such as the suspension of rent adjustments and collection activities, a notice freeze and the conclusion of deferment or payment-by-instalment agreements with tenants even in cases with no clear link to COVID-19, was issued.

Combating Bribery and Corruption

It is a fundamental principle at Helaba that the Group will comply at all times with laws and regulations at local, national and international levels. The risk that legal provisions could be breached is considered legal risk and is managed as part of operational risk (see Risk Report).

In view of the nature of banking business, the prevention of criminal economic activity through a compliance management system with a preventive focus is of key importance at Helaba in this context. One of the measures taken by Helaba is to set up the independent functions of the Money Laundering and Fraud Prevention Compliance Office, which acts as the central authority within the meaning of section 25h KWG; these functions are being constantly updated with the involvement of the branches and the relevant subsidiaries. The tasks of this office include the development and implementation of internal principles and adequate transaction- and customer-related safeguards and checks to prevent money laundering, the funding of terrorism, and other criminal acts such as fraud and bribery.

Any kind of active or passive corruption is prohibited at Helaba. This is laid down in the code of conduct, which serves as an overarching set of guidelines and framework of principles for all employees. Procedures and the company regulations set out binding rules and regulations and offer support for a wide variety of activities, including the handling of inducements and action to be taken if criminal economic activity is suspected, to ensure that business decisions are taken objectively and transparently on the basis of a clear fact-based rationale. As part of the regulatory requirements, Helaba holds regular training sessions, and it is mandatory for employees to attend these events every three years at least.

A whistleblowing system (WhistProtect®) is in place, enabling any employee to report potentially unlawful transactions. Any employee in the Group can contact an external ombudsperson via a range of communications channels (web portal, postal mail, telephone), either anonymously or safe in the knowledge that their identities will not be disclosed.

As part of the preventive approach, an annual Group risk analysis report is prepared and submitted to the Board member responsible for these activities, the Executive Board as a whole and the Supervisory Board. In addition, Internal Audit conducts an independent assessment of risk management and the controls in the course of its auditing activities and reports on this to the Executive Board. In 2020, as in previous years, no corruption proceedings were notified to Helaba.

Appreciative Corporate Culture and Sustainable HR Activities

The knowledge and experience of employees is key to the long-term successful performance of Helaba as a provider of specialised financial services in a dynamic and complex market environment. Employees help Helaba to build its successful long-term customer relationships through their achievements, their commitment and their ideas. Helaba aims to foster a corporate culture founded on mutual trust and confidence to enable this flexible, agile and innovative collaborative ethos to flourish and grow.

Attractive employer and employee professional development

Helaba endeavours to attract, develop and retain highly-qualified and motivated specialists, managers and high-potential trainees so that it can continue to address the ongoing regulatory changes, the advances in digitalisation in the financial sector and the issues presented by demographic change. It promotes regular dialogue between employee and line manager in addition to formal job descriptions to help ensure the required employee skills are always available. This dialogue process considers the performance, motivation and qualifications of each employee, creates transparency regarding work requirements and individual targets and provides a forum for discussing development opportunities and agreeing appropriate actions.

Helaba provides a range of in-house services aimed at training and professional development to ensure that employee skills and qualifications are maintained and expanded. For example, it invested € 1.8 m in 2020 in employee skills development (2019: € 2.3 m) to ensure all employees have access to a needs-based range of internal seminars covering professional, personal, social and methodological development. Employees can also make use of external training services; sponsored opportunities in the form of work and study programmes or courses leading to professional qualifications are also available.

Helaba focuses particularly on the recruitment and development of young talent. It offers training courses and trainee programmes, thereby fulfilling its socially responsible role of enabling school-leavers and university graduates to start their careers. Helaba provides training at the Frankfurt/Offenbach and Kassel sites. After a few years of vocational experience, high-potential individuals have the opportunity to undertake professional development at Helaba based on their strengths and areas of learning, either by following a structured personal plan or through a defined programme for high-potential employees.

Occupational health management at Helaba is designed to maintain the physical and mental well-being of employees by focusing on preventive measures, nurture an awareness of the need for a healthy lifestyle and improve quality of life. These objectives have been more relevant than ever for employees and their families since the onset of the COVID-19 pandemic and staff were accordingly switched from the office to working from home quickly in the spring of 2020. Events, presentations and seminars provide regular information for employees on health issues such as healthy eating, physical activity in day-to-day office work and avoiding workplace stress. A comprehensive company sports programme is provided to help employees maintain their physical fitness. Content covering working from home and the associated stresses was swiftly added in 2020. An employee assistance programme including a qualified counselling service is available for employees facing challenging personal or professional circumstances. Employees can make use of this service if they have professional, family, health or other personal issues, for example in connection with help at home or care for relatives requiring support and assistance.

Corporate culture and new work

Helaba launched the "Helaba in Bewegung" transformation process to help smooth the path of ongoing organisational development. The process aims to embed a corporate culture focused on building trust, sharing responsibility and honouring commitments made. Helaba accordingly challenges all line managers to push the three aspects of trust, responsibility and dependability (referred to within the organisation as the "Three Vs" on account of the German terms to which they correspond) in the relevant divisions.

The emergence of the COVID-19 pandemic in spring 2020 underlined the pronounced impact of this approach, with Helaba quickly enabling employees to work from home wherever possible. The foundation provided by the Three Vs enabled employees to interact and work together on issues successfully virtually as well as face-to-face.

The Bank-wide introduction of mobile technology since November 2020 and the related internal agreements allow employees to collaborate effectively at all times whether physically present in the office or working from home. Helaba is supporting the ongoing experiments with new forms of collaboration and helping employees with the associated greater emphasis on personal responsibility and self-organisation with collaboration tools and suitable team formats. Having successfully relocated to the Helaba Campus in the summer of 2020, Helaba now has an ideal location for the development of modern, agile working methods: the many different options opened up by the flexibility of the premises make it possible to facilitate different modes of collaboration effectively and keep communication pathways short.

Diversity and equal opportunities

Helaba has signed both the Diversity Charter and the UN Global Compact and established key principles in its code of conduct, underlining its commitment to a working environment without discrimination in which the diverse skills and capabilities of employees are properly valued. Helaba aims at a practical level both to promote diversity and to bring a greater diversity of perspectives into teams and joint working. The pursuit of true equality of opportunity is another priority: Helaba wants to engage the potential and capabilities of all its people irrespective of age, gender and disability. It also strives to create harmony as far as possible between the personal situation of its employees and the requirements of the institution.

The Bank's internal life-stage model, which offers possibilities based on equality of opportunity and takes full account of different career stages, is intentionally designed to capitalise on the diversity of Helaba's workforce. The model's long-term focus supports a sustainable approach to HR activities. Establishing additional career paths alongside the management track opens up scope to design development pathways for specialist, project and sales careers in the future.

Also provided in support of these objectives are a mentoring programme and a development programme for high-potential junior staff, the aims of which include developing the potential of female employees for positions of responsibility. These various opportunities are augmented by diversity workshops, seminars to support career development for female employees, childcare options, comprehensive part-time working models and other similar provisions. Helaba intends that particular attention should be paid to women when identifying people with high potential and carrying out succession planning and has voluntarily undertaken to try to raise the percentage of women in management positions above 30 % overall.

Diversity in the Helaba workforce, key figures

	31.12.2020	31.12.2019	31.12.2018
Proportion of women	45.3 %	45.6 %	46.3 %
Proportion of female managers	21.7 %	20.5 %	20.9 %
Proportion of women on the Executive Board (Helaba Bank)	0.0 %	0.0 %	0.0 %
Proportion of women on the Supervisory Board (Helaba Bank)	28.3 %	29.4 %	23.3 %
Proportion aged > 50	52.0 %	49.3 %	46.5 %
Proportion aged 30 – 50	44.5 %	47.6 %	50.0 %
Proportion aged < 30	3.5 %	3.1 %	3.6 %
Proportion of employees with disabilities	5.2 %	5.1 %	5.2 %

Basic principles under employment law and remuneration policy

Around 95 % of employees work in Germany (2019: around 95 %). Relevant employment law and health & safety provisions are a fixed integral component of the internal rules, regulations and processes. Some 98 % of employees have a permanent employment contract (2019: around 95 %). As provided for in the Hessian Act concerning Personnel Representation (HPVG), the Human Resources Council (HRC) represents the interests of the employees and monitors compliance with the regulations intended to protect these interests. As the representative body, the Human Resources Council is the first point of contact for senior management in all matters concerning employees. The General Human Resources Council at Helaba is supported by personnel representative bodies at individual sites and at Frankfurter Sparkasse and by the body representing young trainees and the severely disabled. The Human Resources Council takes part in activities at Helaba on the basis of co-determination, involvement and consultation, primarily in relation to organisational, personnel and social matters.

Helaba's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration. The remuneration for around 52 % of employees is set under the collective agreement for public-sector banks (2019: around 52 %). Remuneration for the remaining 47 % or so is not subject to a collective salary agreement (2019: around 48 %). The remuneration systems for the employees and the Executive Board satisfy the requirements specified in the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (IVV) and are published annually in the form of a separate report (remuneration report pursuant to section 16 IVV in conjunction with Article 450 CRR) on Helaba's website (www.helaba.com).

Overall, a low employee turnover rate of 2.4 % (departure initiated by the employee; 2019: 2.4 %), an average period of service of 14.1 years (2019: 13.6 years) and a low absenteeism rate of 3.7 % (absence caused by illness as evidenced by a doctor's certificate; 2019: 4.6 %) are testimony to a high degree of satisfaction and significant employee commitment.

Outlook and Opportunities

Economic conditions

The global economy will return to a more normal footing over the course of the year as the proportion of the population to have been vaccinated grows. Like the contraction in 2020, however, the scale of the revival will vary from region to region. China has a head start here, an advantage that will probably only increase in 2021. The pandemic is still subduing economic activity in the USA, but the new government is likely to introduce additional stimulus measures that will boost the recovery. The US economy is expected to reach annual average growth of around 4 % once more in 2021.

In key countries of the euro zone, such as France, Italy and Spain, the lockdown measures in spring 2020 were tighter and lasted longer than in Germany. This had a major adverse economic impact. Overall, the euro zone contracted by 6.8 % in 2020. Countries such as Spain and Italy are being particularly badly affected by the situation in the tourism industry. Reduced working hours and an elevated unemployment rate are slowing consumer spending. Capital spending on equipment will only recover gradually. On the other hand, the extremely expansionary fiscal and monetary policy is providing some stimulus. Economic growth in the euro zone is projected to reach around 5 % in 2021.

The ECB has stepped up its expansionary monetary policy during the crisis. The pandemic emergency purchase programme (PEPP), which has now swelled to 1.85 billion euros, is due to continue until at least March 2022. The situation in financial markets appears to be under control thanks to the massive injections of liquidity. Risk premiums for corporate and government bonds have dropped back noticeably. Despite a return to higher inflation rates in the euro zone in 2021 as a consequence of the economic recovery, there will be no fundamental changes to the ultra-loose monetary policy. This is indicated by the generally sharp increase in indebtedness. Even the US Federal Reserve (Fed) responded to the crisis with interest rate cuts and comprehensive liquidity measures. There is no end in sight to this expansionary path.

Opportunities

Helaba defines as opportunities the business potential that it is able to leverage in its operating segments as a result of its business model, market position or special expertise. By pursuing targeted strategic growth initiatives in its lines of business, Helaba has positioned itself to best exploit the potential opportunities arising from each market environment. The economic uncertainty caused by the COVID-19 crisis means that it is not yet possible to make a final assessment of the impact on the implementation of the strategic growth initiatives.

Helaba has long had a stable and viable strategic business model in place. Over the last few years, it has therefore been able not only to consolidate its market position in its core areas of business but also – on the basis of the good operating results achieved – service all subordinated liabilities, profit participation rights and silent participations in full at all times. Helaba's dividends for 2019 and 2020 lie within the bounds specified by the regulatory authorities.

The key factors behind Helaba's success remain its conservative risk profile, backed up by effective risk management, and the strategic business model for the Group as a whole based on the concept of a full-service bank with its own retail business, a strong base in the region, a very close relationship with the Sparkassen and robust capital and liquidity adequacy. Helaba is valued by its customers as a reliable partner because of its sound business model. This is reflected particularly in long-term financing operations in real estate lending business and corporate lending business, in which Helaba is one of the leading banks in Germany. The diversified strategic business model has also stood the test of the COVID-19 crisis, as evidenced by the stability of the operating business in the pandemic.

Helaba continues to pursue the "Scope" project, which was launched to counter the trend of rising costs over recent years, with vigour. In this project, the organisational structure has been slimmed down markedly. Helaba is at the same time working to diversify its successful business model even further to establish a presence in new market segments and continue reducing the scale of potential risks. The intention here is to drive growth mainly in business areas that do not tie up too much capital. Ever keen to exploit new possibilities in the market, Helaba views sustainability as both an absolute imperative for an institution committed to being a force for good in society and as an opportunity to make further inroads into a growth area with excellent future prospects.

Helaba was one of the original signatories of the DSGV's "Commitment by German Savings Banks to climate-friendly and sustainable business practices" along with more than 170 Sparkassen and three other Landesbanken. Signatory institutions pledge to work proactively to protect the climate and adopt a consistently sustainable approach to their business. The Commitment thus necessarily forms a part of Helaba's existing sustainability strategy. Formally committing itself in this way underlines Helaba's determination to help the German

Sparkassen-Finanzgruppe, which it serves as one of the central S-Group companies, to overcome the pressing challenges facing society as a whole.

The HelabaSustained programme launched in 2020 aims to advance Helaba's sustainability profile at various levels in all environment, social and governance (ESG) fields and to help ensure the entire Helaba Group stands out clearly – both internally and externally – in the future as a sustainable organisation. Helaba intends to integrate the ambitious sustainability objectives adopted under the programme into the management of the company. New possibilities in respect of products for lending and deposit business with an ESG aspect are being sounded out too and sustainability-related advisory services for customers (both corporate customers and customers of the Sparkassen) expanded. Requirements of ESG relevance that are laid down in legislation or by the supervisory authorities are addressed and implemented on an institution-wide basis.

The aim is to continue developing the organisational and commercial profile across the board to help Helaba master the looming sustainable transformation of society successfully and live up to the expectations of its various stakeholders.

Helaba sees particular opportunities for growth in sustainable finance, a segment in which it has already enjoyed significant success syndicating green, social and ESG-linked finance and promissory notes as well as structuring projects in the renewable energy and digital infrastructure fields. The steadily expanding range of the Sustainable Finance Advisory function, through which Helaba provides customer-focused, cross-product information and advisory services to assist with the realisation of financing solutions involving sustainability elements, is creating further potential for growth in the sustainability segment.

The digital transformation is marching on and will continue to bring huge changes to the banking industry as well as attract other competitors to the market. Helaba itself also plans to continue pressing ahead with digitalisation using a systematic approach. At the beginning of 2020, responsibilities for drawing up the digitalisation strategy and the business strategy were brought together in a single organisational unit so that trends in digitalisation can now be analysed and assessed on an ongoing basis and strategically relevant initiatives instigated and coordinated. Helaba has to this end also established a high-level committee covering a wide range of senior management competencies from the front office and corporate centre units to ensure it maintains a comprehensive overview of the opportunities opened up by the digital transformation. Helaba pursues collaborative partnerships with fintechs, or makes equity investments in such entities, through its equity investment company Helaba Digital. Continued expansion of the equity Investment portfolio is planned. Digitalisation initiatives include applications at the customer interface and improvements to internal processes. Further opportunities for enhancing efficiency at Helaba are also presenting themselves in the form of blockchain applications and artificial intelligence technologies. One specific initiative is the "Marco Polo" blockchain platform to develop new foreign trade financing processes. The ongoing development of payment transactions in the direction of programmable money could also present new opportunities for Helaba, which is a major player in payment transaction business. Mindful of the importance of recognising such opportunities at an early stage, Helaba assumed a proactive role in Deutsche Bundesbank's "Programmable money" working group in 2020 and intends to continue actively shaping developments in this area in 2021.

Technological progress is opening up new possibilities for data analysis and use too, prompting Helaba to become a partner in the Financial Big Data Cluster (FBDC) initiative. The initiative and its members aim to build up an extensive resource of data relevant to the financial sector and to develop applications drawing on artificial intelligence for use in analysing this data. Helaba is particularly interested in the sustainable finance element of the initiative: digitalisation and sustainability are cornerstones of Helaba's strategic agenda and this project combines them in a very attractive manner.

Helaba intends to continue expanding and modernising its IT infrastructure so that it can respond flexibly to future challenges and carry on improving its processes day by day.

Long-term customer relationships combined with a sustainable business policy in the carefully selected domestic and international target markets have formed the basis for the growth in new business in the Real Estate segment over the last few years. Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to assert and continue to consolidate its market position in real estate lending based on its product expertise and on its well-established presence in the markets over many years. Helaba has identified particular opportunities in real estate lending business in areas including the digitalisation of customer-facing processes and interfaces and the enhancement of its regional presence.

Helaba is broadening its activities in corporate finance business with targeted product initiatives that include the development and expansion of sustainable products and the strengthening of development loan structuring activities. Another key component of Helaba's activities is the provision of finance for infrastructure and infrastructure-related services in the form of project and transport finance.

The continuing integration of Helaba products into the Sparkasse sales and production processes in Sparkasse lending business is boosting efficiency and creating new business potential.

Export-oriented corporate customers expect their partner bank to offer a range of products that will help them with their international activities. Its institutional roots in the Sparkassen-Finanzgruppe and its extended customer base are enabling Helaba to establish itself within the Sparkassen-Finanzgruppe as a service and solution provider for international business.

In the payments business, Helaba continues to be one of Germany's leading payment transaction clearing houses and a leading Landesbank in a market shaped by persistently high competitive pressure and regulatory requirements. The associated opportunities are being systematically exploited with the aim of generating fees and commissions to counter the ongoing significant downward pressure on margins in a world still shaped by negative interest rates.

Helaba recognised the underlying change processes in the payment transactions market at an early stage and has already developed a number of different initiatives over the last few years in response to the new technical possibilities and evolving customer requirements typical of the digital age. Helaba has assumed a leading role in the Sparkassen-Finanzgruppe in connection with the introduction of instant payments. The ongoing expansion of near-field communication (NFC) contactless technology is just one of the steps being taken in response to the digital structural change in cash management business. The addition of the debit MasterCard and Visa debit card to the product range combines the payment options at the point of sale with the internet capability of the card. Helaba is also working to safeguard its leading role in payment transaction processing in the future by ensuring that it is well-positioned in the current XPay initiative and the European Payments Initiative (EPI) for the provision of a secure, demand-based and efficient payments process in Germany and, optionally, in Europe. It continues to pursue alliances and co-operative arrangements with selected fintechs consistently.

There are opportunities apparent in the development business associated with the addition of further development programmes and the digitalisation of the application and processing operations for development measures.

Rating agencies Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and Standard & Poor's (S&P) have awarded Helaba issuer ratings of Aa3, A+ and A. The ratings for short-term liabilities are P–1, F1+ and A–1.

The ratings from Fitch and S&P are based on a joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen. The strategically significant funding instruments "public Pfandbriefe" and "mortgage Pfandbriefe" both have AAA ratings. Thanks to its excellent standing among institutional and private investors and its diversified product range, Helaba has consistently enjoyed direct access to the funding markets over the last few years. Helaba's status as part of a strong association of financial institutions also underpins its ongoing ability to access funding in the money and capital markets.

Helaba is firmly and permanently established as part of the German Sparkassen-Finanzgruppe by virtue of its ownership structure (88 % of its shares are held by members of the Sparkassen organisation) and its central bank function for around 40 % of Sparkassen in Germany. Further enhancing its position as a leading S-Group bank for the German Sparkassen and permanently integrating with the Sparkassen are among Helaba's strategic objectives. Possible springboards include the joint lending operations with Sparkassen for larger mid-sized clients, the international business, or high-end private banking through Frankfurter Bankgesellschaft.

Because of the challenging nature of the prevailing economic conditions, the banking sector finds itself in a continuous process of adjustment, with increasing pressure to consolidate. Going forward, Helaba will remain open to partnerships and possible mergers in order to facilitate sustainable growth and exploit new market opportunities.

The Board of Public Owners and the Supervisory Board have instructed the Executive Board of Helaba to hold discussions with representatives of DekaBank Deutsche Girozentrale about how the strengths of the two banks can be combined into a highly efficient central institution for the Sparkassen-Finanzgruppe with an integrated business model. These discussions have been deferred for the time being because of the COVID-19 crisis.

Overall, Helaba finds itself well placed to meet the challenges of the future over the long term with its established strategic business model. The fundamental business strategy is sound and the broad diversification of the business model has acted as a stabilising factor, particularly in the current crisis. Helaba has identified additional development opportunities involving broader diversification and the ongoing expansion of business areas in non-interest income business. Sustainable finance is also a priority as it strives to assist customers proactively with sustainable financial products to support the carbon-neutral transition. The Helaba Group's objective in its profitability strategy is to stabilise its sustainable earnings power to strengthen its capital base while observing risk strategy requirements and taking account of changes in the regulatory environment.

Probable development of the Bank

Landesbank Hessen-Thüringen Girozentrale (Helaba) is a credit institution organised under public law; its business model is based on a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkasse organisation and therefore provides an excellent foundation for the development of the business in 2021. Economic forecasters expect a recovery in 2021 on the heels of the global downturn in 2020 triggered by COVID-19, although the scale of this recovery is very much dependent on the evolution of the pandemic. The economic turmoil unleashed by COVID-19 is likely to result in higher charges against the loss allowance once again in 2021. Interest rates are expected to remain low, which, in combination with the many ongoing projects (a large proportion of them launched in response to regulatory measures), will impact negatively on lending business. These various factors, which will tend to restrict earnings growth overall in 2021, represent the primary constraints for Helaba's 2021 forecast:

Total new medium- and long-term lending business (excluding WIBank's development business, which does not form part of the competitive market) is budgeted to be very significantly below the previous year's level in 2021. New business has been planned on a conservative basis due to the uncertainty associated with COVID-19 and the possibility of higher capital backing requirements as a result of rating migrations. Loans and advances to customers are budgeted at the same level as the prior year overall, with total assets similarly expected to be essentially unchanged.

Net interest income in 2021, including income from equity investments and dividends, is expected to be markedly lower than the previous year. This decline will be due primarily to the 2020 base level, which was influenced by high income from equity investments.

Despite the forecast economic growth, Helaba expects credit risks to deteriorate owing to the COVID-19 pandemic. Although loss allowances already increased markedly in 2020 compared with previous years, they have been budgeted at a much higher level for 2021.

Fee and commission business will continue to be expanded in a number of areas in 2021, as a result of which a moderate increase in net fee and commission income is forecast.

With regard to net trading income, it is anticipated that customer income in 2021 will be markedly higher than in the previous year. It is also anticipated that there will be significant feedback effects from measurements in 2021, leading to a very sharp rise in net trading income overall.

Budgeted other net operating income mainly comprises operating income and expenses relating to buildings, the addition to provisions and the interest cost from unwinding the discount on pension provisions. This figure is predicted to improve significantly in 2021 compared with the previous year.

General and administrative expenses are expected to be affected by a very substantial increase in externally induced costs including the bank levy and assessments in 2021. The budgeted rise in personnel expenses is due primarily to a very strong increase in employee benefit expense from pensions as a result of the forecast trend in statutory pensions. One-off items with a positive impact are budgeted to be smaller in 2020. Extensive project activities, including work to modernise the IT infrastructure, and collectively agreed pay rises are expected to push up costs. The “Scope” project initiated by the Bank in 2019 to combat rising costs will help to keep general and administrative expenses down in 2021 just as it did in 2020. Total administrative expenses are expected to increase noticeably in 2021 as a result of the cumulative effect of these factors plus a business-driven rise in general and administrative expenses in development business.

Overall, Helaba forecasts that the operating result before taxes for 2021 will be well below the prior-year figure. The cost-income ratio is forecast to be marginally higher for 2021.

The Bank's aim for 2021 is once again to use strategic initiatives to maintain steady growth in its lines of business, generating increasing income from customers, especially in fee and commission business. The purpose of the measures in the "Scope" programme is to safeguard the benefit from this income growth and limit the upward trend in costs.

The wide-ranging implications of the COVID-19 pandemic represent the main risk factor for Helaba's performance, especially given that the orderly conclusion of the Brexit process has taken much of the sting out of what has been one of the key areas of uncertainty in recent years. From the perspective of the macroeconomic assumptions, there is a risk that the economic parameters could vary significantly from Helaba's assumptions, principally because of COVID-19.

Probable development of the business lines

In the Real Estate Finance division, a moderate increase in income is expected despite the COVID-19 pandemic thanks to Helaba's consistently strong market position. The volume of business here is expected to be unchanged in 2021. The volume of new medium- and long-term real estate lending business is forecast to be markedly lower in 2021.

The Asset Finance division anticipates income in line with the prior-year figure in 2021, with the volume of business remaining largely stable. The budgeted volume of new medium- and long-term business is noticeably lower than the prior-year figure.

The volume of business in the Corporate Banking division is forecast to be well below the prior-year figure at the end of 2021 and accompanied by appreciably lower income. The volume of new medium- and long-term business envisaged for 2021 falls short of the prior-year figure by a very clear margin.

A very large increase is anticipated in capital market business by the end of 2021, not least as a result of effects due to valuation changes. Total Capital Markets income is predicted to be markedly higher year on year thanks to greater primary market activity and the optimisation of cross-selling potential.

The newly established Public Sector division focuses on serving municipal authority customers and municipal corporations. Provided there is no change in economic conditions, it is assumed that income from the Treasury division's municipal lending business in Germany will be on a slightly downward trajectory in 2021.

The forecast for the Savings Banks and SME division is for an increase in business volume in 2021 combined with a marked rise in income. The volume of new medium-/long-term business is budgeted to be up slightly on 2019. The very high prior-year figure in the development lending business as a result of COVID-19 is not expected to recur in 2021. It is assumed that the volume of payment transactions will increase significantly.

LBS expects gross new business to pick up markedly and contributions to income to stabilise in financial year 2021.

Income generated by the WIBank public development business in 2021 will probably be at the prior-year level.

Overall assessment

Profit before taxes at Helaba fell well short of the prior-year and budget figures in 2020 at € 93 m (previous year: € 343 m). The very pronounced positive trend in the second half of the year underlines the stability of the broadly diversified business model even in the current crisis.

Income from the operating business was virtually unchanged year on year despite the turmoil triggered by the COVID-19 pandemic. Net interest income rose very sharply year on year. Even disregarding the adjustments as a result of the KOFIBA takeover, which had a negative impact in the previous year, net interest income showed a slight increase. Net fee and commission income also rose. Results also proved encouraging in the area of administrative expenses, which were significantly lower than both the budgeted and prior-year figures. The cost-fighting measures implemented under the "Scope" transformation project were prominent among the factors that helped to counter the persistent pressure on costs.

The loss allowance, which started the year at quite a low level, was increased significantly on a precautionary basis as a result of the difficult general economic environment created by COVID-19. The portfolio-based loss allowance accounts for most of the loss allowance. Less than one third of this portfolio-based loss allowance relates to specific default events.

Despite the increasing competitive pressure and the multitude of regulatory requirements, Helaba believes it is well placed to meet the challenges of the future over the long term with its strategic business model focused on the needs of the real economy and the Sparkassen-Finanzgruppe. The net profit generated in financial year 2020 allows Helaba to service all subordinated debt, profit participation rights and silent participations, and make appropriations to reserves. Helaba's dividend policy respects the bounds specified by the ECB.

Frankfurt am Main / Erfurt, 2 March 2021

Landesbank Hessen-Thüringen Girozentrale

The Executive Board

Groß	Dr. Hosemann	Kemler
Nickel	Rhino	Schmid

Report on Gender Equality and Pay Parity Pursuant to Section 21 of the German Remuneration Transparency Act (Entgelttransparenzgesetz, EntgTranspG)

The German act aimed at promoting the transparency of pay earned by women and men came into force on 6 July 2017. Under the new legislation, entities that have more than 500 employees and that are under an obligation to prepare a management report must, as a general rule, also prepare a "report on gender equality and pay parity" (also referred to as an "equal pay report").

Landesbank Hessen-Thüringen Girozentrale ("Helaba") is required to prepare an equal pay report within the meaning of section 21 (1) of the EntgTranspG. The equal pay report was published for the first time in the 2018 calendar year, and this report (at the start of the reporting obligation) only needed to cover the 2016 calendar year. This equal pay report published by Helaba will be appended to the management report for the year ended 31 December 2020.

The equal pay report must include disclosures covering (i) the specific measures taken by Helaba to advance gender equality, (ii) the measures taken by Helaba to promote and comply with the requirements for equal pay between women and men, and (iii) specific statistical details on the number of employees, broken down by women and men.

Helaba is a full-service bank with a strong regional focus and a long-term, sustainable strategy oriented towards the needs of its customers. As a public-law institution, Helaba is conscious of its sociopolitical and social responsibility as an employer and fosters a corporate culture free of prejudice or discrimination in which all employees are valued and treated with respect. Helaba is classified as a "significant bank" and is thus also subject to the remuneration regulations in the German Banking Act (Kreditwesengesetz, KWG) and the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (Institutsvergütungsverordnung, IVV). As a consequence, it is already under an obligation to comply with requirements for transparent remuneration systems.

1. Measures Taken by Helaba to Advance Gender Equality and the Impact of these Measures

In putting diversity into practice, Helaba considers it important to identify, develop and optimally deploy existing talent and skills. With an eye towards sustainable HR activities, we support a corporate culture with more diversity and put in place appropriate strategies and tools based on which women and men at the Bank are given the same opportunities for professional development.

Compared with 2016, we have become much more diverse while reducing management positions by 17 %; across all levels of management, we achieved a relative increase in female members of 4.8 %.

