2016

Annual Report

Connected

Helaba

Helaba in Brief

One of the leading banks in the German financial capital of Frankfurt am Main, the Helaba Group employs approximately 6,000 people and has a business volume of € 195 bn. The Wholesale Business unit offers a complete range of financial services from a single source for companies, banks and institutional investors. The S-Group Bank, which forms a part of Helaba's S-Group Business, Private Customers and SME Business unit, provides innovative, high-quality financial products and services for the Sparkassen. It serves as the Sparkasse central bank for Hesse, Thuringia, North Rhine-Westphalia and Brandenburg, making Helaba a strong partner for some 40 percent of Germany's Sparkassen. Helaba is the regional market leader in retail banking through its subsidiary Frankfurter Sparkasse and also has a presence in direct banking through 1822direkt. Landesbausparkasse Hessen-Thüringen, Helaba's independent home loans and savings division, uses the Sparkassen as sales partners and is the market leader in both Hesse and Thuringia. WIBank, which comes under Helaba's Public Development and Infrastructure Business unit, supports development programmes for the State of Hesse. Helaba also engages in many areas of public life by sponsoring groundbreaking cultural, educational, environmental, sports and social projects.

"Helaba once again achieved a satisfying result in a challenging market environment. As in prior years, in 2016 we supported our public owners, customers and employees as a reliable, fair partner. The foundations of our success are our solid, well-balanced and proven business model, our customers' high level of satisfaction with the bank and the quality of our products and services."

Herbert Hans Grüntker, Chairman of the Board of Managing Directors

Our 2016 Annual Report has been published this year for the first time in an interactive online format.

You will find it at
vernetzt.helaba.de

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Connected. We believe close customer relationships are founded on effective dialogue. We think in terms of integrated networks. We listen and we bring people, companies and institutions together – digitally or face to face. We span sectors and national boundaries, assisting and advising. We make our customers and partners stronger – and it is by this measure that we also judge our own success.

At a Glance

Helaba ratings

(As at: February 2017)

Moody's	
Outlook	Stable
Counterparty Risk Assessment	Aa3(cr)
Long-term Deposit Rating	Aa3
Public-Sector Covered Bonds	Aaa
Short-term Deposit Rating [2]	P-1
Senior senior unsecured bank debt [3]	Aa3
Senior Unsecured [4]	A1
Subordinate Rating [5]	Baa2
Baseline Credit Assessment	baa3

Fitch	
Outlook	Stable
Long-term Issuer Default Rating [1]	A+
Public Sector Pfandbriefe	AAA
Mortgage Pfandbriefe	AAA
Short-term Issuer Default Rating [1, 2]	F1+
Derivative Counterparty Rating [1]	AA–(dcr)
Long-term Deposit Rating [1, 3]	AA–
Senior Unsecured [1, 4]	A+
Subordinated debt [1, 5]	A
Viability-Rating [1]	a+

Standard & Poor's	
Outlook	Stable
Long-term Issuer Credit Rating [1]	A
Short-term Issuer Credit Rating [1, 2]	A-1
Long-term Senior Unsecured [1, 3]	A
Long-term Senior Subordinated [1, 4]	A–
Standalone Credit Profile [1]	a

Ratings for Helaba liabilities that are covered by statutory guarantee[6]

	Moody's	Fitch Ratings	Standard & Poor's
Long-term ratings	Aa1	AAA	AA–

[1] Joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen, respectively based on the group rating
[2] Corresponds to short-term liabilities
[3] Corresponds in principle to long-term senior unsecured debt according to § 46f (5 u. 7) KWG ("with preferential right to payment")
[4] Corresponds in principle to long-term senior unsecured debt according to § 46f (6) KWG ("without preferential right to payment")
[5] Corresponds to subordinated liabilities
[6] The statutory guarantee applies to all liabilities in place prior to 18 July 2001 (no time limit)

Stakes in Helaba's share capital

Public owners	in %
Sparkassen- und Giroverband Hessen-Thüringen	68.85
State of Hesse	8.10
State of Thuringia	4.05
Sparkassenverband Westfalen-Lippe	4.75
Rheinischer Sparkassen- und Giroverband	4.75
FIDES Alpha GmbH[1]	4.75
FIDES Beta GmbH[1]	4.75

[1] represented by DSGV e. V. as the trustee

The Helaba Group in figures

Performance figures		2016 in € m	2015 in € m	Change in € m	Change in %
Net interest income before provisions for losses on loans and advances		1,231	1,312	−81	−6.2
Net fee and commission income		340	333	7	2.1
General and administrative expenses		−1,232	−1,190	−42	−3.5
Profit before taxes		549	596	−47	−7.9
Consolidated net profit		**340**	**419**	**−79**	**−18.9**
Return on equity before taxes	in %	**7.2**	**8.1**		
Cost-income ratio	in %	**63.7**	**58.8**		

Figures in the statement of financial position	31.12.2016 in € m	31.12.2015 in € m	Change in € m	Change in %
Loans and advances to banks	15,235	17,144	−1,909	−11.1
Loans and advances to customers	93,078	93,194	−116	−0.1
Trading assets	20,498	26,078	−5,580	−21.4
Financial investments and shares in equity-accounted entities	25,796	26,609	−813	−3.1
Liabilities due to banks	30,138	35,976	−5,838	−16.2
Liabilities due to customers	46,824	47,727	−903	−1.9
Securitised liabilities	50,948	47,073	3,875	8.2
Trading liabilities	18,713	22,423	−3,710	−16.5
Equity	7,850	7,676	174	2.3
Total assets	**165,164**	**172,256**	**−7,092**	**−4.1**

Key indicators for regulatory purposes	31.12.2016 in %	31.12.2015 in %
CET1 capital ratio	14.3	13.8
Tier 1 capital ratio	15.3	14.9
Total capital ratio	20.5	19.8

Ladies and gentlemen,
Dear customers, dear business partners,

We are satisfied with our progress in financial year 2016. Our profit for the period amounted to € 549 m before taxes and € 340 m after taxes. The predicted fall in net income as a result of the extraordinary interest rate position actually turned out to be less pronounced than we had expected and the pre-tax figure for 2016, while down nearly 8 % on the previous year, is still among the three best results in the history of our Bank.

We owe the satisfactory progress made to our proven balanced business model, the continued strength of which can be seen in the high volume of new business and pleasing increase in fee and commission income generated in operating customer business.

Helaba continues to demonstrate its status as a robust and highly reliable institution at the European as well as the domestic level. The EU-wide transparency exercise conducted in the autumn of 2016 found it to have a comfortable level of capital backing and a high-quality lending portfolio.

Helaba's business model has shown its mettle over the years, not least in the difficult market conditions of more recent times, but conditions remain challenging and it is only right that we review the model regularly and adjust it where necessary. A number of changes have been made recently. Most notably, we have sold the bulk of our shares in HANNOVER LEASING and are now a minority shareholder with a stake of 5.1 %. North Rhine-Westphalia (NRW) is one of our most important core markets. We already generate more than 30 % of our income from corporate customer business in this region, but would still like to expand our NRW business significantly again in the period to 2020. The first crop of applications developed by our Digitalisation Strategic Project has now arrived and will be deployed in 2017. We have more in mind with our digital agenda than just creating products and processes however: our intention is to move Helaba forwards continuously with a steady stream of timely innovations capable of maintaining our appeal for customers and protecting and honing our competitive edge. The project to replace our core banking system will dominate developments in the IT strategy sphere for the next few years.

We expect 2017 to be a year of exceptionally challenging political and economic conditions. We remain confident in the ability of our balanced business model to help us weather the storm, but do expect net income to drop back noticeably in the current financial year. Interest rate developments in the USA, however, give Helaba hope that the euro zone too will see interest rates begin to pick up again in the medium term, which leads us, in turn, to suggest with a certain measure of confidence that the bottoming out in operating business should come either this year or next.

Our consistent success would be impossible without the faith placed in us by our customers and business partners, the backing we receive from our public owners and investors and the commitment and ability exhibited by our Helaba team. Please accept my heartfelt thanks on behalf of the entire Board of Managing Directors.

Yours sincerely

Herbert Hans Grüntker
Chairman of the Board of Managing Directors

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Group Management Report

Basic Information About the Group

Business model of the Group
Landesbank Hessen-Thüringen Girozentrale (Helaba) is a credit institution organised under public law; its long-term strategic business model is that of a full-service bank with a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkassen-Finanzgruppe.

One key aspect of Helaba's business model is its legal form as a public-law institution. Helaba operates as a for-profit entity in line with the applicable provisions of the Charter and the Treaty of the Formation of a Joint Savings Banks Association Hesse-Thuringia. The Treaty and the Charter establish the legal framework for Helaba's business model. Other factors central to this business model are Helaba's status as part of the Sparkassen-Finanzgruppe with its institutional protection scheme, the distribution of tasks between Sparkassen, Landesbanken and other S-Group institutions, the large stake in Helaba owned by the Sparkassen organisation, and Helaba's retention and expansion of its activities in the S-Group and public development and infrastructure business.

Helaba'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. The branches allow Helaba to strengthen its local presence close to customers and Sparkassen. The foreign branches provide Helaba with access to the funding markets, particularly those markets based on the US dollar and pound sterling. The organisation also includes representative and sales offices, subsidiaries and affiliates. In 2016, Helaba opened a new representative office in Stockholm to provide support for its sales activities in Scandinavia. It is also planning to set up a further representative office in São Paulo.

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. The geographic focus of the business is on Germany, but the Bank also has operations in some other European countries and North America. Stable, long-term business relationships with its customers are one of Helaba's hallmarks. 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, selected international customers, plus German municipal corporations and central, regional and local public authorities. Among its target customers, Helaba aims for core bank status.

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. Activities in this business unit are concentrated in Germany, with a particular focus on Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. Helaba is a Sparkasse central bank and S-Group bank for the Sparkassen in these four regions and therefore for 40 % of all Sparkassen in Germany. In Hesse and Thuringia, the S-Group Sparkassen and Helaba 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 and business agreements have been entered into with the Sparkassen and their associations in North Rhine-Westphalia. In addition, there are sales co-operation agreements with the Sparkassen in Brandenburg. The agreements with the Sparkassen in North Rhine-Westphalia and Brandenburg complement the S-Group Concept of the Sparkassen-Finanzgruppe Hessen-Thüringen.

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 850,000 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 private banking and in the wealth and asset management businesses.

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", a legally dependent entity within Helaba. WIBank enjoys a direct statutory guarantee from the State of Hesse as permitted under applicable law in the European Union (EU). WIBank's business activities are guided by the development objectives of the State of Hesse. Helaba also has stakes in other development institutions in Hesse and Thuringia.

Management instruments and non-financial performance indicators

As part of managing the Bank as a whole, Helaba has integrated systems in place for business and productivity management. This is based on a multi-level Margin Accounting System and comprises both the management of absolute income and costs and the integrated management of contribution margins. The target is to achieve a cost-income ratio below 65 %. The cost-income ratio is the ratio of general and administrative expenses to profit before taxes net of general and administrative expenses and of provisions for losses on loans and advances. The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances analysed based on a management income statement produced in the Margin Accounting System at regular intervals in the course of the financial year. In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

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

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). Profitability targets are managed on the basis of the return on equity (ratio of profit before taxes to average capital employed in the financial year determined in accordance with IFRS).

The Capital Requirements Regulation (CRR) specifies that banks must calculate a leverage ratio, a (short-term) liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). Helaba takes these ratios and requirements into account in its liquidity management and when fine-tuning its business portfolio. An institution-specific minimum requirement for own funds and eligible liabilities (MREL) will also be specified as part of the implementation of the Single Resolution Mechanism (SRM) in Europe.

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 assets accounted for by customer business (loans and advances to customers and affiliated Sparkassen).

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

As the leading S-Group bank in the Sparkassen-Finanzgruppe, Helaba is continuously expanding its business relationships with Sparkassen throughout Germany. In the regions of Hesse, Thuringia and North Rhine-Westphalia, where Helaba acts as the Sparkasse central bank, Helaba uses standard criteria to determine a product use ratio that expresses the volume of business conducted with Helaba and its subsidiaries as a percentage of the total purchases by each Sparkasse. Target product use ratios are agreed jointly with the Sparkassen.

As a public-law credit institution with a mandate to operate in the public interest, 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, and has established standards of conduct regarding business activities, business operations, staff 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's endeavours in response to the threat posed by climate change include a clear commitment to supporting energy-efficient technologies and renewable energy; it advocates the use of environmentally friendly technologies wherever possible when financing technical plant and systems. Helaba makes key elements of its environmental profile transparent and creates incentives to further reduce consumption and emissions by calculating environmental indicators for its business operations 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 or 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.

Helaba's sustainability performance is regularly rated by sustainability rating agencies. The ratings are a core component in the process of analysing and refining Helaba's sustainability profile. Helaba aims to achieve continuous improvement in these third-party ratings.

Employees

- Business and HR strategy
  The basic principles of Helaba's HR activities are derived from its business strategy. These principles incorporate social, economic and regulatory changes. The core tasks include, for example, needs-based recruitment of suitable employees, the provision of professional services, attractive remuneration and ancillary benefits (such as occupational pensions), continuing professional development and the development of young talent.

- Remuneration principles
  The business strategy and risk strategy specify the degree of flexibility available to employees. This then also forms the basis for the remuneration system. 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.

- Professional development
  Despite a high level of cost-consciousness, Helaba continues to make a significant investment in developing the skills and qualifications of its employees. The needs-based range of seminars covering professional, personal, social and methodological development helps managers and employees fulfil their day-to-day responsibilities. These seminars are complemented by foreign language training, topic-specific training provided by external providers and courses of study in business management.

- Development of young talent
  The social changes resulting from demographic trends and the ongoing process of digitisation will have an impact on Helaba's competitiveness over the long term. This has implications for the design of processes in HR management. Demographic change is presenting a particular challenge in that Helaba must be able to attract and retain young talent with a high degree of potential. In addition, the advances in digitisation are changing the requirements that companies need to meet to retain their appeal, particularly for a young employee target group. This is noticeable, for example, in changing recruitment processes, which are increasingly characterised by the use of social media for contact with applicants.

- Other key areas of focus
  Other key areas in which HR activities are currently focused include work-life balance, health management, change management and managerial training. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

Helaba carried out an employee survey throughout the Bank during the course of 2016; more than 2,700 employees (83 %) made use of the opportunity to express their opinions on Helaba. The findings will now be used to continue the work on corporate and management culture in line with identified requirements and will also be actively used in 2017 to draw up recommendations for further strategic and operational action.

In the year under review, Helaba negotiated and came to mutually acceptable arrangements with employee representatives for new company agreements on employee appraisals covering target agreement, target attainment, performance assessment and the related determination of variable remuneration at the end of the year. Employee appraisals foster co-operation between employees and managers based on trust. At the same time, the results of these negotiations also satisfy in full the latest regulatory requirements under the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (Instituts-Vergütungsverordnung – IVV).

Economic Report

Macroeconomic and sector-specific conditions in Germany
In 2016, the German economy expanded at a rate of 1.9 % (seasonally adjusted 1.8 %), the third year in succession that it has exceeded its growth potential, i.e. the growth that would be anticipated over the long term with a normal level of capacity utilisation. This economic growth was primarily driven by consumer spending, with household consumption accounting for more than one percentage point of the growth. This and government spending accounted for the whole of the growth in gross domestic product (GDP). Substantial collectively agreed pay rises in combination with largely stable prices and increasing employment boosted consumer incomes in real terms. Migration into Germany also gave a stimulus to both household and public-sector expenditures.

This contrasted with a disappointing level of capital investment by businesses, with the contribution to growth only slightly into positive territory; foreign trade even acted as a drag to a small extent, reflecting the uncertainties surrounding exports, even though the low interest rates in capital markets and slightly above-average capacity utilisation ought to have generated more capital spending. Residential construction expanded on the back of strong demand for residential space (mainly in large towns and cities), very low mortgage rates, the lack of investment alternatives and more investment in the stock of housing. Construction in the public and commercial sectors recovered during 2016.

Competitive conditions in the German banking industry are being influenced by the ongoing period of zero and negative interest rates and the action taken to implement the European banking union. Alongside the historically low key interest rates, the ECB's asset purchase programmes are flooding the markets with liquidity. On top of this, institutional investors (insurance companies, pension funds) are making inroads into the market in response to their own investment pressures and are becoming competitors of the banks. The increasingly cut-throat competition is resulting in even greater pressure on margins.

More and more areas of economic activity are becoming digitalised, driven by developments in information technology and the increasing availability of the Internet. Online and mobile channels are presenting financial service providers with new ways of offering products and of accessing and exchanging data with customers.

In this way, online banks, high street banks and increasingly non-bank web-based businesses (termed fintech companies or fintechs) too have developed new communication and sales channels in private customer business, in some cases in competition and in other cases in co-operation with one another. To an ever greater extent, attention is now focusing on business with corporate clients, real estate customers and institutional investors as well. Derivative platforms are providing standardised processes, enabling users to enter into currency hedges on the basis of auditable procedures. Lending portals are enabling small corporate clients to obtain financing from banks or directly from institutional or private investors, and banks are analysing their customer data in search of more effective ways of offering products. Around the globe, blockchain technology is being refined to find new, faster and more cost-effective methods of exchanging data – applications range from specialist niche trading to SEPA payments.

Key changes in the regulatory framework were as follows:

- Prudential supervision by the ECB (Single Supervisory Mechanism, SSM)
  The Helaba Group (within the meaning of the German Banking Act (Kreditwesengesetz – KWG)) together with its affiliated subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, is among the banks classified as "significant" and therefore subject to direct supervision by the ECB. The ECB sent the Helaba Group a letter dated 25 November 2016 notifying it of the findings of the Supervisory Review and Evaluation Process (SREP). The ECB has specified that the minimum Common Equity Tier 1 (CET1) capital ratio to be maintained by the Helaba Group in 2017 is 7.43%. This requirement comprises the Pillar 1 minimum capital requirement, the Pillar 2 capital requirement and the capital buffers. The minimum CET1 capital ratio specified by the ECB for 2016 had been 9.25%.

- ECB stress test and transparency exercise
  The European Banking Authority (EBA) and the ECB followed up the last stress test performed as part of the comprehensive assessment in 2014 by conducting another EU-wide stress test, the results of which were published on 29 July 2016. The number of banks included fell from 123 in 2014 to 51. Helaba was one of the banks involved again in 2016. In the test results, Helaba was found to have a comfortable level of capital backing. One of the outcomes of the stress test in the third stress year was that the Common Equity Tier 1 (CET1, phased in) capital ratio fell by 3.7 percentage points from the figure of 13.8 % reported at the end of 2015 to 10.1 %. Based on a stronger starting point as at 31 December 2015, the absolute CET1 ratio was above the values calculated in the 2014 stress test.

  In addition to the stress test, the EBA once again carried out an EU-wide transparency exercise in 2016, the results of which were published on 2 December 2016. This exercise involved gathering detailed information on capital adequacy, risk position and quality of assets for each of the participating banks as at the reference dates of 30 June 2016 and 31 December 2015. Data was collected from 131 banks in 24 European Economic Area (EEA) countries. The non-performing loan (NPL) ratio determined for the Helaba Group as at 30 June 2016 was 2.04 %, reflecting the Group's sound capital adequacy and risk position as well as the high quality of its lending portfolio. The Bank therefore fell below the average of 2.72 % for German banks, which was already very low by European standards. The NPL ratio as at 31 December 2016 came to 1.65 %.

- Single Resolution Mechanism (SRM)
  A second cornerstone of the European banking union to accompany the Single Supervisory Mechanism is the Single Resolution Mechanism, which consists of the Single Resolution Fund (SRF) and the Single Resolution Board (SRB). The resolution fund is funded by the European bank levy collected since 2015. The SRB took over central decision-making powers and responsibilities from January 2016. Helaba is classified as a "significant" bank and thus falls within the responsibility of the SRB. In the first half of 2016, a data collection exercise was conducted for the purposes of resolution planning and determining minimum requirements for own funds and eligible liabilities (MREL). As a result of the data collection exercise, Helaba was notified in November 2016 of an indicative MREL target for the Group. Helaba's own funds and eligible liabilities are well above the notified target MREL.

- Capital and liquidity requirements (Basel III/CRD IV/CRR)
  At the end of 2016, the CET1 capital ratio for the Helaba Group was 14.3 % (phased in, i.e. taking into account the CRR transitional arrangements) or 13.8 % (fully loaded, i.e. disregarding the transitional arrangements) and the total capital ratio was 20.5 % (applying the CRR transitional arrangements) or 19.6 % (fully loaded, i.e. disregarding the transitional arrangements). Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published.

  CRD IV provides for a transitional phase until the end of 2021 for capital instruments that are currently recognised as regulatory Tier 1 capital, but will not meet the future requirements for such capital. At Helaba, this affects silent participations with a nominal amount of € 953 m.

  The uniform Europe-wide liquidity coverage requirement in the form of the liquidity coverage ratio (LCR) will be gradually raised, progressing from 70 % in 2016 to 80 % in 2017 and then to 100 % in 2018. The Helaba Group's LCR as at 31 December 2016 was 129.2 %. A minimum standard for medium- to long-term structural liquidity is being introduced from 2018 using an indicator known as the net stable funding ratio (NSFR). Helaba is already taking this requirement into account in its management systems. Both liquidity ratios will generally 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 unweighted total of all on-balance sheet and off-balance sheet asset items (including derivatives). Currently, banks must disclose the leverage ratio and report it to the supervisory authorities as an indicator for monitoring purposes. A mandatory minimum ratio of 3.0 % is expected to apply from 1 January 2019. The European Commission is likely to decide on the details during 2017. Taking into account the transitional provisions specified in the relevant delegated act, Helaba's leverage ratio as at 31 December 2016 was 4.74 %.

- Protection schemes
  Germany has transposed the requirements of the EU directive on deposit guarantee schemes into German law with the Deposit Guarantee Act (EinSiG), which came into force on 3 July 2015. Under this act, institutional protection schemes can be recognised as deposit guarantee schemes provided that the criteria specified in the act are satisfied. Accordingly, the institutional protection scheme operated by the Sparkassen-Finanzgruppe has been recognised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) as a deposit guarantee scheme within the meaning of EinSiG. Of the customer deposits held by the Helaba Group, total deposits of € 15.1 bn qualify as "covered deposits" within the meaning of EinSiG.

Business performance

Key factors influencing the business performance and results of operations at Helaba in the 2016 financial year were the robust rate of economic growth in Germany, which amounted to 1.9 % in real terms, and the persistently low level of interest rates, which were reduced to new historic lows during the year.

Although the volume of new medium- and long-term business (with a term of greater than one year, excluding the WIBank development business, which does not form part of the competitive market) in the Group was down slightly to € 18.5 bn (2015: € 19.2 bn), maturities, special repayments and a currency-related decline were almost entirely offset. Loans and advances to customers amounting to € 93.1 bn were at a similar level to the prior-year figure (31 December 2015: € 93.2 bn). Loans and advances to affiliated Sparkassen contracted to € 6.4 bn

(31 December 2015: € 7.2 bn) because of the liquidity position in the institutions concerned. The focus on lending to customers 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 consolidated assets accounted for by customer transactions, rose to 60 % (31 December 2015: 58 %) as a consequence of the contraction in total assets in 2016.

In spite of some relatively sharp market fluctuations at the beginning of the year, the market environment for funding operations was generally positive for financial institutions in core euro zone countries during 2016. Helaba was able to obtain funding inexpensively and without difficulty from institutional and retail investors throughout the year. The Bank continued to benefit here from its strategic business model and from its stable business and earnings performance.

Medium- and long-term funding of around € 17.2 bn (2015: € 17.3 bn) was raised during 2016, with unsecured funding amounting to approximately € 14.2 bn (2015: € 11.4 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were only slightly lower than the previous year at around € 2.4 bn (2015: € 2.7 bn). Pfandbrief issues amounted to € 3.0 bn in total (2015: € 4.8 bn), with mortgage Pfandbriefe accounting for 60 % and public Pfandbriefe 40 %. A notable success was a four-year mortgage Pfandbrief of US$ 600 m placed with institutional investors. As in previous years, the customer deposits in the retail business within the Group, in particular through the subsidiary Frankfurter Sparkasse, brought further diversification to the funding base.

Helaba is the S-Group bank for 157 Sparkassen in four German states, or around 40 % of all Sparkassen in Germany. Collaboration with the affiliated Sparkassen held steady in 2016.

On 16 December 2016 Helaba reached an agreement with CORESTATE Capital Holding S.A. regarding the sale of its 44.2 % stake in HANNOVER LEASING GmbH & Co. KG. In addition to Helaba, Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft also concluded the sale of its 48 % equity investment. The deal is subject to approval by the banking supervisor and is expected to be completed in the first half of 2017. Thereafter, Helaba will still retain a non-controlling interest of 5.1 % in HANNOVER LEASING.

In financial year 2016, Helaba again generated a net profit that allowed it to service all subordinated debt, profit participation rights and silent participations, pay a dividend to shareholders and make appropriations to its retained earnings to strengthen Tier 1 capital.

The cost-income ratio as at 31 December 2016 was 63.7 % (31 December 2015: 58.8 %) and therefore well within the target range (2016 target: < 65 %). Return on equity declined to 7.2 % (31 December 2015: 8.1 %), still within the target range of 6 to 8 %.

Financial Position and Financial Performance

Changes to basis of consolidation

The changes to the basis of consolidation in 2016 did not have any material impact on financial position or financial performance. The changes related mainly to property companies in the area of real estate project development.

Financial performance of the Group

	2016	2015	Change	
	in € m	in € m	in € m	in %
Net interest income	1,231	1,312	−81	−6.2
Provisions for losses on loans and advances	−154	−237	83	35.0
Net interest income after provisions for losses on loans and advances	**1,077**	**1,075**	**2**	**0.2**
Net fee and commission income	340	333	7	2.1
Net trading income	146	190	−44	−23.2
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	51	22	29	>100.0
Net income from hedge accounting	−5	3	−8	>−100.0
Net income or expense from financial investments and share of profit or loss of equity-accounted entities	53	−10	63	>100.0
Other net operating income	119	173	−54	−31.2
General and administrative expenses	−1,232	−1,190	−42	−3.5
Profit before taxes	**549**	**596**	**−47**	**−7.9**
Taxes on income	−209	−177	−32	−18.1
Consolidated net profit	**340**	**419**	**−79**	**−18.9**

In 2016, Helaba generated profit before taxes of € 549 m, matching the average level of € 550 m achieved during the years 2012 to 2015. The requirement for provisions for losses on loans and advances was significantly lower than in 2015, given the high quality of the business portfolio and the fact that the German economy was in good shape. The performance of the operating business, which is reflected particularly in the net interest income and net fee and commission income, was satisfactory given the difficult environment. Net fee and commission income rose once again year on year, but net interest income came in below the prior-year figure because of the adverse impact from the persistently low interest rates. Net trading income proved extremely volatile, not least because of the EU referendum in the United Kingdom, with a negative figure in the first half of the year being followed by a sharp increase in net income in the second half of the year. Helaba was able to absorb the significant cost increases caused by regulatory requirements and the impairment loss on the goodwill attached to Frankfurter Sparkasse, the latter made necessary because of the lower dividends projected in the latest round of planning. These items adversely impacted general and administrative expenses and other net operating income respectively. The changes in the individual items in the income statement were as described below.

Net interest income of € 1,231 m was 6.2 % below the prior-year figure (2015: € 1,312 m). A lower volume of loans and advances on average over the year and also a decline in margins led to a decrease in net interest income in the operating lending business. Net interest income was adversely affected by the low level of interest rates in the payment transactions business, the home savings business and at Frankfurter Sparkasse.

The expenses for provisions for losses on loans and advances amounted to € 154 m (2015: € 237 m). Specific loan loss allowances and specific loan loss allowances evaluated on a group basis accounted for a net addition of € 228 m (2015: € 156 m). The portfolio loan loss allowance for lending exposures that are not at serious risk of default was reversed by an amount of € 72 m (2015: net addition of € 93 m). The balance of direct impairment losses, additions to provisions for risks from off-balance sheet lending business and amounts received in relation to loans and advances previously written off amounted to a net reversal of € 2 m (2015: net reversal of € 12 m). Net interest income after provisions for losses on loans and advances increased from € 1,075 m to € 1,077 m.

Net fee and commission income rose by € 7 m to € 340 m. Net fee and commission income is mostly generated by Helaba, Frankfurter Sparkasse and Helaba Invest. There was an increase in fees and commissions particularly from Helaba's payment transactions business and from Helaba Invest's asset management activities. The contribution from Frankfurter Sparkasse was at a similar level to the previous year.

At € 146 m, net trading income was below the prior-year figure of € 190 m and resulted mainly from interest-rate-related business, the focus of the customer-driven capital market activities. The decrease resulted largely from the scaling-back in trading book portfolios and changes in the measurement adjustments for derivatives. Helaba Bank was responsible for most of the Group's trading activities.

The gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied increased from a net gain of € 22 m in 2015 to a net gain of € 51 m in financial year 2016. One major reason for the positive result was the net gain of € 23 m attributable to financial instruments held by consolidated special funds, which includes both unrealised remeasurement gains or losses and realised sale proceeds (2015: net loss of € 31 m). Another reason was the widening of credit spreads for euro zone banks, which resulted in significant remeasurement gains on financial liabilities to which the fair value option is applied. There was a negative effect from the remeasurement of the liquidity component of foreign currencies (cross currency basis spread) in the measurement of derivatives, which had had a significant positive impact in the previous year. After inclusion of this liquidity component, the remeasurement of the banking book derivatives used to manage interest rates resulted in a net loss of € 35 m in 2016 compared with a net gain of € 23 m in the previous year. The net loss from hedge accounting, in which the ineffective portion of micro hedges is reported, amounted to € 5 m (2015: net gain of € 3 m).

Net income from financial investments increased from € 7 m to € 45 m, mainly owing to a remeasurement gain on a bond issued by HETA Asset Resolution AG. An impairment loss of € 37 m had been recognised for this bond in the previous year, but € 28 m of this impairment loss was reversed in the reporting year. With the inclusion of these changes, the net remeasurement gain on available-for-sale (AfS) financial instruments came to € 26 m (2015: net measurement loss of € 56 m). The realised gains and losses on disposal of available-for-sale financial instruments amounted to a net gain of € 19 m (2015: net gain of € 63 m). Of this figure, gains of € 6 m were attributable to the sale of bonds and other fixed-income securities (2015: € 36 m). The share of profit or loss from associates and joint ventures accounted for using the equity method amounted to income of € 8 m (2015: expense of € 17 m).

Other net operating income declined from € 173 m to € 119 m. A significant component of this figure is the net income from investment property, which amounted to € 141 m in 2016 (2015: € 133 m). Most of the net income from investment property is generated by the GWH Group. This figure comprises the balance of rental income, the net proceeds of disposals, operating costs and impairment losses. One of the reasons for the significant fall in other net operating income was the impairment loss of € 31 m on the goodwill relating to Frankfurter Sparkasse. Another reason was the addition of € 47 m to the provisions for purchase price risk in relation to the sale of HANNOVER LEASING.

General and administrative expenses rose by € 42 m to € 1,232 m. These expenses comprised personnel expenses of € 625 m (2015: € 624 m), non-personnel operating expenses of € 569 m (2015: € 526 m) as well as depreciation and impairment losses on property and equipment plus amortisation and impairment losses on intangible assets totalling € 38 m (2015: € 40 m). Whereas pay-scale increases in 2016 led to a rise in personnel expenses, some of these increases were offset by lower expenses for pensions and a lower headcount. The Group employed an average of 6,101 people in the year under review (2015: 6,200). Factors contributing to the increase in other administrative expenses included IT and consulting expenses in connection with the implementation of regulatory and operating requirements. The contributions to the European bank levy also increased from € 27 m in 2015 to € 37 m in the reporting year. On the other hand, the expenses of € 59 m for association contributions and reserve funds remained unchanged year on year.

The general and administrative expenses were covered by the total operating income of € 1,935 m (2015: € 2,023 m), producing a cost-income ratio of 63.7 % (2015: 58.8 %). Helaba's return on equity before taxes fell from 8.1 % to 7.2 %. The return on assets pursuant to article 90 of Capital Requirements Directive IV (CRD IV) was unchanged compared with 2015 at 0.2 %.

The income tax expense amounted to € 209 m (2015: € 177 m). This mainly comprised taxes relating to Helaba Bank in Germany (€ 127 m), Frankfurter Sparkasse (€ 31 m), the New York branch (€ 25 m) and GWH (€ 24 m). Of the total income tax expense, € 135 m was attributable to current taxes. Deferred tax expenses of € 74 m arose in relation to temporary differences. The tax rate went up to 38.1 % year on year (2015: 29.7 %) because of an increase in non-deductible operating expenses and a simultaneous decline in tax-exempt income.

The consolidated net profit, i.e. the profit after tax, declined by 18.9 % to € 340 m. Of the consolidated net profit, a loss of € 5 m (2015: loss of € 8 m) was attributable to non-controlling interests in consolidated subsidiaries, with the result that the profit attributable to the shareholders of the parent company amounted to € 345 m (2015: € 427 m). From the latter, € 28 m has been earmarked to service the capital contributions of the Federal State of Hesse that are reported under equity and € 62 m has been earmarked for distribution to shareholders.

Comprehensive income for financial year 2016 declined from € 439 m to € 276 m. This figure includes other comprehensive income in addition to the consolidated net profit as reported in the income statement. Other comprehensive income amounted to a loss of € 64 m (2015: income of € 20 m). This figure was subject to a significantly negative impact from the remeasurement of the net liability under defined benefit plans caused by the decrease in the discount rate. This resulted in a decline in comprehensive income before tax of € 168 m (2015: increase of € 77 m). The average discount rate used to determine pension provisions was 1.7 % (2015: 2.5 %). In 2016, a net gain of € 63 m before taxes was recognised in other comprehensive income under gains and losses on available-for-sale financial instruments, whereas the equivalent figure recognised in 2015 was a net loss of € 62 m.

Statement of financial position

Assets

	31.12.2016	31.12.2015	Change	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	18,331	19,053	−722	−3.8
Loans and advances to customers	93,078	93,194	−116	−0.1
Allowances for losses on loans and advances	−772	−986	214	21.7
Trading assets	20,498	26,078	−5,580	−21.4
Positive fair values of non-trading derivatives	4,024	4,376	−352	−8.0
Financial investments and shares in equity-accounted entities	25,796	26,609	−813	−3.1
Investment property, property and equipment and intangible assets	2,711	2,512	199	7.9
Income tax assets	522	495	27	5.5
Other assets	976	925	51	5.5
Total assets	**165,164**	**172,256**	**−7,092**	**−4.1**

Equity and liabilities

	31.12.2016	31.12.2015	Change	
	in € m	in € m	in € m	in %
Liabilities due to banks	30,138	35,976	−5,838	−16.2
Liabilities due to customers	46,824	47,727	−903	−1.9
Securitised liabilities	50,948	47,073	3,875	8.2
Trading liabilities	18,713	22,423	−3,710	−16.5
Negative fair values of non-trading derivatives	3,918	4,380	−462	−10.5
Provisions	2,319	2,089	230	11.0
Income tax liabilities	184	184	–	–
Other liabilities	647	692	−45	−6.5
Subordinated capital	3,623	4,036	−413	−10.2
Equity	7,850	7,676	174	2.3
Total equity and liabilities	**165,164**	**172,256**	**−7,092**	**−4.1**

Helaba's consolidated total assets contracted by € 7.1 bn (4.1 %) year on year to € 165.2 bn as at 31 December 2016. The contraction in total assets was largely attributable to the deliberate scaling back of trading assets. Total business volume, which included off-balance sheet liabilities in banking business and fiduciary activities as well as assets, went down by 2.8 % to € 195.0 bn (31 December 2015: € 200.6 bn).

Loans and advances to banks decreased by 11.1 % to € 15.2 bn (31 December 2015: € 17.1 bn) as a result in particular of the reduction in overnight and time deposits, which fell by € 1.7 bn to € 3.0 bn. Of the total loans and advances to banks, a sum of € 6.4 bn (31 December 2015: € 7.2 bn) was accounted for by funding made available to the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. The cash reserve, which consists essentially of balances with central banks, stood at € 3.1 bn on the reporting date (31 December 2015: € 1.9 bn).

Loans and advances to customers were virtually unchanged at € 93.1 bn (31 December 2015: € 93.2 bn). Of the loans and advances to customers, commercial real estate loans accounted for € 33.0 bn (31 December 2015: € 31.9 bn) and infrastructure loans for € 15.0 bn (31 December 2015: € 15.3 bn).

Allowances for losses on loans and advances declined from € 1.0 bn to € 0.8 bn. Of this amount, € 272 m (31 December 2015: € 348 m) was accounted for by portfolio loan loss allowances recognised to cover lending exposures not at acute risk of default.

As in prior years, the year under review saw Helaba continue to implement its plan to scale back trading assets accounted for at fair value. The decrease from € 26.1 bn to € 20.5 bn was attributable to the reduction in bonds and other fixed-income securities to € 6.7 bn (31 December 2015: € 12.4 bn). Loans held for trading also declined by € 0.2 bn to € 1.3 bn. The positive fair values of derivatives held for trading increased marginally by € 0.4 bn to € 12.3 bn.

Financial investments, of which bonds constituted 99 %, reduced by € 0.8 bn year on year to € 25.8 bn.

Liabilities due to banks decreased significantly by € 5.8 bn to € 30.1 bn. This was due to both a € 3.6 bn decrease in liabilities from securities repurchase transactions and a € 3.2 bn reduction in overnight, time and demand deposits. Of the total liabilities due to banks, liabilities due to Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg accounted for € 5.5 bn (31 December 2015: € 6.6 bn).

Liabilities due to customers amounted to € 46.8 bn (31 December 2015: € 47.7 bn). Within this figure, overnight and time deposits declined by € 0.6 bn to € 14.1 bn. Of the total liabilities due to customers, a sum of € 16.0 bn (31 December 2015: € 15.5 bn) was accounted for by Frankfurter Sparkasse. Home savings deposits grew to € 4.5 bn (31 December 2015: € 4.2 bn).

Securitised liabilities rose by € 3.9 bn to € 50.9 bn, primarily as a result of increases in unsecured bonds (€ 22.3 bn; 31 December 2015: € 18.6 bn) and issued money market instruments (€ 8.0 bn; 31 December 2015: € 7.1 bn). In contrast, issues of public Pfandbriefe and mortgage Pfandbriefe decreased to € 20.7 bn (31 December 2015: € 21.4 bn).

The year-on-year contraction in the portfolio of trading liabilities from € 22.4 bn to € 18.7 bn was attributable to the diminished funding requirement as a consequence of the reduced volume of the securities portfolios. In addition, the Bank was able to use liquidity surpluses to fund trading assets and avoid lengthening its balance sheet.

Subordinated capital declined to € 3.6 bn (31 December 2015: € 4.1 bn) as a consequence of instruments maturing as scheduled.

Equity

The Helaba Group's equity amounted to € 7.9 bn as at 31 December 2016 (31 December 2015: € 7.7 bn). The increase was mainly attributable to the comprehensive income of € 276 m (31 December 2015: € 439 m). Retained earnings included cumulative remeasurement losses under pension obligations (after deferred taxes) of € 533 m (31 December 2015: losses of € 413 m). The change was mainly attributable to a decrease in the discount rate. The revaluation reserve (after deferred taxes), the changes in which are recognised in other comprehensive income, increased from € 202 m to € 247 m, chiefly as a result of remeasurement gains. Equity also included a currency translation reserve of € 30 m (31 December 2015: € 23 m).

Comparison with prior-year forecasts

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

	2015 forecast for 2016	2016 actual
Net interest income	Down by approx. 9 % year on year	−6.2 %
Provisions for losses on loans and advances	€ 222 m	€ 154 m
Net fee and commission income	Up by approx. 7 % year on year	+2.1 %
Net trading income	Down by approx. 26 % year on year	−23.2 %
Other net operating income	€ 243 m	€ 119 m
Headcount (average for the year)	Slightly down	−1.6 %
Personnel expenses	Slightly above prior-year figure	+0.2 %
Non-personnel operating expenses	Up significantly year on year	+8.2 %
General and administrative expenses	Up by approx. 5 % year on year	+3.5 %
Profit before taxes	Down by approx. 13 % year on year	−7.9 %
Cost-income ratio	Approximately 63 %	63.7 %
Total assets	€ 178 bn	€ 165 bn
Proportion of total assets accounted for by customer business (loans and advances to customers and to affiliated Sparkassen)	+1.5 %	+1.9 %
Return on equity	Approximately 7.1 %	7.2 %
Volume of new medium- and long-term business (excl. WIBank)	€ 16.6 bn	€ 18.5 bn

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

Some of the anticipated adverse impact of the low interest rates on net interest income was offset by unscheduled income, with the result that the overall decline in net interest income was not as sharp as expected.

The lower provisions for losses on loans and advances compared with budget were attributable to the provisions for losses on loans and advances in the real estate lending business, which were lower than planned, and to unbudgeted reversals of portfolio loan loss allowances.

Net fee and commission income went up by 2.1 % compared with the previous year. However, in particular, the planned increases in asset management and transaction banking fell short of the projections because of fierce competition.

Other net operating income included unplanned charges, which were mainly attributable to the disposal of HANNOVER LEASING, impairment losses on the goodwill relating to Frankfurter Sparkasse, and to consolidation effects.

Consolidated net profit before taxes was down year on year by 7.9 % but nevertheless higher than forecast. In addition to the reasons mentioned above, the rise in net income from financial investments from € 7 m in 2015 to € 45 m in 2016 was also a contributing factor. Net income from financial investments is generally budgeted with a low contribution to earnings; it is not unusual to have one-off items that cannot be planned for. In 2016, the reversal of impairment losses on a bond issued by HETA Asset Resolution AG was one of the main factors contributing to the sharp rise in net income from financial investments. The recognition of impairment losses on this bond had had an adverse impact on earnings in 2015.

The volume of new medium- and long-term business, which exceeded budget in 2016, included a high proportion of early refinancing arrangements.

In 2016, the decrease in Helaba's consolidated total assets was greater than forecast. The contraction in total assets was largely attributable to the decrease in the loans and advances to banks and the scaling back of trading assets.

Financial performance by segment

The contributions of the individual segments to the profit before taxes of € 549 m in 2016 (2015: € 596 m) were as follows:

in € m

	2016	2015
Real Estate	407	380
Corporate Finance	–42	115
Financial Markets	126	127
S-Group Business, Private Customers and SME Business	101	140
Public Development and Infrastructure Business	22	27
Other	–149	–253
Consolidation/reconciliation	84	60
Group	**549**	**596**

Real Estate segment

The Real Estate Lending and Real Estate Management business lines are reported in the Real Estate segment. The equity investments operating in the real estate sector (OFB Group and the GWH Group) are included in this segment.

In real estate lending, the volume of new medium- and long-term business increased by around 6 % year on year to € 10.4 bn and therefore exceeded the budgeted level by some way. The new business included a high proportion of early refinancing arrangements. At the same time, there was a high level of early redemptions, with the result that the customer volume flatlined. The interest margin on the portfolio decreased compared with the previous year as margins on new business declined. Net interest income fell by 7 % year on year.

Provisions for losses on loans and advances amounted to € 3 m, a significant decrease on the prior-year figure. An increase in provisions for losses on loans and advances to € 97 m anticipated in the budget did not occur.

Income from real estate management and from equity investments in the real estate sector increased slightly year on year.

In general and administrative expenses, an increase in expenses of 1.8 % related to real estate lending was offset by a decrease of roughly the same amount in relation to equity investments in the real estate sector.

Profit before taxes for the segment amounted to € 407 m, which equated to an increase of 7 % compared with the figure for 2015 (€ 380 m). This profit was therefore well in excess of expectations.

Corporate Finance segment

The Corporate Finance segment comprises the earnings of the Corporate Finance business line, the share of profit or loss of the HANNOVER LEASING Group and other consolidated equity investments.

In the Corporate Finance business line, the volume of new medium- and long-term business was around 21 % down on the previous year at € 4.3 bn and therefore 9 % below budget. Loans and advances to customers nevertheless saw a slight year-on-year rise overall. Net interest income was also down slightly by 4 % as a result of a small contraction in margins.

