



**Landesbank Hessen-Thüringen  
Girozentrale**  
(the "Issuer")

1st Supplement dated 10 April 2015 to the  
Prospectus dated 13 May 2014 (the "Prospectus")  
relating to the  
Helaba Euro 35,000,000,000 Debt Issuance Programme  
for the issue of Notes (including Pfandbriefe)  
(the "Programme").

pursuant to Art. 16 (1) of directive 2003/71/EC as amended by Directive 2010/73/EU  
and Art. 13 (1) of the Luxembourg act on Securities Prospectuses (*loi relative aux prospectus pour  
valeurs mobilières*) as amended by the law of 3 July 2012 transposing Directive 2010/73/EU  
(*loi du 3 juillet 2012 portant transformation de la directive 2010/73/EU*)  
(the "**Supplement**").

This Supplement is supplemental to, and should be read in conjunction with the Prospectus dated  
13 May 2014 relating to the EUR 35,000,000,000 Debt Issuance Programme of Landesbank  
Hessen-Thüringen Girozentrale.

Terms not otherwise defined herein shall have the meanings specified in the Prospectus.

The Issuer has applied for a notification pursuant to Art. 19 of the *loi relative aux prospectus pour  
valeurs mobilières* and has requested the *Commission de Surveillance du Secteur Financier* (the  
"**CSSF**") of the Grand-Duchy of Luxembourg in its capacity as competent authority (the "**Compe-  
tent Authority**") to provide the competent authority of the Federal Republic of Germany ("Germa-  
ny") with a certificate of approval attesting that this Supplement has been drawn up in accordance  
with the *loi relative aux prospectus pour valeurs mobilières* and with a copy of this Supplement.  
The Issuer may request the CSSF to provide competent authorities in additional host Member  
States within the European Economic Area with a notification.

This Supplement will be published in electronic form on the website of the Luxembourg Stock  
Exchange under [www.bourse.lu](http://www.bourse.lu), will be available free of charge at the specified offices of the  
Issuer and will be published on the website of the Issuer [www.helaba.de](http://www.helaba.de).

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## **General Information**

Landesbank Hessen-Thüringen Girozentrale is solely responsible for the information given in this Supplement.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement for which it is responsible, is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Supplement has been approved by the Competent Authority.

## **Right to Withdraw**

**According to article 13 paragraph 2 of the Luxembourg Law of 10 July 2005 on prospectuses for securities, Investors who, prior to the publication of this Supplement, have made a declaration of intent aimed at the purchase of or subscription to securities offered under the Prospectus, are entitled to revoke this declaration of intent within a period of two working days after the publication of this Supplement (on 14 April 2015 at the latest), if and to the extent that the new circumstance or the incorrectness has occurred prior to the final closing of the public offering and prior to the delivery of the debt instruments. The notice of revocation does not need to contain any reasons and has to be declared in text form vis-à-vis Landesbank Hessen-Thüringen, Neue Mainzer Str. 52-58, 60311 Frankfurt am Main. The timely dispatch is sufficient to observe the deadline.**

## Contents of the Supplement

On 31 March 2015, Helaba published its non-consolidated Financial Statements for the year ended 31 December 2014 in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch - HGB*). This Financial Statements, including the non-consolidated balance sheet and income statement, the notes and the Management Report of Landesbank Hessen-Thüringen Girozentrale as well as the copy of the auditors' report (*Bestätigungsvermerk*) is enclosed in the annex to this Supplement and forms part of this Supplement.

## Amendments to the Prospectus

### Amendments to the section entitled "Description of Landesbank Hessen-Thüringen Girozentrale" on page 400

The following paragraph should be added to the subsections on page 410 entitled "Information concerning Helaba's Assets and Liabilities, Financial Position and Profits and Losses – Historical Financial Information –“:

Helaba has published its non-consolidated Financial Statements for the year ended 31 December 2014 in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch – HGB*) on 31 March 2015 including the non-consolidated balance sheet and income statement, the Notes, the Management Report of Landesbank Hessen-Thüringen and the copy of the auditor's report (*Wiedergabe des Bestätigungsvermerks*). PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft has audited the Financial Statements and has issued an unqualified auditor's report (*Bestätigungsvermerk*).

## Annex

Annual Accounts and Management Report of Landesbank Hessen-Thüringen 2014

- Management Report of Landesbank Hessen-Thüringen
- Annual Accounts of Landsbank Hessen-Thüringen

Management Report and  
Annual Accounts of  
Landesbank Hessen-Thüringen  
Girozentrale 2014

# Management Report of Landesbank Hessen-Thüringen

# Management Report

## Foundations of the Bank

### Business model of the Bank

A credit institution organised under public law, Landesbank Hessen-Thüringen (Helaba) has the long-term strategic business model of a full-service bank with a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkasse organisation. This business model has formed the basis for a very stable, positive business and earnings performance over the last few years.

Helaba's strategic business model centres on the three business units: Wholesale Business; S-Group Business, Private Customers and SME Business; and Public Development and Infrastructure Business. The Bank's registered offices are situated in Frankfurt am Main and Erfurt, and it also has branches in Düsseldorf, Kassel, Paris, London and New York. These are joined by representative and sales offices, subsidiaries and affiliates. The whole of the Helaba Group is organised into discrete divisions for operational and business control purposes, meaning that all product, customer and service units are managed on a standardised basis throughout the Group.

Helaba's activities in the Wholesale Business unit concentrate on the six core business divisions of Real Estate, Corporate Finance, Financial Institutions and Public Finance, Global Markets, Asset Management and Transaction Banking. In sales, Helaba follows two different approaches, firstly targeting product customers from the various product fields and, secondly, directing customer sales efforts across all products at major companies and the upper SME segment, institutional customers, municipal corporations and central, regional and local public authorities.

In the S-Group Business, Private Customers and SME Business unit, Helaba's strategic goal is to continue to strengthen its position as a leading S-Group bank for Germany. In Hesse and Thuringia, Helaba and the S-Group Sparkassen make up the Sparkassen-Finanzgruppe Hessen-Thüringen, based on the business model of economic unity, the preparation of consolidated financial statements and a joint S-Group rating. Comprehensive co-operation 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. Helaba is one of the market leaders in the home loans and savings business in both Hesse and Thuringia

through the legally dependent Landesbausparkasse Hessen-Thüringen (LBS). Frankfurter Sparkasse, a wholly owned and fully consolidated subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region with over 800,000 customers; it also has a presence in the nationwide direct banking market through 1822direkt. Frankfurter Bankgesellschaft (Schweiz) AG and its wholly owned subsidiary Frankfurter Bankgesellschaft (Deutschland) AG provide Helaba's products and services for Sparkassen in the private banking and wealth and asset management segment.

In the Public Development and Infrastructure Business unit, Helaba has been entrusted with administering public-sector development programmes of the Federal State of Hesse via "WIBank" – as a legally dependent entity within Helaba. WIBank enjoys a direct statutory guarantee from the State of Hesse as permitted under EU law. As a consequence, WIBank has an "AA" rating from S&P for long-term unsecured liabilities. In addition, Helaba has stakes in numerous other development institutions in Hesse and Thuringia, most notably in guarantee banks and SME investment companies. Helaba has granted Thüringer Aufbaubank a subordinated loan of € 40 m.

### Management instruments and non-financial performance indicators

As part of managing the Bank as a whole, Helaba has integrated systems in place for business management. This is based on a multi-level Margin Accounting System and comprises both the management of absolute income and costs and the integrated management of contribution margins. The aim is to achieve a cost-income ratio of 60%. The annual planning process, from which a budgeted balance sheet and income statement are derived, also follows this system. Based on an income statement in accordance with the German Commercial Code (HGB) produced in the Margin Accounting System at regular intervals in the course of the financial year, regular plan/actual comparisons are generated and variances analysed. 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 (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. The profitability targets are managed through the return on equity and regulatory capital. The Bank's target ratios take into account the strengthened capital base and the additional costs arising from regulatory requirements over the next few years.

Helaba's business activities are geared to customer requirements. The Bank provides products and services for a broad spectrum of different customer groups. The Bank's business activities are tightly interconnected with the real economy. The degree of interconnectedness with the real economy is shown by the percentage of the total accounted for by customer transactions.

To fund itself, Helaba draws on different sources and products, focusing in particular on the anchor sources of funding available through direct and indirect Sparkassen 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.

The thrust of Helaba's strategy in the S-Group Business, Private Customers and SME Business unit is to expand its position as a leading S-Group bank for the German Sparkasse organisation. Helaba is linked to the Sparkassen in Hesse and Thuringia through the S-Group Concept embedded in the Charter. It has extensive contractual collaboration agreements with the Sparkassen in North Rhine-Westphalia. The primary objective of the two agreements is to increase collaboration between the affiliated Sparkassen and the Helaba S-Group bank. The aim is to achieve a consistent S-Group ratio in the target range of 60% to 80%.

Motivated and qualified employees are a key success factor for Helaba. A broad range of measures undertaken to develop employees contributes significantly to making Helaba an attractive employer. A suitable personnel management system helps to identify the potential of employees and to encourage and develop this potential in line with specific needs. Individual further training ensures that employees are able to meet the changing challenges. Succession planning also contributes to filling about half of all vacancies with internal employees. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

The business strategy and risk strategy specify the degree of flexibility available to employees. This then also forms the basis for the remuneration system. The Bank's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration strategy. 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.

As a public-law credit institution with a mandate to operate in the public interest, Helaba also assumes a degree of social and environmental responsibility – over and above its banking functions and objectives. Helaba has laid down guiding sustainability principles in which it has pledged its commitment to environmental and social responsibility, both internally and in its dealings with the general public. The guiding sustainability principles include core statements and standards of conduct relating to business activities, business operations (operational environmental protection, corporate governance and compliance), employees and corporate social responsibility. Helaba has also translated its responsibility to the environment and society into binding requirements in its business strategy. Helaba's risk assessment and risk management processes thus incorporate the identification and assessment of environmental risks and of issues from a social and ethical perspective. The Bank is looking into the possibility of creating and installing a standard process for the appropriate incorporation of environmental risks and of social and ethical perspectives into relevant lending decisions. Helaba does not finance the manufacture or trading of controversial types of weapon. It also undertakes not to enter into speculative transactions with agricultural commodities or develop investment products related to such commodities. Helaba contributes to climate protection by implementing energy-saving measures in its operations. In 2011, the MAIN TOWER, Helaba's Frankfurt head office, received the LEED Gold rating under the Leadership in Energy and Environmental Design (LEED) standards as an environmentally friendly and sustainable building that minimises resource consumption. Frankfurter Sparkasse has a certified environmental management system in accordance with Regulation (EC) No. 76/2001 (EMAS II) as well as DIN EN ISO 14001. Helaba and Frankfurter Sparkasse act on their shared commitment to sustainability by buying power generated from renewable sources. Helaba makes key elements of its environmental profile transparent and creates incentives to further reduce consumption and emissions by calculating environmental indicators and publishing them on the Internet on an annual basis. Helaba and Frankfurter Sparkasse are among the signatories to the Diversity Charter, a voluntary commitment by companies to promote a corporate culture that is without prejudice and discrimination. Helaba also engages, either directly or through Frankfurter Sparkasse, in many areas of public life by sponsoring numerous cultural, educational, environmental, sports and social organisations and projects.

## Economic Report

### Comprehensive assessment (CA) by the ECB

As anticipated, the comprehensive assessment, an asset quality review (AQR) and subsequent stress test conducted by the European Central Bank (ECB) and European Banking Authority (EBA), found the Helaba banking group to be very sound and reliable. One of the outcomes of the AQR was that the CET 1 capital ratio was reduced slightly by 0.3 percentage points to 12.2 % (31 December 2013: 12.5 %).

The ECB confirmed in full the accounting policies applied by Helaba. Under the prudential valuation approach used in the AQR (which differs from the approach under IFRS), the ECB calculated that an adjustment of € 195 m should be applied to the business portfolios. In this calculation, the ECB did not take into account portfolio loan loss allowances amounting to approximately € 150 m that had been recognised in Helaba's financial statements for the period ended 31 December 2013 for exposures not subject to any serious default risk. Again under the prudential approach taken by the ECB in the AQR, Helaba's CET 1 capital ratio was determined to be 12.2 %, significantly above the required level of 8.0 %. If the allowances of € 150 m referred to above had been taken into account, the CET 1 ratio would have been 12.4 %.

The appropriateness of the allowance for losses on loans and advances is regularly reviewed and, if required, adjusted as part of a regular process undertaken by Helaba in relation to the allowance for losses on loans and advances. New information, such as information from the latest valuation reports prepared by experts, gained in this process during 2014 was factored into the allowance for losses on loans and advances as at 31 December 2014. In the course of this process, valuation allowances were also recognised or updated for exposures reviewed in the AQR.

The combined analysis of the AQR and the stress test (known as the join-up), produced a CET 1 ratio of 11.4 % for Helaba in the baseline scenario, substantially higher than the required 8 %. In the adverse stress scenario, Helaba's CET 1 capital ratio was calculated at 8.2 %. This was also significantly above the required ratio of 5.5 % and reflected Helaba's sound risk profile.

In the AQR, there was just a marginal fall in the leverage ratio from 3.9 % to 3.8 %. Helaba is therefore already exceeding the minimum regulatory requirements that will be necessary in the future.

### Macroeconomic and sector-specific conditions in Germany

The German economy started 2014 with some momentum, the extremely mild winter stimulating activity, especially in the construction industry. Thereafter however, the pace slackened substantially. Weak performance in emerging markets, prob-

lems in the euro zone and the conflict with Russia had an adverse impact on German industry. Despite all this, Germany still achieved economic growth of 1.6 % over the year as a whole, more than the average for the previous ten years. Of the total growth, exports accounted for 0.4 percentage points, with 0.8 percentage points derived from consumer spending and the public sector. Real incomes rose, driven by an increase in employment, higher wage settlements and very low inflation of just 0.8 %. The situation benefited consumers.

This contrasted with a disappointing level of capital investment by businesses, reflecting the uncertainties surrounding exports, even though the low interest rates in capital markets and an average level of capacity utilisation ought to have generated more capital spending. Residential construction has proven to be an exceptional sector of the economy for some time now, even if the momentum did ease off over the course of the year. Residential construction is expanding on the back of strong demand for residential space in large towns and cities, very low mortgage rates, the lack of investment alternatives and more investment in the stock of housing.

Competitive conditions in the German banking industry are marked by sustained historically low interest rates and the action taken to implement the European banking union. Competitive pressure is increasing significantly in certain business areas, especially in retail banking and in the corporate customer and real estate lending business. Nevertheless, opportunities are rising for credit institutions with stable funding structures and a focus on selected core business areas to strengthen and expand their market positions.

Key changes in the regulatory framework were as follows:

- Prudential supervision by the ECB (Single Supervisory Mechanism, SSM)

With effect from 4 November 2014, the European Central Bank (ECB) took over responsibility for the direct supervision of the 120 largest banks in the euro zone as part of the changes under the Single Supervisory Mechanism (SSM). The Helaba Group, 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.

- Capital and liquidity requirements (Basel III/CRD IV/CRR)

As a result of the CRD IV/CRR, the capital requirements for credit institutions are becoming significantly tighter in terms of both quality and quantity. The new capital ratios will be phased in over the period up to 2019. As at the reporting date, the CET 1 capital ratio for Helaba Bank stood at 12.4 %

(phased-in) and 12.0 % (fully loaded); the total capital ratio was 18.9 % (phased-in). Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published. This also includes the regulatory requirements notified with the decision published by the ECB in February 2015.

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 Common Equity Tier 1 capital (CET 1 capital). At Helaba, this affects silent participations with a nominal amount of € 953 m.

Uniform liquidity requirements to be applied throughout Europe and measured using the liquidity coverage ratio (LCR) will become mandatory from October 2015. The minimum LCR requirement will be gradually raised from 60 % in 2015 to 100 % in 2018. Helaba is already meeting the LCR required from the end of 2015 with a significant buffer compared with the minimum required level. On 31 October 2014, the Basel Committee submitted revised requirements for the second liquidity ratio, the net stable funding ratio (NSFR). The EU Commission must decide by the end of 2016 whether and how this ratio is to be introduced in Europe. Both ratios will in all circumstances lead to an increase in liquidity management costs and therefore have a negative impact on profitability. Helaba started to adapt at an early stage to the new liquidity management requirements and believes it is in a good position to meet the regulatory requirements accordingly.

The leverage ratio measures the ratio between regulatory capital and the non-risk-weighted total of all balance sheet and off-balance sheet items. On 10 October 2014, the EU Commission submitted a delegated act with specific details concerning the calculation methodology. A decision on the final specifications is not expected before the end of 2016 at the earliest. Separately, the ECB had already published the leverage ratio at 31 December 2013 as part of its publication of the stress test results. As at 31 December 2014, Helaba's leverage ratio was 3.8 % (phased-in).

#### ■ Protection schemes

In mid-November 2014, the German government adopted the draft of the Deposit Guarantee Act, transposing a mandatory EU Directive into German law. The act will come into force on 3 July 2015. Schemes that offer institutional protection, such as the existing joint liability scheme in the German Sparkassen-Finanzgruppe, may also continue as deposit guarantee schemes in future, provided that they have been adjusted from a legal and financial perspective in line with the new statutory requirements and have been recognised by regulators.

## Business performance

Key factors influencing the business performance and results of operations at Helaba in the 2014 financial year were the modest rate of economic growth in Germany, which amounted to 1.6 % in real terms, and the persistently low level of interest rates, which were reduced to new historic lows during the year.

Helaba's operating business continued to perform well in this economic environment. The volume of new medium- and long-term lending business (more than one year) that Helaba entered into with customers once again increased by 6 % to € 17.2 bn (2013: € 16.3 bn). The high volume of new business enabled maturities and special repayments to be fully offset. Loans and advances to customers were unchanged year on year at € 81 bn. Within the loans and advances to customers, growth in commercial real estate lending was offset by contraction in the portfolio of business with central, regional and local public authorities and with other customers. Loans and advances to affiliated Sparkassen amounted to approximately € 10 bn at the end of the year (31 December 2013: € 11 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 degree of interconnectedness with the real economy, i.e. the percentage of the total accounted for by customer transactions, was 60 % (2013: 57 %).

Helaba's good standing in the market and the positive market environment overall enabled the Group to raise the funds necessary to finance its new business at matching maturities in the money and bond markets without any difficulty. Unsecured bank bonds (€ 4.4 bn), public (€ 4.4 bn) and mortgage Pfandbriefe (€ 1.9 bn), and promissory notes and other loans (€ 4.0 bn) are the main funds used for medium- and long-term funding. Added to this were subordinated debt (€ 0.5 bn) and earmarked funds of the development institutions. Besides German and foreign institutional investors, the Sparkassen and their customers throughout Germany are a key part of Helaba's investor base.

Helaba is the S-Group bank for 166 Sparkassen in four German states, or around 40 % of all Sparkassen in Germany. Collaboration with the affiliated Sparkassen in Hesse and Thuringia increased from an already high level in 2014 and is now at the upper end of the target range. The aim of capturing S-Group ratios calculated uniformly for all regions in which Helaba acts as the Sparkasse central bank is being pursued through the establishment of a joint clearing house.

Due to various project assignments and reorganisations, the main tasks and job requirements for many employees changed during 2014. The employees were prepared for these new tasks by way of a structured training management system.

The Bank has embedded its obligations regarding climate protection into its business strategy. It has addressed these obligations by implementing action to reduce the emissions produced by its company vehicles and by continuing to calculate consumption and emissions data. Helaba has initiated measures to impose further limits on CO<sub>2</sub> emissions from its premises. Helaba is one of the occupants in the “Sparkassen-Finanzzentrum Erfurt” buildings complex and in 2014 took part with other users in “Ökoprofit”, an environmental project for integrated environmental technology run by the city of Erfurt. The objective of this collaborative project is to save

resources, prevent emissions and thereby reduce both operating costs and consequential environmental costs.

In financial year 2014, Helaba again generated a net profit that allowed it to service all subordinated debt, profit participation rights and silent partner contributions, to add to its retained earnings to strengthen Tier 1 capital and to report net retained profits.

The cost-income ratio as at 31 December 2014 was 63.7% and therefore slightly above the target range (<60%).

## Net Assets, Financial Position and Results of Operations

### Key performance data for 2014

	2014	2013	Changes	
	€ m	€ m	€ m	%
Business volume	175,521	183,210	-7,689	-4.2
Total assets	150,973	161,823	-10,850	-6.7
Operating result before allowance for losses on loans and advances	484	684	-200	-29.2
Net additions to allowance for losses on loans and advances/net remeasurement gains/losses	-98	-304	206	-67.8
Net income for the year	240	210	30	14.3

As in previous years, the Bank has not included the cost of servicing its silent participations in its presentation of the results of operations. For this reason, net interest income and also the operating result reported under the results of operations are € 65 m (2013: € 65 m) higher than in the income statement.