In order to ensure that there are considerably more female applications available in future for higher-level positions (executive, specialist, project and sales) and, in particular, with a view to increasing the percentage of women in management positions to over 30 %, Helaba will

- establish a structured process of identifying high-potential individuals,
- set up the appropriate succession planning and
- give much greater consideration to women on internal and external shortlists in its appointment processes.

As part of a process of improvement in the conditions favourable to a work-life balance, Helaba has taken the following action in particular:

- made childcare places available for children up to six years old and offered employees the option of elder care;
- pressed ahead with the expansion in flexible, mobile working;
- supported management on a part-time basis.

2. Measures Taken by Helaba to Bring About Equal Pay for Women and Men

To establish pay parity between women and men, Helaba already has in place measures and procedures that help to determine comparable remuneration between women and men when pay is fixed, for example when a job is first taken up at Helaba or when an employee switches to a different job within the Bank, resulting in a potential change in pay.

The very first step when any pay is set for an employee at Helaba is to make a distinction – on a gender-neutral basis – as to whether the employee is subject to a collectively agreed pay scale or not.

a) Relevant basic principles for determining the pay of employees subject to a collectively agreed pay scale

The pay for an employee subject to a collectively agreed pay scale is fixed using the classification of the individual concerned to the relevant applicable pay-scale grouping under the framework collective agreement for banks based on predetermined job attributes, plus any additional remuneration outside the pay scale that applies equally to all employees on a gender-neutral basis or regardless of gender as a result of the remuneration framework applicable at Helaba (as a standardised pay arrangement with functional levels).

b) Relevant basic principles for determining the pay of employees not subject to a collectively agreed pay scale

In the case of employees not subject to a collectively agreed pay scale, the function-level system applies. However, a distinction is first made between a specialist career track and a management career track when fixing the remuneration for an employee.

Specialist career track
- Specialist
- Head of section
- Senior head of section

Management career track
- Group leader
- Head of department
- Head of unit

Pay is determined in close consultation with the appointing unit and Human Resources and Legal Services. For appointments at the level of senior head of section/head of department and above, remuneration is generally also determined with the involvement of the Board member responsible for the appointing division. Within specialist and management career tracks, pay is determined on a gender-neutral basis and regardless of gender using the relevant function level and internal pay bands for each function level, which are derived in turn from Helaba's organisational structure. The following components are taken into account in the organisational analysis when remuneration is determined:

- Bank as a whole
- Sales, product, corporate centre
- Division
- Department or group
- Specific requirements relating to the recruitment and labour market.

In addition, it should be noted that – up to the level of head of division – the relevant local Human Resources Council is involved in appointments (and in classifications to pay scale groupings as well as upgrades and downgrades to such classifications) under the co-determination rights to be taken into account under the Hessian Act concerning Personnel Representation (HPVG) and also makes sure that pay is fixed on a gender-neutral basis and regardless of gender.

3. Statistical Disclosures for 2020 Broken Down by Gender

The average total number of employees in 2020 was 3,153.4 full-time equivalents (FTEs). Of this total, 1,316.5 FTEs were female employees and 1,836.9 FTEs male employees.

Of the female employees, 868.9 FTEs were full time and 447.6 FTEs part time.

Of the male employees, 1,760.9 FTEs were full time and 76.0 FTEs part time.

Landesbank Hessen-Thüringen Girozentrale

Frankfurt am Main, 1 January 2021

Annual Financial Statements of Landesbank Hessen-Thüringen Girozentrale

Balance Sheet of Landesbank Hessen-Thüringen Girozentrale

as at 31 December 2020

Assets — in € thousands

	Note no.				31.12.2020	31.12.2019
Cash reserve						
a) Cash in hand				5,850		6,265
b) Balances with central banks				24,042,371		12,255,575
thereof: With Deutsche Bundesbank		23,078,499				(11,856,906)
					24,048,221	**12,261,840**
Loans and advances to banks	(2), (48)					
a) Mortgage loans				–		–
b) Municipal loans				6,948,783		8,057,635
c) Other loans and advances				5,542,968		6,315,037
					12,491,751	**14,372,672**
thereof:						
Payable on demand		4,630,866				(1,956,807)
Against securities pledged as collateral		–				–
thereof: Bausparkasse building loans						
Home savings loans		–				–
Loans and advances to customers	(3), (48)					
a) Mortgage loans				22,470,845		23,936,687
b) Municipal loans				33,581,560		34,959,189
c) Other loans and advances				45,860,300		43,698,521
thereof: Against securities pledged as collateral		–				–
d) Bausparkasse building loans						
da) From allocations (home savings loans)			119,841			130,559
db) For interim and bridge-over financing			831,899			784,123
dc) Other			3,841			3,938
				955,582		918,620
thereof: Secured by mortgage charges		643,371				(609,065)
					102,868,286	**103,513,017**
Bonds and other fixed-income securities	(4)					
a) Money market instruments						
aa) Public-sector issuers			250,513			–
thereof:						
Eligible as collateral with Deutsche Bundesbank		250,513				–
ab) Other issuers			321,218			989,856
thereof:						
Eligible as collateral with Deutsche Bundesbank		–				–
				571,731		989,856
b) Bonds and notes						
ba) Public-sector issuers			4,082,072			4,295,500
thereof:						
Eligible as collateral with Deutsche Bundesbank		3,866,168				(4,295,500)
bb) Other issuers			10,768,495			12,603,820
thereof:						
Eligible as collateral with Deutsche Bundesbank		9,303,205				(12,603,820)
				14,850,567		16,899,319
c) Own bonds and notes				–		–
Nominal amount		–				–
					15,422,298	**17,889,175**
Carried forward:					**154,830,557**	**148,036,703**

Equity and liabilities

in € thousands

	Note no.				31.12.2020	31.12.2019
Liabilities due to banks	(15), (18), (48)					
a) Registered mortgage Pfandbriefe issued				46,064		56,071
b) Registered public Pfandbriefe issued				1,234,403		1,106,395
c) Other liabilities				54,630,552		36,772,071
thereof: Payable on demand		11,467,646				(6,736,499)
Provided to lenders as collateral for loans raised:						
Registered mortgage Pfandbriefe		–				–
Registered public Pfandbriefe		–				–
d) Home savings deposits				61,190		50,931
					55,972,209	**37,985,468**
thereof: On allocated contracts		–				–
Liabilities due to customers	(19), (48)					
a) Registered mortgage Pfandbriefe issued				185,860		216,020
b) Registered public Pfandbriefe issued				11,904,287		13,446,704
c) Deposits from home savings business and savings deposits						
ca) Home savings deposits			5,122,282			5,039,933
thereof:						
On terminated contracts		44,665				(38,372)
On allocated contracts		87,527				(90,775)
cb) Savings deposits with an agreed period of notice of three months			–			–
cc) Savings deposits with an agreed period of notice of more than three months			–			–
				5,122,282		5,039,933
d) Other liabilities				26,210,378		22,387,993
					43,422,807	**41,090,650**
thereof: Payable on demand		14,678,915				(12,054,966)
Provided to lenders as collateral for loans raised:						
Registered mortgage Pfandbriefe		–				–
Registered public Pfandbriefe		–				–
Securitised liabilities	(20)					
a) Bonds issued						
aa) Mortgage Pfandbriefe			10,418,676			10,707,616
ab) Public Pfandbriefe			14,839,935			13,208,575
ac) Other debt instruments			28,575,162			27,057,200
				53,833,774		50,973,391
b) Other securitised liabilities				3,276,048		12,590,731
					57,109,822	**63,564,121**
thereof: Money market instruments		3,276,048				(12,590,731)
Trading portfolio	(21), (36), (37), (48)				**8,947,172**	**11,376,456**
Carried forward:					**165,452,010**	**154,016,695**

Assets in € thousands

	Note no.				31.12.2020	31.12.2019
Carried forward:					**154,830,557**	**148,036,703**
Equity shares and other variable-income securities	(5)				**1,044,008**	**1,032,613**
Trading portfolio	(6), (14), (36), (37), (48)				**19,160,077**	**14,604,217**
Equity investments	(7), (17), (48)				**31,872**	**31,033**
thereof:						
In banks		14,151				(14,151)
In financial services institutions		0				(0)
Shares in affiliated companies	(8), (17), (48)				**2,000,621**	**2,021,394**
thereof:						
In banks		874,780				(874,780)
In financial services institutions		13,074				(13,074)
Trust assets	(9)				**1,395,092**	**914,273**
thereof: Trustee loans		1,217,099				(738,702)
Intangible assets	(10), (17)					
a) Internally generated industrial rights and similar rights and assets				–		–
b) Purchased concessions, industrial property rights and similar rights and assets, and licences in such rights and assets				101,943		82,533
c) Goodwill				–		6,593
d) Prepayments				–		–
					101,943	**89,126**
Property and equipment	(11), (17)				**182,791**	**140,434**
Other assets	(12)				**1,031,095**	**1,231,965**
Prepaid expenses	(13)					
a) From issuing and lending operations				469,363		516,467
b) Other				530,565		289,109
					999,928	**805,576**
Total assets					**180,777,983**	**168,907,335**

Equity and liabilities

in € thousands

	Note no.				31.12.2020	31.12.2019
Carried forward:					**165,452,010**	**154,016,695**
Trust liabilities	(22)				**1,395,092**	**914,273**
thereof: Trustee loans		1,217,099				(738,702)
Other liabilities	(23)				**648,502**	**1,054,197**
Deferred income	(24)					
a) From issuing and lending operations				354,515		303,813
b) Other				826,976		604,364
					1,181,490	**908,177**
Provisions	(25)					
a) Provisions for pensions and similar obligations				1,262,382		1,187,638
b) Provisions for taxes				113,013		110,768
c) Other provisions				481,471		498,000
					1,856,867	**1,796,406**
Home savings protection fund					**11,200**	**11,200**
Subordinated liabilities	(26)				**2,236,426**	**2,236,516**
Profit participation rights	(27), (30)				**81,000**	**81,000**
thereof: Due within two years		81,000				(61,009)
Additional Tier 1 capital instruments	(28)				**374,314**	**374,310**
Fund for general banking risks	(30)				**598,623**	**598,623**
thereof: Special reserve under section 340e (4) of the HGB		123,367				(123,367)
Equity	(30)					
a) Subscribed capital						
aa) Share capital			588,889			588,889
ab) Capital contribution			1,920,000			1,920,000
ac) Silent partner contributions			518,000			518,000
				3,026,889		3,026,889
b) Capital reserves				1,546,412		1,546,412
c) Revenue reserves						
cc) Reserves in accordance with the Charter			294,444			294,444
cd) Other reserves			1,984,713			1,958,193
				2,279,157		2,252,637
d) Net retained profits				90,000		90,000
					6,942,458	**6,915,938**
Total equity and liabilities					**180,777,983**	**168,907,335**
Contingent liabilities	(31)					
Liabilities from guarantees and indemnity agreements					**7,855,793**	**7,597,973**
Other obligations	(32)					
a) Placement and underwriting obligations				1,110,397		2,071,931
b) Irrevocable loan commitments				22,999,189		23,222,476
					24,109,586	**25,294,407**

Income Statement of Landesbank Hessen-Thüringen Girozentrale

for the period 1 January to 31 December 2020

in € thousands

	Note no.				2020	2019
Interest income from	(39), (40)					
a) Lending and money market transactions			4,193,239			4,103,991
thereof: Bausparkasse interest income:						
aa) From home savings loans		4,286				(4,818)
ab) From interim and bridge-over loans		17,896				(18,069)
ac) From other loans		56				(62)
b) Fixed-income securities and registered government debt			119,171			113,325
thereof: Negative interest income		142,376				(69,064)
				4,312,410		4,217,316
Interest expenses				3,313,771		3,414,460
thereof: On home savings deposits		65,336				(70,422)
thereof: Positive interest expense		158,056				(98,894)
					998,639	**802,856**
Current income from	(39)					
a) Equity shares and other variable-income securities				5,740		27,875
b) Equity investments				841		1,147
c) Shares in affiliated companies				51,808		11,237
					58,389	**40,259**
Income from profit pooling, profit transfer or partial profit transfer agreements					**154,395**	**126,566**
Fee and commission income	(39), (41)			284,801		282,435
thereof: Bausparkasse fee and commission income:						
a) On contracts signed and arranged		22,157				(18,592)
b) From loans granted after allocation of home savings contract		2				(16)
c) From the commitment and administration of interim and bridge-over loans		4				(7)
Fee and commission expenses				86,171		91,228
thereof: On Bausparkasse contracts signed and arranged		28,916				(32,575)
					198,630	**191,207**
Net income of the trading portfolio	(39)				**–12,925**	**76,717**
Other operating income	(39), (42)				**79,571**	**100,961**
General and administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			314,423			323,359
ab) Social security, post-employment and other benefit expenses			55,571			83,870
				369,993		407,229
thereof: Post-employment benefit expenses		6,818				(5,991)
b) Other administrative expenses				545,053		608,562
					915,046	**1,015,791**
Carried forward:					**561,654**	**322,775**

in € thousands

	Note no.				2020	2019
Carried forward:					**561,654**	**322,775**
Amortisation and write-downs of intangible assets and depreciation and write-downs of property and equipment					**24,487**	**23,983**
Other operating expenses	(42)				**164,140**	**166,988**
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions	(43)				**602,300**	**464,862**
Income from the reversal of write-downs of and allowances on loans and advances and certain securities and from the reversal of loan loss provisions					**309,687**	**411,091**
Write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					**4,766**	**5,568**
Income from the reversal of write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					**3,145**	**4,665**
Cost of loss absorption					**427**	**403**
Additions to the fund for general banking risks					**–**	**–**
Result from ordinary activities					**78,366**	**76,726**
Extraordinary income				–		333,063
Extraordinary expenses				–		81,000
Extraordinary result	(44)				**–**	**252,063**
Taxes on income	(45)			50,040		–4,803
Other taxes not included in item Other operating expenses				1,807		1,259
					51,847	**–3,544**
Net income for the year					**26,520**	**332,333**
Retained profits brought forward from previous year					**90,000**	**–**
Allocations to revenue reserves					**26,520**	**242,333**
Net retained profits					**90,000**	**90,000**

Notes to the Annual Financial Statements of Landesbank Hessen-Thüringen Girozentrale

as at 31 December 2020

The annual financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main, a legal entity under public law entered in the commercial register at the Frankfurt am Main local court under number HRA 29821 and at the Jena local court under number HRA 102181, are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB) in conjunction with the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG).

The structure of the balance sheet and income statement reflects the requirements of the RechKredV. The two statements have been extended to include the line items prescribed for Pfandbriefbanken and Bausparkassen. The disclosures on Bausparkasse operations required to be included in the notes are contained in the annual financial statements of Landesbausparkasse Hessen-Thüringen (LBS), which are published separately.

Helaba also prepares consolidated financial statements in accordance with the International Financial Reporting Standards as published by the International Accounting Standards Board and adopted by the European Union. These consolidated financial statements are published in the German Federal Gazette.

The reporting currency of the annual financial statements is the euro (€). Euro amounts are generally rounded to the nearest million. Minor discrepancies may arise in totals or in the calculation of percentages in this report due to rounding.

(1) Accounting Policies

Assets and liabilities are measured in accordance with the provisions of sections 252 et seqq. of the HGB, with due consideration given to the special provisions for credit institutions (sections 340 et seqq. of the HGB).

As a rule, the same accounting policies have been applied in the annual financial statements for the period ended 31 December 2020 as were applied in the prior-year annual financial statements. Any deviations from such accounting policies are described in the following section.

Receivables and liabilities

Receivables are reported at their nominal amount and liabilities at their settlement amount. Outside the trading portfolio and outside the securities allocated to the liquidity reserve, differences presented as interest between the nominal amount and payment amount or cost are shown as prepaid expenses or deferred income and reversed to the relevant periods over the term of the asset or liability. Bonds and similar liabilities issued at a discount as well as securities and receivables acquired on a discounted basis are shown at their present values.

Specific allowances or provisions have been recognised to take account of all identifiable credit risks. For the purpose of presenting latent credit risks in the financial accounting and reporting in accordance with the HGB, the Bank continues to pursue an accounting approach appropriate to the risk. In accordance with HGB, Helaba uses the expected credit loss approach – the approach specified in the International Financial Reporting Standards for determining loss allowances – to recognise global allowances. This means that 12-month expected credit losses are normally recognised, but lifetime expected credit losses are recognised if there is a significant increase in default risk. Global allowances include a further provisioning component to cover additional risks in individual lending sub-portfolios not yet identified by statistical analysis.

The recognition of specific allowances is based on the difference between (a) the recoverable amount from expected future redemptions, interest payments and income from collateral realisations, and (b) the carrying amount of the receivable. Interest payments on impaired loans and advances are recognised as interest income by writing-up the carrying amount to the respective present value.

In addition to the fund for general banking risks shown in the balance sheet in accordance with section 340g of the HGB, contingency reserves in accordance with section 340f of the HGB have been recognised for general banking risks.

Securities

The items included under bonds and other fixed-income securities, equity shares and other variable-income securities, are measured using the strict lower of cost or market principle, with the exception of "valuation units" in accordance with section 254 of the HGB and fixed assets. Accordingly, they have to be reported at fair value if this is lower than their (amortised) cost. In active markets, fair value corresponds to the exchange or market price on the reporting date. The analysis of the securities portfolio at the balance sheet date established an active market for all securities. Any reversals of write-downs required by law were made.

They also include shares in domestic closed-end investment limited partnerships and similar foreign structures in accordance with section 17 of the RechKredV in conjunction with the definition of an investment fund as set out in section 1 of the German Investment Code (Kapitalanlagegesetzbuch, KAGB).

Equity investments and shares in affiliated companies

Equity investments and shares in affiliated companies are shown at cost. If impairment is expected to be permanent, they are written down to their lower fair value. If the reasons for an impairment write-down recognised in previous years no longer apply, the write-down is reversed and the asset is recognised at fair value, but without exceeding amortised cost.

Trading portfolio

Trading portfolios are shown in the balance sheet under the items trading assets and trading liabilities. The criteria established internally for including financial instruments in the trading portfolio did not change in the year under review. Trades are measured on the basis of individual transactions. In accordance with section 340e (3) of the HGB, financial instruments held for trading are measured at fair value less a risk discount for trading assets and plus a risk premium for trading liabilities. The amount, timing and reliability of future cash flows, as the basis for determining fair value, are primarily influenced by the level of interest rates, developments on the equity and bond markets, and by changes in credit spreads. In line with the requirements of the banking supervisory authority, risk premiums and discounts are determined for all trading portfolios in accordance with the provisions of the German Banking Act (Kreditwesengesetz, KWG), following the regulatory provisions regarding the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement, MaRisk) and the provisions of Article 365 of the Capital Requirements Regulation (CRR). In doing so, the risk premium or discount is calculated in the form of a money-at-risk (MaR) amount with a confidence level of 99 %, a holding period of ten days and an observation period of one year. The risk premiums and discounts are calculated for each risk category.

A counterparty-specific credit valuation adjustment (CVA) takes account of third-party credit risks arising from the settlement of OTC derivatives. A debit valuation adjustment (DVA) is recognised to take account of own credit risk. The CVA and DVA are calculated at each balance sheet date by measuring the potential default risk, taking account of collateral pledged or received and the effect of netting agreements.

Changes in value, realised gains and losses, commissions and current income from financial instruments held for trading as well as interest expense for funding trading activities are reported under net income of the trading portfolio or net expense of the trading portfolio. In accordance with section 340e (4) of the HGB, an amount equivalent to at least 10 % of net trading income is allocated to the separate account in the special reserve for general banking risks as at the reporting date. Such additions are made until the account reaches 50 % of the average annual net trading income generated over the last five years before the date of the calculation, or until an amount is reversed in order to absorb net trading expense. Additions are charged to net trading income. The Bank did not make any additions to this reserve in the year under review.

The Bank has offset trading assets and liabilities in the form of derivatives that were entered into with each counterparty under a master agreement with a Credit Support Annex and for which collateral is calculated daily. The carrying amounts of the derivatives and the collateral per counterparty were taken into account in doing so. Derivatives and collateral entered into with a central counterparty are also included in offsetting. The Bank also offsets the carrying amounts of exchange-traded derivatives and the corresponding variation margins in line with IDW RS BFA 5.

During the year under review, Helaba did not reclassify any financial instruments held for trading within the meaning of section 35 (1) no. 6b of the RechKredV.

Fixed assets and intangible assets

Fixed assets and intangible assets with finite useful lives are carried at depreciated or amortised cost less any impairment write-downs to fair values. Depreciation and amortisation are charged over the useful life of the asset. Low-value assets are fully depreciated or amortised in the year of acquisition. The Bank does not capitalise internally generated intangible assets. Goodwill is regarded as an asset with a finite useful life. If the finite useful life cannot be estimated reliably, the Bank applies an amortisation period of ten years for goodwill in accordance with section 253 (3) sentence 4 HGB.

Provisions

Provisions for taxes and other provisions have to be recognised in accordance with the principles of prudent business judgement at the settlement amount of the uncertain liabilities or the expected losses from executory contracts, with due consideration given to expected price and cost increases. Medium- and long-term provisions (with a remaining maturity of > 1 year) are discounted using the rates published by the Bundesbank in accordance with section 253 (2) of the HGB. In determining the change resulting from adding interest cost, it is assumed that any change in the discount rate will only occur at the end of the period. The effect of adding interest cost is reported under other operating expenses.

Pension obligations are determined annually by external actuarial experts. They are measured using the projected unit credit method, based on biometric assumptions (2018G mortality tables of Professor Dr. Heubeck), salary and pension increases expected in the future as well as the average market rate published by the Bundesbank for an assumed remaining maturity of 15 years. According to section 253 (2) sentence 1 of the HGB, pension obligations are measured using the average market interest rate for the last ten years. The resulting difference of € 167 m according to section 253 (6) of the HGB is subject to a distribution restriction.

The measurement parameters applied are shown in the table below:

in %

	31.12.2020	31.12.2019
Discount rate	2.30	2.71
Salary trend	2.00	2.00
Pension trend	1.00 – 2.00	1.00 – 2.00
Employee turnover rate	3.00	3.00

Some pension obligations are covered by assets (securities) that are exempt from attachment by any other creditors. These assets can only be used to settle liabilities from retirement benefit obligations (plan assets). They are measured at their fair value in accordance with section 253 (1) sentence 4 of the HGB. The extent of the obligation is determined by fixing the limit of the guaranteed benefit commitment at the fair value of the corresponding securities at the reporting date. The assets and the corresponding pension obligations are offset against each other.

The pension expense to be recognised in the income statement includes mainly retirement benefit expense and interest expense. The provision expense represents the increase in pension obligations attributable to the service provided by employees in the financial year; it is reported under general and administrative expenses. The interest expense is defined as the increase in the present value of the pension obligations that results from the settlement date approaching and the discounting period thus becoming shorter. The interest expense is netted against the return on plan assets. Both the interest expense and the return on plan assets are included in the other operating result.

Fair value measurement

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction (except in the case of emergency settlement).

The market price is the best indicator of the fair value of financial instruments. If an active market exists, observable market prices are used to measure the financial instruments recognised at fair value. These are normally prices quoted on a stock exchange or market prices quoted on the interbank market. If an observable market price does not exist for a financial instrument, it is measured using recognised and commonly used valuation techniques, with all input data (e.g. yield curves, volatilities, spreads) being based on observable market data and taken from external sources. Such techniques mainly comprise discounted cash flow-based forward pricing and swap pricing models or option pricing models (e.g. Black-Scholes and variants thereof). These valuation techniques are normally used for OTC derivatives (including credit derivatives) and for financial instruments that are recognised at fair value and not traded on an active market. In those cases in which not all inputs are directly observable on the market, fair values are calculated using realistic assumptions based on market conditions. This valuation technique is used in particular for complex structured (derivative) spread products where correlations not directly observable in the market are significant to the measurement. If no market prices are available for non-derivative financial instruments, arranger prices are used. Unlisted equity investments are measured on the basis of unobservable inputs, particularly the surpluses derived from corporate planning.

Implications of the reform of interbank offered rates (IBOR)

The Bank is implementing a project to manage the requirements under a changeover initiated by regulators in which the Bank must switch away from the current benchmark interest rates, namely the Euro OverNight Index Average (EONIA), Euro Interbank Offered Rate (EURIBOR), London Interbank Offered Rate (LIBOR). The implementation of the reforms, only some of which have been finalised at the moment, will require extensive modifications to contracts and IT systems. At the Bank alone, this affected the following as at 31 December 2020: assets with a total carrying amount of € 53.6 bn, liabilities with a carrying amount of € 13.0 bn and portfolios of derivatives with a notional amount (non-netted) of € 501.2 bn. In terms of the Bank's existing contracts, the following benchmark interest rates are particularly relevant to a review of whether any modifications are required: EONIA (switch to euro short-term rate (€STR)) and LIBOR (switch to risk-free rates, i.e. Secured Overnight Financing Rate, (SOFR), Sterling Overnight Index Average (SONIA) or Swiss Average Rate Overnight (SARON)).

The central clearing counterparties used by the Bank changed over their discount curves at the end of July 2020 and applied appropriate compensation payments in connection with the adjustment of interest agreements for collateral in line with €STR requirements. Those payments were recognised in profit or loss. Accordingly, for its internal purposes, the Bank is also using measurement parameters that have been adapted for the €STR and SOFR benchmarks. It is not yet possible to make a definitive assessment about the further impact of new contractual standards and the arrangement of possible compensation payments in bilateral derivatives and interbank business. More recent agreements in the customer and derivatives businesses have already incorporated new or modified contractual arrangements or frameworks that either include the new benchmark interest rates (€STR, SOFR) or specify a fallback if the existing basis of calculations can no longer be applied.

The entire financial implications from potential contractual adjustments and changes in other market parameters used in measurements cannot yet be quantified but, overall, are not expected to be in an amount that is material to the financial circumstances of the Bank.

Currency translation

Foreign currency assets and liabilities included in the annual financial statements and currency spot transactions not settled at the balance sheet date are translated at the middle spot exchange rate in accordance with the principles set out in section 256a of the HGB and section 340h of the HGB. In the case of foreign currency futures in the trading portfolio, swap spreads are accrued and the residual spreads recognised in net trading income. In the case of non-trading foreign currency swaps, residual spreads are recognised in interest income or expenses.

The Bank applies the principle of special cover in accordance with section 340h of the HGB. For every currency, the Bank enters into foreign currency transactions in order to avoid uncovered FX exposures. All foreign currency results are recognised through profit or loss in net trading income.

Derivatives

Derivatives (interest rate, equity, currency, credit and commodity futures and options as well as swap agreements) are allocated to the trading portfolio or the non-trading portfolio at the trade date. Under commercial law accounting, derivative financial instruments are recognised on the basis of the relevant pronouncements and accounting guidance of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) and in accordance with generally accepted accounting principles. In the case of structured financial instruments whose derivative arrangements have a different risk profile to the underlying, these derivatives are bifurcated, allocated to the trading portfolio and measured separately.

Derivatives not held for trading and derivatives held in valuation units (hedges) are used to manage general interest rate risk in the banking book. When measuring the banking book, an overall assessment of all interest-bearing on-balance sheet assets and liabilities, including interest rate derivatives, is performed for general interest rate risks in accordance with the principles of IDW RS BFA 3. To determine market risk, receivables, interest-bearing securities, liabilities and derivatives allocated to the banking book are not measured individually in accordance with the imparity principle, but treated as part of a refinancing group. In the year under review, it was not necessary to recognise a provision for expected losses from the refinancing group – using a periodic (income statement-based) analysis.

Current income and expenses from non-trading swap transactions is accrued on a pro-rata basis and reported under other assets or other liabilities.

Valuation units

In its banking book, Helaba has created valuation units in accordance with section 340a in conjunction with section 254 of the HGB, comprising securities held in the liquidity reserve and the corresponding interest rate swaps entered into for hedging purposes. The valuation units consist of asset-swap combinations in the form of micro valuation units (micro hedges). The hedges relate exclusively to interest rate risks. The net hedge presentation method is used to present changes in value that offset each other between the hedged item and the hedging instrument. The hedged items are always hedged at 100 % of the nominal volume for the entire remaining maturity. The fact that key factors affecting value match ensures the prospective effectiveness of the valuation units. Prospective effectiveness is determined using regression analysis. The offsetting changes in value and cash flows cancelled each other out to a large extent at the balance sheet date and are expected to continue to do so in future. The changes in value arising from the hedged risks will cancel each other out almost entirely by the envisaged end of the valuation units (the time at which the hedged item and the hedging instrument mature). For net losses on the ineffective portion of the hedging relationship, the Bank recognises a provision for expected losses. In the year under review, this resulted in a net reversal of € 0.2 m being expensed (2019: € 1.0 m).

Deferred taxes

Deferred taxes are not recognised because the existing asset surplus is not recognised in the balance sheet, as a result of using the option provided for in section 274 of the HGB. Deferred tax assets are based on differences between the carrying amount of loans and advances to customers, bonds and other fixed-income securities, equity investments, deferred income, provisions for pensions and similar obligations, and other provisions in the financial statements and their tax base. The company-specific tax rates were used to measure the deferred taxes. In Germany, the Bank has a combined income tax rate of 31.65 % with an average municipality trade tax multiplier of 452 %. Deferred taxes in the international reporting units are measured using the statutory tax rates applicable in those jurisdictions.