Provisions for losses on loans and advances amounted to € 226 m, significantly higher than both the previous year's figure (2015: € 93 m) and the forecast. Provisions for losses on loans and advances in this segment were shaped to a large extent by the allowances for losses on loans and advances related to ship finance.

Other net operating income included an unbudgeted one-off item from an addition to provisions of € 47 m in connection with the disposal of HANNOVER LEASING.

The € 7 m rise in general and administrative expenses was mainly attributable to general cost increases as well as a higher overhead allocation.

The loss before taxes for the segment amounted to € 42 m, a lower figure than the previous year (2015: profit before taxes of € 115 m) and well below the forecast due in particular to provisions for losses on loans and advances.

Financial Markets segment
The Financial Markets segment brings together the earnings of the Capital Markets, Asset/Liability Management, Sales Public Authorities, and Financial Institutions and Public Finance business lines. The segment also includes the earnings from the business involving asset management for institutional investors operated by Helaba Invest Kapitalanlagegesellschaft mbH.

The segment's net interest income is primarily the result of the lending business with domestic and foreign local and regional authorities and money market trading with customers. Municipal lending in Germany was higher than planned in 2016, with new medium- and long-term business of € 1.0 bn being written. The Bank only entered into selective new business with foreign financial and public-sector institutions in 2016, the value of this new business amounting to € 0.1 bn. This segment was adversely affected by the subdued demand for interest rate products. Net interest income was € 16 m higher than in 2015, but nevertheless remained lower than forecast.

Net fee and commission income in the segment, which is generated mostly by asset management and the customer capital markets business, remained at a similar level to the previous year.

In line with forecasts, the segment's net trading income went down in 2016 compared with the prior-year figure. The contribution to this net income resulting from mark-to-market valuation diminished as a result of the significant contraction in trading assets. The measurement of OTC derivatives using the overnight index swap (OIS) curve and the calculation of the credit value adjustments (CVAs) and debit value adjustments (DVAs) also resulted in lower net income. The decrease of € 51 m in net income was lower than predicted because customer contributions rose slightly.

Net income from financial investments amounted to € 33 m; this figure included the reversal of an impairment loss of € 28 m on a bond issued by HETA Asset Resolution AG. The impairment loss in respect of this bond had been recognised in 2015.

A reduction in the overhead allocation was reflected in a positive impact on general and administrative expenses for the segment.

Profit before taxes in the segment amounted to € 126 m, which was at the level of the previous year and well above the budget figure.

S-Group Business, Private Customers and SME Business
This segment includes the earnings of Frankfurter Sparkasse, S-Group bank, Landesbausparkasse Hessen-Thüringen (LBS) and the Frankfurter Bankgesellschaft Group (FBG).

Net interest income in the segment amounted to € 353 m, well below the previous year's figure (2015: € 399 m). Falling net interest income from the retail business at Frankfurter Sparkasse, lower net interest income at LBS and lower interest income from the S-Group Bank business had an adverse impact on the segment.

Provisions for losses on loans and advances in the segment amounted to a net reversal of € 10 m (2015: net reversal of € 11 m). This was largely attributable to unbudgeted reversals at Frankfurter Sparkasse and the S-Group bank.

Net fee and commission income at the S-Group bank and LBS went up by 5 % year on year, but overall fell short of the forecast.

The gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied included income of € 15 m from Frankfurter Sparkasse special funds.

The rise in general and administrative expenses of € 13 m (3 %) was attributable to the S-Group bank and Frankfurter Sparkasse, and was in line with the planned increase in this segment.

Profit before taxes in the S-Group Business, Private Customers and SME Business segment was below the prior-year level at € 101 m (2015: € 140 m), but nevertheless exceeded the budget.

Public Development and Infrastructure Business segment
The Public Development and Infrastructure Business segment mainly comprises the Wirtschafts- und Infrastrukturbank Hessen (WIBank) business line.

Helaba performs public development functions for the State of Hesse through WIBank. One of the main features of the year under review was the expansion of the infrastructure development business, although the persistently low interest rates adversely impacted the development business in individual areas of activity. Net interest income in this segment went down by € 5 m compared with 2015 to € 46 m. This trend was largely caused by the end of some of the long-standing high-margin business.

The fall in net fee and commission income of € 3 m to € 39 m was attributable for the most part to the decrease in service fees from the State of Hesse. The main reason for this was the decline in the reimbursement of project expenses for the changeover in systems related to the new EU development period because the technical changes are now well advanced.

At the same time, general and administrative expenses declined primarily due to lower IT project expenses, although some of the decrease was offset by higher building costs.

At € 22 m, the segment's profit before taxes was below the prior-year figure (2015: € 27 m) but exceeded the forecast.

Other segment
The Other segment contains the contributions to income and expenses that cannot be attributed to the other segments. In particular, this segment includes the net income from the transaction banking business as well as the costs of the central units that cannot be allocated to the other segments in line with the user-pays principle.

In the cash management business, net interest income declined by € 8 m year on year as a consequence of the negative interest rates on short-term deposits. On the other hand, higher interest income was generated year on year from the investment of own funds in special funds.

In 2016, provisions for losses on loans and advances in this segment included a reversal of € 64 m relating to a portfolio loan loss allowance recognised in 2015 (2015: provision addition of € 93 m). In 2015, this item included an addition for risks that could not yet be allocated to specific individual exposures. This provision was then allocated to individual exposures and segments in 2016.

Net fee and commission income in cash management increased by € 3 m but fell short of the budget figure. Net fee and commission income in the segment as a whole rose by € 4 m year on year.

Other net operating income included an unplanned impairment loss on the goodwill relating to Frankfurter Sparkasse amounting to € 31 m.

The Other segment includes further central structural costs in addition to corporate centre costs not allocated to the other segments. The segment also includes the bank levy payable by Helaba Bank amounting to € 35 m (2015: € 26 m). Expenses for major regulatory projects are additionally reported under this segment. The increase in general and administrative expenses by 15 % to € 168 m mainly resulted from higher IT costs and higher project costs in the corporate centres.

The loss for the segment amounted to € 149 m (2015: loss of € 253 m) and the change compared with the prior year was mainly caused by the reductions in the centrally recognised portfolio loan loss allowances.

Consolidation/reconciliation
Effects arising from consolidation and intragroup adjustments between the segments are reported under consolidation/reconciliation. Effects that arise from the reconciliation between the segment figures and the consolidated income statement, in particular in relation to net interest income, are also reported under consolidation/reconciliation. Since the contribution margin statement shows net interest income on the basis of the market interest rate method, differences also result in the case of non-recurring income and net interest income attributable to other periods.

The profit before taxes under consolidation/reconciliation rose compared with the prior-year figure to € 84 m (2015: € 60 m).

Report on Events After the Reporting Date

There were no significant events after the end of the financial year on 31 December 2016.

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 risk appetite, 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 by the Board of Managing Directors, the risk strategy is presented to and discussed with the Supervisory Board and the Board of Public Owners.

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

The principal objectives of the Helaba Group's risk strategy are to maintain the organisation's conservative risk profile and ensure that its solvency is assured at all times, that risk-bearing capacity is always maintained and that all regulatory requirements are met. 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 for and an environment conducive to risk containment. The methods employed to identify, quantify, contain and monitor risks and the systems required to implement them have undergone continuous development, as have organisational provisions such as process and system documentation and guidelines detailing responsibilities.

Principles

Responsibility of executive management
The 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 and risk appetite simultaneously, with reference to 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 compliance with the risk strategy defined by means of the establishment of an efficient risk management process. 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 subsidiary companies are also included in the scope of the controlling tools for the various risk types in line with their relative significance and the relevant legal options. 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 the Bank's reputation
Effective risk management and the avoidance of legal or regulatory breaches that could damage its reputation are absolutely vital for the Bank if it is to preserve its positive image and achieve the best possible rating. A corresponding control process to assess reputation risks in new business has been implemented.

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 must ensure 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 ("three lines of defence")
The independence of risk controlling and risk containment must be assured in order to maintain objectivity and transparency. Independent control processes are implemented wherever the type and degree of risk so require. The responsibilities of the organisational units for risk identification and containment, risk quantification, risk monitoring/controlling and risk reporting follow a "three lines of defence" policy (front office and back office, monitoring units including Risk Controlling and Audit).

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

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 containment) is reasonable given the pertinent regulatory requirements and the risks under consideration in each case.

Risk-bearing capacity
Helaba's procedures for quantifying 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 are based on the provisions of the Capital Requirements Regulation (CRR) and take account of the stipulations of the Supervisory Review and Evaluation Process (SREP).

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. Helaba helps to ensure this discipline is maintained by involving all of the people with relevant responsibilities in the main risk-related decision making processes, applying appropriate remuneration structures and facilitating regular independent audits.

Auditing
The Internal Audit function in principle audits all of the activities and processes involved in the operating and business procedures taking account of the scale and risk content of the activities and processes. 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 examines, at regular intervals and – where necessary – in response to relevant developments, which risks have the potential to cause material damage to the net assets (including capital resources), financial performance 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, counterparties or equity investments and as a result of restrictions on cross-border payment transactions or performance (country risk). The potential economic loss is determined using internal or external credit assessments and risk parameters assessed by Helaba itself or set out in regulatory specifications. The default risk does not include credit standing risks, which are mapped in the market 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 transactions not included in the statement of financial position 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. Reputation risk falls into this category too in circumstances where the origin of the reputation risk can be traced back to an operational risk. Operational risk also includes the following risks:

- Legal risk is defined as the risk of loss for the Bank resulting from infringements of legal provisions that have the potential to result in legal proceedings or internal actions to avert such losses. Breaches of contract relating to matters of creditworthiness (for example in the case of loan contracts) do not fall within this definition.
- Conduct risk is defined as the current or potential risk of loss for an institution as a result of an inappropriate offer of financial (banking) services, including cases of intentional or negligent misconduct.
- There are two distinct aspects to model risk for the Helaba Group.
  1. One involves the risk of own funds requirements being underestimated as a result of the use of models to quantify risks. This is in part a reflection of the fact that a model can never entirely capture reality. This aspect of model risk is mapped in the Helaba Group by means of a risk exposure surcharge for the primary risk types in economic risk containment.
  2. The other aspect of model risk involves the risk of losses associated with the development, implementation or inappropriate use of a different model (that is to say a model of a type other than that referred to directly above) by the institution for the purposes of decision making. This aspect of model risk is factored into operational risk.
- The risk associated with the deployment of information technology (IT) is defined as the risk of loss resulting from the operation and development of IT systems (for example technical implementation of functional requirements and technical design activities for the provision, support and development of software and hardware). The risk of loss relates to situations in which the availability, confidentiality or integrity of data is compromised or in which unforeseen additional expenditure is incurred for data processing.
- Information security risk (IS risk) encompasses the risk of loss as a result of information that merits protection being compromised by the exploitation of technical, process or organisational weaknesses. The potential loss in this case stems from the availability, confidentiality or integrity of information being compromised, from unforeseen additional expenditure being incurred for data processing and from external attacks (cyber crime).
- Outsourcing risk is defined as the risk of loss resulting from contract, supplier and performance risks and risks associated with a failure to comply with regulatory requirements that can arise when procuring services externally.

▪ 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 insofar as the origin of the reputation risk cannot be traced back to an operational risk.

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

Risk Concentrations

Risk concentrations can occur both within a single risk type and across different risk types. The areas responsible for risk monitoring are charged with managing – that is to say identifying, quantifying, containing and monitoring – risk concentrations and reporting on identified risk concentrations 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. No risk-mitigating diversification effects between the risk types are applied in the risk-bearing capacity calculation. The design of the extreme market dislocation stress scenarios across all risk types, moreover, implicitly takes account of the main risk concentrations between risk types of significance 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 are particularly important in connection with the introduction of new products and complex transactions. The central monitoring units are involved in the authorisation of new products as part of the New Product Process for lending business and trading business. The risk inventory process to be completed for the Helaba Group annually and on an ad-hoc basis also helps to identify previously unknown risks and ensure that any of material significance are incorporated into the risk management process.

2. Risk 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 also established a Risk Committee 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 adopts the containment and quantification methods employed by the various units and assesses the appropriateness of the tools applied in light of the extent of the risk.

The Risk Committee is complemented by 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 the containment of default risks for the entire portfolio and of syndication risks, placement risks and country risks, while the Credit Committee of the Board of Managing Directors is responsible for credit and settlement risks associated with counterparties.

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

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 Public 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 material legal or economic reason for inclusion. The list of companies to be included is drawn up with reference to a catalogue of criteria. Companies belonging to the 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. Helaba (with WIBank and LBS) and Frankfurter Sparkasse were included in their entirety in risk management at the level of individual risks in 2016. Other companies belonging to the Group are included in risk management at the level of individual risks in line with their primary risk types.

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 process 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 clearly 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 – Bank as a whole), Credit Risk Management (individual exposure level and individual portfolio 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), Organisation and Information Technology (IT risk), Information Security Management (IS risk), Central Sourcing Management (outsourcing risk)
Business risk	Front office units	Risk Controlling
Real estate risk	Operationally independent subsidiaries ▪ Operational – discharged by management at the equity investment concerned ▪ Strategic – discharged by the supervisory bodies of the companies and the Real Estate Management unit	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 and processes of the Bank and of subsidiary companies selected on the basis of risk considerations 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 Information Security Management function
The Bank has established a Capital Market Compliance Office, a Money Laundering and Fraud Prevention Compliance Office, an MaRisk Compliance function (German Minimum Requirements for Risk Management – MaRisk), an Information Security Management 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 market manipulation, and identifies and regulates conflicts of interest throughout the Group that pose a potential risk.

The Money Laundering and Fraud Prevention Compliance 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. Monitoring and research software keeps business relationships under constant surveillance. The Money Laundering and Fraud Prevention Compliance Office is also responsible for the implementation of the legal requirements created by the Agreement Between the United States of America and the Federal Republic of Germany to Improve International Tax Compliance (FATCA) and the international Automatic Exchange of Information (AEOI) process.

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. It also conducts regular checks and analyses in this connection of the adequacy and efficacy of the business processes and practices associated with the implementation of and compliance with the principal legal rules and stipulations in the Bank.

The Information Security Management function is responsible for ensuring the proper control, coordination and development of information security management in line with the Bank's business strategy, IT strategy and risk management strategy. It identifies and analyses the information security risks to this end using an information security management system (ISMS) and develops relevant measures and checks for sustainable risk reduction and risk monitoring. The Information Security Management function is also charged with ensuring that any necessary security requirements arising in connection with relevant laws and regulations (German Federal Data Protection Act – BDSG, German IT Security Act, German Minimum Requirements for the Security of Internet Payments –MaSI, MaRisk, etc.) are derived and defined without delay, that information protection classifications and infrastructures are analysed regularly and that technical and organisational measures appropriate for this purpose are coordinated to make certain that a proper level of security is maintained at the Bank.

The Data Protection Officer promotes compliance with and implementation of data protection requirements and serves the Board of Managing Directors and Bank Officers as a permanent point of contact for any questions relating to data protection matters. The Data Protection Officer maintains a process overview (Section 4g (2) BDSG) and monitors the proper use of data processing programs (Section 4g (1) 1. BDSG). The Data Protection Officer also carries out prior checks and ensures that training and measures to raise awareness of data protection matters are provided regularly for Bank employees.

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 quantifying 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.

The liquidity horizon (for liquidity risks) is also reported in addition to the risk-bearing capacity based on cover pools.

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 regularly 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. 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 regularly 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 focuses on compliance with 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 changes in capital 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 to cover the internal capital requirement. This pool takes into account the cumulative consolidated net profit 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.

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 2016, underlining Helaba's conservative risk profile. 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 € 3.5 bn (2015: € 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 € 7.1 bn (2015: € 6.6 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 comply with the minimum capital requirements specified by the regulator or consuming 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 protection scheme, which comprises the eleven regional Sparkasse support funds, the aforementioned reserve fund and the deposit security reserve fund of the Landesbausparkassen.

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

The German Deposit Guarantee Act (Einlagensicherungsgesetz – EinSiG), which implements the requirements of the EU Directive on Deposit Guarantee Schemes, came into force on 3 July 2015. The Sparkassen-Finanzgruppe acted promptly to bring its deposit protection scheme into line with the amended legal provisions. The scheme now includes a deposit protection scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected at the Helaba Group amount to € 15.1 bn in total. The target total value of the protection scheme to be contributed by 2024 was also raised and an amended basis for assessment was adopted. The German Federal Financial Supervisory Authority (BaFin) has recognised the Sparkassen-Finanzgruppe’s institutional protection scheme as a deposit guarantee scheme for the purposes of the German Deposit Guarantee Act.

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide Joint Liability Scheme. It covers the liabilities of Helaba and Frankfurter Sparkasse to customers, including banks, insurance companies and other institutional investors, and their securitised liabilities. Liabilities that serve or have served at the institutions as components of own funds pursuant to Section 10 KWG, such as asset contributions of dormant shareholders, liabilities under profit participation rights and subordinated liabilities, are not covered irrespective of their remaining term. The total volume of the fund is equal to 0.5 % of the affiliated institutions’ total risk exposure amount and stood at € 522 m at the end of 2016 (31 December 2015: € 521 m).

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

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

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

Default Risk

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

Guiding these steps is a comprehensive and universal risk strategy derived from the business strategy. This risk strategy was drawn up with reference to the German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – 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.

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

Risk monitoring using the global limit system
Helaba employs a global limit system that records counterparty-specific default risks promptly in a structured and transparent manner. The system uses counterparty limits based on a combination of the creditworthiness (rating) of counterparties and 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. Advance payment and settlement risks attributable to foreign currency and securities transactions, current account intraday risks and what are referred to as "additional risks from constructs" are approved as commercial risks and counted against separate limits.

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

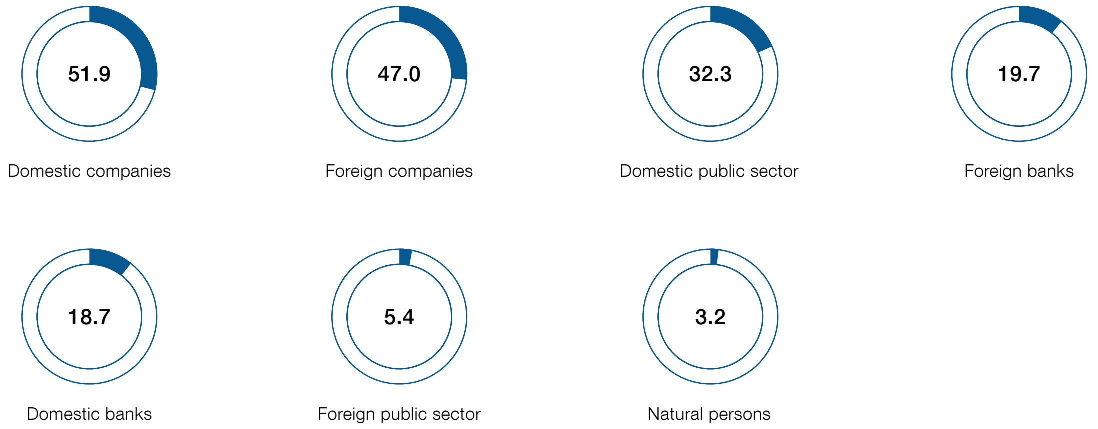
Swaps, forward transactions and options are counted towards the total limit at their credit equivalent amounts calculated in accordance with the CRR. All other trading book positions (for example money market trading and securities) are valued at market prices.

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 in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 178.2 bn as at 31 December 2016 (31 December 2015: € 184.6 bn) broken down by customer group. The total volume of lending is the risk exposure value calculated in accordance with the legal provisions applicable to large exposures before applying the exemptions in relation to calculating utilisation of the large exposure limit and before applying credit mitigation techniques.

Total volume of lending by customer group (narrow Group companies)
Chart 1

in € bn



In line with the business model, Helaba's lending activities as at 31 December 2016 focused on financial institutions (particularly in the banking sector), the real estate and housing sector and the public sector.

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

Share in %

Region	31.12.2016	31.12.2015
Germany	59.42	60.49
Western Europe	18.89	18.88
Scandinavia	2.70	2.37
Rest of Europe	4.20	4.38
Europe	**85.21**	**86.12**
North America	13.52	12.47
Rest of the world	1.27	1.43

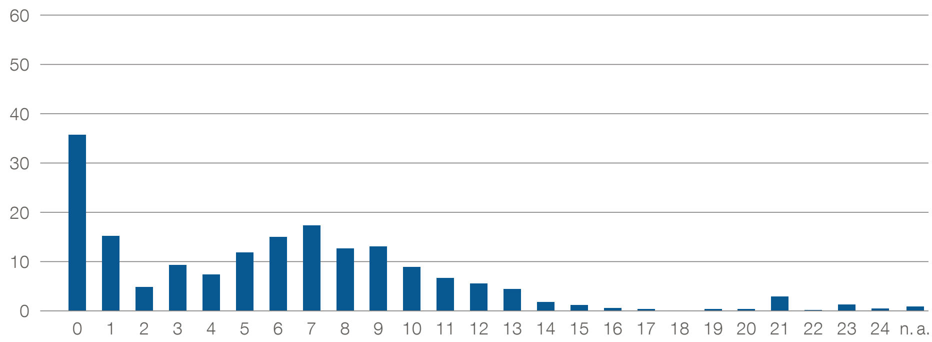
The table shows that Germany and selected other countries in Western Europe continue to account for most of the total lending volume. The United Kingdom accounted for 4.4 % (31 December 2015: 4.3 %).

Creditworthiness/risk appraisal
The Bank employs 14 rating systems developed together with DSGV or other Landesbanken and two rating systems developed internally. Based on statistical models, these systems classify loan exposures, irrespective of the customer or object group, by the fixed probability of default (PD) using a 25-point cardinal default rating scale.

Chart 2 shows the total volume of lending in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 178.2 bn (31 December 2015: € 184.6 bn) broken down by default rating category.

Total volume of lending by default rating category (narrow Group companies)
Chart 2

in € bn



Collateral
Like the creditworthiness of borrowers or counterparties, the collateral arrangements (or general credit risk reduction techniques) available are of major importance when determining the extent of default risks. Collateral is measured in accordance with 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. It provides the data resources required to verify and distribute the assets eligible as collateral to the risk exposures secured.

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

The country risk system is the central tool for the comprehensive, timely and transparent risk-oriented recording, monitoring and containment of country risks. All of Helaba's lending and trading units, including subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services, are involved in country risk containment. The total country risk, excluding the countries of the euro zone, may not exceed six times the liable capital of the Helaba Group of institutions. As of 31 December 2016, utilisation was less than three times the liable capital.

The Board of Managing Directors defines country limits 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. The Credit Management Committee distributes a country limit proposal on this basis factoring in bank-specific considerations and relevant factors relating to business policy and risk methodology. The entire Board of Managing Directors then sets the limits for the individual countries based on this proposal.

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

The transfer, conversion and event risks from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 48.7 bn (31 December 2015: € 49.2 bn), most of which was accounted for by borrowers in Europe (79.9 %) and North America (17.5 %). As at 31 December 2016, 74.4 % (31 December 2015: 91.9 %) of these risks were assigned to country rating classes 0 and 1 and a further 25.4 % (31 December 2015: 7.9 %) came from rating categories 2 – 13. Just 0.2 % (31 December 2015: 0.2 %) fell into rating class 14 or worse. The slight deterioration in the good rating structure stems from a rating downgrade for the UK from rating category 1 to rating category 2.

Exposures in the UK

Helaba's net exposure to borrowers in the United Kingdom across the narrow Group companies amounted to € 7.9 bn as at 31 December 2016 (31 December 2015: € 8.1 bn). The United Kingdom's vote to leave the EU (Brexit) otherwise had no significant effect on default risk.

Credit risk processes and organisation

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

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

Approval procedure

The approval procedure followed by 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 Risk and Credit Committee. Commitments in amounts below this value are approved at different authorising levels (Board of Managing Directors, Credit Committee of the Board of Managing Directors, individual members of the 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 back office unit. The representative of the relevant back office unit also always has a right of veto in this connection as part of an escalation process. The ultimate decision rests with the entire Board of Managing Directors.

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 group of connected clients. All loans also have to be reviewed at least once every twelve months. Mechanisms for ensuring on a daily basis that limits are not exceeded include the use of the global limit system, which aggregates all loans (credit lines and utilisations) extended by the narrow Group companies for each group of connected clients.

Quantifying default risks

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

Default risks are determined for the purposes of internal containment using a value-at-risk approach with a CreditMetrics-based simulation method (Monte Carlo simulation) factoring in migration and LGD risks. The value-at-risk calculated corresponds to what is deemed, with a certain confidence level, to be the upper threshold of the potential loss of a portfolio or position within a period of one year.

The risk parameters applied include internally generated LGD estimates and empirically measured correlation values as well as the internal rating method. The overall risk assumes that the various different losses occur simultaneously. The value-at-risk (VaR) calculated using the risk model provides a measure of the maximum loss (expected and unexpected) that will not be exceeded, with a probability of 95.0 % (going-concern approach) or 99.9 % (gone-concern approach), on the basis of the underlying historical observation period of one year. Factoring in empirical correlations provides a way to map the simultaneous occurrence of discrete credit events (systematic risk).

The expected and unexpected losses quantified in this way are assessed against various scenarios to determine the impact of corresponding stress situations. The risk parameters are modelled scenario by scenario for this purpose.

The simulation method described became operational on 30. September 2016, replacing the previous method based on the (amended) CRR formula.

The base scenario of the risk-bearing capacity calculation shows an economic risk exposure from default risks of € 561 m (31 December 2015: € 824 m) for the Group. The reduction stems largely (approximately 80 %) from the switch to the simulation model method.

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.

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

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

The composition of the equity investments portfolio is virtually unchanged from year-end 2015. The base scenario of the going-concern approach for the risk-bearing capacity calculation indicates that the economic risk exposure for the Group from equity risks is unchanged from year-end 2015 at € 10 m (31 December 2015: € 10 m).

Market Price Risk

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 Risk and Credit Committee of the Supervisory Board 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.

Acting on the recommendation of the Asset/Liability Management Committee, the Risk Committee allocates limits to the risk-incurring business units and the various types of market 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 quantification. In addition, the reconciliation statement with external Accounting is prepared.

Continuous functional and technical development of the methods and systems used and intensive data entry play a key role in ensuring that Helaba's market 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 quantification, 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.

The summary below presents a reporting date assessment of the market price risks (including correlation effects between the portfolios) taken on as at the end of 2016 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market price risk types. Share positions in the banking book were reduced significantly. Rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 90 % (31 December 2015: 84 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions for 6 % (31 December 2015: 9 %). 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 and sterling positions. Residual risk amounted to € 12 m for the Group (31 December 2015: € 15 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 136 m (31 December 2015: € 201 m). The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 395 m (31 December 2015: € 433 m) for the Group from market price risks. The reduction is due mainly to the decreased incremental risk.

Group MaR by risk type in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Total	**92**	**89**	**88**	**69**	**0**	**1**	**4**	**19**
Trading book	28	29	26	27	0	0	2	2
Banking book	67	67	64	49	0	1	2	17

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.

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 MaRC² (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 3 shows the MaR for the trading book (Helaba Bank) for the 2016 financial year. The average MaR for 2016 as a whole amounted to € 25 m (2015: € 26 m), the maximum MaR was € 33 m (2015: € 34 m) and the minimum MaR was € 19 m (2015: € 11 m). The risk figures are similar to those for 2015 due to the ongoing combination of high volatility and low interest rates.

Daily MaR of the trading book in financial year 2016
Chart 3

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

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

Average MaR for the trading book in financial year 2016 ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Interest rate risk	26	16	22	26	21	29	25	25	23	24
Currency risk	0	0	0	0	0	0	0	0	0	0
Equities risk	2	1	2	2	2	2	2	2	2	2
Total risk	**28**	**17**	**24**	**28**	**23**	**31**	**27**	**27**	**25**	**26**

Number of trading days: 253 (2015: 251)

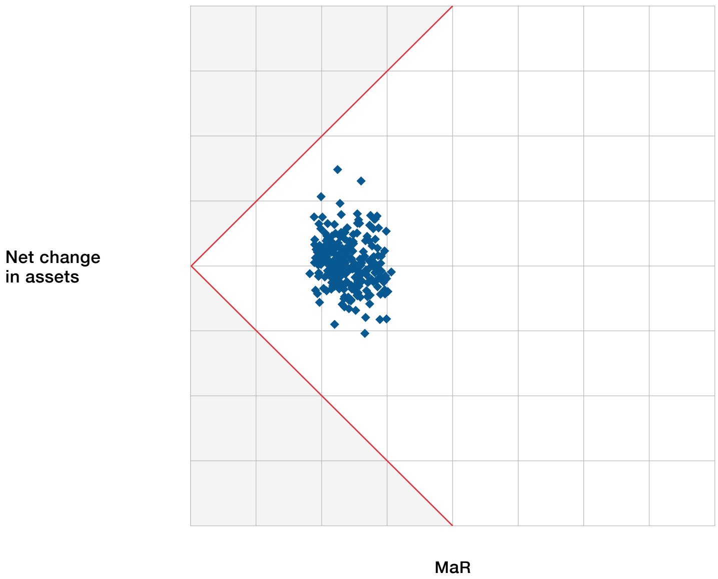
The annual average MaR for the trading book for Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG remain unchanged at € 0 m in each case.

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 4 shows the back-testing results of the Helaba risk models for the trading book across all types of market price risk in financial year 2016. No negative outliers occurred (2015: one negative outlier).

Back-testing for the trading book in financial year 2016
Chart 4



The internal model for the general interest rate risk produced no negative outliers in 2016 in regulatory back-testing (2015: no negative outliers).

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

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest 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 2016, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 261 m in the value of the Helaba Group banking book (31 December 2015: € 285 m). Of this figure, € 249 m (31 December 2015: € 270 m) is attributable to local currency and € 12 m (31 December 2015: € 15 m) to foreign currencies. Helaba carries out an interest rate shock test at least once every quarter.

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

Liquidity and Funding Risk

Ensuring liquidity so as to safeguard its short-term solvency and avoid cost risks in procuring medium-term and long-term funding is a top priority at Helaba, which accordingly employs a comprehensive set of constantly evolving tools to record, quantify, contain and monitor liquidity and funding risks. The processes, tools and responsibilities in place for managing liquidity and funding 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 2016. The processes of containing and monitoring liquidity and funding risks are combined in the Internal Liquidity Adequacy Assessment Process (ILAAP) and comprehensively validated on a regular basis.

Containment and monitoring
The Helaba Group operates a local containment and monitoring policy for liquidity and funding risks under which each company has responsibility for ensuring its own solvency, for potential cost risks associated with funding and for independently monitoring those risks. The corresponding conditions are agreed with Helaba. 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.

The Bank draws a distinction in liquidity risk management between short-term and structural liquidity management. Overall responsibility for short-term solvency and for structural liquidity management with regard to the funding of new lending business (maintaining the balanced medium- and long-term liquidity structure) rests with Asset/Liability Management. The same unit is also tasked with the central management of the liquidity buffer for both regulatory purposes (to maintain the LCR) and for collateral management. 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 the bank 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 (liquidity buffer) that can be used to generate liquidity as required in order to assure its short-term liquidity. The current liquidity situation is managed with reference to a short-term liquidity status indicator, 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 taking account of markdowns so that unexpected market developments affecting individual securities can also be considered. Securities that are used for collateral purposes (for example repos and pledges) and are thus earmarked for a specific purpose are deducted from the free liquid securities portfolio. The same applies in respect of securities maintained as a liquidity buffer for intra-day liquidity management. The main currency for short-term liquidity at Helaba is the euro, with the US dollar also significant.

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. Helaba remained fully compliant with the liquidity requirements imposed by the banking regulator at all times in 2016.

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 five days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. The utilisation rate in the most relevant scenario (solvency) amounted on the reporting date to 20 % (31 December 2015: 45 %). This increases to 24 % (31 December 2015: 46 %) if Frankfurter Sparkasse is included. The average utilisation rate in 2016 was 27 % (2015: 28 %).

The Bank manages short-term liquidity in accordance with the regulatory liquidity coverage ratio (LCR) requirements in parallel with the internal model. The LCR exceeded the minimum limit of 70 % of relevance for regulatory purposes at all times in 2016.

Money market staff borrow/invest in the money market on a secured or unsecured basis (interbank and customer business, commercial paper) and make use of open market operations and facilities at the European Central Bank (ECB) in performing the operational cash planning tasks necessary to ensure short-term liquidity.

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

A total of € 1.6 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents an increase of € 0.1 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 2015).

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 transactions including floating-interest roll-over transactions, securities held for the purpose of safeguarding liquidity and medium- and long-term financing, via the central asset/liability management system (ZDS). Funding risk is managed on the basis of liquidity gap analyses where liquidity mismatches are limited. The Bank prevents concentrations of risk from arising when obtaining liquidity by diversifying its sources of funding. Responsibility for monitoring rests with the Risk Controlling unit. Market liquidity risk is quantified 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 2016. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

The Board of Managing Directors defines the risk tolerance for liquidity and funding risk at least annually. This covers the limit applicable for short-term and structural liquidity risk (funding risk), liquidity building for off-balance sheet liquidity risks and the definition of the corresponding models and assumptions. A comprehensive plan of action in the event of any liquidity shortage is maintained for all locations. In addition, Helaba maintains a liquidity transfer pricing system for allocating liquidity costs. Both funding costs and the costs associated with the liquidity buffer are allocated.

Operational Risk

Principles of risk containment

Helaba identifies, contains and monitors operational risks using an integrated management approach introduced for this purpose in line with the regulatory requirements.

The approach taken by Helaba provides for the disciplinary and organisational segregation of operational risk containment and monitoring. 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 monitoring rests with the Risk Controlling unit.

Tools

Helaba uses the standardised method to calculate its regulatory capital backing.

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 proprietary risk model, which is based 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 is based 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 along with a central application for risk reporting.

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, the Operational Risk management group created and the units responsible for risk management at the local level informed of the risk situation and any losses incurred.

The Bank's risk profile is updated as part of an annual review. The risk profiles of the subsidiaries are added to create the Group risk profile.

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 management purposes.

Quantification

Operational risks are quantified for Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model based on a loss distribution approach, which considers risk scenarios and internal and external losses to calculate unexpected losses (economic risk exposure). This also includes internal loss events and risk scenarios arising from operational risks that originate with the aforementioned risk sub-types (including legal, information security and IT risks). The summary below shows the risk profile for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Group that are included in risk management at the level of individual risks:

Operational risks – risk profile

Economic risk exposure – base scenario

in € m

	Reporting date 31.12.2016	Reporting date 31.12.2015
	VaR 95.0 %	VaR 95.0 %
Helaba Bank	36	37
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	37	34
Narrow Group companies	**73**	**71**

The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an unexpected loss (economic risk exposure) of € 73 m (2015: € 71 m) for the Group from operational risks. The increase in this figure can be traced essentially to the updating of the risk scenarios for Group companies that are included in risk management at the level of individual risks.

Documentation system

The documentation system lays 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. The defined framework for action is marked out in the documentation system in the form of regulations governing activities and processes.

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

Helaba's documentation system complies with the requirements imposed by the MaRisk.

Legal risk

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 counselling 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 risk
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 Dezernent (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.

Information security and IT risk
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 through the 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. IT risks and the associated security measures and checks are reviewed, periodically and on an ad-hoc basis, monitored, and contained. The Bank thus takes proper account of all three aspects of information security – availability, integrity and confidentiality – in order to avoid any detrimental impact on its ability to operate. The Operational Risk management group also receives regular reports concerning IS and IT risks.

Business continuity management
Helaba's units and branch offices have drawn up business continuity plans for the critical business processes as part of business continuity management activities. These business continuity plans, which ensure restart, proper emergency operation and restoration of normal operation, are updated and refined on a regular basis and probed in tests and exercises to verify their effectiveness.

Where IT services are outsourced to external service providers, the related contractual documents 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. The Helaba Group's accounting process involves individual reporting units that maintain self-contained posting groups and prepare local (partial) financial statements in accordance with HGB and IFRS. Helaba's reporting units comprise the Bank (Germany), the branch offices outside Germany, LBS, WIBank, all consolidated companies and sub-groups and all companies and sub-groups accounted for using the equity method.

Helaba's Accounting and Taxes unit consolidates the partial financial statements from the reporting units to produce both the single entity financial statements under HGB and the consolidated accounts under IFRS. Accounting and Taxes also analyses and prepares the closing data and communicates it to the 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)/German principles for the proper maintenance and archiving of books, records and documents in electronic form and for data access (GoBD).

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

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

The procedure to be followed in accounting is set out in a number of different complementary forms of documentation. Accounting manuals for HGB and IFRS define stipulations for the accounting methods to be used and also contain provisions on group accounting. The latter relate in particular to the parent company of the Group and the sub-groups included. Rules concerning organisational factors and the preparation process are included in addition to the stipulations on approach, measurement, reporting and disclosure requirements that apply throughout the Group. The individual reporting units have direct responsibility for incorporating stipulations in varying degrees of detail concerning the procedure to be applied in the various processes and subprocesses followed in the preparation of the financial statements. 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. Primary and deputy responsibilities are assigned for this purpose at Group level for each reporting unit and each entry in the Notes. The figures are discussed regularly with the 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 the subsidiaries is analysed. Any necessary measures are initiated by or in consultation with the Taxes department and in this way tax risks are either avoided or covered by appropriate provisions in the statement of financial position.

Other Risk Types

Business risk
Risk containment in respect of business risks encompasses all of the measures implemented in order to reduce, limit and avoid risks and to keep intentional risk exposure compliant with the risk strategy and the specified limits adopted by the Board of Managing Directors. 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 quantifies the business risks for the purposes of the calculation of risk-bearing capacity and analyses their development. Risk reporting to the Risk Committee of the Board of Managing Directors proceeds on a quarterly basis.

Business risks declined by € 6 m to € 158 m over the year to 31 December 2016 (31 December 2015: € 164 m).

Real estate risk
The Real Estate Management unit handles risk containment for the real estate projects and real estate lending portfolios together with the Group companies. Risk containment encompasses all of the measures implemented in order to reduce, limit and avoid risks and to keep intentional risk exposure compliant with the risk strategy and the specified limits adopted by the Board of Managing Directors. The Risk Controlling unit's activities in relation to real estate risks focus on risk quantification and risk monitoring. Risk quantification in this context entails determining the necessary capital requirements to safeguard risk-bearing capacity, while risk monitoring feeds into risk reporting to the Risk Committee of the Board of Managing Directors.

The risks associated with real estate projects and real estate portfolios increased to € 31 m in 2016 as a result of modifications to methodology (31 December 2015: € 21 m). These risks continue to be fully covered by the expected income from the associated transactions.

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

Outlook and Opportunities

Economic conditions
In 2017, the global economy will remain on a growth trajectory but will not manage to return to the rates of expansion seen before the financial crisis. In the US, the pace of growth will once again see a slight improvement on the previous year's rate. The modest recovery in the euro zone will continue with expansion of 1.4 %. China's growth trend will continue to slacken off and the situation in Russia and other oil-exporting countries will gradually improve. Global economic growth is expected to be similar to the previous year at around 3 %.

In Germany, growth in 2017, at a seasonally adjusted rate of around 1.5 %, will be close to that achieved in the previous year. Domestic demand should again be the main driver. Real incomes and employment are likely to rise. Inward migration will continue, but at a slower rate. Capital investment will gradually gain momentum. Industrial activity is already showing signs of gathering pace with the result that capacity utilisation is continuing to rise. The need for capital investment to support expansion is becoming more urgent. Construction activity is also likely to increase again. The outlook for both residential and non-residential construction appears more favourable. There has recently been a rise in new orders for both public-sector and commercial construction. Foreign trade will benefit from the weaker euro. Despite this, the contribution to growth will probably be negative because of the brisk level of import activity. Public finances are likely to show a smaller surplus in 2017 following the surplus of 0.8 % of GDP in 2016. Although tax receipts will continue to rise, higher capital spending and greater government consumption will nevertheless restrict the surpluses. The differences in growth rates among the countries of the euro zone are likely to remain. Economic growth will probably be above average again in Spain and Ireland, where a successful structural policy has been implemented. 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 be sluggish again in 2017.

Despite the relatively robust economic situation and higher inflation, the ECB will not be abandoning its extremely expansionary monetary policy in 2017. The critical decisions were already taken back in 2016 when the ECB decided to extend its asset-buying programme. The US Federal Reserve (Fed) will not be deviating from its prudent, tight monetary policy either. Yields on longer maturities are likely to rise moderately and the yield curve will become steeper.

Opportunities

Helaba has long had a stable and viable strategic business model in place. Over the last few years, the Bank has therefore not only been able to consolidate its market position in its core areas of business but also – on the basis of good operating results – 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 adequacy. Helaba is valued by its customers as a reliable partner because of its sound business model. This is reflected particularly in the long-term financing operations in real estate lending and corporate finance, in which the Bank is one of the leading providers in Germany.

Rating agencies Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and Standard & Poor's (S&P) have awarded Helaba issuer ratings of A1, A+ and A. In terms of ratings for plain vanilla senior unsecured debt in accordance with section 46f (6) KWG, the approaches taken by the rating agencies differ in the way that they take into account the German bail-in sequence in light of the new European resolution system; they have issued ratings in this category of A1, A+ and A– respectively. The ratings for short-term liabilities are P–1, F–1+ and A–1.

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

Helaba is firmly and permanently established as part of the German Sparkassen-Finanzgruppe by virtue of its ownership structure (88 % of its shares are held by members of the Sparkassen organisation) and its central bank function for 40 % of Sparkassen in Germany. Further enhancing its position as a leading S-Group bank for the German Sparkassen and permanently integrating with the Sparkassen are among Helaba's strategic objectives. 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 domestic and international target markets have formed the basis for the growth in new business over the last few years. A representative office has been opened in Stockholm to help Helaba continue the process of tapping into the potential offered by the Scandinavian real estate markets. Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to assert and continue to consolidate its market position in real estate lending based on its product expertise and on its well-established presence in the markets over many years.

In lending business, Helaba will both expand the range of products and services it offers customers and investors and fine-tune the management of its own assets and liabilities to back up its syndication teams. Syndication arrangements also allow Sparkassen to participate in lending transactions set up by Helaba experts and thus diversify their risk.

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 Sparkassen-Finanzgruppe 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. To this end, it is opening another representative office in São Paulo.

In the payments business, Helaba continues to be one of Germany's leading payment transaction clearing houses and a dominant Landesbank in a market shaped by increasing competitive pressure and further regulatory requirements. The associated opportunities, particularly in the clearing and card processing business, are being systematically exploited with the aim of generating fees and commissions to counter further increases in the downward pressure on margins.

The structural shift to digital is leading to an ongoing change in customer behaviour and impacting on trading and payment methods in e-commerce and m-commerce. At the same time, fiercer competition is resulting from the entry of new market players from a digital background. These players are colonising parts of the payments value chain, particularly web-based payment systems, mobile payments and also point-of-sale. To defend itself against these competitors from outside the industry, Helaba has been participating in the creation of a standard payments system (paydirekt), which is being developed jointly by the banking sector. The system was successfully launched in the spring of 2016. Helaba is playing a leading role within the Sparkassen-Finanzgruppe in (further) developing and marketing the payments system. It is also actively helping the Sparkassen-Finanzgruppe implement instant payments in 2017, which is a requirement of the supervisory authorities.

Over the next few years, the key issue of digitalisation will provide banks with the opportunity to streamline their business and IT processes. The interfaces with the customer are being redefined, creating other options for developing new products. The main challenge in the coming years will be to ready payment transactions for the growing requirements of the digital age, thereby boosting competitiveness and capacity for innovation.

Helaba has established a new Digitalisation Strategic Project unit. In an initial stage, the unit has systematically analysed the extent to which these developments are opening up opportunities for the divisions. This led to the creation of digitalisation initiatives, in which mixed teams comprising IT and other relevant specialists have used agile development methodology to produce prototypes for customer portals and payments applications. It is planned to launch the first releases online in 2017. In parallel, Helaba will launch further initiatives with the aim of using digital solutions to enhance both the interfaces with the customer and the efficiency of downstream processes.