### Results of operations

The decline in net operating income of € 262 m was offset by lower general and administrative expenses and a reduction in the allowance for losses on loans and advances. With all income and expenses taken into account, net income for the year amounted to € 240 m.

## Results of operations

	2014	2013	Changes	
	€ m	€ m	€ m	%
Net interest income	1,134	1,167	-33	-2.8
Net fee and commission income	166	154	12	7.8
Net income of the trading portfolio	161	303	-142	-46.9
Other net operating income	-127	-28	-99	353.6
Net operating income	1,334	1,596	-262	-16.4
General and administrative expenses	-850	-912	62	-6.8
Operating result before allowance for losses on loans and advances	484	684	-200	-29.2
Net additions to allowance for losses on loans and advances/net remeasurement gains/losses	-98	-304	206	-67.8
Additions to/reversals of contingency reserves (section 340f HGB)	0	-6	6	-100.0
Extraordinary result	-13	-13	0	0.0
Operating result before taxes	373	361	12	3.3
Taxes on income	-132	-101	-31	30.7
Additions to the fund for general banking risks (section 340g HGB)	0	-50	50	-100.0
Net income for the year	240	210	30	14.3

Net interest income, a key variable in determining Helaba's success, was € 1,134 m compared with € 1,167 m in the previous year. Factors contributing to this decline included higher derivative-related closeout payments, some of which were offset in substance by redemption gains within net remeasurement gains/losses. The contribution to earnings from fund and equity investment distributions remained steady overall even though the one-time effect of € 30 m in 2013 was not repeated in 2014.

Net fee and commission income was up by € 12 m or 7.8 % year on year to € 166 m. This increase in net fee and commission income was primarily attributable to fees and commissions from the securities business, the lending and guarantee business, and cash management.

All realised and unrealised contributions to income from trading transactions are reported under net income of the trading portfolio. In 2014, this net income returned to a normal level of € 161 m in line with forecasts (2013: € 303 m). In contrast to previous years, the slight narrowing of credit spreads only had a minimal impact on this net income, which was mainly driven by the customer-oriented capital markets business. Within the contributions to income, which were in excess of budget, the low level of interest rates led to additional derivatives write-downs that were significantly higher than in 2013. In the year under review, the Bank did not make any additions to the special reserve under section 340e HGB.

Net other operating expenses and income amounted to an expense of € 127 m (2013: expense of € 28 m). While income and expenses from buildings declined by just a small amount in the reporting period, the interest cost on provisions rose

substantially due to the low level of interest rates. In particular, the interest cost from unwinding the discount on pension provisions reported under this item increased as a consequence of the fall in the discount rate to 4.54 %. Some provisions, including the provision for restructuring expenses (PRO Project), were also increased significantly.

General and administrative expenses fell by € 62 m to € 850 m. These expenses comprised personnel expenses of € 367 m (2013: € 366 m), non-personnel operating expenses of € 464 m (2013: € 516 m) as well as depreciation and impairment losses on property and equipment plus amortisation and impairment losses on intangible assets totalling € 19 m (2013: € 30 m). Despite pay scale increases, personnel expenses were held at the 2013 level. The drop in non-personnel operating expenses resulted from lower consulting costs in connection with the acquisition and integration project and with projects to implement regulatory requirements. The servicing fee for the S-Group bank business still being operated on Portigon AG's IT platform was halved over the whole of 2014 to € 34 m because the servicing was only purchased up to 30 June 2014. The lower bank levy of € 36 m (2013: € 47 m) also helped to bring down the non-personnel operating expenses. The expenses for the Association overhead allocation and the reserve rose slightly. At the end of the year, Helaba had 3,525 employees (31 December 2013: 3,511). The average number of employees saw a marginal increase from 3,511 to 3,519.

The net operating income of € 1,334 m and general and administrative expenses of € 850 m combined to give an operating result before allowance for losses on loans and advances of € 484 m, a decline on the previous year of € 200 m or 29.2 %.

The breakdown of net additions to the allowance for losses on loans and advances and net remeasurement gains/losses was as follows:

	2014	2013	Changes	
	€ m	€ m	€ m	%
Result of lending operations	-167	-321	154	-48.0
Result of investment operations	-2	-23	21	-91.3
Result of securities allocated to the liquidity reserve, fixed assets and banking book derivatives	71	40	31	77.5
Net additions to allowance for losses on loans and advances/net remeasurement gains/losses	-98	-304	206	-67.8

The expense for the allowance for losses on loans and advances fell substantially in 2014. The net figure amounted to an expense of € 167 m, down significantly on the previous year. Lower additions to specific loan loss allowances (net addition of € 159 m compared with a net addition of € 213 m in 2013) contributed to this reduction. Expenses for provisions for loans and advances calculated on a portfolio basis (country-specific allowances and global allowances) were also down.

The result of investment operations was an expense of € 2 m compared with an expense of € 23 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 resulted in a contribution to operating profit of € 71 m. The increase of € 31 m on the 2013 figure of € 40 m resulted from high disposal proceeds. Countervailing effects on operating

profit from the clearing and settlement of derivatives are recognised under net interest income.

The contingency reserves under section 340f of the HGB remained unchanged, taking the operating result after net remeasurement gains/losses to a total of € 386 m (2013: € 374 m). As in previous years, the changes implemented under the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) resulted in an extraordinary expense of € 13 m in 2014, because the cost of switching additions to pension provisions to the calculation method specified by BilMoG is spread over several periods.

The operating result before taxes therefore amounted to € 373 m compared with € 361 m in 2013, which equated to an increase of 3.3 %.

After tax expense of € 132 m, this resulted in net income of € 240 m for the year, allowing Helaba to service all subordinated debt and silent participations, to add to its revenue reserves to strengthen Tier 1 capital and to report net retained profits.

#### Changes in assets

	2014	2013	Changes	
	€ m	€ m	€ m	%
Loans and advances to banks	17,070	24,360	-7,290	-29.9
Loans and advances to customers	80,802	80,796	6	0.0
Bonds and equities	19,575	17,423	2,152	12.4
Trading portfolio (assets)	28,320	33,342	-5,022	-15.1
Equity investments/shares in affiliated companies	1,880	2,111	-231	-10.9
Other assets	3,326	3,791	-465	-12.3
Total assets	150,973	161,823	-10,850	-6.7
Business volume	175,521	183,210	-7,689	-4.2

Helaba's total assets fell significantly from € 161.8 bn to € 151.0 bn in financial year 2014. Most of this contraction was attributable to the first-time netting of derivatives with the corresponding collateral.

Loans and advances to banks, including the cash reserve, declined by € 7.3 bn to € 17.1 bn. This decrease was largely accounted for by a drop of € 5.3 bn in the cash collateral furnished by Helaba (after offsetting against trading derivatives) and by a reduction in the liquidity surplus in the cash reserve to € 0.7 bn as at 31 December 2014 (31 December 2013: € 1.4 bn). The funding made available to the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg also decreased slightly.

The balance of loans and advances to customers remained almost unchanged at € 80.8 bn as at 31 December 2014 (31 December 2013: € 80.8 bn). While municipal loans contracted by € 0.8 bn and other loans and advances by € 0.7 bn, mortgage loans rose by € 1.9 bn. Bausparkasse building loans remained almost unchanged. The offsetting of furnished cash collateral against trading derivatives also had an impact under loans and advances to customers, causing a decline of € 0.5 bn.

The volume of bonds and equities allocated to the investment and liquidity portfolio rose by € 2.2 bn to € 19.6 bn in the last financial year. The main investments are bonds and other fixed-income securities totalling € 17.1 bn (31 December 2013: € 15.1 bn). Equity shares and other variable-income securities amounted to € 2.4 bn (31 December 2013: € 2.5 bn).

The trading portfolio (assets) declined by € 5.0 bn to € 28.3 bn in the reporting period. Helaba continued to cut the volume of

bonds and other fixed-income securities during the course of the year, the balance as at 31 December 2014 amounting to € 17.0 bn compared with € 21.3 bn on the 2013 reporting date. Derivatives in the trading portfolio (assets) amounted to € 9.2 bn (31 December 2013: € 8.6 bn). Given a slightly higher nominal volume, the increase from the effects of remeasurement as a consequence of the low level of interest rates was not fully matched by the decrease resulting from the offsetting applied for these assets. These figures include equity shares and other variable-income securities of just € 0.1 bn (31 December 2013: € 0.2 bn). Trading receivables were down year on year at € 2.0 bn (31 December 2013: € 3.3 bn).

The rise in the carrying amounts of equity investments and affiliated companies was mainly attributable to a retrospective purchase price adjustment.

The business volume, which includes off-balance sheet business in addition to total assets, declined by € 7.7 bn to € 175.5 bn. This decline was therefore less marked than the contraction in total assets. The placement and underwriting obligations and the irrevocable loan commitments, which rose by € 2.9 bn to € 18.9 bn, had a compensating effect. Contingent liabilities consisting of sureties, indemnities and guarantees also increased from € 5.4 bn to € 5.7 bn. This included an amount of € 0.6 bn (31 December 2013: € 0.7 bn) related to credit default swaps not allocated to the trading portfolio and treated as guarantees.

#### Changes in liabilities

	2014	2013	Changes	
	€ m	€ m	€ m	%
Liabilities due to banks	37,585	36,136	1,449	4.0
Liabilities due to customers	28,493	27,749	744	2.7
Securitised liabilities	47,830	48,618	-788	-1.6
Trading portfolio (liabilities)	20,241	33,820	-13,579	-40.2
Own funds	11,588	11,117	471	4.2
Other liabilities	5,236	4,383	853	19.5
<b>Total assets</b>	<b>150,973</b>	<b>161,823</b>	<b>-10,850</b>	<b>-6.7</b>

Liabilities due to banks were up year on year to € 37.6 bn (31 December 2013: € 36.1 bn). The increase is attributable to liabilities due to both banks (€ 1.1 bn) and affiliated Sparkassen (€ 0.8 bn).

Liabilities due to customers rose by € 0.7 bn to € 28.5 bn. They include home savings deposits of € 4.1 bn (31 December 2013: € 3.8 bn).

Securitised liabilities fell slightly by € 0.8 bn. The portfolio of bonds issued amounted to € 45.6 bn (31 December 2013:

€ 47.2 bn). Within securitised liabilities, the "Other securitised liabilities" item, which mainly includes the issuance programmes comprising short-term money market instruments, amounted to € 2.3 bn (31 December 2013: € 1.4 bn).

The trading portfolio (liabilities) fell by € 13.6 bn to € 20.2 bn. A significant component was accounted for by trading liabilities of € 16.5 bn (31 December 2013: € 24.2 bn). Derivatives in the trading portfolio still amounted to € 3.7 bn after offsetting. Trading liabilities to Sparkassen in Hesse and Thuringia rose to € 1.3 bn, compared with € 1.1 bn as at 31 December 2013.

### 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 and subordinated liabilities) amounted to € 11.6 bn as at 31 December 2014. The rise was mainly the result of the issuance of subordinated liabilities.

The Bank's regulatory capital as at 31 December 2014 – i.e. before the annual financial statements were adopted and thus before additions to revenue reserves are taken into consideration and including € –144 m resulting from the comparison of expected losses against allowances at the end of 2013 – amounted to € 9.4 bn. This includes Tier 1 capital of € 6.9 bn. The capital contributions classified as CET 1 capital amounted to € 1.9 bn; the silent participations, which are classified as Additional Tier 1 capital, amounted to € 843 m.

Net interest income
Net fee and commission income
Net income of the trading portfolio
Other net operating income
Personnel expenses
Non-personnel operating expenses
Allowance for losses on loans and advances
<b>Operating result before taxes</b>
Cost-income ratio
<b>Volume of new medium- and long-term lending business</b>

The Bank's capital requirements under the CRR in conjunction with SolvV amounted to € 4.0 bn as at 31 December 2014. This resulted in a total capital ratio of 18.9 % for Helaba; the Tier 1 capital ratio was 13.9 % and the CET 1 capital ratio 12.4 %.

The capital requirements specified by the CRR in conjunction with SolvV for the exposures for which capital charges are required were met at all times in 2014.

As in previous years, Helaba further strengthened its equity and its regulatory capital by making allocations to revenue reserves.

### Comparison with prior-year forecasts

The following table shows a comparison between the actual values achieved in 2014 for the key performance indicators used by Helaba and the original forecasts:

2013 forecast for 2014	2014 actual
Slightly down year on year	–2.8 %
Up by 10 % year on year	+7.8 %
Significantly lower	–46.9 %
Down year on year	≥100 %
Slightly down	+0.5 %
Down by approx. 9 % year on year	–9.9 %
Down by 30 %	–48.0 %
<b>Unchanged on 2013</b>	<b>+3.3 %</b>
60.0 %	63.7 %
<b>€ 15.4 bn</b>	<b>€ 17.2 bn</b>

Helaba's performance was largely in line with forecasts. The main variances are described below.

The excellent performance of the real estate lending business was one of the factors that meant the year-on-year decrease in the allowance for losses on loans and advances could be greater than forecast and the volume of new business was higher than expected.

Other net operating income fell short of the forecast. Firstly, this reflected the interest cost recognized for unwinding the discount on pension provisions. This interest cost rose significantly because of the further fall in interest rates. Secondly, the additions to the "Helaba PRO" restructuring provision and to the other provisions had a greater adverse impact on net operating income than planned.

### Results of operations by business area

In real estate lending, the volume of new medium-/long-term business increased by around 9 % year on year to € 9.5 bn and therefore exceeded the budgeted level. The interest margin on the portfolio rose slightly compared with the previous year, with margins on new business at a satisfactory level. Overall, income increased by around 9 % year on year, with loans and advances to customers showing a marginal rise. Real estate lending operations therefore exceeded expectations in 2014.

In corporate finance, the volume of new medium-/long-term business was around 7 % up on the previous year to € 4.6 bn and therefore slightly in excess of budget despite fierce competition. Loans and advances to customers contracted slightly year on year owing to unscheduled redemptions. Overall, income reached the 2013 level and was marginally below the planned figure.

Municipal lending in Germany was in line with planning in 2014, with medium-/long-term lending business of € 1.2 bn being written. New business was entered into with foreign financial and public-sector institutions only on a selective basis in 2014.

Earnings from capital market operations returned to normal levels in 2014, as expected. In contrast to previous years, the slight narrowing of credit spreads only had a minimal impact on this net income, which was therefore mainly driven by the customer-oriented capital markets business. The net income from this business was below the 2013 figure but at the planned level. Further expansion was predominantly in the primary market business. Equities and bonds business was also increased as part of Helaba's safe custody activities.

In S-Group business, income increased by around 14 % compared with the previous year. This anticipated increase resulted in particular from greater levels of business activity with the Sparkassen in North Rhine-Westphalia and was generated across the entire range of products.

New business at Landesbausparkasse Hessen-Thüringen was satisfactory in 2014. Income remained at the 2013 level due to a combination of persistently low interest rates and low demand for finance.

Helaba performs public development functions for the State of Hesse through WIBank. Performance in 2014 was influenced both by the processing functions under the various public development programmes and by the administration of Hesse's Municipal Protection Shield. This led to a slight increase in business volume. The changeover of systems for the new EU development period and the higher levels of development activity were reflected in higher costs, the reimbursement of which by the State of Hesse led to a corresponding increase in income.

In cash management, activities in 2014 were focused on the switch to SEPA and the completion of the technical integration resulting from the takeover of the business activities of NRW-Verbundbank. The increase in income of 8 % was marginally less than forecast.

## Report on Post-Balance Sheet Date Events

There were no significant events after the end of the financial year on 31 December 2014.

## Risk Report

The Board of Managing Directors is responsible for all of the risks to which Helaba is exposed and for defining a risk strategy consistent with the business strategy. The risk strategy lays down, in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities, the principal elements of the approach adopted to dealing with risk, the objectives of risk containment and the measures employed to achieve these objectives at Helaba and at the companies included in Group-wide risk management. Once adopted, the risk strategy is presented to and discussed with the Supervisory Board and the Board of Owners.

The Helaba Group derives its risk strategy from its business strategy, which forms an integral part of the business and risk strategy of the Sparkassen-Finanzgruppe Hessen-Thüringen.

The risk strategy concentrates on the assumption of risk in order to achieve a commensurate profit, taking into account the economic situation and regulatory capital position and the need to ensure liquidity and maintain a conservative risk profile. The risk management system accordingly plays a central role in the management of the company.

Helaba has refined the risk management process over the years to create a range of sophisticated tools and an environment conducive to effective risk management. The methods employed to identify, quantify, track and contain risks have undergone continuous development, as have organisational provisions such as process and system documentation and guidelines detailing responsibilities.

## Principles

### Responsibility of executive management

The Board of Managing Directors bears responsibility for all of the risks to which Helaba is exposed, irrespective of how individual responsibilities are assigned, as part of its overall executive management responsibility. The Board of Managing Directors is also responsible for the implementation of the risk policy throughout the Group. It defines the risk strategy, taking account of Helaba's risk-bearing capacity 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 that this risk strategy is implemented. The risk strategy covers all material business activities of the Helaba Group. The strategies, processes and procedures are implemented at the subsidiary companies in accordance with their legal and actual scope of influence. The Group companies are also included in the scope of the controlling tools for the various risk types in line with their relative significance and as permitted under company law. Effective risk controlling throughout the Group is thus assured.

### Protection of assets

Risks may in principle be assumed only as permitted under the risk strategy and only in pursuit of the corporate objectives – in particular in order to maintain Helaba's long-term earning power while protecting its assets as effectively as possible. The existing risk limit structures and the incentive systems and associated control mechanisms all serve this purpose.

### Protection of reputation

Effective risk management and the avoidance of legal or regulatory breaches that could damage its reputation are absolutely vital for the Helaba if it is to preserve its positive image and achieve the best possible rating.

### Clearly defined responsibilities

The managers of the various front office units are responsible for ensuring that their unit achieves a reasonable balance between risks incurred and earnings realised. The units exercising control are charged with ensuring that the maintenance of this balance is monitored continuously and that the person with the relevant authority is notified of any existing or potential discrepancies.

### 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 to be implemented wherever the type and degree of risk so require.

### Transparency

The comprehensive and objective reporting and disclosure of risks is another important component of Helaba's risk strategy. Proper notification of the corporate bodies by the Board of Managing Directors is impossible without this foundation.

### Cost efficiency

The cost efficiency of the units exercising control and, in particular, of the systems used also has to be considered. The expenditure incurred in connection with risk control (and also risk management) is reasonable given the pertinent regulatory requirements and the risks under consideration in each case.

### Risk-bearing capacity

Helaba's procedures for measuring and containing risks ensure that the primary risks always fall within the risk-taking potential and that its risk-bearing capacity is thus assured. Helaba's risk-bearing capacity is one of the factors considered in defining its 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. Helaba's regulatory capital backing and the determination of the regulatory capital have been based since 2014 on the provisions of the Capital Requirements Regulation (CRR).

### Risk-awareness

Helaba's achievement of its objectives and application of the applicable legal standards depend on the discipline of all those involved with regard to strategy, processes, controls and compliance.

### Auditing

The Internal Audit function in principle audits all operating and business procedures in line with the scale and risk content of each operation and business. This helps to promote compliance with the procedures defined. 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 risk types of relevance to Helaba result directly from its business activities. The structured risk inventory process, which is implemented at regular intervals and, where necessary, in response to relevant developments, examines which risks have the potential to cause material damage to the assets (including capital resources), results of operations or liquidity position of the Helaba Group and Helaba Bank. The following primary risk types have been identified for the Helaba Group and Helaba Bank (real estate risk excepted):

- The default risk or credit risk is the potential economic loss as a result of non-payment by or a deterioration in the creditworthiness of borrowers, issuers, counter-parties 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 price 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 price 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 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 off-balance sheet transactions lead to short-term and/or structural liquidity risks depending on their precise nature.
- The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk type also includes legal risk, which is defined as the risk of losses as a result of infringements of legal provisions in force and claims that cannot be legally enforced. Legal risks additionally include the risk of a change in the legal position (changed case law or amended legislation) leading to losses from transactions concluded in the past.
- The business risk is the potential economic loss attributable to possible changes in customer behaviour, in competitive conditions in the market or in general economic conditions. Damage to Helaba's reputation could also trigger a change in customer behaviour.
- The reputation risk involves the possibility of a deterioration in Helaba's public reputation in respect of its competence, integrity and trustworthiness as a result of perceptions of the individuals having a business or other relationship with the Bank. The material consequences of reputation risks impact on the business and liquidity risk and are accordingly considered under these two risk types.
- The real estate risks 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 at Helaba 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. A capital buffer is maintained in the risk-bearing capacity calculation for default risk concentrations. This complements limit management. 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 scenario across all risk types, moreover, takes account of the main risk concentrations between risk types of significance for Helaba.