(2) Loans and Advances to Banks

in € m

	31.12.2020	31.12.2019
This item includes:		
Loans and advances to affiliated Sparkassen	6,241	6,259
Loans and advances to affiliated companies	604	1,043
Loans and advances to other long-term investees and investors	34	31
The sub-item other loans and advances comprises:		
Subordinated loans and advances	10	8
thereof: To other long-term investees and investors	–	–
Payable on demand	4,631	5,716
Remaining maturities:		
Up to three months	852	1,806
More than three months and up to one year	386	609
More than one year and up to five years	1,547	1,427
More than five years	5,076	4,815

(3) Loans and Advances to Customers

in € m

	31.12.2020	31.12.2019
This item includes:		
Loans and advances to affiliated companies	554	687
Loans and advances to other long-term investees and investors	259	235
Subordinated loans and advances	12	15
thereof: To other long-term investees and investors	0	–
Remaining maturities:		
Up to three months	4,431	7,073
More than three months and up to one year	8,412	7,366
More than one year and up to five years	42,811	39,324
More than five years	44,980	45,604
With an indefinite term	2,235	4,146

(4) Bonds and Other Fixed-Income Securities

in € m

	31.12.2020	31.12.2019
Securitised receivables:		
From affiliated companies	–	–
From other long-term investees and investors	–	–
The marketable securities comprise:		
Listed securities	14,830	17,109
Unlisted securities	585	770
Remaining maturities:		
Amounts due in the following year	4,527	3,520
Subordinated assets	–	–
Deposited as collateral in open market transactions	5,296	1,483
Carrying amount of investment securities	–	–
Fair value of investment securities	–	–
Temporary impairment of investment securities	–	–

(5) Equity Shares and Other Variable-Income Securities

in € m

	31.12.2020	31.12.2019
The marketable securities comprise:		
Listed securities	23	27
Unlisted securities	0	–

This item comprises units in two (31 December 2019: two) securities investment funds held exclusively by Helaba (mixed funds or pure fixed-income funds) with a total carrying amount of € 1 bn (31 December 2019: € 1 bn). In line with Helaba's long-term investment intentions, these investment funds mainly invest in interest-bearing securities.

Write-downs were not recognised for shares in investment limited partnerships classified as fixed assets whose carrying amount exceeds the fair value of € 20 m by € 5 m, as they were not permanently impaired. In the case of listed securities, there were no significant price reserves at the balance sheet date. In the year under review, no dividend payments were received (2019: € 21 m).

In accordance with section 17 of the RechKredV in conjunction with the definition of an investment fund as set out in section 1 of the KAGB, this item also includes shares in domestic closed-end investment limited partnerships and similar foreign structures, in the amount of € 72 m. In the previous year, an amount of € 43 m was attributable to such investment funds.

(6) Trading Portfolio (Assets)

in € m

	31.12.2020	31.12.2019
Derivative financial instruments	9,223	7,228
Loans and advances	1,083	851
Bonds and other fixed-income securities	8,832	6,499
Equity shares and other variable-income securities	23	27
Subordinated assets	–	–
Other assets	–	–

The increase in the trading portfolio (assets) is mainly a result of higher positive fair values of derivatives. This effect is only slightly offset by the decline in bonds and other fixed-income securities. It also reflects the offsetting of trading derivatives (liabilities) and related collateral, which resulted in an amount of € 10.1 bn (31 December 2019: € 7.7 bn) being set off.

(7) Equity Investments

in € m

	31.12.2020	31.12.2019
The securities comprise:		
Marketable securities	14	14
Listed securities	–	–

(8) Shares in Affiliated Companies

in € m

	31.12.2020	31.12.2019
The securities comprise:		
Marketable securities	104	104
Listed securities	–	–

(9) Trust Assets

in € m

	31.12.2020	31.12.2019
This item includes:		
Loans and advances to banks	679	430
Loans and advances to customers	538	309
Equity investments	65	5
Shares in affiliated companies	6	62
Equity shares and other variable-income securities	92	95
Other assets	15	13

(10) Intangible Assets

in € m

	31.12.2020	31.12.2019
Purchased standardised software	102	81
Goodwill	–	7

(11) Property and Equipment

in € m

	31.12.2020	31.12.2019
This item includes:		
Land and buildings used for own operations	147	97
Operating and office equipment	30	30

(12) Other Assets

in € m

	31.12.2020	31.12.2019
Significant items are:		
Interest receivables under swap agreements	534	595
Other	408	466

(13) Prepaid Expenses

in € m

	31.12.2020	31.12.2019
From issuing and lending operations, this item includes:		
Premiums on loans and advances	351	383
Discounts on liabilities and bonds issued	118	133
The other prepaid expenses include:		
Upfront payments	491	256
Other	39	33

(14) Repurchase Agreements

The Bank did not sell either trading assets or assets in the liquidity reserve under repo agreements during either the reporting year or previous year.

(15) Assets Pledged as Collateral

in € m

	31.12.2020	31.12.2019
Assets of the following amounts were transferred for the following liabilities:		
Liabilities due to banks	2,987	2,391
Trading liabilities	11,472	9,762

This includes borrowed securities in the amount of € 0.0 m (31 December 2019: € 56 m) that had been transferred on to credit institutions in connection with repurchase agreements.

(16) Assets Denominated in Foreign Currency

in € m

	31.12.2020	31.12.2019
Assets denominated in foreign currency	26,367	26,171

(17) Statement of Changes in Fixed Assets

in € m

	Intangible assets	Property and equipment	Long-term securities	Equity investments	Shares in affiliated companies	Fixed assets total
Cost						
As at 1.1.2020	**230**	**288**	**47**	**59**	**2,083**	**2,708**
Additions	37	65	36	0	16	155
Exchange rate changes	–1	–1	–0	1	0	–1
Reclassifications	–	–	–	2	–2	–
Disposals	0	14	2	2	35	52
As at 31.12.2020	**266**	**339**	**82**	**61**	**2,063**	**2,809**
Depreciation, amortisation and writedowns and reversals of write-downs						
As at 1.1.2020	**141**	**148**	**4**	**28**	**62**	**383**
Reversals of write-downs	–	–	–	0	–	0
Depreciation and amortisation	18	6	–	–	–	25
Write-downs	6	3	4	1	–	14
Exchange rate changes	–1	–1	–0	–	–	–2
Reclassifications	–	–	–	–	–	–
Disposals	0	0	–	–	–	0
As at 31.12.2020	**164**	**156**	**9**	**29**	**62**	**419**
Carrying amounts						
As at 1.1.2020	**89**	**140**	**43**	**31**	**2,021**	**2,325**
As at 31.12.2020	**102**	**183**	**73**	**32**	**2,001**	**2,390**

(18) Liabilities Due to Banks

in € m

	31.12.2020	31.12.2019
This item includes:		
Liabilities due to affiliated Sparkassen	15,449	6,324
Liabilities due to affiliated companies	5,498	5,261
Liabilities due to other long-term investees and investors	13	22
Payable on demand	11,468	6,891
Remaining maturities:		
Up to three months	1,180	1,690
More than three months and up to one year	2,451	3,934
More than one year and up to five years	24,437	10,357
More than five years	16,437	15,113

The rise in liabilities due to banks was mainly the result of Helaba's participation in the ECB's targeted longer-term refinancing operations III (TLTRO III), the drawdown under this arrangement amounting to € 16 bn. At the same time, Helaba made an early repayment of € 1.5 bn of borrowing drawn down under an earlier tender in 2017. In 2019, the ECB had decided on the terms and conditions for a third series of quarterly tenders from 2020 onwards (TLTRO III). The terms and conditions, which were updated again in 2020, provide for interest (calculated using the average main refinancing rate over the maturity) to be paid out retrospectively on repayment or on the maturity date. The terms also grant a reduction in the interest rate of 50 basis points for a special interest period up to 23 June 2021. In addition, depending on the growth in future net lending granted as at a particular accounting date, there is also the opportunity to earn a further interest benefit in the form of a (pro rata) reduction in the primary debt.

The guaranteed interest rate reduction for the special interest period is recognised proportionately under net interest income in the income statement. As the availability of the additional interest rate benefit depends on the attainment of net lending growth as at particular accounting dates, such an interest rate benefit is not recognised in advance until it is expected with certainty that all conditions will be satisfied or that the entitlement will arise.

(19) Liabilities Due to Customers

in € m

	31.12.2020	31.12.2019
This item includes:		
Liabilities due to affiliated companies	394	402
Liabilities due to other long-term investees and investors	91	63
Payable on demand	14,679	12,164
Remaining maturities:		
Up to three months	2,752	1,687
More than three months and up to one year	6,754	7,560
More than one year and up to five years	6,513	5,645
More than five years	12,724	14,035

(20) Securitised Liabilities

in € m

	31.12.2020	31.12.2019
This item includes:		
Liabilities due to affiliated companies	22	–
Liabilities due to other long-term investees and investors	–	–
Remaining maturities of the sub-item – bonds issued:		
Amounts due in the following year	6,702	7,624
Remaining maturities of the sub-item – other securitised liabilities:		
Payable on demand	1	–
Up to three months	2,155	10,670
More than three months and up to one year	1,120	1,921
More than one year and up to five years	–	–
More than five years	–	–

(21) Trading Portfolio (Liabilities)

in € m

	31.12.2020	31.12.2019
Derivative financial instruments	3,595	3,021
Liabilities	5,323	8,334
thereof: Other securitised liabilities	543	1,178
Risk premium	29	22

As at 31 December 2020 the offsetting of trading derivatives (assets) and related collateral resulted in an amount of € 14.7 bn (31 December 2019: € 10.9 bn) being set off. The rise in trading liabilities was a result of factors that included increased deposits from institutional customers and Sparkassen.

(22) Trust Liabilities

in € m

	31.12.2020	31.12.2019
Liabilities due to banks	465	255
Liabilities due to customers	753	484
Other liabilities	178	176

(23) Other Liabilities

in € m

	31.12.2020	31.12.2019
Significant items are:		
Interest obligations arising from swap agreements in the non-trading portfolio	463	510
Currency translation differences	77	417
Interest on profit participation rights and silent participations	34	34
Taxes to be paid	10	11
Option premiums received for the non-trading portfolio	2	4

(24) Deferred Income

in € m

	31.12.2020	31.12.2019
From issuing and lending operations, this item includes:		
Premiums on liabilities and bonds issued	305	248
Discounts on lending operations	44	49
Other	6	7
The other deferred income includes:		
Upfront payments	648	417
Other	179	188

(25) Provisions

The difference between the carrying amount of the pension provisions measured using the average market rate for the past ten financial years (2.30 %) and the carrying amount of the provisions measured using the appropriate average market rate for the past seven financial years (1.60 %) was € 167 m as at the balance sheet date. This amount is subject to a distribution restriction.

The cost of the assets offset against provisions in accordance with section 246 (2) sentence 2 of the HGB amounted to € 40 m (31 December 2019: € 39 m) and the fair value to € 43 m (31 December 2019: € 40 m). The settlement amount of the offset liabilities amounted to € 48 m (31 December 2019: € 42 m). In the income statement, income associated with these assets amounting to € 1.4 m (2019: € 4.4 m) was offset against expenses from the corresponding liabilities amounting to € 2.0 m (2019: € 2.2 m).

The other provisions were recognised mainly for personnel-related items and for credit and country risks in off-balance sheet lending business. Provisions are recognised for litigation risks if it is likely that they will be used. Further provisions are attributable to liabilities for which the actual amount or the reason is uncertain. There is also a restructuring provision of € 66 m recognised in the previous year, which is gradually being used.

(26) Subordinated Liabilities

Subordinated borrowings exceeding 10 % of the overall position in each case are as follows:

Currency amount – in millions –	Currency	Current interest rate in %	Due in	Early repayment obligation
–	EUR	–	–	–

The conditions relating to the subordinate nature of these funds meet the requirements of the German Banking Act (Kreditwesengesetz) for eligible own funds. There is no agreement to convert these items into capital or other forms of debt and there are no plans to do so.

The reported figure includes pro-rata interest of € 28 m (31 December 2019: € 29 m). Interest expense on subordinated borrowings amounted to € 75 m in the year under review (2019: € 93 m).

As in the previous year, the Bank did not have any subordinated liabilities due to affiliated companies or other long-term investees and investors.

(27) Profit Participation Rights

in € m

	31.12.2020	31.12.2019
This item includes:		
Registered profit participation rights	61	61
Securitised profit participation rights	20	20

The profit participation rights were structured as own funds for regulatory reporting purposes in view of the prudential requirements regarding eligibility in place at the date of issue. Rights to income and repayments are dependent upon there being appropriate profits available. Holders participate in any losses in accordance with the terms and conditions of the profit participation rights. The item contains six profit participation rights.

(28) Additional Tier 1 Capital Instruments

AT1 bonds represent unsecured and subordinated bonds of the Bank. The repayment as well as the nominal amount of the AT1 bonds may be reduced if a triggering event occurs. The decline of the Bank's Tier 1 capital ratio to under 5.125 % on a consolidated basis would be a triggering event. After the occurrence of a triggering event, any reduced bond amounts may be increased under specific conditions. Helaba may terminate the bonds at an early maturity date, and has additional termination options every ten years; if specific conditions are met, and after approval of the competent supervisory authority, bonds may be terminated early. Bonds are subject to the terms and conditions as provided in the respective bond terms, which stipulate, among other things, that the Bank may terminate bonds only entirely, but not partially, provided that specific supervisory or tax conditions are met.

Bond interest payments are based on their nominal amount, and have been fixed for the period between the issue date and the first possible early repayment date. Subsequently, the applicable interest rate for the following ten years will be established. According to the bond terms, Helaba may be obliged (but also has extensive rights) to take the sole decision to suspend interest payments at any time. Interest payments in subsequent years will not be increased to compensate suspended interest payments from previous years on a cumulative basis.

As at 31 December 2020, the carrying amount of issued bonds excluding pro-rata interest stood at € 374 m (31 December 2019: € 374 m). Accrued interest expenses from issued bonds amounted to € 0.5 m in 2020 (2019: € 0.5 m).

(29) Liabilities Denominated in Foreign Currency

in € m

	31.12.2020	31.12.2019
Liabilities denominated in foreign currency	8,364	9,544

(30) Own Funds

in € m

	31.12.2020	31.12.2019
Subscribed capital	**3,027**	**3,027**
a) Share capital	589	589
b) Capital contribution	1,920	1,920
c) Silent partner contributions	518	518
Capital reserves	**1,546**	**1,546**
Revenue reserves	**2,279**	**2,253**
Including		
Additional Tier 1 capital instruments,	374	374
profit participation rights,	81	81
fund for general banking risks,	599	599
home savings protection fund and	11	11
subordinated liabilities	2,236	2,237
the liable capital reported in the balance sheet amounted to	**10,154**	**10,128**

A distribution of € 90 m and an appropriation to revenue reserves of € 27 m are proposed for the appropriation of net profit.

(31) Contingent Liabilities

in € m

	31.12.2020	31.12.2019
This item includes:		
Credit guarantees	5,026	4,418
Other guarantees and sureties	2,830	3,180

Helaba judges to be low the risk that borrowers will fail to meet their obligations and facilities are likely to be utilised. Bank guarantees are subject to the Bank's process for determining loss allowances. Helaba has recognised appropriate provisions in individual cases where a loss from the likely use of a facility is probable.

(32) Other Obligations

in € m

	31.12.2020	31.12.2019
This item includes:		
Placement and underwriting obligations	1,110	2,072
Irrevocable loan commitments for open-account loans	22,999	23,222

On the basis of financial standing analyses, Helaba assumes that borrowers will meet their obligations and therefore facilities are unlikely to be utilised. Provisions have been recognised in individual cases where a loss from the likely use of a facility is probable.

(33) Statement of Cover Assets for the Mortgage and Municipal Authorities Business

in € m

	31.12.2020	31.12.2019
Issued mortgage Pfandbriefe	**10,634**	**10,958**
Assets held as collateral		
Loans and advances to banks	–	–
Loans and advances to customers	14,649	13,844
Bonds and other fixed-income securities	605	803
Trust assets	1,000	724
Surplus cover	**5,620**	**4,413**
Issued public Pfandbriefe	**27,620**	**27,449**
Assets held as collateral		
Loans and advances to banks	195	256
Loans and advances to customers	32,689	32,748
Bonds and other fixed-income securities	933	935
Trust assets	853	710
Surplus cover	**7,050**	**7,200**

(34) Pfandbriefe and Statement of Cover Assets

Overview in accordance with section 28 (1) no. 1 of the PfandBG

in € m

	Nominal amount		Net present value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Mortgage Pfandbriefe:				
Cover pool	16,255	15,371	17,459	16,396
Pfandbriefe in circulation	10,634	10,958	10,881	11,133
Surplus cover	5,620	4,413	6,579	5,263
Net present value at risk under internal model			5,685	4,702
Public Pfandbriefe:				
Cover pool	34,671	34,648	41,928	40,991
Pfandbriefe in circulation	27,620	27,449	32,438	31,898
Surplus cover	7,050	7,199	9,490	9,093
Net present value at risk under internal model			8,148	8,045

As in the previous year, there were no derivatives held to cover issued Pfandbriefe at the end of the year.

The net present value at risk according to the German Present Value Regulation indicates the present value of the net cover after stress testing. The internal MaRC² model was used to simulate interest rate risks; the dynamic procedure was used to simulate currency risks.

Breakdown of the cover pool by fixed-interest period and breakdown of Pfandbriefe by remaining maturity under section 28 (1) no. 2 of the PfandBG

in € m

	Cover pool		Pfandbrief	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Mortgage Pfandbriefe:				
Up to six months	1,379	631	708	739
More than six months and up to one year	799	827	1,210	2,028
More than one year and up to eighteen months	797	1,140	2,898	747
More than eighteen months and up to two years	1,418	671	500	1,232
More than two years and up to three years	2,505	2,626	1,084	2,148
More than three years and up to four years	2,633	2,242	1,798	1,089
More than four years and up to five years	1,823	1,958	2,260	1,798
More than five years and up to ten years	4,710	5,008	77	1,077
More than ten years	193	269	100	100
Public Pfandbriefe:				
Up to six months	2,176	2,512	1,842	1,758
More than six months and up to one year	1,213	1,599	1,070	1,203
More than one year and up to eighteen months	1,558	1,393	1,504	1,842
More than eighteen months and up to two years	1,335	1,280	3,358	1,075
More than two years and up to three years	3,939	2,851	3,909	4,862
More than three years and up to four years	2,634	3,474	1,924	2,155
More than four years and up to five years	2,221	2,224	1,317	1,169
More than five years and up to ten years	10,248	10,000	8,219	8,358
More than ten years	9,348	9,316	4,477	5,028

Additional disclosures according to section 28 (1) nos. 4, 7, 8, 9, 10 and 11, as well as (2) no. 3 of the PfandBG

in € m

	31.12.2020	31.12.2019
Mortgage Pfandbriefe:		
Pfandbriefe in circulation	10,634	10,958
thereof: Fixed-income Pfandbriefe (in %)	81.9	90.6
Cover pool	16,255	15,371
thereof: Further cover	605	803
thereof: Total claims exceeding the limits of section 13 (1)	–	–
thereof: Total claims exceeding the limits of section 19 (1) no. 2	–	–
thereof: Total claims exceeding the limits of section 19 (1) no. 3	–	–
thereof: Fixed-income cover pool (in %)	61.7	58.8
Total of net present values	6,115	4,903
Net present value per section 6 of Present Value Regulation for Pfandbriefe, by currency:		
Euro	2,366	2,599
US dollar	2,300	998
Pound sterling	1,092	957
Norwegian krone	64	67
Swiss franc	53	56
Swedish krona	240	226
Average elapsed term of loans and advances since granting (in years)	4.3	4.1
Weighted average loan-to-value ratio (in %)	59.0	58.8
Public Pfandbriefe:		
Pfandbriefe in circulation	27,620	27,449
thereof: Fixed-income Pfandbriefe (in %)	88.9	97.7
Cover pool	34,671	34,648
thereof: Further cover	50	44
thereof: Total claims exceeding the limits of section 20, sub-section 2	–	–
thereof: Fixed-income cover pool (in %)	95.0	94.3
Total of net present values	8,196	8,056
Net present value per section 6 of Present Value Regulation for Pfandbriefe, by currency:		
Euro	7,696	7,882
US dollar	358	28
Pound sterling	–	–
Swiss franc	140	145
Japanese yen	2	2

Breakdown of the cover pool for mortgage Pfandbriefe by type of use

Residential breakdown:

in € m

	Homes for owner occupation		Single-family and two-family homes		Multiple family homes		Incomplete and not-yet-profitable new buildings		Building sites		Total	
Country	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Germany	169	130	478	285	2,059	2,203	1	0	0	0	2,707	2,619
Finland	–	–	–	–	12	–	–	–	–	–	12	–
France	–	–	–	–	16	16	–	–	–	–	16	16
United Kingdom	–	–	–	–	12	8	–	–	–	–	12	8
USA	–	–	–	–	1,332	1,177	–	–	–	–	1,332	1,177
Total	**169**	**130**	**478**	**285**	**3,431**	**3,404**	**1**	**0**	**0**	**0**	**4,079**	**3,819**

Commercial breakdown:

in € m

	Office buildings		Retail buildings		Industrial buildings		Other commercially used buildings		Incomplete and not-yet-profitable new buildings		Building sites		Total	
Country	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Germany	2,717	2,332	2,343	1,791	146	240	222	766	50	–	2	61	5,480	5,190
Belgium	137	108	–	–	–	–	–	–	–	–	–	–	137	108
Finland	108	59	176	66	–	–	–	47	–	–	–	–	284	172
France	591	596	160	148	–	–	–	36	–	–	–	–	751	780
Luxembourg	192	158	–	–	–	–	–	–	–	–	–	–	192	158
Sweden	119	87	119	106	–	–	–	33	–	–	–	–	238	226
The Netherlands	286	182	193	176	–	–	14	–	6	–	–	16	500	374
Norway	61	65	–	–	–	–	–	–	–	–	–	–	61	65
Austria	86	58	35	107	–	–	–	–	–	–	–	–	120	165
Poland	392	502	644	547	–	–	–	–	–	–	–	–	1,036	1,049
Czech Republic	70	17	52	52	–	–	–	–	–	–	–	–	122	69
United Kingdom	726	603	307	196	–	–	1	139	–	–	–	–	1,033	938
USA	1,501	1,367	116	87	–	–	–	–	–	–	–	–	1,617	1,454
Total	**6,985**	**6,134**	**4,144**	**3,276**	**146**	**240**	**238**	**1,021**	**56**	**–**	**2**	**77**	**11,571**	**10,748**

Breakdown of the cover pool by size

in € m

	31.12.2020	31.12.2019
Mortgage Pfandbriefe		
Up to € 0.3 m	654	478
More than € 0.3 m and up to € 1 m	181	142
More than € 1 m and up to € 10 m	949	1,047
More than € 10 m	13,865	12,901
Further cover	605	803
Public Pfandbriefe		
Up to € 10 m	3,798	4,918
More than € 10 m and up to € 100 m	8,413	10,913
More than € 100 m	22,410	18,714
Further cover	50	103

As in the previous year, there were no payments at least 90 days past due at the reporting date. There were no instances of receivership or forced sales in the year under review, nor was it necessary to take charge of any land in order to avoid losses.

Interest arrears from mortgage operations

in € m

	31.12.2020	31.12.2019
Commercial	–	–
Residential	–	–
Total	**–**	**–**

Breakdown of the cover pool for public Pfandbriefe by issuer

in € m

	Central government		Regional authorities		Municipal authorities		Public-law credit institutions / Other		Total		Thereof: Guarantees for promoting exports	
Country	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Germany	839	814	13,288	12,894	13,512	13,354	4,499	4,840	32,138	31,902	787	763
Belgium	–	–	–	918	860	–	–	–	860	918	–	–
Denmark	9	–	–	–	–	–	–	–	9	–	9	–
Finland	–	–	–	21	20	–	–	–	20	21	–	–
France incl. Monaco	17	16	181	390	161	–	30	31	389	437	17	16
United Kingdom	226	152	–	–	–	–	–	–	226	152	226	152
Luxembourg	2	3	–	–	–	–	–	–	2	3	2	3
Spain	–	–	39	84	33	–	–	–	72	84	–	–
Austria	61	62	748	820	–	–	–	–	809	882	3	3
Portugal	–	–	–	100	50	–	–	–	50	100	–	–
Switzerland	–	–	46	46	–	–	–	–	46	46	–	–
Total	**1,154**	**1,047**	**14,302**	**15,273**	**14,636**	**13,354**	**4,528**	**4,871**	**34,621**	**34,545**	**1,043**	**937**

In the case of public Pfandbriefe, payments at least 90 days past due totalled € 0 thousand (31 December 2019: € 0 thousand).

(35) Non-Trading Derivative Financial Instruments

The disclosures relating to derivative financial instruments are broken down into trading and non-trading portfolios.

Transactions in non-trading derivative products are presented in accordance with the disclosure requirements under section 285 nos. 19 and 20 of the HGB in conjunction with section 36 of the RechKredV. Non-trading derivative financial instruments are entered into to hedge or manage risks attributable to banking book transactions (asset/liability management).

Disclosure of volumes

in € m

	Notional amounts		Positive fair values	Negative fair values
	31.12.2020	31.12.2019	31.12.2020	31.12.2020
Interest rate risk	**191,005**	**197,950**	**10,805**	**10,823**
Interest rate swaps	173,149	178,828	10,640	8,445
Interest rate options	8,909	9,511	3	2,373
Calls	319	519	3	–
Puts	8,590	8,992	–	2,373
Caps, floors	5,338	5,260	162	5
Market contracts	3,611	4,351	1	0
Currency risk	**26,249**	**31,203**	**368**	**729**
Currency futures	7,402	11,381	13	78
Currency swaps / cross-currency swaps	18,843	19,818	355	651
Currency options	3	4	0	–
Calls	3	4	0	–
Puts	–	–	–	–
Total	**217,254**	**229,153**	**11,174**	**11,552**

In addition to the notional volumes, the positive and negative fair values are shown separately. These disclosures do not reflect netting or collateral agreements.

Since these transactions form part of hedging transactions, the fair values always have to be analysed in connection with the hedged items.

The fair values are in some cases offset by unrealised premium and special cash flows and interest accrued on derivatives, which are shown in the balance sheet under other assets or liabilities and under prepaid expenses or deferred income. The total amount of assets related to derivatives is € 1,133 m (31 December 2019: € 915 m), while liabilities related to derivatives amount to € 1,191 m (31 December 2019: € 1,349 m).

Breakdown of notional amounts by maturity

in € m

	Interest rate risk		Currency risk		Equity and other price risks	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Up to three months	8,999	8,174	7,736	9,919	–	–
More than three months and up to one year	16,028	23,713	2,457	3,939	–	–
More than one year and up to five years	82,615	85,037	11,848	12,188	–	–
More than five years	83,362	81,026	4,209	5,157	–	–
Total	**191,005**	**197,950**	**26,249**	**31,203**	**–**	**–**

in € m

	Credit derivatives		Commodity derivatives		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Up to three months	–	–	–	–	16,735	18,093
More than three months and up to one year	–	–	–	–	18,485	27,652
More than one year and up to five years	–	–	–	–	94,463	97,224
More than five years	–	–	–	–	87,571	86,183
Total	**–**	**–**	**–**	**–**	**217,254**	**229,153**

The volume of short-term interest rate transactions declined. Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 13.1 % of total business in this risk category (31 December 2019: 16.1 %).

The majority of transactions in “valuation units” in accordance with section 254 of the HGB was entered into for mid-term maturities, i.e. between one and five years. The notional volume of all mid-term transactions amounted to € 7,975 m at the reporting date (31 December 2019: € 11,222 m).

Breakdown by counterparty

in € m

	Notional amounts		Positive fair values	Negative fair values
	31.12.2020	31.12.2019	31.12.2020	31.12.2020
Banks in OECD countries	100,651	96,017	7,486	8,661
Public institutions in OECD countries	3,608	4,092	603	204
Other counterparties	112,995	129,044	3,085	2,686
Total	**217,254**	**229,153**	**11,174**	**11,552**

The purpose of the counterparty breakdown is to present the default risks associated with derivative transactions.

Helaba enters into derivative transactions mainly with banks in OECD countries and central counterparties.

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 98.1 % of the notional volume (31 December 2019: 97.9 %).

As in previous years, banks in OECD countries account for most of the positive fair values and thus the replacement risks.

(36) Derivative Financial Instruments Held For Trading

Transactions in derivative products are presented in accordance with the disclosure requirements under section 285 no. 20 of the HGB in conjunction with section 36 of the RechKredV.

The notional volume of derivative trades increased by 2.9 % year on year. The increase was due in particular to the higher volume of interest rate swaps.

Disclosure of volumes

in € m

	Notional amounts		Positive fair values	Negative fair values
	31.12.2020	31.12.2019	31.12.2020	31.12.2020
Interest rate risk	**315,356**	**298,514**	**8,597**	**3,014**
Interest rate swaps	269,118	244,813	8,196	2,685
Forward rate agreements	2,000	–	–	–
Interest rate options	21,508	26,041	384	282
Calls	8,756	11,480	380	10
Puts	12,752	14,561	3	271
Caps, floors	17,656	17,994	16	48
Market contracts	4,892	9,091	0	–
Other interest rate futures	183	575	0	0
Currency risk	**37,007**	**45,397**	**401**	**449**
Currency futures	30,874	38,732	195	337
Currency swaps / cross-currency swaps	5,470	5,919	200	109
Currency options	663	746	6	3
Calls	332	374	6	–
Puts	331	372	–	3
Equity and other price risks	**4,881**	**5,223**	**224**	**120**
Equity options	4,681	4,860	220	110
Calls	2,416	2,542	220	–0
Puts	2,265	2,318	–	111
Market contracts	200	363	3	10
Credit derivatives	**5,337**	**3,196**	**2**	**11**
Calls	3,019	1,683	1	11
Puts	2,318	1,513	1	0
Commodity risk	**93**	**43**	**–**	**0**
Commodity options	93	43	–	0
Total	**362,674**	**352,373**	**9,223**	**3,595**

In addition to the notional volumes, the positive and negative fair values are shown separately. These disclosures do not reflect netting or collateral agreements.