Helaba aims to achieve further efficiency enhancements by introducing a new core banking system. A preliminary study to prepare the ground for the replacement of the core banking system was completed in 2016. Implementation will begin in 2017 and is expected to be completed in 2020. The changeover will not only modernise IT systems but also bring improvements to many internal processes, thereby making a key contribution to ensuring that Helaba is fit for the future.

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 safeguard its long-term earnings power in order to strengthen its capital base while observing its risk strategy requirements and taking account of the changes in the regulatory environment and marked increase in the structural costs of banking.

Probable development of the Group

Helaba is a credit institution organised under public law; its business model is based on a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkasse organisation and therefore provides an excellent foundation for the development of the business in 2017. The economic forecasts for 2017 predict stable economic trends with moderate growth. However, the persistently low interest rates and the large number of project activities will have an adverse impact on financial performance in 2017.

In the Real Estate segment, Helaba expects the real estate lending business in Germany to continue to be characterised in 2017 by a stable market environment.

Real estate lending, both in Germany and abroad, is subject to persistent downward pressure on prices, caused by the significant liquidity that continues to be pumped into the system by central banks. At the same time, financing competitors are showing a greater appetite for risk. Against this background, in 2017, Helaba will continue to stand by its adopted approach, in which medium- and long-term new business is selected on the basis of a balance of risk and reward. The volume of new medium- and long-term lending business in 2017 is therefore budgeted to be around 17 % down on 2016 at € 8.6 bn. After factoring in the anticipated redemptions, this new business will lead to a slight increase in loans and advances to customers and stable income (before provisions for losses on loans and advances) at the prior-year level. Budgets for 2017 income from the equity investments in the real estate business are slightly above the level of income achieved in 2016. The provisions for losses on loans and advances will rise compared with the very low prior-year level to € 67 m, although this figure will still be well below the average for the last few years. In 2017, based on the projected rise in provisions for losses on loans and advances, stable income and a slight increase in general and administrative expenses, profit before taxes for the segment is forecast to be € 323 m, significantly below the very good level of € 407 m achieved in 2016.

In the Corporate Finance segment, demand for credit is expected to remain subdued in 2017 despite the generally upbeat economic environment, and the market will be highly competitive. The volume of new medium- and long-term lending business in 2017 is budgeted to be around 12 % up on 2016 at € 4.8 bn. Factoring in the expected redemptions, Helaba is only forecasting a slight rise in loans and advances to customers. Given the significant pressure on margins in new business, interest income and fee and commission income in the corporate finance business is projected to decline. Provisions for losses on loans and advances are budgeted at € 110 m for 2017, substantially lower than the high figure of € 226 m in 2016. In 2017, other net operating income will be adversely affected by one-off items resulting from the disposal of HANNOVER LEASING. Profit before taxes for 2017 is projected to come to € 77 m, a significant improvement on the 2016 loss of € 42 m.

The Financial Markets segment encompasses the interest-related business with domestic and foreign local and regional authorities. The volume of new medium- and long-term lending in the municipal lending business in Germany is budgeted to be € 1.0 bn in 2017, which is at the level of 2016. New business with foreign financial institutions and public authorities will continue to be transacted only on a selective basis in 2017, with a volume budgeted at € 0.3 bn. Net interest income is expected to rise slightly.

In the asset management business, it is planned to push up the level of net fee and commission income. In the capital markets business, Helaba plans to generate a further increase in the proportion of customer- and volume-driven income in 2017 by cross-selling and improving its competitive position in the primary markets business. Net gains/losses from the mark-to-market valuation of portfolios have been planned at conservative levels with the result that the budget for net trading income is approximately 23 % lower than the equivalent figure achieved in 2016.

Helaba's forecast for the gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied is a net gain of € 21 m (2016: net gain of € 40 m). No one-off items compared with the prior year are anticipated in the net income from financial investments in 2017. In this segment, Helaba expects to achieve profit before taxes of € 57 m, considerably lower than the 2016 figure of € 126 m, but nevertheless a level that can be achieved on a sustainable basis.

In the S-Group Business, Private Customers and SME Business segment, there is expected to be a sizeable decline of 18 % and 35 % in the income of Frankfurter Sparkasse and LBS respectively because of the persistently low interest rates. In contrast, income at Frankfurter Bankgesellschaft is budgeted to increase by 10 % compared with 2016. In the S-Group bank business with the Sparkassen, Helaba is aiming to consolidate its position as the leading S-Group bank for the German Sparkassen organisation based on a nationwide sales approach. In 2017, it is planning to continue to improve products and step up sales activities and on this basis is expecting to see a further increase in income from this business year on year. However, given the low interest rates and a return to normal levels of provisions for losses on loans and advances, the overall profit before taxes for the segment in 2017 is predicted to decline to € 43 m (2016: € 101 m).

Developments in the Public Development and Infrastructure Business segment in 2017 will be characterised by continued expansion of the development business and the new EU funding period. New business in 2017 is likely to comprise loans of € 1.2 bn (2016: € 1.1 bn) and an unchanged level of grants. The grants comprise non-repayable funding from the EU, the German federal government and the State of Hesse, to be used for example to support agriculture or healthcare infrastructure. The grants are administered and paid out to the recipients by WIBank on behalf of the provider. Income is expected to contract slightly in 2017 owing to the loss of some of the long-standing high-margin business that has now come to an end. General and administrative expenses are budgeted to rise year on year, mainly because of the migration to new technical systems. Overall, the profit before taxes in the segment is projected to be at the average for previous years at € 14 m.

In the Other segment, slightly rising income is predicted in the cash management business, driven by an improvement in market position, while incomes are expected to shrink slightly in the custody services business. Income from the investment of own funds is budgeted at a figure only slightly in excess of the 2016 level. Other net operating income in 2017 will see a year-on-year improvement because the one-off items recognised under this item in 2016 will no longer be present. The project costs recognised in the Other segment under general and administrative expenses will rise moderately compared with 2016. The loss before taxes for the segment is predicted to amount to € 161 m for 2017, a slight deterioration compared with the 2016 loss before taxes of € 149 m.

Total new medium- and long-term lending business (including Frankfurter Sparkasse but excluding the WIBank development business, which does not form part of the competitive market) is budgeted at € 17.7 bn for 2017. Loans and advances to customers are projected to increase marginally. The changes in total assets depend to a great extent on the balances as at the reporting date. Overall, it is anticipated that total assets will increase slightly.

Net interest income for the Group is likely to be down by a total of around 10 % year on year in 2017. While customer contributions are expected to remain stable, there will be an adverse impact from low interest rates on Frankfurter Sparkasse and on own funds investing activities. Furthermore, the negative effects from the low yields on highly liquid securities with strong credit ratings that the Bank has to hold to meet the LCR requirements will probably also increase again in 2017.

Provisions for losses on loans and advances are budgeted at € 195 m for 2017, given that good economic conditions are likely to continue. As before, this does not include delays in recognition caused by the consolidation of non-performing loans.

Net fee and commission income has been budgeted at roughly 6 % higher than in 2016, mainly because of the growth in customer business.

A year-on-year fall of 16 % in net trading income is anticipated for 2017.

Other net operating income is projected to amount to € 205 m in 2017, a significantly higher figure than in 2016.

Headcount is projected to remain unchanged overall in 2017. Despite pay-scale increases included in the forecasts, total personnel expenses are predicted to be 0.8 % lower year on year because the one-off charges included in 2016 will no longer be present. In contrast, budgeted non-personnel operating expenses (including depreciation, amortisation and write-downs) will rise in 2017 by 4.3 % compared with 2016. This increase is attributable to numerous project activities aimed at ensuring that Helaba meets both regulatory requirements and those arising from the development of the business. Overall, general and administrative expenses for the Group are budgeted to be up by 1.8 % year on year in 2016.

Taking all these factors into consideration, the consolidated profit before taxes for 2017 is projected to be around 30 % below the equivalent figure for 2016, mainly because of the adverse impact from the low interest rates.

The cost-income ratio for 2017 is forecast at approximately 68 %. Return on equity for 2017 is forecast at approximately 5 %.

The Bank's aim for 2018 is once again to continue developing its business divisions while increasing income from customer business. The adverse effects associated with the low interest rates should dissipate with the expected return of interest rates to normal levels in the medium term. Overall, Helaba therefore plans to lift earnings again over the medium term.

Risks to the Bank's earnings performance stem from political and macroeconomic trends. There will be a number of sources of uncertainty in 2017, notably the United Kingdom's negotiations to leave the EU, which are expected to begin in March, and developments in the US under the new president. There are also risks from the situation in the Middle East, which remains tense. All of the developments referred to above place the EU under pressure and therefore have a direct impact on the political and economic situation in Europe. Any political destabilisation in Europe could lead to a deterioration in government finances in individual EU states and increase the pressure on individual banks. There is a particular risk to the Bank if the requirements and costs related to regulatory initiatives turn out to be greater than expected. The Bank is assuming that the low interest rates will continue in 2017. Risks then arise if interest rates become even lower.

Overall assessment

In 2016, Helaba generated consolidated profit before taxes of € 549 m, 8 % lower than the excellent figure of € 596 m in 2015, but nevertheless still one of the three best results ever achieved in the entire history of the Bank. The performance of the operating business was satisfactory given the difficult environment. While net interest income declined by 6 % year on year because of the persistent adverse effects from zero and negative interest rates, net fee and commission income increased. The decrease in net trading income, which also reflected the continuing changes in the trading book as portfolios are scaled back, was in line with forecasts. The Bank was able to significantly reduce the provisions for losses on loans and advances while at the same time maintaining its conservative policy regarding risk provisioning. General and administrative expenses rose as a consequence of high IT and consulting expenses in connection with the implementation of regulatory requirements. The net profit generated in financial year 2016 allows Helaba to service all subordinated debt, profit participation rights and silent participations, pay a dividend to shareholders and make appropriations to reserves.

Despite the increasing competitive pressure and the multitude of regulatory requirements, Helaba is well placed to meet the challenges of the future over the long term with its strategic business model focused on the needs of the real economy and the Sparkassen-Finanzgruppe. It 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 increase in banking structural costs as a result of regulatory requirements.

Frankfurt am Main/Erfurt, 28 February 2017

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Fenk
Dr. Hosemann	Mulfinger	Dr. Schraad

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for the period 1 January to 31 December 2016

	Notes	2016 in € m	2015 in € m	Change in € m	Change in %
Interest income		4,022	4,385	−363	−8.3
Interest expense		−2,791	−3,073	282	9.2
Net interest income	(4), (24)	**1,231**	**1,312**	**−81**	**−6.2**
Provisions for losses on loans and advances	(13), (25)	−154	−237	83	35.0
Net interest income after provisions for losses on loans and advances		**1,077**	**1,075**	**2**	**0.2**
Fee and commission income		538	567	−29	−5.1
Fee and commission expenses		−198	−234	36	15.4
Net fee and commission income	(26)	**340**	**333**	**7**	**2.1**
Net trading income	(4), (27)	146	190	−44	−23.2
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	(4), (8), (28)	51	22	29	>100.0
Net income from hedge accounting	(8), (29)	−5	3	−8	>−100.0
Net income from financial investments	(4), (30)	45	7	38	>100.0
Share of profit or loss of equity-accounted entities	(2), (31)	8	−17	25	>100.0
Other net operating income	(15), (32)	119	173	−54	−31.2
General and administrative expenses	(33)	−1,232	−1,190	−42	−3.5
Profit before taxes		**549**	**596**	**−47**	**−7.9**
Taxes on income	(22), (34)	−209	−177	−32	−18.1
Consolidated net profit		**340**	**419**	**−79**	**−18.9**
thereof: Attributable to non-controlling interests		−5	−8	3	37.5
thereof: Attributable to shareholders of the parent company		345	427	−82	−19.2

Statement of Comprehensive Income

for the period 1 January to 31 December 2016

	Notes	2016 in € m	2015 in € m	Change in € m	Change in %
Consolidated net profit according to the income statement		**340**	**419**	**–79**	**–18.9**
Items that will not be reclassified to the income statement:					
Remeasurement of net defined benefit liability	(54)	–168	77	–245	>–100.0
Taxes on income on items that will not be reclassified to the income statement	(34)	48	–23	71	>100.0
Subtotal		**–120**	**54**	**–174**	**>–100.0**
Items that will be subsequently reclassified to the income statement:					
Gains or losses on available-for-sale financial assets					
Measurement gains (+) or losses (–) on available-for-sale financial assets		79	–60	139	>100.0
Gains (–) or losses (+) reclassified to the income statement upon disposal or impairment of the assets		–16	–2	–14	>–100.0
Changes due to currency translation					
Gains (+) or losses (–) on currency translation of foreign operations		7	9	–2	–22.2
Taxes on income on items that will be reclassified to the income statement	(34)	–14	19	–33	>–100.0
Subtotal		**56**	**–34**	**90**	**>100.0**
Other comprehensive income after taxes		**–64**	**20**	**–84**	**>–100.0**
Comprehensive income for the reporting period		**276**	**439**	**–163**	**–37.1**
thereof: Attributable to non-controlling interests		–	–4	4	100.0
thereof: Attributable to shareholders of the parent company		276	443	–167	–37.7

Statement of Financial Position

as at 31 December 2016

Assets

	Notes	31.12.2016 in € m	31.12.2015 in € m	Change in € m	in %
Cash reserve	(36)	3,096	1,909	1,187	62.2
Loans and advances to banks	(4), (37)	15,235	17,144	−1,909	−11.1
Loans and advances to customers	(4), (38)	93,078	93,194	−116	−0.1
Allowances for losses on loans and advances	(14), (39)	−772	−986	214	21.7
Trading assets	(4), (40)	20,498	26,078	−5,580	−21.4
Positive fair values of non-trading derivatives	(4), (8), (41)	4,024	4,376	−352	−8.0
Financial investments	(4), (42)	25,771	26,575	−804	−3.0
Shares in equity-accounted entities	(2), (43)	25	34	−9	−26.5
Investment property	(15), (44)	2,163	1,946	217	11.2
Property and equipment	(16), (45)	435	425	10	2.4
Intangible assets	(17), (46)	113	141	−28	−19.9
Income tax assets	(22), (47)	522	495	27	5.5
Other assets	(19), (48)	976	925	51	5.5
Total assets		**165,164**	**172,256**	**−7,092**	**−4.1**

Equity and liabilities

		31.12.2016	31.12.2015[1)]	Change	
	Notes	in € m	in € m	in € m	in %
Liabilities due to banks	(4), (49)	30,138	35,976	−5,838	−16.2
Liabilities due to customers	(4), (50)	46,824	47,727	−903	−1.9
Securitised liabilities	(4), (51)	50,948	47,073	3,875	8.2
Trading liabilities	(4), (52)	18,713	22,423	−3,710	−16.5
Negative fair values of non-trading derivatives	(4), (8), (53)	3,918	4,380	−462	−10.5
Provisions	(20), (21), (54)	2,319	2,089	230	11.0
Income tax liabilities	(22), (55)	184	184	–	–
Other liabilities	(19), (56)	647	692	−45	−6.5
Subordinated capital	(23), (57)	3,623	4,036	−413	−10.2
Equity	(58)	7,850	7,676	174	2.3
Subscribed capital		2,509	2,509	–	–
Capital reserves		1,546	1,546	–	–
Retained earnings		3,521	3,398	123	3.6
Revaluation reserve		246	202	44	21.8
Currency translation reserve		30	23	7	30.4
Non-controlling interests		−2	−2	–	–
Total equity and liabilities		**165,164**	**172,256**	**−7,092**	**−4.1**

1) Prior-year figures restated; see Note (1).

Statement of Changes in Equity

for the period 1 January to 31 December 2016

in € m

	Equity attributable to shareholders of the parent company						Non-controlling interests	Total equity
	Subscribed capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Subtotal		
Equity at 1.1.2015	**2,509**	**1,546**	**3,030**	**249**	**14**	**7,348**	**2**	**7,350**
Dividend payment			–113			–113	–	–113
Comprehensive income for the reporting period			481	–47	9	443	–4	439
Equity at 1.1.2016	**2,509**	**1,546**	**3,398**	**202**	**23**	**7,678**	**–2**	**7,676**
Changes in the basis of consolidation			2			2	–	2
Dividend payment			–104			–104	–	–104
Comprehensive income for the reporting period			225	44	7	276	–	276
Equity at 31.12.2016	**2,509**	**1,546**	**3,521**	**246**	**30**	**7,852**	**–2**	**7,850**

Cash Flow Statement

for the period 1 January to 31 December 2016

in € m

	2016	2015
Consolidated net profit	**340**	**419**
Non-cash items in consolidated net profit and reconciliation to cash flow from operating activities:		
Depreciation, amortisation and impairment losses on non-current assets, allowances for losses on loans and advances, and reversals of such impairment losses and allowances	240	569
Additions to/reversals of provisions	245	155
Other non-cash expense/income	35	–599
Gain or loss on the disposal of non-current assets	–38	–81
Other adjustments	–1,097	–1,002
Subtotal	**–275**	**–539**
Changes in assets and liabilities from operating activities after adjustment for non-cash items:		
Loans and advances to banks	1,898	3,271
Loans and advances to customers	110	–2,174
Trading assets/liabilities	1,833	–1,235
Other assets from operating activities	–570	336
Liabilities due to banks	–5,819	561
Liabilities due to customers	–881	2,509
Securitised liabilities	4,016	–1,144
Other liabilities from operating activities	–182	–18
Interest and dividends received	4,045	4,352
Interest paid	–3,005	–3,336
Income tax payments	–201	–242
Cash flow from operating activities	**969**	**2,341**
Proceeds from the disposal of:		
Financial investments	7,324	9,990
Property and equipment	–	3
Investment property	44	49
Payments for the acquisition of:		
Financial investments	–6,364	–9,944
Property and equipment	–12	–12
Investment property	–277	–104
Intangible assets	–19	–16
Effect of changes in basis of consolidation:		
Payments for the acquisition of subsidiaries and associates	6	3
Cash flow from investing activities	**702**	**–31**
Dividend payments	–104	–113
Other financing activities (subordinated capital)	–406	–1,265
Cash flow from financing activities	**–510**	**–1,378**

in € m

	2016	2015
Cash and cash equivalents at 1.1.	**1,909**	**1,033**
Cash flow from operating activities	969	2,341
Cash flow from investing activities	702	−31
Cash flow from financing activities	−510	−1,378
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	26	−56
Cash and cash equivalents at 31.12.	**3,096**	**1,909**
thereof:		
Cash on hand	105	77
Balances with central banks	2,991	1,832

The cash flow statement shows the composition of and changes to cash and cash equivalents in the financial year. The changes in cash and cash equivalents are attributable to operating activities, investing activities and financing activities.

The cash flow from operating activities comprises proceeds from and payments for loans and advances, liabilities, trading assets/liabilities and other assets or liabilities. The interest and dividend payments resulting from operating activities are shown separately. The other adjustments relate to net interest income and taxes on income excluding deferred taxes.

The cash flow from investing activities comprises proceeds and payments relating to financial investments, property and equipment, investment property and intangible assets as well as proceeds and payments in connection with the sale or acquisition of subsidiaries and associates. Further disclosures concerning the consolidated companies purchased or sold are set out in Note (3).

Cash flow from financing activities includes inflows and outflows related to subordinated capital. The dividends paid out in the financial year and the servicing of the silent participations reported as equity are also recognised under this cash flow category.

Cash and cash equivalents correspond to the cash reserve, which comprises cash on hand and balances with central banks.

Notes

Accounting Policies

(1) Basis of Presentation

Basis of accounting
The consolidated financial statements of the Helaba Group for the year ended 31 December 2016 have been prepared pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The consolidated financial statements comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the notes. The segment reporting is included within the notes. The group management report in accordance with section 315 HGB includes a separate report on the opportunities and risks of future development (opportunity and risk report) in which the risk management system is also explained.

The reporting currency of the consolidated financial statements is the euro (€). Euro amounts are generally rounded to the nearest million.

The IFRSs and International Financial Reporting Standards Interpretations (IFRICs) that were in force as at 31 December 2016 have been applied in full. The relevant requirements of German commercial law as specified in section 315a HGB have also been observed.

IFRSs applied for the first time
The 2016 financial year was the first year in which mandatory application was required for the following IFRSs and IFRICs adopted by the EU and of significance for Helaba:

- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative
  The amendments to IAS 1 are the result of an initiative to improve financial statements in terms of presentation and disclosures. They clarify that the concept of materiality applies to the whole of financial statements, that professional judgement should be applied in determining what information to disclose and that the inclusion of immaterial information can inhibit the clarity of financial disclosures. The amendments must be applied retrospectively.

- Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions
  The amendments add an option to the standard regarding the accounting for defined benefit pension plans to which employees (or third parties) contribute. Under IASB requirements, the amendments to IAS 19 ought to have been applicable for the first time in the 2015 financial year. However, when adopting the standards, the EU postponed mandatory initial application until annual reporting periods beginning on or after 1 February 2015. Helaba had not yet applied this standard in the 2015 annual financial statements. The amendments must be applied retrospectively.

- Amendments to IFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
  This clarifies that acquisitions and additional acquisitions of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, must be recognised in accordance with the principles governing business combinations accounting in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The new requirements apply prospectively to acquisitions of interests in reporting periods beginning on or after 1 January 2016.

- Annual Improvements to IFRSs – 2010 – 2012 Cycle
  The annual improvements include changes to IFRSs with an impact on recognition, measurement and reporting of transactions, and also terminology and editorial adjustments. Under IASB requirements, they ought to have been applicable for the first time in financial year 2015. However, when adopting the standards, the EU postponed mandatory initial application until annual reporting periods beginning on or after 1 February 2015. Helaba had not yet applied this standard in the 2015 annual financial statements. Some of the new stipulations must be applied retrospectively. The following standards were affected by the improvements in this cycle:

  - IFRS 2 Share-based Payment
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IAS 16 Property, Plant and Equipment
  - IAS 24 Related Party Disclosures
  - IAS 38 Intangible Assets

- Annual Improvements to IFRSs – 2012 – 2014 Cycle
  The annual improvements include changes to IFRSs with an impact on recognition, measurement and reporting of transactions, and also terminology and editorial adjustments. Some of the new stipulations must be applied retrospectively. The following standards were affected by the improvements in this cycle:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting

The adoption of the new or amended standards had little or no impact on the consolidated financial statements.

New financial reporting standards for future financial years

- IFRS 9 Financial Instruments
  In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, completing its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In the final version of IFRS 9, the main areas of financial reporting regulation that have been fundamentally revised are as follows:

  - Classification and measurement of financial instruments
    Compared with IAS 39, the provisions governing the classification and measurement of financial instruments, particularly those covering the assets side, have been fundamentally recast. In the future, the classification and measurement of financial assets will be based on the business model concerned and the characteristics of the contractual cash flows: Debt instruments on the asset side with cash flows typical of a simple lending relationship qualify for measurement at amortised cost or at fair value through other comprehensive income, depending on whether the business model aims to hold the asset and collect the contractual cash flows or to hold the asset with a view to selling it prior to its contractual maturity. If neither of these two business models applies or the cash flow criterion is not satisfied, it is mandatory to recognise and measure the asset at fair value through profit or loss. One exception is the option to recognise equity instruments at fair value through other comprehensive income if they are not held for trading (FVOCI option).

    The classification requirements on the assets side are different from the existing requirements under IAS 39. This is likely to lead to a slightly higher level of financial assets at fair value through profit or loss. The FVOCI option should be exercised solely for significant strategic investments. Under IFRS 9, all other equity investments within financial investments must be measured at fair value through profit or loss. It is also anticipated that some individual instruments may have to be shifted to the "at fair value through profit or loss" category because they do not satisfy the cash flow criterion. Each business model is assessed at a portfolio level lower than that of the core business areas. Overall, Helaba does not anticipate that these changes will have a significant impact on the statement of financial position or income statement.

    There are hardly any changes in IFRS 9 relating to the classification and measurement provisions governing financial liabilities. The only change affects liabilities designated at fair value (FV option). Changes in this fair value attributable to changes in own credit risk will have to be presented in other comprehensive income (OCI) rather than in profit or loss. The standard states that this provision may be applied separately prior to the initial application of IFRS 9. Helaba has no plans for voluntary earlier application.

  - Accounting treatment of impairment
    The new rules under IFRS 9 for recognising impairment losses represent a departure from the previous approach of recognising incurred losses (incurred loss model under IAS 39). The scope of the new model encompasses financial assets measured at amortised cost and also all debt instruments measured at fair value through other comprehensive income as well as certain loan commitments and financial guarantees. Under the new expected credit loss model, it is mandatory to recognise loss allowances, depending on the allocation of the instrument to a particular stage, for all instruments falling within the scope of the standard. Loss allowances at stage 1 are based on expected credit losses arising from loss events within the next twelve months and at first encompass all instruments on initial recognition. If there is a significant increase in credit risk following initial recognition, the instrument is transferred to stage 2. Loss allowances at stage 2 must be increased to cover lifetime expected credit losses (lifetime ECLs). Stage 3 consists of financial instruments for which there is objective evidence of impairment and also requires the recognition of lifetime ECLs. In this case, the indicators qualifying as objective evidence are the same as those specified in IAS 39. IFRS 9 provides for options in the case of lease receivables, trade receivables and instruments with low credit risk.

    The design phase specifying the technical requirements for the implementation of the new rules for recognising impairment losses has been largely completed. Helaba is planning to exercise the option to allocate instruments with low credit risk to stage 1 as a group, but only for the securities portfolio. In line with the standard process all other instruments will be reviewed to establish whether there has been a significant increase in credit risk. Helaba will rely on the well-established internal rating process to carry out this review. If a significant increase arises compared with the amount of credit risk expected on initial recognition, the instrument concerned will be transferred to stage 2. In the context of stage 3, indicators constituting objective evidence will be harmonised with the regulatory definition of a default event in accordance with article 178 CRR. The amount of the loss allowances to be recognised will be calculated with the existing procedures and parameters used for regulatory purposes. Any deviating requirements under IFRS 9 will be adequately taken into account, for example by using internally estimated loss given default (LGD) parameters or by including different macroeconomic scenarios.

Other aspects of the project will focus on implementation activities and the modification of the IT architecture. Based on simulated calculations, it is likely that there will be an increase in the level of provisions for losses on loans and advances and greater earnings volatility. A reliable estimate will be available when the implementation activities are completed in 2017. It is not yet possible to determine any specific impact on capital ratios because the supervisory authorities have not yet issued the results of their deliberations regarding transitional rules relating to effects from the initial application of IFRS 9. Helaba is not expecting any material impact on the financial circumstances of the Group.

- Hedge accounting
IFRS 9 also involved the extensive revision of general hedge accounting provisions. The objective of the new rules is to bring the hedge accounting provisions closer into line with an entity's economic risk management. To this end, some of the restrictions in the current provisions have been eliminated under IFRS 9. For example, it will be possible to use hedge accounting for a greater selection of hedging instruments and hedged items, and the requirement involving strict, retrospective proof of effectiveness has been removed.

As macro hedge accounting does not form part of the current IFRS 9, there is an option to continue to apply all the provisions in IAS 39 relating to hedge accounting (general and macro hedge accounting) until the IASB's macro hedge accounting project has been completed. Helaba has not yet decided whether it will make use of this option.

IFRS 9 will have to be applied for the first time in annual reporting periods beginning on or after 1 January 2018. Helaba has no plans for voluntary earlier application. Generally speaking, first-time application must be retrospective, but various simplification options are available. These include the option not to restate comparative figures for prior periods. Helaba intends to utilise these simplification options.

- IFRS 15 Revenue from Contracts with Customers
Under IFRS 15, revenue is recognised when control over the agreed goods and/or services is passed to the customer and the customer can obtain substantially all of the remaining benefits from the goods and/or services involved. The key factor is no longer the transfer of substantially all the risks and rewards as specified in the superseded provisions in IAS 18 Revenue. The revenue must be measured in the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. The new model sets out a five-step framework for determining revenue recognition. The provisions and definitions in IFRS 15 will in the future replace the content of both IAS 18 Revenue and IAS 11 Construction Contracts; however, they will not have any impact on the recognition of revenue arising in connection with financial instruments that fall within the scope of IFRS 9/IAS 39. IFRS 15 must be applied in annual reporting periods beginning on or after 1 January 2018. Helaba is currently reviewing the implications of IFRS 15 but no material impact is expected nor is any early application planned.

- IFRS 16 Leases
The basic thrust of this new standard is that lessees will generally have to recognise all leases and the associated contractual rights and obligations in the statement of financial position. From the perspective of the lessee, the previous distinction between finance and operating leases as specified by IAS 17 will no longer be required in the future.

In respect of all leases, the lessee must recognise in the statement of financial position a lease liability for the obligation to make future lease payments. At the same time, the lessee must recognise an asset representing the right to use the underlying asset. The amount of the right-of-use asset must generally equate to the present value of the future lease payments plus directly assignable costs. During the term of the lease, the lease liability will be reduced in accordance with the principles of financial mathematics in a manner similar to that specified for finance leases in IAS 17 whereas the right-of-use asset will be amortised. Exemptions from this accounting treatment will be available for short-term leases and low-value leased assets.

In contrast, the rules for lessors in the new standard are similar to the existing provisions in IAS 17. Leases will continue to be classified either as finance or operating leases. Leases in which substantially all the risks and rewards of ownership are transferred must be classified as finance leases; all other leases are classified as operating leases. The classification criteria in IAS 17 have been carried over and included in IFRS 16.

IFRS 16 also includes a range of other provisions covering recognition, disclosures in the notes and sale-and-leaseback transactions.

The new provisions must be applied in annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided that IFRS 15 is also applied. Helaba is currently reviewing the implications of IFRS 16. The new standard on leasing will have a particular effect on the accounting treatment of the leased commercial real estate but Helaba anticipates little impact on financial position or financial performance. No early application is planned. This standard still has to be adopted by the EU.

The other IFRSs and IFRICs that have only been partially adopted by the EU and that will only become mandatory in later financial years have not been applied early by Helaba, nor is any early application planned. With the exception of IFRS 9 Financial Instruments, these standards and interpretations are expected to have little or no impact on the consolidated financial statements.

Amendments to recognised amounts, changes to estimates, correction of errors

Helaba implemented various courses of action in 2016 as part of a project to improve the assessment and measurement of different aspects of default risk in connection with the measurement of OTC derivatives. In particular, it refined the processes for discounting OTC derivatives and for taking collateral into account in relation to these financial instruments. The adjustments led to an aggregate negative effect in the credit value adjustment of € 3 m. These measurement model modifications constituted changes to estimates in accordance with IAS 8.32 et seq. The changes referred to above marked the successful completion of the project.

In the previous year, under the subordinated capital disclosures (see Note (57)), due interest payments had been reported as pro rata interest within the carrying amount of the profit participation rights (€ 16 m) and silent participations (€ 34 m). The prior-year figures have been restated and reclassified to other liabilities (see Note (56)). This has resulted in related adjustments in Notes (67), (68) and (71).

The allocation of equity has also been restated in the segment reporting (see Note (35)). The prior-year figures have been updated accordingly.

Reclassifications or adjustments have been applied to prior-year figures within the disclosures in Notes (54), (67), (73), (76), (79), (81) and (82). Please refer to the relevant notes for details.

There was no impact on consolidated net profit or on equity from the restated prior-year figures referred to above.

Principles of recognition and measurement

The consolidated financial statements are based on the ‘going concern’ principle. Like Helaba, the entities included in the consolidated financial statements (via full consolidation or by using the equity method) have generally also prepared their separate annual financial statements to a reference date of 31 December 2016. Even in exceptions, which mostly relate to collective investment undertakings, figures as at 31 December 2016 have been included. Unless otherwise stated, accounting policies have been applied uniformly throughout the Group and consistently in accordance with the reporting period shown. If the Group has elected to exercise any options, this is described in the following notes.

An asset is recognised in the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be reliably measured. A liability is recognised in the statement of financial position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Assets and liabilities are generally measured at amortised cost unless an alternative measurement method is prescribed. Income and expenses are recognised in the period to which they are attributable from an economic perspective.

The necessary assumptions, estimates and assessments in connection with recognition and measurement are applied in accordance with the relevant standard, are continuously reviewed and are based on past experience and other factors, such as planning, expectations and forecasts of future events. Estimation uncertainty arises in particular in connection with provisions for losses on loans and advances, impairment of assets including goodwill and other intangible assets, the determination of fair values for certain financial assets and liabilities, and the recognition of deferred tax assets, provisions and other obligations. These assumptions, estimates and assessments affect the assets and liabilities reported as at the reporting date and the income and expenses reported for the year.

The main accounting policies are described below.

(2) Principles of Consolidation

Under the provisions specified in IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All present facts and circumstances must be used as the basis for establishing whether control exists. An investor must continuously monitor the situation and reassess whether it controls an investee if facts and circumstances change.

With regard to establishing whether an entity qualifies as a subsidiary, the Helaba Group will, if there are material circumstances indicating such a likelihood, review whether Helaba can directly or indirectly exercise power of control over the relevant activities of the entity concerned. In such a review, Helaba will

- determine the purpose and design of the entity concerned,
- identify the relevant activities,
- determine whether Helaba, on the basis of its rights, has the opportunity to direct the relevant activities,
- assess the extent of the risk from the entity or the extent of its participation in the returns generated by the entity, and
- assess whether Helaba has the ability to exploit its power of control to influence the level of its participation in the returns.

The review includes an evaluation of voting rights and also an analysis of other rights and circumstances that in substance could lead to an opportunity for control. The review also considers indicators as to whether there is a de facto agency relationship in accordance with IFRS 10.

If an entity meets the criteria for cellular structures (silos), each step in the review is carried out for each one of these identified structures. Such a structure is deemed to be in existence if, within a legal entity, an asset or group of assets is segregated such that it is considered, in substance and for the purposes of IFRS 10, as a self-contained asset and there is little or no interconnected risk between the asset concerned and other assets or groups of assets in the legal entity in question.

If the outcome of the process for determining the purpose and design of the entity, and for identifying the relevant activities, is that the voting rights are a critical factor in the assessment of the opportunity for control, it will generally be assumed that the Helaba Group has control over the entity where the Group, directly or indirectly, has or can control more than half of the voting rights in the entity. Notwithstanding the above, it must be assumed that the Helaba Group does not have any opportunity for control if another investor has the ability in practice to direct the relevant activities because this investor can control the majority of the voting rights for the key activities or because Helaba is only acting as a (de facto) agent on behalf of another investor within the meaning of IFRS 10. A review is also conducted to establish whether there are joint management arrangements and, as a result, the opportunity for control is limited.

In the same way, Helaba carries out an assessment in cases in which the Helaba Group does not hold a majority of the voting rights but in which it has the opportunity in practice to unilaterally direct the relevant activities or in which another investor is only acting as a (de facto) agent within the meaning of IFRS 10 on behalf of the Helaba Group. In circumstances other than one in which Helaba holds a general majority of the voting rights, this ability to control may arise, for example, in cases in which contractual agreements give the Helaba Group the opportunity to direct the relevant activities of the entity or potential control over voting rights.

If there are options or similar rights relating to voting rights, these are taken into account in the assessment of whether any party is able to exercise control through voting rights, provided that such options or similar rights are considered substantive. Such assessment takes into account any conditions or exercise periods and also evaluates the extent to which the exercise of such options or similar rights would be economically advantageous.

The test as to whether, regardless of any legal basis, there is an opportunity to exercise control in substance involves the check to establish whether a formal holder of voting rights or the holder of a right that could lead to control over an entity is acting as a (de facto) agent within the meaning of IFRS 10. In this case, in an analysis of the substance of the arrangement, the (de facto) agent is deemed to be acting on behalf of another investor if the agent does not have any material business interests of its own in the entity concerned. This scenario may also arise if this other investor does not have any direct rights to issue instructions but the circumstances are so geared to the requirements of the investor in practice that the investor is exposed to most of the variability of returns from the entity.

A threshold value for participation in the expected variability of returns is used as an initial indicator for the existence of a (de facto) agent within the meaning of IFRS 10. If, from a legal perspective, the Helaba Group has the opportunity to direct the relevant activities of an entity, a threshold value is used as the basis for assessing whether there is any indicator that an interest should be assigned to third parties in accordance with IFRS 10. An assignment of this nature could affect, for example, securities investment funds managed by Helaba Invest.

If it is unclear whether the Helaba Group has the opportunity to direct the relevant activities of an entity and the Helaba Group is exposed to approximately 90 % or more of the variability of returns, an individual in-depth review is carried out to establish whether Helaba has the opportunity to exercise control over the entity.

The checks described above are carried out periodically for all cases exceeding a materiality threshold. A new assessment is carried out if there are any material changes in the basis of the assessment or if the materiality threshold is exceeded. A multi-stage process is used in which an initial assessment is carried out on the basis of checklists by the local units with customer or business responsibility. This initial procedure consists of an analysis of the opportunities to exercise influence based on legal structures and an assessment of indicators of the exposure to the variability of returns from the entity concerned. Variability of returns takes into account all expected positive and negative contributions from the entity that in substance are dependent on the performance of the entity and subject to fluctuation as a result.

IFRS 11 Joint Arrangements sets out the rules for the accounting treatment of joint ventures or joint operations if two or more parties exercise joint control over an entity. The existence of joint control must be reviewed if the relevant facts and circumstances change.

To establish whether there is joint control, the first step is to determine who exercises power of control over the relevant activities, a procedure that is similar to that used in the case of subsidiaries. If this control is exercised collectively by two or more parties on a contractual basis, a joint arrangement is deemed to be in existence. To date, the review of the cases involving joint arrangements has regularly led to a classification of these arrangements as joint ventures. The review takes into account separate agreements on joint decision-making or on the exercise of voting rights, the minimum number of votes necessary for decisions, the number of shareholders and associated proportions of voting rights, possible (de facto) agent relationships and, on a case-by-case basis, consent requirements under other contractual relationships.

In an existing shareholding, there is generally a significant influence if at least 20 % of the voting rights are held. Other parameters and circumstances are taken into account in addition to the extent of the voting rights to assess whether the Helaba Group can exercise a significant influence in practice over entities in other scenarios. These parameters and circumstances include, for example, employee representation on the management or supervisory bodies of the entity or, where applicable, the existence of consent requirements for key decisions to be made by the entity concerned. If such factors are identified during the course of the review, the Helaba Group may be deemed to have a significant influence in such cases even though its equity investment is equivalent to less than 20 % of voting rights. An in-depth analysis is carried out covering all opportunities for the exercise of influence and the relationships between the shareholders.

The review of the existence of joint control or associate relationships is regularly carried out as part of the process for identifying subsidiaries subject to consolidation.

All material subsidiaries and other entities directly or indirectly controlled by Helaba are fully consolidated in the consolidated financial statements. Material joint ventures and investments in associates are recognised and measured using the equity method as specified in IAS 28. In individual cases where the entity concerned is only of minor significance in the context of the economic circumstances of the Group from both individual and overall perspectives, the entity concerned has not been consolidated or been recognised and measured using the equity method. Materiality is reviewed and decided upon by comparing the volume of total assets (assessed as being long term) and level of profit for the entity concerned against threshold values. The threshold values are determined on the basis of the average total assets and levels of profit for the Group over the last five years. If an investment is deemed to be not material, the shares in the entity concerned are reported under financial investments.

Entities are consolidated for the first time on the date of acquisition, or on the date an opportunity for control arises as defined in IFRS 10, using the acquisition method. The assets and liabilities are measured at the fair value on the date of this first-time consolidation. Any positive differences arising from this initial acquisition accounting process are recognised as goodwill under intangible assets on the face of the statement of financial position. This goodwill is subject to an impairment test at least once a year (see Note (17)). If any negative goodwill arises from this initial consolidation, the fair values are first reviewed before the resulting amount is recognised immediately in profit or loss.

Any shares in subsidiaries not attributable to the parent company are reported as a share of equity attributable to non-controlling interests within the consolidated equity; the equivalent net profit and comprehensive income is reported respectively as net profit attributable to non-controlling interests on the face of the consolidated income statement and comprehensive income attributable to non-controlling interests on the face of the statement of comprehensive income. Non-controlling interests are determined at the time of initial recognition on the basis of the fair values of the assets and liabilities attributable to these non-controlling interests.

In the case of a business combination achieved in stages (step acquisition), the entity is consolidated from the date on which control is obtained. Any investments acquired prior to the date on which control is obtained are remeasured at fair value on the date of acquisition and used as the basis for acquisition accounting. The difference between the carrying amounts of these previously recognised investments and the fair value is recognised in profit or loss after recycling any components of the carrying amounts hitherto recognised in other comprehensive income (resulting from remeasurement or because the assets are designated as available for sale).

If entities that have previously been consolidated or accounted for using the equity method no longer have to be included in the consolidation, they are deconsolidated with recognition in profit or loss, or no longer accounted for using the equity method, on the date on which the consolidation requirement no longer applies. Any recognition of remaining investments in accordance with IAS 39 or using the equity method is at fair value.

If investments in subsidiaries, joint ventures or associates are intended for disposal in the short term, and the other relevant criteria are satisfied, these investments are measured in accordance with IFRS 5 and the assets, liabilities and share of net profit/loss reported under a separate item on the face of the statement of financial position and income statement.

Any intercompany balances between consolidated entities and any income and expenses arising between such entities are eliminated. Intercompany profits and losses arising on transactions between consolidated entities are also eliminated.

Investments in associates and joint ventures are recognised in the statement of financial position at their acquisition cost from the date on which significant influence is obtained or the date on which joint control is established. The carrying amount is remeasured in subsequent years taking into account pro rata changes in equity and the amortisation of identified hidden reserves and charges. The pro rata net profit or loss for the year from such investments, any impairment losses and other provisions for losses on loans and advances are reported under share of profit or loss of equity-accounted entities on the face of the consolidated income statement. The share of other comprehensive income of equity-accounted entities is reported as a separate line item in the consolidated statement of comprehensive income.

If the recoverable amount of an investment accounted for using the equity method is less than the current carrying amount, an impairment loss is recognised. If the reasons for a previously recognised impairment loss no longer exist, the impairment loss is reversed, but only up to a maximum of the pro rata carrying amount that would have been recognised, including any amortisation, if the impairment loss had not been applied.

(3) Basis of Consolidation

In addition to the parent company Helaba, a total of 116 entities are consolidated in the Helaba Group (31 December 2015: 110 entities). Of this total, 88 (31 December 2015: 83) entities are fully consolidated and 28 entities are included using the equity method (31 December 2015: 27). The fully consolidated companies are subsidiaries and special purpose entities in accordance with IFRS 10, including collective investment undertakings.

The consolidated financial statements do not include 37 subsidiaries, 19 joint ventures and 16 associates that are of minor significance for the presentation of the financial position and financial performance of the Helaba Group. The shares in these companies are reported under financial investments.

The subsidiaries, joint ventures and associates included in the consolidated financial statements are listed in Note (87). This list also includes an explanation if the classification of the entity concerned as a subsidiary, joint venture or associate is different from the classification indicated by the percentage of voting rights.

The changes in the basis of consolidation during the financial year were related to the subsidiaries shown below.

Changes in the group of fully consolidated entities

Additions

Erste OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	Established December 2016
Dritte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	Established December 2016
Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	This entity established in the previous year ceased to be immaterial following commencement of business operations in March 2016.
Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG, Frankfurt am Main	Established November 2016
MS „EAGLE STRAIT“ GmbH & Co. KG, Hamburg	Following change in funding structure and latest measurement estimates, opportunity for control in accordance with IFRS 10 obtained in December 2016
MS „ESSEX STRAIT“ GmbH & Co. KG, Hamburg	Following change in funding structure and latest measurement estimates, opportunity for control in accordance with IFRS 10 obtained in December 2016
Vierte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	Established December 2016
Vierte OFB PE GmbH & Co. KG, Frankfurt am Main	Established November 2016
Zweite OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	Established December 2016

The companies fully consolidated for the first time were predominantly property companies for the development of real estate in the OFB Projektentwicklung GmbH subgroup. MS „EAGLE STRAIT“ GmbH & Co. KG and MS „ESSEX STRAIT“ GmbH & Co. KG are ship holding companies and led to an addition to lease assets of € 17 m.