## Risk Management Process

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

### 1. Risk identification

The risks affecting Helaba and the companies included in risk management at Group level 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 is 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, which is completed for the Helaba Group annually and in response to relevant developments, also helps to identify previously unknown risks and ensure that any of material significance are incorporated into the risk management process.

## 2. Risk quantification

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 Bank applies corresponding premiums and discounts to cover the model risk that results from the use of models and is confirmed in the course of 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 implemented in order to reduce, limit, avoid and transfer risks and keep risk exposure within the limits defined by the Board of Managing Directors.

## 4. Risk monitoring/controlling and reporting

A comprehensive and objective reporting system keeps the relevant people within the organisation apprised of the existing risks as part of an independent risk controlling structure. The methods of the preceding process phases and the quality of the data used are also reviewed in this phase and plausibility checks are carried out on the results.

## Risk Management Structure

### Entities involved

The Helaba Board of Managing Directors is responsible for all of the risks to which the Bank is exposed and for implementing the risk policy throughout the Group. The Board of Managing Directors has established a Risk Committee in accordance with the applicable requirements of the banking regulator to implement and monitor Helaba's risk strategy, first and foremost, and to aggregate all of the risks – that is to say the default risks, market price and liquidity risks, operational risks, business risks and real estate risks – assumed across the Bank and evaluate their combined implications. The Risk Committee is charged with identifying risks within the Helaba Group at the earliest possible stage, designing and monitoring the calculation of risk-bearing capacity and deriving measures to avoid

risk and generate 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.

Operating directly below the Risk Committee are the Asset/Liability Management Committee, the Credit Management Committee (KMA) and the Credit Committee of the Board of Managing Directors (VS-KA). The Asset/Liability Management Committee has responsibility for monitoring market price risks, including the associated limit utilisation, and containing the strategic market risk portfolio and the portfolio of non-interest-bearing liabilities. The Credit Management Committee is charged with containing the default risks of the entire portfolio and performing the central coordination function in syndication, structuring and placing business, while the Credit Committee of the Board of Managing Directors is responsible for credit and settlement risks associated with counterparties and for country risks.

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

The organisational guidelines specify that the approval of the entire Board of Managing Directors 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 price risks. The Bank'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 Owners.

### Risk management and Helaba Group companies

Companies belonging to the Group are incorporated into risk management activities at Group level by taking account of the risks established in the course of the annual or, where applicable, an ad-hoc risk inventory. The risk inventory process identifies risks at the level of Helaba's direct equity investments, with each of these Group companies measuring the cumulative risk across its own organisation including its own equity investments. The starting point for determining inclusion is all direct equity investments of Helaba Bank under commercial law plus special purpose entities and special funds. The regular risk inventory covers the companies belonging to the Group for which there exists a financial, legal or economic imperative for inclusion. The list of companies to be included is drawn up with reference to a catalogue of criteria. Companies belonging to the Group that are not included in the risk inventory are considered through the mechanism of the residual equity risk.

The outcome of the materiality assessment conducted as part of the risk inventory process is used to determine which Group companies are included in risk management at Group level with which risk types and which Group companies are considered only through the mechanism of the residual equity risk. If the risk exposures of a company belonging to the Group are deemed to be of material significance, the company concerned must be included in risk management at Group level in accordance with clear and binding standards and specifications.

Companies belonging to the Group must in addition establish an appropriate risk management process for any of their own risks that are assigned to the risk type at 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 processes varies from risk type to risk type.

### Principal risk monitoring areas

Risk containment is a duty of the local front office units, but responsibility for the identification, quantification and monitoring/controlling functions, which include the reporting duty, and the associated methodological authority rests with the central monitoring units. Helaba's organisational structure keeps risk controlling and risk containment segregated at all levels including the Board of Managing Directors.

This clear separation of roles and the close co-operation between the units concerned ensures efficient implementation of risk policy containment mechanisms.

The units indicated in the table below have central responsibility for containing and monitoring risks falling within the primary risk types.

Risk types	Responsible for risk containment	Responsible for risk monitoring
Default risk including equity risk	Front office units, Capital Markets, Asset/Liability Management (municipal loans)	Risk Controlling (portfolio level), Credit Risk Management (individual exposure level), Group Strategy and Central Staff Division (equity risk)
Market price risk	Capital Markets, Asset/Liability Management	Risk Controlling
Liquidity risk	Capital Markets (money market trading), Asset/Liability Management	Risk Controlling
Operational risk	All units	Risk Controlling, Legal Services (legal risk)
Business risk	Front office units	Risk Controlling
Real estate risk	Real Estate Management, Group companies exposed to real estate risks	Risk Controlling, Real Estate Management

A number of other departments and functions also contribute to risk management within the Helaba Group in addition to the units indicated in the preceding table. These are set forth below.

### Internal Audit

The Internal Audit function, which reports directly to the Board of Managing Directors, examines and assesses the activities of the Bank and of subsidiary companies without need of further instruction. It plans and conducts its audits with risk in mind, paying particular attention to the assessment of the risk situation, the adequacy of processing and the effectiveness of the internal control system.

The scope and result of each audit are documented in accordance with uniform standards. Informative audit reports are supplied to the Board of Managing Directors and the people responsible for the units audited. Internal Audit reports to the Supervisory Board on findings of particular significance every quarter.

### Capital Market Compliance Office, Money Laundering and Fraud Prevention Compliance Office, MaRisk Compliance function and Data Protection Office

The Bank has established a Capital Market Compliance Office, a Money Laundering and Fraud Prevention Compliance Office, an MaRisk Compliance function and a Data Protection Officer, all of which are independent functions.

The Capital Market Compliance Office advises the operating units and monitors and evaluates the principles, processes and practices applied against various criteria including, in particular, the requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), German Investment Services Conduct of Business and Organisation Regulation (Wertpapierdienstleistungs-Verhaltens- und Organisationsverordnung – WpDVerOV) and German WpHG Employee Notification Regulation (WpHG-Mitarbeiteranzeigeverordnung – WpHGMAAnzV), statements of the German Federal Financial Supervisory Authority (BaFin) and pertinent statements of the

European Securities and Markets Authority (ESMA). The Capital Market Compliance Office evaluates inherent risks and checks compliance with the relevant regulatory requirements. It also performs regular risk-oriented monitoring activities using a monitoring plan based on a prior risk analysis, paying particular attention in this regard to the rules prohibiting insider dealing, and identifies and regulates conflicts of interest throughout the Group that pose a potential risk.

The Money Laundering and Fraud Prevention Office, 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 other 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 pertinent national and international regulatory requirements. Business relationships are kept under constant surveillance using the latest monitoring and research software. The Money Laundering and Fraud Prevention Compliance Office is also responsible for the implementation of the legal requirements arising out of the Agreement Between the United States of America and the Federal Republic of Germany to Improve International Tax Compliance (FATCA).

The MaRisk Compliance function 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.

The Data Protection Officer promotes compliance with and implementation of data protection laws and performs the related monitoring, advisory, coordination, suggestion and reporting tasks.

These independent functions report directly to the Board of Managing Directors. The internal control structures and procedures in place to contain and monitor the specified risks are thus adequate – in terms of both structural and procedural organisation – and effective as required by the applicable regulatory provisions.

### Risk-bearing capacity

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

The calculation of risk-bearing capacity across risk types takes into account risk exposures in relation to default risks, market

price risks, operational risks, business risks and real estate risks. Risk exposures are quantified as part of an economic assessment and the regulatory expected loss (EL) and regulatory capital requirement are calculated using the regulatory measurement specifications. A capital deduction from the regulatory EL/impairment comparison is taken into account when quantifying the regulatory capital.

Two other parameters are also reported in addition to the risk-bearing capacity based on cover pools: the result of the regulatory interest rate shock, which applies to market price risks, and the liquidity horizon for liquidity risks.

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

The scenarios applied comprise a base scenario, which maps the risk-bearing capacity as at the reporting date, plus historical and hypothetical stress scenarios whose implications for the risk-bearing capacity are investigated. These scenarios include a macroeconomic stress scenario and a scenario simulating extreme market dislocation on the basis of observed market behaviour during a global financial crisis. Inverse stress tests are also conducted.

Helaba's Group calculation of risk-bearing capacity maps two distinct situations reflecting the regulatory requirements stipulating a going-concern approach and a gone-concern approach.

The going-concern approach aims to verify that the minimum capital requirements specified by the regulator can be satisfied even if expected and unexpected losses are incurred. The going-concern approach element of Helaba's calculation of risk-bearing capacity was amended on 1 January 2014 in line with the switch to regulatory reporting in accordance with the CRR/CRD IV to ensure that the new regulatory requirements for capital and capital adequacy are properly considered. Risk exposures are quantified with a 95.0 % confidence level for this purpose. The calculation of risk-bearing capacity under the gone-concern approach is intended to demonstrate that the Helaba Group's capital is sufficient to satisfy all creditors in full even in the event of exceptional and heavy losses being incurred (expected and unexpected losses at a confidence level of 99.9 %).

The going-concern approach involves comparing the total economic risk exposures according to the Group calculation of risk-bearing capacity against a sustainable result before risks and total own funds not committed for regulatory purposes (minus an internally defined risk buffer, depending on the scenario). The going-concern approach also quantifies the

implications of the stress scenarios for the regulatory capital requirement and regulatory own funds in order to analyse the impact on the regulatory capital ratios.

Helaba applies particular weight to the going-concern approach, which looks at effects on the regulatory capital ratios, in its capital allocation decisions and allocates regulatory capital to divisions and Group units on the basis of the associated anticipated movements of the equity ratios. This ensures consistency between capital allocation assuming full utilisation of the limits and the result thus produced in the calculation of risk-bearing capacity. In addition, the economic risk exposures are limited to ensure that, if the allocated regulatory capital is utilised at the same time as the economic risk exposures, the capital does not fall below the internally specified minimum capital requirements even if economic risks materialise.

The gone-concern approach draws on an economic cover pool based on the IFRS accounts to cover the internal capital requirement. This pool comprises the cumulative consolidated net income on the reporting date, the equity capital and the subordinated debt under IFRS. Cover pool components are also adjusted in accordance with economic criteria. The gone-concern approach does not treat silent reserves as a cover pool component.

The risk-bearing capacity assessment for the Group covering all risk types reveals that the existing risk cover pools once again exceeded the quantified risk exposures by a substantial margin at the end of 2014, underlining Helaba's consistently conservative approach to risk. The same applies in respect of the calculation of risk-bearing capacity for Helaba Bank.

The base scenario of the going-concern approach for the Group shows a capital buffer of € 3.3 bn (2013: € 3.2 bn) with respect to the economic risk exposures taking account of an internal risk buffer. The capital buffer with respect to the economic risk exposures under the gone-concern approach for the Group amounts to € 6.1 bn (2013: € 7.3 bn).

The capital ratios achieved under the simulated stress scenarios exceed the regulatory minimum requirements by a significant margin.

Helaba additionally conducts two inverse stress tests to investigate what nature of event could jeopardise its continued existence. The associated scenarios, "minimum capital requirements not met" and "illiquid", examine the implications of a variety of economic developments that could result in Helaba being unable to maintain the required regulatory total capital ratio or using up all of its liquidity reserves. There is currently no indication of these scenarios becoming a reality.

### Other deposit security mechanisms

There are other deposit security 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 nationwide Joint Liability Scheme, which safeguards the affiliated institutions themselves and their liquidity and solvency. 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 exceptional risk positions and the risk-led approach used in calculating the amounts to be paid into the security facility by the various institutions. The legally dependent Landesbausparkasse Hessen-Thüringen, subsidiary Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, which is a subsidiary of Frankfurter Bankgesellschaft (Schweiz) AG, are also directly integrated into this deposit security system.

Systems safeguarding the viability of institutions will remain admissible under the new German Deposit Guarantee Act (Einlagensicherungsgesetz), which comes into force in July 2015, provided they have been approved by the regulator. An application for approval is planned.

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 and provides creditors of the affiliated institutions (Helaba, Sparkassen) with a direct and uncapped entitlement. The total volume of the fund is equal to 0.5% of the affiliated institutions' weighted regulatory risk assets in accordance with the German Solvency Regulation (Solvabilitätsverordnung – SolvV) and amounted to € 508 m at the end of 2014. 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 Landesbank Hessen-Thüringen, enjoys the direct statutory guarantee of the State of Hesse as regulated by law and as permitted under EU law on state aid.

## Default Risks

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 together generate 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 and drawn up with reference to the MaRisk. 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 and is developed gradually in step with the continuing extension of active lending portfolio management.

### Basel III/CRR

The new EU Capital Requirements Regulation (CRR), which is based on Basel III, came into force on 1 January 2014. The CRR governs the capital adequacy and capital backing requirements for institutions and replaces the capital adequacy framework (pillar 1 of Basel II/EU CRD, SolvV).

Helaba currently uses the Foundation Approach for internal ratings. 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, the specific loan loss allowances and a central risk data pool.

### Risk monitoring using the global limit system

Helaba employs a global limit system that records all 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 the Bank'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 Article 389 et seq. of the CRR made to borrowers in both trading and banking book activities are counted against these cumulative limits. Current account intraday risks and advance payment and settlement risks attributable to foreign currency and securities transactions are approved as direct commercial risks and counted in full 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 calculated in accordance with the CRR. 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 for the relevant entity bearing the economic risk as indirect commercial risks.

Chart 1 shows the total volume of lending as at 31 December 2014 comprising drawings and unutilised committed credit lines of Helaba Bank totalling € 174.8 bn (2013: € 172.3 billion), broken down by customer group.

## Total volume of lending by customer group (Helaba Bank)

Chart 1

in € bn



### Creditworthiness/risk appraisal

The Bank employs 15 rating systems developed together with DSGVO or other Landesbanken and three rating systems developed internally. Based on statistical models, these systems classify loan exposures, irrespective of the customer or object group, by the fixed probability of default (PD) using a 25-point cardinal default rating scale.

Since the calculation of the customer- or transaction-specific probability of default (PD) alone does not permit an assessment to be made of the loss risk potential of a transaction,

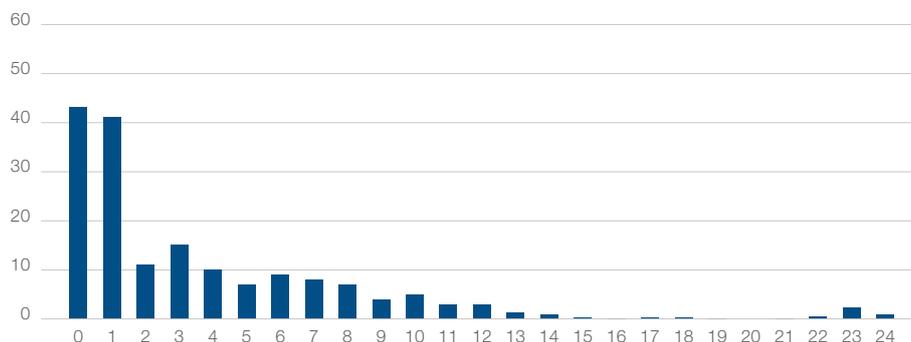
further relevant factors that mitigate or increase risk for a particular credit transaction are taken into account (in particular maturity, collateralisation, ranking of the loan). Helaba has developed a risk rating that enables the risk content of transactions to be compared across segments for this purpose in addition to the default rating. The risk rating approximates the expected loss (EL). The default rating is used as the basis for the EL-relevant adjustments for determining the risk rating.

Chart 2 shows the total volume of lending of Helaba Bank of € 174.8 bn (2013: € 172.3 bn) broken down by risk rating.

### Total volume of lending by risk rating category

Chart 2

in € bn



### Collateral

Like the creditworthiness of borrowers or counterparties, the collateral arrangements (or general risk mitigation techniques) available are of major importance when determining the extent of default risks. Collateral is measured in accordance with the Bank'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. The system complies with the extensive and complex requirements regarding the utilisation, mapping and recognition of "traditional" credit collateral (in particular property charges, guarantees and warranties, pledging and assignment of receivables and securities positions, register charges for ships and aircraft) in the Foundation Approach for internal ratings. The Collateral Management System provides its data resources to the central risk data pool, which in turn verifies and distributes the assets eligible as collateral to the risk positions secured.

### Country risks

The country risk consists of transfer, conversion and event risks (such as delivery risks). Helaba's method for the internal measurement and allocation of country risks focuses 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 Helaba Asset Services, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG, are included 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 2014, utilisation was less than three times the liable capital.

Country limits are defined for all countries apart from a handful of euro zone countries and certain other countries considered to be first-class borrowers in respect, in particular, of transfer risks (currently Switzerland, the UK, the USA, Denmark, Sweden and Norway). 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. A country's rating will also be reviewed on an ad-hoc basis before the end of the year in the event of changes to its political or economic situation. The business units responsible for international transactions submit country limit proposals to the Country Limit Committee, on which the executive managers responsible for international business sit, based on these country ratings. The Country Limit Committee combines these proposals, which are founded primarily on economic criteria, with business policy and risk methodology considerations specific to the Bank to produce an overall assessment, on the basis of which Credit Risk Management then issues a definitive limit proposal for the Credit Committee of the Board of Managing Directors. Limits for the individual countries are ultimately defined by the Credit Committee of the Board of Managing Directors taking account of the opinions submitted and the risk group assignment.

The types of transactions permitted in each of the country risk groups are laid down in a matrix. This matrix covers the various forms of capital market finance, money market and foreign exchange transactions and derivatives trading as well as lending and securities business, depending on the risk group. Less favourable risk groups offer fewer business opportunities. The Bank has no defined country limits for countries falling into the weakest rating categories.

The transfer, conversion and event risks of Helaba Bank from loans issued to borrowers based outside Germany amounted to € 41.1 bn (2013: € 41.1 bn), most of which was accounted for by borrowers in Europe (82.2%) and North America (14.7%). As at 31 December 2014, 91.0% (2013: 91.6%) of these risks were assigned to country rating classes 0 and 1 and a further 7.9% (2013: 6.8%) came from rating categories 2–9. Just 0.2% (2013: 0.3%) fell into rating categories of 14 or poorer.

### Exposure in selected European countries

Helaba's net exposure to borrowers in GIIPS countries across the narrow Group companies amounted as at 31 December 2014 to € 4.4 bn (2013: € 5.2 bn). This figure breaks down as shown in the table on the next page.

in € m

	Country					
	Greece		Ireland		Italy	
	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014
Country rating internal (LCR)	23	20	8	7	11	10
Country rating external (S&P/Moody's)	B-/Caa3	B/Caa1	BBB+/Ba1	A/Baa1	BBB/Baa2	BBB-/Baa2
<b>Sector</b>						
Government	0	0	0	0	260	70
Banks/Other financial institutions	3	1	15	2	886	680
Corporates	177	177	274	258	213	208
Other (inc. natural persons)	0	0	4	5	34	30
<b>Direct gross exposure</b>	<b>180</b>	<b>178</b>	<b>294</b>	<b>265</b>	<b>1,393</b>	<b>988</b>
Less collateral	-177	-177	-121	-122	-71	-76
<b>Direct net exposure</b>	<b>3</b>	<b>1</b>	<b>173</b>	<b>144</b>	<b>1,322</b>	<b>912</b>

in € m

	Country			
	Portugal		Spain	
	31.12.2013	31.12.2014	31.12.2013	31.12.2014
Country rating internal (LCR)	14	13	11	10
Country rating external (S&P/Moody's)	BB/Ba3	BB/Ba1	BBB-/Baa3	BBB/Baa2
<b>Sector</b>				
Government	3	0	1,059	749
Banks/Other financial institutions	22	4	1,308	1,445
Corporates	34	19	1,256	1,193
Other (inc. natural persons)	4	3	111	103
<b>Direct gross exposure</b>	<b>63</b>	<b>26</b>	<b>3,734</b>	<b>3,490</b>
Less collateral	0	0	-67	-149
<b>Direct net exposure</b>	<b>63</b>	<b>26</b>	<b>3,667</b>	<b>3,341</b>

Total net exposure to borrowers in Cyprus, Malta, the Russian Federation, Slovakia and Slovenia as at 31 December 2014 amounted to € 0.5 bn, of which the Russian Federation and Slovakia each accounted for € 0.2 bn (2013: € 0.4 bn, of which € 0.2 bn for the Russian Federation and € 0.1 bn for Slovakia). There was no net exposure to borrowers in Ukraine as at 31 December 2014.