Breakdown of notional amounts by maturity

in € m

	Interest rate risk		Currency risk		Equity and other price risks	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Up to three months	14,982	13,185	15,581	19,627	162	269
More than three months and up to one year	28,344	35,418	11,118	14,064	652	558
More than one year and up to five years	116,244	120,804	8,865	10,101	4,053	4,066
More than five years	155,786	129,107	1,442	1,605	13	330
Total	**315,356**	**298,514**	**37,007**	**45,397**	**4,881**	**5,223**

in € m

	Credit derivatives		Commodity derivatives		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Up to three months	–	32	93	43	30,818	33,156
More than three months and up to one year	230	391	–	–	40,345	50,431
More than one year and up to five years	5,047	2,618	–	–	134,209	137,589
More than five years	61	155	–	–	157,302	131,197
Total	**5,337**	**3,196**	**93**	**43**	**362,674**	**352,373**

Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 13.7 % of total business in this risk category (31 December 2019: 16.3 %).

Breakdown by counterparty

in € m

	Notional amounts		Positive fair values	Negative fair values
	31.12.2020	31.12.2019	31.12.2020	31.12.2020
Banks in OECD countries	143,131	144,361	2,074	1,585
Banks outside OECD countries	4	3	0	0
Public institutions in OECD countries	17,867	21,062	4,411	624
Other counterparties	201,671	186,947	2,738	1,386
Total	**362,674**	**352,373**	**9,223**	**3,595**

The purpose of the counterparty breakdown is to present the default risks associated with derivative transactions.

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 71.3 % of the notional volume (31 December 2019: 65.1 %).

The percentage of the total volume of derivatives accounted for by trading derivatives increased slightly year on year to 62.5 % (31 December 2019: 60.6 %).

As in previous years, interest rate contracts accounted for most of the trading activities. In this case, 62.3 % (31 December 2019: 60.1 %) of the total portfolio is attributable to trading derivatives. 58.5 % (31 December 2019: 59.3 %) of the currency risk contracts and 100 % (31 December 2019: 100 %) of the credit derivatives relate to the trading portfolio.

(37) Trading Products

in € m

	Assets		Liabilities		Net income of the trading portfolio	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	2020	2019
Derivative financial instruments	**9,223**	**7,228**	**3,595**	**3,020**	**–153**	**–36**
Interest rate trading	8,596	6,422	3,015	2,302	–144	–80
Equity trading	224	184	120	124	–2	–7
Currency trading	401	622	449	582	–5	52
Credit derivatives	2	0	11	12	–23	–11
Commodities	–	–	0	–	21	10
Receivables/liabilities	**1,083**	**851**	**5,267**	**8,345**	**38**	**12**
Promissory note loans	659	807	–	–	20	29
Overnight and time deposits	330	16	4,655	7,105	19	6
Repos/reverse repos/securities lending	87	16	–	–	–1	–
Issued money market instruments/securitised liabilities	–	–	481	1,112	–3	–11
Issued equity/index certificates	–	–	63	66	3	–13
Other	7	12	68	62	0	1
Bonds and other fixed-income securities	**8,831**	**6,498**	**85**	**11**	**134**	**113**
Equity shares and other variable-income securities	**23**	**27**	**–**	**–**	**–**	**15**
Other					**–32**	**–27**
Commissions					–32	–27
Fund for general banking risks in accordance with section 340e of the HGB					**0**	**0**
Total	**19,160**	**14,604**	**8,947**	**11,376**	**–13**	**77**

Offsetting was reflected in both the year under review and the prior-year amounts when presenting derivative financial instrument assets and liabilities. A total of € 10.1 bn (31 December 2019: € 7.7 bn) was set off in the case of trading assets and € 14.7 bn (31 December 2019: € 10.9 bn) in the case of trading liabilities.

(38) Valuation Units in Accordance with Section 254 of the HGB

The carrying amount of the securities included in valuation units was € 10,801 m (31 December 2019: € 12,580 m).

A provision for expected losses is recognised for measurement effects from the hedged risk that are not fully offset. In the year under review, write-downs were recognised to take account of decreases in the fair value of the hedged items due to changes in credit risk.

in € m

	31.12.2020	31.12.2019
Credit risk-related reversals of write-downs of securities	−4	−16
Change in provision for expected losses for interest rate-related measurement effects that were not fully offset	0	-

(39) Breakdown by Geographical Market

Total interest income, current income from equity shares and other variable-income securities, equity investments and shares in affiliated companies, fee and commission income, net trading income and other operating income is attributable to the following markets:

in € m

	31.12.2020	31.12.2019
Germany	4,157	3,704
European Union, excl. Germany	295	656
Other	283	455

(40) Net Interest Income

In the year under review, interest income from lending and money market transactions included negative interest in the amount of € 142 m (31 December 2019: € 69 m), while interest expenses included income of € 158 m (31 December 2019: € 99 m).

Of the income from negative interest rates in connection with liabilities due to banks, € 31 m related to the higher balances of funds drawn down under the ECB's targeted longer-term refinancing operations (TLTRO III).

The item includes prior-period income of € 0 m and prior-period expenses of € 7 m.

(41) Fee and Commission Income

This item mainly comprises fee and commission income from sureties and guarantees and from payment transactions. Further components are fee and commission income from services provided to third parties for the administration and arrangement of securities transactions and other banking services.

(42) Other Operating Income and Expenses

Under other operating income for the year under review, the Bank reports, among other things, income from the reversal of provisions in the amount of € 12 m (2019: € 15 m), rental and leasing income of € 20 m (2019: € 23 m), income of € 20 m (2019: € 0 m) from the disposal of a property, and cost reimbursements on commissioned work undertaken for third parties of € 15 m (2019: € 26 m).

The interest cost on provisions amounted to € 129 m (2019: € 141 m).

The item includes prior-period income of € 3 m (2019: € 0 m) and prior-period expenses of € 1 m (2019: € 1 m).

(43) Write-Downs of and Allowances on Loans and Advances and Certain Securities as Well as Transfers to Loan Loss Provisions

This line item is used to report loan loss provisions. For reporting write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions, the Bank did not use the option of cross-compensation in accordance with section 340f of the HGB.

(44) Extraordinary Result

The Bank did not disclose any extraordinary result as at 31 December 2020.

(45) Taxes on Income

Taxes on income mainly comprise taxes on taxable results in Germany and in the USA (New York branch).

(46) Other Financial Obligations

At the balance sheet date, the Bank had obligations to make contributions to the subscribed capital of 33 companies totalling € 160 m, of which € 10 m was attributable to two affiliated companies.

The Bank is a partner with unlimited liability in GLB GmbH & Co. OHG, Frankfurt am Main.

The Bank is also jointly liable for ensuring that other members belonging to the Deutscher Sparkassen- und Giroverband e.V. (DSGV) meet their obligations to make additional contributions. If a claim were made against a former guarantor of DekaBank under the grandfathering provisions applicable to the guarantor liability in accordance with the Brussels Accord I, Helaba would be obliged to pay pro-rata internal liability compensation. The owners of DekaBank on 18 July 2005 are liable for the fulfilment of all liabilities of DekaBank existing at that date. For such liabilities entered into on or before 18 July 2001, the owners are liable without time limitation; with regard to liabilities entered into after this date and on or before 18 July 2005, they were liable only for liabilities whose term to maturity did not extend beyond 31 December 2015.

The Bank is a member of the protection scheme of the Sparkassen-Finanzgruppe through its membership of the reserve fund of the Landesbanken and Girozentralen in Germany. Frankfurter Sparkasse AG is a member of the Sparkassen Support Fund of the Sparkassen- und Giroverband Hessen-Thüringen. The purpose of these protection schemes is to guarantee the institution, i.e. to protect the continued existence of the affiliated institutions as going concerns. With effect from 3 July 2015, the protection scheme operated by the German Sparkassen-Finanzgruppe was adjusted in line with the requirements of the German Deposit Protection Act (Einlagensicherungsgesetz, EinSiG). If the institutional protection should fail in exceptional circumstances, the customer is entitled to reimbursement of his/her deposits up to an amount of € 100,000. The relevant EinSiG provisions apply. If a situation should arise in which a scheme has to provide financial support or pay compensation, Helaba could be required to pay additional or special contributions to the protection scheme.

In addition, Helaba is a member of the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen (SGVHT). This fund provides additional protection on top of the existing protection schemes; it provides protection not only to institutions but also to creditors. Helaba and the Sparkassen make successive contributions to the fund until 0.5 % of the assessment base (eligible positions under the German Solvency Regulation) has been reached. An institution's obligation to pay contributions is established on the basis of risk, taking into account bonus and penalty factors. Sparkassen- und Giroverband Hessen-Thüringen will be liable to make up any shortfall should a claim be made against the fund before the full amount has been contributed in cash.

The sundry obligations include obligations of € 54 m (31 December 2019: € 45 m) to the European Single Resolution Fund. The Bank has elected to fully utilise the option to make some of the annual contribution in the form of an irrevocable payment undertaking backed in full by cash collateral.

The Reserve Fund of the Landesbanken and Girozentralen and the deposit security reserve fund of the Landesbausparkassen also give their member banks an option to pay part of their contributions in the form of irrevocable payment undertakings backed by cash collateral. The Bank has utilised this option for contributions of € 42 m (31 December 2019: € 28 m).

With regard to Helaba Asset Services (formerly: Helaba Dublin Landesbank Hessen-Thüringen International) and Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Helaba ensures that each company is able to meet its contractual obligations, except in the case of political risk.

Securities worth € 10,558 m have been pledged for settling clearing transactions and for off-balance sheet draw-down risks. Securities with a market value of € 16,000 m were provided as collateral for secured money trading. These included securities with a market value of € 6,913 m from securities lending transactions. In accordance with international requirements, securities with an equivalent market value of € 2,071 m had been pledged as collateral.

If LBS Immobilien GmbH or OFB Projektentwicklung GmbH (both affiliated companies) becomes insolvent, Helaba has agreed to make the equalisation payments to the relevant supplementary pension fund.

Contingent liabilities of € 205 m may arise if capital contributions have to be repaid.

Further obligations in accordance with section 285 no. 3 of the HGB are attributable in particular to long-term property rental and lease agreements for properties used for banking operations. Rental and lease payment obligations of € 28 m are expected for 2021 for the properties used by Helaba with contract terms and notice periods of 0.5 to 9.5 years. Other financial obligations arise from various rental, usage and service agreements as well as consultancy agreements to the extent customary in business.

The OPUSALPHA asset-backed commercial paper programme initiated by Helaba is used to securitise assets arising from customer-related business activities. The issuing company, OPUSALPHA Funding Limited, is consolidated in Helaba's consolidated financial statements.

The line of liquidity provided for the OPUSALPHA programme as a whole amounted to € 3,146 m (31 December 2019: € 2,582 m), of which € 2,078 m had been drawn down as at 31 December 2020 (31 December 2019: € 1,797 m).

Helaba acts as service provider for the OPUSALPHA companies and has entered into commitments to provide liquidity up to no more than the amount of any existing purchase commitments and is exposed to subordinated liabilities should the risks borne by third parties, for example in the form of discounts on purchases or guarantees, be insufficient.

As in the previous year, no liquidity lines existed for external securitisation platforms as at 31 December 2020.

Possible obligations in connection with litigation risks amounted to € 15 m as at 31 December 2020 (31 December 2019: € 18 m). On the basis of indemnity agreements, the Bank has undertaken vis-à-vis individual subsidiaries to exempt them from risks arising from certain transactions.

Under local measurement procedures, a foreign pension fund for a foreign subsidiary's pension commitments has a deficit for which appropriate provisions have been recognised. This deficit must be eliminated by making payments into the corresponding plan assets starting in 2015. In the process, regular comparisons will be made between the value of the plan assets after payments and the effects arising from changes in local measurement parameters. Under international accounting requirements, the indirect pension obligation (before the existing plan assets are taken into account) amounts to € 86 m (31 December 2019: € 76 m).

Helaba acquires receivables eligible for inclusion in the cover assets pool from S-Group as part of its Pfandbrief business; these items may be used to cover public Pfandbriefe or mortgage Pfandbriefe, including any collateral ("cover pooling"). According to the transfer agreements, the beneficial ownership of these items remains with the transferring bank, which continues to carry them on its balance sheet, although they have been entered into Helaba's cover register. At present, Helaba does not recognise the obligations arising from the transfer agreements (amounting to the total nominal value of the receivables transferred to Helaba). At 31 December 2020, the total nominal value of all transferred receivables included in Helaba's cover register amounted to € 1,854 m (public Pfandbriefe of € 853 m and mortgage Pfandbriefe of € 1,001 m).

As at the balance sheet date, there were conditional and unconditional forward contracts

- for currency transactions (currency futures and options, currency swaps and cross-currency swaps),
- for interest rate transactions (futures and options with fixed-income securities and promissory note loans, forward rate agreements, finance swaps and related options, interest rate futures including options on these transactions as well as interest rate caps),
- for other price risks (equity and equity index futures contracts / options),
- for credit risk (credit derivatives), and
- for commodity risk (commodity swaps and options).

From a risk perspective, the trading portfolio mainly contains closed positions comprising various types of transaction. If derivative instruments are held in the non-trading book, the transactions are mainly used to hedge interest rate-related or currency-related market risks.

(47) Auditors' Fees

Please refer to the consolidated financial statements for further information on auditors' fees according to section 285 no. 17 of the HGB.

The fees for financial statements auditing services include, in addition to the fees for audits of financial statements required under EU law, the fees for the review of interim financial statements by an auditor and those for audits of annual financial statements not prescribed under EU law.

Fees for other attestation services related to statutory, contractually agreed or voluntary review or attestation services, particularly attestations for protection schemes and statutory notifications, project reviews, reviews of the service-related internal control system and reviews of the custody business and securities service business.

(48) Related Party Disclosures

Helaba is required to report its transactions with related parties in accordance with section 285 no. 21 of the HGB. These transactions are conducted on an arm's-length basis. Over and above the minimum disclosures required by section 285 no. 21 of the HGB, we provide a comprehensive report on related party transactions in accordance with international accounting requirements (IAS 24). With regard to the Sparkassen- und Giroverband Hessen-Thüringen, the Federal State of Hesse and the Free State of Thuringia in their capacity as shareholders and owners, the criteria for exemption from reporting on related parties that are public-sector entities are satisfied; this option is always utilised if the business volumes involved are insignificant.

The following information relates to the transactions with affiliated companies, associates and equity investments in joint ventures of the Helaba Group, the SGVHT and the Federal State of Hesse and the Free State of Thuringia in their capacity as shareholders, as well as subsidiaries of the SGVHT. The disclosures relating to the persons in key positions at Helaba as defined in section 285 no. 21 of the HGB, including their close family relations and companies controlled by those persons, are also included in the following table.

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 31 December 2020:

in € m

	Affiliated companies	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Assets	**4,126**	**171**	**8,652**	**0**	**12,948**
Loans and advances to banks	604	–	–	–	**604**
Loans and advances to customers	556	162	8,474	0	**9,192**
Bonds and other fixed-income securities	–	–	152	–	**152**
Equity shares and other variable-income securities	937	–	–	–	**937**
Trading assets	0	–	24	–	**24**
Equity investments	–	9	–	0	**9**
Shares in affiliated companies	2,000	–	–	–	**2,000**
Other assets	29	–	2	–	**31**
Liabilities	**6,340**	**40**	**2,861**	**0**	**9,242**
Securitised liabilities	198	–	–	–	**198**
Liabilities due to banks	5,498	–	179	–	**5,677**
Liabilities due to customers	634	40	2,677	0	**3,351**
Trading liabilities	1	–	0	–	**1**
Other liabilities	9	0	6	–	**14**
Contingent liabilities	**110**	**100**	**1,415**	**–**	**1,625**

The equivalent amounts as at 31 December 2019 were as follows:

in € m

	Affiliated companies	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Assets	**4,777**	**157**	**8,676**	**11**	**13,620**
Loans and advances to banks	1,043	1	–	–	**1,044**
Loans and advances to customers	687	146	8,476	11	**9,320**
Bonds and other fixed-income securities	–	–	185	–	**185**
Equity shares and other variable-income securities	989	–	–	–	**989**
Trading assets	–0	–	11	–	**11**
Equity investments	–	10	–	0	**10**
Shares in affiliated companies	2,021	–	–	–	**2,021**
Other assets	37	–	3	–	**40**
Liabilities	**5,750**	**33**	**2,053**	**0**	**7,835**
Liabilities due to banks	5,281	–	190	–	**5,471**
Liabilities due to customers	426	33	1,856	0	**2,315**
Trading liabilities	2	–	0	–	**2**
Other liabilities	40	0	7	–	**47**
Contingent liabilities	**120**	**44**	**23**	**–**	**187**

Allowances of € 167 m (31 December 2019: € 30 m) were recognised on receivables from subsidiaries and joint ventures.

Receivables from other related parties comprise loans of € 0 m to members of the Executive Board (31 December 2019: € 0 m) and loans of € 0 m to members of the Supervisory Board (31 December 2019: € 0 m).

The total remuneration paid by the Bank to the Executive Board amounted to € 5.5 m (2019: € 6.4 m). As in the previous year, a total of € 0.8 m was paid to the Supervisory Board and € 0.1 m was paid to the members of the Advisory Board. In addition, the employee representatives on the Supervisory Board (including deputy members) received a combined amount of € 1.9 m in salary payments as company employees. This amount was unchanged compared with the previous year. An amount of € 3.8 m was paid to former members of the Executive Board and their surviving dependants (2019: € 3.5 m). Provisions of € 66.9 m were recognised for pension obligations for this group of persons (2019: € 59.8 m).

(49) Average Number of Employees During the Year

	Female		Male		Total	
	2020	2019	2020	2019	2020	2019
Bank	1,153	1,194	1,601	1,602	2,754	2,796
WIBank – Wirtschafts- und Infrastrukturbank Hessen	265	259	178	173	443	432
Landesbausparkasse	117	127	81	87	198	214
Bank as a whole	**1,535**	**1,580**	**1,860**	**1,862**	**3,395**	**3,442**

(50) Executive Bodies of the Bank

Supervisory Board

Members

Gerhard Grandke
Executive President
Sparkassen- und Giroverband
Hessen-Thüringen
Frankfurt am Main / Erfurt
– Chairman –

Dr. Werner Henning
Chief Administrative Officer
County District of Eichsfeld
Heiligenstadt
– First Vice-Chairman –

Dr. Thomas Schäfer
Minister of State
Ministry of Finance of the State of Hesse
Wiesbaden
– Second Vice-Chairman –
– until 28 March 2020 –

Michael Boddenberg
Minister of State
Ministry of Finance of the State of Hesse
Wiesbaden
– since 26 June 2020 –
– Second Vice-Chairman since 3 July 2020 –

Dr. Christoph Krämer
Chairman of the Executive Board
Sparkasse Iserlohn
Iserlohn
– Third Vice-Chairman –
– until 31 December 2020 –

Klaus Moßmeier
Chairman of the Executive Board
Kreis- und Stadtsparkasse Unna-Kamen
Unna
– Third Vice-Chairman –
– since 1 January 2021 –

Dr. Karl-Peter Schackmann-Fallis
Executive Member of the Board
Deutscher Sparkassen- und
Giroverband e.V.
Berlin
– Fifth Vice-Chairman –

Dr. Sascha Ahnert
Chairman of the Executive Board
Stadt- und Kreis-Sparkasse Darmstadt
Darmstadt
– since 12 November 2020 –

Dr. Annette Beller
Member of the Management Board
B. Braun Melsungen AG
Melsungen

Christian Blechschmidt
Chairman of the Executive Board
Sparkasse Unstrut-Hainich
Mühlhausen

Nancy Faeser
Member of the State
Parliament of Hesse
Wiesbaden

Günter Högner
Chairman of the Executive Board
Nassauische Sparkasse
Wiesbaden

Oliver Klink
Chairman of the Executive Board
Taunussparkasse
Bad Homburg v.d.H.

Frank Lortz
Vice-President of the
State Parliament of Hesse
Wiesbaden

Dr. Birgit Roos
Chairwoman of the Executive Board
Sparkasse Krefeld
Krefeld
– since 2 April 2020 –

Uwe Schmidt
Chief Administrative Officer
District of Kassel
Kassel

Dr. Hartmut Schubert
Secretary of State
Ministry of Finance of the
State of Thuringia
Erfurt

Wolfgang Schuster
Chief Administrative Officer
County District of Lahn-Dill
Wetzlar

Dr. Eric Tjarks
Chairman of the Executive Board
Sparkasse Bensheim
Bensheim
– until 31 July 2020 –

Dr. Heiko Wingenfeld
Mayor
City of Fulda
Fulda

Arnd Zinnhardt
Königstein

Employee representatives

Thorsten Derlitzki
Vice-President
Frankfurt am Main
– Fourth Vice-Chairman –

Frank Beck
Vice-President
Frankfurt am Main

Thorsten Kiwitz
President
Frankfurt am Main

Christiane Kutil-Bleibaum
President
Düsseldorf

Annette Langner
Vice-President
Frankfurt am Main

Susanne Noll
Bank employee
Frankfurt am Main

Jürgen Pilgenröther
Bank employee
Frankfurt am Main

Birgit Sahliger-Rasper
Bank employee
Frankfurt am Main

Thomas Sittner
Bank employee
Frankfurt am Main

Members of the Executive Board

Herbert Hans Grüntker – CEO – – until 31 May 2020 –	Dezernent (Board member) with responsibility for Central Staff and Group Strategy, Internal Audit, Human Resources, Legal Services, Economics/Research, Process Management and Information Technology, WIBank
Thomas Groß – CEO since 1 June 2020 – – Deputy CEO until 31 May 2020 –	Dezernent (Board member) with responsibility for Group Steering, Human Resources and Legal Services, Accounting and Taxes, Group Audit, Operations, Frankfurter Sparkasse and Frankfurter Bankgesellschaft
Dr. Detlef Hosemann	Dezernent (Board member) with responsibility for Risk Control, Credit Risk Management, Restructuring/Workout, Compliance, Information Technology, and Organisation
Hans-Dieter Kemler	Dezernent (Board member) with responsibility for Corporate Banking, Capital Markets, Treasury, Sales Controlling Corporates & Markets, and Helaba Invest
Frank Nickel – since 1 June 2020 –	Dezernent (Board member) with responsibility for Savings Banks and SME, Public Sector, WIBank, LBS, and Sales Controlling S-Group
Christian Rhino – seit 1. Februar 2021 –	Helaba Chief Information Officer and Chief Operating Officer (CIO and COO) and Dezernent (Board member) with responsibility for Information Technology, Operations and Organisation
Christian Schmid	Dezernent (Board member) with responsibility for Real Estate Finance, Asset Finance, Portfolio and Real Estate Management, GWH Wohnungsgesellschaft mbH Hessen, OFB Projektentwicklung GmbH, and Branch Management London
Dr. Norbert Schraad – until 31 May 2020 –	Dezernent (Board member) with responsibility for Corporate Finance, CRM Wholesale Business, CRM Midcaps, General Manager Sales NRW/Düsseldorf Branch, CRM Public Authorities/Municipal Corporations, CRM International, Sales Service

(51) List of Shareholdings

List of shareholdings in accordance with section 285 no. 11 and section 340a (4) no. 2 of the HGB

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Holding in % as per Section 16 (4) AktG: Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
1	"Dia" Productions GmbH & Co. KG, Pullach	0.27	0.00		1.2	3,410	€	
2	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00	0.00		7.1	0	€	1)
3	ABE CLEARING S.A.S à capital variable, Paris, France	2.04	2.04		31.2	3,267	€	
4	Advent International GPE IX-A SCSp, Luxembourg, Luxembourg	0.43	0.43		182.2	−20,567	€	
5	Advent International GPE V-B Limited Partnership, George Town, Cayman Islands	1.99	1.99	0.30	20.0	−630	€	
6	Advent International GPE VI Limited Partnership, George Town, Cayman Islands	0.24	0.24		684.2	−20,074	€	
7	Airport Office One GmbH & Co. KG, Frankfurt am Main	100.00	0.00		−0.0	−5	€	
8	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	1.14	1.14		253.2	10,621	€	
9	Almack Mezzanine II Unleveraged LP, London, United Kingdom	5.83	5.83		4.7	−28	€	
10	AlphaHaus GmbH & Co. KG i.L., Erzhausen	5.50	0.00		1.1	12	€	
11	Antenne Thüringen GmbH & Co. KG, Weimar	3.50	3.50		2.5	1,614	€	
12	Arabesque S-Ray GmbH, Frankfurt am Main	2.19	0.00		16.0	−3,469	€	
13	ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Frankfurt am Main	100.00	100.00		−23.2	−1,047	€	
14	ASTARTE Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	−3	€	
15	AVW Assekuranzvermittlung der Wohnungswirtschaft GmbH & Co. KG, Bosau	11.76	0.00	11.63	0.2	17,408	€	
16	Bauverein für Höchst a. M. und Umgebung eG, Frankfurt am Main	0.03	0.00		28.6	762	€	
17	BC European Capital VIII-8, St. Peter Port, Guernsey	1.83	1.83	0.17	273.3	−874	€	
18	BCEC X Luxembourg 1 SCSp, Luxembourg, Luxembourg	7.37	7.37		223.0	56,644	€	
19	BGT GmbH, Frankfurt am Main	100.00	100.00		0.0	0	€	
20	BHT Baugrund Hessen-Thüringen GmbH, Frankfurt am Main	100.00	0.00		0.0	1,713	€	1)

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency
21	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG i.L., Frankfurt am Main	100.00	100.00		2.7	786	€
22	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG i.L., Munich	100.00	0.00	0.21	0.0	–8	€
23	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Wiesbaden	100.00	100.00		1.6	626	€
24	BOF III CV Investors LP, Wilmington, USA	4.16	4.16		6.6	92	€
25	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.03	21.03		21.8	985	€
26	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		27.2	637	€
27	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.2	–0	€
28	Campus Kronberg GmbH & Co. KG, Hamburg	6.00	0.00		60.3	–157	€
29	Capnamic Ventures Fund II GmbH & Co. KG, Cologne	4.27	4.27	4.35	45.7	–237	€
30	CapVest Equity Partners II, L.P., Hamilton, Bermuda	3.48	3.48		0.6	91	€
31	CapVest Equity Partners IV (Feeder) SCSp, Findel, Luxembourg	2.35	2.35		n.a.	n.a.	
32	Carlyle Europe Partners V - EU SCSp, Luxembourg, Luxembourg	0.31	0.31		970.5	–46,658	€
33	Castra Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	2.85	0.00		–21.4	–532	€
34	Clareant Mezzanine Fund II (No. 1) Limited Partnership, St. Helier, Jersey	4.07	4.07		18.5	–171	€
35	Clareant Mezzanine No. 1 Fund Limited Partnership, St. Helier, Jersey	3.40	3.40		15.6	–1,311	€
36	CP Campus Projekte GmbH, Frankfurt am Main	50.00	0.00		0.7	317	€
37	DBAG Fund IV GmbH & Co. KG i.L., Frankfurt am Main	6.13	6.13		0.0	617	€
38	DBAG Fund V GmbH & Co. KG, Frankfurt am Main	7.59	7.59	15.11	12.3	460	€
39	DBAG Fund VIII A (Guernsey) L.P., St. Peter Port, Guernsey	1.76	1.76		n.a.	n.a.	
40	DBAG Fund VIII B (Guernsey) L.P., St. Peter Port, Guernsey	1.76	1.76		n.a.	n.a.	
41	Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v.d.Höhe	1.71	0.00		662.8	50,307	€
42	Deutsche WertpapierService Bank AG, Frankfurt am Main	3.74	3.74		211.4	15,656	€