Disposals

Altherz Stuttgart 1 GmbH, Stuttgart	Loss of the opportunity for control following the sale of the company’s properties in January 2016
Altherz Stuttgart 2 GmbH, Stuttgart	Loss of the opportunity for control following the sale of the company’s properties in January 2016
HI-Turbo-Fonds, Frankfurt am Main	Investment fund wound up in December 2016
Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	Some of the shares sold and the remaining shareholding accounted for using the equity method from December 2016

Deconsolidation expenses amounted to € 3 m for Altherz Stuttgart 1 GmbH and € 1 m in each case for Altherz Stuttgart 2 GmbH and Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG. They are reported under other net operating income.

Changes in the group of equity-accounted entities

Additions

GOB Projektentwicklung Fünfte GmbH & Co. KG, Frankfurt am Main	Established June 2016
Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	Some of the shares sold and the remaining shareholding accounted for using the equity method from December 2016

Disposals

GOB Werfthaus GmbH & Co. KG, Frankfurt am Main	Shares sold in January 2016

The gain on derecognition arising from the deconsolidation of GOB Werfthaus GmbH & Co. KG came to less than € 1 m and is reported under share of profit or loss of equity-accounted entities.

(4) Financial Instruments

Under IAS 39, all financial assets and financial liabilities, including all derivatives, must be reported in the statement of financial position. These instruments are initially measured at cost, which equates to the value of the assets given or received at the time of transfer. Transaction costs are generally recognised as acquisition ancillary costs. In the case of cash transactions, non-derivative financial instruments are recognised on the settlement date and derivatives on the trade date. Financial assets are derecognised when the contractual rights associated with an asset expire or are transferred such that substantially all the risks and rewards incidental to ownership are passed to another party or when the control or power over the asset is transferred to another party. Financial liabilities are derecognised when the liabilities are settled.

The subsequent measurement of financial assets or liabilities depends on the IAS 39 category to which the instrument is assigned at the time of acquisition.

Loans and receivables (LaR)
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than financial assets held for trading or designated on initial recognition as assets at fair value through profit or loss. Securities with fixed or determinable payments for which there is no active market may also be classified as loans and receivables.

Loans and receivables are measured at amortised cost. Existing premiums or discounts are allocated over the residual maturity using the effective interest method and recognised in profit or loss under net interest income. The carrying amounts of financial instruments in the loans and receivables category are reported under loans and advances to banks and loans and advances to customers on the face of the statement of financial position. Trade receivables are reported under other assets.

Within hedge accounting, the carrying amounts of loans and advances that form the hedged items in micro fair value hedges are adjusted for the changes in the fair value corresponding to the hedged risk.

Please refer to the disclosures in Note (14) for information on the recognition of risks arising from the lending business.

Financial assets or liabilities at fair value through profit or loss (aFV)
Within this category, a distinction is made between financial instruments that are classified as held for trading and those that, upon initial recognition, are designated irrevocably as at fair value through profit or loss (fair value option, FVO). Financial assets or liabilities in this category are recognised in profit or loss at fair value. Transaction costs are immediately recognised in profit or loss. Derivatives not designated as hedges are always classified as held for trading.

Financial instruments held for trading are instruments acquired or held for the purpose of selling and generating profits from short-term fluctuations in prices or trader margins. These instruments are reported under trading assets or trading liabilities. All income and expenses from financial instruments held for trading are reported under net trading income. Derivatives not held for trading are recognised as positive or negative fair values of non-trading derivatives. The income and expenses from non-trading derivatives are reported in a separate line item in the income statement.

The fair value option is used primarily as part of the hedge management strategy for economic hedges of financial assets and liabilities for which no micro hedge relationship is documented in accordance with IAS 39. The fair value option is also used for financial instruments with embedded derivatives requiring bifurcation. In addition, Helaba uses the fair value option for financial assets and liabilities that are managed at fair value as one unit (portfolio) as part of a documented risk management strategy. Non-derivative financial instruments for which the fair value option has been exercised are reported in the same item in the statement of financial position that would have been used even if the instrument concerned had not been designated as at fair value through profit or loss. Interest (including amortised premiums and discounts) and dividends relating to financial instruments for which the fair value option is used are included in net interest income. Gains or losses from remeasurement and disposals are recognised under gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied.

In the case of financial instruments measured at fair value, differences may arise between the transaction price and the fair value (day-one profit or loss). Any day-one profit or loss is normally recognised immediately in profit or loss. If the calculation of the fair value is not based on observable measurement parameters, the day-one profit or loss must be recognised in profit or loss over the maturity of the asset concerned.

Held-to-maturity financial assets (HtM)
If a financial asset is to be classified in the held-to-maturity category, it must be a non-derivative financial asset with fixed or determinable payments and a specified maturity date. When the purchaser acquires such financial assets, it must also intend and be able to hold the asset to maturity. The Helaba Group does not assign any financial instruments to this category.

Available-for-sale financial assets (AfS)
The available-for-sale category is used for all non-derivative financial assets that have not already been allocated to one of the other categories specified above. At Helaba, such assets include bonds, shares, other variable-income securities and equity investments. Financial instruments in the available-for-sale category are reported under financial investments. These assets are generally measured at fair value, as described in Note (5). If a fair value cannot be reliably determined in the case of equity instruments, they are measured at cost less any impairment losses. This is the case if there are no prices available from active markets and it is not possible to reliably determine the parameters relevant for valuation models.

Gains and losses on the remeasurement of available-for-sale financial assets at fair value are reported – after taking into account deferred taxes – in other comprehensive income and in a separate equity item (revaluation reserve). When hedge accounting is used, the portion of gains or losses attributable to the hedged risk is recognised under net income from hedge accounting.

If the fair value of an asset is expected to be permanently lower than the amortised cost as a result of impairment caused by a change in credit quality, the revaluation reserve is adjusted for the impairment loss amount, the adjustment being recognised in profit or loss under net income from financial investments. Reversals of impairment losses on debt instruments are recognised in profit or loss, whereas reversals of impairment losses on equity instruments measured at fair value are recognised in other comprehensive income. Impairment losses on equity instruments measured at cost are not reversed. The criteria for establishing whether an asset is impaired comprise both timing and value components.

Interest income on securities (including amortised premiums and discounts) and dividend income on shares and other equity investments are reported under net interest income. When a financial asset is sold, the cumulative remeasurement gains and losses recognised in the revaluation reserve are reversed and reclassified to profit or loss under net income from financial investments.

Other financial liabilities (OL)
This category covers financial liabilities that are not classified as at fair value through profit or loss. The liabilities are measured at amortised cost. Premiums or discounts are allocated over the residual maturity using the effective interest method (amortisation) and recognised in profit or loss under net interest income. The carrying amounts are reported in the statement of financial position under liabilities due to banks, liabilities due to customers, securitised liabilities and subordinated capital. Trade payables are reported under other liabilities.

Within hedge accounting, the carrying amounts of liabilities that form the hedged items in micro fair value hedges are adjusted for the changes in the fair value corresponding to the hedged risk.

Reporting interest anomalies
The breakdown of interest anomalies (negative interest on financial assets and/or positive interest on financial liabilities) is shown in the table in Note (24). Helaba reports positive interest on financial liabilities under interest income, and negative interest on financial assets under interest expense. Cash flows resulting from interest anomalies in connection with derivatives are offset against each other and reported either in interest income or interest expense in the same way that cash flows for each derivative are netted in a normal interest rate environment.

(5) Fair Values of Financial Instruments

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).

Measurement methods
When selecting the measurement method for financial instruments, the Helaba Group distinguishes between those financial instruments that can be measured directly using prices quoted in an active market and those measured using standard valuation techniques. In this process, of all the markets to which Helaba has access, the market with the highest level of activity is generally assumed to be the relevant market (primary market).

The fair value of financial instruments listed in active markets is determined on the basis of quoted prices. A market is deemed to be active if the volume and frequency of trading in the relevant or similar financial instruments is sufficient to generate regular market prices.

In the case of financial instruments for which there are no prices on an active market on the reference date or in respect of which no prices for comparable financial instruments on active markets can be determined, the fair value is determined using generally accepted standard valuation techniques. The financial instruments are measured on the basis of the cash flow structure, taking into account estimated future cash flows, discount rates and volatility. These approaches use modelling techniques such as the discounted cash flow method or established option pricing models. Models with greater differentiation that use more detailed inputs such as correlations are used for more complex financial instruments.

The inputs for the models are usually observable in the market. If no market information is available for the required model inputs, these are derived from other relevant information sources, such as prices for similar transactions or historical data.

The following table provides an overview of the measurement models used for the financial instruments:

Financial instruments	Measurement models	Key inputs
Interest-rate swaps and interest-rate options	Discounted cash flow method, Black model, Markov functional model, SABR model, replication model, bivariate copula models	Yield curves, interest-rate volatility, correlations
Interest-rate futures	Discounted cash flow method	Yield curves
Currency futures	Discounted cash flow method	Exchange rates, yield curves
Equity/index options	Black model, local volatility model	Equity prices, yield curves, equity volatilities, dividends
Currency options	Black model, skew barrier model	Exchange rates, yield curves, FX volatilities
Commodity options	Black model, Turnbull/Wakeman	Commodity prices, yield curves, volatilities
Credit derivatives	Black model	Yield curves, credit spreads, correlations
Money market instruments	Discounted cash flow method	Yield curves
Securities repurchase transactions	Discounted cash flow method	Yield curves
Promissory note loans	Discounted cash flow method	Yield curves, credit spreads
Securities, forward securities transactions	Discounted cash flow method	Yield curves, credit spreads, securities prices

In the case of purchased rights under endowment insurance policies, the fair value is measured on the basis of the surrender value notified by the insurance company. This value is then adjusted for contributions and other changes in value up to the reporting date.

Adjustments

Adjustments may be required in some cases, and these adjustments form an additional part of the measurement process.

Depending on the complexity of the financial instrument involved, the use of a model to measure a financial instrument could involve some uncertainty in the selection of a suitable model, for example regarding the numeric implementation or the parametrisation/calibration of the model. When measuring a financial instrument using fair value principles, this uncertainty is taken into account by applying model adjustments, which can be subdivided into deficiency adjustments and complexity adjustments.

The purpose of a deficiency adjustment is to reflect measurement uncertainty resulting from the use of a model-based valuation technique. Model uncertainty arises if a financial instrument is measured using a model that is uncommon (or no longer common) or if there is a lack of clarity caused by an inadequate calibration process or by the technical implementation. Complexity adjustments are taken into account if there is no market consensus regarding the model to be used or the parametrisation for the model cannot be clearly derived from the market data. The problems in such cases are referred to as model risk. The measurement markdowns resulting from the various adjustments are taken into account in the form of a model reserve.

Generally speaking, derivatives are currently measured in front-office systems on a risk-free basis. In other words, it is specifically assumed that the counterparties involved will remain in place until the contractual maturity of the outstanding transactions. The credit value adjustment (CVA) reflects the imputed loss risk to which the Helaba Group believes it is exposed in respect of its counterparty, based on a positive fair value from Helaba's perspective. If the counterparty were to default, it would only be possible to recover a fraction of the fair value of the outstanding transactions in any insolvency or liquidation process (recovery rate). The exposure over time is estimated using a Monte Carlo simulation. A debit value adjustment (DVA) mirrors the CVA and is defined as that imputed part of a negative fair value (from the perspective of the Group) that would be lost if the counterparty were to default. The CVA and DVA amounts are taken into account in the form of a measurement adjustment.

A funding valuation adjustment (FVA) is necessary to ensure that the measurement of derivative financial instruments takes into account the funding costs implied by the market. Funding costs are incurred in connection with the replicated hedging of unsecured customer derivatives with secured hedging derivatives in the interbank market. Whereas the volume to be funded is derived from an exposure simulation, the funding rates are set in line with the Euro Interbank Offered Rate (Euribor). Similar to a CVA/DVA, there are two types of FVA. A funding benefit adjustment (FBA) is applied in the case of a negative exposure, and a funding cost adjustment (FCA) for a positive exposure.

Validation and control

The measurement process is subject to continuous validation and control. In the trading business, part of the process of measuring exposures independently of the trading activity is to ensure that the methods, techniques and models used for the measurement are appropriate.

New measurement models are generally subject to comprehensive initial validation before they are used for the first time. The models are then regularly reviewed depending on materiality, the extent to which they are established in the market and on the complexity of the model in question. Ad hoc reviews are also carried out if, for example, significant changes are made to the model.

A process of independent price verification is also carried out to ensure that the inputs used for measuring the financial instruments are in line with the market.

(6) Measurement Hierarchy

Level 1

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. These fair values are reported as Level 1.

Level 2

If a directly observable market price does not exist for a financial instrument, comparable financial instruments with prices on active markets are used for measurement purposes. If no such comparable data is available, the measurement is based on recognised and customary valuation techniques are used for measurement purposes, with significant input data being based on observable market data and taken from external sources. These valuation techniques are normally used for OTC derivatives (including credit derivatives) and for financial instruments that are recognised at fair value and not traded on an active market. In such cases, the fair values are reported as Level 2.

Level 3

In those cases in which significant input parameters are not directly observable on the market, the fair values are calculated using realistic assumptions based on market conditions. This valuation technique is used in particular for complex structured (derivative) basket 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. Inputs that cannot be observed, particularly the surpluses derived from corporate planning, are also used to measure unlisted equity investments recognised at fair value and to test goodwill for impairment. In the case of investment property, fair values are determined on the basis of expected income and expenses, with the result that these fair values are also classified as Level 3.

(7) Offsetting a Financial Asset and a Financial Liability

Under IAS 32, an entity may offset a financial asset and a financial liability and present the net amount in the statement of financial position if the entity has a legally enforceable right at any time to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The right must be legally enforceable as part of normal business operations and cannot be restricted such that it only comes into being if certain circumstances occur. The disclosures in Note (62) describe the extent of the net presentation of financial assets and financial liabilities in the statement of financial position. The information also includes details of conditional offsetting opportunities that do not meet the requirements for offsetting under IAS 32.

(8) Hedge Accounting

IAS 39 sets out comprehensive rules for the accounting treatment of hedges, i.e. the recognition of hedging instruments (particularly derivatives) and the corresponding hedged items.

The Helaba Group enters into derivatives for both trading and hedging purposes. Subject to certain preconditions, IAS 39 provides for the application of special hedge accounting rules if derivatives are demonstrably used for hedging risks arising from non-trading activities not classified as at fair value through profit or loss.

At the beginning of the hedging relationship, both the hedge and the risk management objectives and strategies of the Group, together with the methods for prospective and retrospective measurement of hedge effectiveness, must be documented. In particular, the documentation must clearly identify the hedged item, the risk to be hedged and the hedging instrument involved.

IAS 39 also specifies that hedges should be effective. The effectiveness of hedges is therefore regularly monitored. A hedge is considered effective if, both at the time of designation and over the duration of the hedge, the changes in value of the hedged item are to a large degree offset by those in the hedging instrument (prospective effectiveness test or assumption of effectiveness) and the current gains and losses fall in a range between 80 % and 125 % (retrospective effectiveness test). If a hedge is no longer effective, it is reversed. If the hedged item continues to be recognised in the statement of financial position after the end of the hedging relationship, the adjustments to the carrying amount of the interest-bearing hedged item applied over the duration of the hedge are allocated over the residual maturity of the item concerned and recognised in net interest income.

The Helaba Group uses micro fair value hedge accounting to offset changes in the fair value of hedged items (caused by changes in interest rates) with changes in the value of derivatives used for hedging. This type of market risk caused by changes in interest rates affects, in particular, the issuing and lending activities of the Group and the fixed-income securities in the liquidity investment portfolio. The hedging instruments used by Helaba consist exclusively of interest-rate swaps and cross-currency interest-rate swaps that satisfy the hedge accounting requirements.

In accordance with the rules for fair value hedge accounting, derivatives used for hedging purposes are recognised at fair value and reported under positive or negative fair values of non-trading derivatives in the statement of financial position. In the case of hedged items recognised at amortised cost without hedge accounting, changes in the value of the hedged item attributable to the hedged risk result in a corresponding adjustment of the carrying amount. This change in the fair value of the hedged item attributable to the hedged risk is recognised in profit or loss under net income from hedge accounting together with the opposite change in the hedging instrument.

Foreign currency risks are hedged by means of non-derivative financial instruments. These risks are hedged in connection with equity investments classified as available for sale and net investments in a foreign operation. The gains and losses on the currency translation of the hedge are accounted for in other comprehensive income and reported under the currency translation reserve.

Positive and negative fair values of non-trading derivatives
In the Helaba Group, this item is used for reporting derivatives that are not held for trading purposes. This also includes derivatives designated as hedging instruments for a micro fair value hedge. In addition, the item includes derivatives that are used as economic hedges as part of hedge management, but that are not accompanied by the relevant documentation demonstrating fulfilment of the hedge accounting requirements in accordance with IAS 39. Positive fair values are reported on the assets side of the statement of financial position, negative fair values on the liabilities side.

The gains and losses on derivatives not held for trading are reported either under net income from hedge accounting or under gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied, depending on how the derivatives are used. The current income and expenses arising from these derivatives are recognised in net interest income.

(9) Structured Products

Structured products are defined as contracts that consist of a host contract and one or more embedded derivatives. An embedded derivative is an integral component of the structured product and cannot be traded separately.

Subject to certain preconditions, IAS 39 specifies that embedded derivatives must be separated from the associated host contracts (bifurcation) and treated as independent derivatives for accounting purposes unless the entire structured product is measured at fair value through profit or loss.

In the Helaba Group, non-trading financial instruments requiring bifurcation are accounted for separately in each case. Alternatively, the fair value option is used for the entire structured product.

(10) Financial Guarantees

A financial guarantee is a contract in which the guarantor is obliged to make a specified payment that compensates the beneficiary of the guarantee for a loss incurred because a specified debtor fails to meet contractual payment obligations in relation to a debt instrument. The obligation arising in connection with a financial guarantee is recognised on the date the contract is signed. Helaba recognises financial guarantees in which it is the guarantor at fair value, which is zero if the expected payments (present value of the obligation) are the same as the consideration in the form of premium instalments paid in arrears and on an arm's-length basis (present value of premiums). When a financial guarantee is subsequently remeasured, a provision is recognised for anticipated losses that may arise from a claim under the guarantee.

In addition, financial guarantees for which the fair value option was exercised on initial recognition are measured at fair value both on initial measurement and in any subsequent remeasurement. Gains or losses from remeasurement are recognised under gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied.

(11) Repurchase Agreements and Securities Lending

The Helaba Group enters into repurchase agreements (repurchase agreements in which the buyer is under an obligation to sell back the transferred assets) both as a seller/borrower (repos) and as a buyer/lender (reverse repos).

Repos are contracts in which a seller transfers securities that it owns to a buyer in return for the payment of a specified amount. At the same time, it is agreed that the buyer will transfer the securities it has received (or securities of the same type) back to the seller on a specified future date in return for a payment agreed in advance.

Given the buyer's absolute obligation to return the securities at a future point, the seller does not derecognise the securities and they continue to be measured in the consolidated financial statements in accordance with their measurement category as specified in IAS 39 and be reported under trading assets or within the portfolio of financial investments. Correspondingly, securities bought by the Helaba Group under reverse repos are not reported in the consolidated financial statements because there has been no addition to assets from an economic perspective.

If Helaba enters into repos for trading purposes, the cash inflows are measured at fair value and recognised as a liability under trading liabilities. The difference between the payment received and the repayment obligation is recognised as a component of remeasurement gains and losses under net trading income. Open market operations in which the focus is on liquidity management are recognised as liabilities due to banks. The agreed interest payments are reported under net interest income.

In the opposite scenario, cash outflows under reverse repos are reported as loans and advances within the trading assets and measured accordingly (provided that the reverse repos are entered into with the intention of trading). As in the case of repos, remeasurement gains and losses are reported in net trading income in line with the purpose of such transactions.

A distinction must be made between repurchase agreements and securities lending. In the case of the latter, the Helaba Group acts as a lender and also as the borrower of securities.

In securities lending transactions, securities are loaned for a limited period; the borrower undertakes to transfer securities of the same type, quality and quantity back to the lender at the end of the period. The transaction therefore involves a non-cash loan as defined by section 607 of the Bürgerliches Gesetzbuch (German Civil Code, BGB). Any securities transferred to the borrower under a securities lending agreement continue to be recognised in the lender's portfolio of securities (trading assets, financial investments) and measured in accordance with the assigned measurement category. The borrower does not therefore measure or recognise the securities it has borrowed.

Any cash collateral furnished to the other party in connection with securities lending is recognised under loans and advances; any cash collateral received is reported under liabilities. Securities collateral furnished by the Helaba Group continues to be recognised in accordance with the accounting method originally selected.

All income and expenses arising in connection with securities lending, provided that such transactions are for trading purposes, are reported under net trading income. Otherwise, the amounts concerned are reported in net interest income.

Liabilities arising from short-selling of borrowed securities are recognised at fair value under trading liabilities.

(12) Accounting Treatment of Leases

A lease is classified as an operating lease if substantially all the risks and rewards incidental to ownership of the leased asset remain with the lessor. On the other hand, leases in which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee are classified as finance leases.

Leases in which the Helaba Group is the lessor
Where the Helaba Group enters into operating leases, the beneficial ownership in the asset used for leasing remains with the Group company concerned. The assets used for leasing are recognised in the statement of financial position under property and equipment or under investment property. The assets used for leasing are recognised in accordance with the principles described for the categories concerned. The lease income is recognised in profit or loss under other net operating income on a straight-line basis over the term of the lease unless an alternative distribution of the income is appropriate in individual cases. If a lease is classified as a finance lease, a receivable due from the lessee in an amount equivalent to the value of the net investment in the lease on the date of inception is recognised under loans and advances to customers or loans and advances to banks. The lease instalments received are split into an interest component recognised in profit or loss and a component covering repayment of principal. The interest component is reported in net interest income.

Leases in which the Helaba Group is the lessee
Lease instalments paid under operating leases are reported under general and administrative expenses. In 2016, there were no contractual arrangements classified as finance leases.

(13) Currency Translation

The provisions in IAS 21 are applied in translating transactions denominated in foreign currency in the financial statements of the companies included in the consolidated financial statements and in translating the financial statements of foreign operations with a functional currency that is different from the reporting currency.

All monetary items denominated in foreign currency and equity instruments (shares, equity investments) measured at fair value in foreign currency are translated at the closing rate (the spot rate on the reporting date). Non-monetary items measured at amortised cost (such as property and equipment) are translated using the exchange rate applicable on initial recognition. Currency translation differences, with the exception of differences resulting from equity instruments measured at fair value through other comprehensive income, are recognised in profit or loss.

In order to translate financial statements prepared in foreign currency for operations included in the consolidated financial statements (subsidiaries, branch offices), the temporal method is used initially to translate from the foreign currency into the functional currency where these currencies are different. Figures are then translated into the reporting currency (euros) using the modified closing-rate method. In this method, all monetary and non-monetary assets and liabilities are translated into the reporting currency using the ECB reference rate on the reporting date. Income and expenses for the reporting period are translated using the average rate for the period. All resulting currency translation differences are recognised in a separate equity item (currency translation reserve) until the foreign operation is derecognised or discontinued.

(14) Provisions for Losses on Loans and Advances

Specific loan loss allowances, specific loan loss allowances evaluated on a group basis and portfolio loan loss allowances are recognised to account for the risks arising in connection with the lending business recognised in the statement of financial position.

At every reporting date, the Helaba Group carries out an impairment test on financial instruments in the loans and receivables category recognised under loans and advances. In this process, all significant loans and advances are individually assessed. If there is objective evidence of impairment, the impairment loss requirement is calculated.

The following are examples of the main indicators that may point to the existence of impairment:

- payment in arrears by more than 90 days,
- account overdrawn without authorisation for more than 90 days,
- rating-related restructuring,
- legal enforcement action,
- criteria satisfied for submitting an application for, or initiating, insolvency proceedings,
- action to defer payments.

The recognition of a loan loss allowance is necessary if it is probable that not all the contractually agreed interest payments and repayments of principal will be made. The amount of a specific loan loss allowance is the difference between the carrying amount and the recoverable amount for the loan or advance. The recoverable amount equates to the present value of expected cash flows, including the recovery of collateral if applicable. The original effective interest rate for the loan or advance is used to discount the estimated cash flows; if loans or advances are subject to floating interest rates, the current interest rate is used.

If there are no changes to the expected payments, the present value increases as a result of unwinding the discount over the course of time. The amount resulting from unwinding the discount forms a part of interest income. If a specific loan loss allowance is increased or reversed, the addition or reversal is recognised under provisions for losses on loans and advances in profit or loss. These provisions reflect differences between the amount of actual and expected cash flows, changes in expectations regarding future cash flows and changes in variable interest rates since the previous reporting date. The effects of changes in exchange rates are also recognised in profit or loss.

Small loans and advances with indications of impairment are aggregated into narrowly defined portfolios with similar risk structures and measured using a uniform method. Data relating to the measurement of the credit risk, particularly the amounts at risk of default, collateral and historical default probabilities, is fed into the calculation of the specific loan loss allowances evaluated on a group basis. Country risk is implicitly factored into this calculation. This methodology is also used for determining portfolio loan loss allowances, which are recognised for loans and advances where there is no objective evidence of impairment or where no requirement for an impairment loss was identified in the individual assessments of the loans and advances concerned. The purpose of the portfolio loan loss allowance is to cover impairment that might already exist but has not yet been identified. In this case, anticipated losses are multiplied by factors that reflect the time between the occurrence and identification of impairment.

The provisions for losses on loans and advances reported in the statement of financial position are clearly shown as a deduction from the loans and advances to banks and loans and advances to customers. The provisions for losses on off-balance sheet transactions (contingent liabilities and irrevocable loan commitments) are recognised as a separate provision for risks arising in connection with the lending business. The procedure for calculating the amount of this provision largely reflects the procedure used for determining allowances for the loans and advances recognised in the statement of financial position. However, the probability that a loan or advance will be drawn down is also taken into account in this case.

If loans or advances for which no specific loan loss allowances have been recognised become uncollectible, they are written off immediately. Any amounts subsequently recovered on loans or advances previously written off are recognised in profit or loss. Any such direct write-offs or amounts subsequently recovered on loans and advances previously written off are recognised under provisions for losses on loans and advances in the income statement.

(15) Investment Property

Investment property is defined as property held to generate rental income in the long term or for capital appreciation, or both.

With regard to the classification of mixed-use property, in other words property in which some areas are rented out and other areas are used by Helaba itself, a check is first performed to determine whether the individual components can be sold or rented out separately and whether there is an active market for these components. If it is not possible for the property to be split, the property is only classified as investment property if the owner-occupancy area is insignificant in relation to the overall size of the property. Property in which Helaba Group companies themselves occupy a significant area is recognised in accordance with IAS 16 and reported under property and equipment.

Investment property is measured at amortised cost. Subsequent additional costs are only capitalised if they give rise to a further economic benefit. In contrast, maintenance costs are expensed as incurred. Borrowing costs are capitalised as part of the acquisition costs in accordance with the provisions in IAS 23. Buildings are depreciated on a straight-line basis over their estimated useful life. The component approach is used if material parts of the property differ significantly in terms of useful life.

The bands used for useful lives are as follows, depending on the type of property usage in each case:

- Residential and commercial property 40 – 80 years
- Office buildings, other office and business premises 40 – 60 years
- Special property 20 – 60 years

Any additional reductions in value are recognised through impairment losses. An impairment loss is reversed if the reason for the original impairment loss no longer exists.

Rental income, gains and losses on disposals, depreciation and other expenses directly attributable to investment property are reported in other net operating income.

The fair values for property disclosed in Note (44) have been determined using internationally recognised valuation techniques. The vast majority of the residential buildings, commercial properties, parking facilities and undeveloped land areas in the Group's portfolio are valued by independent experts on the basis of market values, mainly by using the discounted cash flow method. In this method, the fair value is calculated by determining the present value of the rental income achievable over the long term, taking into account management costs and forecast property vacancy rates.

For the purposes of the calculation, the properties are structured according to a location and property appraisal and subdivided into clusters. This is based on the following parameters: market (macro location), site (micro location), property and cash flow quality. Properties are thus grouped, each of the properties within a particular group sharing similar characteristics. The groups differ in terms of position, quality of management unit and therefore also in terms of their respective risk.

The following details were determined and applied on the basis of the resulting clusters:

- annual rates of increase for rent;
- non-allocatable operating costs;
- effective vacancy rates;
- discount rates.

The following details were determined and applied on the basis of the properties:

- market rent as at the valuation date;
- maintenance, management and other expenses;
- trends in the rent per square metre of rentable area based on an extrapolation of market rents and current rents;
- trends in vacant property levels based on cluster-specific assumptions regarding target vacancy level;
- trends in expenses for maintenance, management, non-allocatable operating costs, other costs and any ground rent.

The cash flow is determined in two stages. The first stage comprises a detailed forecast period of ten years in which the cash inflows from the current target rent based on full occupancy are reduced by the effect of the current vacancy level in the first year and then the assumed structural vacancy levels in years two to ten. The resulting amount reduced by management costs, non-allocatable operating costs, maintenance and repair costs and ground rent produces the available cash flow (before taxes and debt servicing) which can then be discounted. In the eleventh year, the methodology assumes a hypothetical disposal of the property and the sale price is used as a residual value in the calculation. The total of the present values from the cash flows in the detailed forecast period and from the hypothetical resale of the property represent the fair value of the property concerned.

The discount rate comprises a risk-free interest rate together with mark-ups and discounts for existing property, location and market risks.

(16) Property and Equipment

Property and equipment comprises assets used by the Helaba Group itself, including the following: land and buildings, operating and office equipment, properties under construction (provided that they are not being constructed or developed for future use as investment property) and assets leased out to third parties under operating leases.

Property and equipment is measured at amortised cost. This cost comprises the purchase price and all directly assignable costs incurred in order to bring the asset to working condition. Subsequent additional costs are only capitalised if they give rise to a further economic benefit. In contrast, maintenance costs for property and equipment are expensed as incurred.

Where applicable, property and equipment is depreciated on a straight-line basis over its normal useful life with due regard to legal and contractual restrictions. This does not apply to low-value assets, which are written off in full in the year of acquisition.

The range of anticipated useful lives is as follows:

- Buildings 25 – 80 years
- Operating and office equipment 1 – 30 years
- Assets used for leasing 3 – 25 years

Impairment losses are recognised if there are indications of impairment and the carrying amount of an item of property or equipment is greater than the higher of value in use and fair value less costs to sell. If the reasons for an impairment loss no longer exist in subsequent years, the impairment loss is reversed up to a maximum of the carrying amount that would have been recognised including depreciation if the impairment loss had not been recognised.

The depreciation expense and impairment losses on property and equipment are included in general and administrative expenses. Gains and losses on the disposal of assets are reported in other net operating income.

(17) Intangible Assets

The main items reported under intangible assets are goodwill arising from acquisition accounting, software and intangible assets acquired as part of a business combination.

Goodwill is subject to an impairment test at least once a year and additionally if there are any indications of impairment. The impairment test is carried out for every cash-generating unit to which goodwill has been allocated. Goodwill is allocated to the identifiable groups of assets that generate cash inflows largely independently of the cash flows from other assets or groups of assets and that are intended to derive benefit from the synergies generated by the business combination. Various factors (including the nature of the control over the business activity exercised by the management) are involved in determining whether an asset or a group of assets generates cash inflows that are largely independent of those generated by other assets or groups of assets. In the impairment test, the recoverable amount is compared against the net carrying amount of the cash-generating unit including the carrying amounts of the allocated goodwill. The recoverable amount is the higher of value in use and fair value less costs to sell. If there are no recent comparable transactions or observable market prices available, the value is generally determined using a discounted earnings model which calculates the present value of anticipated future income surpluses. Income forecasts are taken from budgets and individual assumptions regarding growth trends in revenue and costs. To cover the period beyond the period covered by corporate planning, the planning figures are used to determine a sustainable rate of net income that can then be used in an annuity model. The present value is calculated using current local long-term discount rates including a risk supplement comprising a market risk premium and a beta factor. If the goodwill is derived from an asset-related special purpose entity, the present value can also be calculated in relation to the specific asset. An asset is impaired if the carrying amount of the cash-generating unit exceeds the recoverable amount. In this case, an impairment loss in the amount of the difference is recognised. This impairment loss is reported in other net operating income.

Software is measured at amortised cost. Such assets are amortised in most cases over a period of three years. Acquired orders on hand are amortised according to contractual maturity. Amortisation expenses and impairment losses related to software and other intangible assets are included in general and administrative expenses. Gains and losses on disposals are reported under other net operating income.

(18) Non-Current Assets and Disposal Groups Classified as Held for Sale

Non-current assets held for sale, subsidiaries already acquired with a view to onward disposal, disposal groups as defined by IFRS 5 and the liabilities associated with these assets are reported in a separate item on the face of the statement of financial position. In the case of subsidiaries already acquired with a view to onward disposal, the income and expenses associated with this item (including changes in deferred taxes) are recognised in profit or loss under net profit after tax from discontinued operations.

If non-current assets and disposal groups are to be recognised in this way in accordance with IFRS 5, it must be highly probable that the assets and disposal groups concerned will actually be sold within twelve months.

Until the relevant criteria are satisfied, the assets are measured in accordance with the general recognition and measurement provisions. As soon as the criteria under IFRS 5 are satisfied, the assets are measured from then on at the lower of the carrying amount and fair value less costs to sell.

(19) Other Assets and Other Liabilities

Other assets include property held for sale as part of ordinary business activities. These assets comprise properties, both completed and under construction, that Helaba is itself developing and marketing. The properties are measured at the lower of cost and fair value less cost to sell, i.e. the estimated recoverable sales proceeds less anticipated remaining costs for completion and sale. Borrowing costs are capitalised provided that the relevant criteria are satisfied. Income and expenses in connection with property held for sale are reported under other net operating income.

Other assets and other liabilities are used for reporting any other assets or liabilities that, viewed in isolation, are of minor significance and that cannot be allocated to any other item in the statement of financial position.

(20) Provisions for Pensions and Similar Obligations

Company pension arrangements in the Helaba Group comprise various types of benefit plans. There are both defined contribution plans and defined benefit plans.

In the case of defined contribution plans, fixed contributions are paid to external pension providers. No provisions are generally recognised in connection with these defined contribution plans because the Group is not subject to any further payment obligations. The ongoing contributions for defined contribution plans are recognised in general and administrative expenses.

As regards defined benefit plans, Helaba operates a number of schemes involving total benefit commitments, final salary schemes and pension module schemes. Some of the pension obligations are covered by assets that represent plan assets as defined by IAS 19. These plan assets are offset against the pension obligations. If this gives rise to an asset surplus, the carrying amount of the net asset value is limited to the present value of the associated economic benefits available to the Group during the term of the pension plan or following settlement of the obligations (asset ceiling). Economic benefits may be available, for example, in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit obligations are determined annually by external actuaries. The obligations are measured using the projected unit credit method based on biometric assumptions, salary and pension increases expected in the future, and a current market discount rate. This discount rate is based on the coupon for investment-grade corporate bonds in the same currency with a maturity matched to the weighted average maturity for the payment obligations. In Germany, a reference discount rate is applied that takes into account a large number of AA-rated bonds and has been adjusted for statistical outliers. Helaba determines this discount rate largely on the basis of Mercer’s discount rate recommendation. The actual discount rate used is in a range covered by 0.5 percentage points, within which three expected scenarios are calculated. Based on Mercer’s rate recommendation, Helaba uses the discount rate from the scenario deemed to be the best estimate taking into account the duration and discount rate recommendations from other actuaries. This procedure is intended to avoid positive or negative outliers.

In accordance with IAS 19, the defined benefit expense to be recognised in profit or loss is largely determined right at the start of a financial year. The pension expense to be recognised in the income statement includes mainly the net interest component and the current service cost.

The net interest component comprises both the expense arising from unwinding the discount on the present value of the pension obligation and the imputed interest income on the plan assets. The net interest is determined by multiplying the net defined benefit liability (present value of the defined benefit obligation less plan assets) at the start of the period by the applicable discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. If a surplus of plan assets arises, the net interest component also includes the net interest on the effect of the asset ceiling. The net interest expense is included as part of the net interest income figure reported in the income statement.

The current service cost represents the increase in pension obligations attributable to the service provided by employees in the financial year; it is reported under general and administrative expenses.

If the present value of a defined benefit obligation changes as a result of the amendment or curtailment of a plan, the resulting effects are recognised in profit or loss under general and administrative expenses as a past service cost. The amount concerned is recognised on the date the amendment or curtailment occurs. Any gain or loss arising from the settlement of defined benefit obligations is treated in the same way.

Any variances between the actuarial assumptions at the start of the period and actual trends during the financial year, together with any updates made to the measurement parameters at the end of the financial year, result in remeasurement effects, which are then reported in other comprehensive income.

If the Helaba Group is involved in joint defined benefit plans with a number of other employers and these defined benefit plans cannot be recognised as such because there is insufficient reliable information available, the plans are reported as defined contribution plans accompanied by supplementary information.

(21) Other Provisions

Other provisions are recognised in accordance with IAS 37 if the Helaba Group has incurred a present obligation (legal or constructive) as a result of a past event, it is probable that settlement will result in an outflow of resources and the amount can be reliably estimated. The timing or amount of the obligation is uncertain. The amount recognised as a provision is the best possible estimate as at the reporting date of the expense that will be necessary to settle the obligation. Non-current provisions are recognised at present value if the effect of discounting is material. Provisions are discounted using a standard market discount rate commensurate with the risk involved.

Other provisions also include personnel-related provisions, which are measured in accordance with IAS 19.

(22) Taxes on Income

Taxes on income are recognised and measured in accordance with the provisions in IAS 12. Current income tax assets and liabilities are calculated using the latest tax rates that will be applicable when the tax concerned arises.

Deferred tax assets and liabilities are generally recognised for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position in accordance with IFRS and those in the corresponding tax base. They are measured using the tax rates that have been enacted as at the reporting date and that will be relevant for the date on which the deferred taxes are realised. Deferred tax liabilities are recognised for temporary differences that will result in a tax expense when the differences reverse. If a tax refund is anticipated on reversal of temporary differences and it is probable that this refund can be utilised, then deferred tax assets are recognised. Deferred tax assets are only recognised for tax loss carryforwards if it is sufficiently probable that they will be able to be utilised in the future. Deferred tax assets and liabilities are netted provided that they relate to the same type of tax, tax authority and maturity. They are not discounted. Deferred taxes on temporary differences in other comprehensive income are also recognised in other comprehensive income and in the revaluation reserve. Current and deferred tax assets and liabilities are reported separately in the disclosures within the notes relating to the income tax asset and liability items.

(23) Subordinated Capital

Issues of profit-sharing certificates, securitised and unsecuritised subordinated liabilities, together with silent participations, which must be classified as debt in accordance with the criteria specified in IAS 32, are all reported as subordinated capital.

The financial instruments reported under subordinated capital are generally allocated to the other financial liabilities (OL) category and measured at amortised cost. A micro fair value hedge or the fair value option is used for some of the subordinated capital in order to avoid accounting mismatches.

Income Statement Disclosures

(24) Net Interest Income

in € m

	2016	2015
Interest income from		
Lending and money market transactions	2,531	2,763
Fixed-income securities	246	270
Hedging derivatives under hedge accounting	239	249
Derivatives not held for trading	879	1,003
Financial instruments to which the fair value option is applied	66	66
Financial liabilities (negative interest)	22	4
Current income from		
Equity shares and other variable-income securities	24	22
Shares in affiliates	1	2
Equity investments	14	6
Interest income	**4,022**	**4,385**
Interest expense on		
Liabilities due to banks and customers	−1,024	−1,178
Securitised liabilities	−332	−358
Subordinated capital	−146	−156
Hedging derivatives under hedge accounting	−223	−257
Derivatives not held for trading	−795	−841
Financial instruments to which the fair value option is applied	−208	−237
Financial assets (negative interest)	−20	−5
Provisions	−43	−41
Interest expense	**−2,791**	**−3,073**
Total	**1,231**	**1,312**

The interest income from lending and money market transactions included the effect of unwinding the discount on impaired loans and advances, given otherwise unchanged payment expectations, in the amount of € 18 m (2015: € 31 m).

Current income from equity shares and other variable-income securities included dividends and distributions from financial instruments to which the fair value option is applied amounting to € 4 m (2015: € 7 m).

Current income from shares in affiliates encompasses dividends as well as income from profit and loss transfer agreements.

Interest expense on provisions included net interest expense arising from pension obligations amounting to € 41 m (2015: € 38 m).

(25) Provisions for Losses on Loans and Advances

in € m

	2016	2015
Additions	**–354**	**–372**
Allowances for losses on loans and advances	–325	–356
Provisions for lending business risks	–29	–16
Reversals	**195**	**132**
Allowances for losses on loans and advances	169	107
Provisions for lending business risks	26	25
Loans and advances directly written off	**–6**	**–36**
Recoveries on loans and advances previously written off	**11**	**39**
Total	**–154**	**–237**

(26) Net Fee and Commission Income

in € m

	2016	2015
Lending and guarantee business	37	35
Payment transactions and foreign trade business	104	101
Asset management and fund design	86	83
Securities and securities deposit business	47	49
Placement and underwriting obligations	23	22
Management of public-sector subsidy and development programmes	37	40
Home savings business	–12	–13
Trustee business	3	3
Other	15	13
Total	**340**	**333**

Fees and commissions on trading activities are reported under net trading income.

(27) Net Trading Income

in € m

	2016	2015
Share-price-related business	**3**	**1**
Equities	24	19
Equity derivatives	–16	–8
Issued equity/index certificates	–5	–10
Interest-rate-related business	**149**	**232**
Primary interest-rate-related business	164	116
Interest-rate derivatives	–15	116
Currency-related business	**5**	**–22**
Foreign exchange	96	–53
FX derivatives	–91	31
Net income or expense from credit derivatives	**1**	**–**
Commodity-related business	**6**	**6**
Net fee and commission income or expense	**–18**	**–27**
Total	**146**	**190**

Net trading income includes disposal and remeasurement gains or losses on derivative and non-derivative financial instruments held for trading, current interest and dividends resulting from trading assets as well as fees and commissions in connection with trading activities.

The net income from primary interest-rate-related business consists mainly of the contributions to income of fixed-income securities, promissory note loans, money trading transactions as well as issued money market instruments.

(28) Gains or Losses on Non-Trading Derivatives and Financial Instruments to which the Fair Value Option is Applied

in € m

	2016	2015
Gains or losses on non-trading derivatives	–35	–104
Gains or losses on financial instruments to which the fair value option is applied	86	126
Total	**51**	**22**

This item includes the net gain or loss from economic hedges (hedged items and derivatives). It also includes the realised and unrealised gains or losses on other financial instruments designated voluntarily at fair value. Interest and dividend income from financial instruments to which the fair value option is applied is recognised in net interest income. Of the net loss from non-trading derivatives, credit derivatives accounted for a gain of € 3 m (2015: gain of € 3 m). Within the gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied, the amount attributable to such instruments held by consolidated special and retail funds was a net gain of € 23 m (2015: net loss of € 31 m).