### 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, monitor and contain risks in lending business.

The Board of Managing Directors has defined the main requirements of business policy regarding structural and procedural organisation in lending business in separate general conditions for lending business.

### Approval procedure

The approval procedure followed by the Bank ensures that no credit risks are entered into without prior approval. The rules of

procedure for the Board of Managing Directors state that loans above a certain value require the approval of the Supervisory Board or of one of its committees. Commitments in amounts below this value are approved at different authorising levels (Board of Managing Directors, 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 Credit Risk Management unit.

The procedure also takes account of the concentration limits derived from the Bank's risk-bearing capacity, which place an additional limit on exposures in line with the default rating category of the economic borrower unit. 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 global limit system, which aggregates all loans (limits and utilisations) extended by the narrow Group companies for each borrower unit.

### Quantifying default risks

Expected and unexpected default risks are quantified using the central risk data pool. 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. Internal containment additionally involves differentiated quantification of unexpected losses from default risks with reference to LGD parameters estimated internally. The expected and unexpected losses quantified in this way are assessed against various scenarios to determine the impact of corresponding stress situations.

The base scenario of the risk-bearing capacity calculation shows an economic risk exposure of € 750 m (2013: € 806 m) for the Group from default risks. The reduction in 2014 stems essentially from adjustments to methodology for certain portfolios.

### Allowance for losses on loans and advances

An appropriate allowance for losses on loans and advances is created for default risks. The adequacy of the allowance is reviewed regularly and adjustments are made where necessary. Specific loan loss allowances are recorded and updated in the credit loss database.

### Equity risks

The equity risks 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 in line with their gravity and the options afforded under company law. 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 Board of Managing Directors and the Risk and Credit Committee of the Supervisory Board (until 31 December 2013: the Credit Committee of the Supervisory Board).

The composition of the equity investments portfolio is virtually unchanged from year-end 2013. The base scenario of the going-concern approach for the risk-bearing capacity calculation

shows an economic risk exposure of € 11 m for the Group from equity risks (2013: € 30 m). This reduced risk exposure in part reflects improved ratings and disposals of equity investments.

## Market Price Risks

### Risk containment

Helaba manages market price 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 price 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 price 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 Asset/Liability Management 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 Asset/Liability Management unit.

### Limitation of market price risks

Helaba employs a uniform limit structure to limit market price risks. The process through which limits are allocated involves the Supervisory Board Credit Committee as well as the Bank's internal corporate bodies. The cumulative limit defined for market price risks, which is proposed by the Board of Managing Directors on the basis of the Bank's risk-bearing capacity, must be approved by the Supervisory Board Credit Committee. The preparatory work leading up to this decision is carried out by the Risk Committee.

Acting through the Asset/Liability Management Committee, the Risk Committee allocates limits to the risk-incurring business units and the various types of market price risk within the scope of the defined cumulative limit for market price 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 price risks.

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

no limit violations at the main trading book and banking book aggregation stages (both Bank and Group) or for the individual market price risk types.

### Risk monitoring

The Risk Controlling unit is responsible for identifying, quantifying and monitoring market price risks. This responsibility includes checking transactions for market conformity and determining the economic profit or loss as well as risk measurement. 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 price 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 measurement, accounting and reporting before they can gain authorisation.

A comprehensive reporting regime ensures that the relevant members of the Board of Managing Directors 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 Board of Managing Directors 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 price risks

Market price risks are quantified using a money-at-risk approach backed up by stress tests, 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 at Helaba for each of the various types of market price 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.

Chart 3 contains a reporting date assessment of the market price risks (including correlation effects between the portfolios) taken on as at the end of 2014 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market price risk types. Rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 70% (2013: 83%) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions for 22% (2013: 11%). 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, Swiss franc, Japanese yen and sterling positions. The residual risk, which indicator was introduced in 2013, amounts to € 23 m for the Group (2013: € 27 m). The incremental risk in the trading book amounts, with a time horizon of one year and a confidence level of 99.9%, to € 192 m (2013: € 171 m). The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 273 m (2013: € 350 m) for the Group from market price risks. The reductions in this figure and the linear interest rate risk are largely the result of lower euro interest rates.

### Group MaR by risk type at year-end

Chart 3

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Total</b>	<b>45</b>	<b>83</b>	<b>30</b>	<b>65</b>	<b>1</b>	<b>2</b>	<b>14</b>	<b>16</b>
Trading book	11	28	10	26	0	0	1	1
Banking book	36	66	22	48	1	2	13	15

All 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. The temporary use of the risk measurement systems of Portigon AG ceased as planned in the second quarter of 2014 following the completion of the process to migrate to Helaba's systems the positions associated with the acquisition of NRW-Verbundbank.

#### Internal model in accordance with the Capital Requirements Regulation (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 MaRC<sup>2</sup> (linear interest rate risk) and ELLI (interest option risk), has been approved by the banking regulator.

#### Market price risks in the trading book

All market price risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba also uses the parameters prescribed by the regulatory authorities for internal risk management. Chart 4 shows the MaR for the trading book (Helaba Bank) for the 2014 financial year. The average MaR for 2014 as a whole amounted to € 18 m (2013: € 33 m), the maximum MaR was € 32 m (2013: € 44 m) and the minimum MaR was € 11 m (2013: € 26 m). The lower level of risk as compared with 2013 is largely attributable to the further fall in interest rates in 2014.

#### Daily MaR of the trading book in financial year 2014

Chart 4



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 it is possible to measure risk not just centrally at headquarters, but also locally at the sites.

Chart 5 shows the average daily MaR amounts for the trading book.

#### Average MaR for the trading book in financial year 2014

Chart 5

ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Interest rate risk	25	29	17	28	13	36	12	27	17	30
Currency risk	0	1	0	2	0	1	0	0	0	1
Equities risk	1	2	1	2	1	1	1	1	1	2
<b>Total risk</b>	<b>26</b>	<b>32</b>	<b>18</b>	<b>32</b>	<b>15</b>	<b>38</b>	<b>13</b>	<b>28</b>	<b>18</b>	<b>33</b>

Number of trading days: 249 (2013: 249)

The annual average MaR for the trading book for Frankfurter Sparkasse amounts to € 0 m (2013: € 0 m). The average MaR for the trading book for Frankfurter Bankgesellschaft (Schweiz) AG is € 0 m (2013: € 0 m).

#### Back-testing

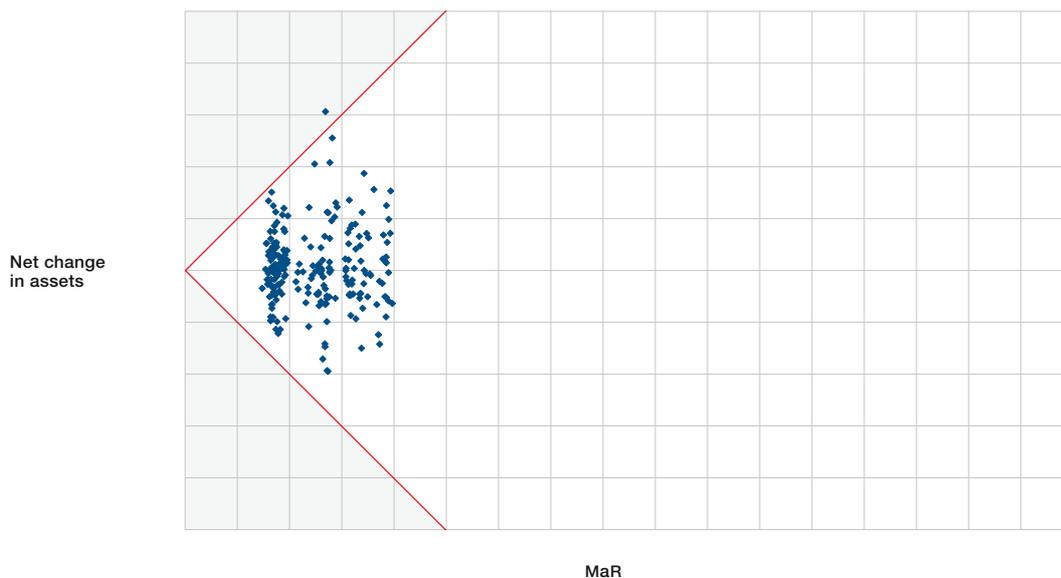
Helaba carries out clean back-testing daily for all market price risk types to check the forecasting quality of the risk models. This involves determining the MaR figure for a holding period of one trading day with a one-tailed confidence level of 99% and a historical observation period of one year. 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 6 shows the back-testing results of the Helaba risk models for the trading book across all types of market price risk in financial year 2014. No negative outliers occurred (2013: no negative outliers).

#### Back-testing for the trading book in financial year 2014

Chart 6



The internal model for the general interest rate risk, which consists of the model components MaRC<sup>2</sup> and ELLI, produced no negative outliers in 2014 (2013: no negative outliers). Helaba similarly recorded no outliers in its daily dirty back-testing, which involves comparing the forecast risk figure with the actual change in value (2013: 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 measurement 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 price risk reporting to the Board of Managing Directors 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 price risks are supplemented by inverse stress tests and stress tests across risk types conducted in the course of Helaba's calculation of risk-bearing capacity.

#### **Market price risks in the banking book**

Helaba employs the MaR approach used for the trading book to map the market price risks in the banking book. The risk figures calculated using this approach are supplemented with maturity gap analyses calculated daily, 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 daily risk measurement 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 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 2014, such an interest rate shock would, in the unfavourable scenario, result in a negative change in value of € 234 m in the Helaba Group banking book (2013: € 252 m). Of this figure, € 215 m (2013: € 233 m) is attributable to local currency and € 19 m (2013: € 19 m) to foreign currencies. Helaba carries out an interest rate shock test at least once every quarter.

#### **Performance measurement**

The Bank carries out risk-return comparisons at regular intervals in order to assess the performance of individual organisational units. These comparisons calculate the ratio of the performance achieved to the average MaR. 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 offices.

#### **Liquidity Risks**

Ensuring liquidity is a top priority at Helaba, which accordingly employs a comprehensive set of constantly evolving tools to record, contain and monitor liquidity risks. The processes, tools and responsibilities in place for managing liquidity risks have clearly demonstrated their value 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 once again fully assured at all times in 2014.

The Helaba Group operates a local containment and monitoring policy for liquidity risks under which each company has responsibility for ensuring its own solvency. The corresponding conditions are agreed with Helaba. The subsidiaries falling within the narrow Group companies report their liquidity risks regularly to Helaba as part of group-wide risk management using methods based on Helaba's own.

#### **Liquidity and funding risk**

The Bank draws a distinction in liquidity risk management between short-term and structural liquidity management. Overall responsibility lies with the Asset/Liability Management unit. Money market staff safeguard the day-to-day solvency of the Bank, while the Asset/Liability Management unit is responsible for funding new lending business (maintaining the balanced medium- and long-term liquidity structure) in the context of structural liquidity management. Asset/Liability Management is also responsible for the central management of liquid securities for the purposes both of the regulatory liquidity cushion for liquidity coverage ratio (LCR) compliance and of collateral management. Cost allocation is governed by a liquidity transfer pricing system.

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 Helaba and broader market influences. Inverse stress tests are also conducted. Additional ad-hoc reporting and decision-making processes for extreme market situations are in place.

### Short-term liquidity risk

Helaba maintains a highly liquid portfolio of securities 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, determined daily, which compares expected liquidity requirements for the next 250 trading days against the available liquidity from the liquid securities portfolio. The available liquidity is established conservatively taking account of markdowns so that unexpected market developments affecting individual securities can also be considered. Securities that are used for collateral purposes in collateral management and are thus earmarked for a specific purpose are not considered to be part of the liquid securities portfolio. The main currencies for short-term liquidity at Helaba are the euro, first and foremost, and the US dollar.

Helaba has been authorised by BaFin to use its own liquidity risk measurement and management procedure in accordance with Section 10 of the German Regulation on the Liquidity of Institutions (Liquiditätsverordnung – LiqV). This enables it to use its own method for establishing its short-term liquidity status for regulatory reporting rather than the monthly notification required under the LiqV standard method. Residual positions serviced by Portigon AG in connection with the acquisition of NRW-Verbandbank were subject to the LiqV standard method, backed up with additional stress tests, until transferred to Helaba's IT systems in the second quarter of 2014. Helaba complied with the liquidity requirements imposed by the banking regulator in full at all times in financial 2014.

The short-term liquidity status concept has been selected to allow various stress scenarios to be mapped. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are 30 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) amounted on the reporting date to 22 % (2013: 30 %). This increases to 29 % (2013: 37 %) if Frankfurter Sparkasse is included. The average utilisation rate in 2014 was 34 % (2013: 41 %).

Money market staff borrow/invest in the money market (inter-bank and customer business, commercial paper) and make use of facilities with the European Central Bank (ECB) in performing the operational cash planning tasks necessary to ensure short-term liquidity.

Helaba continued in financial year 2014 with a project to effect compliance with the regulatory liquidity requirements as set out in Basel III and the CRR in parallel with its own internal short-term liquidity management. The indicators – liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) –

are determined as part of liquidity management. The LCR exceeded the minimum limit of 60 % of relevance for regulatory purposes from 1 October 2015 for all monthly reference dates.

Off-balance sheet loan and liquidity commitments, which are maintained in a central database, are reviewed regularly with regard to their drawing potential and features of relevance to liquidity and are integrated into liquidity management. US public finance business and the securitisation platform initiated by Helaba are also included here. Guarantees and warranties are similarly reviewed. Liquidity costs are calculated and allocated to the relevant specialist units as a function of the internal risk classification. Helaba determines and plans the liquidity to be held available using a scenario calculation that includes a market disturbance. Back-testing investigations have shown that the liquidity maintained has exceeded the liquidity actually drawn at all times during the recent years of the financial market crisis.

A total of € 1.2 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents a reduction of € 0.8 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 2013).

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

The Asset/Liability Management unit manages the liquidity risks in Helaba's commercial banking activities, which consist essentially of lending business including floating-interest roll-over transactions, securities held for liquidity investment purposes and medium- and long-term financing, via the central asset/liability management system. This aspect is managed on the basis of cash-flow-oriented liquidity outflow schedules, with limited matching liquidity. Responsibility for monitoring rests with the Risk Controlling unit. The funding matrix at year-end shows an aggregate funding requirement across all currencies and locations of € 6.6 bn set against a limit of € 12.5 bn (2013: € 0.9 bn). The main objective of liquidity management is to ensure that the transactions concluded deliver the anticipated return.

The major aim of funding management (procurement of funds) is to avoid cost risks in connection with the procurement of medium- and long-term borrowed funds and to limit dependence on short-term funding capital. Structural liquidity short-

ages are avoided by pursuing funding arrangements that offer matching maturities as far as possible and by diversifying the sources of funding (in terms of products, markets and investors). Any liquidity shortfalls or surpluses arising are funded or invested temporarily on a short-term basis.

#### **Market liquidity risk**

The market liquidity risk is assessed in the MaR model for market price risks. The very model itself is conservative in its approach to the liquidity risk with its assumption of a holding period of ten days. Monthly scenario calculations using a variety of holding periods are also carried out to track the risk of inadequate market liquidity. The scaled MaR suggests no significant market liquidity risk as at 31 December 2014. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

#### **Definition of risk tolerance**

The Board of Managing Directors defines the risk tolerance for the liquidity risk at least annually. This covers the limit applicable for short-term and structural liquidity 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 for all locations.

### **Operational Risk**

#### **Principles of risk containment**

Helaba defines operational risk – in line with the capital regulations – as, “The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events”. This definition includes legal risks. Strategic and reputation risks are not included under operational risk. Helaba identifies, measures and contains operational risks using an integrated management approach introduced for this purpose in accordance with the regulatory requirements.

The approach taken by Helaba provides for the disciplinary and organisational segregation of operational risk management and controlling. Risk management is accordingly a local responsibility discharged by Helaba’s individual units, which are supported in this task by central containment units. Central responsibility for operational risk controlling rests with the Risk Controlling unit.

#### **Tools**

Helaba has been using the standardised method to calculate its capital backing since 2007.

Operational risks are contained and monitored using a risk management system that identifies, records and presents risks and losses in a structured manner. This makes it possible to compare and cross-check risks and loss data systematically and contain them with appropriate measures.

Operational risks are classified systematically with reference to Helaba’s risk model, which is based exclusively on the Basel event categories. The view of risk used for internal risk assessment purposes is thus fully congruent with that of the regulator. The quantification methodology was expanded significantly in 2014 and is now based entirely on a modelling approach that encompasses internal and external losses plus risk scenarios created by the business units and plausibility-checked by the Risk Controlling unit.

Technical assistance to help facilitate the management of operational risks is provided in the form of a web-based application that supports local data access and a central database and is updated regularly in line with expert recommendations.

Operational risks are avoided or limited using insurance arrangements that cover specific losses up to agreed maximum limits and also by means of established measures in internal processes and other workflows.

#### **Risk monitoring**

The risk reporting system keeps the bodies responsible, the Risk Committee and the units responsible for risk management at the local level informed of the risk situation and any losses incurred.

Chart 7 on the next page shows the risk profile of the narrow Group companies and additional subsidiaries for the year 2014:

**Expected loss as of 31 December 2014 by loss event**

Chart 7

in %



The expected loss amounted to € 36 m (2013: € 28 m) as at 31 December 2014 and results from an adjusted risk evaluation.

The Bank's overall risk profile is updated as part of an annual review. The risk profiles of the subsidiaries are added to create the Group risk profile. The integration of NRW-Verbundbank was completed in 2014.

Losses attributable to operational risks that have materialised are reported regularly at the local level by Helaba's specialist units. The subsidiaries submit reports concerning losses incurred, in principle on a quarterly basis, and these enable the losses situation in the Group to be presented. External losses from the VÖB data syndicate are added to the loss data pool for internal containment purposes.

**Quantification**

Operational risks are quantified for internal containment purposes on the basis of the quantitative risk assessments from the units. Helaba conducts a quantification process for unexpected losses as well as estimating expected losses. The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an unexpected loss (economic risk exposure) of € 97 m (2013: € 138 m) for the Group from operational risks. This reduction stems from an adjustment to the quantification model methodology.

**Documentation system**

Helaba's documentation system complies with the requirements imposed by the MaRisk, which lay down details of the due and proper organisation of business plus internal control procedures and precautionary security measures relating to the use of electronic data processing.

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

**Legal risks**

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

The legal aspects of major undertakings are coordinated with the 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 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 Legal Services.

The Legal Services unit drafts agreements, general business conditions and other relevant legal declarations as part of its legal consulting support services in co-operation with the other units of the Bank. The 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 the Bank 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 the Bank.

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

#### **Outsourcing risks**

Risks associated with significant outsourcing arrangements, which are linked to the defined objectives of the divisions concerned, can arise in any unit that has outsourced services. The office responsible for the outsourcing arrangement has a duty to monitor service provision by the outsourcing company continuously on the basis of reports and to report to the relevant Dezerent (board member) in order to limit the risks associated with outsourcing. The nature of these activities depends on the significance of the outsourcing arrangement. The Organisation and Information Technology unit maintains a directory of all implemented insourcing and outsourcing transactions in its capacity as the central authority and compiles the changes that have occurred with regard to existing insourcing and outsourcing arrangements as part of an annual quality assurance exercise.

Risks attributable to insourcing arrangements that arise in connection with activities taken on by Helaba from a third party are treated analogously.

#### **Information security, IT risk management and business continuity management**

Helaba's defined information security strategies and regulations provide the basis for an appropriate internal controlling process and for the secure use of electronic data processing. The level of information security maintained and the extent to which it is appropriate given the applicable circumstances are monitored and adapted continuously using an information security management system (ISMS). Key systems are subject to constant surveillance as part of monitoring activities, moreover, and important processes and procedures and key outsourcing arrangements are checked in regular information security audits.

Mandatory information security (IS) guidelines and security policies for application development and IT operation aim to ensure that risks are detected at an early stage and that appropriate measures to minimise these risks are defined and implemented. These documents are the subject of continuous ongoing development. Helaba also actively manages IT risks (as a component of the operational risk). IT risks and the associated security measures and checks are reviewed, periodically and on an ad-hoc basis, monitored, contained and reported. The Bank thus takes proper account of all three aspects of information security – availability, integrity and confidenti-

ality – in order to avoid any detrimental impact on its ability to operate.

Helaba's units and branch offices have drawn up outage and business continuity plans for the critical business processes as part of the emergency back-up system. These business continuity plans ensure restart, proper emergency operation and restoration of normal operation. Tests and exercises are conducted to verify their effectiveness and they are updated and enhanced on a regular basis.