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Holding in % as per Section 16 (4) AktG: Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
43	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		206.7	9,331	€	
44	DIV Grundbesitzanlage Nr. 30 Frankfurt-Deutschherrnufer GmbH & Co. KG i.L., Frankfurt am Main	0.06	0.06		13.8	42,812	€	
45	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89	0.00		36.7	2,409	€	
46	Doughty Hanson & Co. V LP No. 1, London, United Kingdom	1.60	1.60		30.3	3,977	€	
47	Dritte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.2	–43	€	
48	Dritte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–82	€	
49	Dritte Projektentwicklungs-GmbH & Co. Schulen Landkreis Kassel KG, Kassel	6.00	0.00		14.7	1,929	€	
50	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00	0.00		–1.1	176	€	
51	EQT Expansion Capital II (No. 1) Limited Partnership, St. Peter Port, Guernsey	4.57	4.57		29.3	–12,162	€	
52	EQT IX (No. 1) EUR SCSp, Luxembourg, Luxembourg	0.30	0.30		n.a.	n.a.		
53	EQT V (No. 1) Limited Partnership, St. Peter Port, Guernsey	0.28	0.28		226.4	102,462	€	
54	Erste OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.0	57	€	
55	Erste Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00	0.00		0.1	4	€	
56	Erste ST Berlin Projekt GmbH & Co. KG, Berlin	0.50	0.00		1.4	–1,096	€	
57	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00	94.90		203.2	–2,997	€	
58	Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, Neuhardenberg	1.76	0.00	0.00	3,321.1	64,503	€	
59	Eschborn Gate GmbH, Frankfurt am Main	50.00	0.00		7.2	4	€	
60	EUFISERV Payments s.c.r.l., Brussels, Belgium	12.28	12.28		0.3	–11	€	
61	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	1	€	
62	Family Office der Frankfurter Bankgesellschaft AG, Frankfurt am Main	100.00	0.00		1.2	–928	€	
63	FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	50.00	0.00		–0.4	–241	€	
64	FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	50.00	0.00		–0.3	–193	€	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
65	FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	100.00	0.00		−0.4	−261	€	
66	FHP Friedenauer Höhe Projekt GmbH, Berlin	100.00	0.00		0.1	15	€	
67	FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin	50.00	0.00		−1.4	−507	€	
68	FHP Friedenauer Höhe Verwaltungs GmbH, Berlin	50.00	0.00		0.0	−1	€	
69	FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	50.00	0.00		−0.5	−293	€	
70	FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	100.00	0.00		−0.4	−242	€	
71	FHP Projektentwicklung GmbH & Co. KG, Berlin	100.00	0.00		0.0	−4	€	
72	Fiducia & GAD IT AG, Karlsruhe	0.02	0.00		431.6	−114	€	
73	FIDUCIA Mailing Services eG, Karlsruhe	0.13	0.06		0.1	0	€	
74	FinTech Community Frankfurt GmbH, Frankfurt am Main	25.00	25.00		0.2	52	€	
75	Forum Direktfinanz GmbH & Co. KG, Münster	14.29	14.29		n.a.	n.a.		
76	Fourth Cinven Fund (No. 1) Limited Partnership, St. Peter Port, Guernsey	1.42	1.42		69.7	1,145,743	€	
77	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00	0.00		16.8	808	€	
78	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		124.7	3,657	CHF	
79	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		930.7	45,000	€	
80	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00	0.00		0.2	3,702	€	
81	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.3	41	€	
82	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		0.0	4	€	
83	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.3	195	€	
84	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.4	170	€	
85	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00	0.00		1.8	1,052	€	
86	G & O MK 14.3 GmbH & Co. KG, Frankfurt am Main	50.00	0.00		−0.0	−46	€	
87	G & O MK 17.7 Nord GmbH & Co. KG, Frankfurt am Main	50.00	0.00		−0.5	−494	€	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Holding in % as per Section 16 (4) AktG: Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
88	G & O MK 17.7 Süd GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.1	55	€	
89	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		0.0	2	€	
90	G&O MK 15 Bauherren GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.2	859	€	
91	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00	0.00		23.4	2,204	€	
92	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	94.90	0.00		–15.5	–2,149	€	
93	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00	0.00		2.7	2,368	€	
94	gatelands Verwaltungs GmbH, Schönefeld	75.00	0.00		0.0	2	€	
95	GbR Datenkonsortium OpRisk, Bonn	0.00	0.00	9.09	n.a.	n.a.		
96	GbR VÖB-ImmobilienAnalyse, Bonn	0.00	0.00	20.00	n.a.	n.a.		
97	GeckoGroup AG in Insolvenz, Wetzlar	5.02	0.00		n.a.	n.a.		
98	GELIMER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	8.93	8.93		–1.5	235	€	
99	GGM Gesellschaft für Gebäude-Management mbH, Frankfurt am Main	100.00	0.00		0.3	670	€	
100	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00	0.00		0.3	–12,569	€	
101	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH i. L., Frankfurt am Main	100.00	0.00		0.1	–5	€	
102	GIZS GmbH & Co. KG, Frankfurt am Main	33.33	33.33		19.0	–3,178	€	
103	GIZS Verwaltungs-GmbH, Frankfurt am Main	33.33	33.33		0.0	8	€	
104	GLB GmbH & Co. OHG, Frankfurt am Main	11.20	11.20		2.8	–53	€	
105	GLB-Verwaltungs-GmbH, Frankfurt am Main	11.20	11.20		0.1	2	€	
106	GLD Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00	0.00		0.0	1	€	
107	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	50.00	0.00		0.2	1,260	€	
108	GOB Projektentwicklung Fünfte GmbH & Co. KG, Frankfurt am Main	8.84	0.00		–0.1	–62	€	
109	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00	0.00		0.0	3	€	
110	Gründerfonds Ruhr GmbH & Co. KG, Essen	8.70	8.70		4.9	–783	€	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Holding in % as per Section 16 (4) AktG: Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency
111	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33	0.00		2.0	−884	€
112	Grundstücksverwaltungsgesellschaft KAISERLEI GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00	0.00		4.2	4,022	€
113	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00	0.00		0.9	809	€
114	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		94.0	6,233	€
115	GWH Bauprojekte GmbH, Frankfurt am Main	100.00	0.00		13.6	0	€
116	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	59,599	€
117	GWH Komplementär I. GmbH, Frankfurt am Main	100.00	0.00		0.0	−7	€
118	GWH Projekt Braunschweig I GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.	
119	GWH Projekt Dortmund I GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.	
120	GWH Projekt Dresden I GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.	
121	GWH Projekt Dresden II GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.	
122	GWH Projekt Dresden III GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.	
123	GWH Projekt Heppenheim I GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.	
124	GWH Projekt I. GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.	
125	GWH WertInvest GmbH, Frankfurt am Main	100.00	0.00		0.9	−82	€
126	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00	0.00		387.8	67,580	€
127	HaemoSys GmbH, Jena	38.33	0.00		−4.8	−524	€
128	Hafenbogen GmbH & Co. KG, Frankfurt am Main	5.10	5.10		24.0	−982	€
129	HANNOVER LEASING GmbH & Co. KG, Pullach	5.10	5.10		37.7	15,704	€
130	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	48.27	0.00		11.2	135	€
131	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	63.10	0.00		11.7	108	€
132	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	54.51	0.00		2.4	−602	€

		Holding in % as per Section 16 (4) AktG						
No.	**Name and location of the entity**	**Total**	**Thereof directly**	**Voting rights if different from holding total in %**	**Equity in € m**	**Net profit in € thousands**	**Original currency**	
133	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00	0.00		1.1	1,104	€	
134	Helaba Asset Services Unlimited Company, Dublin, Ireland	100.00	100.00		57.0	4,292	€	
135	Helaba Digital GmbH & Co. KG, Frankfurt am Main	100.00	100.00		4.2	−231	€	
136	Helaba Digital Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00	0.00		0.0	1	€	
137	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0	€	
138	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	€	1)
139	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		5.9	−0	€	
140	Helaba Representação Ltda., São Paulo, Brazil	100.00	99.00		0.1	0	BRL	
141	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.8	381	€	
142	Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	5.92	0.00		−124.2	7,027	€	
143	Hello Darmstadt Projektentwicklung GmbH & Co. KG, Darmstadt	5.10	0.00		−0.1	−29	€	
144	Hessen Kapital I GmbH, Wiesbaden	100.00	100.00		34.1	−4,676	€	
145	Hessen Kapital II GmbH, Wiesbaden	100.00	100.00		6.5	−1,461	€	
146	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		85.4	4,265	€	
147	Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH, Frankfurt am Main	15.49	0.00		4.0	2,656	€	
148	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00	0.00		2.7	60	€	
149	Honua'ula Partners LLC, Wilmington, USA	100.00	0.00		−194.4	−34,208	USD	
150	Horus AWG GmbH, Frankfurt am Main	50.00	0.00		−0.1	22	€	
151	HP Holdco LLC, Wilmington, USA	100.00	100.00		0.0	0	USD	
152	HQ Equita Beteiligungen V GmbH & Co. KG, Bad Homburg	3.24	3.24		148.6	−2,387	€	
153	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	−1	€	
154	Hutton Collins Capital Partners III L.P., London, United Kingdom	1.45	1.45		57.8	8,763	€	
155	ICG Europe Fund VII Feeder SCSp, Luxembourg, Luxembourg	0.64	0.64		1,431.9	177,993	€	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency
156	Icon Brickell LLC, Miami, USA	14.94	14.94		0.0	–126	USD
157	IMAP M&A Consultants AG, Mannheim	75.10	0.00		1.0	4,041	€
158	Interessengemeinschaft Frankfurter Kreditinstitute GmbH, Frankfurt am Main	16.90	4.21		25.3	9,656	€
159	Investcorp Private Equity 2007 Fund, L.P., George Town, Cayman Islands	2.01	2.01		41.4	–5,885	USD
160	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.4	–96	€
161	KKR European Fund V (EUR) SCSp, Luxembourg, Luxembourg	0.72	0.72		n.a.	n.a.	
162	KOFIBA-Verwaltungsgesellschaft mbH i.L., Berlin	100.00	100.00		0.0	–1	€
163	Komuno GmbH, Frankfurt am Main	59.80	0.00		2.0	–1,336	€
164	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	5.10	0.00		–0.2	–71	€
165	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	5.10	0.00		–3.5	–701	€
166	Kornmarkt Arkaden Verwaltung GmbH, Frankfurt am Main	100.00	0.00		0.0	–0	€
167	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	5.10	0.00		–0.2	–61	€
168	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	5.10	0.00		–1.1	–286	€
169	LBS IT Informations-Technologie GmbH & Co KG, Berlin	7.30	7.30		0.0	47	€
170	LEA Venturepartner GmbH & Co. KG, Karlsruhe	4.17	4.17		4.1	509	€
171	Magical Produktions GmbH & Co. KG, Pullach	2.11	0.00		4.2	16,872	€
172	Magnum Capital III SCA SICAV-RAIF, Luxembourg, Luxembourg	6.65	6.65		n.a.	n.a.	
173	Marienbader Platz Projektentwicklungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		0.1	1	€
174	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99	0.00		11.7	1,336	€
175	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Wiesbaden	32.52	32.52		10.5	–855	€
176	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90	0.00		26.8	1,258	€
177	MESTO Grundstücksgesellschaft mbH & Co. KG, Grünwald	1.00	1.00	0.78	–2.2	656	€

		Holding in % as per Section 16 (4) AktG						
No.	Name and location of the entity	Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
178	Mezzanine Management Fund IV 'A' L.P., Hamilton, Bermuda	7.46	7.46		3.5	9,463	€	
179	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		26.8	928	€	
180	MKB PARTNERS, LLC, Wilmington, USA	100.00	0.00		6.7	2	USD	
181	MML Partnership Capital VII SCSp, Senningerberg, Luxembourg	1.89	1.89		n.a.	n.a.		
182	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		15.4	213	€	
183	Multi Park Mönchhof Main GmbH & Co. KG, Neu-Isenburg	50.00	0.00		0.2	1,218	€	
184	Multi Park Verwaltungs GmbH, Neu-Isenburg	50.00	0.00		0.0	−4	€	
185	NAsP III/V GmbH, Marburg	14.92	0.00		1.2	−549	€	
186	Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH, Frankfurt am Main	0.84	0.00		805.9	33,928	€	
187	neue leben Pensionsverwaltung AG, Hamburg	3.20	0.00		2.1	−96	€	
188	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00	0.00		−0.1	−95	€	
189	Objekt Limes Haus GmbH & Co. KG i.L., Hamburg	5.10	0.00		14.2	−2,225	€	
190	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.4	−14	€	
191	OFB Berlin Projekt GmbH, Berlin	100.00	0.00		0.0	−1	€	
192	OFB Beteiligungen GmbH, Frankfurt am Main	100.00	0.00		6.1	72	€	
193	OFB Bleidenstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		−1.6	−1,963	€	
194	OFB Limes Haus II GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.5	297	€	
195	OFB Löwenhöhe GmbH & Co. KG, Frankfurt am Main	100.00	0.00		−0.3	−306		
196	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	41,866	€	1)
197	PALMYRA Verwaltungsgesellschaft mbH & Co. Vermietungs KG S.e.n.c., Luxembourg, Luxembourg	5.20	0.00		9.9	−1,353	€	
198	Pan-European Infrastructure Fund LP, St. Helier, Jersey	0.73	0.73		2,513.3	−358,946	€	
199	PATRIZIA Hessen Zehn GmbH & Co. KG, Hamburg	5.20	0.00		17.2	870	€	
200	PineBridge PEP IV Co-Investment L.P., Wilmington, USA	9.51	0.00		3.6	−38	USD	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
201	PineBridge PEP IV Non-U.S. L.P., Wilmington, USA	17.00	0.00		1.6	−300	USD	
202	PineBridge PEP IV Secondary L.P., Wilmington, USA	16.10	0.00		3.8	−907	USD	
203	PineBridge PEP IV U.S. Buyout L.P., Wilmington, USA	17.21	0.00		4.0	34	USD	
204	PineBridge PEP IV U.S. Venture L.P., Wilmington, USA	17.51	0.00		9.6	2,082	USD	
205	Private Equity Thüringen GmbH & Co. KG i.L., Erfurt	14.11	14.11		1.4	22	€	
206	Procom & OFB Projektentwicklung GmbH i.L., Hamburg	50.00	0.00		0.0	−0	€	
207	Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		−0.7	−158	€	
208	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00	0.00		0.0	1	€	
209	Projekt Hirschgarten MK8 GmbH & Co. KG, Stuttgart	5.10	0.00		−5.3	−992	€	
210	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	30.00	0.00		−0.7	−1,522	€	
211	Projekt Wilhelmstraße Wiesbaden Verwaltung GmbH, Frankfurt am Main	30.00	0.00		0.0	0	€	
212	Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	−20	€	
213	Projektentwicklungs-GmbH & Co. Landratsamt KG, Wolfhagen	6.00	0.00		4.7	623	€	
214	Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG, Frankfurt am Main	100.00	0.00		0.1	−47	€	
215	PVG GmbH, Frankfurt am Main	100.00	100.00		0.4	0	€	1)
216	Rotunde - Besitz- und Betriebsgesellschaft der S-Finanzgruppe mbH & Co. KG, Erfurt	34.00	34.00	25.00	4.3	65	€	
217	Rotunde Verwaltungsgesellschaft mbH, Erfurt	34.00	34.00	25.00	0.0	−0	€	
218	RSU Rating Service Unit GmbH & Co. KG, Munich	9.60	9.60		9.1	−2,270	€	
219	S CountryDesk GmbH, Cologne	5.13	2.57		0.6	66	€	
220	S.W.I.F.T. Society for Worldwide Interbank Financial Telecommunication SCRL, La Hulpe, Belgium	0.00	0.00	0.20	325.2	20,722	€	
221	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		5.7	−283	€	
222	SCHUFA Holding AG, Wiesbaden	0.28	0.00		118.3	41,120	€	

		Holding in % as per Section 16 (4) AktG						
No.	Name and location of the entity	Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
223	Seventh Cinven Fund (No. 1) Limited Partnership, St Peter Port, Guernsey	0.16	0.16		n.a.	n.a.		
224	SIX Group AG, Zurich, Switzerland	0.00	0.00		4,472.7	111,553	CHF	
225	SIZ GmbH, Bonn	5.32	5.32		6.3	610	€	
226	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00	0.00		0.8	18,852	€	
227	Sparkassen-Immobilien-Vermittlungs-GmbH, Frankfurt am Main	100.00	100.00		1.8	887	€	
228	Sparkassen-Marktservice Beteiligungs GmbH & Co. KG, Frankfurt am Main	50.00	40.00		4.1	−3,705	€	
229	Sparkassen-Marktservice Verwaltungs GmbH, Frankfurt am Main	50.00	40.00		0.0	−0	€	
230	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00	0.00		−2.6	1,504	€	
231	Stresemannquartier GmbH & Co. KG, Berlin	50.00	0.00		0.1	−18	€	
232	Systeno GmbH, Frankfurt am Main	100.00	0.00		6.8	1,102	€	
233	TCW/Crescent Mezzanine Partners IVB, L.P., Los Angeles, USA	2.08	2.08		0.0	−123	USD	
234	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.4	103	€	
235	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.1	7	€	
236	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		0.6	−0	€	
237	TF H III Technologiefonds Hessen Gesellschaft mit beschränkter Haftung, Wiesbaden	25.00	25.00		6.6	−2,306	€	
238	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH) i.L., Wiesbaden	66.67	66.67		0.6	10	€	
239	THE TRITON FUND II L.P. i.L., St. Helier, Jersey	0.77	0.77		67.0	−57,700	€	
240	Treuhandgesellschaft für die Südwestdeutsche Wohnungswirtschaft mbH, Frankfurt am Main	3.25	0.00		1.9	15	€	
241	Triton Fund III L.P., St. Helier, Jersey	0.71	0.71		846.5	−139,641	€	
242	Triton Fund V SCSp, Luxembourg, Luxembourg	0.39	0.39		64.2	−54,283	€	
243	True Sale International GmbH, Frankfurt am Main	8.33	8.33		4.9	248	€	
244	unIQus Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		11.0	62	€	
245	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH i. L., Frankfurt am Main	100.00	100.00		0.0	−26	€	
246	VCM Golding Mezzanine GmbH & Co. KG i.L., Munich	6.48	6.48		6.8	84	€	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Holding in % as per Section 16 (4) AktG: Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
247	VCM Golding Mezzanine SICAV II, Munsbach, Luxembourg	4.20	4.20		27.2	−4,758	€	
248	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00	0.00		0.3	0	€	1)
249	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.9	1,013	€	
250	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		2.8	2,307	€	
251	Vierte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	32	€	
252	Vierte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		−0.0	−48	€	
253	Volks- Bau- und Sparverein Frankfurt am Main eG, Frankfurt am Main	0.01	0.00		10.6	3,557	€	
254	wall park GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.0	−2	€	
255	wall park Grundstücksgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	5	€	
256	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00	0.00		0.0	−2	€	
257	WoWi Media GmbH & Co. KG, Hamburg	23.72	0.00	19.24	2.8	−3	€	
258	Zweite OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.8	453	€	
259	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.6	3,999	€	
260	Zweite Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00	0.00		0.1	3	€	
261	Zweite ST Berlin Projekt GmbH & Co. KG, Berlin	0.50	0.00		6.8	−257	€	

[1] A profit and loss transfer agreement has been signed with the entity.
n.a. There are no adopted financial statements.

(52) List of Positions on Supervisory Bodies in Accordance with Section 340a (4) No. 1 of the HGB

Positions held by the members of the Executive Board and executive managing directors

Office holder	Corporation	Function
Thomas Groß	DSGF Deutsche Servicegesellschaft für Finanzdienstleister mbH, Cologne	Member
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Dr. Detlef Hosemann	Frankfurter Sparkasse, Frankfurt am Main	Member
	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice-Chairman
Hans-Dieter Kemler	Frankfurter Bankgesellschaft (Schweiz) AG, Zürich, Schweiz	Member
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Chairman
Frank Nickel	Frankfurter Bankgesellschaft (Schweiz) AG, Zürich, Schweiz	Member
	Frankfurter Sparkasse, Frankfurt am Main	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice-Chairman
	Thüringer Aufbaubank, Erfurt	Member
Christian Rhino	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	Member
Christian Schmid	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman

Positions held by other employees

Office holder	Corporation	Function
Dr. Matthias Katholing	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Dirk Mewesen	Helaba Asset Services Unlimited Company, Dublin, Ireland	Member
Dr. Ulrich Pähler	Helaba Asset Services Unlimited Company, Dublin, Ireland	Vice-Chairman
Dr. Michael Reckhard	Bürgschaftsbank Hessen GmbH, Wiesbaden	Member
Klaus Georg Schmidbauer	Bürgschaftsbank Thüringen GmbH, Erfurt	Member
Peter Marc Stober	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Member
André Stolz	Nassauische Sparkasse, Wiesbaden	Member

(53) Report on Events After the Reporting Date

There were no significant events after the end of the financial year on 31 December 2020.

Frankfurt am Main/Erfurt, 2 March 2021

Landesbank Hessen-Thüringen Girozentrale

The Executive Board

Groß	Dr. Hosemann	Kemler
Nickel	Rhino	Schmid

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of Landesbank Hessen-Thüringen Girozentrale, and the management report includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the material opportunities and risks associated with the expected development of Landesbank Hessen-Thüringen Girozentrale.

Frankfurt am Main / Erfurt, 2 March 2021

Landesbank Hessen-Thüringen Girozentrale

The Executive Board

Groß	Dr. Hosemann	Kemler
Nickel	Rhino	Schmid

Independent Auditor's Report

To Landesbank Hessen-Thüringen Girozentrale,
Frankfurt am Main / Erfurt

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main / Erfurt, which comprise the balance sheet as at 31 December 2020 and the income statement for the financial year from 1 January 2020 to 31 December 2020 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main / Erfurt, for the financial year from 1 January 2020 to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the non-financial statement included in the "Non-Financial Statement" section of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Institution's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the non-financial statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537 / 2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Institution in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Calculation of Specific Allowances for Loan Exposures Exhibiting Risk Characteristics Caused by the Economic Situation

Reasons why the matter was determined to be a key audit matter

The identification of loan exposures exhibiting risk characteristics caused by the economic situation and the calculation of appropriate specific allowances are significant areas in which the executive directors use judgement which is subject to uncertainty. The related procedures involve various assumptions and estimation inputs, in particular with regard to the financial situation of the counterparty, expectations of future cash flows, observable market prices and expectations of net sales prices as well as the realization of collateral. These uncertainties increased significantly in the financial year due to the effects of the global COVID-19 pandemic, which cannot be conclusively assessed as yet. Minimal changes in the assumptions and estimation inputs can lead to an incomplete identification, significantly different measurements and thus to a change in impairment losses.

In light of the significance for the assets, liabilities and financial performance of the Bank, we determined this to be a key audit matter.

Auditor's response

As part of our audit, we examined the processes for identifying and monitoring borrowers and industries exhibiting risk characteristics caused by the economic situation. To this end, we assessed in particular the monitoring processes with regard to the occurrence of early warning indicators, the application of impairment triggers and thus the correct allocation to the relevant risk status. We also compared publicly available industry forecasts with the expectations of the executive directors.

In addition, we analysed the standard lending processes and the special processes and measures implemented as a result of the COVID-19 pandemic having an effect on assignment to default status and the calculation of the specific allowance. On this basis, we tested the operating effectiveness of the controls implemented for the calculation of the specific allowance.

As part of our credit file review, we selected a risk-based sample and assessed in particular exposures whose industries were identified as being affected by the economic situation, such as the COVID-19 pandemic, with regard to the specific allowance requirements determined. Our sample also included exposures for which significant contract modifications were made.

We performed substantive audit procedures, assessing whether the significant assumptions concerning the estimated future cash flows from the lending relationships including the carrying amount of the collateral held were consistent with the financial situation of the borrower and the publicly available market and industry forecasts. We also checked the arithmetical accuracy of the specific allowances calculated for loan exposures.

Our procedures did not lead to any reservations relating to the calculation of specific allowances for loan exposures exhibiting risk characteristics caused by the economic situation.

Reference to related disclosures

With regard to the recognition and measurement principles applied for the recognition of specific allowances, please refer to the disclosures in the "Net Assets, Financial Position and Results of Operations" section of the management report and to Note (1) as well as the explanations on loss allowances in the presentation of the results of operations in Note (43) of the notes to the Bank's financial statements. Please also refer to the comments on the COVID-19 pandemic and the identification of particularly affected industries / sub-portfolios in the risk report.

2. Calculation of a Judgemental Global Allowance Considering Macro-Economic Circumstances

Reasons why the matter was determined to be a key audit matter

The inclusion of forward-looking macroeconomic information in the determination of credit risk parameters for measuring the global allowance is a significant area in which judgement was used. The credit risk parameters have a direct impact on the amount of the global allowance.

A special situation analysis was performed to take account of the exceptional macroeconomic circumstances due to the COVID-19 pandemic. The underlying macroeconomic assumptions are subject to increased estimation uncertainty.

In addition, the impact of the COVID-19 pandemic on the probabilities of default and collateral values was assessed. The resulting adjustment of the global allowance is based on assumptions which are subject to judgement.

In light of the increased uncertainty and the judgement associated with the assumptions, the calculation of a judgemental global allowance considering macroeconomic circumstances was a key audit matter.

Auditor’s response

As part of our audit procedures, we compared the approach used to adjust the credit risk parameters to forward-looking macroeconomic information and their significant assumptions with the requirements for calculating the global allowance. We also considered the results of the internal validation of the approach and the parameters.

We assessed the design and operating effectiveness of the internal control system with regard to the adjustment of the significant credit risk parameters to forward-looking macroeconomic information. In doing so, we particularly assessed whether the procedures and controls implemented to update the parameters and perform the special situation analysis as well as the existing approval processes were efficient and effective.

Using a sample of individual cases selected on a risk basis, we performed substantive audit procedures on loan exposures which were particularly affected by the COVID-19 pandemic. In this context, we used the knowledge obtained from the sample to assess the assumptions used to determine the rating classification. Based on a sample, we reviewed the allocation of probabilities of default to the rating class.

We compared the significant estimated macroeconomic parameters used by the Bank with external macroeconomic scenarios published by reputable institutions. We also performed substantive audit procedures to satisfy ourselves that the procedure for performing the special situation analysis was properly applied to the credit portfolio. This related to the correct inclusion of the input parameters and the arithmetical accuracy.

Using our analysis of the Bank’s credit risk reporting, we assessed the consistency of the assumptions subject to judgement which were used to calculate the global allowance. In addition, we reperformed the main calculation steps used to determine the global allowance.

Our procedures did not lead to any reservations relating to the calculation of a judgemental global allowance considering macroeconomic circumstances.

Reference to related disclosures

With regard to the recognition and measurement principles applied for the global allowance, please refer to the disclosures in the “Net Assets, Financial Position and Results of Operations” section of the management report and to Note (1) of the notes to the financial statements.

3. Determination of Fair Values as Part of the Measurement of Trading Book Derivatives and Debt Instruments

Reasons why the matter was determined to be a key audit matter

The fair value of a financial instrument is generally determined by the price observed for it on an active market. If quoted prices are not available, fair value is determined using valuation models whose significant valuation inputs are based on observable market data. Significant valuation inputs for which no observable market data are available are derived from market conditions in accordance with internal rules. The model-based valuation of financial instruments is therefore subject to increased measurement uncertainty, especially when financial instruments are complex and inputs that are not observable on the market are used. For derivative financial instruments, valuation adjustments are also made for counterparty risks, financing costs and model uncertainties.

In light of the measurement uncertainties, the additional valuation adjustments and the developments on the capital markets, the determination of fair values as part of the measurement of derivatives and debt instruments was a key audit matter.

Auditor’s response

We analysed the processes in the areas of trading, risk controlling and accounting and tested the operating effectiveness of internal controls, especially in relation to the independent validation of the valuation inputs, models and adjustments.

The measurement methods and assumptions used to determine the fair value of derivatives and debt instruments correspond with our expectations of standard market methods. We reviewed the quoted prices used for debt instruments by comparing them with the price quotes of independent market data providers. Based on a sample of derivatives and debt instruments, we also performed a revaluation for selected product types as of the reporting date. In this context, we additionally analysed the valuation adjustments based on our revaluation and the development of the underlying fair values.

As part of the audit, we consulted internal specialists who have particular expertise in the valuation of financial instruments.

Our procedures did not lead to any reservations relating to the determination of fair values as part of the measurement of trading book derivatives and debt instruments.

Reference to related disclosures

With regard to the recognition and measurement principles applied for the fair value measurement of derivatives and debt instruments as well as the disclosures on valuation adjustments, please refer to the disclosures in Note (1) of the notes to the financial statements. For the disclosures on fair values, please refer to Notes (6) and (21).

Other Information

The executive directors are responsible for the other information. The other information comprises the non-financial statement pursuant to Sec. 289b (1) HGB included in the management report. The other information also comprises the report on equality and equal pay pursuant to Sec. 21 EntgTranspG ["Entgelttransparenzgesetz": German Pay Transparency Act] included as an appendix to the management report, the responsibility statement and the other sections of the annual financial report that we expect to be provided to us after we have issued our auditor's report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Institution's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Institution's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Institution's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the annual financial statements and the management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached electronic file "Helaba_JA+LB_ESEF-2020-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January 2020 to 31 December 2020 contained in the "Report on the audit of the annual financial statements and of the management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the annual financial statements and the management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities under that standard are further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Institution are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB.

In addition, the executive directors of the Institution are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Institution are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and the audited management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.

Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further Information Pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Board of Public Owners on 31 March 2020. We were engaged by the Executive Board on 24 April 2020. We have been the auditor of Landesbank Hessen-Thüringen Girozentrale Frankfurt am Main/Erfurt without interruption since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Christoph Hultsch.

Eschborn/Frankfurt am Main, 3 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Müller-Tronnier	Hultsch
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Independent Auditor's Limited Assurance Report

To Landesbank Hessen-Thüringen Girozentrale,
Frankfurt am Main / Erfurt

We have performed a limited assurance engagement on the Non-financial Statement of Landesbank Hessen-Thüringen Girozentrale according to §§ 340a in conjunction with 289b HGB ("Handelsgesetzbuch": German Commercial Code) including the section "Basic Information about the Bank" in the Management Report being incorporated by reference for the reporting period from 1 January 2020 to 31 December 2020 (hereafter non-financial statement). Our engagement did not include any disclosures for prior years

A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial statement in accordance with §§ 340a in conjunction with 289b HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial statement that is free from material misstatement, whether due to fraud or error.

B. Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial statement of the Company has been prepared, in all material respects, in accordance with §§ 340a in conjunction with 289b HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2020 and March 2021, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial statement, the risk assessment and the concepts of Landesbank Hessen-Thüringen Girozentrale for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial statement,
- Identification of likely risks of material misstatement in the non-financial statement
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas, e.g. compliance and employees, in the reporting period and testing such documentation on a sample basis,

- Analytical evaluation of disclosures in the non-financial statement,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial statement.

D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial statement of Landesbank Hessen-Thüringen Girozentrale for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with §§ 340a in conjunction with 289b HGB.

E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with Landesbank Hessen-Thüringen Girozentrale. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/generalengagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Eschborn/Frankfurt am Main, 3 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Thimo Worthmann	Hans-Georg Welz
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Management Report and Annual Financial Statements of Landesbausparkasse Hessen-Thüringen 2020

Management Report of Landesbausparkasse Hessen-Thüringen

Management Report of Landesbausparkasse Hessen-Thüringen

I. Basic Information

Legal and Organisational Structure

Landesbausparkasse Hessen-Thüringen (LBS) is a legally dependent unit of Landesbank Hessen-Thüringen (Helaba) that prepares financial statements on an independent basis. It forms part of Helaba's Retail & Asset Management segment.

LBS has a Bausparkasse Advisory Board created in accordance with the Principles for the Landesbausparkasse Hessen-Thüringen. This board, which consists of representatives of the Sparkassen in Hesse and Thuringia, is intended to promote co-operation between the Bausparkasse and the Sparkassen- und Giroverband Hessen-Thüringen and the Sparkassen in the operating territory.