(29) Net Income from Hedge Accounting

The net income from hedge accounting comprises the remeasurement gains or losses on the hedged items and hedging instruments under hedge accounting.

in € m

	2016	2015
Remeasurement gains (losses) on hedging instruments	15	–10
Remeasurement gains (losses) on hedged items	–20	13
Total	**–5**	**3**

(30) Net Income from Financial Investments

The net income or expense from financial investments includes the net disposal and remeasurement gains or losses on available-for-sale financial investments.

in € m

	2016	2015
Net disposal gains (losses) on available-for-sale financial investments	**19**	**63**
Shares in affiliated companies	1	11
Equity investments	12	15
Bonds and other fixed-income securities	6	36
Equity shares and other variable-income securities	–	1
Remeasurement gains (losses) on available-for-sale financial investments	**26**	**–56**
Impairment losses	–2	–56
Reversals of impairment losses	28	–
Total	**45**	**7**

(31) Share of Profit or Loss of Equity-Accounted Entities

The share of profit or loss of equity-accounted entities comprises the earnings contributions of equity-accounted joint ventures and associates, which are recognised in the income statement.

in € m

	2016	2015
Share of profit or loss of equity-accounted joint ventures	5	2
Share of profit or loss of equity-accounted associates	3	–20
Gains on the disposal of equity-accounted associates	–	1
Total	**8**	**–17**

(32) Other Net Operating Income

in € m

	2016	2015
Other operating income	**447**	**462**
Rental and lease income (operating leases)	326	325
Income from the disposal of non-financial assets	31	41
Income from the reversal of provisions	14	12
Income from non-banking services	31	32
Reversal of impairment losses on non-financial assets	3	1
Income from the deconsolidation of subsidiaries	–	15
Miscellaneous other operating income	42	36
Other operating expenses	**–328**	**–289**
Operating costs of property not used for owner occupancy	–155	–149
Expenses from the disposal of non-financial assets	–	–1
Depreciation, amortisation and impairment losses on non-financial assets	–37	–56
Impairment losses on goodwill	–31	–
Expenses from the deconsolidation of subsidiaries	–5	–
Restructuring expenses	–2	–5
Profit transfer expenses	–1	–2
Miscellaneous other operating expenses	–97	–76
Total	**119**	**173**

The main components of other net operating income are income and expenses attributable to investment property as well as leasing income.

The impairment losses on goodwill relate to the goodwill associated with Frankfurter Sparkasse, which is assigned to the Other segment.

In the above figures shown for other operating income and expenses, the following amounts were attributable to investment property:

in € m

	2016	2015
Income from investment property	**326**	**315**
Rental income	307	297
Income from disposals	19	18
Expenses from investment property	**–185**	**–182**
Operating expenses from investment property	–150	–147
thereof: From property leased to third parties	–150	–147
Depreciation and impairment losses	–34	–35
Miscellaneous expenses	–1	–
Total	**141**	**133**

Impairment losses recognised in respect of property held for sale amounted to € 3 m (2015: € 21 m).

(33) General and Administrative Expenses

in € m

	2016	2015
Personnel expenses	**–625**	**–624**
Wages and salaries	–509	–502
Social security	–72	–71
Expenses for pensions and other benefits	–44	–51
Other administrative expenses	**–569**	**–526**
Buildings and premises	–59	–58
IT costs	–175	–164
Mandatory contributions, audit and consultancy fees	–203	–180
Cost of advertising, public relations and representation	–38	–36
Business operating costs	–94	–88
Depreciation, amortisation and impairment losses	**–38**	**–40**
Depreciation of and impairment losses on property and equipment	–23	–23
Amortisation of and impairment losses on software and other intangible assets	–15	–17
Total	**–1,232**	**–1,190**

The mandatory contributions included the portion of contributions to the European Single Resolution Fund subject to recognition in profit or loss amounting to € 37 m (2015: € 27 m).

(34) Taxes on Income

in € m

	2016	2015
Current taxes	–135	–309
Deferred taxes	–74	132
Total	**–209**	**–177**

The current tax expense incurred in the year under review was primarily attributable to the Bank in Germany (€ 52 m; 2015: € 221 m), Frankfurter Sparkasse (€ 31 m; 2015: € 32 m) and the New York branch (€ 24 m; 2015: € 37 m). It included income relating to prior years amounting to € 2 m (2015: expense of € 103 m).

As in the previous year, the utilisation of tax loss carryforwards only had an insignificant effect on the current tax expense in the year under review.

The deferred tax expense recognised in the year under review related mainly to the occurrence and reversal of temporary differences amounting to € 74 m (2015: deferred tax income of € 138 m). This included deferred tax income relating to prior years of € 5 m (2015: deferred tax income of € 106 m). There was no material tax expense arising from changes in tax rates in the reporting year. The net outcome from new tax loss carryforwards and the utilisation of such carryforwards was only an immaterial effect on the deferred tax expense in 2016 (2015: € 6 m).

The reconciliation statement is based on the applicable tax rate for the parent company. This is a rate of 32 %, the rounded income tax rate applicable to Helaba Bank in Germany.

in € m

	2016	2015
Profit before taxes	**549**	**596**
Applicable income tax rate in %	32	32
Expected income tax expense in the financial year	**–176**	**–191**
Effect of variance in tax rates	2	–
Effect of prior-period taxes recognised in the financial year	7	3
Non-taxable income	3	23
Non-deductible operating expenses	–37	–11
Trade tax add-backs and deductions	7	3
Goodwill impairment losses	–10	–
Impairment losses and adjustments	1	–5
Other effects	–6	1
Income tax expense	**–209**	**–177**

In addition to income taxes recognised in the income statement, other deferred taxes are recognised in relation to components of other comprehensive income. The following table shows a breakdown of the gains and losses recognised in other comprehensive income and the related deferred taxes.

in € m

	Before tax		Taxes		After tax	
	2016	2015	2016	2015	2016	2015
Items that will not be reclassified to the income statement:						
Remeasurement of net defined benefit liability	–168	77	48	–23	–120	54
Items that will be subsequently reclassified to the income statement:						
Gains or losses on available-for-sale financial assets	63	–62	–14	19	49	–43
Changes due to currency translation	7	9	–	–	7	9
Total	**–98**	**24**	**34**	**–4**	**–64**	**20**

(35) Segment Reporting

in € m

	Real Estate		Corporate Finance		Financial Markets		S-Group Business, Private Customers and SME Business	
	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	378	407	341	354	72	56	353	399
Provisions for losses on loans and advances	–3	–66	–226	–93	–1	–	10	11
Net interest income after provisions for losses on loans and advances	**375**	**341**	**115**	**261**	**71**	**56**	**363**	**410**
Net fee and commission income	23	22	17	18	75	76	154	146
Net trading income	–	–	–	–	127	178	30	24
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	5	11	–	–	40	42	15	–3
Net income from hedge accounting	–	–	–	–	–5	3	–	–
Net income from financial investments	1	11	–1	–17	33	–9	5	8
Share of profit or loss of equity-accounted entities	14	5	–	–21	–	–	–	1
Other net operating income	215	217	–44	–4	5	5	9	16
Total income	**633**	**607**	**87**	**237**	**346**	**351**	**576**	**602**
General and administrative expenses	–226	–227	–129	–122	–220	–224	–475	–462
Profit before taxes	**407**	**380**	**–42**	**115**	**126**	**127**	**101**	**140**
Assets (€ bn)	34.5	34.1	28.3	26.1	51.6	60.7	35.6	37.1
Liabilities (€ bn)	3.5	3.3	4.6	2.9	68.4	68.0	57.1	61.1
Risk-weighted assets (€ bn)	16.1	16.7	13.9	14.0	10.0	10.7	5.8	5.9
Allocated capital (€ m)[1]	2,740	2,642	1,715	1,634	1,200	1,172	1,166	1,133
Return on allocated capital (%)[1]	14.9	14.4	–2.4	7.0	10.6	10.8	8.6	12.4
Cost-income ratio	35.5	33.7	41.1	37.1	63.2	63.8	84.1	78.1

[1] Prior-year figures restated: prior-year figures have been updated as a result of a change in the allocation of equity.

in € m

	Public Development and Infrastructure Business		Other		Consolidation/ reconciliation		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	46	51	–45	–36	86	81	1,231	1,312
Provisions for losses on loans and advances	–	–	64	–92	2	3	–154	–237
Net interest income after provisions for losses on loans and advances	**46**	**51**	**19**	**–128**	**88**	**84**	**1,077**	**1,075**
Net fee and commission income	39	42	33	29	–1	–	340	333
Net trading income	–	–	–	–	–11	–12	146	190
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–	–	–9	–28	–	–	51	22
Net income from hedge accounting	–	–	–	–	–	–	–5	3
Net income from financial investments	–	–	7	14	–	–	45	7
Share of profit or loss of equity-accounted entities	–	–	–6	–2	–	–	8	–17
Other net operating income	–	–1	–25	8	–41	–68	119	173
Total income	**85**	**92**	**19**	**–107**	**35**	**4**	**1,781**	**1,786**
General and administrative expenses	–63	–65	–168	–146	49	56	–1,232	–1,190
Profit before taxes	**22**	**27**	**–149**	**–253**	**84**	**60**	**549**	**596**
Assets (€ bn)	16.6	16.1	5.3	6.4	–6.7	–8.2	165.2	172.3
Liabilities (€ bn)	16.9	16.3	8.9	10.2	5.8	10.5	165.2	172.3
Risk-weighted assets (€ bn)	1.1	1.1	5.9	6.5	–	–	52.8	54.9
Allocated capital (€ m)[1]	128	120	694	696	–	–	7,643	7,397
Return on allocated capital (%)[1]	17.1	22.8	–21.6	–29.3	–	–	7.2	8.1
Cost-income ratio	74.2	70.4	–	–	–	–	63.7	58.8

[1] Prior-year figures restated: prior-year figures have been updated as a result of a change in the allocation of equity.

The segment report is broken down into the five operating segments explained below.

- The Real Estate Lending and Real Estate Management business lines are reported in the Real Estate segment. The services Helaba provides for real estate customers are thus pooled in one operating segment. The range of products covers traditional real estate financing in Germany and abroad, residential investments, planning and support for own and third-party real estate as well as public-private partnership projects right through to facility management. The OFB Group and the GWH Group are included in this operating segment.

- The Corporate Finance segment comprises the Corporate Finance business line. Financing solutions tailored specifically to meet the needs of corporate customers are pooled in this segment. These include structured finance, investment finance, asset-backed securities, lease finance as well as the structuring and distribution of fund concepts. Certain property companies of HANNOVER LEASING are fully consolidated as special purpose entities of Helaba in accordance with IFRS 10 and are reported together with the other contributions to earnings from the HANNOVER LEASING Group in the Corporate Finance segment.

- The Financial Markets segment brings together the earnings of the Capital Markets, Asset/Liability Management, Sales Public Authorities, Financial Institutions and Public Finance business lines and those of various special purpose entities and of the equity investment in Helaba Invest Kapitalanlagegesellschaft mbH. The segment primarily pools the treasury, trading and sales activities of Helaba. The Financial Markets product portfolio contains traditional capital market products, financial instruments for managing interest rate risk, currency risk, credit risk and liquidity as well as financing solutions tailored to meet the needs of businesses and the public sector. The asset management products at Helaba Invest Kapitalanlagegesellschaft mbH also include traditional asset management and administration, the management of special and retail funds for institutional investors and support for master investment trust clients.

- The S-Group Business, Private Customers and SME Business segment encompasses the retail banking and private banking businesses, the S-Group Bank and Landesbausparkasse Hessen-Thüringen. Frankfurter Sparkasse reflects the earnings from the conventional products of a retail bank. The Frankfurter Bankgesellschaft Group rounds off the range of private banking products available from Helaba. This segment deals primarily with providing support for the Sparkassen and their customers for whom products are developed and provided.

- The Public Development and Infrastructure Business segment mainly comprises the Wirtschafts- und Infrastrukturbank Hessen (WIBank) business line. This segment thus pools the earnings from Helaba's development activities in the fields of infrastructure and economic development, housing and urban development, agriculture and European Structural Funds.

In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

For internal management purposes, net interest income in the lending business is calculated using the market interest rate method from the difference between the customer interest rate and the market interest rate for an alternative transaction with a matching structure. Gains or losses on maturity transformation are reported as net interest income in Asset/Liability Management.

The net trading income, gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied, net income from hedge accounting and financial investments and share of profit or loss of equity-accounted entities are determined in the same way as the figures for external financial reporting under IFRSs.

The directly attributable costs plus corporate centre costs, which are allocated internally on the basis of arm's-length pricing agreements and volume drivers according to the user-pays principle, are reported under general and administrative expenses.

Assets included in the statement of financial position are reported under assets, and equity and liabilities under equity and liabilities of the respective units. Contribution margin accounting is used for allocating these items to the operating segments. The risk exposure item comprises the risk exposure of the banking and trading book, including the market risk exposure in accordance with the Capital Requirements Regulation (CRR). The average equity stated in the statement of financial position for the divisions is distributed based on risk exposures (allocated capital). The allocation of equity to the subsidiaries and equity investments was modified in the reporting year. The figures for the previous year have been restated accordingly.

The return ratios reflect the profit before taxes expressed as a percentage of the allocated capital. The cost-income ratio is the ratio of general and administrative expenses to profit before taxes net of general and administrative expenses and of provisions for losses on loans and advances.

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, this segment includes the net income from the transaction banking business as well as the costs of the central units that cannot be allocated to the individual segments in line with the user-pays principle. The profit generated by centrally investing own funds as well as through strategic planning decisions is also shown in this segment.

Effects arising from consolidation and intragroup adjustments between the segments are reported under consolidation/reconciliation. Effects that arise from the reconciliation between the segment figures and the consolidated income statement, in particular in relation to net interest income, are also reported under consolidation/reconciliation. Since the contribution margin statement shows net interest income on the basis of the market interest rate method, differences also result in the case of non-recurring income and net interest income attributable to other periods.

Income after provisions for losses on loans and advances is attributable to products and services as follows:

in € m

	Income after provisions for losses on loans and advances	
	2016	**2015**
Real estate loans	438	428
Real estate management	26	25
Real estate services	169	154
Corporate loans	87	237
Treasury products	111	75
Trading products	151	185
Loans to financial institutions	34	41
Fund management/asset management	91	92
Home savings business	32	55
Sparkassen S-Group business	109	127
Public development and infrastructure business	85	92
Retail	394	378
Other products/reconciliation	54	–103
Group	**1,781**	**1,786**

The breakdown by region is as follows:

in € m

	Income after provisions for losses on loans and advances	
	2016	**2015**
Germany	1,553	1,531
Europe (excluding Germany)	120	144
Rest of world (excluding Europe)	108	111
Group	**1,781**	**1,786**

Statement of Financial Position Disclosures

(36) Cash Reserve

in € m

	31.12.2016	31.12.2015
Cash on hand	105	77
Balances with central banks	2,991	1,832
Total	**3,096**	**1,909**

Of the total balances with central banks, € 1,931 m (31 December 2015: € 547 m) was accounted for by balances with Deutsche Bundesbank.

(37) Loans and Advances to Banks

in € m

	31.12.2016	31.12.2015
Affiliated Sparkassen	6,351	7,195
Central giro institutions	333	382
Banks	8,551	9,567
Total	**15,235**	**17,144**
thereof:		
Domestic banks	9,860	12,105
Foreign banks	5,375	5,039

in € m

	31.12.2016	31.12.2015
Loans and advances repayable on demand	6,120	6,318
Other loans and advances	9,115	10,826
Total	**15,235**	**17,144**
thereof:		
Demand deposits	254	409
Overnight and time deposits	3,025	4,687
Cash collateral provided	5,026	4,407
Forwarding loans	5,024	5,076
Registered bonds	696	887
Promissory note loans	578	776

(38) Loans and Advances to Customers

in € m

	31.12.2016	31.12.2015
Corporate customers	68,176	67,090
Retail customers	5,529	5,586
Public sector	19,373	20,518
Total	**93,078**	**93,194**
thereof:		
Domestic customers	58,926	59,537
Foreign customers	34,152	33,657

in € m

	31.12.2016	31.12.2015
Loans and advances repayable on demand	3,337	3,610
Other loans and advances	89,741	89,584
Total	**93,078**	**93,194**
thereof:		
Commercial real estate loans	33,002	31,907
Residential building loans	4,040	4,190
Forwarding loans	1,922	1,929
Infrastructure loans	15,006	15,258
Project finance loans	5,750	6,026
Consumer loans	105	99
Promissory note loans	3,504	3,570
Financial assets from credit substitute business	89	114
Current account overdrafts	1,434	1,111
Cash collateral provided	781	759
Overnight and time deposits	2,689	3,235
Receivables from finance leases	4	5

(39) Provisions for Losses on Loans and Advances

in € m

	31.12.2016	31.12.2015
Allowances on loans and advances to banks	**1**	**2**
Specific loan loss allowances	–	1
Portfolio loan loss allowances	1	1
Allowances on loans and advances to customers	**771**	**984**
Specific loan loss allowances	453	576
Specific loan loss allowances evaluated on a group basis	46	61
Portfolio loan loss allowances	272	347
Provisions for lending business risks	**43**	**44**
Total	**815**	**1,030**

The allowances for losses on loans and advances are reported separately on the assets side of the statement of financial position. The provisions for losses on loans and advances for business not reported in the statement of financial position are recognised as a provision and explained under that item. The allowances for losses on loans and advances changed as follows:

in € m

	Specific allowances		Specific allowances on a group basis		Portfolio allowances		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
As at 1.1.	**577**	**670**	**61**	**82**	**348**	**255**	**986**	**1,007**
Changes in basis of consolidation	−25	–	–	–	–	–	**−25**	**–**
Changes due to currency translation	5	5	–	–	–	–	**5**	**5**
Use	−327	−232	−8	−18	–	–	**−335**	**−250**
Reversals	−77	−80	−20	−27	−72	–	**−169**	**−107**
Reclassifications	7	6	−1	–	−3	–	**3**	**6**
Unwinding	−18	−31	–	–			**−18**	**−31**
Additions	311	239	14	24	–	93	**325**	**356**
As at 31.12.	**453**	**577**	**46**	**61**	**273**	**348**	**772**	**986**

The change to the basis of consolidation resulted from the inclusion of the ship holding companies MS „ESSEX STRAIT“ GmbH & Co. KG and MS „EAGLE STRAIT“ GmbH & Co. KG in the consolidation.

The allowances for losses on loans and advances to customers were broken down by customer group (Deutsche Bundesbank customer classification) as follows:

in € m

	31.12.2016	31.12.2015
Government	1	2
Agriculture, forestry and fishing	–	1
Mining and quarrying	1	9
Manufacturing	42	67
Electricity, gas, steam and air-conditioning supply	17	36
Water supply, sewerage, waste management and remediation activities	1	–
Construction	5	8
Wholesale and retail trade; repair of motor vehicles and motorcycles	9	15
Transportation and storage	370	337
Accommodation and food service activities	2	2
Information and communication	21	24
Real estate activities	105	138
Professional, scientific and technical activities	33	25
Administrative and support service activities	14	44
Human health and social work activities	3	8
Arts, entertainment and recreation	1	1
Other service activities	50	113
Other financial activities	56	104
Households	40	50
Total	**771**	**984**

(40) Trading Assets

in € m

	31.12.2016	31.12.2015
Bonds and other fixed-income securities	**6,723**	**12,428**
Money market instruments	–	2
Public-sector issuers	–	2
Bonds and notes	6,723	12,426
Public-sector issuers	1,421	4,753
Other issuers	5,302	7,673
Equity shares and other variable-income securities	**96**	**192**
Positive fair values of derivatives	**12,343**	**11,934**
Share-price derivatives	143	167
Interest-rate derivatives	10,574	10,417
Currency derivatives	1,590	1,311
Credit derivatives	32	31
Commodity derivatives	4	8
Loans held for trading	**1,336**	**1,524**
Total	**20,498**	**26,078**

The financial instruments under trading assets are measured at fair value and assigned exclusively to the category of financial assets at fair value through profit or loss (held-for-trading sub-category). Loans held for trading mainly comprise promissory note loans and, to a lesser extent, repos and money trading transactions.

Of the total bonds and other fixed-income securities and of the total equity shares and other variable-income securities, securities with a value of € 6,698 m were listed (31 December 2015: € 12,588 m).

(41) Positive Fair Values of Non-Trading Derivatives

in € m

	31.12.2016	31.12.2015
Hedging derivatives under hedge accounting	753	926
Other non-trading derivatives	3,271	3,450
Total	**4,024**	**4,376**

The hedging derivatives under hedge accounting are used within the framework of qualifying micro fair value hedges under IAS 39. Other non-trading derivatives comprise derivative financial instruments used as economic hedges as part of hedge management, although fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39.

(42) Financial Investments

Financial investments consist of bonds and other fixed-income securities as well as equity shares and other variable-income securities classified as available for sale or to which the fair value option has been applied. Shares in non-consolidated affiliates and equity investments are always measured at fair value. If such shares or equity investments are classified as available for sale, measurement gains or losses are recognised in other comprehensive income. Alternatively, if the fair value option is applied, the gains or losses are recognised through profit or loss. If fair value cannot be reliably determined, these assets are measured at cost net of any impairment losses.

The breakdown of financial investments was as follows:

in € m

	31.12.2016	31.12.2015
Bonds and other fixed-income securities	**25,386**	**26,065**
Public-sector issuers	8,686	9,543
Other issuers	16,700	16,522
Equity shares and other variable-income securities	**128**	**249**
Equities	1	92
Other variable-income securities	127	157
Shares in unconsolidated affiliates	**25**	**25**
Measured at fair value	18	18
Measured at cost	7	7
Equity investments	**100**	**82**
Measured at fair value	77	59
Measured at cost	23	23
Purchase of receivables from endowment insurance policies	**132**	**154**
Measured at fair value	132	154
Total	**25,771**	**26,575**

The other variable-income securities mainly comprise shares in collective investment undertakings and in investment limited partnerships and similar foreign structures.

Carrying amounts of listed financial investments were as follows:

in € m

	31.12.2016	31.12.2015
Bonds and other fixed-income securities	24,219	24,943
Equity shares and other variable-income securities	19	110
Total	**24,238**	**25,053**

Equity investments also include shares in joint ventures and associates not accounted for using the equity method because of immateriality.

The overview below shows the changes in investments in unconsolidated affiliates and equity investments:

in € m

	Shares in unconsolidated affiliates		Equity investments		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Cost						
As at 1.1.	**34**	**34**	**127**	**127**	**161**	**161**
Additions	1	10	1	7	2	17
Disposals	–	–10	–1	–7	–1	–17
As at 31.12.	**35**	**34**	**127**	**127**	**162**	**161**
Remeasurement gains/losses recognised in other comprehensive income						
As at 1.1.	**8**	**9**	**17**	**15**	**25**	**24**
Remeasurement gains/losses recognised in other comprehensive income (AfS)	–	–1	18	17	18	16
Disposals	–1	–	–	–15	–1	–15
As at 31.12.	**7**	**8**	**35**	**17**	**42**	**25**
Accumulated impairment losses and reversals of impairment losses						
As at 1.1.	**–17**	**–16**	**–62**	**–62**	**–79**	**–78**
Impairment losses	–	–1	–	–	–	–1
As at 31.12.	**–17**	**–17**	**–62**	**–62**	**–79**	**–79**
Carrying amounts as at 31.12.	**25**	**25**	**100**	**82**	**125**	**107**

(43) Shares in Equity-Accounted Entities

In the reporting period, a total of 25 (2015: 24) joint ventures and 3 (2015: 3) associates were accounted for using the equity method.

The breakdown of equity-accounted investments is shown below:

in € m

	31.12.2016	31.12.2015
Investments in joint ventures	21	30
Investments in associates	4	4
Total	**25**	**34**

There are no listed companies among the equity-accounted entities.

As at 31 December 2016, the shareholding of 44 % in the associate HANNOVER LEASING GmbH & Co. KG with a carrying amount of zero satisfied the IFRS 5 criteria for an asset held for sale. In 2016, Helaba entered into an agreement for the disposal of this investment, which is ready for acquisition by the buyer subject to the condition precedent of consent from the relevant authorities. The disposal is expected to be completed by mid-2017.

The share of losses of equity-accounted entities not recognised for the current period amounted to € 4 m (2015: € 7 m); the cumulative total of such unrecognised losses amounted to € 7 m as at 31 December 2016 (31 December 2015: € 17 m).

The table below contains summarised financial information about equity-accounted joint ventures and associates based on the separate or consolidated financial statements of these entities and based on the Helaba Group's equity-accounted interest in the assets, liabilities, profit or loss from continuing operations and comprehensive income.

in € m

	31.12.2016	31.12.2015
Investments in joint ventures – total		
Total assets	370	276
Total liabilities	315	201
Profit or loss from continuing operations	19	23
Comprehensive income	19	23
Investments in joint ventures – proportionate		
Total assets	201	152
Total liabilities	175	122
Profit or loss from continuing operations	8	12
Comprehensive income	8	12

in € m

	31.12.2016	31.12.2015
Investments in associates – total		
Total assets	707	876
Total liabilities	724	904
Profit or loss from continuing operations	2	–12
Other comprehensive income	8	8
Comprehensive income	10	–4
Investments in associates – proportionate		
Total assets	63	414
Total liabilities	60	433
Profit or loss from continuing operations	3	–8
Other comprehensive income	–	4
Comprehensive income	3	–4

(44) Investment Property

in € m

	31.12.2016	31.12.2015
Land and buildings leased to third parties	2,012	1,826
Undeveloped land	54	55
Vacant buildings	3	3
Property under construction	94	62
Total	**2,163**	**1,946**

Real estate held by the GWH Group accounted for € 2,059 m (31 December 2015: € 1,841 m) of the total investment property.

The table below shows the changes in investment property:

in € m

	2016	2015
Cost		
As at 1.1.	**2,308**	**2,241**
Additions	277	103
Transfers to the portfolio of owner-occupied land and buildings	–1	–
Disposals	–54	–36
As at 31.12.	**2,530**	**2,308**
Accumulated depreciation and impairment losses		
As at 1.1.	**–362**	**–332**
Depreciation	–34	–33
Impairment losses	–	–2
Disposals	29	5
As at 31.12.	**–367**	**–362**
Carrying amounts as at 31.12.	**2,163**	**1,946**

As in the previous year, the contractual obligations to purchase, construct or develop investment property in the GWH Group amounted to € 118 m.

The fair values of the properties as at the reporting date came to a total of € 3,253 m (31 December 2015: € 2,906 m) and were allocated to Level 3.

(45) Property and Equipment

in € m

	31.12.2016	31.12.2015
Owner-occupied land and buildings	362	368
Operating and office equipment	55	57
Assets used for leasing	17	–
Machinery and technical equipment	1	–
Total	**435**	**425**

The changes in property and equipment were as follows:

in € m

	Owner-occupied land and buildings		Operating and office equipment		Assets used for leasing	
	2016	2015	2016	2015	2016	2015
Cost						
As at 1.1.	**556**	**555**	**208**	**205**	**–**	**17**
Changes in basis of consolidation	–	–	–	–	17	–8
Changes due to currency translation	–	1	–	1	–	–
Additions	–	–	11	11	–	–
Transfers from the portfolio of investment property	1	–	–	–	–	–
Disposals	–	–	–7	–9	–	–9
As at 31.12.	**557**	**556**	**212**	**208**	**17**	**–**
Accumulated depreciation and impairment losses						
As at 1.1.	**–188**	**–177**	**–151**	**–146**	**–**	**–11**
Changes in basis of consolidation	–	–	–	–	–	5
Changes due to currency translation	–	–1	–	–1	–	–
Depreciation	–10	–10	–13	–13	–	–
Reversals of impairment losses	3	–	–	–	–	–
Disposals	–	–	7	9	–	6
As at 31.12.	**–195**	**–188**	**–157**	**–151**	**–**	**–**
Carrying amounts as at 31.12.	**362**	**368**	**55**	**57**	**17**	**–**

in € m

	Machinery and technical equipment		Total	
	2016	2015	2016	2015
Cost				
As at 1.1.	**–**	**–**	**764**	**777**
Changes in basis of consolidation	–	–	17	–8
Changes due to currency translation	–	–	–	2
Additions	1	–	12	11
Disposals	–	–	–7	–18
As at 31.12.	**1**	**–**	**787**	**764**
Accumulated depreciation and impairment losses				
As at 1.1.	**–**	**–**	**–339**	**–334**
Changes in basis of consolidation	–	–	–	5
Changes due to currency translation	–	–	–	–2
Depreciation	–	–	–23	–23
Reversals of impairment losses	–	–	3	–
Disposals	–	–	7	15
As at 31.12.	**–**	**–**	**–352**	**–339**
Carrying amounts as at 31.12.	**1**	**–**	**435**	**425**

(46) Intangible Assets

in € m

	31.12.2016	31.12.2015
Goodwill	68	99
Purchased software	45	42
Total	**113**	**141**

With the exception of goodwill, the Helaba Group's intangible assets are amortised over their finite useful lives.

The goodwill was attributable to the acquisition of Frankfurter Sparkasse in 2005.

The intangible assets changed as follows:

in € m

	Goodwill		Purchased software		Total	
	2016	2015	2016	2015	2016	2015
Cost						
As at 1.1.	**144**	**144**	**208**	**190**	**352**	**334**
Changes due to currency translation	–	–	1	3	1	3
Additions	–	–	18	16	18	16
Disposals	–	–	–23	–1	–23	–1
As at 31.12.	**144**	**144**	**204**	**208**	**348**	**352**
Accumulated amortisation and impairment losses						
As at 1.1.	**–45**	**–45**	**–166**	**–148**	**–211**	**–193**
Changes due to currency translation	–	–	–1	–2	–1	–2
Amortisation			–15	–17	–15	–17
Impairment losses	–31	–	–	–	–31	–
Disposals	–	–	23	1	23	1
As at 31.12.	**–76**	**–45**	**–159**	**–166**	**–235**	**–211**
Carrying amounts as at 31.12.	**68**	**99**	**45**	**42**	**113**	**141**

As in the previous year, there were no contractual obligations to acquire intangible assets.

Goodwill from the acquisition of Frankfurter Sparkasse was tested for impairment using an income capitalisation approach based on the discounted cash flows derived the expected distributions in accordance with Frankfurter Sparkasse's current business plan. For the years 2017 to 2021, the earnings and cost components are planned on a differentiated basis with specifically budgeted dividend amounts. The projection for the long-term earnings from 2022 onwards assumes a constant rate of return in terms of distributable profits. A reference date in the third quarter is generally used for the purposes of conducting the impairment test. An additional impairment test was carried out on 31 December 2016 because of the reduced dividends determined in the updated medium-term planning. The test on this reference date identified a requirement to recognise an impairment loss of € 31 m based on a comparison between the recoverable amount determined using the income capitalisation approach and the carrying amount of the cash-generating unit (to which the goodwill had been assigned) which had been impacted by significant profit retention in prior years.

For certain assets (shareholdings) included in the calculation, the figures are also themselves based on a discounted earnings approach.

Present value as at 31 December 2016 was calculated on the basis of the current market discount rate of 1.0 % plus a market risk premium of 6.0 % and a custom beta of 0.98 derived from a peer group of European banks with a similar business focus.

By their very nature, the assumptions underlying the discounted earnings calculations mean that there is estimation uncertainty (and actual trends in the future may therefore differ from the planning assumptions) and that there is scope for discretion in specifying the parameters. For example, a sharp economic downtrend could lead to higher rates of unemployment and, as a consequence, to a rise in provisions for losses on loans and advances. Further regulatory requirements could have as yet unforeseeable implications for income and costs. A sensitivity analysis carried out in isolation shows that a shift of – 25 and + 25 basis points in the discount rate used in the discounted earnings calculation for goodwill (excluding special assets of Frankfurter Sparkasse) would lead to a variance of around € 23 m.

(47) Income Tax Assets

in € m

	31.12.2016	31.12.2015
Current income tax assets	96	30
Deferred income tax assets	426	465
Total	**522**	**495**

The deferred income tax assets relate to the following items:

in € m

	31.12.2016	31.12.2015
Loans and advances to banks and customers	61	70
Trading assets/liabilities and derivatives	1,339	1,311
Financial investments	79	103
Other assets	59	86
Liabilities due to banks and customers	272	304
Provisions for pensions	342	298
Sundry provisions	70	34
Other liabilities	93	66
Tax loss carryforwards	11	14
Deferred tax assets, gross	**2,326**	**2,286**
Netted against deferred tax liabilities	–1,900	–1,821
Total	**426**	**465**
thereof: Non-current	263	439

Deferred tax assets and deferred tax liabilities have been offset in accordance with IAS 12.74.

The calculation of deferred tax assets for the domestic and foreign reporting units was based on individual tax rates. Given an average municipality trade tax multiplier of 452 %, the combined income tax rate for the Bank in Germany in 2016 was 31.7 %, which was unchanged compared with the prior year.

In the case of deferred tax assets, the recovery of which depends on future taxable profits that extend beyond the impact on earnings from the reversal of taxable temporary differences in existence on the reporting date, the Helaba Group only recognises such deferred tax assets to the extent that it is reasonably certain they could be utilised. If the deferred tax assets are to be utilised, there must be sufficient taxable profits with matching timings in the foreseeable future against which the associated tax loss carryforwards can be offset. In this regard, the Helaba Group generally uses a planning horizon of five years.

On the basis of the multi-year planning, the Bank has concluded that the deferred tax assets are recoverable and can be justified for the period covered by the multi-year planning because sufficient taxable income will be available.

As at the reporting date Helaba had recognised deferred tax assets of € 1 m (31 December 2015: € 3 m) in respect of corporate income tax loss carryforwards of € 8 m (31 December 2015: € 18 m) and deferred tax assets of € 10 m (31 December 2015: € 11 m) in respect of trade tax loss carryforwards of € 93 m (31 December 2015: € 98 m).

Overall, no deferred tax assets had been recognised in respect of corporate income tax loss carryforwards of € 47 m (31 December 2015: € 67 m) and in respect of trade tax loss carryforwards of € 49 m (31 December 2015: € 71 m) because Helaba did not believe there was sufficient probability of taxable profits in the foreseeable future against which these tax loss carryforwards could be used. There is no time limit for the utilisation of loss carryforwards.

As at the reporting date, deferred income tax assets of € 226 m were offset against equity (31 December 2015: € 183 m).

(48) Other Assets

in € m

	31.12.2016	31.12.2015
Property held for sale	**363**	**278**
Completed property	74	18
Property under construction	289	260
Advance payments and payments on account	**92**	**69**
Trade accounts receivable	**36**	**51**
Other taxes receivable (excl. income taxes)	**5**	**3**
Other assets	**480**	**524**
Total	**976**	**925**

(49) Liabilities Due to Banks

in € m

	31.12.2016	31.12.2015
Central banks	200	2,450
Affiliated Sparkassen	5,464	6,626
Central giro institutions	1,466	718
Banks	23,008	26,182
Total	**30,138**	**35,976**
thereof:		
Domestic banks	27,103	32,610
Foreign banks	3,035	3,366

in € m

	31.12.2016	31.12.2015
Amounts payable on demand	6,774	6,715
Amounts due with an agreed maturity or period of notice	23,364	29,261
Total	**30,138**	**35,976**
thereof:		
Promissory note loans raised	4,461	4,405
Forwarding loans	7,311	7,410
Issued registered bonds	2,757	2,555
Liabilities from securities repurchase transactions (repos)	–	3,602
Overnight and time deposits	2,516	4,666
Demand deposits	4,762	5,783

(50) Liabilities Due to Customers

in € m

	31.12.2016	31.12.2015
Corporate customers	25,729	27,419
Retail customers	17,230	16,616
Public sector	3,865	3,692
Total	**46,824**	**47,727**
thereof:		
Domestic customers	43,796	44,304
Foreign customers	3,028	3,423

in € m

	31.12.2016	31.12.2015
Amounts payable on demand	23,731	23,682
Amounts due with an agreed maturity or period of notice	23,093	24,045
Total	**46,824**	**47,727**
thereof:		
Demand deposits	13,276	13,044
Overnight and time deposits	14,093	14,729
Savings deposits	1,712	1,870
Home savings deposits	4,456	4,230
Issued registered bonds	9,984	10,452
Promissory note loans raised	1,744	2,211

(51) Securitised Liabilities

in € m

	31.12.2016	31.12.2015
Bonds issued	**42,966**	**39,992**
Mortgage Pfandbriefe	8,151	6,964
Public Pfandbriefe	12,563	14,443
Other debt instruments	22,252	18,585
Issued money market instruments	**7,982**	**7,081**
Commercial paper	3,050	2,162
Certificates of deposit	4,071	3,840
Asset-backed commercial paper	861	879
Other money market instruments	–	200
Total	**50,948**	**47,073**

For detailed disclosures on issuance activities see Note (71).

(52) Trading Liabilities

in € m

	31.12.2016	31.12.2015
Negative fair values of derivatives	**10,795**	**10,390**
Share-price derivatives	136	165
Interest-rate derivatives	9,377	9,172
Currency derivatives	1,247	1,016
Credit derivatives	31	29
Commodity derivatives	4	8
Issued money market instruments	**1,552**	**4,535**
Issued equity/index certificates	**123**	**129**
Liabilities held for trading	**6,243**	**7,369**
Total	**18,713**	**22,423**

This item solely comprises financial instruments classified as financial liabilities at fair value through profit or loss (held-for-trading sub-category). The liabilities held for trading mainly comprise money trading transactions.

(53) Negative Fair Values of Non-Trading Derivatives

in € m

	31.12.2016	31.12.2015
Hedging derivatives under hedge accounting	161	369
Other non-trading derivatives	3,757	4,011
Total	**3,918**	**4,380**

The hedging derivatives under hedge accounting are used within the framework of qualifying micro fair value hedges under IAS 39. Other non-trading derivatives comprise derivative financial instruments used as economic hedges as part of hedge management, although fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39.

(54) Provisions

in € m

	31.12.2016	31.12.2015
Provisions for pensions and similar obligations	**1,839**	**1,657**
Other provisions	**480**	**432**
Personnel provisions	131	127
Provisions for lending business risks	43	44
Restructuring provisions	13	23
Provisions for litigation risks	45	57
Sundry provisions	248	181
Total	**2,319**	**2,089**

In 2016, the changes in provisions for pensions and similar obligations reported in the statement of financial position were as follows:

in € m

	DBO	Plan assets	Net defined benefit obligations
As at 1.1.	**2,002**	**–345**	**1,657**
Total pension cost	**81**	**–8**	**73**
Interest expense (+)/interest income (–)	49	–8	41
Current service cost	36		36
Past service cost from plan adjustments	–4		–4
Total gains or losses on remeasurement	**165**	**3**	**168**
Actuarial gains (–)/losses (+) on financial assumptions	225		225
Actuarial gains (–)/losses (+) on demographic assumptions	–1		–1
Experience adjustment gains (–)/losses (+)	–59		–59
Gains or losses on remeasurement of plan assets		3	3
Employee contributions	5	–5	–
Employer contributions	–	–9	–9
Benefits paid	–60	11	–49
Changes due to currency translation	–8	7	–1
As at 31.12.	**2,185**	**–346**	**1,839**

The corresponding changes in 2015 were as follows:

in € m

	DBO	Plan assets	Net defined benefit obligations
As at 1.1.	**2,037**	**–324**	**1,713**
Total pension cost	**83**	**–8**	**75**
Interest expense (+)/interest income (–)	46	–8	38
Current service cost	37		37
Total gains or losses on remeasurement	**–77**	**–**	**–77**
Actuarial gains (–)/losses (+) on financial assumptions	–103		–103
Actuarial gains (–)/losses (+) on demographic assumptions	7		7
Experience adjustment gains (–)/losses (+)	19		19
Employee contributions	5	–5	–
Employer contributions	–	–8	–8
Benefits paid	–55	7	–48
Changes due to currency translation	9	–7	2
As at 31.12.	**2,002**	**–345**	**1,657**

The main defined benefit plans (in the form of direct commitments) at Helaba are as follows:

In the case of employees who joined the Bank on or before 31 December 1985 and who are eligible for pension benefits, there is a fully dynamic comprehensive defined benefit plan, in which the annual benefits payable under the plan are up to a maximum of 75 % of the pensionable remuneration on retirement date, subject to deduction of third-party pension entitlements. During the period in which a pension is drawn, pension benefits are increased in line with any pay-scale increases. The existing beneficiaries are primarily retirees and surviving dependants. However, there is also a small proportion of beneficiaries who are still active or who have left the Bank but have retained vested entitlements.

The retirement benefit system in place between 1986 and 1998 is a scheme based on final salary with a split pension benefits formula. The annual pension benefits are linked to a certain percentage of pensionable remuneration earned for each year of service depending on the contribution assessment ceiling in the statutory pension insurance scheme (salary components above the ceiling being weighted differently from those below the ceiling). The plan is based on a maximum of 35 years of service and pension benefits rise in line with pay-scale increases during the period in which the benefits are drawn. The existing beneficiaries are predominantly current employees and individuals who have left the Bank but have vested rights.

For the defined benefit plan in force since 1999, the retirement pension is calculated by adding all the pension credits accrued during the pensionable period of service. The pension credits are determined by multiplying the pensionable remuneration for the respective calendar year by an age-dependent factor. During the period in which the pension is drawn, the benefits are subject to an annual increase of one percent. The plan is open to new members. The current members of the scheme are almost exclusively active employees and individuals who have left the Bank but have vested rights.

In addition, the Helaba Group has individual commitments to pay annual pension benefits. These commitments for the most part involve comprehensive defined benefit plans similar to those used by the civil service in Germany in which the benefits represent the difference between a target pension and the statutory pension entitlement and in which the pension benefits are increased in line with pay-scale increases during the period in which pensions are drawn. The existing beneficiaries under these plans are mainly retirees, surviving dependants and individuals who have left the Bank but still have vested rights. However, the plans remain open to new members.

As a result of the takeover of the S-Group Bank business, the transfer of the business unit in accordance with section 613a BGB meant that the pension obligations of Portigon AG to the new employees were also transferred to Helaba.

Employees who, as a result of the break-up of Westdeutsche Landesbank Girozentrale into the public-law Landesbank NRW (currently NRW.Bank) and the private-law WestLB AG (currently Portigon AG) in 2002, were assigned to NRW.Bank were put on special leave so that they could enter into a second employment relationship with Portigon AG (VBB dual contract holders). The pension commitments are maintained by NRW.Bank without change. Economically, however, the costs are charged to Helaba because NRW.Bank has to be reimbursed for the pension payments it has to make.

For the vested pension rights of the other employees, the accrued entitlement was determined at the time of transfer of the business unit and the corresponding obligation was transferred to Helaba. The externally funded vested pension rights vis-à-vis BVV Versorgungskasse des Bankgewerbes e.V., Berlin, were exempted from contributions as from the date of the transfer of the business unit. As from the date of transfer of the business unit, the employees were registered with Helaba's company pension scheme under the service agreement in force since 1999.

There is also an employee-funded pension plan in the form of a deferred compensation scheme in which the benefits comprise lump-sum capital payments. In this case, investment fund units are purchased for each amount of deferred compensation and an age-dependent capital component is calculated for the employee concerned. Upon retirement, the employee is paid the higher of the total capital components or the fund assets. The deferred compensation scheme is open to new members.

At Frankfurter Sparkasse, all employees are entitled to a pension from the pension fund. Frankfurter Sparkasse has a regulated pension fund. The pension fund's obligation to regularly adjust the lifetime benefits is implemented in the form of a direct commitment by Frankfurter Sparkasse. Employees of the former Stadtsparkasse Frankfurt are entitled to a pension from Zusatzversorgungskasse der Stadt Frankfurt (ZVK Frankfurt), which Helaba identified as an obligation during the course of its acquisition of Frankfurter Sparkasse and recognises in its statement of financial position. There are also individual commitments, largely in the form of comprehensive defined benefit plans (in which the benefits represent the difference between a target pension and third-party pension entitlements) and an employee-funded pension plan.

Employees at the London branch are members of a defined benefit plan, although the plan is now closed to new entrants. This plan is a pension fund that follows local measurement arrangements. It is reviewed at regular intervals to ensure that it meets the requirements for external financing. In the past, some use has been made of pension buyouts when an employee leaves the Bank. Under such a buyout arrangement, the Bank makes a settlement payment to a third-party pension provider to release itself from its liability under the plan and transfer the obligation to the new provider.

At the subsidiary Frankfurter Bankgesellschaft (Schweiz) AG, the statutory requirements related to occupational pensions are satisfied by a separate pension scheme linked to a collective arrangement under the auspices of a third-party provider.