The Service Level Agreements concluded for the IT services outsourced to external service providers (Finanz Informatik and Finanz Informatik Technologie Service for application and data centre operation and HP for desktop services) contain provisions relating to preventive measures and measures to limit risks. The documented procedures for safeguarding operation and the technical restoration of data processing are tested regularly together with specialist units of Helaba.

#### **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. Helaba'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 are the Bank (Germany), the branch offices outside Germany, LBS and WIBank.

Helaba's Accounting and Taxes unit consolidates the partial financial statements from the reporting units to produce the single entity financial statements under HGB. Accounting and Taxes also analyses and prepares the closing data and communicates it to the Board of Managing Directors.

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 controls and reconciliations,
- process documentation and
- 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)/generally accepted accounting principles in computer-assisted accounting systems (GoBS).

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 manuals for HGB and IFRS define stipulations for the accounting methods to be used. Rules concerning organisational factors and the preparation process are included in addition to the stipulations on approach, measurement, reporting and disclosure requirements. 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. Employees are able to access accounting manuals and work instructions at any time via the Bank'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. The figures are discussed regularly with the Board of Managing Directors following this preliminary analysis and validation.

## Taxes

The Taxes department, which forms part of the Accounting and Taxes unit, is responsible for tasks relating to the taxation of the Bank in Germany and of selected subsidiaries. The tax affairs of the international branch offices and the other units of the Group are handled locally. Key developments and outcomes are included in the reports to the Taxes department for the purposes of centralised financial statement preparation. External tax advice services are used as required and, in principle, for the tax return of the foreign units. Tax law developments in Germany and abroad are monitored constantly and their impact on the Bank and subsidiaries is analysed. Any necessary measures are initiated by the Taxes department or in consultation with the Taxes department and in this way tax risks are either avoided or covered by appropriate provisions on the balance sheet.

## Business Risk

The business risk is the potential economic loss attributable to possible changes in customer behaviour, in competitive conditions in the market or in general economic conditions. Damage to Helaba's reputation could also trigger a change in customer behaviour.

The reputation risk involves the possibility of a deterioration in Helaba's public reputation in respect of its competence, integrity and trustworthiness as a result of perceptions of the individuals having a business or other relationship with the Bank. The material consequences of reputation risks impact on the business and liquidity risk and are accordingly considered under these two risk types. The necessary capital requirements for the calculation of risk-bearing capacity are maintained via the business risk. The short-term liquidity risk takes into account any liquidity squeezes resulting from a loss of reputation.

Operational and strategic risk containment is the responsibility of the Bank's front office units and the management of the respective equity investments. The Risk Controlling unit analyses the development of business risks and is responsible for quarterly risk reporting to the Risk Committee of the Board of Managing Directors.

Business risks increased by € 13 m to € 156 m in the year to 31 December 2014.

## Real Estate Risks

Real estate risks comprise 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.

Risks from fluctuations in market values currently arise in particular for the portfolio properties of the GWH Group (GWH Wohnungsgesellschaft mbH Hessen) and properties owned by Helaba. Risks in project development business, which are associated with deadline, quality, cost and marketing factors, arise in particular in the operationally independent subsidiaries of the OFB Group (OFB Projektentwicklung GmbH) and the GWH Group (in its real estate development business) and also in real estate project companies held directly or indirectly by Helaba.

Direct containment at the operationally independent subsidiaries is the responsibility of the management at the subsidiary. There are two aspects to the containment of real estate risks:

- operational – the responsibility of management at each of the Group companies concerned
- strategic – the responsibility of the supervisory bodies of the Group companies and the Real Estate Management unit.

The Real Estate Management unit is responsible for risk containment in respect of the directly and indirectly held real estate project companies, and of Helaba's own real estate portfolio. Risk monitoring is performed by the Risk Controlling and Real Estate Management units.

Project risks are contained with reference to the opportunity and risk overview prepared every quarter to identify and track future non-budgeted project opportunities and risks, which establishes opportunities and cost, earnings and other risks in a structured process and evaluates both their impact on the budget (in the manner of a risk-bearing capacity analysis) and their probability of occurrence (with reference to specific occurrence scenarios). The Real Estate Management unit assists with the preparation of the opportunity and risk overview and verifies the plausibility of the details. The principal risk controlling tool for containing risks attributable to portfolio properties are the value appraisals commissioned regularly for the portfolio properties and the continuous surveillance of returns from changes in capital values in the relevant markets, broken down by region and type of use.

The Risk Controlling unit analyses the development of risks arising from portfolio properties and from real estate project management business and is responsible for quarterly risk reporting to the Risk Committee of the Board of Managing Directors. The risk situation is also presented as part of operational containment in the meetings of the supervisory body of each Group company.

The risks associated with real estate projects and real estate portfolios rose to € 31 m in 2014 (2013: € 19 m), largely as a result of new project developments. These risks continue to be fully covered by the expected income from this business.

## 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, control and containment 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.

## Report on Expected Developments and Opportunities

### Global economic conditions

In 2015, the main stimulus will come from the industrialised nations, as was the case in 2014. The pace continues to be set by the US economy, which has already gained momentum noticeably. China's growth trend continues to slacken off and the situation in Russia and other oil-exporting countries remains challenging. Growth in the euro zone is finally beginning to gather some pace thanks to the weak euro and low energy prices. However, it would be unreasonable to expect more than a modest improvement. Global economic growth is likely to be around 3 %, as in 2014.

Growth in Germany in 2015 is again likely to be better than in the rest of the euro zone, with output once more rising at close to the 2013 rate of 1.6 %. Domestic demand should be one of the main contributors: capital investment is gradually gaining momentum and there is growing activity in the construction industry. Real incomes and employment will remain on an upward trajectory, enabling consumer spending to make a significant contribution to growth. Foreign trade is benefiting from the weaker euro. Government finances are also likely to be in the black again in 2015 following the small budget surplus in 2014. Tax receipts continue to grow. The differences in growth rates among the countries of the euro zone remain significant. In Ireland and Spain, examples of a successful structural policy, growth rates are likely to be above average. On the other hand, France and Italy were slow to initiate reforms and the pace has been slow. Growth in both of these countries will therefore be below the average for the euro zone in 2015.

As the modest growth continues, accompanied by very low inflation, many central banks will be able to continue their extremely expansionary monetary policies. In contrast, the US Federal Reserve has already discontinued its bond-buying programme and is heading for an initial rise in benchmark rates in mid-2015. In March 2015, the ECB for the first time initiated a comprehensive bond-buying programme with a volume of more than € 1 trillion. This programme is provisionally scheduled to continue until September 2016. Although long-term interest rates in Germany will therefore remain low, the influence of the US bond market is likely to result in a slight rise by the end of the year.

### Opportunities

Helaba has long had a stable and viable strategic business model in place. In the last few years, the Bank has therefore not only been able to overcome the adverse impact from the financial crisis using its own resources and consolidate its market position in its core areas of business, but it has also been able to continuously improve its operating results. The good operating results generated by Helaba have enabled it to service all

subordinated liabilities, profit participation rights and silent participations in full at all times and pay regular dividends. 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 backing. Helaba was able to lift its operating result before taxes year on year despite the persistently low level of interest rates combined with a sharp increase in the structural costs of banking due to changes in the national and international regulatory environment.

Rating agencies Fitch Ratings (Fitch), Standard & Poor's (S&P) and Moody's Investors Service have awarded Helaba ratings of "A+", "A" and "A2" for long-term senior unsecured liabilities and "F-1+", "A-1" and "P-1" for short-term liabilities. 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 continued to enjoy direct access to the funding markets even in the face of the financial market difficulties of recent 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.

The process of consolidation in the Landesbank sector seems likely to continue over the coming years given the prolonged period of pressure on income from the highly competitive environment. Helaba is firmly and permanently established as part of the German Sparkassen organisation by virtue of its ownership structure (88 % of its shares are held by members of the Sparkassen organisation) and its central bank function for 40 % of Sparkassen in Germany. This means that future changes in the sector will give rise to numerous strategic opportunities. Further enhancing its position as a leading S-Group bank for the German Sparkassen is one of Helaba's strategic objectives. The pressure on profitability created by the level of competition in retail banking and exacerbated by the current period of low interest rates will lead to greater task sharing within the S-Group.

The real estate business is one of Helaba's strategic core business areas. It offers almost all products and services along the value chain, including structuring, financing and portfolio management. Long-term customer relationships combined with a sustainable business policy in the carefully selected do-

mestic and international target markets have formed the basis for the growth in new business 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 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.

Export-oriented corporate customers expect their partner bank to offer a range of products that will help them with their international activities. The Bank's institutional roots in the Sparkasse organisation and its extended customer base are enabling Helaba to establish itself as a leading provider of international trade finance and payment transactions in the Sparkassen-Finanzgruppe and lift business volumes and income in this segment. In this regard, the Bank has specified various regions in which it intends to focus. It plans to open a new representative office in Singapore in the first half of 2015.

In terms of the volume of payments processed, Helaba is the second largest payments clearing house in Germany. The Bank is also a leading player in the card processing business with Sparkassen, trade customers and network operators. This market position is enabling Helaba to help determine the necessary course for the future. In the new, fast-growing business areas of e-commerce and m-commerce, Helaba is well-integrated into the overall strategy of the Sparkassen-Finanzgruppe and is working on projects related to web-based payment systems and the Sparkassen S-Wallet. Helaba believes there are good opportunities for developing new areas of business, particularly in connection with its planned value added services and possible sales finance.

Overall, Helaba finds itself well placed to meet the challenges of the future over the long term with its established strategic business model and sees additional development opportunities in the expansion of regional private customers and SME business, S-Group business, public development and infrastructure business, and in the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. Helaba's strategy for profitability aims to bring about further improvements in its sustainable earning power to strengthen its capital base and enhance its enterprise value while maintaining its risk-bearing capacity and taking account of the changes in the regulatory environment and marked increase in the structural costs of banking.

Helaba's medium-term business and income planning accordingly aims to adjust its portfolios in the core business areas over the next few years in order to refine and sharpen the focus of its strategic business model and stabilise income growth. These adjustments are intended

- to align activities even more closely with the needs of customer and S-Group business and hence with Helaba's strong presence in the real economy,
- to create a strong regional focus on Germany and neighbouring European core countries while maintaining the branch offices in London, New York and Paris in order to safeguard the depth of service for customer and S-Group business and to secure access to the funding markets, especially for the US dollar and sterling,
- to comprehensively streamline processes and resources,
- to achieve a moderate business-led increase in risk-weighted assets in line with the target capital ratios set out in the equity strategy.

#### **Probable development of the Bank**

Given the strong regional focus of the business model, the key parameters determining the expected performance of Helaba in 2015 are the economic forecasts for Germany and western Europe as a whole. Nevertheless, the business model also has a sharp customer focus and this forms the basis for generating steady operating income, even when interest rates are low and exchange rates are volatile.

In real estate lending business in Germany, Helaba expects a stable market environment accompanied by fierce competition again in 2015. Internationally, Helaba continues to concentrate on stable, high-revenue markets. The volume of new medium-/long-term lending business is budgeted to be around 20% down on the previous year to € 7.5 bn in 2015. Taking into account anticipated redemptions, this new business will lead to a slight increase in loans and advances to customers with the result that income is expected to be 2% higher.

In corporate finance, demand for credit is expected to remain subdued in 2015 despite the economic upturn and the market will be highly competitive. The volume of new medium-/long-term lending business is therefore budgeted to be around 14% down on 2014 to € 3.9 bn in 2015. Factoring in the expected redemptions, Helaba is forecasting a slight rise in the loans and advances to customers. Based on this growth in the portfolio and a greater level of international trade business with corporate customers, income is expected to rise by 4%.

Municipal lending business in Germany will again be influenced by the debate surrounding public-sector debt in 2015. The volume of medium-/long-term lending business entered into with this customer group is budgeted to be € 1.0 bn in 2015, which is the same level as in 2014. Business with foreign financial and public-sector institutions will continue to be conducted only on a selective basis in 2015. The volume of new medium-/long-term lending business entered into with this

customer group is budgeted at € 0.3 bn for 2015. Total loans and advances are expected to contract in 2015 because of the high level of maturities. However, income will remain flat, given a rise in average margins.

Earnings from capital market operations are expected to continue to return to normal levels in 2015, accompanied by a decline in trading assets. Despite the low interest rates, it is anticipated that further expansion in customer-driven capital market activities will help to support these earnings. Helaba is planning to gain market share in all customer segments. At the same time, the Bank will continue to strengthen the primary market business as a key driver in this area of activity.

In the Private Customers and SME Business unit, collaboration in S-Group business with the Sparkassen in the core business region of Hesse and Thuringia will be continued within the framework of the S-Group Concept. Helaba will continue to step up its collaboration in North Rhine-Westphalia and at a wider level by continuously improving its product range and by implementing appropriate sales and marketing initiatives. The expansion of the international offering for the Sparkassen will be continued in 2015. Sales activities are being undertaken with the involvement of the subsidiaries Helaba Invest Kapitalanlagegesellschaft mbH and Frankfurter Bankgesellschaft (Schweiz) AG. On this basis, Helaba is once again expecting to generate an increase in income in the S-Group business of more than 10% overall in 2015.

In cash management, the low interest income due to the low level of interest rates is already largely compensated by higher fees and commissions. The Bank is anticipating a rise in income of around 12% in 2015 based on the consolidation of its market position.

Helaba's Public Development and Infrastructure Business unit performs public development functions for the State of Hesse, most notably in the areas of residential construction and urban development, infrastructure, industry and commerce, agriculture and the environment, through WIBank. Key features of operations in this unit in 2015 will be the further expansion of the development business and the system changeovers that will be necessary in connection with the start of the new EU development period. New business in 2015 is likely to comprise loans of around € 1.5 bn (2014: € 1.4 bn) and an unchanged level of trust grants at € 0.7 bn. Income is expected to grow slightly in 2015 as a result of the rising volume of business, although some of the benefit from this growth will be offset by higher administrative expenses. Overall, WIBank will probably generate a modest increase in its operating result.

The total volume of new medium-/long-term lending business is budgeted to be around 13% down on the previous year to € 15.0 bn in 2015. When anticipated maturities and flat growth in new short-term-maturity business are taken into account, loans and advances to customers are likely to rise by around 3% in 2015. Given the static budgets for interest income from equity investments and other components of the operating result, this produces in a slight rise in net interest income.

Net fee and commission income is budgeted to increase by around 15%, based on continuous expansion of customer business in cash management and in the S-Group bank business.

Again in 2015, net trading income will be significantly influenced by the customer-driven capital market business. Helaba is not expecting 2015 to bring a further narrowing of credit spreads or more adverse impact from write-downs on derivatives as a consequence of the low interest rates. Overall, net trading income is likely to rise by 8% year on year.

Within other net operating income/expense, the operating buildings income and expenses have been budgeted at the level of 2014. The balance of other operating income and expense is expected to remain a significant net expense because, once again in 2015, a fall in the discount rate is likely to result in an above-average interest cost for unwinding the discount on pension provisions. Provisions for the Helaba PRO restructuring project and other provisions have only been budgeted at approximately € 5 m for 2015, significantly below the level in 2014.

The Bank is planning to hold the headcount at broadly the same level in 2015. An increase in the number of posts on a selective basis will be offset by initial job cuts as part of the implementation of the Bank's programme to improve efficiency and fine-tune resources. A significant impact from this programme is not expected to materialise until 2016 and thereafter. Personnel expenses will rise in 2015 as a result of a pay scale increase of approximately 2%.

There is a significant year-on-year reduction of € 44 m in the budgeted non-personnel operating expenses for 2015. Nevertheless, a sustained high level of project costs related to ensuring compliance with regulatory requirements and the structural costs of banking will continue to be reflected in the non-personnel operating expenses in 2015. These costs also include rising regulatory cost allocations and the inclusion of a higher bank levy. On the other side of the equation, there is an impact from the elimination of the servicing fee that had to be paid up to 30 June 2014 for the operation of S-Group bank business on Portigon AG's IT platform.

The cost-income ratio is expected to fall to below 60 % in 2015.

As in 2014, the allowance for losses on loans and advances in 2015 will be shaped by trends in some market segments and in individual exposures (shipping, renewable energies, real estate). Against this backdrop, Helaba predicts that the allowance for losses on loans and advances in 2015 will be at the level recognised in 2014. There are no plans to generate systematic contributions to the operating result in 2015 from the sale of securities.

Overall, the Bank estimates that the operating result before taxes for 2015 will be significantly higher than the figure achieved in 2014.

The Bank's aim for 2016 is to continue developing its business divisions while systematically increasing income from customer business. At the same time, it will achieve a sustained reduction in costs by implementing the cost-cutting programme. Overall, Helaba plans to lift earnings over the medium term.

Risks to the Bank's earnings performance stem from the sustained high level of indebtedness in national and international public-sector institutions. Negative developments in individual market segments cannot be ruled out even if the economic trend is robust overall. The Bank is assuming that the low interest rates will continue and the euro will remain weak. Risks then arise if interest rates become even lower or the value of the euro deteriorates even further. On the expenses side, implementing cost management in order

to control the rising structural costs of banking poses the biggest challenge. There is then a particular risk to the Bank if the costs turn out to be higher than the budgeted figures when the specific details of the various regulatory measures have been decided.

#### **Overall assessment**

In the 2014 financial year, Helaba managed to increase its operating result before taxes by € 12 m to € 373 m, an increase of 3.3 %. The key factors behind this earnings growth were an increase in the net fee and commission income, a decrease in the allowance for losses on loans and advances and – following completion of the integration of NRW-Verbundbank – a decline in general and administrative expenses, the falling costs more than making up for the market-related drop in net trading income.

Despite the multitude of regulatory requirements, Helaba's strategic business model, which is geared to the requirements of the real economy and the needs of the S-Group, means that the Bank is well placed to meet the challenges of the future over the long term. Helaba believes there are further growth opportunities to be derived from expansion of the S-Group and customer business, from an increase in public development and infrastructure business, and from the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. Helaba's strategy for profitability aims to safeguard the Bank's long-term earning power and stabilise its enterprise value while maintaining its risk-bearing capacity and taking account of the increase in banking structural costs as a result of regulatory requirements.