Business Model

The LBS business model envisages the organisation as a regional provider of financial services in the real estate sphere. Its mission under the model, which acknowledges the status of LBS as an integral part of Helaba and of the S-Finanzgruppe, includes the delivery of demand-oriented support for customers in the areas of home loans and savings, finance, real estate and provision for old age.

Objectives and Strategies

LBS makes use of the regional sales network of the Sparkasse as well as its own field sales force. Joint business with the Sparkassen, a business area of great strategic significance for LBS, is crucial in enabling it to tap into the customer potential of the Sparkassen. LBS also began working with other third-party brokers in 2020 through FINMAS via its stake in FORUM Direktfinanz GmbH & Co.KG.

LBS has adopted a strategy consistently focused – across all activities – on stabilising earning power at a sustainable level and ensuring a reasonable annual minimum profit after tax of €1 m during the current period of low interest rates. It also aims for a conservative risk profile that will enable it to continue strengthening its competitive edge and thereby reach a position, in the medium term, such that it can achieve its commercial objectives without need of income-boosting measures implemented through short-term planning. Risks are assumed with the objective of generating a reasonable and sustainable return – as has been achieved in the year under review – taking account of the risk-bearing capacity and the risk strategy.

LBS launched its "LBS-EVOLution" reorganisation programme in 2017 in response to the generally low level of interest rates. The main aim of the project is to bring about a lasting improvement in earnings. LBS aims to have concentrated its activities at just two sites – a production site in Erfurt and an administrative site in Offenbach – rather than the current three by the planned end of the project in 2021. Large parts of liabilities-side home loan and savings business have already been outsourced to LBS Westdeutsche Landesbausparkasse, Münster, as planned and headcount had been reduced to 182 full-time-equivalent positions by the end of 2020 through additional process improvements and streamlining of the service range. With interest rates remaining at historically low levels, additional measures will be required to help realise a sustainable improvement in earnings.

Management System

The internal management system reflects LBS's focus on a reasonable and sustainable return while maintaining its conservative risk profile. The management variables applied in respect of operating business development are net interest income, net fee and commission income and general and administrative expenses, which together largely determine the operating result before taxes, and gross new business. LBS also makes use, in its planning, monitoring and oversight of business operations, of value-oriented indicators such as the cost-income ratio (which expresses general and admin-istrative expenses as a percentage of the sum of net interest income, net fee and commission income and the balance of other ordinary income/expenses), the interest rate risk coefficient for the interest rate risk and the liquidity coverage ratio (LCR) in accordance with the Capital Requirements Regulation (CRR).

II. Economic Report

Economic Development

The dominant factor driving economic developments in 2020 was the COVID-19 pandemic, which triggered an unprecedented collapse in economic activity in spring 2020. Sectors involving a particularly high level of face-to-face contact, such as retail, were particularly badly affected as government restrictions and voluntary changes in behaviour slowed business or brought it to a halt entirely. Finding their spending options thus limited, consumers chose to save their money instead and the significant fall in private consumption was accompanied by a sharp increase in the savings rate.

Investment in residential construction held up relatively well in 2020 in the face of the COVID-19 pandemic thanks to no more than minor restrictions on the supply side and only a very limited drop off in demand. Price trends in the residential real estate market have likewise hardly been affected by the COVID-19 pandemic so far.

Initial calculations from the German Federal Statistical Office (Destatis) indicate that real gross domestic product (GDP) was about 5 % lower than in the previous year in 2020. The deep recession precipitated by the COVID-19 pandemic, which comes after a ten-year growth phase for the German economy, represents the biggest economic shock since the 2008/2009 financial and economic crisis. The data available so far does suggest, however, that the 2020 downturn will not be quite as severe overall as the 2009 crisis (–5.7 %).

Sales in the structural and civil engineering sector were up 2.2 % in October 2020 as compared with October 2019. The total number of people employed rose by 1.3 % compared with the same month in the previous year.

The historically low level of interest rates remained the most influential factor for the German financial system.

The COVID-19 pandemic has not yet had any negative impact on the German residential real estate market; indeed it seems the developments of recent months may well have added new momentum to the flight to bricks and mortar. The continuing favourable conditions for financing are once again fuelling strong demand for residential property in Germany. Real estate also remains as popular as ever as a target for investment. The increase in working from home could well displace demand from central, urban locations to the fringes of the major metropolitan areas.

The German House Price Index (HPI) indicates that residential real estate prices were on average 7.8 % higher in the 3rd quarter of 2020 than in the same quarter of the previous year. The figures from the German Federal Statistical Office also show that prices for both flats and single-family and two-family homes rose by 2.9 % as compared with the previous quarter. This increase in the cost of residential real estate, which occurred despite the ongoing COVID-19 pandemic, was significant in both urban and more rural locations. Prices across the seven largest cities (Berlin, Hamburg, Munich, Cologne, Frankfurt, Stuttgart and Düsseldorf) were 8.9 % higher for single-family and two-family homes and 7.3 % higher for owner-occupied flats in the 3rd quarter of 2020 than in the same quarter of the previous year. The other large cities with a population of more than 100,000 saw a rise of 8.3 % in house prices and 10.2 % in the price of owner-occupied flats as compared with the same quarter of the previous year. The average cost of residential real estate also rose in rural districts. The number of homes approved for construction between January and November 2020 increased by 3.9 % as compared with the prior-year period. This figure includes the number of building permits for new buildings as well as construction work on existing buildings. The number of building permits issued rose by 17.5 % for single-family homes and by 3.0 % for two-family homes.

The outlook for the construction industry remains positive There is no sign any significant change in the fundamental conditions shaping the residential real estate market, with low interest rates and the influx into urban centres buoying up demand. Residential construction activity is limited by the lack of spare capacity in the construction industry, so the gap between supply and demand remains wide. LBS concludes that the key general economic factors – economic situation, labour market and demand for residential real estate – in Hesse and Thuringia together present a decidedly fertile environment for home loan and savings business and home finance. The inclusion of this type of asset in the German government’s scheme to promote private retirement pension provision, which provides for the use of home savings contracts to purchase owner-occupied residential property, had a positive impact in the financial year. It was apparent, however, that the Sparkassen as sales partners were increasingly keeping home finance business in house.

Contract Development

LBS concluded a total of 40,090 (previous year: 47,204) new home savings contracts with a total net value of € 2,004 m (previous year: € 2,329 m) in the year under review, which represents a year-on-year reduction of 13.9 % in volume terms. Gross new business therefore fell short of the forecast for 2020 by nearly 20 %. The average value of the home savings contracts concluded rose by 1.3 %.

LBS arranged 30,085 home savings contracts (previous year: 35,750) with a total net value of € 1,645 m (previous year: € 1,908 m) in Hesse and 10,005 home savings contracts (previous year: 11,454) with a total net value of € 359 m (previous year: € 421 m) in Thuringia.

New business adjusted for the amounts actually paid in was down year-on-year in terms of both the number of contracts (2020: 37,494 home savings contracts, previous year: 46,048) and the total net volume (2020: € 1,748 m, previous year: € 2,163 m). There were 28,030 new contracts (previous year: 34,567) in an amount of € 1,420 m (previous year: € 1,749 m) paid in in Hesse and 9,464 new contracts (previous year: 11,481) in an amount of € 328 m (previous year: € 413 m) paid in in Thuringia, which represents a year-on-year fall of 18.8 % in Hesse and 20.6 % in Thuringia in terms of total net value. Home savings customers under the age of 25 accounted for 38.0 % of the first-time con-tracts concluded in the year under review.

S-Group Activities

The Sparkassen in Hesse and Thuringia have traditionally been the main sales partners for new contracts and although the proportion of business arranged by the Sparkassen (including joint business) remained high in the year under review at 83.9 % (previous year: 86.6 %), corresponding to home savings contracts with a value of € 1.7 bn, this figure was 2.6 percentage points lower than the previous year.

Contract Portfolio

LBS serviced a home loan and savings volume of € 21,101 m (previous year: € 21,295 m) in the year under review representing 720,781 home savings contracts (previous year: 750,789). The year-on-year change in volume terms amounts to a 0.9 % decrease.

Development of Allocations

The target valuation index that has to be reached in order for allocation by LBS has been constant at 224, which is the minimum valuation index specified in the general terms and conditions, for more than 20 years. Some 50,949 contracts representing a home loan and savings volume of € 1,048.7 m were allocated in the year under review.

Of the inflows to the allocation fund, € 765.2 m (– 2.2 %) was attributable to savings deposits, including employer contributions to employee capital formation schemes, the “Wohnungsbauprämie” (a government subsidy paid on savings to be used for the construction, purchase or improvement of residential real estate) and interest credits, while € 55.7 m (– 5.9 %) was attributable to redemption payments. In total, an amount of € 820.9 m (– 2.4 %) was added to the allocation fund. These inflows were offset by withdrawals in the amount of € 717.5 m (+ 7.3 %), meaning that the allocation fund had increased by € 103.4 m at the end of the year.

Lending Business

Disbursements of loans outside the home savings collective rose by € 14.7 m (+ 12.1 %) year on year to € 135.9 m. At € 45.0 m, the value of home savings loans disbursed remained at the prior-year level (€ 44.9 m).

Results of Operations

Assisted by income-boosting measures implemented through short-term planning, LBS successfully achieved its positive earnings target in the year under review despite the ongoing negative effect on earnings of the current sustained period of low interest rates.

Interest income

Interest income was reduced by a decrease in the annual average portfolio of home savings loans, which shrank by € 14.1 m (– 9.8 %). The average interest rate for home savings loans also declined in 2020, dropping 5 basis points to 3.29 % (previous year: 3.34 %). These falls in volume and interest rates reduced interest income from home savings loans. Interest income in lending business outside the home savings collective declined by € 0.1 m to € 18.0 m. The average portfolio subject to interest (interim and bridge-over loans including other home finance loans) increased by € 44.8 m (+5.7 %) year on year, but the average interest earned on loans outside the home savings collective dropped to 2.16 % (previous year: 2.30 %).

The increased capital market investment requirement due to the € 152.6 m (+3.1 %) increase in home savings deposits and the contraction in lending operations impacted positively on interest received. The sustained period of historically weak returns in the money and capital markets, in contrast, had a negative impact. LBS generated interest from early repayment charges (settlement payments) due to the early repayment of time deposits in anticipation of continued low interest rates. Interest received from financial investments including these measures implemented through short-term planning decreased by € 13.1 m overall (–11.2 %). Overall interest income dropped by € 13.8 m to € 126.2 m.

Interest expense

The introduction of new home loan and savings tariffs over recent years has had a positive impact on interest expenses. The inflow of home savings deposits in 2020 pushed annual average holdings of home savings deposits up by € 152.6 m year on year to € 5.1 bn. This volume effect was, however, more than offset by the lower average interest rate for home savings deposits: the average interest rate for 2020 was down 14 basis points year on year to 1.27 %. The contradictory volume and interest rate effects reduced the interest expense for home savings deposits by € 5.1 m to € 65.3 m. Net interest income was € 8.3 m lower than forecast overall at € 55.7 m due in large part to significantly lower interest from early repayment charges (actual: € 15.4 m/ forecast: € 27.8 m).

The home savings collective interest margin, which is calculated as the difference between the average interest rates for home savings loans and home savings deposits, amounted in 2020 to 2.02 %.

Net fee and commission income / expense

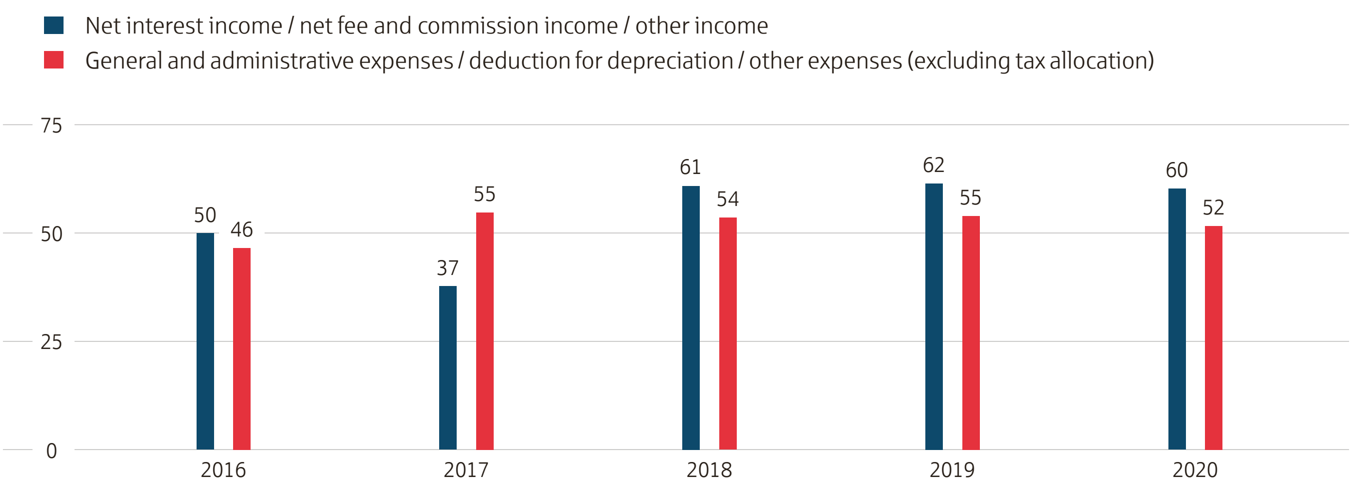
The net fee and commission income / expense variable improved by € 7.1 m to a net expense of € 0.7 m and was thus just € 0.3 m lower than forecast. Commissions paid dropped by € 3.7 m (–11.2 %) due to the decrease in gross new business. Fee and commission income increased by € 3.4 m (+13.9 %) to € 28.2 m due to the introduction of a new generation of tariffs with a higher arrangement fee.

General and administrative expenses

Net interest income, net fee and commission income / expense and other operating income together totalled € 60.2 m (–3.0 %), which figure was offset by € 51.7 m (–6.8 %) for general and administrative expenses including depreciation, amortisation and write-downs of property and equipment and other operating expenses. Interest received from financial investments declined by € 0.7 m overall (–11.5 %). Personnel expenses fell by € 1.7 m to € 17.4 m. Other operating expenses declined by € 2.2 m to € 11.2 m. Depreciation and write-downs of fixed assets increased slightly by € 0.1 m to € 1.1 m. This means that general and administrative expenses were € 1.5 m below the figure forecast in the previous year.

Significant income statement components

in € m



Pretax earnings were up € + 7.1 m year on year at € 1.8 m, slightly exceeding the figure of approxi-mately € 6.5 m anticipated in the previous year's Report on Developments.

The cost-income ratio improved by 3.6 percentage points to 82.6 % (previous year: 86.4 %), remaining 1.4 percentage points below the forecast figure for the year (84.0 %).

Financial Position

As a non-trading book institute, LBS allocates all of its business positions to the investment book. The German specialist bank principle requires LBS, as a Bausparkasse, to comply with the specific provisions of the German Building and Loan Associations Act (Bausparkassengesetz –BauSparkG) as well as the general stipulations of the German Banking Act (Kreditwesengesetz – KWG). Of particular relevance is section 4 (3) BauSparkG, which regulates the investment of available funds. The Bausparkasse is obliged to maintain sufficient levels of cash and cash equivalents to assure its liquidity. Any investment of available funds is accordingly made exclusively in order to form a liquidity reserve as part of a "buy-and-hold" strategy in accordance with the BauSparkG requirements. No investments are sold prior to maturity unless for the purpose of optimising the portfolio structure, actively managing interest rate risk, complying with specified limits imposed by management to limit market risk or for liquidity purposes.

Revenue reserves constitute the main item in the equity structure. The equity of LBS includes no silent participations or subordinated liable capital. Equity backing is adequate for further growth in lending business.

LBS calculates capital requirements using an internal ratings-based approach (IRBA). The total capital ratio in accordance with article 92 CRR fell in 2020, but is still high at 51.1 % (previous year: 52.6 %). The Tier 1 ratio also fell, dropping by 1.6 percentage points to 50.6 %.

Owing to the lifting of the cap, the liquidity coverage ratio (LCR) indicator as at 31 December 2020 was well above the 100 % mark required by the regulator and the minimum value of 120 % used by LBS for risk assessment at 1,198 %. LBS was in a position to meet its payment obligations at all times.

LBS prepares quarterly collective forecasts and an annual ongoing collective monitoring report in order to ensure that the home savings contracts concluded can always be fulfilled. The ongoing collective monitoring report and the corresponding collective management report, which contain a description of the initial position and scenarios with presentations of results and related analysis as well as an overall assessment, are transmitted to BaFin. According to the collective management report for 2019, funds sufficient for the allocation of home savings contracts were available at all times.

The financial position of LBS is sound. The Bausparkasse is capable of meeting its obligation with respect to the scheduled allocation of the home loan and savings amounts at any time.

Net Assets

Total assets rose by € 0.03 bn year on year to € 6.20 bn. Home savings deposits increased to € 5,183 m. Home finance loans rose by € 37.0 m to € 955.6 m, while financial investments declined by € 10.0 m to € 5,215 m. The proportion of total assets accounted for by home finance loans increased to 15.4 %. Interim and bridge-over loans increased by 6.1 % to € 832 m in the financial year and are largely funded with matching maturities. The net assets position of LBS is sound. The volume of business is virtually unchanged and overall there have been no notable changes in the asset structure.

III. Report on Opportunities, Risks and Expected Developments

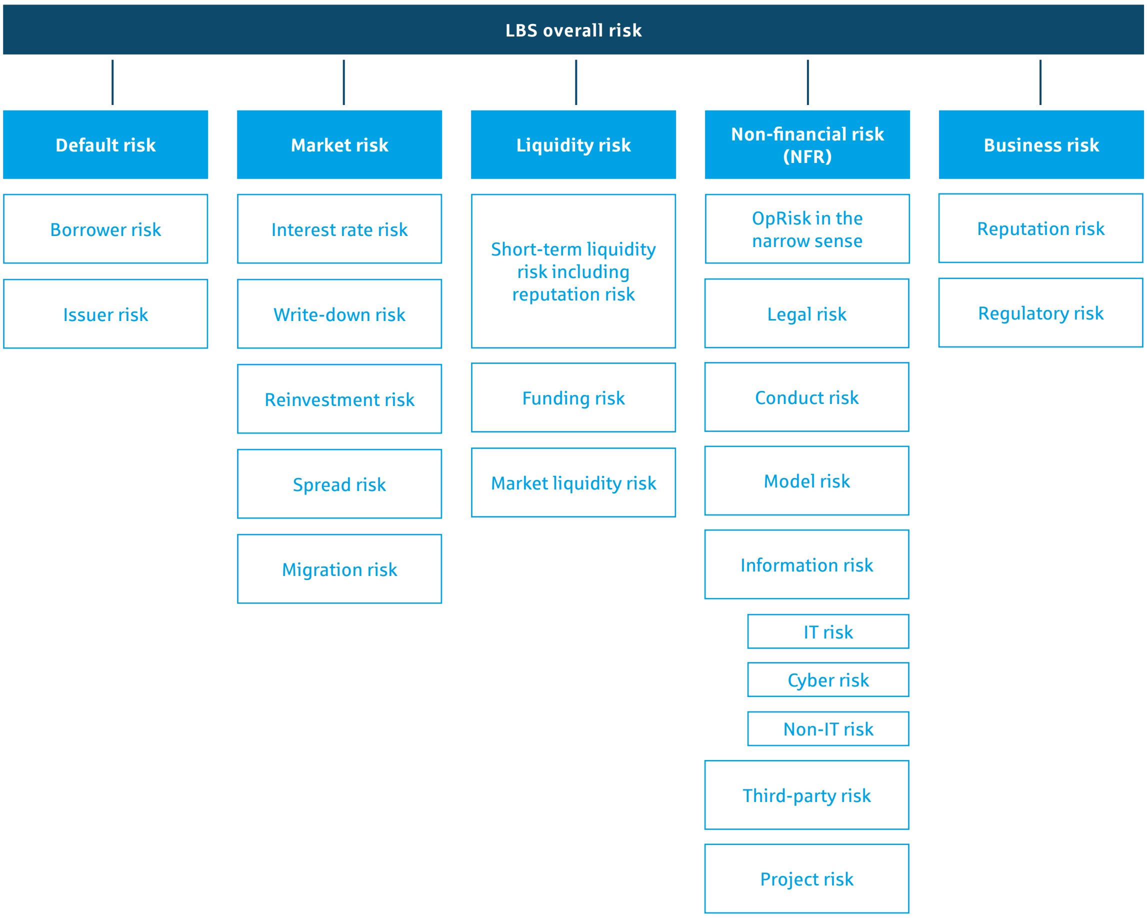
Risk Management

Strategic risk management at LBS aims (in accordance with its business strategy) to safeguard and, within defined limits, enhance the organisation's conservative risk profile. LBS has implemented numerous actions and general requirements in its default risk management activities to this end. These include introducing a cut-off limit, making mortgage collateral the main form of collateral and applying various limits for individual transactions, size and risk classes as well as using quotas and restrictions (such as the € 30,000 maximum for unsecured loans) as described in the German Bausparkassen Act (Bausparkassengesetz – BausparkG) and the German Bausparkassen Regulation (Bausparkassen-Verordnung – BausparkV).

LBS manages risk through four interlinked process elements: risk identification, risk quantification, risk containment and risk controlling/reporting. The risk identification element involves identifying the primary risks for LBS and then classifying them on this basis. Risk quantification comprises the quantitative and qualitative measurement and evaluation of risks using suitable models and methods. Risk containment encompasses all of the measures implemented in order to reduce, limit, avoid and transfer risks and keep risk exposure within the limits defined by senior management. Plans to adjust limits are assessed against the associated positive effects (opportunities), for example in relation to processes, business development and income and cost trends. Risk controlling includes comprehensive reporting to keep the people with the relevant authority within the organisation apprised of the existing risks/opportunities. The Risk Committee established for this purpose receives a comprehensive risk report every quarter depicting the overall risk position and risk-bearing capacity, the results of stress scenarios for the primary risks, any risk management measures adopted, any unusual factors arising in the period under review, developments compared with the previous quarter and (where applicable) the previous year, limit utilisations and changes in significant parameters underlying the processes used for risk assessment. Ad hoc reporting processes have been established for defined significant events and loss events to ensure that senior management, the Executive Board and Internal Audit are notified immediately.

LBS determines the applicable containment requirements in each case based on its primary risk types, namely default risk, market risk, liquidity risk and non-financial risk. Business risk is not defined as being of primary importance.

The broad risk types comprise the following specific risks:



Risk Strategy

The risk strategy sets out the fundamental procedure for handling risk at LBS in conformity with the requirements imposed by the law, the Charter and the regulatory authorities. It is consistent with the Helaba risk strategy.

The risk strategy is modular in nature and, in conjunction with the general risk strategy, fills in the detail of the risks classified as being of primary importance in the sub-risk strategies for the risk types default risk, market risk, liquidity risk and non-financial risk. Requirements also apply in respect of business risk, which is not classified as being of primary importance.

The risk strategy is aligned with the business strategy.

A supplementary risk manual documents definitions, organisation, tools for risk recording, evaluation and containment, risk reporting and the underlying written rules for the individual risk types. The manual also describes the risk management process and the risk management structure.

Risks may in principle be assumed only as permitted under the current risk strategy and only in pursuit of the corporate objectives – in particular in order to maintain the long-term earning power of LBS while protecting its assets as effectively as possible.

LBS has provided guidelines and directives, work instructions, manuals and process descriptions for employees to ensure the propriety of business operations and provide a robust foundation for the implementation of the risk strategy.

Default Risk

The assumption of default risk, which is one of the main business areas at LBS, is based on the sub-risk strategy for default risks.

Credit risks are assumed with the objective of generating a reasonable return bearing in mind the risk-bearing capacity. The sub-risk strategy for default risks is reviewed annually as well as on an ad hoc basis in the event of serious changes in the underlying conditions and brought into line with current circumstances.

Borrower Risk

The main focus of business at LBS is private home finance, which is pursued as standardised customer business. The total lending portfolio, including trading business and irrevocable loan commitments, amounts to € 6,248.4 m. Home savings loans make up € 125.1 m of this figure and loans concluded outside of the home savings collective make up € 855.4 m, meaning that traditional lending business accounts for € 980.5 m, or 15.8 %, of total assets (€ 6,196.0 m). A total of 91.3 % of home finance loans were extended to private persons who were not self-employed and the proportion of home finance loans secured by mortgage charges amounted to 65.8 %.

The special loan processing function (back office) decides on the granting of loans in risk-relevant lending business. In such cases, LBS applies the process-dependent simplification regulation pursuant to BTO 1.1 item 4 of the German Minimum Requirements for Risk Management (MaRisk) in the case of lending transactions initiated by third parties and refrains from obtaining an assessment from the front office. The risk arising from loans in retail business is classified using the LBS-KundenScoring model at customer level. Analyses of the default risk are prepared on the basis of fixed and/or dynamic evaluations of the LBS database as part of risk containment. LBS loans made under the "single-source financing" model are approved and managed by the Sparkassen in Hesse and Thuringia and by Sparkasse Worms-Alzey-Ried through a trust-type arrangement on the basis of the contracts concluded and associated supplementary guidelines bearing in mind the applicable regulatory requirements.

The LBS-KundenScoring pool model is used to estimate the probability of default figures. LBS applies its own calibration to the model, which has been approved for LBS as an IRBA rating system. The LGD is determined using a loss estimation pool model. LBS applies its own calibration and segmentation rules. The model is an approved component of LBS's IRBA rating system. Under the economic perspective, risk exposures for the internal calculation of risk-bearing capacity are determined using the Gordy model supplemented with a granularity adjustment. The IFRS 9 impairment model is used in the regulatory perspective.

The forecast probability of default figures for performing retail exposures as at 31.12.2020 (PD volume-weighted/based on number of customers) were 1.46 %/1.05 % (31.12.2019: 1.53 %/1.14 %). This corresponds to risk category 7 based on the number of customers at 31 December 2020 and otherwise to risk category 8. A loss given default figure of 22.4 % was determined as at 31.12.2020 (downturn LGD 30.09.2020: 22.4 %/31.12.2019: 22.2 %). The RWA figure in the overall perspective stands at € 292 m (IRBA and CRSA) as at 31.12.2020 (31.12.2019: € 273 m).

LBS applies the IFRS accounting treatment and calculation method for portfolio loan loss allowances. Forward-looking information is taken into account in the calculation of the lifetime ECL by generally including such information in the PD and LGD input parameters and by reviewing specific scenarios. Specific scenarios are circumstances in which an adjustment of the risk parameters is required because of exceptional macroeconomic circumstances. The review at 31 December 2020 identified no additional loss allowance requirement. Provisions for losses on loans and advances in accordance with section 340f HGB were recognised for special risks relating to credit institutions. All allowances and provisions for losses on loans and advances are reported separately under assets.

Specific loan loss allowances for home finance loans decreased by € 0.5 m to € 1.7 m in the year under review. The default ratio, which equals the sum of direct write-offs and utilisation of loss allowances expressed in relation to the lending volume, amounted to 0.02 %. The largest new specific allowance recognised for a single exposure in 2020 was € 110,100. There were no defaults within the framework of trading transactions.

Impact of the COVID-19 pandemic

The impact of the COVID-19 pandemic was unremarkable measured in terms of the risk exposure from default risk:

Reporting period:	Risk exposure:
31.12.2019	€ 20.8 m
31.3.2020	€ 21.7 m
30.6.2020	€ 24.6 m
30.9.2020	€ 24.0 m

The continued stability of the real estate market meant there was no impact apparent on the collateral and portfolio structure.

Some customers of LBS had recourse to the statutory moratorium defined in Article 240 (3) of the Introductory Act to the German Civil Code (Einführungsgesetz zum Bürgerlichen Gesetzbuch, EG-BGB), regulations concerning the law on loans for private consumers (31 July 2020: 345 customers/31 December 2020: 341 customers). No private DSGV moratoriums were offered and LBS did not participate in any other private moratorium.

It was possible to perform evaluations based on a newly designed selection indicator for deferral agreements as provided for in the statutory moratorium.

Deferral under the moratorium had no apparent effect on the existing collateral.

Issuer Risk

Trading transactions within the meaning of MaRisk amounted to € 5,042.5 m (nominal amount) and thus accounted for 81.4 % of total assets as at 31.12.2020. Of that figure, 99.4 % was invested as overnight money and in time deposits at Helaba with original terms to maturity of up to 15 years.

LBS's highly conservative investment policy is reflected in its decision to limit the current choice of issuer for promissory note loans and registered bonds exclusively to Landesbanken, development banks and German federal states in order to minimise the risk associated with issuers defaulting.

Helaba positions are not considered when determining risk because LBS is a unit of the Bank. The issuer risk for non-Helaba positions is determined using the Gordy model.

Equity Risk

LBS acquired a 14.3 % equity investment in Forum Direktfinanz GmbH & Co. KG (referred to below as "FORUM") in Q1/2020. This collaboration enables it to make use of the FINMAS online brokerage platform for the arrangement of financing products and home savings contracts. Arrangement is handled exclusively by legally independent sub-brokers acting as brokers for FORUM. LBS has no other equity investments in companies.

The equity risk for the purposes of the calculation of risk-bearing capacity is assessed under the risk type of default risk. The risk exposures for the economic perspective are provided by Helaba's Risk Controlling unit on the basis of the "Equity risk" specification of requirements. The carrying amount (€ 362,000) of the equity invested is taken as the basis for the regulatory perspective.