The following table shows the funding status of the pension plans as at 31 December 2016:

in € m

	DBO	Plan assets	Net defined benefit obligations
Domestic defined benefit plans	**2,039**	**–252**	**1,787**
Landesbank Hessen-Thüringen	**1,428**	**–35**	**1,393**
Comprehensive defined benefit plans	850	–	850
Defined benefit plan up to 1985	725	–	725
Individual commitments	85	–	85
VBB dual contract holders	40	–	40
Final salary plans (retirement pension scheme 1986 to 1998)	217	–	217
Pension credit system (retirement pension scheme from 1999)	241	–	241
Other plans	120	–35	85
Frankfurter Sparkasse	**542**	**–209**	**333**
Frankfurter Sparkasse pension fund	263	–208	55
Pension fund adjustment obligation	95	–	95
ZVK Frankfurt	101	–	101
Individual commitments	72	–	72
Other plans	11	–1	10
Other Group companies	**69**	**–8**	**61**
Foreign defined benefit plans	**146**	**–94**	**52**
Total	**2,185**	**–346**	**1,839**

The corresponding figures as at 31 December 2015 were as follows:

in € m

	DBO	Plan assets	Net defined benefit obligations
Domestic defined benefit plans	**1,874**	**–245**	**1,629**
Landesbank Hessen-Thüringen	**1,327**	**–30**	**1,297**
Comprehensive defined benefit plans	860	–	860
Defined benefit plan up to 1985	743	–	743
Individual commitments	82	–	82
VBB dual contract holders	35	–	35
Final salary plans (retirement pension scheme 1986 to 1998)	196	–	196
Pension credit system (retirement pension scheme from 1999)	174	–	174
Other plans	97	–30	67
Frankfurter Sparkasse	**483**	**–208**	**275**
Frankfurter Sparkasse pension fund	228	–207	21
Pension fund adjustment obligation	81	–	81
ZVK Frankfurt	93	–	93
Individual commitments	70	–	70
Other plans	11	–1	10
Other Group companies	**64**	**–7**	**57**
Foreign defined benefit plans	**128**	**–100**	**28**
Total	**2,002**	**–345**	**1,657**

The following table shows the breakdown of plan assets:

in € m

	31.12.2016	31.12.2015[1)]
Plan assets quoted in active markets	**265**	**274**
Cash reserve	1	3
Bonds and other fixed-income securities	180	187
Equity shares and other variable-income securities	84	84
Other plan assets	**81**	**71**
Loans and advances to banks	30	22
Qualifying insurance contracts	51	49
Fair value of plan assets	**346**	**345**

[1)] Prior-year figures restated: in the plan assets of a subsidiary, loans and advances to banks amounting to € 22 m were reported as cash reserve, and shares in collective investment undertakings amounting to € 1 m were reported under other assets.

Of the plan assets, € 46 m (31 December 2015: € 16 m) was accounted for by the Group's own transferable financial instruments; as in 2015, no investments were made in other assets used by the Group itself.

For the next financial year, Helaba expects to make contributions to plan assets of € 35 m (31 December 2015: € 7 m).

Pension obligations for which there are no plan assets in accordance with IAS 19 are funded for the most part by long-term special funds with an investment focus on bonds.

The Helaba Group's pension obligations are exposed to various risks. This exposure is attributable to general market volatility and also specific risks. However, there are no extraordinary risks arising in connection with pension obligations.

Risks from general market volatility mostly involve risks arising from changes in the inflation rate and market interest rates. Other risks include the risk of longevity, for example.

- General market volatility
  The main impact from general market volatility on the level of the defined benefit obligations is through changes in the discount rate. Over the last few years there has already been a noticeable increase in pension provisions as a result of the general fall in discount rates. The principal reason why discount rates have such a significant impact on defined benefit obligations is the length of the maturities involved in these obligations.

- Inflation risk – pension adjustment
  The Helaba Group applies the principles in the German Occupational Pensions Act (Betriebsrentengesetz, BetrAVG) when determining adjustments as part of benefit reviews for its defined benefit plans. The more recent schemes, which are structured as pension credit systems, are subject to fixed adjustment rates and thus are largely independent of the inflation rate and future pay-scale increases.

- Inflation risk – salary increases, pay scale increases, increases in civil servant remuneration
  In most of the older pension arrangements (comprehensive defined benefit plan up to 1985 and final salary plan), Helaba increases pensions in line with pay-scale trends in both private and public-sector banks. Increases in pay scales covering pensionable salaries therefore have an effect on the level of current pension benefits. Individual defined benefit plans provide for the adjustment of pensions on the basis of civil service pay in accordance with the regulations in the federal state concerned (Hesse, Thuringia, North Rhine-Westphalia).

- Risk of longevity
  Given that by far the most common form of benefit is an annuity, Helaba bears the risk that the beneficiaries will live longer than the period estimated in the actuarial calculations. Normally, this risk balances out across all the beneficiaries as a whole and only becomes material if general life expectancy turns out to be higher than forecast.

As far as specific risks are concerned, it is worth mentioning that defined benefit obligations are to a certain extent dependent on external factors. In addition to the factors already referred to (adjustments related to pay-scale increases or increases in civil servant pay), there are other influences subject to variation beyond the control of Helaba. This is particularly true in the case of changes to statutory pensions and other externally funded pensions, which are offset as part of the comprehensive defined benefit plans. Helaba must bear the risk in this regard.

The principal actuarial assumptions on which the measurement of the defined benefit obligations is based are shown in the following table (weighted average rates):

in %

	31.12.2016	31.12.2015
Discount rate	1.7	2.5
Salary trend	2.2	2.4
Pension trend	1.7	1.7
Employee turnover rate	2.8	2.9

In both 2016 and 2015, the probability of invalidity and death in Germany was based on the 2005 generation mortality tables published by Professor Dr. Heubeck.

Changes in the main actuarial assumptions would have the following effects on the present value of all the defined benefit obligations:

in € m

	31.12.2016	31.12.2015
Discount rate (decreased by 50 basis points)	226	199
Salary trend (increased by 25 basis points)	69	77
Pension trend (increased by 25 basis points)	77	83
Life expectancy (improved by 10 %)	81	76
Employee turnover rate (decreased by 50 basis points)	5	9

The sensitivity analysis shown above reflects the change in one assumption, all the other assumptions remaining as in the original calculation. In other words, the analysis does not factor in any possible correlation effects between the individual assumptions.

As at 31 December 2016, the weighted average maturity of the defined benefit obligations was 20.2 years (31 December 2015: 18.9 years). The following table shows the maturity structure of the forecast pension payments:

in € m

	31.12.2016	31.12.2015
Forecast pension payments with maturities of up to one year	59	58
Forecast pension payments with maturities of one year to five years	266	268
Forecast pension payments with maturities of five years to ten years	398	413

The Helaba Group participates in multi-employer defined benefit plans. These plans are treated as if they were defined contribution plans. They involve membership of pay-as-you-go pension schemes in the form of regulated pension funds that switched to an “as funded” basis on 1 January 2002. The funds concerned are the regional supplementary pension funds and Versorgungsanstalt des Bundes und der Länder, all of which have similar statutes in terms of content. With the switch to the “as funded” basis, the existing defined benefit obligations were converted to a defined contribution system. The statutes authorise the collection of additional contributions if necessary in order to fund agreed benefits; alternatively, benefits can be reduced if there is insufficient cover in the fund (recovery money, recovery clause). There is no allocation of assets and liabilities according to originator. The pension fund publishes information on its business performance and risk trends solely in an annual report. It does not disclose any further information. As in 2015, expenses amounting to € 1 m were incurred in connection with these plans.

There are also defined contribution plans arising from Helaba’s membership of BVV Versicherungsverein des Bankgewerbes a. G. and further defined contribution plans that are externally funded through direct insurance with insurers subject to public law. As far as possible, these arrangements are through SV SparkassenVersicherung and Provinzial Lebensversicherung AG.

The foreign branches in London and New York also have their own defined contribution plans. The total expenses in 2016 for defined contribution plans were € 3 m (2015: € 4 m).

The employer subsidy for pension insurance in 2016 amounted to € 33 m (2015: € 34 m).

The changes in other provisions were as follows:

in € m

	Personnel provisions		Provisions for lending business risks		Restructuring provisions	
	2016	2015	2016	2015	2016	2015
As at 1.1.	**127**	**100**	**44**	**58**	**23**	**56**
Changes in basis of consolidation	–	–	–2	–	–	–
Changes due to currency translation	–	1	1	1	–	–
Use	–69	–70	–	–	–	–1
Reversals	–2	–1	–26	–25	–	–
Reclassifications	12	36	–3	–6	–12	–37
Interest cost	1	–	–	–	–	–
Additions	62	61	29	16	2	5
As at 31.12.	**131**	**127**	**43**	**44**	**13**	**23**

in € m

	Provisions for litigation risks		Sundry provisions		Total	
	2016	2015	2016	2015	2016	2015
As at 1.1.	**57**	**57**	**181**	**168**	**432**	**439**
Changes in basis of consolidation	–	–	–	–7	–2	–7
Changes due to currency translation	–	–	–	1	1	3
Use	–14	–19	–110	–62	–193	–152
Reversals	–5	–2	–12	–7	–45	–35
Reclassifications	–	–	–	–	–3	–7
Interest cost	–	2	1	1	2	3
Additions	7	19	188	87	288	188
As at 31.12.	**45**	**57**	**248**	**181**	**480**	**432**

The personnel provisions relate primarily to provisions for partial and early retirement, long-service bonuses and special payments to employees. The sundry provisions mainly relate to obligations in connection with share transactions, flat-rate employment taxes, interest on retrospective tax payments as well as risks related to real estate projects and lease agreements.

The restructuring provisions largely relate to the Helaba PRO programme initiated in 2013, the objectives of which are to optimise costs by using more efficient processes and to reduce complexity.

Additions to and reversals of personnel provisions are normally reported under personnel expenses, those relating to provisions for lending business risks under provisions for losses on loans and advances, and those relating to restructuring provisions and sundry provisions under other net operating income. Interest costs (unwinding of discount) are included in net interest income.

Claims are pursued against Helaba before the courts and in arbitration proceedings. Provisions for litigation risks have been recognised if it is estimated that the probability of a successful claim is greater than 50 %.

The amount of the provision is the amount that the Bank is likely to have to pay in the event of a successful claim. The provisions for litigation risks recognised by Helaba also take into account amounts to cover litigation costs (court costs and other expenses in connection with litigation, such as legal and other fees).

Helaba has recognised provisions for litigation risks mainly to cover lawsuits brought by investors in closed funds. Investors who believe that their expectations with regard to a particular investment have not been met base their claims on non-compliance with consumer protection regulations. Depending on the circumstances in each individual case, the Bank will examine the possibility of settling a claim in terms of the nature and scope of a potential settlement. Helaba will not provide a detailed description here of individual cases or proceedings, nor a breakdown of the overall amount for the provision for litigation risks. Claimants could otherwise draw conclusions about the Bank's litigation and settlement strategy.

The provisions for litigation risks are reviewed quarterly to ensure they are appropriate. The provisions may be increased or reversed on the basis of management assessments taking into account the legal situation. The final costs incurred in connection with litigation risks could differ from the recognised provisions because an assessment of probability and the determination of figures for uncertain liabilities arising from litigation to a large degree requires measurements and estimates that could prove to be inaccurate as litigation proceedings progress.

Cases that do not meet the criteria for the recognition of provisions are reviewed to establish whether they need to be disclosed under contingent liabilities and, where appropriate, are included in the information disclosed in Note (74).

Of the total for other provisions, current provisions accounted for € 301 m (31 December 2015: € 263 m).

(55) Income Tax Liabilities

in € m

	31.12.2016	31.12.2015
Current income tax liabilities	174	175
Deferred income tax liabilities	10	9
Total	**184**	**184**

The current income tax liabilities include provisions for tax risks. These provisions are determined on the basis of the most likely amount required to settle the liability.

The Bank has not reported any contingent liabilities in respect of tax risks.

The deferred income tax liabilities relate to the following items:

in € m

	31.12.2016	31.12.2015
Loans and advances to banks and customers	8	56
Trading assets/liabilities and derivatives	1,631	1,557
Financial investments	194	165
Other assets	56	32
Liabilities due to banks and customers	7	7
Provisions for pensions	1	1
Sundry provisions	1	2
Other liabilities	12	10
Deferred tax liabilities, gross	**1,910**	**1,830**
Netted against deferred tax assets	–1,900	–1,821
Total	**10**	**9**
thereof: Non-current	5	9

For the measurement of temporary differences, which give rise to deferred income tax liabilities, please refer to the disclosures on deferred income tax assets (see Note (47)). As at the reporting date, deferred income tax liabilities of € 105 m were offset against equity (31 December 2015: € 96 m).

(56) Other Liabilities

in € m

	31.12.2016	31.12.2015[1)]
Trade accounts payable	84	129
Liabilities to employees	25	23
Advance payments and payments on account	304	272
Other taxes payable (excl. income taxes)	33	34
Other liabilities	201	234
Total	**647**	**692**

1) Prior-year figures restated: due interest of € 50 m had still been reported under subordinated capital in the prior year. This amount has been reclassified to other liabilities.

(57) Subordinated Capital

in € m

	31.12.2016	31.12.2015[1)]
Subordinated liabilities	2,364	2,366
thereof: Accrued interest	33	33
Profit participation rights	276	687
Silent participations	983	983
thereof: Accrued interest	14	14
Total	**3,623**	**4,036**
thereof: Securitised subordinated debt	1,527	1,836

1) Prior-year figures restated: due interest payments had been reported as pro rata interest within the carrying amount of the profit participation rights (€ 16 m) and silent participations (€ 34 m) in the prior year.

The silent participations shown under this item do not meet the equity criteria of IAS 32.

(58) Equity

in € m

	31.12.2016	31.12.2015
Subscribed capital	2,509	2,509
Capital reserves	1,546	1,546
Retained earnings	3,521	3,398
Revaluation reserve	246	202
Currency translation reserve	30	23
Non-controlling interests	−2	−2
Total	**7,850**	**7,676**

The subscribed capital of € 2,509 m comprises the share capital of € 589 m paid in by the owners in accordance with the Charter and the capital contributions of € 1,920 m paid by the Federal State of Hesse.

As at 31 December 2016, the share capital was attributable to the owners as follows:

	in € m	in %
Sparkassen- und Giroverband Hessen-Thüringen	405	68.85
State of Hesse	48	8.10
Rheinischer Sparkassen- und Giroverband	28	4.75
Sparkassenverband Westfalen-Lippe	28	4.75
Fides Beta GmbH	28	4.75
Fides Alpha GmbH	28	4.75
State of Thuringia	24	4.05
Total	**589**	**100.00**

The capital reserves comprise the premiums from issuing share capital to the owners.

The retained earnings comprise the profits retained by the parent company and the consolidated subsidiaries as well as amounts from the amortised results of acquisition accounting and other consolidation adjustments. In addition, retained earnings also include remeasurement gains or losses on defined benefit obligations, which have to be recognised in other comprehensive income, taking into account the appropriate deferred taxes.

The revaluation reserve contains the remeasurement gains or losses, after deferred taxes, on available-for-sale financial instruments recognised in other comprehensive income. The gains or losses are only recognised in the income statement when the asset is sold or derecognised.

The currency translation reserve holds the currency translation differences (recognised in other comprehensive income) from the translation of the financial statements of economically independent foreign operations (subsidiaries, branches) into the Group currency (see Note (13)); the items are held there until disposal. In addition, the currency translation gains or losses on hedges of a net investment in a foreign operation are reported under the currency translation reserve in accordance with Note (8).

Further Disclosures about Financial Instruments

(59) Provision of Collateral

Assets pledged as security
The collateral is provided on terms which are customary for the relevant repo, securities and financing transactions. As at the reporting date, the following assets had been pledged or transferred as collateral for Helaba's own liabilities (carrying amounts):

in € m

	31.12.2016	31.12.2015
Financial assets	**8,659**	**14,166**
Trading assets	8	5,985
Loans and advances to banks	5,025	4,407
Loans and advances to customers	781	759
Financial investments	2,845	3,015
Non-financial assets	**1,225**	**987**
Investment property	1,051	807
Property and equipment	174	180
Total	**9,884**	**15,153**

Financial collateral was provided in connection with the following business transactions:

in € m

	31.12.2016	31.12.2015
Collateral for funding transactions with central banks	200	2,404
Collateral for transactions via exchanges and clearing houses	1,062	773
Securities pledged in connection with repo transactions	–	3,717
Cash collateral provided	5,814	5,180
Other collateral	1,583	2,092
Total	**8,659**	**14,166**

Cash collateral is furnished in connection with transactions with central counterparties, transactions on derivatives exchanges and in OTC derivatives business. Other collateral provided mainly serves as security for transactions with the European Investment Bank.

In addition, the Bank holds loans and advances backed by property charges and municipal authority loans and advances as well as other cover assets in its collateral pool in accordance with sections 12 and 30 of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). As at 31 December 2016, cover assets amounted to € 34,252 m (31 December 2015: € 34,231 m) with mortgage and public Pfandbriefe of € 27,256 m in circulation (31 December 2015: € 28,978 m). These also included registered securities, which are reported under liabilities due to banks and liabilities due to customers.

Assets received as security
Collateral is received on terms that are customary for the relevant repo, securities and financing transactions.

The fair value of collateral received in connection with repurchase agreements (repos), which permit Helaba to sell on or pledge such collateral even if the party providing the collateral does not default, amounted to € 3 m (31 December 2015: € 104 m). Such collateral with a fair value of € 3 m (31 December 2015: € 30 m) has been sold on, or has been the subject of onward pledging.

Please see Note (73) for disclosures regarding collateral received in connection with traditional lending operations.

(60) Transfer of Financial Assets without Derecognition

In connection with securities repurchase and lending transactions, the Helaba Group transfers financial assets, but retains the main credit rating, interest rate and currency risks as well as the opportunities for capital appreciation associated with the ownership of these assets. Thus, the requirements for derecognition in accordance with IAS 39 are not fulfilled and the financial assets continue to be recognised in the consolidated statement of financial position and measured in accordance with the measurement category to which they are assigned.

The following table shows the carrying amounts of the transferred assets that did not qualify for derecognition, broken down by the type of underlying transaction, as well as the corresponding liabilities as at 31 December 2015. As at 31 December 2016, no financial assets had been transferred from the Group's own portfolios in connection with securities repurchase or securities lending transactions.

in € m

	31.12.2016	31.12.2015
Carrying amount of financial assets transferred in connection with securities repurchase transactions but not derecognised	**–**	**3,377**
Trading assets	–	2,090
Financial investments	–	1,287
Carrying amount of liabilities from securities repurchase transactions	**–**	**3,295**
Carrying amount of financial assets transferred in connection with securities lending transactions but not derecognised	**–**	**87**
Financial investments	–	87

All of the financial assets listed above as at 31 December 2015 were securities owned by the Helaba Group. In the context of securities repurchase and lending transactions, securities accepted from third parties as part of reverse repos or borrowed securities, which may not be recognised in the consolidated statement of financial position, may also be transferred.

The transferee or borrower, as the case may be, may sell on or pledge the transferred securities at any time. Nevertheless, the Helaba Group generally continues to receive the contractually agreed cash flows from these securities.

(61) Transfer of Financial Assets with Derecognition

Contracts for the sale and acquisition of shares in companies (equity investments and affiliates) include the warranties customary with such transactions, in particular in respect of the tax and legal position. Provisions of € 10 m (31 December 2015: € 9 m) have been recognised for such warranties.

(62) Disclosures regarding Offsetting Assets and Liabilities in the Statement of Financial Position

In accordance with the disclosure requirements in IFRS 7 relating to offsetting financial instruments, the tables below show a reconciliation from the gross to the net risk exposure for financial instruments. The disclosures relate both to financial instruments that have been offset and also to those that are subject to a master netting agreement.

Offsetting in derivatives transactions involves the positive and negative values of derivatives as well as the associated cash collateral, which is reported under loans and advances to customers or liabilities due to customers.

The following table shows the reconciliation of the gross carrying amounts for the offset financial assets and liabilities to the amounts recognised in the statement of financial position as at 31 December 2016.

in € m

	Gross carrying amount before offsetting	Gross carrying amount of offset financial instruments	Net carrying amount
Assets			
Derivatives	18,927	–2,560	16,367
Securities repurchase transactions	3	–	3
Other assets	9,880	–7,971	1,909
Total	**28,810**	**–10,531**	**18,279**
Liabilities			
Derivatives	17,250	–2,537	14,713
Other liabilities	8,452	–7,993	459
Total	**25,702**	**–10,530**	**15,172**

Helaba has also entered into master netting agreements with counterparties in the derivatives and securities repurchase business. These agreements include conditional netting rights. If the conditions are met – for example if a counterparty defaults for reasons related to its credit rating – the transactions are settled on a net basis. These agreements resulted in the following net amounts as at 31 December 2016:

in € m

	Carrying amount	Conditional netting rights on basis of master netting agreements		Net amount after conditional netting rights are taken into account
		Collateral in the form of liabilities/assets	Cash collateral[1]	
Assets				
Derivatives	16,367	–8,395	–1,503	6,469
Securities repurchase transactions	3	–3	–	–
Other assets	1,909	–	–	1,909
Total	**18,279**	**–8,398**	**–1,503**	**8,378**
Liabilities				
Derivatives	14,713	–8,395	–5,409	909
Other liabilities	459	–	–	459
Total	**15,172**	**–8,395**	**–5,409**	**1,368**

[1] The figures do not include any other conditional offsetting options under property charges or in connection with other loan collateral not covered by master netting agreements.

The following table shows the corresponding amounts as at 31 December 2015:

in € m

	Gross carrying amount before offsetting	Gross carrying amount of offset financial instruments	Net carrying amount
Assets			
Derivatives	18,290	–1,980	16,310
Securities repurchase transactions	105	–	105
Other assets	3,837	–3,636	201
Total	**22,232**	**–5,616**	**16,616**
Liabilities			
Derivatives	16,705	–1,935	14,770
Securities repurchase transactions	3,627	–	3,627
Other liabilities	4,240	–3,681	559
Total	**24,572**	**–5,616**	**18,956**

in € m

		Conditional netting rights on basis of master netting agreements		
	Carrying amount	Collateral in the form of liabilities/assets	Cash collateral[1]	Net amount after conditional netting rights are taken into account
Assets				
Derivatives	16,310	−8,858	−1,231	6,221
Securities repurchase transactions	105	−103	–	2
Other assets	201	–	–	201
Total	**16,616**	**−8,961**	**−1,231**	**6,424**
Liabilities				
Derivatives	14,770	−8,857	−5,045	868
Securities repurchase transactions	3,627	−3,622	–	5
Other liabilities	559	–	–	559
Total	**18,956**	**−12,479**	**−5,045**	**1,432**

[1] The figures do not include any other conditional offsetting options under property charges or in connection with other loan collateral not covered by master netting agreements.

(63) Subordinated Assets

The following statement of financial position items include subordinated assets:

in € m

	31.12.2016	31.12.2015
Loans and advances to banks	**33**	**33**
Loans and advances to customers	**216**	**353**
thereof: To long-term investees and investors	7	15
Total	**249**	**386**

Assets are reported as subordinated if, in the case of liquidation or insolvency of the debtor, they can be repaid only after the claims of the other creditors have been satisfied.

(64) Foreign Currency Volumes

in € m

	Foreign currency assets		Foreign currency liabilities	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
USD	17,524	19,140	9,508	10,348
GBP	6,214	7,181	2,050	2,393
CHF	1,363	1,799	279	357
JPY	473	437	477	424
Other currencies	994	943	258	384
Total	**26,568**	**29,500**	**12,572**	**13,906**

The foreign currency assets and liabilities shown under this item relate to non-derivative financial instruments. The foreign currency exposures are hedged by corresponding derivatives.

(65) Breakdown of Maturities

The maturity structure of the liabilities as at 31 December 2016 was as follows:

in € m

	Payable on demand	Less than three months	Three months to one year	One year to five years	More than five years
Non-derivative financial liabilities	**30,866**	**13,922**	**30,199**	**40,463**	**31,203**
Trading liabilities	322	2,630	4,843	–	123
Liabilities due to banks	6,777	1,694	3,454	11,040	9,654
Liabilities due to customers	23,767	3,273	6,806	7,079	9,004
Securitised liabilities	–	6,316	14,330	21,691	9,357
Subordinated capital	–	9	766	653	3,065
Derivative financial liabilities	**10,795**	**463**	**680**	**2,145**	**1,565**
Trading liabilities	10,795	–	–	–	–
Negative fair values of non-trading derivatives	–	463	680	2,145	1,565
Irrevocable loan commitments	**704**	**973**	**2,852**	**13,988**	**1,133**
Total	**42,365**	**15,358**	**33,731**	**56,596**	**33,901**

The following table shows the corresponding amounts as at 31 December 2015:

in € m

	Payable on demand	Less than three months	Three months to one year	One year to five years	More than five years
Non-derivative financial liabilities	**31,306**	**22,023**	**28,481**	**42,569**	**30,890**
Trading liabilities	884	5,340	5,685	–	124
Liabilities due to banks	6,725	5,540	5,854	11,834	8,472
Liabilities due to customers	23,697	3,605	6,809	7,322	10,161
Securitised liabilities	–	7,529	9,483	22,153	8,960
Subordinated capital	–	9	650	1,260	3,173
Derivative financial liabilities	**10,390**	**423**	**616**	**2,413**	**1,599**
Trading liabilities	10,390	–	–	–	–
Negative fair values of non-trading derivatives	–	423	616	2,413	1,599
Irrevocable loan commitments	**602**	**821**	**2,681**	**12,529**	**2,581**
Total	**42,298**	**23,267**	**31,778**	**57,511**	**35,070**

For the breakdown of the remaining terms of financial liabilities, the undiscounted cash flows were allocated to the individual maturity buckets in accordance with the contractually agreed maturity dates. If there was no fixed contractual agreement for the date of repayment, the earliest possible time or termination date was used. This applies in particular to overnight money raised and sight deposits as well as savings deposits with an agreed period of notice.

The non-derivative financial liabilities presented under trading liabilities have been included in the maturities breakdown with their carrying amounts, and the irrevocable loan commitments have been included at their nominal value. Trading derivatives were allocated with their carrying amounts to the shortest maturity bucket; the irrevocable loan commitments were allocated to the earliest bucket in which the commitment could be drawn down. Liabilities from warranties and guarantee agreements in accordance with Note (74) can generally become payable at any time up to the maximum guaranteed amount.

(66) Derivatives

The Helaba Group uses derivative financial instruments for both trading and hedging purposes.

Derivatives can be entered into in the form of standard contracts on an exchange or individually negotiated as OTC derivatives.

The nominal values reflect the gross volume of all purchases and sales. This figure is used as a reference for determining mutually agreed compensation payments; however, they are not receivables or liabilities that can be shown in the statement of financial position.

The nominal and fair values of derivatives as at the reporting dates were as follows:

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Equity-/index-related transactions	**3,646**	**3,464**	**143**	**168**	**137**	**167**
OTC products	**2,735**	**2,339**	**124**	**149**	**118**	**121**
Equity options	2,735	2,339	124	149	118	121
Calls	1,548	1,355	124	149	–	–
Puts	1,187	984	–	–	118	121
Exchange-traded products	**911**	**1,125**	**19**	**19**	**19**	**46**
Equity/index futures	212	364	3	4	–	11
Equity/index options	699	761	16	15	19	35
Interest-rate-related transactions	**418,466**	**474,730**	**14,344**	**14,610**	**12,144**	**12,199**
OTC products	**407,859**	**462,650**	**14,342**	**14,603**	**12,135**	**12,194**
Forward rate agreements	2,920	18,269	–	–	–	–
Interest-rate swaps	355,341	389,324	13,026	12,515	8,729	9,367
Interest rate options	49,491	55,047	1,316	2,088	3,406	2,827
Calls	17,670	22,906	1,241	2,017	39	22
Puts	31,822	32,142	75	71	3,367	2,806
Other interest rate contracts	107	10	–	–	–	–
Exchange-traded products	**10,607**	**12,080**	**2**	**7**	**9**	**5**
Interest rate futures	10,587	12,080	2	7	9	5
Interest rate options	20	–	–	–	–	–
Currency-related transactions	**74,322**	**67,652**	**1,844**	**1,493**	**2,396**	**2,364**
OTC products	**74,322**	**67,652**	**1,844**	**1,493**	**2,396**	**2,364**
Currency spot and futures contracts	49,010	41,314	968	813	832	638
Cross-currency swaps	24,650	25,582	868	666	1,556	1,710
Currency options	662	756	8	14	8	16
Calls	328	377	8	14	–	–
Puts	333	379	–	–	8	16
Credit derivatives	**5,828**	**5,135**	**32**	**31**	**32**	**32**
OTC products	**5,828**	**5,135**	**32**	**31**	**32**	**32**
Commodity-related transactions	**147**	**141**	**4**	**8**	**4**	**8**
OTC products	**147**	**141**	**4**	**8**	**4**	**8**
Commodity swaps	53	40	4	8	4	8
Commodity options	94	101	–	–	–	–
Total	**502,409**	**551,122**	**16,367**	**16,310**	**14,713**	**14,770**

Nominal amounts broken down by term to maturity:

in € m

	Equity-/index-related transactions		Interest-rate-related transactions		Currency-related transactions	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Up to three months	354	672	33,000	34,053	28,838	24,960
More than three months and up to one year	707	890	43,463	87,297	18,638	14,901
More than one year and up to five years	2,435	1,826	185,508	186,850	20,792	22,056
More than five years	150	76	156,495	166,530	6,054	5,735
Total	**3,646**	**3,464**	**418,466**	**474,730**	**74,322**	**67,652**

in € m

	Credit derivatives		Commodity-related transactions		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Up to three months	130	87	48	50	62,370	59,822
More than three months and up to one year	1,311	608	32	46	64,151	103,742
More than one year and up to five years	4,253	4,356	67	45	213,055	215,133
More than five years	134	84	–	–	162,833	172,425
Total	**5,828**	**5,135**	**147**	**141**	**502,409**	**551,122**

Derivatives have been entered into with the following counterparties:

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Banks in OECD countries	208,678	219,785	8,469	8,944	11,885	11,759
Banks outside OECD countries	21	13	–	–	1	1
Other counterparties (including exchanges)	259,804	283,465	3,222	3,180	1,117	1,033
Public institutions in OECD countries	33,906	47,859	4,676	4,186	1,710	1,977
Total	**502,409**	**551,122**	**16,367**	**16,310**	**14,713**	**14,770**

(67) Carrying Amounts and Contributions to Earnings, Broken Down by Measurement Category

The following table sets out the carrying amounts of financial assets and liabilities as at 31 December 2016 in accordance with the measurement categories of IAS 39. It also shows the figures reported in the statement of financial position.

in € m

	LaR/OL	AfS	HfT	FVO	Total
Assets					
Cash reserve	1,296		1,800		3,096
Loans and advances to banks	15,235			–	15,235
Loans and advances to customers	92,566			512	93,078
Trading assets			20,498		20,498
Positive fair values of non-trading derivatives			4,024		4,024
Financial investments		23,839		1,932	25,771
Total	**109,097**	**23,839**	**26,322**	**2,444**	**161,702**
Liabilities					
Liabilities due to banks	29,755			383	30,138
Liabilities due to customers	43,285			3,539	46,824
Securitised liabilities	45,362			5,586	50,948
Trading liabilities			18,713		18,713
Negative fair values of non-trading derivatives			3,918		3,918
Subordinated capital	3,524			99	3,623
Total	**121,926**		**22,631**	**9,607**	**154,164**

As was the case in the previous year, the financial assets reported under other assets and the financial liabilities reported under other liabilities were allocated to the categories LaR and OL respectively.

The corresponding carrying amounts as at 31 December 2015 were as follows:

in € m

	LaR/OL	AfS	HfT	FVO	Total
Assets					
Cash reserve[1]	1,527		382		1,909
Loans and advances to banks	17,144			–	17,144
Loans and advances to customers	92,587			607	93,194
Trading assets			26,078		26,078
Positive fair values of non-trading derivatives			4,376		4,376
Financial investments		23,521		3,054	26,575
Total	**111,258**	**23,521**	**30,836**	**3,661**	**169,276**
Liabilities					
Liabilities due to banks	35,735			241	35,976
Liabilities due to customers	44,346			3,381	47,727
Securitised liabilities	40,926			6,147	47,073
Trading liabilities			22,423		22,423
Negative fair values of non-trading derivatives			4,380		4,380
Subordinated capital[2]	3,936			100	4,036
Total	**124,943**		**26,803**	**9,869**	**161,615**

[1] Prior-year figures restated: credit balances with Deutsche Bundesbank, which are assigned to the HfT category, were reported under the LaR category in an amount of € 382 m.

[2] Prior-year figures restated: due interest of € 50 m reported in the OL category under subordinated capital has been reclassified to other liabilities.

The following table shows the contributions to earnings from financial instruments in each measurement category for the 2016 financial year:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	2,511	–1,481	281		–138	100	1,273
Provisions for losses on loans and advances	–154						–154
Net trading income				146			146
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied					86	–35	51
Net income from hedge accounting	–3	–17				15	–5
Net income from financial investments			45				45
Contributions to earnings recognised under other comprehensive income			63				63
Total	**2,354**	**–1,498**	**389**	**146**	**–52**	**80**	**1,419**

The equivalent amounts for 2015 were as follows:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	2,758	–1,687	292		–164	154	1,353
Provisions for losses on loans and advances	–237						–237
Net trading income				190			190
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied					126	–104	22
Net income from hedge accounting	3	10				–10	3
Net income from financial investments			7				7
Contributions to earnings recognised under other comprehensive income			–62				–62
Total	**2,524**	**–1,677**	**237**	**190**	**–38**	**40**	**1,276**

Net interest income as per the income statement includes not only interest from financial instruments but also net interest attributable to pension obligations and other non-current provisions.

Net interest income includes interest income and interest expense from financial instruments not measured at fair value through profit or loss amounting to € 2,834 m (2015: € 3,050 m) and € 1,523 m (2015: € 1,687 m) respectively.

(68) Fair Values of Financial Instruments

The following overview compares the fair values of financial assets and liabilities with their corresponding carrying amounts. In addition, other financial assets and liabilities whose fair values correspond to their carrying amounts are reported under other assets and other liabilities.

in € m

	Fair value		Carrying amount		Difference	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Assets						
Cash reserve	3,096	1,909	3,096	1,909	–	–
Loans and advances to banks[1]	15,346	17,281	15,234	17,142	112	139
Loans and advances to customers[1]	97,557	97,474	92,307	92,210	5,250	5,264
Trading assets	20,498	26,078	20,498	26,078	–	–
Positive fair values of non-trading derivatives	4,024	4,376	4,024	4,376	–	–
Financial investments	25,771	26,575	25,771	26,575	–	–
Total	**166,292**	**173,693**	**160,930**	**168,290**	**5,362**	**5,403**
Liabilities						
Liabilities due to banks	31,098	37,074	30,138	35,976	960	1,098
Liabilities due to customers	48,162	48,983	46,824	47,727	1,338	1,256
Securitised liabilities	51,245	47,511	50,948	47,073	297	438
Trading liabilities	18,713	22,423	18,713	22,423	–	–
Negative fair values of non-trading derivatives	3,918	4,380	3,918	4,380	–	–
Subordinated capital[2]	3,971	4,447	3,623	4,036	348	411
Total	**157,107**	**164,818**	**154,164**	**161,615**	**2,943**	**3,203**

[1] Net carrying amount after provisions for losses on loans and advances.

[2] Prior-year figures restated: due interest of € 50 m was reported in the fair value and carrying amount figures under subordinated capital; this amount has been reclassified to other liabilities.

The breakdown of financial instruments on the assets side measured at fair value according to the hierarchy of the inputs used (as described in Note (6)) was as follows:

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Non-derivative financial instruments	**29,784**	**36,246**	**4,176**	**4,320**	**447**	**729**	**34,407**	**41,295**
Loans and advances to customers			411	504	101	103	512	607
Trading assets	6,144	11,532	1,974	2,504	37	108	8,155	14,144
Financial investments	23,640	24,714	1,791	1,312	309	518	25,740	26,544
Derivatives	**21**	**26**	**16,233**	**16,164**	**113**	**120**	**16,367**	**16,310**
Trading assets	20	21	12,234	11,816	89	97	12,343	11,934
Positive fair values of non-trading derivatives	1	5	3,999	4,348	24	23	4,024	4,376
Total	**29,805**	**36,272**	**20,409**	**20,484**	**560**	**849**	**50,774**	**57,605**

The financial instruments recognised as liabilities in the statement of financial position were broken down as follows

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Non-derivative financial instruments	**139**	**347**	**16,878**	**21,095**	**508**	**460**	**17,525**	**21,902**
Liabilities due to banks			373	231	10	10	383	241
Liabilities due to customers			3,491	3,344	48	37	3,539	3,381
Securitised liabilities	–	–	5,136	5,734	450	413	5,586	6,147
Trading liabilities	139	347	7,779	11,686	–	–	7,918	12,033
Subordinated capital	–	–	99	100	–	–	99	100
Derivatives	**28**	**51**	**14,588**	**14,612**	**97**	**107**	**14,713**	**14,770**
Trading liabilities	24	47	10,681	10,244	90	99	10,795	10,390
Negative fair values of non-trading derivatives	4	4	3,907	4,368	7	8	3,918	4,380
Total	**167**	**398**	**31,466**	**35,707**	**605**	**567**	**32,238**	**36,672**

The changes within the three measurement levels arose predominantly as a result of additions or disposals and not as a consequence of transfers between the levels.

The breakdown of assets-side non-derivative financial instruments in Level 3 was as follows:

in € m

	31.12.2016	31.12.2015
Loans and advances to customers	**101**	**103**
Bonds and other fixed-income securities	**42**	**268**
Bonds	–	161
Promissory notes	37	107
Asset-backed securities	5	–
Unlisted equity investments	**95**	**77**
Investment units	**77**	**127**
Purchase of receivables from endowment insurance policies	**132**	**154**
Total	**447**	**729**

The breakdown of Level 3 bonds and other fixed-income securities over the various rating categories was as follows:

in € m

	31.12.2016	31.12.2015
AAA	35	38
AA	–	214
A	–	15
BBB and below	7	1
Bonds and other fixed-income securities	**42**	**268**

Helaba's model for measuring the Level 3 instruments used inputs producing a price that knowledgeable market participants would apply. For individual inputs, more or less favourable factors could have been applied as an alternative.

For loans and advances to customers, bonds and other fixed-income securities, this is particularly true of the inputs used in estimating and determining credit spreads. The process uses scenario values on the basis of determined historical standard deviations in the sectors concerned. As was the case in the previous year, the determined deviations were negligible.

Simulations were carried out for unlisted equity investments and investment units for which a discounted earnings approach is used to determine fair value. The main variations in the simulations were to increase or reduce the cash flows by 10 % before discounting. The fair values calculated in this way were used as the basis for determining alternative values, which were then found to be up to € 18 m (31 December 2015: € 21 m) higher or lower.

The purchased receivables from endowment insurance policies are not deemed to be subject to any material sensitivity because they are measured on the basis of the surrender values supplied by the life insurance companies.

In the case of securitised liabilities, measurement does use inputs that could be subject to sensitivities, but they are hedged for the most part. The remaining sensitivities are not material as far as measurement is concerned.

There were no significant sensitivities evident in the other Level 3 instruments.

The following tables show the changes in the portfolio of financial instruments that are measured at fair value and allocated to Level 3 as well as the net gains or losses on remeasurement of the financial instruments still held in the portfolio as at 31 December:

in € m

	Loans and advances to customers		Trading assets		Financial investments	
Assets	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Carrying amounts as at 1.1.	**103**	**110**	**108**	**143**	**518**	**667**
Gains or losses recognised in profit or loss						
Net interest income	–	13			–	10
Net trading income			1	−2		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	2	−1			–	−6
Net income from financial investments					−7	2
Gains or losses recognised in other comprehensive income					12	−2
Additions	–	–	–	102	6	12
Disposals/liquidations	−4	−19	−14	−83	−223	−193
Changes due to currency translation	–	–	–	–	2	5
Transfers from Level 2	–	–	–	–	5	28
Transfers to Level 2	–	–	−58	−52	−4	−5
Carrying amounts as at 31.12.	**101**	**103**	**37**	**108**	**309**	**518**
Gains or losses on financial assets in the portfolio recognised in profit or loss	2	1	−3	−1	−1	−6

in € m

	Positive fair values of the trading portfolio		Positive fair values of non-trading derivatives	
Assets	**2016**	**2015**	**2016**	**2015**
Carrying amounts as at 1.1.	**97**	**66**	**23**	**41**
Gains or losses recognised in profit or loss				
Net interest income			−3	−1
Net trading income	31	45		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied			4	−16
Additions	6	5	–	–
Disposals/liquidations	−11	−8	–	−1
Transfers from Level 2	–	–	–	–
Transfers to Level 2	−34	−11	–	–
Carrying amounts as at 31.12.	**89**	**97**	**24**	**23**
Gains or losses on financial assets in the portfolio recognised in profit or loss	30	69	6	−11

in € m

Liabilities	Liabilities due to banks 2016	Liabilities due to banks 2015	Liabilities due to customers 2016	Liabilities due to customers 2015	Securitised liabilities 2016	Securitised liabilities 2015
Carrying amounts as at 1.1.	**10**	**36**	**37**	**45**	**413**	**456**
Gains or losses recognised in profit or loss						
Net interest income	–	1	1	2	–	5
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–	–	13	5	4	−18
Additions	–	21	10	36	73	45
Disposals/liquidations	–	−48	−13	−51	−34	−75
Transfers to Level 2	–	–	–	–	−6	–
Carrying amounts as at 31.12.	**10**	**10**	**48**	**37**	**450**	**413**
Gains or losses on liabilities in the portfolio recognised in profit or loss	–	−1	−12	−6	−9	33

in € m

Liabilities	Negative fair values of the trading portfolio 2016	Negative fair values of the trading portfolio 2015	Negative fair values of non-trading derivatives 2016	Negative fair values of non-trading derivatives 2015
Carrying amounts as at 1.1.	**99**	**66**	**8**	**3**
Gains or losses recognised in profit or loss				
Net interest income			−1	–
Net trading income	30	45		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied			−1	4
Additions	6	5	1	1
Disposals/liquidations	−11	−8	–	–
Transfers to Level 2	−34	−9	–	–
Carrying amounts as at 31.12.	**90**	**99**	**7**	**8**
Gains or losses on liabilities in the portfolio recognised in profit or loss	−30	−69	–	−7

The following overview shows a breakdown of financial instruments not measured at fair value according to the hierarchy of fair value levels:

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015[1)]	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Assets								
Cash reserve	3,096	1,909					3,096	1,909
Loans and advances to banks			10,726	12,515	4,620	4,766	15,346	17,281
Loans and advances to customers			81,342	87,581	15,703	9,286	97,045	96,867
Financial investments	–	–	–	–	31	31	31	31
Total	**3,096**	**1,909**	**92,068**	**100,096**	**20,354**	**14,083**	**115,518**	**116,088**
Liabilities								
Liabilities due to banks			25,498	31,625	5,217	5,208	30,715	36,833
Liabilities due to customers			39,997	41,028	4,626	4,574	44,623	45,602
Securitised liabilities	2,184	2,015	43,475	39,349	–	–	45,659	41,364
Subordinated capital	525	524	3,347	3,823	–	–	3,872	4,347
Total	**2,709**	**2,539**	**112,317**	**115,825**	**9,843**	**9,782**	**124,869**	**128,146**

1) Prior-year figures restated: due interest of € 50 m was reported in the fair value and carrying amount figures under subordinated capital; this amount has been reclassified to other liabilities.

The portfolios reported under Level 3 involve types of business for which observable measurement parameters are not generally available for all the key inputs. The development and retail businesses are the main types of business involved in this case. The persistently low interest rates mean that the assessment of customer credit quality has become more important in the measurement of fair value overall. As this credit assessment is determined on a customer-specific basis, some of the loans and advances to customers have been moved from Level 2 to Level 3.

(69) Reclassification of Financial Assets

In line with IAS 39 and IFRS 7, the Helaba Group reclassified certain trading assets and financial assets available for sale as loans and receivables in the second half of 2008. This reclassification procedure covered assets that, on 1 July 2008, were clearly no longer intended to be sold or traded in the short term and that instead were intended to be held for the foreseeable future. In accordance with the amended IAS 39, such assets were reclassified with effect from 1 July 2008 using the fair value determined on this reference date. No further reclassifications have been carried out since that time.