Frankfurt am Main/Erfurt, 27 February 2015

#### **Landesbank Hessen-Thüringen Girozentrale**

The Board of Managing Directors

Brenner	Fenk	Groß	Dr. Hosemann
Krick	Mulfinger	Dr. Schraad	

Annual Accounts of  
Landesbank Hessen-Thüringen

# Balance Sheet of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt,

as at 31 December 2014

## Assets

in € thousands

See note no.				2014	2013
<b>Cash reserve</b>					
a) Cash in hand			6,935		8,025
b) Balances with central banks			699,093		1,421,549
				<b>706,028</b>	<b>1,429,574</b>
thereof: With Deutsche Bundesbank	196,198				(313,963)
<b>Loans and advances to banks</b> (2), (32), (43)					
a) Mortgage loans			–		2,064
b) Municipal loans			12,080,513		13,610,117
c) Other loans and advances			4,283,604		9,318,727
				<b>16,364,117</b>	<b>22,930,908</b>
thereof:					
Payable on demand	1,170,835				6,372,027
Against securities pledged as collateral	–				
thereof: Bausparkasse home savings loans	–				–
<b>Loans and advances to customers</b> (3), (32), (43)				<b>80,801,893</b>	<b>80,795,564</b>
a) Mortgage loans			16,885,466		14,937,628
b) Municipal loans			24,149,672		25,416,404
c) Other loans and advances			38,917,677		39,569,921
thereof: Against securities pledged as collateral	–				
d) Bausparkasse building loans					
da) From allocations (home savings loans)		306,388			368,671
db) For interim and bridge-over financing		537,977			497,979
dc) Other		4,713			4,962
			849,078		871,611
thereof: Secured by mortgage charges	530,250				(554,863)
<b>Bonds and other fixed-income securities</b> (4)					
a) Money market instruments					
aa) Public-sector issuers			–		–
thereof: Eligible as collateral with Deutsche Bundesbank	–				–
ab) Other issuers		691,204	691,204		–
thereof: Eligible as collateral with Deutsche Bundesbank	–				–
b) Bonds and notes					
ba) Public-sector issuers		5,723,435			6,003,695
thereof: Eligible as collateral with Deutsche Bundesbank	5,557,246				(5,917,174)
bb) Other issuers		10,728,800			9,067,971
thereof: Eligible as collateral with Deutsche Bundesbank	8,856,517		16,452,235		15,071,666
thereof: Eligible as collateral with Deutsche Bundesbank					(8,474,170)
c) Own bonds and notes			–		–
				<b>17,143,439</b>	<b>15,071,666</b>
Nominal amount	–				–
Carried forward:				<b>115,015,477</b>	<b>120,227,712</b>

## Equity and liabilities

in € thousands

See note no.				2014	2013
<b>Liabilities due to banks</b> (15), (18), (43)					
a) Registered mortgage Pfandbriefe issued			10,775		37,477
b) Registered public Pfandbriefe issued			1,156,539		1,213,045
c) Other liabilities			36,389,724		34,862,157
thereof: Payable on demand	6,181,832				(7,975,220)
Provided to lenders as collateral for loans raised:					
Registered mortgage Pfandbriefe	–				
Registered public Pfandbriefe	–				
d) Home savings deposits			28,078		23,261
				<b>37,585,116</b>	<b>36,135,940</b>
thereof: On allocated contracts	5,172				(5,070)
<b>Liabilities due to customers</b> (19), (43)					
a) Registered mortgage Pfandbriefe issued			2,051,360		2,127,400
b) Registered public Pfandbriefe issued			5,135,399		5,476,522
c) Deposits from home savings business and savings deposits					
ca) Home savings deposits		4,098,182			3,837,737
thereof:					
On terminated contracts	38,090				(30,582)
On allocated contracts	78,674				(76,735)
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			0		0
d) Other liabilities			4,098,182		3,837,737
			17,208,224		16,307,207
thereof: Payable on demand	7,518,209				(6,435,205)
Provided to lenders as collateral for loans raised:					
Registered mortgage Pfandbriefe	–				
Registered public Pfandbriefe	–				
<b>Securitised liabilities</b> (20), (31)					
a) Bonds issued					
aa) Mortgage Pfandbriefe		4,110,577			3,389,409
ab) Public Pfandbriefe		14,578,500			11,850,517
ac) Other debt instruments		26,885,051			31,989,129
			45,574,127		47,229,056
b) Other securitised liabilities			2,255,508		1,389,012
				<b>47,829,635</b>	<b>48,618,068</b>
thereof: Money market instruments	2,255,508				(1,389,012)
<b>Trading portfolio</b> (21), (34), (43)				<b>20,240,860</b>	<b>33,819,529</b>
<b>Trust liabilities</b> (22)				<b>877,475</b>	<b>884,795</b>
thereof: Trustee loans	602,290				(608,120)
<b>Other liabilities</b> (23)				<b>1,718,656</b>	<b>671,602</b>
Carried forward:				<b>136,744,907</b>	<b>147,878,800</b>

## Assets

in € thousands

See note no.				2014	2013
Carried forward:				<b>115,015,477</b>	<b>120,227,712</b>
<b>Equity shares and other variable-income securities</b> (5)				<b>2,432,014</b>	<b>2,351,893</b>
<b>Trading portfolio</b> (6), (14), (34), (43)				<b>28,319,624</b>	<b>33,342,342</b>
<b>Equity investments</b> (7), (17), (43)				<b>92,485</b>	<b>237,878</b>
thereof:					
In banks	49,967				(55,019)
In financial services institutions	16,215				(16,215)
<b>Shares in affiliated companies</b> (8), (17), (43)				<b>1,788,291</b>	<b>1,872,572</b>
thereof:					
In banks	855,465				(836,312)
In financial services institutions	-				-
<b>Trust assets</b> (9)				<b>877,475</b>	<b>884,795</b>
thereof: Trustee loans	602,290				(608,120)
<b>Intangible assets</b> (10), (17)					
a) Internally generated industrial rights and similar rights and assets			-		
b) Purchased concessions, industrial property rights and similar rights and licences in such rights and assets			26,365		29,265
c) Goodwill			-		-
d) Prepayments			3,436		171
				<b>29,801</b>	<b>29,436</b>
<b>Property and equipment</b> (11), (17)				<b>55,233</b>	<b>60,073</b>
<b>Other assets</b> (12)				<b>1,324,582</b>	<b>1,433,770</b>
<b>Prepaid expenses</b> (13)					
a) From issuing and lending operations			1,010,097		1,353,726
b) Other			28,191		29,212
				<b>1,038,288</b>	<b>1,382,938</b>
<b>Total assets</b>				<b>150,973,270</b>	<b>161,823,409</b>

## Equity and liabilities

in € thousands

See note no.				2014	2013
Carried forward:				<b>136,744,907</b>	<b>147,878,800</b>
<b>Deferred income</b> (24)					
a) From issuing and lending operations			1,071,657		1,476,756
b) Other			189,400	<b>1,261,056</b>	154,887
					<b>1,631,644</b>
<b>Provisions</b> (25)					
a) Provisions for pensions and similar obligations			780,589		693,690
b) Provisions for taxes			103,435		65,572
c) Other provisions			376,012	<b>1,260,036</b>	328,020
					<b>1,087,282</b>
<b>Home savings protection fund</b>				<b>9,020</b>	<b>9,020</b>
<b>Subordinated liabilities</b> (26)				<b>3,618,829</b>	<b>3,082,009</b>
<b>Profit participation rights</b> (28)				<b>678,000</b>	<b>708,804</b>
thereof: Due within two years		-			(30,804)
<b>Fund for general banking risks</b> (28)				<b>593,925</b>	<b>593,925</b>
thereof: Special reserve under section 340e (4) of the HGB		119,000			(119,000)
<b>Equity</b> (28)					
a) Subscribed capital					
aa) Share capital		588,889			588,889
ab) Capital contribution		1,920,000			1,920,000
ac) Silent partner contributions		953,337			1,053,337
			3,462,226		3,562,226
b) Capital reserves			1,546,412		1,546,412
c) Revenue reserves			1,688,859		1,623,287
d) Net retained profits			110,000	<b>6,807,497</b>	100,000
					<b>6,831,925</b>
<b>Total equity and liabilities</b>				<b>150,973,270</b>	<b>161,823,409</b>
<b>Contingent liabilities</b> (29)					
Liabilities from guarantees and indemnity agreements				<b>5,656,220</b>	<b>5,382,105</b>
<b>Other obligations</b> (30)					
a) Placement and underwriting obligations			2,102,871		1,909,621
b) Irrevocable loan commitments			16,789,051	<b>18,891,922</b>	14,095,588
					<b>16,005,209</b>

# Income Statement of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt,

for the period 1 January to 31 December 2014

in € thousands

See note no.				2014	2013
<b>Interest income from</b> (36)					
a) Lending and money market transactions		3,176,273			3,229,521
thereof: Bausparkasse interest income:					
aa) From home savings loans	14,326				(17,984)
ab) From interim and bridge-over loans	19,403				(19,579)
ac) From other loans	176				(218)
b) Fixed-income securities and registered government debt		234,176			253,729
			3,410,449		3,483,250
<b>Interest expense</b>			2,530,251		2,569,341
thereof: On home savings deposits	76,802				(75,244)
				<b>880,198</b>	913,909
<b>Current income from</b> (36)					
a) Equity shares and other variable-income securities			52,945		26,347
b) Equity investments			2,938		20,412
c) Shares in affiliated companies			50,345		76,374
				<b>106,228</b>	123,133
<b>Income from profit pooling, profit transfer or partial profit transfer agreements</b>				<b>82,594</b>	64,810
<b>Fee and commission income</b> (36), (37)			230,741		218,438
thereof: Bausparkasse fee and commission income:					
a) On contracts signed and arranged	23,592				(22,591)
b) From loans granted after allocation of home savings contract	384				(1,714)
c) From the commitment and administration of interim and bridge-over loans	8				(2)
<b>Fee and commission expense</b>			64,666		63,810
thereof: On Bausparkasse contracts signed and arranged	32,829				(31,038)
				<b>166,075</b>	154,628
<b>Net income of the trading portfolio</b> (36)				<b>161,133</b>	303,035
<b>Other operating income</b> (36), (38)				<b>85,293</b>	92,051
<b>General and administrative expenses</b>					
a) Personnel expenses					
aa) Wages and salaries		303,778			295,336
ab) Social security, post-employment and other benefit expenses		63,786			70,460
thereof: Post-employment benefit expenses	17,796		367,564		365,796
b) Other administrative expenses			464,424		515,487
				<b>831,988</b>	881,283
Carried forward:				<b>2,313,509</b>	2,532,849

in € thousands

See note no.				2014	2013
Carried forward:				<b>2,313,509</b>	2,532,849
Amortisation and write-downs of intangible assets and depreciation and write-downs of property and equipment				<b>18,627</b>	30,447
Other operating expenses (38)				<b>210,662</b>	119,012
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions (39)				<b>101,455</b>	301,535
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				–	–
Write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets				–	1,873
Income from the reversal of write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets				<b>3,277</b>	–
Cost of loss absorption				<b>4</b>	6,851
Additions to the fund for general banking risks				–	50,000
Result from ordinary activities				<b>322,062</b>	260,565
Extraordinary income			–		–
Extraordinary expenses			13,236		13,429
Extraordinary result (40)				<b>13,236</b>	13,429
Taxes on income (41)			131,838		100,732
Other taxes not included in item					
Other operating expenses			1,416		1,210
				<b>133,254</b>	101,942
Net income for the year				<b>175,572</b>	145,194
Retained profits brought forward from previous year				<b>0</b>	17
Allocations to revenue reserves				<b>65,572</b>	45,211
Net retained profits				<b>110,000</b>	100,000

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

Frankfurt am Main/Erfurt, as at 31 December 2014

The annual financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main, a legal entity under public law, 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.

## (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 2014 as were applied in the prior-year annual financial statements. Any changes are explained below.

### 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.

Negative interest (interest income from liabilities or interest expenses on loans and receivables) is presented as interest expense or interest income, as negative interest reduces the

borrowing costs and the investment income. The Bank has recognised an amount of € 1 m.

Specific allowances or provisions have been recognised to take account of all identifiable risks. In addition to the fund for general banking risks shown in the balance sheet in accordance with section 340g of the HGB, global allowances, country risk-specific global allowances and contingency reserves in accordance with section 340f of the HGB have been recognised for potential (credit) risks.

### Securities

The items included under bonds and other fixed-income securities and 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.

Fixed assets comprise residual holdings of securities reclassified in 2008, which were acquired from the subsidiary Helaba Dublin in 2010, and securities added as a result of the acquisition of the S-Group bank of the former WestLB. 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 changes in credit spreads. In line with the requirements of the banking supervisory authority, the risk premiums and discounts are determined in accordance with the provisions of the German Banking Act (Kreditwesengesetz, KWG) for all trading portfolios. The method used to determine the risk discount is based on 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). The risk 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 in the year under review.

In this financial year, the Bank for the first time 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.

### 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 the lower 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.

### 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 (2005G mortality tables of Prof. 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:

	31.12.2014	31.12.2013
Interest rate	4.54 %	4.90 %
Salary trend	2.25 %	2.25 %
Pension trend	1.0–2.25 %	1.0–2.25 %
Employee turnover rate	3.0 %	3.0 %

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 provision expense and interest expense. The provision expense represents the increase in pension obliga-

tions 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.

#### **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). They are normally used for OTC derivatives (including credit derivatives) and financial instruments that are recognised at fair value and not traded in an active market. In cases where not all inputs are directly observable in 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.

#### **Currency translation**

Foreign currency assets and liabilities included in the annual financial statements and spot transactions not settled at the balance sheet date are translated at the average 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 measured. The Bank applies the principle of special cover in accordance with section 340h of the HGB. All currency gains or losses are recognised in the income statement.

#### **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 (hedged) 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 risk in accordance with the principles of IDW BFA (Banking Committee) 3. To determine market price 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 potential losses from the refinancing group – using a periodic (income statement-based) analysis.

Current income 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 254 of the HGB, comprising securities held in the liquidity reserve and the corresponding interest rate swaps entered into for hedging purposes (asset swaps). 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 mainly determined using regression analysis; the critical term match method is used in individual cases. 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 completely by the envisaged end of the valuation units (the time at which the hedged item and the hedging instrument mature).

### 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. The deferred tax assets are mainly attributable to temporary differences from risk provisions not recognised for tax purposes, pension provisions, investments in special funds, prepaid expenses/deferred income and other provisions. The company-specific tax rates were used to measure the deferred taxes. In Germany, the Bank has a combined income tax rate of 31.7 % 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

	31.12.2014	31.12.2013
<b>This item includes:</b>		
Loans and advances to affiliated Sparkassen	10,077	11,106
Loans and advances to affiliated companies	6,174	6,138
Loans and advances to other long-term investees and investors	23	4
<b>The sub-item – other loans and advances – comprises:</b>		
Subordinated loans and advances	50	50
thereof: To other long-term investees and investors	0	1
Payable on demand	1,171	6,372
<b>Remaining maturities:</b>		
Up to three months	9,205	8,835
More than three months and up to one year	1,868	1,034
More than one year and up to five years	2,904	4,995
More than five years	1,217	1,695
Cover funds	2,453	3,499

The decline in loans and advances to banks is mainly attributable to the reduction in the reported amount of pledged collateral of € 5.3 bn, which was offset when netting derivatives positions.

**(3) Loans and Advances to Customers**

in € m

	31.12.2014	31.12.2013
<b>This item includes:</b>		
Loans and advances to affiliated companies	784	1,208
Loans and advances to affiliated companies	1,233	1,051
Subordinated loans and advances	647	610
thereof: To other long-term investees and investors	17	20
<b>Remaining maturities:</b>		
Up to three months	4,584	6,114
More than three months and up to one year	9,428	10,319
More than one year and up to five years	36,404	34,749
More than five years	26,838	26,291
With an indefinite term	3,547	3,323
Cover funds	19,002	19,551

**(4) Bonds and Other Fixed-Income Securities**

in € m

	31.12.2014	31.12.2013
<b>Securitised receivables:</b>		
From affiliated companies	–	–
From other long-term investees and investors	683	687
<b>The marketable securities comprise:</b>		
Listed securities	14,900	14,794
Unlisted securities	839	334
<b>Remaining maturities:</b>		
Amounts due in the following year	3,653	3,381
Subordinated assets	27	72
Sold under repo agreements in open market transactions	2,250	–
Carrying amount of investment securities	148	299
Fair value of investment securities	151	292
Temporary impairment of investment securities	1	11

The Bank judges the impairment of investment securities to be temporary and therefore expects the securities to be repaid in full at maturity.

**(5) Equity Shares and Other Variable-Income Securities**

in € m

	31.12.2014	31.12.2013
<b>The marketable securities comprise:</b>		
Listed securities	0	0
Unlisted securities	25	43

This item comprises units in eight securities investment funds held exclusively by Helaba (mixed funds or pure fixed-income funds) with a total carrying amount of € 2.3 bn. In line with Helaba's long-term investment intentions, these investment funds mainly invest in interest-bearing securities. Further units relate to 19.68 % of a retail fund (carrying amount: € 10.8 m) with

a global equity market-oriented investment strategy. As at the balance sheet date, all units were measured at the lower fair value, if applicable. There were no material price reserves at the balance sheet date. Income from dividend payments received in 2014 amounted to a total of € 45 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 € 104.0 m. In the previous year, an amount of € 144.5 m was attributable to such investment funds and reported within equity investments.

## (6) Trading Portfolio (Assets)

in € m

	31.12.2014	31.12.2013
Derivative financial instruments	9,248	8,534
Loans and advances	1,964	3,270
Bonds and other fixed-income securities	16,968	21,347
Equity shares and other variable-income securities	140	191
Subordinated assets	–	–
Other assets	–	–

The decline in the trading portfolio (assets) is mainly the result of scaling back the portfolio of bonds and other fixed-income securities as planned. It also reflects the offsetting of trading

derivatives (liabilities) and related collateral, which resulted in an amount of € 4.7 bn being set off.

## (7) Equity Investments

in € m

	31.12.2014	31.12.2013
<b>The securities comprise:</b>		
Marketable securities	19	19
Listed securities	–	–

## (8) Shares in Affiliated Companies

in € m

	31.12.2014	31.12.2013
<b>The securities comprise:</b>		
Marketable securities	104	111
Listed securities	–	–

## (9) Trust Assets

in € m

	31.12.2014	31.12.2013
<b>This item includes:</b>		
Loans and advances to banks	136	89
Loans and advances to customers	466	519
Equity investments	61	63
Shares in affiliated companies	–	203
Equity shares and other variable-income securities	203	–
Other assets	11	11

**(10) Intangible Assets**

in € m

	31.12.2014	31.12.2013
Purchased standardised software	26	30

**(11) Property and Equipment**

in € m

	31.12.2014	31.12.2013
<b>This item includes:</b>		
Land and buildings used for own operations	13	17
Operating and office equipment	35	37

**(12) Other Assets**

in € m

	31.12.2014	31.12.2013
<b>Significant items are:</b>		
Interest receivables under swap agreements	744	835
Other	581	599

**(13) Prepaid Expenses**

in € m

	31.12.2014	31.12.2013
<b>From issuing and lending operations</b>		
<b>This item includes:</b>		
Premiums on loans and advances	334	394
Discounts on liabilities and bonds issued	676	960

**(14) Repurchase Agreements**

in € m

	31.12.2014	31.12.2013
Trading assets sold under repo agreements	945	300
Assets in the liquidity reserve sold under repo agreements	503	35

**(15) Assets Pledged as Collateral**

in € m

	31.12.2014	31.12.2013
<b>Assets of the following amounts were transferred for the following liabilities:</b>		
Liabilities due to banks	4,333 <sup>1)</sup>	4,092 <sup>1)</sup>
Trading liabilities	7,676 <sup>1)</sup>	4,322 <sup>1)</sup>

<sup>1)</sup> Includes € 1,479 m (31 December 2013: € 18 m) in borrowed securities transferred on to credit institutions in connection with repurchase agreements.

## (16) Assets Denominated in Foreign Currency

in € m

	31.12.2014	31.12.2013
	27,245	23,175

## (17) Statement of Changes in Fixed Assets

in € m

Fixed assets	Intangible assets	Property and equipment	Long-term securities	Equity investments	Shares in affiliated companies	Total
Cost at 1.1.2014	124	148	299	286	1,950	2,807
Additions	12	5	–	8	20	45
Disposals	1	10	151	73	110	345
Exchange rate changes	1	2	–	6	6	15
Reclassification			104	–104		
Accumulated depreciation, amortisation and write-downs	107	89	–	30	78	304
<b>Carrying amount at 31.12.2014</b>	<b>29</b>	<b>56</b>	<b>252</b>	<b>93</b>	<b>1,788</b>	<b>2,218</b>
<b>Carrying amount in previous year</b>	<b>29</b>	<b>60</b>	<b>299</b>	<b>238</b>	<b>1,873</b>	<b>2,499</b>
Depreciation, amortisation and write-downs in 2014	11	7	–	–	–	18

## (18) Liabilities Due to Banks

in € m

	31.12.2014	31.12.2013
<b>This item includes:</b>		
Liabilities due to affiliated Sparkassen	10,741	10,070
Liabilities due to affiliated companies	4,600	4,280
Liabilities due to other long-term investees and investors	2	9
Payable on demand	6,182	7,975
<b>Remaining maturities:</b>		
Up to three months	3,185	1,771
More than three months and up to one year	4,693	2,150
More than one year and up to five years	13,144	13,568
More than five years	10,354	10,648

## (19) Liabilities Due to Customers

in € m

	31.12.2014	31.12.2013
<b>This item includes:</b>		
Liabilities due to affiliated companies	365	889
Liabilities due to other long-term investees and investors	48	36
Payable on demand	7,518	6,435
<b>Remaining maturities:</b>		
Up to three months	1,713	1,266
More than three months and up to one year	1,909	1,034
More than one year and up to five years	4,392	4,678
More than five years	8,863	10,497

**(20) Securitised Liabilities**

in € m

	31.12.2014	31.12.2013
<b>This item includes:</b>		
Liabilities due to affiliated companies	–	–
Liabilities due to other long-term investees and investors	–	–
<b>Remaining maturities of the sub-item – bonds issued:</b>		
Amounts due in the following year	14,290	9,011
<b>Remaining maturities of the sub-item – other securitised liabilities:</b>		
Up to three months	1,592	1,124
More than three months and up to one year	663	265
More than one year and up to five years	–	–
More than five years	–	–

**(21) Trading Portfolio (Liabilities)**

in € m

	31.12.2014	31.12.2013
Derivative financial instruments	3,728	9,570
Liabilities	16,501	24,222
Risk premium	12	28

The decline in the trading portfolio (liabilities) is mainly attributable to the effect of offsetting trading derivatives against trading derivatives (assets) and pledged collateral. The effect

of offsetting within this item amounted to a total of € 10.2 bn in the year under review.