Market Risk

Market risk at LBS is limited specifically to risks attributable to the change in the position and structure of the yield curve (interest rate risk). Other relevant components of this item include write-down, reinvestment, spread and migration insofar as corresponding positions exist. LBS does not expose itself to share price risks and is prohibited by the BauSparkG from allowing any exposure to currency risks. Market risk is measured based on a confidence level of 99.9 %, a historical observation period of 250 days and a 21 day holding period p.a.

The interest rate risk refers to the commercial law (income statement-related) and economic (present value) risk that can arise as a result of changes in interest rates.

Commercial Law Interest Rate Risk

Changes in market interest rates have an impact in the form of changes in behaviour within the home savings collective. The interest rate risk associated with the behaviour of the home savings collective relates to the possibility of changes in market interest rates causing the home savings collective not to behave as originally predicted. This would impact the forecast net interest income. LBS prepares a collective forecast regularly following each measurement date (end of quarter). The forecast period covers up to five years. The previous quarter forecasts are compared with the actual data and analysed in each case so that any changes in the behaviour patterns of home savings customers can be identified and analysed at an early stage.

Economic Interest Rate Risk

The business administration element of the interest rate risk describes the risk of a downward change in values occurring as a consequence of changes in capital market rates due to a lack of matching maturities between lending and funding. The risk is determined using modern historical simulation.

Regulatory interest rate shock

All interest rate portfolio cash flows are calculated and discounted to record, evaluate and contain this risk. The present value calculation in the case of ad hoc parallel shifts in the interest rate level is performed using the parameters specified by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). Rate-sensitive customer behaviour is recognised in the interest rate portfolio by way of a corresponding cash flow presentation of the cash outflows from the home savings collective (credit balances paid out after termination, credit balances paid out after allocation, home savings loans paid out to customers) and cash inflows to the home savings collective (savings deposits, loan repayments).

The interest rate risk under the standard interest rate shock scenario (+/- 200 BP) lay in positive territory as of 31.12.2020, with the interest rate risk coefficient (the ad-hoc interest rate risk in relation to own funds) standing at 0.12 (target: 20.0). In the early warning indicator scenarios (ratio of ad-hoc interest rate risk to Tier 1 capital), there are interest rate risks in the “parallel up”, “flattener” and “short rates up” scenarios. The interest rate coefficients are 0.13, 2.54 and 6.16.

Write-Down Risk

As of 31.12.2020, LBS holds no fixed-interest securities that would be subject to measurement under commercial law.

Reinvestment Risk

The reinvestment risk results from the maturity of financial investments. When investments mature, it may only be possible to invest the liquidity released at a lower rate, depending on capital market interest rate trends. The results are determined using the net interest income scenarios.

Commercial Law Spread Risk

As of 31.12.2020, LBS holds no fixed-interest securities that would be subject to measurement under commercial law.

Economic Spread Risk

LBS determines the economic spread risk for its financial investments using the modern historic simulation method.

Commercial Law Migration Risk

As of 31.12.2020, LBS holds no fixed-interest securities that would be subject to measurement under commercial law.

Economic Migration Risk

LBS determines migration risk on the basis of the economic default risk model for issuers, with the maturity adjustment factor being taken into account.

Impact of the COVID-19 pandemic

The economic risk exposure associated with Helaba's time deposit positions increased significantly in the first two quarters as a result of the shift in the Helaba spreads in the Sparkassen curve (€ 201.7 m in Q1/2020 and € 259.3 m in Q2/2020 compared with € 87.8 m in Q4/2019).

Non-Financial Risk / Operational Risk

Non-financial risk at LBS encompasses the NFR sub-risk categories of legal risk, conduct risk, model risk, information risk, third-party risk and project risk as well as operational risk in the narrow sense. Operational risk in the narrow sense encompasses aspects of reputation risk and risks in relation to compliance, business continuity management (BCM), HR and taxes.

LBS defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. The systematic classification of operational risk is based on the Helaba risk model, which recognises four different classes of risk: "internal processes", "people", "systems" and "external events".

Non-financial risks stem in particular from daily banking operations and are thus an inherent component of business activities. Current case law is also taken into consideration. The integrated holistic approach to the management of operational risk applied at LBS, which is based on the requirements of the German banking regulator, aims to measure and contain operational risks on the basis of risk scenarios and loss events. In the regulatory perspective, the risk exposures have the normative effect of reducing capital resources.

Impact of the COVID-19 pandemic

There was no noticeable change in the number of loss events across all the NFR sub-risk categories despite the COVID-19 pandemic. A total of three loss events amounting in all to a gross loss of € 24,600 occurred as a result of the COVID-19 pandemic.

Liquidity and Funding Risk

Short-term and long-term liquidity planning constitutes the basis for ensuring solvency at all times and for avoiding unexpected losses attributable to the absence of and necessary procurement of funds to fulfil payment obligations.

Short-term liquidity risk

The short-term liquidity risk designates the risk that LBS will not be able, or will not be fully able, to meet its payment obligations (obligation to disburse loans, make interest payments, repay funding) as a result of a shortage of liquid funds, or that it will fall into non-compliance with the regulatory liquidity coverage ratio.

A model-supported approach is used to record, evaluate and contain risk within the framework of a short-term liquidity forecast, which focuses on the probable liquidity trend at least over the next nine to twelve months. The forecast takes into account all definitively known liquidity inflows and outflows (including maturities, interest payments and financial investments/borrowings) as well as experience-based liquidity parameters (including savings deposits/withdrawals and loan disbursements).

Regulatory requirement: the LCR stipulates that a liquidity buffer be held that covers at least the net cash outflows due within 30 days under market-wide and institution-specific stress conditions. This indicator remains well above the early warning level due to the removal of the cap. The capital available for covering risks was adequate at all times, including under COVID-19 pandemic conditions.

Funding risk

The long-term liquidity outlook (funding risk) additionally takes in all cash inflows and outflows over a period of up to ten years. It considers liquidity inflows and outflows attributable to the home savings collective and to overnight and time deposits, funding obtained and repaid (including the associated interest income and expense) and payments related to operations. The funding risk is calculated using scenarios for which minimum survival periods are defined from a liquidity perspective.

The funding risk refers to a deterioration in the funding conditions available to LBS and the resulting difficulty of maintaining an adequate and cost-effective funding base.

LBS, as a legally dependent Bausparkasse, funds itself principally via deposits to the home savings collective and through Helaba.

The liquidity risk thus ultimately boils down to a credit rating risk. Any materialisation of risk (default, market price, operational or other risk) negatively impacts the rating and thus also access to the capital market, so the management of the other risks simultaneously impacts on the liquidity risk.

Market liquidity risk

The market liquidity risk involves the risk of inadequate market liquidity, meaning that it might not be possible for positions to be closed at prices that are fair or close to fair as a result of inadequate market depth or market disruptions. When investing in fixed-income securities, promissory note loans and registered bonds, LBS also considers the fungibility of the asset when selecting the issuer and the product, it being the case that funds are generally invested with the intention of not liquidating them ahead of schedule. The market liquidity risk is taken into account in liquidity forecasts as well as in the measurement of the structural liquidity risk.

Economic examination of liquidity risk

The liquidity risk is monitored by exploring scenario-based trends in the net liquidity balances (starting from the current overnight money position). All payments are considered over a time frame of ten years. The parameters of the calculation of risk-bearing capacity (ICAAP) and separate parameters reflecting drains on liquidity (ILAAP) are applied. The focus is on the survival horizon and on determining a cash effect and an effect on profit and loss in the calculation of risk-bearing capacity from any countermeasures required.

Regulatory examination of liquidity risk

The LCR and NSFR simulations cover a period of six months and three years respectively.

Business risk

LBS breaks business risk down into the individual risk types collective risk, market sales risk and changes in the law.

The collective risk is the risk that the home savings collective will behave other than in the predicted manner in response to changes in the market interest rate risk parameter. The market sales risk relates to the attractiveness of the home savings product, which can fade, with a corresponding negative impact on new business, in response to changes in the market interest rate risk parameter.

LBS does not classify business risk as being of primary importance because the two primary individual risk types – collective risk and market sales risk – are addressed under market risk, which is classified as being of primary importance. Both risk types are included in the calculation of the interest rate risk due to their dependence on the market interest rate.

Reputation Risk

Reputation risk is similarly not classified as being of primary importance at LBS because its material consequences (the termination of existing contracts and, in particular, a slump in new business) largely fall under the business risk heading and likewise directly affect the collective risk and market sales risk elements of market risk, a risk type that is defined as being of primary importance, and the liquidity risk. Reputation risk is consequently assigned to these risk types in the risk type system. Reputation risk encompasses reputation loss caused by direct actions as well as by the effects of operational losses. The reputation risk profile is mapped entirely under operational risk.

Risk-Bearing Capacity

Risk-bearing capacity is calculated in order to ensure that the primary risks always remain within the risk-taking potential of LBS and that going-concern status is thus continuously and permanently assured. This process involves quantifying and comparing possible risk exposures and the available risk-taking potential.

LBS employs both the regulatory perspective and the economic perspective to assess its risk-bearing capacity.

The regulatory perspective investigates the question of whether LBS will always have sufficient regulatory capital available over the defined medium-term period of at least three years (four income statement periods). This perspective accordingly includes medium-term capital planning. The assessment of regulatory risk-bearing capacity considers which risks could impact on LBS's equity directly (Pillar I risks) and which could impact indirectly (Pillar II risks resulting in income shortfalls or losses). The risk-taking potential is largely determined by regulatory own funds including buffer requirements. Other factors having a significant influence (changes to pension provisions, net profit for the year from planning) and additional limiting elements (management buffer) are also considered on a continuous basis. The scenarios provide a separate calculation of risk for each risk type. LBS applies a base scenario, an adverse scenario and two stress scenarios. The risk exposures for the individual risk types are added together to arrive at the aggregate total risk exposure. This entails an implicit assumption that all risk types correlate 1:1. A limit is imposed at the level of the total capital and of the CET 1 ratio and the need to ensure it remains compliant with the minimum standards over the four income statement periods.

The risk-bearing capacity assessment in the economic perspective focuses on the long-term implications of risks. The risk-taking potential in this perspective is determined using a net present value model. The present value statement differs from the calculation of risk-bearing capacity in the regulatory perspective in that it applies a comprehensive approach considering all future cash flows from all transactions concluded up to the current reporting date in place of the regulatory perspective's strict time horizon of four income statement periods. Risks are quantified using the value-at-risk method, or methods related to it, based on the present value of assets and limited in a limit system. The risk exposure is determined in a base scenario and two stress scenarios.

The implications for the risk-bearing capacity in the regulatory and economic perspectives are presented and analysed. The results of the stress tests are indicated in risk reporting along with their potential impacts on the risk situation and the risk-taking potential.

The economic risk cover pool at 31 December 2020 amounted to € 294.5 m (utilisation 44.2 %). The total risk exposure in the economic perspective at the 31 December 2020 reporting date amounted to € 130.3 m. The economic risk exposures exceeded the economic risk cover pool on the 30 June 2020 reporting date (utilisation 120.5 %). The risk exposure was driven by the spread risk associated with Helaba time deposits. This development had no material consequences.

The regulatory perspective focuses in particular on the development of the total capital ratio and the CET 1 ratio over the period between 31.12.2020 and 31.12.2024. The total capital ratio decreases from 51.1 % to 23.2 % over the period. The CET 1 ratio over the same period amounts to 50.6 % to 22.9 %. The regulatory risk-bearing capacity remained assured at all times.

LBS considers that it is managing risk in an appropriate manner. Its risk indicators are compliant.

Outlook for 2021

LBS assumes that the current deterioration in the German labour market associated with the COVID-19 pandemic will only be temporary. The economic growth forecast for 2021 and subsequent years will lead to a significant recovery. The anticipated high employment rate and moderate income growth point to continued favourable conditions for increasing investment in residential construction.

The ECB's current stance on monetary policy and decision to keep interest rates at a low level indicate to LBS that a future increase in interest rates is actually further away than the market might previously have expected. The combination of persistently low interest rates and housing shortages in and around the major economic centres will keep demand for residential space running high. Real estate prices will continue to rise at the same time, so affordable solutions with corresponding financing options will also be very much in demand. Home savings contracts offer people in pursuit of home finance or follow-up financing a readily calculable way to fund real estate investments and lock in the current low interest rates long-term to protect against future rate rises. Home loan and savings products accordingly remain an attractive option for much of the population, which regards a debt-free residential property to be the best form of provision for retirement.

The need to convert more properties to make them suitable for the increasing population of older people provides additional potential for growth. The comparatively low home ownership rate in Germany, government initiatives to promote saving (the employee savings bonus and a subsidy paid on savings to be used for the construction, purchase or improvement of residential real estate) and the inclusion of owner-occupied residential property in the state subsidy programme for private old-age provision ("Wohn-Riester") additionally promise very significant untapped potential in home savings business with current levels of interest. Demand for financing will also be boosted by the anticipated investment required to modernise Germany's ageing housing stock and make it more energy efficient.

The possibility still remains, however, that consumers will find alternative affordable ways to finance their real estate ambitions and that the loans in the old tariff generations will not be taken up. New and more onerous regulatory requirements may well come to have a significant negative impact on results alongside the low returns available in the capital market. Essential investment in process digitalisation may also have an impact.

LBS intends to continue meeting the challenges posed by persistently low interest rates with strict cost management (as set out in its multi-year planning), measures in the home savings collective to stabilise earnings and improved efficiency realised through the reorganisation project. The LBS-EVOLution reorganisation project, the investments made in a common IT system (the OSPlus-LBS Bausparkasse system) and the internet branch of the Sparkassen should yield stronger earnings and improved productivity in the medium term. Home loan and savings products tailored to customer requirements will be deployed along with strategic sales support measures to enhance further the close and successful collaborative relationship between LBS and the Sparkassen and strengthen the position of the LBS field sales force in high-potential regions.

The implementation of the sustainability criteria in the context of residential construction finance will be another priority. BaFin has produced a comprehensive guidance notice on this subject and the DSGV and other associations have also issued related specifications. LBS intends to scrutinise these specifications thoroughly to identify the implementation measures relevant for its operations. It is also involved in Helaba's overarching implementation programme (HelabaSustained).

LBS expects gross new business to be up on the previous year in financial year 2021 (+ 15.2 %) on the basis that the damage suffered in 2020 as a result of the COVID-19 pandemic will be made good again. The combined effects of a further reduction in average interest rates for home savings loans, continued favourable funding costs, the ongoing income-boosting measures implemented through short-term planning and a continuation of the minimal interest rates policy at the ECB lead LBS to anticipate net interest income of € 60 m. The forecast figures reflect the home savings collective simulation, which usually covers a period of 20 years. The home savings collective simulation is based on the full contract portfolio, with changes in the behaviour patterns of home savings customers being considered over time. The forecast for future interest rate developments is prepared using Helaba's scenario requirements and the forward interest rates derived from the applicable interest rate structure as of the key date for forecasting. LBS expects the fundamental interest rate risk before counter-measures to remain in positive territory in financial year 2021 taking account of the planned new investments. The subsidy paid by the German federal government on savings to be used for the construction, purchase or improvement of residential real estate ("Wohnungsbauprämie") improved from 8.8 % of annual savings to 10 % of annual savings on 1 January 2021. LBS expects this increase to help boost new home loan and savings business in 2021 alongside its joint campaign with the Sparkassen in Hesse and Thuringia.

LBS anticipates that net fee and commission income will move back into slightly positive territory following the introduction of new tariffs with higher arrangement fees (in Q2/2020). The non-personnel operating expenses and personnel expenses elements of general and administrative expenses are both likely to rise again after the falls triggered by the COVID-19 pandemic in 2020. The increase in non-personnel operating expenses is expected to be slight, while personnel expenses will be pushed up in particular by allocations to pension provisions including interest expense. The cost-income ratio will accordingly remain in the 80 % to 85 % range.

In summary, LBS expects a slightly lower net profit before taxes in 2021 of approximately € 6.5 m.

Frankfurt am Main/Erfurt, 2 March 2021

Landesbank Hessen-Thüringen Girozentrale

The Executive Board

Groß	Dr. Hosemann	Kemler
Nickel	Rhino	Schmid

Statistical Annex to the Management Report

Allocation fund changes in 2020

A. Allocations	€ thousands
I. Amount carried forward from the previous year (surplus): amounts not yet disbursed	4,966,896
II. Allocations in the financial year	
1. Savings amounts (including offset homeowner allowances)	697,841
2. Repayment amounts[1] (including offset homeowner allowances)	55,717
3. Interest on home savings deposits	67,312
4. Home savings protection fund	0
5. Other	
a) Borrowings and own funds	0
Total	**5,787,766**

B. Withdrawals	€ thousands
I. Withdrawals in the financial year	
1. Sums allocated, to the extent disbursed	
a) Home savings deposits	300,691
b) Home loans	44,960
2. Repayment of home savings deposits made on home savings contracts not yet allocated	371,854
3. Home savings protection fund	0
4. Other	
a) Borrowings and own funds	0
II. Allocation surplus (amounts not yet disbursed) at the end of the financial year[2]	5,070,261
Total	**5,787,766**

Remarks:
[1] Repayment amounts only represent the portion of the repayment sum attributable to the principal.
[2] The allocation surplus includes, among other things:
a) the home savings deposits relating to allocated contracts that have not yet been disbursed in € thousands: 87,527
b) the home loans attributable to allocations that have not yet been disbursed in € thousands: 685

Movements in the Portfolio in 2020

Tariff group I (tariffs A, B, C, D)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	1,353	40,231	71	2,116	1,424	42,347
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	1	35	–	–	1	35
2. Transfer	13	447	0	0	13	447
3. Waiver of allocation and revocation of allocation	24	896	–	–	24	896
4. Partition	1	–	0	–	1	–
5. Allocation	–	–	42	1,510	42	1,510
6. Other	2	75	0	0	2	75
Total	41	1,453	42	1,510	83	2,963
C. Disposals in the financial year due to						
1. Allocation	42	1,510	–	–	42	1,510
2. Reduction	–	0	–	0	–	0
3. Cancellation	143	5,092	22	635	165	5,727
4. Transfer	13	447	0	0	13	447
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	16	532	16	532
7. Waiver of allocation and revocation of allocation	–	–	24	896	24	896
8. Other	2	75	0	0	2	75
Total	200	7,124	62	2,063	262	9,187
D. Net addition/disposal	–159	–5,671	–20	–553	–179	–6,224
E. Portfolio at the end of the financial year	1,194	34,560	51	1,563	1,245	36,123
thereof: Attributable to home savings customers outside of Germany	24	648	2	41	26	688
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			–			–
b) Contracts concluded in financial year 2020			–			–
III. Size classification of unallocated contracts						
up to € 10,000			257			1,442
more than 10,000 up to € 25,000			428			6,117
more than 25,000 up to € 50,000			271			8,666
more than 50,000 up to € 150,000			225			15,739
more than 150,000 up to € 250,000			11			1,883
more than 250,000 up to € 500,000			2			712
more than € 500,000			–			–
Total			1,194			34,560

IV. The average total net value at the end of the financial year was € 29,014

Movements in the Portfolio in 2020

Tariff group II (Classic, Classic V, Vario 1, 2, 3 tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	9,231	228,946	760	26,196	9,991	255,142
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	1	51	–	–	1	51
2. Transfer	30	717	3	90	33	807
3. Waiver of allocation and revocation of allocation	194	4,795	–	–	194	4,795
4. Partition	6	–	0	–	6	–
5. Allocation	–	–	281	7,040	281	7,040
6. Other	30	611	0	1	30	612
Total	261	6,174	284	7,131	545	13,305
C. Disposals in the financial year due to						
1. Allocation	281	7,040	–	–	281	7,040
2. Reduction	–	121	–	0	–	121
3. Cancellation	1,214	26,383	143	3,663	1,357	30,046
4. Transfer	30	717	3	90	33	807
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	215	6,146	215	6,146
7. Waiver of allocation and revocation of allocation	–	–	194	4,795	194	4,795
8. Other	30	610	0	1	30	611
Total	1,555	34,871	555	14,695	2,110	49,566
D. Net addition/disposal	–1,294	–28,697	–271	–7,564	–1,565	–36,261
E. Portfolio at the end of the financial year	7,937	200,249	489	18,632	8,426	218,881
thereof: Attributable to home savings customers outside of Germany	85	2,195	1	36	86	2,231
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			–			–
b) Contracts concluded in financial year 2020			–			–
III. Size classification of unallocated contracts						
up to € 10,000			1,175			7,494
more than 10,000 up to € 25,000			3,791			56,832
more than 25,000 up to € 50,000			1,935			62,862
more than 50,000 up to € 150,000			1,012			67,871
more than 150,000 up to € 250,000			20			3,518
more than 250,000 up to € 500,000			3			1,160
more than € 500,000			1			511
Total			7,937			200,249

IV. The average total net value at the end of the financial year was € 25,977

Movements in the Portfolio in 2020

Tariff group III (Classic S, L, Vario E, U, R tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	29,117	529,424	2,608	61,905	31,725	591,329
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	3	34	–	–	3	34
2. Transfer	100	2,084	1	64	101	2,148
3. Waiver of allocation and revocation of allocation	487	9,290	–	–	487	9,290
4. Partition	2	–	0	–	2	–
5. Allocation	–	–	880	16,569	880	16,569
6. Other	31	2,203	6	150	37	2,353
Total	623	13,611	887	16,783	1,510	30,394
C. Disposals in the financial year due to						
1. Allocation	880	16,569	–	–	880	16,569
2. Reduction	–	549	–	0	–	549
3. Cancellation	4,758	76,300	611	10,641	5,369	86,941
4. Transfer	100	2,084	1	64	101	2,148
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	850	21,731	850	21,731
7. Waiver of allocation and revocation of allocation	–	–	487	9,290	487	9,290
8. Other	31	2,205	4	83	35	2,288
Total	5,769	97,707	1,953	41,809	7,722	139,516
D. Net addition/disposal	–5,146	–84,096	–1,066	–25,026	–6,212	–109,122
E. Portfolio at the end of the financial year	23,971	445,328	1,542	36,879	25,513	482,207
thereof: Attributable to home savings customers outside of Germany	127	2,366	3	56	130	2,423
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			–			–
b) Contracts concluded in financial year 2020			–			–
III. Size classification of unallocated contracts						
up to € 10,000			7,555			62,705
more than 10,000 up to € 25,000			12,506			201,860
more than 25,000 up to € 50,000			2,780			95,161
more than 50,000 up to € 150,000			1,103			78,366
more than 150,000 up to € 250,000			21			3,905
more than 250,000 up to € 500,000			5			1,798
more than € 500,000			1			1,534
Total			23,971			445,328

IV. The average total net value at the end of the financial year was € 18,900

Movements in the Portfolio in 2020

Tariff group IV (Classic S1, L1, N1, F1, Vario E1, U1, R1 tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	68,481	1,321,580	6,206	137,015	74,687	1,458,595
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	15	472	–	–	15	472
2. Transfer	191	3,907	4	30	195	3,937
3. Waiver of allocation and revocation of allocation	1,865	36,009	–	–	1,865	36,009
4. Partition	16	–	0	–	16	–
5. Allocation	–	–	2,960	57,491	2,960	57,491
6. Other	125	3,054	13	413	138	3,467
Total	2,212	43,442	2,977	57,934	5,189	101,376
C. Disposals in the financial year due to						
1. Allocation	2,960	57,491	–	–	2,960	57,491
2. Reduction	–	2,884	–	54	–	2,938
3. Cancellation	5,472	96,263	1,277	23,827	6,749	120,090
4. Transfer	191	3,907	4	30	195	3,937
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	1,491	34,356	1,491	34,356
7. Waiver of allocation and revocation of allocation	–	–	1,865	36,009	1,865	36,009
8. Other	134	3,356	10	329	144	3,685
Total	8,757	163,901	4,647	94,605	13,404	258,506
D. Net addition/disposal	−6,545	−120,459	−1,670	−36,671	−8,215	−157,130
E. Portfolio at the end of the financial year	61,936	1,201,121	4,536	100,344	66,472	1,301,465
thereof: Attributable to home savings customers outside of Germany	262	6,368	9	445	271	6,813
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			4			425
b) Contracts concluded in financial year 2020			–			–
III. Size classification of unallocated contracts						
up to € 10,000			26,751			230,395
more than 10,000 up to € 25,000			25,896			459,365
more than 25,000 up to € 50,000			6,773			275,905
more than 50,000 up to € 150,000			2,345			196,453
more than 150,000 up to € 250,000			137			25,639
more than 250,000 up to € 500,000			31			10,454
more than € 500,000			3			2,910
Total			61,936			1,201,121

IV. The average total net value at the end of the financial year was € 19,579

Movements in the Portfolio in 2020

Tariff group V (Classic2007 S, B, F, N, Classic Young tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	210,962	4,359,516	13,227	305,144	224,189	4,664,660
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	660	41,894	–	–	660	41,894
2. Transfer	499	11,224	20	320	519	11,544
3. Waiver of allocation and revocation of allocation	21,766	328,002	–	–	21,766	328,002
4. Partition	51	–	3	–	54	–
5. Allocation	–	–	33,345	599,649	33,345	599,649
6. Other	371	28,280	52	1,452	423	29,732
Total	23,347	409,400	33,420	601,421	56,767	1,010,821
C. Disposals in the financial year due to						
1. Allocation	33,345	599,649	–	–	33,345	599,649
2. Reduction	–	63,726	–	143	–	63,869
3. Cancellation	10,577	286,204	10,923	261,764	21,500	547,968
4. Transfer	499	11,224	20	320	519	11,544
5. Combination	1	–	0	–	1	–
6. Expiry of contract	–	–	2,031	50,649	2,031	50,649
7. Waiver of allocation and revocation of allocation	–	–	21,766	328,002	21,766	328,002
8. Other	418	29,710	31	745	449	30,455
Total	44,840	990,513	34,771	641,623	79,611	1,632,136
D. Net addition/disposal	−21,493	−581,113	−1,351	−40,202	−22,844	−621,315
E. Portfolio at the end of the financial year	189,469	3,778,403	11,876	264,942	201,345	4,043,345
thereof: Attributable to home savings customers outside of Germany	456	11,183	24	705	480	11,888
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			34			2,549
b) Contracts concluded in financial year 2020			–			–
III. Size classification of unallocated contracts						
up to € 10,000			105,322			1,052,372
more than 10,000 up to € 25,000			55,599			1,025,849
more than 25,000 up to € 50,000			20,075			807,415
more than 50,000 up to € 150,000			7,576			649,481
more than 150,000 up to € 250,000			700			133,904
more than 250,000 up to € 500,000			162			54,135
more than € 500,000			35			55,247
Total			189,469			3,778,403

IV. The average total net value at the end of the financial year was € 20,082

Movements in the Portfolio in 2020

Tariff group VI (Classic2012 S, B, F, FL, N, Classic Young tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	69,182	1,709,657	2,733	67,184	71,915	1,776,841
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	64	2,792	–	–	64	2,792
2. Transfer	137	4,131	4	139	141	4,270
3. Waiver of allocation and revocation of allocation	3,164	54,234	–	–	3,164	54,234
4. Partition	22	–	0	–	22	–
5. Allocation	–	–	5,632	114,190	5,632	114,190
6. Other	128	5,941	8	110	136	6,051
Total	3,515	67,098	5,644	114,439	9,159	181,537
C. Disposals in the financial year due to						
1. Allocation	5,632	114,190	–	–	5,632	114,190
2. Reduction	–	11,591	–	0	–	11,591
3. Cancellation	3,607	91,614	1,872	43,070	5,479	134,684
4. Transfer	137	4,131	4	139	141	4,270
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	393	10,534	393	10,534
7. Waiver of allocation and revocation of allocation	–	–	3,164	54,234	3,164	54,234
8. Other	146	6,727	4	40	150	6,767
Total	9,522	228,253	5,437	108,017	14,959	336,270
D. Net addition/disposal	−6,007	−161,155	207	6,422	−5,800	−154,733
E. Portfolio at the end of the financial year	63,175	1,548,502	2,940	73,606	66,115	1,622,108
thereof: Attributable to home savings customers outside of Germany	169	5,343	1	10	170	5,353
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			25			1,346
b) Contracts concluded in financial year 2020			–			–
III. Size classification of unallocated contracts						
up to € 10,000			34,261			342,392
more than 10,000 up to € 25,000			15,564			292,049
more than 25,000 up to € 50,000			7,866			314,054
more than 50,000 up to € 150,000			4,835			416,012
more than 150,000 up to € 250,000			475			90,811
more than 250,000 up to € 500,000			138			47,316
more than € 500,000			36			45,868
Total			63,175			1,548,502

IV. The average total net value at the end of the financial year was € 24,535

Movements in the Portfolio in 2020

Tariff group VII (Classic2014 S, B, F, FL, N, Classic Young tariffs)

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	Not allocated: Number of contracts	Not allocated: Total net value in € thousands	Allocated: Number of contracts	Allocated: Total net value in € thousands	Total: Number of contracts	Total: Total net value in € thousands
A. Portfolio at the end of the previous year	110,388	3,102,536	2,162	54,564	112,550	3,157,100
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	39	2,626	–	–	39	2,626
2. Transfer	222	9,298	7	204	229	9,502
3. Waiver of allocation and revocation of allocation	1,130	45,013	–	–	1,130	45,013
4. Partition	24	–	1	–	25	–
5. Allocation	–	–	3,916	126,570	3,916	126,570
6. Other	127	4,420	10	276	137	4,696
Total	1,542	61,357	3,934	127,050	5,476	188,407
C. Disposals in the financial year due to						
1. Allocation	3,916	126,570	–	–	3,916	126,570
2. Reduction	–	23,408	–	268	–	23,676
3. Cancellation	5,176	145,613	1,272	38,370	6,448	183,983
4. Transfer	222	9,298	7	204	229	9,502
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	412	11,961	412	11,961
7. Waiver of allocation and revocation of allocation	–	–	1,130	45,013	1,130	45,013
8. Other	154	5,613	2	42	156	5,655
Total	9,468	310,502	2,823	95,858	12,291	406,360
D. Net addition/disposal	−7,926	−249,145	1,111	31,192	−6,815	−217,953
E. Portfolio at the end of the financial year	102,462	2,853,391	3,273	85,756	105,735	2,939,147
thereof: Attributable to home savings customers outside of Germany	199	6,876	3	46	202	6,922
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			78			4,541
b) Contracts concluded in financial year 2020			–			–
III. Size classification of unallocated contracts						
up to € 10,000			53,009			529,884
more than 10,000 up to € 25,000			23,838			447,029
more than 25,000 up to € 50,000			14,367			580,196
more than 50,000 up to € 150,000			9,774			861,126
more than 150,000 up to € 250,000			1,027			197,832
more than 250,000 up to € 500,000			355			118,837
more than € 500,000			92			118,487
Total			102,462			2,853,391