The reclassification also resulted in a change in the line item in which the assets are shown in the statement of financial position. The following table shows the carrying amounts and the fair values of the reclassified assets.

in € m

	31.12.2016 Carrying amount	31.12.2016 Fair value	31.12.2015 Carrying amount	31.12.2015 Fair value	1.7.2008 Carrying amount
Trading assets reclassified to loans and advances to customers	64	63	73	71	437
Financial investments reclassified to loans and advances to customers	25	25	41	40	1,722
Total	**89**	**88**	**114**	**111**	**2,159**

If the reclassifications had not been carried out, this would have resulted in 2016 in additional unrealised measurement gains of € 1 m (2015: measurement losses of € 1 m) for trading assets in profit or loss and additional unrealised measurement gains of € 0 m (2015: measurement losses of € 1 m) for financial investments in other comprehensive income.

As in the previous year, there was no material impact on the consolidated income statement in the year under review from the reclassification of these assets.

(70) Disclosures Relating to Financial Instruments to which the Fair Value Option is Applied

Helaba determines the cumulative changes in carrying amounts attributable to credit risk for assets and liabilities classified as financial instruments to which the fair value option is applied. For each of these financial instruments, the calculation is based on the difference between the latest measurement and the historical measurement on the date of addition. This difference is then adjusted for any changes in value resulting from market factors not related to credit risk. Helaba discloses the amounts recognised in profit or loss in the reporting period for the financial instruments still in the portfolio as at 31 December. The amounts concerned are shown in the following tables:

in € m

	Carrying amount		Reporting period		Cumulative	
	31.12.2016	31.12.2015	2016	2015	31.12.2016	31.12.2015
Loans and advances to customers	512	607	1	3	−6	−7
Bonds and other fixed-income securities	1,864	2,901	−1	4	−3	−2
Equity shares and other variable-income securities	68	153				
Total	**2,444**	**3,661**	**–**	**7**	**−9**	**−9**

in € m

	Carrying amount		Reporting period		Cumulative	
	31.12.2016	31.12.2015	2016	2015	31.12.2016	31.12.2015
Liabilities due to banks	383	241	−3	–	–	3
Liabilities due to customers	3,539	3,381	45	−5	20	67
Securitised liabilities	5,586	6,147	34	8	−16	19
Subordinated capital	99	100	−1	−1	1	1
Total	**9,607**	**9,869**	**75**	**2**	**5**	**90**

The following overview compares the settlement amounts for the liabilities to which the fair value option is applied and the carrying amounts of these liabilities:

in € m

	Settlement amount		Carrying amount		Difference	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Liabilities due to banks	401	247	383	241	18	6
Liabilities due to customers	4,163	4,129	3,539	3,381	624	748
Securitised liabilities	5,614	6,335	5,586	6,147	28	188
Subordinated capital	98	98	99	100	−1	−2
Total	**10,276**	**10,809**	**9,607**	**9,869**	**669**	**940**

(71) Disclosures Relating to Issuing Activities

The following table provides an overview of changes in the Helaba Group's securitised funding during the reporting period:

in € m

	Securitised trading liabilities		Securitised liabilities		Securitised subordinated capital		Total	
	2016	2015	2016	2015	2016	2015[1]	2016	2015[1]
As at 1.1.	**4,664**	**2,019**	**47,073**	**48,320**	**1,836**	**3,372**	**53,573**	**53,711**
Changes due to currency translation	–20	153	41	364	–	3	21	520
Additions from issues	5,571	13,861	52,229	49,158	–	289	57,800	63,308
Additions from reissue of previously repurchased instruments	–	–	1,121	2,020	2	3	1,123	2,023
Redemptions	–8,542	–11,375	–48,214	–50,252	–303	–1,784	–57,059	–63,411
Repurchases	–5	–10	–1,191	–2,178	–2	–3	–1,198	–2,191
Changes in accrued interest	–1	–	–71	–105	–	–	–72	–105
Changes in value recognised through profit or loss	8	16	–40	–254	–6	–44	–38	–282
As at 31.12.	**1,675**	**4,664**	**50,948**	**47,073**	**1,527**	**1,836**	**54,150**	**53,573**

[1] Prior-year figures restated: due interest was reported in the carrying amount under securitised subordinated debt as at the reporting date; this amount has been reclassified to other liabilities. For this reason the balances as at 1 January 2015 and 31 December 2015 have been adjusted by € –16 m.

As part of its issuing activities, the Helaba Group places short-term commercial paper, equities and index certificates, medium- and long-term bonds, and subordinated sources of funding on the money and capital markets.

Additions from issues and redemptions also include the placement volume of short-term commercial paper that could be repaid by as early as the end of the financial year. The changes in value recognised through profit or loss result from remeasurement gains or losses on financial liabilities held as at the reporting date that were either accounted for as hedged items or to which the fair value option was applied.

(72) Risk Management Disclosures

The Group's risk strategy focuses on the assumption of risks with a view to making profits and takes account of the company's economic and regulatory capital. The identified risks are continuously measured and monitored for risk management purposes. The methods used are subject to constant improvement. With regard to the organisation of risk management, the individual risk types as well as risk concentrations, please refer to the risk report, which forms an integral part of the management report.

(73) Credit Risks Attributable to Financial Instruments

The following table shows the carrying amounts of loans and advances in the loans and receivables category for which specific loan loss allowances or specific loan loss allowances evaluated on a group basis have been recognised. The table also shows the gross carrying amounts before impairment losses on available-for-sale financial assets.

in € m

	Carrying amount before allowances/impairment losses		Amount of allowances/ impairment losses		Carrying amount after allowances/impairment losses	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015[1]	31.12.2016	31.12.2015
Loans and advances to banks (LaR)	–	3	–	1	–	2
Loans and advances to customers (LaR)	1,149	1,668	499	637	650	1,031
Financial investments (AfS)	138	260	98	134	40	126
Total	**1,287**	**1,931**	**597**	**786**	**690**	**1,159**

[1] Prior-year figures restated: a consolidation effect of € 14 m had not been included in financial investments in the prior year.

With the exception of loans and advances to banks and loans and advances to customers, the maximum credit risk in accordance with IFRS 7.36 (a) as at the reporting date was equivalent to the carrying amount of the financial assets as detailed in Note (67) plus the contingent liabilities and irrevocable loan commitments as per Note (74). For loans and advances to banks and loans and advances to customers, the maximum credit risk was equivalent to the carrying amount less the allowances for losses on loans and advances (see Note (39)). These amounts do not factor in any deduction of collateral or other agreements that reduce risk.

No impairment losses were recognised for loans, advances and other receivables measured at amortised cost with a carrying amount of € 234 m (31 December 2015: € 162 m) and that were past due as at the reporting date. This was because Helaba had noted no material change in the rating of the debtors and still expected the outstanding amounts to be repaid.

A financial asset is classified as past due if the party to the agreement fails to make the contractually agreed payments in respect of the financial instrument on time. Even if only certain contractually agreed part payments (interest or partial repayments of principal) are overdue, the asset is still considered past due.

The following table shows an aged breakdown of loans, advances and other receivables past due, but not impaired, as at 31 December 2016:

in € m

	Carrying amount	Past due by up to one month	Past due by more than one month and up to three months	Past due by more than three months and up to one year	Past due by more than one year	Total past due
Loans and advances to banks (LaR)	15,235	1	–	–	–	1
Loans and advances to customers (LaR)	92,566	110	93	19	7	229
Trade accounts receivable (LaR)	36	2	1	1	–	4
Total	**107,837**	**113**	**94**	**20**	**7**	**234**

The following table shows the corresponding amounts as at 31 December 2015:

in € m

	Carrying amount	Past due by up to one month	Past due by more than one month and up to three months	Past due by more than three months and up to one year	Past due by more than one year	Total past due
Loans and advances to banks (LaR)	17,144	–	–	–	–	–
Loans and advances to customers (LaR)	92,587	94	34	19	12	159
Trade accounts receivable (LaR)	51	1	1	1	–	3
Total	**109,782**	**95**	**35**	**20**	**12**	**162**

Trade accounts receivable, which are reported under Other assets in the statement of financial position, are mainly attributable to third-party consulting fees (for which there are liabilities in the same amount), real estate project management and residential construction business.

The following table shows a breakdown of deferred or renegotiated loans and advances as at the reporting date:

in € m

	Carrying amount		thereof: Deferred or renegotiated loans and advances	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Loans and advances to banks	15,235	17,144	–	–
Loans and advances to customers	93,078	93,194	1,414	2,144
Total	**108,313**	**110,338**	**1,414**	**2,144**

Deferred or renegotiated loans and advances are determined in accordance with the definition of forborne exposures issued by the European Banking Authority (EBA). A forborne exposure refers to debts in connection with which forbearance action has been applied. Such action includes concessions or restructuring as a result of existing or anticipated financial difficulties on the part of the debtor.

The following table shows a breakdown of allowances for losses on loans and advances related to deferred or renegotiated loans and advances as at the reporting date:

in € m

	Carrying amount		thereof: Related to deferred or renegotiated loans and advances and loan commitments	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Allowances on loans and advances to banks	**1**	**2**	**–**	**–**
Specific loan loss allowances	–	1	–	–
Portfolio loan loss allowances	1	1	–	–
Allowances on loans and advances to customers	**771**	**984**	**359**	**421**
Specific loan loss allowances	453	576	336	386
Specific loan loss allowances evaluated on a group basis	46	61	13	20
Portfolio loan loss allowances	272	347	10	15
Provisions for lending business risks	**43**	**44**	**2**	**3**
Total	**815**	**1,030**	**361**	**424**

In order to secure its loans, the Helaba Group holds, in particular, property charges in relation to real estate, guarantees and warranties as well as securities. Financial collateral arrangements that are customary in the industry are also used. The estimated fair value of the collateral is based on a valuation of that collateral. Depending on the type and volume of the loans in question, the collateral is constantly monitored and updated in accordance with the credit guidelines.

The following table shows the estimated fair values of the collateral held in respect of traditional lending operations as at the reporting date:

in € m

	Carrying amount		Fair value of collateral	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Loans and advances to banks	15,235	17,144	218	169
Loans and advances to customers	93,078	93,194	34,310	33,837
Contingent liabilities	6,310	5,355	287	420
Irrevocable loan commitments	19,650	19,248	550	351
Total	**134,273**	**134,941**	**35,365**	**34,777**

In the case of OTC derivative transactions, Helaba applies a credit valuation adjustment (CVA) for default risk in order to cover any expected losses in the lending business. This CVA is determined by assessing the potential credit risk for a given counterparty. This assessment takes into account any collateral held, any offsetting effects under master agreements, the expected loss in the event of a default and the credit risk based on market data, including CDS spreads. As at 31 December 2016, the CVAs for both trading book and banking book derivatives with positive fair values amounted to € 155 m (31 December 2015: € 142 m).

For further information on credit risks, please refer to the risk report, which forms an integral part of the management report.

Off-Balance Sheet Transactions and Obligations

(74) Contingent Liabilities and Other Off-Balance Sheet Obligations

The Helaba Group's contingent liabilities and other obligations are mainly potential future payment obligations of the Group attributable to credit lines that have been granted to customers but have not yet been drawn down and to financial guarantees that have been provided. The figures shown reflect potential liabilities and assume that the credit lines extended are utilised in full and that the financial guarantees are called upon. Provisions are recognised for irrevocable loan commitments if it is probable that the resulting loan will be impaired as soon as it is drawn down. Provisions are recognised for financial guarantees or other obligations if it is likely that the guarantees will be called upon or the obligations will materialise.

in € m

	31.12.2016	31.12.2015
Irrevocable loan commitments	**19,650**	**19,248**
Financial guarantees	**5,038**	**4,053**
Other obligations	**4,364**	**4,334**
Liabilities from guarantees and warranty agreements	1,272	1,302
Placement and underwriting obligations	2,753	2,795
Contribution obligations	43	54
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	135	41
Contractual obligations in connection with investment property	118	118
Litigation risk obligations	–	3
Sundry obligations	43	21
Total	**29,052**	**27,635**

On the reporting date, € 42 m of the contribution obligations was attributable to 31 commercial partnerships, while € 1 m was attributable to four corporations. No contribution obligations existed in respect of affiliated companies.

In its capacity as the legal successor of one of its subsidiaries, the Bank assumed the obligations arising from the merger of that subsidiary. The latter was involved in a demerger, which resulted in the temporary assumption of liabilities under the German Transformation Act (Umwandlungsgesetz, UmwG). No actual costs are currently expected.

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

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

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

In addition, Helaba and Frankfurter Sparkasse are members of the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen. 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 will make gradual contributions to the fund until 0.5 % of the assessment base (the banks' risk assets) has been reached. An institution's obligation to pay contributions is established on the basis of risk, taking into account bonus and penalty factors. Sparkassen- und Giroverband Hessen-Thüringen will be liable to make up any shortfall should a claim be made against the fund before the full amount has been contributed in cash.

Certain banks affiliated with the Group have additional obligations as members of protection schemes in accordance with the provisions applicable to such arrangements.

If LBS Immobilien GmbH or OFB Projektentwicklung GmbH becomes insolvent, Helaba has agreed to make the compensation payments to the relevant supplementary pension fund.

As in 2015, contingent liabilities of € 205 m may arise if capital contributions have to be repaid.

The sundry obligations include obligations of € 18 m (31 December 2015: € 12 m) to the European Single Resolution Fund. The Bank and Frankfurter Sparkasse have elected to fully utilise the option to make some of the annual contribution in the form of an irrevocable payment undertaking backed in full by cash collateral.

The Reserve Fund of the Landesbanken and Girozentralen and the deposit security reserve fund of the Landesbausparkassen also give their member banks an option to pay part of their contributions in the form of irrevocable payment undertakings backed by cash collateral. The Bank and the Landesbausparkasse have utilised this option for contributions of € 7 m.

(75) Letters of Comfort

Company	Registered offices
Grundstücksgesellschaft Gateway Gardens GmbH	Frankfurt am Main

(76) Fiduciary Transactions

in € m

	31.12.2016	31.12.2015[1]
Trust assets		
Loans and advances to banks	243	192
Loans and advances to customers	525	451
Equity shares and other variable-income securities	202	202
Equity investments	56	60
Other assets	13	13
Total	**1,039**	**918**
Trust liabilities		
Liabilities due to banks	125	1
Liabilities due to customers	606	606
Other liabilities	308	311
Total	**1,039**	**918**

[1] Prior-year figures restated: The equity shares and other variable-income securities held in trust that were reported under other assets in the prior year have been presented separately.

The fiduciary transactions mainly involve development funding from the Federal Government, the Federal State of Hesse and from the KfW provided in the form of trustee loans, trust funds invested with other credit institutions as well as shareholdings managed for private investors.

Other Disclosures

(77) Leasing Disclosures

Leases in which the Helaba Group is the lessor
The following table provides details of finance leases:

in € m

	31.12.2016	31.12.2015
Gross investment value	**4**	**6**
Up to one year	1	1
More than one year and up to five years	3	5
Unrealised financial income	**–**	**–1**
Net investment value	**4**	**5**
Up to one year	1	1
More than one year and up to five years	3	4

The gross investment value is equivalent to the sum of the minimum lease payments from the finance lease and the non-guaranteed residual values to which the lessor is entitled. The minimum lease payments include the guaranteed residual values to be paid by the lessee. The unrealised financial income corresponds to the difference between the gross investment value and the net investment value.

As in 2015, there were no cumulative loss allowances in connection with finance leases. No contingent rental payments were recognised as income in the year under review, as was also the case in 2015.

The following minimum lease payments are expected in the course of the next few years from non-cancellable operating leases:

in € m

	31.12.2016	31.12.2015
Up to one year	69	65
More than one year and up to five years	38	35
More than five years	56	52
Total	**163**	**152**

The operating leases mainly comprise subtenancy agreements for space rented out in leased buildings as well as tenancy agreements in which Helaba's own land and buildings are leased out. No contingent rental payments were recognised as income from operating leases in the year under review, as was also the case in 2015.

The leased properties are predominantly office buildings used for banking operations, unless they are subject to different commercial use as part of subtenancy arrangements. The tenancy agreements have fixed terms with current residual terms of up to 15 years. Price adjustment clauses exist in various forms; no contingent rental payments have been agreed.

Leases in which the Helaba Group is the lessee
General and administrative expenses included an amount of € 42 m (2015: € 39 m) relating to payments for operating leases in which Helaba is the lessee. This amount mainly relates to land and buildings as well as operating and business equipment.

The following minimum lease payments for non-cancellable operating leases are expected to be made over the next few years:

in € m

	31.12.2016	31.12.2015
Up to one year	47	38
More than one year and up to five years	136	119
More than five years	63	80
Total	**246**	**237**

As at the reporting date, future minimum rental payments of € 4 m were expected under non-cancellable subtenancy arrangements (31 December 2015: € 2 m). In the year under review, income of € 2 m (2015: € 3 m) was generated from subtenancy agreements. This income is reported under other operating income.

In 2016, there were no finance leases in which the Helaba Group was the lessee.

(78) Capital Management and Regulatory Ratio Disclosures

Capital management in the Helaba Group comprises planning regulatory own funds as part of the planning process, allocating own funds, monitoring changes in risk exposures and complying with capital limits, monitoring and determining the plausibility of the remaining capital buffer as well as recognising a projected cost of capital as part of contribution margin accounting. The aim of capital management is to allocate capital over the various divisions of the Group, with due consideration being given to risk and return aspects, and also in line with the need to comply with regulatory requirements concerning capital adequacy.

The regulatory own funds of the Helaba banking group are determined in accordance with Regulation (EU) No. 575/2013 (CRR) and the complementary provisions in sections 10 and 10a of the German Banking Act (Kreditwesengesetz, KWG). In accordance with the classification specified in the CRR, own funds comprise Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. Since 2015, Helaba has had to comply with the requirements of the European Single Supervisory Mechanism (SSM), which extend beyond those of the CRR.

The regulatory own funds requirements and the capital ratios are also determined in accordance with the provisions of the CRR.

As at 31 December 2016, the breakdown of the own funds of the Helaba banking group was as follows (each amount shown after regulatory adjustments):

in € m

	31.12.2016	31.12.2015
Tier 1 capital	**8,110**	**8,171**
Common Equity Tier 1 capital (CET1)	7,534	7,564
Additional Tier 1 capital	576	607
Tier 2 capital	**2,699**	**2,708**
Own funds, total	**10,809**	**10,879**

The following capital requirements and ratios were applicable as at the reporting date:

in € m

	31.12.2016	31.12.2015
Default risk (including equity investments and securitisations)	3,585	3,725
Market risk (including CVA risk)	348	367
Operational risk	295	296
Total own funds requirement	**4,228**	**4,388**
CET1 capital ratio	14.3 %	13.8 %
Tier 1 capital ratio	15.3 %	14.9 %
Total capital ratio	20.5 %	19.8 %

The Tier 1 and total capital ratios comply with the target ratios specified by Helaba in its capital planning. Helaba is complying with the regulatory requirements including the requirements of the European SSM regarding capital adequacy.

(79) Report on Business Relationships with Structured Entities

The banking business and other operating activities of the Group companies give rise to various business relationships with structured entities within the meaning of IFRS 12. A structured entity is an entity that has been designed so that the exercise of voting or similar rights under company law is not the dominant factor in deciding who controls the entity as defined by IFRS 10.

The sponsorship of a structured entity as described in IFRS 12.27 may arise as part of the banking functions provided for customers. This affects situations in which the Helaba Group has initiated a special purpose entity or service entity, has been involved in and supported the establishment and initiation of the entity, and in which the Group's current business relationship with this unconsolidated structured entity is still so close that a third party would justifiably assume that the entity was affiliated with the Group

Disclosures on unconsolidated structured entities
The following table shows the loans and advances as at 31 December 2016 to unconsolidated structured entities within the meaning of IFRS 12:

in € m

	Securitisation special purpose entities	Asset management entities	Other structured entities	Total
Assets	**3,117**	**262**	**2,997**	**6,376**
Loans and advances to customers	3,073	193	2,944	**6,210**
Allowances for losses on loans and advances	– 1	– 4	–	**– 5**
Trading assets	2	18	5	**25**
Financial investments	43	49	48	**140**
Other assets	–	6	–	**6**
Off-balance sheet activities	**1,145**	**21**	**84**	**1,250**
Size of structured entities	**38,412**	**159,524**	**84,949**	**282,885**

The following table shows the corresponding amounts as at 31 December 2015:

in € m

	Securitisation special purpose entities[1)]	Asset management entities	Other structured entities	Total
Assets	**3,078**	**146**	**3,042**	**6,266**
Loans and advances to customers	2,968	59	3,011	**6,038**
Allowances for losses on loans and advances	–	–5	–1	**–6**
Trading assets	–	10	5	**15**
Financial investments	110	76	28	**214**
Other assets	–	6	–1	**5**
Off-balance sheet activities	**1,224**	**43**	**532**	**1,799**
Size of structured entities	**39,206**	**147,810**	**82,140**	**269,156**

1) Prior-year figures restated: individual customer relationships relating to securitisation special purpose entities had been treated as intragroup transactions in the prior year. This has given rise to an increase of € 621 m under loans and advances to customers.

The asset management entities predominantly relate to the investment assets managed by Helaba Invest Kapitalanlagegesellschaft mbH and LB(Swiss) Investment AG, the breakdown of which was as follows:

in € m

	31.12.2016	31.12.2015
Retail funds 66 (2015: 76)	7,131	6,249
Special funds 251 (2015: 247)	114,085	107,073
Total	**121,216**	**113,322**

Some of the securitisation entities business comprises service functions for securitisation entities in the OPUSALPHA Group. The lines of liquidity provided for the entities in the OPUSALPHA Group, including flat-rate premiums of 2 %, amounted to € 2,797 m (31 December 2015: € 2,353 m), of which € 1,875 m had been drawn down as at 31 December 2016 (31 December 2015: € 1,476 m). The liquidity provision commitments relate to the maximum planned purchase commitments; Helaba is exposed to subordinated liabilities should the discounts on purchases and risks borne by third parties be insufficient. The table above shows the Group's default risk from asset exposures plus any current interest and fees due to the Group as at 31 December 2016 after taking into account issues of € 860 m (31 December 2015: € 872 m). From the current perspective, there are no plans to provide support for the structured entities beyond the normal banking financing functions and services. As at 31 December 2016, there were undrawn liquidity lines for third-party securitisation platforms amounting to € 65 m, which was unchanged compared with the figure at the end of the previous year. The Helaba Group had also provided finance for factoring entities for customers including OPUSDELTA in an amount of € 179 m (31 December 2015: € 182 m) and OPUSLAMBDA in an amount of € 1 m (31 December 2015: € 184 m).

The recognised loans and advances to other structured entities related to a number of financing transactions for property and special purpose entities. These structured entities predominantly act as property entities for leasing or real estate transactions.

Disclosures on consolidated structured entities

If a structured entity is included in the basis of consolidation in accordance with IFRS 10, the business relationships with other consolidated entities are subject to the normal consolidation requirements. The structured entities consolidated as at 31 December 2016 included special funds in which Helaba or a subsidiary held a majority or all of the shares/units. Other entities consolidated in accordance with IFRS 10 were a property entity related to real estate partly used by Helaba itself (Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG) and a funding entity for purchasing entities in the OPUSALPHA securitisation structure (OPUSALPHA Funding LTD). The consolidation in accordance with IFRS 10 additionally required the inclusion of four entities (HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Life Invest Deutschland II GmbH & Co. KG, Egeria Verwaltungsgesellschaft mbH and Cordelia Verwaltungsgesellschaft mbH) that formed part of the structures of closed-end funds with investments in acquired rights under life insurance policies.

In the year under review, two consolidated property entities that formed part of the structures of closed-end funds for investments in acquired rights under life insurance policies were subject to debt waivers. These debt waivers are already provided for in the contracts on a conditional basis depending on trends in investments in acquired rights under life insurance policies and, in substance, reduce the obligations of the Bank to the fund companies in connection with issued investment certificates.

(80) Significant Restrictions on Assets or on the Transfer of Funds

In addition to the information in the disclosures on legal restrictions affecting control over financial instruments (see Notes (59) and (60)), there were restrictions for the following entities as at the reporting date on current dividend distributions because of contractual arrangements or rules in the articles of association:

- Bürgschaftsbank Thüringen GmbH, Erfurt,
- Bürgschaftsbank Hessen GmbH, Wiesbaden,
- Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel,
- Hessenkapital I GmbH, Frankfurt am Main,
- Hessenkapital II GmbH, Frankfurt am Main,
- MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Frankfurt am Main,
- Mittelhessenfonds GmbH, Frankfurt am Main,
- Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt.

At Frankfurter Sparkasse, a statutory requirement in the German Act Establishing Frankfurter Sparkasse as a Public-Law Institution (Gesetz zur Errichtung der Frankfurter Sparkasse als Anstalt des öffentlichen Rechts, Fraspa-Gesetz) specifies an obligation to appropriate 30 % of the net income reported in the annual financial statements of Frankfurter Sparkasse to reserves.

In the case of six consolidated subsidiaries, there is a block on dividends amounting to a total of € 20 m based on the stipulations in section 253 (6) sentence 2 HGB. This results from the measurement of provisions for pension obligations in the separate financial statements, which have had to be discounted since 2016 with average discount rates for the last ten years.

The consolidation of special purpose entities in accordance with IFRS 10 is frequently not based on holding the majority of voting rights. Accordingly, in the case of these consolidated special purpose entities, there is no basis in law requiring unconditional, immediate appropriation of profits or transfer of assets for the benefit of Helaba. The total volume of assets in consolidated special purpose entities in accordance with IFRS prior to consolidation amounted to € 2,270 m (31 December 2015: € 2,410 m). This total figure included an amount of € 1,788 m (31 December 2015: € 1,883 m) related to the consolidated funding entity in the OPUSALPHA securitisation structure.

The business activities of Landesbausparkasse Hessen-Thüringen and WIBank, and the activities in the Pfandbrief business operated by the Bank, are subject to special legal frameworks, namely the German Building and Loan Associations Act (Bausparkassengesetz, BSpKG), the Act Governing WIBank (Gesetz über die Wirtschafts- und Infrastrukturbank Hessen) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). Most of the assets and liabilities in these business operations are therefore subject to restrictions because the operations are focused on the object of the entity in each case and the appropriation of funds is tied to statutory requirements. In some cases, the way funding is used is also restricted. For example, in the case of certain development programmes, such as those related to the construction of social housing or the development of infrastructure, the provider of the development funding (such as national or international development banks, federal or state governments) limits the purpose for which the funds may be used to ensure that the funding is properly targeted to achieve the desired development impact. In the case of the “Wohnungswesen und Zukunftsinvestition” and “Hessischer Investitionsfonds” special funds, two funds focusing on housing/investing for the future and capital investment in the State of Hesse respectively, there are also restrictions on the use of the return inflows derived from the application of the funding. In their respective financial statements as at 31 December 2016, WIBank reported total assets of € 17,413 m (31 December 2015: € 16,813 m) and LBS total assets of € 5,411 m (31 December 2015: € 5,191 m).

Regulatory requirements relating to the recognition of own funds specified certain contractual details for issues of subordinated liabilities and silent participations. Under these requirements, the Helaba Group’s right of termination is limited if certain conditions are met and the consent of the regulator must be obtained. The contractual rules for some issues require a replenishment following any loss before any actual repayment is made.

(81) Related Party Disclosures

In the course of the ordinary activities of Helaba, transactions with parties deemed to be related in accordance with IAS 24 are conducted on an arm's-length basis. The following disclosures relate to transactions with non-consolidated affiliated companies, with associates and with joint ventures of the Helaba Group as well as their subordinated subsidiaries.

With regard to the Sparkassen- und Giroverband Hessen-Thüringen, the Federal State of Hesse and the Free State of Thuringia in their capacity as shareholders and owners, the criteria for exemption from reporting on related parties that are public-sector entities are satisfied; this option is always utilised if the business volumes involved are insignificant. The business relations with our shareholders and their subordinated subsidiaries in accordance with IAS 24 comprise normal banking services. The extent of business relations with the shareholders and main subordinated companies in the year under review is detailed in the balances at the end of the year shown in the following table. The disclosures relating to persons in key positions of the Helaba Group as defined in IAS 24, including their close family relations and companies controlled by those persons, are also included in the following table.

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 31 December 2016:

in € m

	Non-consolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Assets	**83**	**917**	**3,079**	**1**	**4,080**
Loans and advances to banks	–	3	–	–	**3**
Loans and advances to customers	59	878	1,464	1	**2,402**
Allowances for losses on loans and advances	–	–10	–	–	**–10**
Trading assets	–	3	1,094	–	**1,097**
Financial investments	24	24	405	–	**453**
Other assets	–	19	116	–	**135**
Liabilities	**10**	**323**	**2,048**	**66**	**2,447**
Liabilities due to banks	–	–	141	–	**141**
Liabilities due to customers	10	321	1,735	43	**2,109**
Trading liabilities	–	–	79	–	**79**
Subordinated capital	–	–	79	–	**79**
Other liabilities	–	2	14	23	**39**
Off-balance sheet activities	**12**	**147**	**88**	**–**	**247**

The equivalent amounts as at 31 December 2015 were as follows:

in € m

	Non-consolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders[1)]	Other related parties	Total
Assets	**62**	**1,173**	**2,987**	**1**	**4,223**
Loans and advances to banks	–	3	–	–	**3**
Loans and advances to customers	38	1,111	1,209	1	**2,359**
Allowances for losses on loans and advances	–	–16	–	–	**–16**
Trading assets	–	9	1,065	–	**1,074**
Financial investments	24	49	597	–	**670**
Other assets	–	1	116	–	**117**
Liabilities	**5**	**344**	**1,761**	**63**	**2,173**
Liabilities due to banks	–	–	189	–	**189**
Liabilities due to customers	5	342	1,335	37	**1,719**
Trading liabilities	–	–	125	–	**125**
Subordinated capital	–	–	100	–	**100**
Other liabilities	–	2	12	26	**40**
Off-balance sheet activities	**3**	**142**	**68**	**–**	**213**

[1)] Prior-year figures restated: Customer relationships in connection with the State of Hesse had not been comprehensively identified in the prior year. This has given rise to an adjustment of € 886 m under liabilities due to customers.

As in the previous year, the loans and advances to other related parties comprised loans of less than € 1 m to members of the Board of Managing Directors and loans of less than € 1 m to members of the Supervisory Board.

In 2016, the income statement included the following contributions from transactions with related parties:

in € m

	Non-consolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Interest income	5	37	31	–	**73**
Interest expense	–	–14	–20	–	**–34**
Net interest income	**5**	**23**	**11**	**–**	**39**
Provisions for losses on loans and advances	–	–1	–	–	**–1**
Net interest income after provisions for losses on loans and advances	**5**	**22**	**11**	**–**	**38**
Fee and commission income	–	–	42	–	**42**
Net fee and commission income	**–**	**–**	**42**	**–**	**42**
Net trading income	–	5	236	–	**241**
Net income from hedge accounting	–	–	–1	–	**–1**
Net income from financial investments	1	–	–	–	**1**
Other net operating income	–	1	–	–	**1**
General and administrative expenses	–	–6	–5	–9	**–20**
Profit before taxes	**–3**	**22**	**283**	**–9**	**293**

The equivalent amounts for 2015 were as follows:

in € m

	Non-consolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Interest income	6	46	30	–	**82**
Interest expenses	– 2	– 15	– 19	–	**– 36**
Net interest income	**4**	**31**	**11**	**–**	**46**
Provisions for losses on loans and advances	–	1	–	–	**1**
Net interest income after provisions for losses on loans and advances	**4**	**32**	**11**	**–**	**47**
Fee and commission income	–	1	46	–	**47**
Net fee and commission income	**–**	**1**	**46**	**–**	**47**
Net trading income	–	32	– 39	–	**– 7**
Net income from hedge accounting	–	–	4	–	**4**
Net income from financial investments	– 1	–	–	–	**– 1**
Share of profit or loss of equity-accounted entities	–	– 16	–	–	**– 16**
General and administrative expenses	–	–	-23	-9	**-32**
Profit before taxes	**3**	**49**	**-1**	**-9**	**42**

The income and expenses from transactions with related parties arise predominantly from standard banking activities in the lending, investment and derivatives businesses. Exposures resulting from market risk assumed by the Bank, for example in connection with interest rate derivatives, are matched by corresponding countervailing transactions with other customers as part of overall bank management. An analysis in isolation, for example of the net trading income from transactions with related parties, does not therefore present the actual net income achieved by the Bank from such transactions.

The remuneration paid to the Board of Managing Directors of Helaba was broken down as follows:

in € m

	2016	2015
Short-term benefits	4.7	4.9
Post-employment benefits	–	–
Other long-term benefits	1.7	1.6
Benefits payable on termination of employment	–	–

Additions of € 1.1 m were also made to the pension provisions for members of the Board of Managing Directors (2015: € 1.0 m). This amount represented the current service cost.

As in 2015, a total of € 0.9 m was paid to the Supervisory Board and € 0.1 m to the members of the Advisory Board. In addition, the employee representatives on the Supervisory Board (including deputy members) received a combined amount of € 3 m in salary payments as company employees. This amount was unchanged compared with 2015. An amount of € 4 m was paid to former members of the Board of Managing Directors and their surviving dependants, the same amount as in the prior year. As at 31 December 2016, provisions of € 70 m were recognised in accordance with IAS 19 for pension obligations to this group of persons (31 December 2015: € 65 m).

(82) Auditors' Fees

The following fees for services rendered by Group companies of PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft were invoiced for the year under review:

in € m

	2016	2015[1)]
Audit fees	3	3
Other attestation services	1	1
Other services	1	1
Total	**5**	**5**

[1)] Prior-year figures restated: The expenses for other attestation services had not been fully identified in the prior year, which is why the expense had been understated by € 1 m.

(83) Employee Disclosures

The breakdown of the average number of employees in 2016 in the Helaba Group was as follows:

	Female		Male		Total	
	2016	2015	2016	2015	2016	2015
Bank as a whole	**1,536**	**1,580**	**1,847**	**1,896**	**3,383**	**3,476**
Bank	1,139	1,175	1,566	1,604	2,705	2,779
WIBank	234	237	169	173	403	410
LBS	163	168	112	119	275	287
Group subsidiaries	**1,356**	**1,366**	**1,362**	**1,358**	**2,718**	**2,724**
Group	**2,892**	**2,946**	**3,209**	**3,254**	**6,101**	**6,200**

(84) Members of the 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 –

Alexander Wüerst
Chairman of the Board
of Managing Directors
Kreissparkasse Köln
Cologne
– since 18 April 2016 –
– Third Vice-Chairman
since 27 June 2016 –

Andreas Bausewein
Mayor
City of Erfurt
Erfurt

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

Ingo Buchholz
Chairman of the Board
of Managing Directors
Kasseler Sparkasse
Kassel

Patrick Burghardt
Mayor
City of Rüsselsheim
Rüsselsheim

Georg Fahrenschon
President
Deutscher Sparkassen-
und Giroverband e. V.
Berlin

Stefan Hastrich
Chairman of the Board
of Managing Directors
Kreissparkasse Weilburg
Weilburg
– since 23 November 2016 –

Ulrich Heilmann
Chairman of the Board
of Managing Directors
Kyffhäusersparkasse
Artern-Sondershausen
Sondershausen
– until 31 August 2016 –

Bertram Hilgen
Mayor
City of Kassel
Kassel

Günter Högner
Chairman of the Board
of Managing Directors
Nassauische Sparkasse
Wiesbaden
– since 11 March 2016 –

Dr. Christoph Krämer
Chairman of the Board
of Managing Directors
Sparkasse Iserlohn
Iserlohn

Manfred Michel
Chief Administrative Officer
Country District of Limburg-Weilburg
Limburg an der Lahn

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

Clemens Reif
Member of the State Parliament
of Hesse
Wiesbaden

Thorsten Schäfer-Gümbel
Member of the State Parliament
of Hesse
Wiesbaden

Helmut Schmidt
Chairman of the Board
of Managing Directors
Kreissparkasse Saale-Orla
Schleiz
– since 11 March 2016 –

Uwe Schmidt
Chief Administrative Officer
County District of Kassel
Kassel

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

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

Dr. Eric Tjarks
Chairman of the Board
of Managing Directors
Sparkasse Bensheim
Bensheim

Ulrich Zinn
Chairman of the Board
of Managing Directors
Sparkasse Grünberg
Grünberg
– until 31 March 2016 –

Arnd Zinnhardt
Member of the Group Executive
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
– until 31 May 2016 –

Werner Dölitzscher
Vice President
Frankfurt am Main
– until 30 September 2016 –

Gabriele Fuchs
Bank employee
Frankfurt am Main

Anke Glombik
Vice President
Erfurt
– since 1 October 2016 –

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
– until 30 June 2016 –

Jürgen Pilgenröther
Bank employee
Frankfurt am Main
– since 1 June 2016 –

Birgit Sahliger-Rasper
Bank employee
Frankfurt am Main

Susanne Schmiedebach
Vice President
Düsseldorf

Thomas Sittner
Bank employee
Frankfurt am Main
– since 1 July 2016 –

(85) Members of the Board of Managing Directors

Herbert Hans Grüntker
– Chairman –

Thomas Groß
– Vice-Chairman –

Jürgen Fenk

Dr. Detlef Hosemann

Rainer Krick
– until 31 July 2016 –

Klaus-Jörg Mulfinger

Dr. Norbert Schraad

(86) Positions on Supervisory Boards and Other Executive Bodies

Positions held by the members of the Board of Managing Directors

Office holder	Corporation	Function
Herbert Hans Grüntker	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Chairman
Jürgen Fenk	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
Thomas Groß	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Frankfurter Sparkasse, Frankfurt am Main	Member
Dr. Detlef Hosemann	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice-Chairman
Klaus-Jörg Mulfinger	Frankfurter Sparkasse, Frankfurt am Main	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice-Chairman
	Thüringer Aufbaubank, Erfurt	Member

Positions held by other employees

Office holder	Corporation	Function
Stephan Bruhn	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Member
Jörg Hartmann	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Holger Mai	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Chairman
Dirk Mewesen	Helaba Asset Services, Dublin, Ireland	Member
Dr. Ulrich Pähler	Helaba Asset Services, Dublin, Ireland	Vice-Chairman
Dr. Michael Reckhard	Bürgschaftsbank Hessen GmbH, Wiesbaden	Member
Robert Restani	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
Klaus Georg Schmidbauer	Bürgschaftsbank Thüringen GmbH, Erfurt	Member
André Stolz	Nassauische Sparkasse, Wiesbaden	Member
Erich Vettiger	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Vice-Chairman

(87) List of Shareholdings of Landesbank Hessen-Thüringen Girozentrale in Accordance with Section 315a in Conjunction with Section 313 (2) HGB

Fully consolidated subsidiaries

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG: Total	Holding in % as per section 16 (4) AktG: Thereof directly	Voting rights if different from holding: Total	Equity in € m	Net profit in € thousands	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00	0.00		7.1	0	1)
2	Airport Office One GmbH & Co. KG, Schönefeld	100.00	0.00		0.0	–5	2)
3	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00	0.00		0.0	0	1), 4)
4	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		4.6	788	2)
5	CORDELIA Verwaltungsgesellschaft mbH, Pullach	0.00	0.00		0.0	0	1), 3)
6	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89	0.00		36.7	1,470	
7	Dritte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n. a.	n. a.	2)
8	EGERIA Verwaltungsgesellschaft mbH, Pullach	0.00	0.00		0.0	0	1), 3)
9	Erste ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–40	2)
10	Erste OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n. a.	n. a.	2)
11	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00	0.00		70.4	28	2)
12	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00	0.00		10.8	647	
13	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		117.7	3,463	
14	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		833.2	52,500	
15	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	100.00	0.00		0.2	0	1)
16	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00	0.00		0.3	0	1), 4)
17	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00	0.00		0.3	0	1), 4)
18	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00	0.00		0.1	43	
19	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00	0.00		0.0	–15	
20	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00	0.00		–0.3	–86	2)
21	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00	0.00		23.4	0	1)
22	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		71.5	5,225	
23	GWH Bauprojekte GmbH, Frankfurt am Main	100.00	0.00		13.6	0	1)
24	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	1)
25	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00	0.00		363.9	37,315	
26	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.1	–1,529	2)

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG – Total	Holding in % as per section 16 (4) AktG – Thereof directly	Voting rights if different from holding – Total	Equity in € m	Net profit in € thousands	
27	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	0.00	0.00		0.0	–217	3)
28	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	0.00	0.00		0.0	–217	3)
29	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–81	2)
30	Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	100.00	100.00		7.0	677	2)
31	Helaba Asset Services, Dublin, Ireland	100.00	100.00		54.6	591	
32	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	1)
33	Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	5.92	0.00		–131.3	4,603	3)
34	Hello Darmstadt Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–73	2)
35	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00	0.00		2.5	48	2)
36	Honua'ula Partners LLC, Wailea, USA	0.00	0.00		n. a.	n. a.	3)
37	Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Frankfurt am Main	100.00	100.00		n. a.	1,657	
38	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		n. a.	9	
39	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.0	–43	2)
40	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–2.5	–512	2)
41	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–60	2)
42	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.5	–277	2)
43	LB(Swiss) Investment AG, Zurich, Switzerland	100.00	0.00		11.3	1,552	
44	LHT MSIP, LLC, Wilmington, USA	100.00	0.00		6.2	382	
45	LHT Power Three LLC, Wilmington, USA	100.00	100.00		50.8	2,595	
46	LHT TCW, LLC, Wilmington, USA	100.00	0.00		24.1	1,461	
47	LHT TPF II, LLC, Wilmington, USA	100.00	0.00		22.2	544	
48	Logistica CPH K/S, Kastrup, Denmark	53.33	53.33		–0.9	–715	
49	Main Capital Funding II Limited Partnership, St. Helier, Jersey	0.00	0.00		n. a.	n. a.	3)
50	Main Capital Funding Limited Partnership, St. Helier, Jersey	0.00	0.00		n. a.	n. a.	3)
51	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00	0.00		0.0	0	1)
52	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99	0.00		6.8	1,122	
53	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90	0.00		22.0	1,325	
54	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		14.9	202	
55	MS „EAGLE STRAIT" GmbH & Co. KG, Hamburg	0.00	0.00		–0.0	–3,678	3)
56	MS „ESSEX STRAIT" GmbH & Co. KG, Hamburg	0.00	0.00		0.0	–4,180	3)
57	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00	0.00		0.1	57	2)
58	OFB Beteiligungen GmbH, Frankfurt am Main	100.00	0.00		5.8	227	
59	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	1), 4)

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in € m	Net profit in € thousands	
60	OPUSALPHA FUNDING LTD, Dublin, Ireland	0.00	0.00		n. a.	n. a.	3)
61	Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–1	2)
62	Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.4	–252	2)
63	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00	0.00		0.3	535	2)
64	Projektentwicklung Lutherplatz GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–1.1	–1,112	2)
65	Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n. a.	n. a.	2)
66	Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–2	2)
67	PVG GmbH, Frankfurt am Main	100.00	100.00		0.2	0	1), 4)
68	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–70	2)
69	Systeno GmbH, Frankfurt am Main	100.00	0.00		0.9	–93	
70	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		1.7	1,615	
71	unIQus Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–693	2)
72	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00	0.00		0.3	0	1)
73	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.2	–263	2)
74	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		1.0	960	2)
75	Vierte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n. a.	n. a.	2)
76	Vierte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n. a.	n. a.	2)
77	Zweite ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.0	–11	2)
78	Zweite OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n. a.	n. a.	2)
79	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.1	33	2)

No.	Securities investment funds in accordance with KAGB	Holding in % Total	Thereof directly		Fund volume in € m		
80	HI-A-FSP-Fonds, Frankfurt am Main	100.00			134.8		3)
81	HI-C-FSP-Fonds, Frankfurt am Main	100.00			121.3		3)
82	HI-FBI-Fonds, Frankfurt am Main	100.00			129.3		3)
83	HI-FBP-Fonds, Frankfurt am Main	100.00			90.8		3)
84	HI-FSP-Fonds, Frankfurt am Main	100.00			169.9		3)
85	HI-H-FSP-Fonds, Frankfurt am Main	100.00			132.2		3)
86	HI-HT-KOMP.-Fonds, Frankfurt am Main	100.00			16.3		3), 5)
87	HI-HTNW-Fonds, Frankfurt am Main	100.00	100.00		505.5		3), 5)
88	HI-RentPlus-Fonds, Frankfurt am Main	100.00	100.00		507.0		3), 5)