**(22) Trust Liabilities**

in € m

	31.12.2014	31.12.2013
<b>Trust liabilities are broken down as follows:</b>		
Liabilities due to banks	2	3
Liabilities due to customers	803	808
Other liabilities	72	74

**(23) Other Liabilities**

in € m

	31.12.2014	31.12.2013
<b>Significant items are:</b>		
Interest obligations arising from swap agreements in the non-trading portfolio	378	464
Interest on profit participation rights and silent participations	101	101
Currency translation differences	1,163	9
Option premiums received for the non-trading portfolio	6	6

**(24) Deferred Income**

in € m

	31.12.2014	31.12.2013
<b>From issuing and lending operations</b>		
<b>This item mainly comprises:</b>		
Discounts on lending operations	507	627
Premiums on liabilities	565	850

**(25) Provisions**

Due to the application of section 67 (1) sentence 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB), there was a shortfall of € 132 m in the pension provisions reported as at the balance sheet date (31 December 2013: € 145 m).

The cost of the assets offset against provisions in accordance with section 246 (2) sentence 2 of the HGB amounted to € 25 m (31 December 2013: € 24 m) and the fair value to € 28 m (31 December 2013: € 25 m). The settlement amount of the

offset liabilities amounted to € 31 m (31 December 2013: € 29 m). In the income statement, income from these assets amounting to € 2.4 m (31 December 2013: € 1.5 m) was offset against expenses from the corresponding liabilities amounting to € 3.1 m (31 December 2013: € 1.4 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.

**(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
500	EUR	5.50	2015	-

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 € 27 m (31 December 2013: € 19 m). Interest expense on subordinated borrowings amounted to € 121 m in the year under review (31 December 2013: € 88 m).

**(27) Liabilities Denominated in Foreign Currency**

in € m

	31.12.2014	31.12.2013
	14,868	8,980

**(28) Own Funds**

in € m

	<b>31.12.2014</b>	<b>31.12.2013</b>
Subscribed capital	3,462	3,562
a) Share capital	589	589
b) Capital contribution	1,920	1,920
c) Silent partner contributions	953	1,053
Capital reserves	1,546	1,546
Revenue reserves	1,689	1,623
Including profit participation rights, fund for general banking risks	678	709
and subordinated liabilities,	594	594
the liable capital reported in the balance sheet amounted to	3,619	3,082
	11,588	11,117

An amount of € 119 m in the fund for general banking risks is attributable to the special reserve under section 340e of the HGB and is therefore subject to a distribution restriction.

**(29) Contingent Liabilities**

in € m

	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>This item includes:</b>		
Credit guarantees	2,389	2,419
Other guarantees and sureties	3,267	2,963

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

provisions for losses on loans and advances. Helaba has recognised appropriate provisions in individual cases where a loss from the likely use of a facility is probable.

**(30) Other Obligations**

in € m

	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>This item includes:</b>		
Placement and underwriting obligations	2,103	1,910
Irrevocable loan commitments for open-account loans	16,789	14,096

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.

## (31) 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Mortgage Pfandbriefe:</b>				
Cover pool	9,874	9,179	10,572	9,730
Pfandbriefe in circulation	5,867	5,493	6,309	5,815
Surplus cover	4,007	3,686	4,263	3,915
Net present value at risk according to the German Present Value Regulation (Barwertverordnung)	–	–	4,183	3,809
<b>Public Pfandbriefe:</b>				
Cover pool	24,568	24,996	27,332	26,848
Pfandbriefe in circulation	21,365	18,821	23,747	20,424
Surplus cover	3,202	6,175	3,585	6,424
Net present value at risk according to the German Present Value Regulation (Barwertverordnung)	–	–	3,497	6,094

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 MaRC<sup>2</sup> 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Fixed-interest periods/remaining maturities</b>				
<b>Mortgage Pfandbriefe:</b>				
Up to one year	2,585	2,421	111	1,481
More than one year to two years	1,210	1,698	365	111
More than two years to three years	1,706	1,296	2,222	365
More than three years to four years	1,499	1,612	1,396	1,560
More than four years to five years	1,056	654	1,014	396
More than five years to ten years	1,753	1,444	339	1,105
More than ten years	66	54	421	475
<b>Public Pfandbriefe:</b>				
Up to one year	6,085	4,057	2,375	1,853
More than one year to two years	2,996	5,353	4,130	2,373
More than two years to three years	2,114	2,621	2,985	4,127
More than three years to four years	2,469	1,960	2,077	1,982
More than four years to five years	1,647	2,233	3,181	2,075
More than five years to ten years	5,952	5,784	3,777	3,770
More than ten years	3,306	2,988	2,841	2,641

## Further cover assets under section 28 (1) no. 4 of the PfandBG

in € m

	Further cover	
	31.12.2014	31.12.2013
<b>Mortgage Pfandbriefe</b>		
Cover pool	9,874	9,179
thereof: Further cover	190	534
<b>Public Pfandbriefe</b>		
Cover pool	24,568	24,996
thereof: Further cover	174	127

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

in € m

	31.12.2014	31.12.2013
Commercial	8,120	7,001
Residential	1,564	1,643
Further cover	190	534

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

Residential breakdown:

Country	Flats		Single-family houses		Multi-family houses		Building land and building shells		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Germany	45	53	57	68	1,462	1,522	0	0	1,564	1,643

Commercial breakdown:

Country	Office buildings		Retail buildings		Industrial buildings		Other buildings		Building land and building shells		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Germany	3,022	2,923	2,858	2,436	195	201	255	275	7	13	6,337	5,848
Belgium	14	-	-	-	-	-	-	-	-	-	14	-
France	452	419	108	108	-	-	0	-	-	-	560	527
Luxembourg	71	73	-	-	-	-	-	-	-	-	71	73
Sweden	30	-	155	44	-	-	-	-	-	-	185	44
The Netherlands	205	217	-	9	-	-	-	-	-	-	205	226
Austria	-	-	72	-	-	-	-	-	-	-	72	-
Poland	135	-	100	31	54	-	-	-	-	-	289	31
Czech Republic	-	-	51	-	-	-	-	-	-	-	51	-
UK	129	69	-	-	-	-	-	-	-	-	129	69
USA	208	183	-	-	-	-	-	-	-	-	208	183
<b>Total</b>	<b>4,266</b>	<b>3,884</b>	<b>3,344</b>	<b>2,628</b>	<b>249</b>	<b>201</b>	<b>255</b>	<b>275</b>	<b>7</b>	<b>13</b>	<b>8,121</b>	<b>7,001</b>

**Breakdown of the cover pool for mortgage Pfandbriefe by size**

in € m

	31.12.2014	31.12.2013
Up to € 0.3 m	220	245
More than € 0.3 m to € 1 m	188	231
More than € 1 m to € 10 m	1,629	1,750
More than € 10 m	7,648	6,419
Further cover	190	534

The total amount of payments at least 90 days past due was € 0.0 m (31 December 2013: € 0.0 m) and related to domestic debtors. 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

	31.12.2014	31.12.2013
Commercial	0	0
Residential	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**Breakdown of the cover pool for public Pfandbriefe by issuer**

Country	Central government		Regional authorities		Municipal authorities		Public-law credit institutions/other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Germany	682	763	2,576	3,183	12,341	11,584	7,489	7,972	23,088	23,502
Denmark	-	-	-	-	-	-	42	-	42	-
France incl. Monaco	-	-	230	103	22	-	-	-	252	103
UK incl. Northern Ireland	309	321	-	-	-	-	-	-	309	321
Luxembourg	8	8	-	-	-	-	-	-	8	8
The Netherlands	-	-	-	-	-	-	-	-	-	-
Spain	-	-	595	821	-	-	-	-	595	821
Austria	-	-	31	-	-	-	-	-	31	-
Switzerland	-	-	-	-	-	-	242	241	242	241
<b>Total</b>	<b>999</b>	<b>1,092</b>	<b>3,432</b>	<b>4,107</b>	<b>12,363</b>	<b>11,584</b>	<b>7,773</b>	<b>8,213</b>	<b>24,567</b>	<b>24,996</b>

In the case of public Pfandbriefe, payments at least 90 days past due totalled € 0 thousand (2013: € 0 thousand).

### (32) 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 sec-

tion 285 no. 19 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).

The nominal volume of derivative transactions in the non-trading portfolio increased by 2.6 % year on year.

#### Non-trading derivative transactions – disclosure of volumes:

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2014	31.12.2013	31.12.2014	31.12.2014
<b>Interest rate risk</b>				
Interest rate swaps	108,098	103,902	6,581	3,138
Forward rate agreements	–	–	–	–
Interest rate options	7,684	8,259	21	1,646
Calls	440	358	21	0
Puts	7,244	7,901	0	1,646
Caps, floors	10,478	11,365	202	7
Market contracts	8,084	11,696	0	7
Other interest rate futures	–	–	–	–
<b>Interest rate risk – total –</b>	<b>134,344</b>	<b>135,222</b>	<b>6,804</b>	<b>4,798</b>
<b>Currency risk</b>				
Currency futures	6,487	2,915	74	22
Currency swaps/cross-currency swaps	14,182	12,563	27	1,168
Currency options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
<b>Currency risk – total –</b>	<b>20,669</b>	<b>15,478</b>	<b>101</b>	<b>1,190</b>
<b>Equity and other price risks</b>				
Equity options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Market contracts	–	–	–	–
<b>Equity and other price risks – total –</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Credit derivatives</b>				
Calls	22	246	0	0
Puts	599	702	0	5
<b>Credit derivatives – total –</b>	<b>621</b>	<b>948</b>	<b>0</b>	<b>5</b>
<b>Commodity risk</b>				
Commodity swaps	–	–	–	–
<b>Commodity risk – total –</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Grand total</b>	<b>155,634</b>	<b>151,648</b>	<b>6,905</b>	<b>5,993</b>

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

Positive fair values/present values that can be used as an indication of the potential default risks associated with these transactions amount to 4.4 % of the nominal amount (31 December 2013: 3.2 %). 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/

liabilities and prepaid expenses/deferred income. The total amount of assets related to derivatives is € 1,339 m, while liabilities related to derivatives amount to € 1,987 m.

#### Non-trading derivative transactions – breakdown by maturity:

in € m

Nominal amounts	Interest rate risk		Currency risk		Equity and other price risks	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Remaining maturities:</b>						
Up to three months	14,626	12,027	6,440	3,347	-	-
Up to one year	13,709	17,182	952	1,218	-	-
Up to five years	63,532	66,546	10,033	8,688	-	-
More than five years	42,477	39,467	3,244	2,225	-	-
<b>Total</b>	<b>134,344</b>	<b>135,222</b>	<b>20,669</b>	<b>15,478</b>	<b>-</b>	<b>-</b>

#### Non-trading derivative transactions – breakdown by maturity:

in € m

Nominal amounts	Credit derivatives		Commodity derivatives	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Remaining maturities:</b>				
Up to three months	-	-	-	-
Up to one year	12	215	-	-
Up to five years	609	733	-	-
More than five years	-	-	-	-
<b>Total</b>	<b>621</b>	<b>948</b>	<b>-</b>	<b>-</b>

The volume of short- and medium-term interest rate transactions declined slightly, while the volume of long-term transactions increased slightly. Short-term interest rate transactions (with

a remaining maturity of up to one year) now account for 21.1 % of total business in this risk category (31 December 2013: 21.6%).

#### Non-trading derivative transactions – breakdown by counterparty:

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2014	31.12.2013	31.12.2014	31.12.2014
Banks in OECD countries	84,255	95,122	4,859	4,820
Banks outside OECD countries	17	17	0	3
Public institutions in OECD countries	26,761	31,578	1,251	502
Other counterparties	44,601	24,931	795	668
<b>Total</b>	<b>155,634</b>	<b>151,648</b>	<b>6,905</b>	<b>5,993</b>

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.

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 97.5 % of the nominal volume.

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

### (33) 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 nominal volume of derivative trades increased by 1.0 % year on year. The moderate increase was largely due to short-term exchange-traded interest rate futures, options contracts and currency futures. The volume of credit derivatives was further reduced.

#### Derivative trades – disclosure of volumes:

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2014	31.12.2013	31.12.2014	31.12.2014
<b>Interest rate risk</b>				
Interest rate swaps	260,385	261,131	10,524	11,182
Forward rate agreements	20,274	27,107	7	12
Interest rate options	25,688	23,907	2,004	1,509
Calls	11,750	12,000	1,954	12
Puts	13,938	11,907	50	1,497
Caps, floors	12,648	17,825	100	66
Market contracts	41,543	28,932	6	17
Other interest rate futures	58	282	0	9
<b>Interest rate risk – total –</b>	<b>360,596</b>	<b>359,184</b>	<b>12,641</b>	<b>12,795</b>
<b>Currency risk</b>				
Currency futures	27,870	21,943	671	546
Currency swaps/cross-currency swaps	9,480	10,716	449	430
Currency options	803	775	17	18
Calls	399	385	17	0
Puts	404	390	0	18
<b>Currency risk – total –</b>	<b>38,153</b>	<b>33,434</b>	<b>1,137</b>	<b>994</b>
<b>Equity and other price risks</b>				
Equity options	2,200	2,104	111	88
Calls	1,289	1,220	111	0
Puts	911	884	0	88
Market contracts	798	867	16	29
<b>Equity and other price risks – total –</b>	<b>2,998</b>	<b>2,971</b>	<b>127</b>	<b>117</b>
<b>Credit derivatives</b>				
Calls	1,653	2,575	1	25
Puts	1,605	2,548	26	1
<b>Credit derivatives – total –</b>	<b>3,258</b>	<b>5,123</b>	<b>27</b>	<b>26</b>
<b>Commodity risk</b>				
Commodity swaps	44	233	5	5
Commodity options	112	182	2	2
<b>Commodity risk – total –</b>	<b>156</b>	<b>415</b>	<b>7</b>	<b>7</b>
<b>Grand total</b>	<b>405,161</b>	<b>401,127</b>	<b>13,939</b>	<b>13,939</b>

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

Positive fair values/present values that can be used as an indication of the potential default risks associated with these transactions amount to 3.4 % of the nominal amount (31 December 2013: 2.1 %).

## Derivative trades – breakdown by maturity:

in € m

Nominal amounts	Interest rate risk		Currency risk		Equity and other price risks	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Remaining maturities:</b>						
Up to three months	60,677	60,562	13,514	11,935	416	422
Up to one year	73,555	70,276	12,065	9,526	819	767
Up to five years	117,212	119,225	9,480	9,424	1,698	1,663
More than five years	109,152	109,121	3,094	2,549	65	119
<b>Total</b>	<b>360,596</b>	<b>359,184</b>	<b>38,153</b>	<b>33,434</b>	<b>2,998</b>	<b>2,971</b>

## Derivative trades – breakdown by maturity:

in € m

Nominal amounts	Credit derivatives		Commodity derivatives	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Remaining maturities:</b>				
Up to three months	182	200	50	53
Up to one year	431	408	15	172
Up to five years	2,640	4,460	91	125
More than five years	5	55	0	65
<b>Total</b>	<b>3,258</b>	<b>5,123</b>	<b>156</b>	<b>415</b>

Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 37.2 % of total business in this risk category (31 December 2013: 36.4 %). The volume of short-term currency-related transactions increased slightly.

## Derivative trades – breakdown by counterparty:

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2014	31.12.2013	31.12.2014	31.12.2014
Banks in OECD countries	151,373	182,814	5,671	9,698
Public institutions in OECD countries	34,174	38,579	3,825	1,969
Other counterparties	219,614	179,734	4,445	2,272
<b>Total</b>	<b>405,161</b>	<b>401,127</b>	<b>13,941</b>	<b>13,939</b>

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

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

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 75.6 % of the nominal volume.

The percentage of the total volume of derivatives accounted for by trading derivatives declined slightly year on year to 72.2 % (31 December 2013: 72.6 %).

As in previous years, interest rate contracts accounted for most of the trading activities. In this case, 72.9 % of the total portfolio is attributable to trading derivatives (31 December 2013: 72.6 %). 64.9 % of the currency risk contracts and 84.0 % of the credit derivatives relate to the trading portfolio.

## (34) Trading Products

in € m

	Assets		Liabilities		Net income of the trading portfolio	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Derivative financial instruments</b>						
Interest rate trading	12,641	7,556	12,795	8,539	-484	81
Equity trading	127	116	117	98	19	18
Currency trading	1,137	811	994	885	9	30
Credit derivatives	27	43	26	40	-6	-6
Commodities	7	8	7	8	4	9
<b>Receivables/liabilities</b>						
Promissory note loans	1,610	1,897	-	-	151	2
Overnight and time deposits	39	779	12,315	20,905	-55	-37
Repos/reverse repos/securities lending	124	396	1,879	254	1	0
Issued money market instruments/ securitised liabilities	-	-	1,889	2,603	-5	-12
Issued equity/index certificates			139	161	-5	0
Other	191	198	168	105	16	-4
Bonds and other fixed-income securities	16,968	21,347	123	222	557	294
Equity shares and other variable-income securities	140	191	-	-	-12	-5
<b>Other</b>						
Commissions					-29	-33
Fund for general banking risks in accordance with section 340e of the HGB					-	-34
<b>Total</b>	<b>33,011</b>	<b>33,342</b>	<b>30,452</b>	<b>33,820</b>	<b>161</b>	<b>303</b>

In the balance sheet, derivative financial instruments of € 4.7 bn under trading assets and € 10.2 bn under trading liabilities have been netted against collateral.

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

As at 31 December 2014, the carrying amount of the securities included in valuation units was € 8,839 m.

A provision for potential losses is recognised for measurement effects from the hedged risk that are not fully offset; a write-down is recognised for credit risk-related impairment of the hedged items. Write-downs were recognised in the year under review.

in € m

	31.12.2014	31.12.2013
Credit risk-related write-downs of securities	-1	15
Provision for potential losses for interest rate-related measurement effects that were not fully offset	-3	-1

### (36) 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

	31.12.2014	31.12.2013
Germany	3,827	3,698
European Union, excl. Germany	147	360
Other	173	163

### (37) 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.

### (40) Extraordinary Result

As in the previous year, the extraordinary result is attributable exclusively to additions to provisions amounting to € 13 m. In 2014, the Bank used the option of adding 1/15 of the difference attributable to the remeasurement of provisions to the provision for current pensions or vested pension rights on the basis of the first-time adoption of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG).

### (38) Other Operating Income and Expenses

Under other operating income, the Bank reports, among other things, rental and leasing income of € 27 m (2013: € 30 m) and cost reimbursements on commissioned work undertaken for third parties of € 20 m (2013: € 13 m).

### (41) Taxes on Income

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

The interest cost on provisions amounted to € 94 m (2013: € 64 m). Expenses for buildings not occupied by the Group amounted to € 16 m in the year under review (2013: € 10 m).

### (42) Other Financial Obligations

The item includes prior-period income and income from the reversal of provisions of € 28 m and prior-period expenses of € 2 m.

At the balance sheet date, the Bank had obligations to make contributions to the subscribed capital of 22 companies totalling € 47 m, of which € 8 m was attributable to affiliated companies.

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

This caption is used to report provisions for losses on loans and advances. For reporting write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions, we used the option of cross-compensation in accordance with section 340f of the HGB.

The Bank is a partner with unlimited liability in GLB GmbH & Co. OHG, Frankfurt am Main and Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz.

In its capacity as the legal successor of the subsidiaries, the Bank has assumed obligations of the subsidiaries.

The Bank is also jointly liable for ensuring that other shareholders belonging to the Deutscher Sparkassen- und Giroverband e.V. (DSGV) meet their obligations to make additional contributions. If a claim is made against a former guarantor of DekaBank under the grandfathering provisions applicable to the guarantor liability in accordance with the Brussels Accord I, Helaba is 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 point of time. 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 are liable only for liabilities whose term to maturity does not extend beyond 31 December 2015.

The Bank is a member of the protection schemes of the German Sparkasse organisation through its membership of the reserve fund of the Landesbanken and Girozentralen in Germany. This protection scheme is designed to protect institutions, i.e. its purpose is to protect member institutions as going concerns. There is an obligation to make additional payments if protection has to be provided.

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. The SGVHT 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.

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 with a value of € 5,744 m have been pledged for settling clearing transactions and for off-balance sheet draw-down risks. The market value of secured money trading securities was € 3,795 m. In accordance with international requirements, securities with an equivalent market value of € 1,260 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 € 44.3 m are expected for 2015 for the properties used by Helaba with contract terms and notice periods of 1.5 to 12.5 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. In addition to the customer transactions, OPUSALPHA Purchaser Limited, one of the programme's three buyer companies, holds an ABS portfolio (securitised exposures with a fair value of € 70.5 m (31 December 2013: € 87.3 m) that is included in the consolidated financial statements in accordance with IFRS 10. The issuing company, OPUSALPHA Funding Limited, is also consolidated.