IV. The average total net value at the end of the financial year was € 27,797

Movements in the Portfolio in 2020

Tariff group VIII (Classic2015 F, L, N, S, Classic Young tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	130,805	5,437,956	441	10,967	131,246	5,448,923
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	785	52,118	–	–	785	52,118
2. Transfer	222	11,946	0	–1	222	11,945
3. Waiver of allocation and revocation of allocation	382	15,872	–	–	382	15,872
4. Partition	31	–	0	–	31	–
5. Allocation	–	–	1,320	43,185	1,320	43,185
6. Other	98	6,096	3	133	101	6,229
Total	1,518	86,032	1,323	43,317	2,841	129,349
C. Disposals in the financial year due to						
1. Allocation	1,320	43,185	–	–	1,320	43,185
2. Reduction	–	48,701	–	0	–	48,701
3. Cancellation	7,646	252,288	445	14,968	8,091	267,256
4. Transfer	222	11,946	0	–1	222	11,945
5. Combination	1	–	0	–	1	–
6. Expiry of contract	–	–	96	2,484	96	2,484
7. Waiver of allocation and revocation of allocation	–	–	382	15,872	382	15,872
8. Other	162	10,529	1	7	163	10,536
Total	9,351	366,649	924	33,330	10,275	399,979
D. Net addition/disposal	–7,833	–280,617	399	9,987	–7,434	–270,630
E. Portfolio at the end of the financial year	122,972	5,157,339	840	20,954	123,812	5,178,293
thereof: Attributable to home savings customers outside of Germany	180	13,806	–	–	180	13,806
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			884			70,108
b) Contracts concluded in financial year 2020			–			–
III. Size classification of unallocated contracts						
up to € 10,000			40,424			404,053
more than 10,000 up to € 25,000			30,461			590,740
more than 25,000 up to € 50,000			27,506			1,134,413
more than 50,000 up to € 150,000			20,758			1,852,432
more than 150,000 up to € 250,000			2,539			494,599
more than 250,000 up to € 500,000			1,036			350,460
more than € 500,000			248			330,642
Total			122,972			5,157,339

IV. The average total net value at the end of the financial year was € 41,824

Movements in the Portfolio in 2020

Tariff group IX (Xtra Young, Home M, L, XL, Comfort S, N and Flex tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	Number of contracts	Total net value in € thousands	Number of contracts	Total net value in € thousands	Number of contracts	Total net value in € thousands
A. Portfolio at the end of the previous year	43,323	1,921,183	17	567	43,340	1,921,750
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	19,351	956,945	–	–	19,351	956,945
2. Transfer	68	3,158	0	0	68	3,158
3. Waiver of allocation and revocation of allocation	26	1009	–	–	26	1,009
4. Partition	10	–	0	–	10	–
5. Allocation	–	–	149	4,140	149	4,140
6. Other	163	10,352	0	0	163	10,352
Total	19,618	971,464	149	4,140	19,767	975,604
C. Disposals in the financial year due to						
1. Allocation	149	4,140	–	–	149	4,140
2. Reduction	–	19,914	–	25	–	19,939
3. Cancellation	2,704	90,180	35	1,131	2,739	91,311
4. Transfer	68	3158	0	0	68	3,158
5. Combination	88	–	0	–	88	–
6. Expiry of contract	–	–	7	116	7	116
7. Waiver of allocation and revocation of allocation	–	–	26	1,009	26	1,009
8. Other	196	17,534	0	0	196	17,534
Total	3,205	134,926	68	2,281	3,273	137,207
D. Net addition / disposal	16,413	836,538	81	1,859	16,494	838,397
E. Portfolio at the end of the financial year	59,736	2,757,721	98	2,426	59,834	2,760,147
thereof: Attributable to home savings customers outside of Germany	44	3,070	–	–	44	3,070
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			1,680			142,293
b) Contracts concluded in financial year 2020			1,133			86,501
III. Size classification of unallocated contracts						
up to € 10,000			22,077			220,738
more than 10,000 up to € 25,000			13,624			260,563
more than 25,000 up to € 50,000			13,097			552,230
more than 50,000 up to € 150,000			7,769			741,954
more than 150,000 up to € 250,000			1,953			385,358
more than 250,000 up to € 500,000			1,014			346,753
more than € 500,000			202			250,125
Total			59,736			2,757,721

IV. The average total net value at the end of the financial year was € 46,130

Movements in the Portfolio in 2020

Tariff group X (Xtra Home 2020 M, L, XL, Comfort S, N, Flex tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	–	–	–	–	–	–
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	13,475	543,580	–	–	13,475	543,580
2. Transfer	7	292	0	0	7	292
3. Waiver of allocation and revocation of allocation	1	40	–	–	1	40
4. Partition	3	–	0	–	3	–
5. Allocation	–	–	2	50	2	50
6. Other	213	17,870	0	0	213	17,870
Total	13,699	561,782	2	50	13,701	561,832
C. Disposals in the financial year due to						
1. Allocation	2	50	–	–	2	50
2. Reduction	–	1,313	–	0	–	1,313
3. Cancellation	313	18,326	0	0	313	18,326
4. Transfer	7	292	0	0	7	292
5. Combination	92	–	0	–	92	–
6. Expiry of contract	–	–	0	0	0	0
7. Waiver of allocation and revocation of allocation	–	–	1	40	1	40
8. Other	14	1,323	0	0	14	1,323
Total	428	21,304	1	40	429	21,344
D. Net addition/disposal	13,271	540,478	1	10	13,272	540,488
E. Portfolio at the end of the financial year	13,271	540,478	1	10	13,272	540,488
thereof: Attributable to home savings customers outside of Germany	13	1,174	–	–	13	1,174
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			–			–
b) Contracts concluded in financial year 2020			9,636			652,180
III. Size classification of unallocated contracts						
up to € 10,000			3,875			38,744
more than 10,000 up to € 25,000			4,329			80,909
more than 25,000 up to € 50,000			3,018			121,517
more than 50,000 up to € 150,000			1,543			142,875
more than 150,000 up to € 250,000			293			58,446
more than 250,000 up to € 500,000			171			58,971
more than € 500,000			42			39,016
Total			13,271			540,478

IV. The average total net value at the end of the financial year was € 40,724

Movements in the Portfolio in 2020

Tariff group “Riester” (FR, SR, R, Home MR, Home LR, Home XLR tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	48,835	1,949,202	887	28,754	49,722	1,977,956
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	3,100	147,841	–	–	3,100	147,841
2. Transfer	1	30	0	0	1	30
3. Waiver of allocation and revocation of allocation	1,452	43,723	–	–	1,452	43,723
4. Partition	0	–	0	–	0	–
5. Allocation	–	–	2,422	78,280	2,422	78,280
6. Other	99	4,601	9	283	108	4,884
Total	4,652	196,195	2,431	78,563	7,083	274,758
C. Disposals in the financial year due to						
1. Allocation	2,422	78,280	–	–	2,422	78,280
2. Reduction	–	3,337	–	0	–	3,337
3. Cancellation	2,975	117,556	698	23,104	3,673	140,660
4. Transfer	1	30	0	0	1	30
5. Combination	66	–	0	–	66	–
6. Expiry of contract	–	–	77	2,801	77	2,801
7. Waiver of allocation and revocation of allocation	–	–	1,452	43,723	1452	43,723
8. Other	99	4,862	3	100	102	4,962
Total	5,563	204,065	2,230	69,728	7,793	273,793
D. Net addition/disposal	−911	−7,870	201	8,835	−710	965
E. Portfolio at the end of the financial year	47,924	1,941,332	1,088	37,589	49,012	1,978,921
thereof: Attributable to home savings customers outside of Germany	50	1,919	1	30	51	1,949
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			2,865			128,647
b) Contracts concluded in financial year 2020			1,500			76,362
III. Size classification of unallocated contracts						
up to € 10,000			4,099			40,744
more than 10,000 up to € 25,000			11,375			227,558
more than 25,000 up to € 50,000			20,739			832,961
more than 50,000 up to € 150,000			11,620			823,496
more than 150,000 up to € 250,000			89			15,993
more than 250,000 up to € 500,000			2			580
more than € 500,000			–			–
Total			47,924			1,941,332

IV. The average total net value at the end of the financial year was € 40,376

Movements in the Portfolio in 2020

All Tariffs

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Not allocated** Number of contracts	**Not allocated** Total net value in € thousands	**Allocated** Number of contracts	**Allocated** Total net value in € thousands	**Total** Number of contracts	**Total** Total net value in € thousands
A. Portfolio at the end of the previous year	721,677	20,600,231	29,112	694,412	750,789	21,294,643
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	37,494	1,748,388	–	–	37,494	1,748,388
2. Transfer	1,490	47,234	39	846	1,529	48,080
3. Waiver of allocation and revocation of allocation	30,491	538,883	–	–	30,491	538,883
4. Partition	166	–	4	–	170	–
5. Allocation	–	–	50,949	1,048,674	50,949	1,048,674
6. Other	1,387	83,503	101	2,818	1,488	86,321
Total	71,028	2,418,008	51,093	1,052,338	122,121	3,470,346
C. Disposals in the financial year due to						
1. Allocation	50,949	1,048,674	–	–	50,949	1,048,674
2. Reduction	–	175,544	–	490	0	176,034
3. Cancellation	44,585	1,205,819	17,298	421,173	61,883	1,626,992
4. Transfer	1,490	47,234	39	846	1,529	48,080
5. Combination	248	–	–	–	248	–
6. Expiry of contract	–	–	5,588	141,310	5,588	141,310
7. Waiver of allocation and revocation of allocation	–	–	30,491	538,883	30,491	538,883
8. Other	1,386	82,544	55	1,347	1,441	83,891
Total	98,658	2,559,815	53,471	1,104,049	152,129	3,663,864
D. Net addition/disposal	−27,630	−141,807	−2,378	−51,711	−30,008	−193,518
E. Portfolio at the end of the financial year	694,047	20,458,424	26,734	642,701	720,781	21,101,125
thereof: Attributable to home savings customers outside of Germany	1,609	54,948	44	1,369	1,653	56,317
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2020 (financial year)			5,570			349,909
b) Contracts concluded in financial year 2020			12,269			815,043
III. Size classification of unallocated contracts						
up to € 10,000			298,805			2,930,963
more than 10,000 up to € 25,000			197,411			3,648,872
more than 25,000 up to € 50,000			118,427			4,785,381
more than 50,000 up to € 150,000			68,560			5,845,805
more than 150,000 up to € 250,000			7,265			1,411,887
more than 250,000 up to € 500,000			2,919			991,176
more than € 500,000			660			844,340
Total			694,047			20,458,424

IV. The average total net value at the end of the financial year was € 29,275

Annual Financial Statements of Landesbausparkasse Hessen-Thüringen

Balance Sheet of Landesbausparkasse Hessen-Thüringen

as at 31 December 2020
– included in the bank's consolidated balance sheet –

Assets — in € thousands

				2020	2019
Cash reserve					
b) Balances with central banks			5		5
thereof: With Deutsche Bundesbank	5				(5)
				5	**5**
Loans and advances to banks					
b) Other loans and advances			5,205,340		5,215,087
thereof: Payable on demand	262,723				(189,948)
				5,205,340	**5,215,087**
Loans and advances to customers					
a) Home finance loans					
aa) From allocations (home savings loans)		119,841			130,558
ab) For interim and bridge-over financing		831,900			784,123
ac) Other		3,841			3,939
thereof: Secured by mortgage charges	643,371				(609,065)
			955,582		918,620
b) Other loans and advances			23,915		21,245
				979,497	**939,865**
Equity investments				**362**	–
Intangible assets					
b) Purchased concessions, industrial property rights and similar rights and licences in such rights and assets			5,799		6,811
				5,799	**6,811**
Property and equipment				**169**	**203**
Other assets				**4,772**	**4,115**
Prepaid expenses				**15**	**15**
Total assets				**6,195,959**	**6,166,101**

Equity and liabilities — in € thousands

				2020	2019
Liabilities due to banks					
a) Home savings deposits			61,190		50,931
thereof: On allocated contracts	–				–
b) Other liabilities			619,418		691,569
thereof: Payable on demand	10,588				(10,445)
				680,608	**742,500**
Liabilities due to customers					
a) Deposits from home savings business					
aa) Home savings deposits		5,122,282			5,039,933
thereof:					
On terminated contracts	44,665				(38,372)
On allocated contracts	87,527				(90,775)
			5,122,282		5,039,933
b) Other liabilities					
ba) Payable on demand		10,800			6,166
			10,800		6,166
				5,133,082	**5,046,100**
Other liabilities				**10,055**	**9,273**
Deferred income				**1,212**	**1,459**
Provisions					
a) Provisions for pensions and similar obligations			119,296		116,746
c) Other provisions			16,762		18,330
				136,058	**135,076**
Home savings protection fund				**11,200**	**11,200**
Fund for general banking risks				**25,000**	**25,000**
Equity					
c) Revenue reserves			198,744		195,494
				198,744	**195,494**
Total equity and liabilities				**6,195,959**	**6,166,102**
Contingent liabilities					
b) Liabilities from guarantees and indemnity agreements				224	126
Other obligations					
c) Irrevocable loan commitments				33,184	31,610

Income Statement of Landesbausparkasse Hessen-Thüringen

for the period 1 January to 31 December 2020
– included in the bank's consolidated income statement –

in € thousands

					2020	2019
Interest income from						
a) Lending and money market transactions						
aa) From home savings loans		4,286				4,818
ab) From interim and bridge-over loans		17,896				18,069
ac) From other home finance loans		56				62
ad) From other lending and money market transactions		103,970				117,048
thereof:			126,208			139,997
Negative interest income	139					(85)
				126,208		139,997
Interest expense						
a) On home savings deposits			65,336			70,422
b) Other interest expenses			5,203			5,609
thereof: Positive interest expense	6					(3)
				70,539		76,031
					55,669	**63,966**
Fee and commission income						
a) On contracts signed and arranged			22,157			18,592
b) From loans granted after allocation			2			16
c) From the commitment and administration of interim and bridge-over loans			4			7
d) Other fee and commission income			5,992			6,109
				28,155		24,724
Fee and commission expenses						
a) On contracts signed and arranged			24,365			28,222
b) Other fee and commission expense			4,553			4,355
				28,918		32,577
					–763	**–7,853**
Other operating income					**5,246**	**5,931**
Carried forward:					**60,152**	**62,044**

in € thousands

				2020	2019
Brought forward				**60,152**	**62,044**
General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		14,683			15,520
ab) Social security, post-employment and other benefit expenses		2,748			3,572
thereof:			17,431		19,092
Post-employment benefit expenses	268				1,015
b) Other administrative expenses			21,944		21,821
				39,375	**40,913**
Amortisation and write-downs of property and equipment and intangible assets				**1,060**	**1,039**
Other operating expenses				**15,049**	**16,548**
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions				**1,419**	**1,298**
Result from ordinary activities				**3,249**	**2,246**
Net income for the year				**3,249**	**2,246**
Allocations to revenue reserves				**−3,249**	**−2,246**
Net retained profits				**0**	**0**

Notes to the Financial Statements of Landesbausparkasse Hessen-Thüringen

as at 31 December 2020

Basis of Preparation and Accounting Policies

Landesbausparkasse Hessen-Thüringen (LBS) is a legally dependent unit of Landesbank Hessen-Thüringen, Frankfurt am Main/Erfurt (Helaba), registered in the commercial registers of Frankfurt am Main, HRA 29821, and Jena, HRA 102181, and is obliged in accordance with Section 18 (3) of the German Building and Loan Associations Act (Bausparkassengesetz – BauSparkG) to prepare separate annual financial statements, which are included in the annual financial statements of Helaba. These annual financial statements have been prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) and the supplementary regulations of the German Accounting Regulation for Credit Institutions and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV), with due consideration being given to all permitted accounting policies. The balance sheet and income statement have been supplemented to include those items that are mandatory for Bausparkassen.

Items that are included in the statutory form but for which no entries are applicable have not been listed.

Receivables are reported at their nominal amount and liabilities at their settlement amount.

Equity investments are shown at cost. If impairment is expected to be permanent, they are written down to their lower fair value.

The loans and advances to customers that are exposed to default risk and the receivables from the field service included under other assets have been adequately recognised by way of specific allowances. The approach specified in the International Financial Reporting Standards is used for calculating global allowances. Provisions for losses on loans and advances in accordance with section 340f HGB were recognised for special risks relating to credit institutions. All allowances and provisions for losses on loans and advances are reported separately under assets.

Intangible assets and property and equipment are stated at cost, less straight-line amortisation and depreciation. Depreciation and amortisation are charged over the useful life of the asset.

LBS makes use of the option provided in Section 6 2a. first sentence of the German Income Tax Act (Einkommensteuergesetz – EStG) and capitalises assets worth more than € 250 and less than € 800. Other assets are recognised at their nominal value.

LBS reported prepaid expenses and deferred income for income and expenses recognised before the balance sheet date that represent income or expenses for a specific time after this date.

One security with a nominal value of € 15 m provided by Helaba as a loan and serving as a highly liquid asset (security loaned in unsecured form) is not reported on the balance sheet.

Provisions are recorded at the settlement amount as dictated by prudent business judgement. In accordance with section 253 (2) HGB, provisions with a remaining term of more than one year have been discounted at the rates published by the Bundesbank in accordance with their remaining term.

Pension obligations are determined on the reporting date by external actuarial experts. They are measured using the projected unit credit method, based on biometric assumptions (2018G mortality tables of Professor Dr. Heubeck), salary and pension increases expected in the future as well as the average market rate published by the Bundesbank for an assumed remaining maturity of 15 years.

The measurement parameters applied are shown in the table below:

	31.12.2020
Interest rate	2.30 %
Salary trend	2.00 %
Pension trend	1.60 % – 2.00 %
Employee turnover rate	3.00 %

Some pension obligations are covered by assets (securities) that cannot be accessed by any other creditors. These assets serve exclusively to settle liabilities from retirement benefit obligations (plan assets). They are measured at fair value (repurchase price) pursuant to Section 253 (1) sentence 4 HGB and offset against the corresponding pension obligations. To the extent that the fair value of the assets exceeds the carrying amount of the provisions, the respective surplus amount is disclosed on the assets side as an excess of plan assets over post-employment benefit liability.

The application of Section 253 (6) HGB yielded a difference in the recognised pension obligations resulting from discounting using the average market rate for ten financial years instead of seven of € 13.4 m as at 31 December 2020.

The pension expense to be recognised in the income statement includes mainly provision expense and interest expense. The provision expense represents the increase in pension obligations attributable to the service provided by employees in the financial year; it is disclosed under general and administrative expenses. The interest expense is defined as the increase in the present value of the pension obligations that results from the settlement date approaching and the discounting period thus becoming shorter. The interest expense is netted against the return on plan assets. Both the interest expense and the return on plan assets are included in the other operating result.

Interest income also includes early termination fees paid to LBS in the amount of € 15.4 m (previous year: € 19.1 m) for positions under these transactions that were ended early.

The receivables not yet due from arrangement fees arising from "LBS-Wohn-Riester" agreements (tariff Classic Riester, type FR and SR) were discounted in line with matching maturities. The cash value of the fees is recognised in full in the year of contract conclusion. As of 31 December 2020, receivables not yet due from Riester arrangement fees were capitalised in the amount of € 3.2 m (previous year € 3.9 m).

In accordance with BFA 3, interest-based banking book transactions are measured at the lower of cost or net realisable value using the present value method.

LBS determines the risk costs for financial investments by including a risk premium in the appropriate interest rate used for discounting cash flows on the measurement date. This method was further developed in the year under review.

LBS switched to a rating-based method of determining credit spreads in the year under review having previously used the market-traded credit spread of the relevant positions. This new method reflects the approach usually taken to the measurement of lending positions at LBS.

The calculations completed according to both the new method and the old established that there was no need to recognise a provision for expected losses.

The figure for net remeasurement gains/losses includes a sum of € 0.8 m (previous year: € 0.7 m) representing expenses for insurance cover against loan defaults.

Disclosures and Comments Concerning the Balance Sheet and Income Statement

Receivables from Helaba amounted to € 5,184.7 m (previous year: € 5,138.6 m) and liabilities due to Helaba were € 608.8 m (previous year: € 681.1 m).

Classification by remaining maturity

in € m

	31.12.2020	31.12.2019
Other loans and advances to banks		
Payable on demand	262.7	190.0
Up to three months	145.1	106.6
More than three months and up to one year	185.0	276.0
More than one year and up to five years	1,355.0	1,355.0
More than five years	3,257.5	3,287.5
Loans and advances to customers		
Up to three months	40.7	28.4
More than three months and up to one year	61.7	71.8
More than one year and up to five years	385.5	370.9
More than five years	491.6	468.8

Loans and advances to customers do not include any indefinite term loans and advances.

Remaining maturities from interim and bridge-over loans have been determined to the point of allocation.

Interest and principal payments that were past due by more than three monthly instalments, including payments to alternative repayment vehicles, amounted to € 0.9 m (previous year: € 1.2 m) with respect to home finance loans, including terminated exposures.

The HI-HPA fund shares from salary conversion under the occupational retirement pension scheme are offset as plan assets against the corresponding provisions pursuant to Section 246 (2) sentence 2 HGB.

The development of the acquisition or production cost (AK/HK) for intangible assets and property and equipment in financial year 2020 (FY) is shown below (in € thousands):

	Intangible assets	Property and equipment
	Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	
AK/HK at start of FY (total)	10,084	3,215
Additions, total AK/HK (FY)	0	17
Disposals, total AK/HK (FY)	0	135
Reclassifications, total AK/HK (FY)	0	0
AK/HK at end of FY (total)	**10,084**	**3,097**
Amortisation and depreciation at start of FY (total)	3,273	3,012
Amortisation and depreciation (FY)	1,012	47
Changes in total amortisation and depreciation in connection with disposals (total)	0	131
Amortisation and depreciation at end of FY (total)	**4,285**	**2,928**
As at 31.12.2020 (carrying amount)	**5,799**	**169**
As at 31.12.2019 (carrying amount)	6,811	203

Other assets mainly shows commission advances paid to and returns of commissions due from the field service and credit pledged to the protection scheme to protect deposits.

Other liabilities due to banks, excluding home savings deposits — in € m

	31.12.2020	31.12.2019
Payable on demand	10.6	10.5
Up to three months	8.8	10.4
More than three months and up to one year	64.4	63.9
More than one year and up to five years	323.7	322.0
More than five years	211.9	284.8

Borrowings in the amount of € 608.8 m (previous year: € 681.1 m) serve exclusively to fund business outside the home loan and savings collective.

Commission liabilities due to the field service in the amount of € 9.9 m (previous year: € 9.2 m) account for most of the other liabilities figure of € 10.1 m.

Deferred income (€ 1.2 m) includes a discount from receivables of € 1.2 m (previous year: € 1.4 m).

The purchase cost of assets offset against provisions pursuant to Section 246 (2) sentence 2 HGB amounted to € 1.9 m (previous year: € 2.1 m), and their fair value was € 2.1 m (previous year: € 2.2 m). The settlement amount of the offset liabilities amounted to € 2.2 m (previous year: € 2.2 m). Income of € 37,200 (previous year: € 215,100) were offset in the income statement against expenses of € 126,400 (previous year: € 118,500) from these assets and liabilities from salary conversion.

The largest single item under other provisions (€ 16.8 m) is the € 4.23 m provision for organisational changes under the LBS-EVOLution restructuring project. Other significant items under this heading include provisions for sales bonuses (€ 1.37 m) and for payments made upon early retirement (€ 3.2 m).

The taxed home savings protection fund is designed to provide a long-term safeguard for the home savings collective. The value of the fund is unchanged at € 11.2 m.

Legally binding payment obligations are broken down as follows

in € m

	31.12.2020	31.12.2019
From allocations	0.7	0.5
For interim and bridge-over financing	32.4	30.8
From other home finance loans	0.1	0.3
Total	**33.2**	**31.6**

LBS will in all probability be responsible for payment of nearly all these obligations.

LBS has an obligation to pay a lifelong monthly pension to 15 home loan and savings customers under a retirement pension home savings contract. The claim amounts to € 224,000 and LBS has concluded 15 pension insurance agreements for a corresponding insured sum with Provinzial NordWest Lebensversicherung AG to cover it.

Other operating income mainly comprises income from the correction of fees and commissions for previous years in the amount of € 2.5 m (previous year: € 2.8 m), income from the reversal of provisions in the amount of € 2.1 m (previous year: € 0.8 m) and income of € 0.3 m (previous year: € 0.3 m) from the magazine “Das Haus”.

Other operating expenses mainly comprise the expense of € 9.9 m (previous year: € 11.3 m) from the compounding of pension provisions, expenses of € 0.7 m (previous year: € 0.9 m) from the correction of fees and commissions for previous years and compensation payments of € 0.3 m (previous year: € 0.7 m) to the field service. The € 3.8 m tax expense (previous year: € 3.1 m) settled by way of allocation with Helaba that is also included in this item is charged in full against the result from ordinary activities.

Acting in accordance with Section 18 (2) and (3) of the German Deposit Guarantee Act (Einlagensicherungsgesetz – EinSiG) and on the basis of the resolution of the Landesbausparkassen protection scheme, LBS made use of the option to provide 30 % of the funds to be paid in the form of payment obligations once again in 2020. This reduced non-personnel operating expenses by €1.0 m (previous year: € 0.9 m).

Other Disclosures

LBS holds 14.3 % of the shares in FORUM Direktfinanz GmbH & Co. KG, Münster (equity € 7,000, profit: n.a.).

Subject to the resolution on the use of net retained profits for 2020, which is still outstanding, an allocation of profits in the amount of € 3.2 m to revenue reserves is anticipated. The Supervisory Board will decide on the appropriation of profit at its meeting.

For financial year 2020, € 193,000 (previous year: € 162,000) was invoiced for the audit, and € 10,000 (previous year € 10,000) was invoiced for other attestation services performed by companies of the Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft group. As in the previous year, no tax advice services were provided.

The remuneration for the members of the executive bodies of Helaba who are also responsible for LBS was paid by the Bank. The members of the executive bodies and the remuneration paid to them are listed in the notes to Helaba's financial statements. Home finance loans to members of the Supervisory Board (persons within the meaning of Section 34 (2) sentence 1 alternative 2 RechKredV) amount to € 51,000 (previous year: € 37,000).

Remuneration paid to LBS Advisory Board members totalled € 25,000 (previous year: € 25,000).

LBS employed 198 people on average in 2020, 81 of them female and 117 male.

No significant events have occurred since the end of the financial year under review.

Frankfurt am Main/Erfurt, 2 March 2021

Landesbank Hessen-Thüringen Girozentrale

The Executive Board

Groß	Dr. Hosemann	Kemler
Nickel	Rhino	Schmid

Independent Auditor's Report

To Landesbausparkasse Hessen-Thüringen,
Frankfurt am Main/Erfurt

Audit Opinions

We have audited the annual financial statements of Landesbausparkasse Hessen-Thüringen, Frankfurt am Main/Erfurt, which comprise the balance sheet as at 31 December 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020, and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Landesbausparkasse Hessen-Thüringen for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German generally accepted accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 (3) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the statistical annex to the management report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German generally accepted accounting principles. In addition, the executive directors are responsible for such internal control as they have determined necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the annual management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company;

- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures;
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German generally accepted accounting principles;
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides;
- Perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 3 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frey	Alt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Advisory Board of Landesbausparkasse Hessen-Thüringen

for financial year 2020

Chairman

Gerhard Grandke
Executive President of the Sparkassen- und Giroverband Hessen-Thüringen

Vice Chairman

Bernd Woide
Chief Administrative Officer
County District of Fulda

Members

Wolfgang Asche
Chairman of the Board of Managing Directors
Kreissparkasse Nordhausen

Michael Baumann
Member of the Board of Managing Directors
Nassauische Sparkasse
Wiesbaden

Stephan Bruhn
until 31 August 2020
Vice Chairman of the Board of Managing Directors
Frankfurter Sparkasse

Thomas Fügmann
Chief Administrative Officer
County District of Saale-Orla

Sven Hauschild
Member of the Board of Managing Directors
Sparkasse Arnstadt-Ilmenau
Ilmenau

Jochen Johannink
Vice Chairman of the Board of Managing Directors
Kasseler Sparkasse

Josef Kraus
Chairman of the Board of Managing Directors
Sparkasse Laubach-Hungen

Frank Matiaske
Chief Administrative Officer
County District of Odenwald

Dr. Sven Matthiesen
since 1 September 2020
Executive Managing Director
Frankfurter Sparkasse

Thomas Schütze
Member of the Board of Managing Directors
Sparkasse Jena-Saale-Holzland
Jena

Marc Semmel
Chairman of the Board of Managing Directors
Sparkasse Werra-Meissner
Eschwege

Torsten Priemer
Member of the Board of Managing Directors
Kreissparkasse Schlüchtern

Manfred Vögtlin
Vice Chairman of the Board of Managing Directors
Sparkasse Bensheim

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Helaba Addresses

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Concept and design

3st kommunikation, Mainz

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