The following joint ventures and associates have also been accounted for using the equity method:

Joint ventures accounted for using the equity method

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands
89	CP Campus Projekte GmbH, Frankfurt am Main	50.00	0.00		0.2	–138
90	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00	0.00		–0.8	–110
91	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00	0.00		0.1	–2
92	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.2	–17
93	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.1	1,213
94	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.0	–2
95	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.3	1,324
96	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	78.00	0.00		–0.7	–950
97	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00	0.00		–0.9	–42
98	GIZS GmbH & Co. KG, Frankfurt am Main	33.33	33.33		18.3	–6,684
99	G&O MK 15 Bauherren GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.0	–4
100	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	47.00	0.00		–3.2	–276
101	GOB Projektentwicklung E & A GmbH & Co. Siebte Rhein-Main KG, Frankfurt am Main	8.84	0.00		15.7	61
102	GOB Projektentwicklung Fünfte GmbH & Co. KG, Frankfurt am Main	8.84	0.00		n. a.	n. a.
103	Horus AWG GmbH, Pöcking	50.00	0.00		–0.1	–114
104	Multi Park Mönchhof Dritte GmbH & Co. KG, Neu-Isenburg	50.00	0.00		0.7	1,658
105	Multi Park Mönchhof GmbH & Co. KG, Neu-Isenburg	50.00	0.00		–0.0	–9
106	Multi Park Mönchhof Main GmbH & Co. KG, Neu-Isenburg	50.00	0.00		–0.0	–63
107	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00	0.00		–2.4	–1,647
108	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00	0.00		–0.1	–114
109	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	30.00	0.00		–1.2	–220
110	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00	0.00		9.4	–549
111	Stresemannquartier GmbH & Co. KG, Berlin	50.00	0.00		4.5	–605
112	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00	0.00		–0.2	0
113	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00	0.00	33.3	–0.0	419

Associates accounted for using the equity method

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands	
114	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33	0.00		5.6	–949	
115	HANNOVER LEASING GmbH & Co. KG, Pullach	49.34	49.34		13.5	–6,932	
116	WoWi Media GmbH & Co. KG, Hamburg	23.72	0.00	19.2	2.8	16	

Non-consolidated subsidiaries

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands	
117	Arealogics GmbH, Frankfurt am Main	100.00	0.00		0.0	1	
118	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	1)
119	BHT Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	66.7	0.9	78	
120	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		1.3	164	
121	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt MGK Marstall-Gebäude Kassel KG, Kassel	50.00	50.00	66.7	0.5	58	
122	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00		1.9	220	
123	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	66.7	1.9	231	
124	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Wiesbaden	100.00	100.00		1.4	535	
125	Bürogebäude Darmstädter Landstraße GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.2	–2	
126	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.2	3	
127	Dritte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–53	
128	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	5	
129	FMZ Fulda Verwaltung GmbH, Frankfurt am Main	100.00	0.00		0.0	–0	
130	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00	0.00		0.2	3	
131	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0	

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
		Total	Thereof directly	Total	in € m	in € thousands	
132	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		3.0	0	
133	Helaba Representação Ltda., São Paulo, Brazil	100.00	99.00		n. a.	n. a.	
134	HT-Finanzanlage Ltd, St. Helier, Jersey	0.00	0.00		n. a.	n. a.	3), 6)
135	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH i. L., Frankfurt am Main	100.00	100.00		0.1	0	
136	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	−7	
137	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50.00	50.00	66.7	3.2	437	
138	Komplementarselskabet Logistica CPH ApS, Kastrup, Denmark	52.00	52.00		0.0	−3	
139	Königstor Verwaltungs-GmbH, Kassel	100.00	0.00		0.0	−0	
140	Kornmarkt Arkaden Verwaltung GmbH, Frankfurt am Main	100.00	0.00		0.0	2	
141	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		0.6	39	
142	Main Funding GmbH, Frankfurt am Main	0.00	0.00		0.3	5	3)
143	Main Funding II GmbH, Frankfurt am Main	0.00	0.00		0.1	3	3)
144	Nötzli, Mai & Partner Family Office AG, Zurich, Switzerland	100.00	0.00		0.3	−39	
145	OFB Berlin Projekt GmbH, Berlin	100.00	0.00		0.0	1	
146	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00	0.00		0.0	−3	
147	Office One Verwaltung GmbH, Schönefeld	100.00	0.00		0.0	1	
148	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.2	129	
149	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.4	94	
150	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.0	8	
151	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH) i. L., Frankfurt am Main	66.67	66.67	66.7	0.7	7	
152	TFK Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG i. L., Kassel	33.33	33.33	66.7	1.5	−1	
153	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0	

Joint ventures not accounted for using the equity method

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in € m	Net profit in € thousands
154	AARON Grundstücksverwaltungsgesellschaft mbH i. L., Oberursel	50.00	50.00		–2.3	2
155	FinTecH Community Frankfurt GmbH, Frankfurt am Main	50.00	50.00		n. a.	n. a.
156	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		0.1	5
157	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		0.0	1
158	gatelands Verwaltungs GmbH, Schönefeld	75.00	0.00		0.0	2
159	GIZS Verwaltungs-GmbH, Frankfurt am Main	33.33	33.33		0.0	–10
160	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00	0.00		0.0	1
161	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.7	367
162	Hessen Kapital I GmbH, Wiesbaden	100.00	100.00		34.1	–436
163	Hessen Kapital II GmbH, Wiesbaden	100.00	100.00		6.6	369
164	Marienbader Platz Projektentwicklungs-gesellschaft mbH, Frankfurt am Main	50.00	0.00		0.1	2
165	Marienbader Platz Projektentwicklungsgesell-schaft mbH & Co. Bad Homburg v. d. H. KG, Frankfurt am Main	50.00	0.00		0.4	5
166	Mittelhessenfonds GmbH, Wiesbaden	100.00	100.00		–2.5	54
167	Multi Park Verwaltungs GmbH, Neu-Isenburg	50.00	0.00		0.0	–1
168	Procom & OFB Projektentwicklung GmbH, Hamburg	50.00	0.00		0.0	–1
169	Projekt Wilhelmstraße Wiesbaden Verwaltung GmbH, Frankfurt am Main	30.00	0.00		n. a.	n. a.
170	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00	0.00		0.0	1
171	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe bR, Erfurt	60.00	60.00	33.0	0.6	48
172	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00	0.00		0.0	–0

Associates not accounted for using the equity method

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in € m	Net profit in € thousands
173	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.03	21.03		18.2	930
174	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		24.6	1,208
175	Comtesse BTH Limited, London, United Kingdom	2.66	2.66	25.1	13.0	–2,128
176	GbR VÖB-ImmobilienAnalyse, Bonn	0.00	0.00	20.0	n. a.	n. a.
177	HANNOVER LEASING Verwaltungs-gesellschaft mbH, Pullach	49.34	49.34		0.1	2
178	HaemoSys GmbH, Jena	38.33	0.00		–4.8	–524
179	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		65.0	3,484

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands
180	Liparit Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Benary Vermietungs KG, Mainz	21.62	0.00		5.6	1,559
181	Logistikzentrum Rodgau GmbH, Schönefeld	25.00	0.00		−0.9	−149
182	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Wiesbaden	32.52	32.52		10.0	131
183	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		22.5	997
184	Riedemannweg 59–60 GbR, Berlin	32.00	32.00		−4.0	198
185	Sparkassen-Marktservice Beteiligungs GmbH & Co. KG, Frankfurt am Main	50.00	40.00		7.9	−8
186	Sparkassen-Marktservice Verwaltungs GmbH, Frankfurt am Main	50.00	40.00		0.0	−3
187	TF H III Technologiefonds Hessen Gesellschaft mit beschränkter Haftung, Wiesbaden	25.00	25.00		n. a.	n. a.
188	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		−3.2	−33

Holding of more than 20 %

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands
189	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG i. L., Munich	100.00	0.00	0.2	0.0	36

Interests in large corporations in which the holding is 5 % or larger

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands
190	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		141.0	13,719

1) A profit and loss transfer agreement has been signed with the entity.

2) Section 264b HGB has been applied with regard to the entity's annual financial statements.

3) The entity is classified as a subsidiary, but not based on the majority of voting rights held.

4) Section 264 (3) HGB has been applied with regard to the entity's annual financial statements.

5) Financial year end: 31 January.

6) The silo structures in the entity are attributable to third parties.

n. a.: There are no adopted financial statements.

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Helaba Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Helaba Group, together with a description of the principal opportunities and risks associated with the expected development of the Helaba Group."

Frankfurt am Main/Erfurt, 28 February 2017

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Fenk
Dr. Hosemann	Mulfinger	Dr. Schraad

Country by Country Reporting Pursuant to Section 26a KWG

"Country by country reporting" has to be performed in accordance with the requirements stipulated in EU Directive 2013/36/EU ("Capital Requirements Directive", CRD IV) and transposed into German law by section 26a of the German Banking Act (Kreditwesengesetz, KWG).

The report sets out the sales revenues generated and number of employees in 2016 for each EU member state and third country in which, as at 31 December 2016, the entities included in the consolidated financial statements via full consolidation have a branch or their head office.

The figures disclosed as sales revenue, consolidated net profit and income tax expenses are before consolidation effects. The figures disclosed as sales revenue are each office's net profit, before allowances for losses on loans and advances and general and administrative expenses, as included in the consolidated accounts under IFRS. The figures disclosed as consolidated net profit before taxes and taxes on income refer to the balance of contributions to these two items on the consolidated income statement in accordance with IFRS. Income tax expenses refers to the corporation taxes for the reporting unit in question.

The figures disclosed under number of employees are based on full-time equivalent (FTE) employees. Within the meaning of an EU subsidy program, the consolidated entities did not receive any subsidies during 2016.

	Sales revenue in € m	Consolidated net profit before taxes on income in € m	Taxes on income in € m[1)]	Number of employees
Germany	1,749	455	–179	5,356
France	–	1	–	16
Ireland	6	–	–	3
United Kingdom	90	72	–13	67
European Union	**1,845**	**528**	**–192**	**5,442**
Switzerland	36	–	–1	105
USA	135	35	–27	87
Other	–1	–2	1	–
Total	**2,015**	**561**	**–219**	**5,634**

1) The amount of tax reported for a country can be affected by two factors, for example: effects on personal taxation, which is not borne by consolidated entities, are not included; in addition, entities reporting a loss without being able to report corresponding tax income for the same period can reduce the comprehensive income they report for a country without influencing their income tax expense or only doing so in subsequent periods.

Entity	Nature of activity	Head office/location	Country
1822direkt Gesellschaft der Frankfurter Sparkasse mbH	Provider of ancillary services	Frankfurt am Main	Germany
Airport Office One GmbH & Co. KG	Other undertaking	Schönefeld	Germany
BHT Baugrund Hessen-Thüringen GmbH	Other undertaking	Kassel	Germany
BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG	Financial institution	Frankfurt am Main	Germany
CORDELIA Verwaltungsgesellschaft mbH	Other undertaking	Pullach	Germany
DKB Wohnimmobilien Beteiligungs GmbH & Co. KG	Financial institution	Potsdam	Germany
Dritte OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
EGERIA Verwaltungsgesellschaft mbH	Other undertaking	Pullach	Germany
Erste ILZ Leipzig GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Erste OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Erste Veritas Frankfurt GmbH & Co. KG	Other undertaking	Kriftel	Germany
Frankfurter Bankgesellschaft (Deutschland) AG	Bank	Frankfurt am Main	Germany
Frankfurter Sparkasse	Bank	Frankfurt am Main	Germany

Entity	Nature of activity	Head office/location	Country
FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH	Other undertaking	Frankfurt am Main	Germany
G+S Wohnen in Frankfurt am Main GmbH	Other undertaking	Frankfurt am Main	Germany
GGM Gesellschaft für Gebäude-Management mbH	Provider of ancillary services	Erfurt	Germany
GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH	Other undertaking	Frankfurt am Main	Germany
Grundstücksgesellschaft Limes-Haus Schwalbach II GbR	Other undertaking	Frankfurt am Main	Germany
Grundstücksverwaltungsgesellschaft Kaiserlei GmbH	Other undertaking	Frankfurt am Main	Germany
Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG	Other undertaking	Frankfurt am Main	Germany
GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH	Other undertaking	Frankfurt am Main	Germany
GWH Bauprojekte GmbH	Other undertaking	Frankfurt am Main	Germany
GWH Immobilien Holding GmbH	Financial institution	Frankfurt am Main	Germany
GWH Wohnungsgesellschaft mbH Hessen	Other undertaking	Frankfurt am Main	Germany
Hafenbogen GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG	Other undertaking	Pullach	Germany
HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG	Other undertaking	Pullach	Germany
Haus am Brüsseler Platz GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Haus am Zentralen Platz GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Helaba Invest Kapitalanlagegesellschaft mbH	Investment trust company	Frankfurt am Main	Germany
Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG	Financial institution	Pullach	Germany
Hello Darmstadt Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
HeWiPPP II GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
HI A-FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI C-FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI FBI FONDS	Securities investment fund	Frankfurt am Main	Germany
HI FBP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI H-FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-HT-KOMP-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-HTNW-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-RENTPLUS-FONDS	Securities investment fund	Frankfurt am Main	Germany
Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG	Financial institution	Mainz	Germany
HTB Grundstücksverwaltungsgesellschaft mbH	Other undertaking	Frankfurt am Main	Germany
Kornmarkt Arkaden Dritte GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Kornmarkt Arkaden Erste GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Kornmarkt Arkaden Vierte GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Kornmarkt Arkaden Zweite GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Landesbank Hessen-Thüringen Girozentrale Düsseldorf branch	Bank	Düsseldorf	Germany
Landesbank Hessen-Thüringen Girozentrale	Bank	Frankfurt am Main/Erfurt	Germany
Landesbausparkasse Hessen-Thüringen – legally dependent division of Landesbank Hessen-Thüringen Girozentrale	Bank	Offenbach	Germany
Landeskreditkasse zu Kassel – branch of Landesbank Hessen-Thüringen Girozentrale	Bank	Kassel	Germany
MAVEST Vertriebsgesellschaft mbH	Other undertaking	Frankfurt am Main	Germany
MAVEST Wohnungsbaugesellschaft mbH	Other undertaking	Frankfurt am Main	Germany
Merian GmbH Wohnungsunternehmen	Other undertaking	Frankfurt am Main	Germany
MS „EAGLE STRAIT“ GmbH & Co. KG	Other undertaking	Hamburg	Germany
MS „ESSEX STRAIT“ GmbH & Co. KG	Other undertaking	Hamburg	Germany

Entity	Nature of activity	Head office/location	Country
Neunte P 1 Projektgesellschaft mbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
OFB Beteiligungen GmbH	Financial institution	Frankfurt am Main	Germany
OFB Projektentwicklung GmbH	Other undertaking	Frankfurt am Main	Germany
Projekt Erfurt B38 GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projekt Hirschgarten MK8 GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projektentwicklung Königstor GmbH & Co. KG	Other undertaking	Kassel	Germany
Projektentwicklung Lutherplatz GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
PVG GmbH	Other undertaking	Frankfurt am Main	Germany
SQO Stadt Quartier Offenburg GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Systeno GmbH	Other undertaking	Frankfurt am Main	Germany
TE Kronos GmbH	Financial institution	Frankfurt am Main	Germany
unIQus Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Versicherungsservice der Frankfurter Sparkasse GmbH	Other undertaking	Frankfurt am Main	Germany
Verso Grundstücksentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Verso Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Vierte OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Vierte OFB PE GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Wirtschafts- und Infrastrukturbank Hessen – legally dependent entity within Landesbank Hessen-Thüringen Girozentrale	Bank	Frankfurt am Main	Germany
Zweite ILZ Leipzig GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Zweite OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Zweite OFB PE GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Montindu S.A./N.V.	Other undertaking	Brussels	Belgium
Logistica CPH K/S	Other undertaking	Copenhagen	Denmark
Landesbank Hessen-Thüringen Girozentrale Paris branch	Bank	Paris	France
Helaba Asset Services	Financial institution	Dublin	Ireland
OPUSALPHA FUNDING LTD	Financial institution	Dublin	Ireland
Landesbank Hessen-Thüringen Girozentrale London branch	Bank	London	United Kingdom
Landesbank Hessen-Thüringen Girozentrale Grand Cayman branch	Bank	Georgetown	Cayman Islands
Main Capital Funding II Limited Partnership	Financial institution	St. Helier	Jersey
Main Capital Funding Limited Partnership	Financial institution	St. Helier	Jersey
Frankfurter Bankgesellschaft (Schweiz) AG	Bank	Zurich	Switzerland
LB(Swiss) Investment AG	Investment trust company	Zurich	Switzerland
Honua'ula Partners LLC	Other undertaking	Wailea	USA
Landesbank Hessen-Thüringen Girozentrale New York branch	Bank	New York	USA
LHT MSIP LLC	Financial institution	Wilmington	USA
LHT Power Three LLC	Financial institution	Wilmington	USA
LHT TCW LLC	Financial institution	Wilmington	USA
LHT TPF II LLC	Financial institution	Wilmington	USA

Auditor's Report

"We have audited the consolidated financial statements prepared by Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, consisting of the statement of financial position, the income statement and the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) is the responsibility of the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the group 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 consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Frankfurt am Main, 28 February 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	Peter Flick
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Corporate Bodies

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Supervisory Board

Appointed by the Sparkassen- und Giroverband Hessen-Thüringen

Members	Deputy Members
Gerhard Grandke Executive President Sparkassen- und Giroverband Hessen-Thüringen Frankfurt am Main/Erfurt – Chairman –	TBA
Dr. Werner Henning Chief Administrative Officer County District of Eichsfeld Heiligenstadt – First Vice-Chairman –	TBA
Andreas Bausewein Mayor City of Erfurt Erfurt	**Jochen Partsch** Mayor City of Darmstadt Darmstadt
Dr. Annette Beller Member of the Management Board B. Braun Melsungen AG Melsungen	**Dr. Ingo Wiedemeier** Chairman of the Board of Managing Directors Sparkasse Hanau Hanau – since 11 March 2016 –
Ingo Buchholz Chairman of the Board of Managing Directors Kasseler Sparkasse Kassel	**Wilhelm Bechtel** Chairman of the Board of Managing Directors Stadtsparkasse Schwalmstadt Schwalmstadt
Patrick Burghardt Mayor City of Rüsselsheim Rüsselsheim	**Dr. Heiko Wingenfeld** Mayor City of Fulda Fulda – since 23 June 2016 –
Stefan Hastrich Chairman of the Board of Managing Directors Kreissparkasse Weilburg Weilburg – since 23 November 2016 – **Ulrich Zinn** Chairman of the Board of Managing Directors Sparkasse Grünberg Grünberg – until 31 March 2016 –	**Norbert Spory** Chairman of the Board of Managing Directors Sparkasse Wetzlar Wetzlar
TBA **Ulrich Heilmann** Chairman of the Board of Managing Directors Kyffhäusersparkasse Artern-Sondershausen Sondershausen – until 31 August 2016 –	**Christian Blechschmidt** Chairman of the Board of Managing Directors Sparkasse Unstrut-Hainich Mühlhausen
Bertram Hilgen Mayor City of Kassel Kassel	**Sven Gerich** Mayor City of Wiesbaden Wiesbaden
Günter Högner Chairman of the Board of Managing Directors Nassauische Sparkasse Wiesbaden – since 11 March 2016 –	**Oliver Klink** Chairman of the Board of Managing Directors Taunus Sparkasse Bad Homburg v. d. H.

Members	Deputy Members
Manfred Michel Chief Administrative Officer Country District of Limburg-Weilburg Limburg an der Lahn	**Ulrich Krebs** Chief Administrative Officer County District of Hochtaunus Bad Homburg v. d. H.
Frank Nickel Chairman of the Board of Managing Directors Sparkasse Werra-Meissner Eschwege	**Reinhard Faulstich** Chairman of the Board of Managing Directors Sparkasse Bad Hersfeld-Rotenburg Bad Hersfeld
Thorsten Schäfer-Gümbel Member of the State Parliament of Hesse Wiesbaden	**Peter Feldmann** Mayor City of Frankfurt am Main Frankfurt am Main
Helmut Schmidt Chairman of the Board of Managing Directors Kreissparkasse Saale-Orla Schleiz – since 11 March 2016 –	**Marina Heller** Chairwoman of the Board of Managing Directors Rhön-Rennsteig Sparkasse Meiningen
Uwe Schmidt Chief Administrative Officer County District of Kassel Kassel	**Anita Schneider** Chief Administrative Officer County District of Giessen Giessen
Wolfgang Schuster Chief Administrative Officer County District of Lahn-Dill Wetzlar	**Thomas Will** Chief Administrative Officer County District of Groß-Gerau Groß-Gerau
Dr. Eric Tjarks Chairman of the Board of Managing Directors Sparkasse Bensheim Bensheim	**Jürgen Schüdde** Chairman of the Board of Managing Directors Sparkasse Starkenburg Heppenheim

Appointed by the State of Hesse

Members	Deputy Members
Dr. Thomas Schäfer Minister of State Ministry of Finance of the State of Hesse Wiesbaden – Second Vice-Chairman –	**Tarek Al-Wazir** Minister of State Ministry of Economics, Energy, Transport, Urban and Regional Development of the State of Hesse Wiesbaden
Clemens Reif Member of the State Parliament of Hesse Wiesbaden	**Frank Lortz** Member of the State Parliament of Hesse Wiesbaden

Appointed by the State of Thuringia

Members	Deputy Members
Dr. Hartmut Schubert Secretary of State Ministry of Finance of the State of Thuringia Erfurt	**Dr. Werner Pidde** Member of the State Parliament of Thuringia Erfurt

Appointed by the Rheinischer Sparkassen- und Giroverband

Members	Deputy Members
Alexander Wüerst Chairman of the Board of Managing Directors Kreissparkasse Köln Cologne – since 18 April 2016 – – Third Vice-Chairman – since 27 June 2016 –	**Dr. Birgit Roos** Chairwoman of the Board of Managing Directors Sparkasse Krefeld Krefeld – since 13 June 2016 – **Alexander Wüerst** Chairman of the Board of Managing Directors Kreissparkasse Köln Cologne – until 17 April 2016 –

Appointed by the Sparkassenverband Westfalen-Lippe

Members	Deputy Members
Dr. Christoph Krämer Chairman of the Board of Managing Directors Sparkasse Iserlohn Iserlohn	**Dr. h. c. Sven-Georg Adenauer** Chief Administrative Officer County District of Gütersloh Gütersloh – since 28 January 2016 – **Heinz Paus** Mayor (ret.) Paderborn – until 27 January 2016 –

Appointed by Fides Beta GmbH

Members	Deputy Members
Georg Fahrenschon President Deutscher Sparkassen- und Giroverband e. V. Berlin	**Dr. Karl-Peter Schackmann-Fallis** Executive Member of the Board Deutscher Sparkassen- und Giroverband e. V. Berlin

Appointed by Fides Alpha GmbH

Members	Deputy Members
Arnd Zinnhardt Member of the Group Executive Board Software AG Darmstadt	**Siegmar Müller** Chairman of the Board of Managing Directors Sparkasse Germersheim-Kandel Kandel

Employee representatives

Members	Deputy Members*
Thorsten Derlitzki Vice President Landesbank Hessen-Thüringen Frankfurt am Main – Fourth Vice-Chairman –	**Jürgen Pilgenröther** Bank employee Landesbank Hessen-Thüringen Frankfurt am Main – until 31 May 2016 –
Frank Beck Vice President Landesbank Hessen-Thüringen Frankfurt am Main	**Thomas Sittner** Bank employee Landesbank Hessen-Thüringen Frankfurt am Main – until 30 June 2016 –

* The order in which deputy employee representatives are listed is based on the outcome of the Supervisory Board election.

Members	Deputy Members*
Brigitte Berle Bank employee Landesbank Hessen-Thüringen Frankfurt am Main – until 31 May 2016 –	**Anke Glombik** Vice President Landesbank Hessen-Thüringen Erfurt – until 30 September 2016 –
Werner Dölitzscher Vice President Landesbank Hessen-Thüringen Frankfurt am Main – until 30 September 2016 –	**Dr. Robert Becker** Senior Vice President Landesbank Hessen-Thüringen New York
Gabriele Fuchs Bank employee Landesbank Hessen-Thüringen Frankfurt am Main	**Sven Ansorg** Bank employee Landesbank Hessen-Thüringen Erfurt
Anke Glombik Vice President Landesbank Hessen-Thüringen Erfurt – since 1 October 2016 –	**Jens Druyen** Bank employee Landesbank Hessen-Thüringen Düsseldorf
Thorsten Kiwitz Vice President Landesbank Hessen-Thüringen Frankfurt am Main	**Wilfried Carl** Vice President Landesbank Hessen-Thüringen Kassel – until 31 July 2016 –
Christiane Kutil-Bleibaum Vice President Landesbank Hessen-Thüringen Düsseldorf	**Ursula Schmitt** Bank employee Landesbank Hessen-Thüringen Wirtschafts- und Infrastrukturbank Hessen Offenbach
Annette Langner Vice President Landesbank Hessen-Thüringen Frankfurt am Main	**Rainer Baur** Vice President Landesbank Hessen-Thüringen Düsseldorf
Susanne Noll Bank employee Landesbank Hessen-Thüringen Frankfurt am Main	**Thomas Buchmayer** Bank employee Landesbank Hessen-Thüringen Offenbach
Hans Peschka Vice President Landesbank Hessen-Thüringen Frankfurt am Main – until 30 June 2016 –	**Petra Barz** Bank employee Landesbank Hessen-Thüringen Frankfurt am Main
Jürgen Pilgenröther Bank employee Landesbank Hessen-Thüringen Frankfurt am Main – since 1 June 2016 –	**Ute Opfer** Bank employee Landesbank Hessen-Thüringen Kassel
Birgit Sahliger-Rasper Bank employee Landesbank Hessen-Thüringen Frankfurt am Main	**Erika Claus-Kassella** Vice President Landesbank Hessen-Thüringen Frankfurt am Main – since 1 June 2016 –
Susanne Schmiedebach Vice President Landesbank Hessen-Thüringen Düsseldorf	**Astrid Mitteldorf** Bank employee Landesbank Hessen-Thüringen Wirtschafts- und Infrastrukturbank Hessen Offenbach – since 1 July 2016 –
Thomas Sittner Bank employee Landesbank Hessen-Thüringen Frankfurt am Main – since 1 July 2016 –	**Angelika Schröder** Bank employee Landesbank Hessen-Thüringen Kassel – since 1 August 2016 –
	TBA

* The order in which deputy employee representatives are listed is based on the outcome of the Supervisory Board election.

Board of Public Owners

Stefan Reuß
Chief Administrative Officer
County District of Werra-Meissner
Eschwege
– Chairman –

Dr. Rolf Gerlach
President
Sparkassenverband Westfalen-Lippe
Münster
– Vice-Chairman –
– until 31 March 2017 –

Helmut Schleweis
Chairman of the Board
of Managing Directors
Sparkasse Heidelberg
Heidelberg
– Vice-Chairman –

Georg Sellner
Chairman of the Board
of Managing Directors
Sparkasse Darmstadt
Darmstadt
– Vice-Chairman –

Heike Taubert
Minister of State
Ministry of Finance of the State
of Thuringia
Erfurt
– Vice-Chairwoman –

Dieter Bauhaus
Chairman of the Board
of Managing Directors
Sparkasse Mittelthüringen
Erfurt

Volker Bouffier
Minister-President of the State
of Hesse
State Chancellery of Hesse
Wiesbaden

Michael Breuer
President
Rheinischer Sparkassen- und
Giroverband
Düsseldorf

Sigrid Erfurth
Member of the State Parliament
of Hesse
Wiesbaden

Georg Fahrenschon
President
Deutscher Sparkassen- und
Giroverband e. V.
Berlin

Alois Früchtl
Chairman of the Board
of Managing Directors
Sparkasse Fulda
Fulda

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

Claus Kaminsky
Mayor
City of Hanau
Hanau

Thomas Müller
Chief Administrative Officer
County District of Hildburghausen
Hildburghausen

Günter Sedlak
Chairman of the Board
of Managing Directors
Sparkasse Oberhessen
Friedberg

TBA

Advisory Board on Public Companies/ Institutions, Municipalities and Sparkassen

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

Herbert Hans Grüntker
Chairman of the Board
of Managing Directors
Landesbank Hessen-Thüringen Girozentrale
Frankfurt am Main
– Vice-Chairman –

Burkhard Albers
Chief Administrative Officer
County District of Rheingau-Taunus
Bad Schwalbach

Dr. Constantin H. Alsheimer
Chairman of the Management Board
Mainova AG
Frankfurt am Main

Uwe Becker
City Treasurer
City of Frankfurt am Main
Frankfurt am Main

Jakob Brähler
Chairman of the Board
Deutsche Rentenversicherung Hessen
Frankfurt am Main
– until 31 January 2016 –

Guido Braun
Chairman of the Board
of Managing Directors
Städtische Sparkasse Offenbach a. M.
Offenbach am Main

Uwe Brückmann
State Director
State Welfare Organisation of Hesse
Kassel

Andreas Feicht
Chairman of the Management Board
WSW Energie und Wasser AG
Berlin
– since 1 July 2016 –

Dr. Thomas Hain
Managing Director
Nassauische Heimstätte GmbH
Frankfurt am Main

Dieter Hassel
Chief Commercial Officer
Rheinenergie AG
Cologne
– since 1 July 2016 –

Andreas Heller
Chief Administrative Officer
County District of Saale-Holzland
Eisenberg

Renate Hötte
Chief Administrative Officer
Landschaftsverband Rheinland
Cologne
– since 1 July 2016 –

Frank Junker
Member of the Management Board
FAAG – Frankfurter Aufbau AG
Frankfurt am Main

Jürgen Kuhn
Vice-Chairman of the Board
of Managing Directors
Sparkasse Langen-Seligenstadt
Seligenstadt

Brigitte Lindscheid
Chairwoman of the Regional Council
Darmstadt Regional Council
Darmstadt

Matthias Löb
Director
Landschaftsverband Westfalen-Lippe
Münster
– since 1 July 2016 –

Dr. Henning Müller-Tengelmann
Commercial Director
Stadtwerke Münster GmbH
Münster
– since 1 July 2016 –

Guntram Pehlke
Chairman of the Management Board
DSW21 Dortmunder Stadtwerke AG
Dortmund
– since 1 July 2016 –

Hans-Joachim Reck
Director General
Verband kommunaler Unternehmen e. V.
Berlin

Stefan G. Reindl
Spokesman for the Management Board
TEAG – Thüringer Energie AG
Erfurt
– since 1 July 2016 –

Prof. Knut Ringat
Managing Director and spokesman
for the Management Board
Rhein-Main-Verkehrsverbund GmbH
Hofheim am Taunus
– since 1 July 2016 –

Klaus Peter Schellhaas
Chief Administrative Officer
County District of Darmstadt-Dieburg
Darmstadt

Michael Schmitz
Member of the Executive Management
Berufsgenossenschaft Holz und Metall
Mainz
– since 1 July 2016 –

Ralf Schodlok
Chairman of the Executive Board
ESWE Versorgungs AG
Wiesbaden

Dr. Albrecht Schröter
Mayor
City of Jena
Jena

Martina Schweinsburg
Chief Administrative Officer
County District of Greiz
Greiz

Volker Sparmann
Mobility Officer of the Ministry
of Economics, Energy, Transport,
Urban and Regional Development
of the State of Hesse
House of Logistics & Mobility (HOLM)
GmbH
Frankfurt am Main

Heinz Thomas Striegler
Executive assembly member
Head of the church
administrative board
of the Protestant church in Hesse
and Nassau
Darmstadt

Axel ter Glane
Head of Department
Ministry of Finance of the State
of Thuringia
Erfurt

Dr. Peter Traut
President
IHK Südthüringen
Suhl

Berthold Tritschler
Chief Operating Officer
Hessischer Rundfunk
Frankfurt am Main

Georg von Meibom
Managing Director
EAM Verwaltungs GmbH
Kassel
– since 1 July 2016 –

Marcus Wittig
Chairman of the Board
Duisburger Versorgungs- und
Verkehrsgesellschaft mbH
Duisburg
– since 1 July 2016 –

Bernd Woide
Chief Administrative Officer
County District of Fulda
Fulda

Stefan Wolf
Mayor
City of Weimar
Weimar

Ulrich-Bernd Wolff von der Sahl
Chairman of the Board of Managing
Directors
SV SparkassenVersicherung
Holding AG
Stuttgart

Peter Zaiß
Managing Director
SWE Stadtwerke Erfurt GmbH
Erfurt

Report of the Supervisory Board

The Supervisory Board and its committees supervised the conduct of business by the Board of Managing Directors in accordance with the statutory regulations and Helaba's Charter and were notified of and involved in matters relating to equity holdings, major events and important business transactions of material significance for the Bank.

Supervisory Board

The Supervisory Board was notified regularly of developments in the business, earnings and risk situation of Landesbank Hessen-Thüringen Girozentrale and the Landesbank Group in the five meetings held during the year under review. It obtained reports on current developments in the international financial markets and the banking markets, on the implications of these developments for the Bank's earnings, liquidity and risk situation and on the management measures taken by the Board of Managing Directors.

The Board of Managing Directors discussed the business and risk strategy for 2017, operational planning and rolling medium-term planning, including equity planning, in detail with the Supervisory Board, which also received prompt notification of the content of the Risk Report, prepared in accordance with the German Minimum Requirements for Risk Management (MaRisk), that was presented to the Supervisory Board Risk and Credit Committee every quarter. The Supervisory Board also took note of the 2017 IT strategy and the 2017 outsourcing strategy.

Internal Audit reported to the Supervisory Board meetings regularly on audit findings of particular significance and the checks performed on actions taken to resolve previously identified concerns. The Supervisory Board took note of the reports prepared by the Capital Market Compliance Office and the MaRisk compliance function, the activity report prepared by the Group Money Laundering Officers and the risk analysis for capturing and assessing risks arising from money laundering, the funding of terrorism and other punishable acts.

In November 2016, the ECB notified the Bank of its decision with regard to drawing up supervisory requirements (SREP decision), about which the Supervisory Board was informed. In addition, the Board of Managing Directors reported to the Supervisory Board on the course of the inspections conducted by the ECB:

- Thematic review of risk governance and risk appetite
- On-site inspection of risk management in lending operations, focusing on commercial real estate lending operations
- On-site inspection of Internal Audit
- On-site inspection of internal governance (culture and behaviour)

The team of inspectors from the Dutch central bank engaged by the ECB to assess internal governance participated in a Supervisory Board meeting and presented the focal points of the inspection (the role of the Board of Managing Directors and the Supervisory Board, the decision-making processes and the interaction between the Board of Managing Directors and the Supervisory Board).

The meetings of the Supervisory Board also received reports from the Board of Managing Directors on the following key topics:

- EBA stress test in 2016
- Trades around the date of record
- Strategic positioning of LBS Hessen-Thüringen
- Helaba's involvement in the "paydirekt" payments system
- Sale of the equity interest in HANNOVER LEASING
- Resolution planning
- Updating of Helaba's recovery plan
- Digitalisation strategy project
- Implementation of a new core banking system
- IT Master Plan 2020
- Completion of the Helaba PRO (Process and Resource Optimisation) project

Helaba organised three information events for all members of the corporate bodies during the year under review. External speakers were brought in for elements of these events, which also serve as continuing professional development as required in connection with the expertise requirements for the exercise of a mandate in management and supervisory entities pursuant to Section 25d (4) of the German Banking Act (Kreditwesengesetz – KWG). Topics covered at the information events included the requirements on senior managers and members of management or supervisory bodies, supervisory requirements, current developments in supervisory practice and regulatory requirements relating to information technology. In addition, the main activities of the Capital Markets, Transaction Banking and Corporate Finance divisions were presented in detail.

Committees of the Supervisory Board

The committees of the Supervisory Board (Risk and Credit Committee, Audit Committee, Personnel and Remuneration Oversight Committee, Nomination Committee, Investment Committee, Building Committee and WIBank Committee) assisted the Supervisory Board in its work and drew up proposals for decisions. The duties of the committees follow from Section 25d (7) et seq. KWG and from the rules of procedure for the Supervisory Board and its committees. The chairpersons and vice-chairpersons of the committees reported to the Supervisory Board on the outcomes of deliberations in the relevant committee.

The Risk and Credit Committee held 14 meetings in the year under review, one of which was a two-day closed meeting to discuss regulatory and lending strategy-related matters. The committee's duties, in line with the responsibilities assigned to it, include approving the granting of loans, the implementation of requirements set out in Section 25d (8) KWG, in particular advising the Supervisory Board on the Bank's current and future overall risk acceptance and strategy and assisting with the monitoring of the implementation of this strategy by the Board of Managing Directors. The committee also monitors the terms applied in customer business to ensure that they remain in harmony with the Bank's business model and risk structure. In the year under review, the Supervisory Board Risk and Credit Committee devoted attention to Helaba's overall risk reporting on a quarterly basis and discussed in advance the risk strategy for 2017.

The Audit Committee convened for four meetings, considering in detail, in accordance with the requirements of Section 25d (9) KWG, the audit of the annual accounts of the Bank and the Group and the audit of securities trading business as specified in Section 36 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). In addition, the Audit Committee was notified of audit planning for the separate and consolidated financial statements at 31 December 2016, received updates on the status of the resolution of the observations made in the audit reports concerning the annual accounts for 2015 and the status of the resolution of observations made in the course of regulatory audits, and took note of Audit's annual report. The Audit Committee also turned its attention to the process to select the auditor for the annual accounts for 2018 onwards, took note of the Bank's findings in relation to the selection process and, after validating the findings and itself considering offers and presentations to the Committee of the Board of Public Owners, submitted a proposal for the auditor as of 2018.

The Nomination Committee met three times in the year under review. In accordance with the requirements of Section 25 d (11) KWG, it devoted attention to assessing the questionnaire to evaluate the activities of the Supervisory Board. This questionnaire reflects the stipulations of Section 25d (11) KWG, which requires a regular assessment of the structure, size, composition and performance of the supervisory entity and the knowledge, skills and experience of the members of the supervisory entity. In addition, the Nomination Committee discussed proposals on the appointment of ordinary and deputy members of the Supervisory Board and submitted recommended resolutions to the Supervisory Board.

The two meetings of the Personnel and Remuneration Oversight Committee held in the year under review examined the material aspects of the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (Instituts-Vergütungsverordnung – IVV), in accordance with the requirements of Section 25d (12) KWG. The Personnel and Remuneration Oversight Committee also took note of the results of the risk analysis in accordance with Section 18 (2) IVV, concerning the identification of employees who, by virtue of the position they hold, exert a significant influence on Helaba's overall risk profile, and of the report of the Remuneration Officers.

In addition, the committee dealt in detail with

- the evaluation of the effects of the remuneration systems on risk, capital and liquidity management,
- the proper involvement of the internal control function and/or other pertinent units in monitoring the design of the remuneration systems,
- Helaba's remuneration report and
- the amendments to the IVV.

The WIBank Committee, which is responsible for monitoring WIBank's development activities in accordance with Article 26 of Helaba's Charter, met six times in the year under review. At its meetings, it addressed the annual accounts, the course of business and the business and risk strategy of WIBank.

The Investment Committee was informed at one meeting about the Bank's strategic equity investments and submitted proposals for decisions in relation to equity investment matters to the Supervisory Board within the scope of its responsibility.

The Building Committee held one meeting in the year under review, at which it was informed about developments in the real estate market and about the Bank's real estate portfolio.

Audit and Adoption of the Annual Accounts for 2016

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the annual accounts for 2016 together with the accompanying management report. The annual accounts received an unqualified certificate of audit. The Supervisory Board meeting of 24 March 2017 adopted the annual accounts of the Bank, approved the management report and applied to the Board of Public Owners for the Board of Managing Directors and the Supervisory Board to be discharged from responsibility in respect of financial year 2016.

Changes to the Board of Managing Directors

Mr. Rainer Krick retired on 31 July 2016.

Following approval by the Supervisory Board on 9 December 2016, and subject to approval by the ECB, the Board of Public Owners of Landesbank Hessen-Thüringen Girozentrale appointed Mr. Hans-Dieter Kemler as a member of the Board of Managing Directors with effect from the earliest possible date. At the same meeting, following approval by the Supervisory Board, the Board of Public Owners approved the reappointment of Mr. Thomas Groß as Vice-Chairman of the Board of Managing Directors with effect from 15 October 2017.

The Supervisory Board wishes to thank Helaba's Board of Managing Directors and employees for their efforts in the year under review.

Frankfurt am Main, 24 March 2017

The Chairman of the Supervisory Board
of Landesbank Hessen-Thüringen
Girozentrale

Gerhard Grandke
Executive President
of the Sparkassen- und Giroverband
Hessen-Thüringen

Report of the Board of Public Owners

The Board of Public Owners discharged the duties incumbent upon it under the law and the Helaba Charter in a total of four meetings in the year under review. It was notified accordingly of major events, operational planning for the year and rolling medium-term planning, including equity planning, discussed the business and risk strategy for 2017 and regularly considered Helaba's business, income and risk reports. The Committee of the Board of Public Owners also convened for three meetings, at which it considered matters including the review to examine whether the principles of the remuneration structure for the Board of Managing Directors of Landesbank Hessen-Thüringen are still appropriate in light of the requirements of the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (Instituts-Vergütungsverordnung – IVV), the assessment of the questionnaire to evaluate the activities of the Board of Managing Directors in accordance with Section 25d of the German Banking Act (Kreditwesengesetz – KWG) and the process to select the auditor of the annual accounts for 2018 onwards.

At the meetings of the Board of Public Owners, the Board of Managing Directors reported on the following key topics:

- EBA stress test in 2016
- Trades around the date of record
- Strategic positioning of LBS Hessen-Thüringen
- Helaba's involvement in the "paydirekt" payments system
- Sale of the equity interest in HANNOVER LEASING
- Resolution planning
- Updating of Helaba's recovery plan
- Digitalisation strategy project
- Implementation of a new core banking system
- IT Master Plan 2020
- Completion of the Helaba PRO (Process and Resource Optimisation) project

After the matter had previously been dealt with by the Committee of the Board of Public Owners, the Board of Public Owners turned its attention to assessing the questionnaire to evaluate the activities of the Board of Managing Directors, bearing in mind the stipulations of Section 25d (11) KWG, which requires a regular assessment of the structure, composition and performance of the Board of Managing Directors. In line with its responsibilities under the Charter, the Board of Public Owners selected the auditor to conduct the audit of the 2016 annual accounts and, after the matter had previously been dealt with by the Audit Committee and the Committee of the Board of Public Owners, approved the choice of auditor for 2018 onwards.

The Board of Public Owners additionally handled personnel matters involving the Board of Managing Directors. Following approval by the Supervisory Board on 9 December 2016, and subject to approval by the ECB, it appointed Mr. Hans-Dieter Kemler as a member of the Board of Managing Directors with effect from the earliest possible date. At the same meeting, following approval by the Supervisory Board, the Board of Public Owners approved the reappointment of Mr. Thomas Groß as Vice-Chairman of the Board of Managing Directors with effect from 15 October 2017. Mr. Rainer Krick retired on 31 July 2016.

The Board of Public Owners in its decision of 29 March 2017 approved the Bank's annual accounts and management report and discharged the Board of Managing Directors and the Supervisory Board from responsibility in respect of financial year 2016. It resolved, moreover, to use the reported distributable profit of € 90,000,000 as follows: € 61,588,000 will be paid as a dividend on the Bank's share capital and € 28,412,000 as remuneration for the capital contribution from the State of Hesse.

The Board of Public Owners wishes to thank Helaba's Board of Managing Directors and employees for their efforts in the year under review.

Frankfurt am Main, 29 March 2017

The Chairman of the Board of Public Owners
of Landesbank Hessen-Thüringen
Girozentrale

Stefan Reuß
Chief Administrative Officer
President of the Sparkassen- und
Giroverband Hessen-Thüringen

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