The line of liquidity provided for the OPUSALPHA programme as a whole amounted to € 1,998 m (31 December 2013: € 2,375 m), of which € 1,156 m had been drawn down as at 31 December 2014 (31 December 2013: € 1,914 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 at 31 December 2014, liquidity lines for third-party securitisation platforms amounted to € 65 m (31 December 2013: € 91 m).

On the basis of indemnity agreements, the Bank has undertaken vis-à-vis several 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 € 55 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),
- 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.

### (43) 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 the transactions in accordance with international accounting

requirements (IAS 24). 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 role as shareholders, as well as subsidiaries of the SGVHT. The information relating to the persons in key positions at Helaba and the SGVHT as defined in accordance with section 285 no. 21 of the HGB, including their close family relations as well as companies controlled by these persons, is 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 2014:

in € m

	31.12.2014	31.12.2013
<b>Loans and advances to banks</b>	<b>1,390</b>	<b>2,081</b>
Affiliated companies	1,390	1,997
Investments in joint ventures and associates	0	4
Shareholders of Helaba	0	80
Other related parties		
<b>Loans and advances to customers</b>	<b>2,703</b>	<b>3,024</b>
Affiliated companies	1,000	1,176
Investments in joint ventures and associates	1,176	619
Shareholders of Helaba	465	1,140
Other related parties	62	89
<b>Equity shares and other variable-income securities</b>	<b>1,432</b>	<b>2,545</b>
Affiliated companies	1,150	2,294
Investments in joint ventures and associates		2
Shareholders of Helaba	282	249
Other related parties		-
<b>Trading assets</b>	<b>704</b>	<b>977</b>
Affiliated companies		0
Investments in joint ventures and associates		-
Shareholders of Helaba	704	977
Other related parties		
<b>Equity investments</b>	<b>36</b>	<b>31</b>
Affiliated companies		-
Investments in joint ventures and associates	36	31
Shareholders of Helaba		-
Other related parties		-
<b>Shares in affiliated companies</b>	<b>1,739</b>	<b>1,832</b>
Affiliated companies	1,739	1,832
Investments in joint ventures and associates		-
Shareholders of Helaba		-
Other related parties		-
<b>Other assets</b>	<b>0</b>	<b>2</b>
Affiliated companies		0
Investments in joint ventures and associates	0	2
Shareholders of Helaba		-

in € m

	31.12.2014	31.12.2013
Other related parties		
<b>Liabilities due to banks</b>	<b>4,778</b>	<b>4,522</b>
Affiliated companies	4,581	4,278
Investments in joint ventures and associates		0
Shareholders of Helaba	197	244
Other related parties		
<b>Liabilities due to customers</b>	<b>1,620</b>	<b>1,938</b>
Affiliated companies	660	917
Investments in joint ventures and associates	56	287
Shareholders of Helaba	900	730
Other related parties	4	4
<b>Trading liabilities</b>	<b>1</b>	<b>3</b>
Affiliated companies		0
Investments in joint ventures and associates	1	3
Shareholders of Helaba		–
Other related parties		
<b>Other liabilities</b>	<b>0</b>	<b>1</b>
Affiliated companies	0	1
Investments in joint ventures and associates		
Shareholders of Helaba		
Other related parties		
<b>Contingent liabilities</b>	<b>212</b>	<b>383</b>
Affiliated companies	120	78
Investments in joint ventures and associates	89	199
Shareholders of Helaba	–	37
Other related parties	3	69

Allowances of € 69 m (31 December 2013: € 60 m) were recognised on receivables from subsidiaries and joint ventures.

Receivables from other related parties comprise loans of € 0.1 m to members of the Board of Managing Directors (31 December 2013: € 0.1 m) and loans of € 0.5 m to members of the Supervisory Board (31 December 2013: € 1.5 m).

The total remuneration paid by the Bank to the Board of Managing Directors amounted to € 4.6 m (2013: € 4.6 m). A total of € 0.9 m (2013: € 0.9 m) was paid to the Supervisory Board and, as in the previous year, € 0.1 m was paid to the Advisory Board. In addition, a total of € 2.7 m (2013: € 2.6 m) was paid to the members of the Supervisory Board as employees. An amount of € 3.0 m was paid to former members of the Board of Managing Directors and their surviving dependants (2013: € 3.0 m). Provisions of € 49.2 m were recognised for pension obligations for this group of persons (2013: € 47.7 m).

#### (44) Average Number of Employees During the Year

	Female	Male	Total
Bank	1,183	1,635	2,818
Landesbausparkasse	167	124	291
WIBank – Wirtschafts- und Infrastrukturbank Hessen	235	175	410
Bank as a whole	1,585	1,934	3,519

## (45) Executive Bodies of the Bank

### Supervisory Board

#### 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 –

#### Hans Martz

Chairman of the Board  
of Managing Directors  
Sparkasse Essen  
Essen  
– Third Vice-Chairman –

#### Dr. Alfons Lauer

President  
Sparkassenverband Saar  
Saarbrücken  
– since 9 January 2014 –  
– Fifth Vice-Chairman –  
– since 1 April 2014 –

#### Prof. Dr. h. c. Ludwig G. Braun

Chairman of the Supervisory Board  
B. Braun Melsungen AG  
Melsungen

#### Ingo Buchholz

Chairman of the Board  
of Managing Directors  
Kasseler Sparkasse  
Kassel

#### Dirk Diedrichs

Secretary of State (ret.)  
Erfurt

#### Georg Fahrenschoen

President  
Deutscher Sparkassen- und  
Giroverband e. V.  
Berlin

#### Peter Feldmann

Mayor  
City of Frankfurt am Main  
Frankfurt am Main

#### Robert Fischbach

Chief Administrative Officer  
County District of Marburg-Biedenkopf  
Marburg  
– until 31 January 2014 –

#### Volker Goldmann

Chairman of the Board  
of Managing Directors  
Sparkasse Bochum  
Bochum  
– until 30 June 2014 –

#### Ulrich Heilmann

Chairman of the Board  
of Managing Directors  
Kyffhäusersparkasse  
Artern-Sondershausen  
Sondershausen

#### Bertram Hilgen

Mayor  
City of Kassel  
Kassel

#### Dr. Christoph Krämer

Chairman of the Board  
of Managing Directors  
Sparkasse Iserlohn  
Iserlohn  
– since 1 December 2014 –

#### Stefan Lauer

Idstein

#### Christoph Matschie

Member of the  
State Parliament of Thuringia  
Erfurt

#### Manfred Michel

Chief Administrative Officer  
Country District of Limburg-Weilburg  
Limburg an der Lahn  
– since 1 December 2014 –

#### Gerhard Möller

Mayor  
City of Fulda  
Fulda

#### Frank Nickel

Chairman of the Board  
of Managing Directors  
Sparkasse Werra-Meissner  
Eschwege

#### Clemens Reif

Member of the  
State Parliament of Hesse  
Wiesbaden

#### Stefan Reuß

Chief Administrative Officer  
County District of Werra-Meissner  
Eschwege

#### Thorsten Schäfer-Gümbel

Member of the  
State Parliament of Hesse  
Wiesbaden

#### Wolfgang Schuster

Chief Administrative Officer  
County District of Lahn-Dill  
Wetzlar

#### Dr. Eric Tjarks

Chairman of the Board  
of Managing Directors  
Sparkasse Bensheim  
Bensheim

#### Alfred Weber

Chairman of the Board  
of Managing Directors  
Kreissparkasse Saalfeld-Rudolstadt  
Saalfeld

#### Stephan Ziegler

Chairman of the Board  
of Managing Directors  
Nassauische Sparkasse  
Wiesbaden

#### Ulrich Zinn

Chairman of the Board  
of Managing Directors  
Sparkasse Grünberg  
Grünberg

#### Arnd Zinnhardt

Member of the Board  
Software AG  
Darmstadt

## Employee Representatives

**Thorsten Derlitzki**

Bank employee  
Frankfurt am Main  
– Fourth Vice-Chairman –

**Frank Beck**

Vice President  
Frankfurt am Main

**Brigitte Berle**

Bank employee  
Frankfurt am Main

**Isolde Burhenne**

Vice President  
Frankfurt am Main

**Gabriele Fuchs**

Bank employee  
Frankfurt am Main

**Thorsten Kiwitz**

Vice President  
Frankfurt am Main

**Christiane Kutil-Bleibaum**

Vice President  
Düsseldorf

**Annette Langner**

Vice President  
Frankfurt am Main

**Susanne Noll**

Bank employee  
Frankfurt am Main

**Hans Peschka**

Vice President  
Frankfurt am Main

**Erich Roth**

Bank employee  
Frankfurt am Main

**Birgit Sahliger-Rasper**

Bank employee  
Frankfurt am Main

**Susanne Schmiedebach**

Vice President  
Düsseldorf

**Wolf-Dieter Tesch**

Senior Vice President  
Frankfurt am Main

## Board of Managing Directors

**Hans-Dieter Brenner**

– Chairman –

**Jürgen Fenk****Thomas Groß****Dr. Detlef Hosemann****Rainer Krick****Klaus-Jörg Mulfinger**

(since 1 January 2015)

**Dr. Norbert Schraad**

## (46) 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 company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Result	
		Total	Thereof directly	%	€ thousands	€ thousands	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7.1	0	1)
2	Aeskulap Projekt GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-56	
3	AGENORAS Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.0	1	
4	Airport Office One GmbH & Co. KG, Schönefeld	100.00			0.0	-5	
5	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	1)
6	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00			0.0	0	1)
7	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00	50.00	8.8	788	
8	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00	50.00	0.9	129	
9	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00	50.00	1.5	178	
10	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG, Munich	100.00	0.00	0.21	-0.6	3	
11	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Frankfurt am Main	100.00	100.00		1.2	646	
12	Bürogebäude Darmstädter Landstraße GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.2	8	
13	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.2	8	
14	Div Deutsche Immobilienfonds Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.1	0	
15	Erste OFB Berlin Projekt GmbH & Co. KG, Berlin	100.00			0.0	-1	
16	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00			70.4	-2	
17	Fachmarktzentrum Fulda GmbH & Co. KG, Fulda	100.00			0.7	664	
18	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	9	
19	FMZ Fulda Verwaltung GmbH, Fulda	100.00			0.0	4	
20	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			9.8	47	
21	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		105.1	3,138	
22	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		790.7	60,000	
23	FRAWO Frankfurter Wohnungs- und Siedlungsgesellschaft mbH, Frankfurt am Main	100.00			0.2	0	1)

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Result	
		Total	Thereof directly	%	€ thousands	€ thousands	
24	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00			23.4	0	1)
25	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00			0.3	0	1)
26	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			0.3	0	1)
27	GIMPRO Beteiligungs- und Geschäftsführungs- gesellschaft mbH, Frankfurt am Main	100.00			0.2	2	
28	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00			0.1	42	
29	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00			0.0	-14	
30	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			0.3	303	
31	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		65.7	4,819	1)
32	GWH Bauprojekte GmbH, Frankfurt am Main	100.00			2.6	0	1)
33	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	1)
34	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00			363.9	55,402	
35	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		1.8	-538	
36	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-100	
37	Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	100.00	100.00		5.8	353	
38	Helaba Asset Services, Dublin, Ireland	100.00	100.00		145.6	-10,889	
39	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0	1)
40	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	1)
41	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		3.0	-118	
42	Hessen Kapital I GmbH, Frankfurt am Main	100.00	100.00		35.5	792	
43	Hessen Kapital II GmbH, Frankfurt am Main	100.00	100.00		6.1	848	
44	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2.5	17	
45	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	6	
46	IHB Investitions- und Handels-Aktien- gesellschaft, Frankfurt am Main	100.00	100.00		3.3	299	
47	Innovationsfonds Hessen-Verwaltungs- gesellschaft mbH i. L., Frankfurt am Main	100.00	100.00		0.1	2	
48	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-1	
49	Komplementärselskabet Logistica CPH ApS, Copenhagen K, Denmark	100.00	100.00		0.0	n. a.	
50	Königstor Verwaltungs-GmbH, Kassel	100.00			0.0	1	
51	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-2	
52	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	100.00			-3.3	-1,183	
53	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-2	
54	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-2	
55	LB(Swiss) Investment AG, Zurich, Switzerland	100.00			9.1	1,209	

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Result
		Total	Thereof directly	%	€ thousands	€ thousands
56	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		2.4	183
57	LHT MSIP, LLC, Wilmington, USA	100.00			5.4	332
58	LHT Power Three, LLC, Wilmington, USA	100.00	100.00		50.3	407
59	LHT TCW, LLC, Wilmington, USA	100.00			20.9	1,268
60	LHT TPF II, LLC, Wilmington, USA	100.00			19.3	472
61	Logistica CPH K/S, Copenhagen K, Denmark	100.00	100.00		0.0	n. a.
62	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00			0.0	0
63	Mittelhessenfonds GmbH, Frankfurt am Main	100.00	100.00		-2.6	-317
64	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		14.6	282
65	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00			-0.1	-69
66	Nötzli, Mai & Partner Family Office AG, Zurich, Switzerland	100.00			0.3	-60
67	OFB Berlin Projekt GmbH, Berlin	100.00			0.0	0
68	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			5.3	463
69	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0
70	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00			28.3	1,410
71	Office One Verwaltung GmbH, Schönefeld	100.00			0.0	2
72	Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	100.00			25.0	n. a.
73	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	100.00			-0.1	-131
74	Projekt Wilhelmstraße Wiesbaden Wohnen GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.
75	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00			-0.2	-357
76	Projektentwicklung Lutherplatz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-5
77	Projektgesellschaft Eichplatz Jena mbH & Co. KG, Frankfurt am Main	100.00			0.0	-2
78	PVG GmbH, Frankfurt am Main	100.00	100.00		0.0	0
79	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.1	23
80	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-12
81	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.3	101
82	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.0	7
83	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		-0.2	-217
84	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0
85	Vermögensverwaltung „Emaillierwerk“ GmbH, Fulda	100.00			0.5	103
86	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			0.3	0
87	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-51
88	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.0	1
89	Zweite OFB Berlin Projekt GmbH & Co. KG, Berlin	100.00			0.0	-3
90	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.
91	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99			4.8	325

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Result
		Total	Thereof directly	%	€ thousands	€ thousands
92	Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz	95.00	95.00		-9.4	1,654
93	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90			19.6	1,058
94	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36.7	1,974
95	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	78.00			-0.7	-714
96	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00			-0.7	-191
97	gatelands Verwaltungs GmbH, Schönefeld	75.00			0.0	2
98	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00			0.0	0
99	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00			9.4	-125
100	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH), Frankfurt am Main	66.67	66.67		0.6	53
101	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe bR, Erfurt	60.00	60.00		0.4	13
102	AARON Grundstücksverwaltungsgesellschaft mbH i. L., Oberursel	50.00	50.00		-2.3	-192
103	Arealogics GmbH, Frankfurt am Main	50.00			0.0	0
104	BHT Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	33.33	0.7	86
105	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt MGK Marstall-Gebäude Kassel KG, Kassel	50.00	50.00	33.33	0.4	51
106	CP Campus Projekte GmbH, Frankfurt am Main	50.00			0.3	-108
107	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			-1.0	158
108	Erste ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-65
109	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00			0.1	-192
110	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00			0.0	0
111	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	10
112	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00			0.4	-4
113	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-2
114	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00			1.0	311
115	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.0	0
116	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00			0.0	2
117	GOB Werfthaus GmbH & Co. KG, Frankfurt am Main	50.00			0.1	0
118	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.6	364
119	HELY Immobilien GmbH, Frankfurt am Main	50.00	50.00		0.0	0
120	HELY Immobilien GmbH & Co. Grundstücks-gesellschaft KG, Frankfurt am Main	50.00	50.00		3.8	4,363
121	Horus AWG GmbH, Pöcking	50.00			0.0	0

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Result
		Total	Thereof directly	%	€ thousands	€ thousands
122	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50.00	50.00	33.33	2.3	396
123	Marienbader Platz Projektentwicklungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	4
124	Marienbader Platz Projektentwicklungsgesellschaft mbH & Co. Bad Homburg v. d. H. KG, Frankfurt am Main	50.00			0.4	68
125	Multi Park Mönchhof Dritte GmbH & Co. KG, Langen (Hessen)	50.00			0.0	76
126	Multi Park Mönchhof GmbH & Co. KG, Langen (Hessen)	50.00			0.0	-11
127	Multi Park Verwaltungs GmbH, Langen (Hessen)	50.00			0.0	-1
128	OFB & Procom Einzelhandelsentwicklung GmbH, Frankfurt am Main	50.00			0.0	0
129	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00			-0.7	-729
130	OFB & Procom Rüdeshelm GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-5
131	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			0.0	2
132	Sparkassen-Marktservice GmbH, Darmstadt	50.00			5.1	215
133	Stresemannquartier GmbH & Co. KG, Berlin	50.00			5.3	-214
134	Westhafen Haus GmbH & Co. Projektentwicklung-KG, Frankfurt am Main	50.00			-0.2	-41
135	Zweite ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-38
136	HANNOVER LEASING GmbH & Co. KG, Pullach	49.34	49.34		22.6	0
137	HANNOVER LEASING Verwaltungsgesellschaft mbH, Pullach	49.34	49.34		0.1	4
138	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	47.00			-2.6	-396
139	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		20.7	884
140	HaemoSys GmbH, Jena	38.33			-4.8	-524
141	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		58.0	5,373
142	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt TFK II Tiefgarage Kassel 2. BA KG, Kassel	33.33	33.33	33.33	1.4	223
143	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33			6.7	-122
144	TFK Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG, Kassel	33.33	33.33	33.33	1.5	126
145	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Frankfurt am Main	32.52	32.52		9.4	1,255
146	Riedemannweg 59-60 GbR, Berlin	32.00	32.00		-4.2	145
147	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		-2.8	-467
148	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		22.5	1,248
149	Intelligent Crop Forecasting GmbH in Insolvenz, Darmstadt	27.67			n. a.	n. a.
150	Logistikzentrum Rodgau GmbH, Schönefeld	25.00			-0.6	-509
151	WoWi Media GmbH & Co. KG, Hamburg	23.72		19.24	6.3	3,507

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Result
		Total	Thereof directly	%	€ thousands	€ thousands
152	Liparit Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Benary Vermietungs KG, Mainz	21.62			2.7	1,409
153	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.25	21.25		16.2	1,313

#### Interests in large corporations larger than a 5 % holding

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Ergebnis
		Total	Thereof directly	%	€ thousands	€ thousands
154	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		122.3	12,332

<sup>1)</sup> The company transfers its net income in accordance with a profit and loss transfer agreement.  
n. a.: There are no adopted annual financial statements.

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

**Positions held by the members of the Board of Managing Directors**

Office holder	Corporation	Function
Hans-Dieter Brenner	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	KfW Kreditanstalt für Wiederaufbau, Frankfurt am Main	Member
Jürgen Fenk	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Member
Thomas Groß	Frankfurter Sparkasse, Frankfurt am Main	Member
	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member
Dr. Detlef Hosemann	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice-Chairman
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
Rainer Krick	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Vice-Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice-Chairman

**Positions held by other employees**

Office holder	Corporation	Function
Jörg Hartmann	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Dirk Mewesen	Helaba Asset Services, Dublin, Ireland	Member
Klaus-Jörg Mulfinger	Frankfurter Sparkasse, Frankfurt am Main	Member
	Thüringer Aufbaubank, Erfurt	Member
Dr. Ulrich Pähler	Helaba Asset Services, Dublin, Ireland	Chairman
Dr. Michael Reckhard	Bürgschaftsbank Hessen GmbH, Wiesbaden	Member
Klaus Georg Schmidbauer	Bürgschaftsbank Thüringen GmbH, Erfurt	Member
Lothar Steinborn-Reetz	Helaba Asset Services, Dublin, Ireland	Member

Frankfurt am Main/Erfurt, 27 February 2015

**Landesbank Hessen-Thüringen Girozentrale**

The Board of Managing Directors

Brenner      Fenk      Groß      Dr. Hosemann

Krick      Mulfinger      Dr. Schraad

# 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, 27 February 2015

**Landesbank Hessen-Thüringen Girozentrale**

The Board of Managing Directors

Brenner      Fenk      Groß      Dr. Hosemann

Krick      Mulfinger      Dr. Schraad

# Auditor's Report

“We have audited the annual financial statements, consisting of the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, for the financial year from 1 January to 31 December 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the Articles of Association are the responsibility of the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in conformity with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of Landesbank

Hessen-Thüringen Girozentrale and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the supplementary provisions contained in the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of Landesbank Hessen-Thüringen Girozentrale in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of Landesbank Hessen-Thüringen Girozentrale's position and suitably presents the opportunities and risks of future development.”

Frankfurt am Main, 27 February 2015

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Markus Burghardt	Peter Flick
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)