2017

Annual Financial Report

Annual Financial Statements of Helaba

Helaba

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Management Report

Foundations of the Bank

Business model of the Bank

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 regional focus, a presence in 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 2018, Helaba is planning to convert the representative office in Stockholm into a branch and open a 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 around 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 around 820,000 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.

Helaba reviews its business model on a regular basis and continues to refine it. The portfolio review initiated in the previous year was continued in the reporting year. All areas of business were reviewed to assess their market appeal, competitiveness and earnings prospects. Various growth initiatives were decided upon and structural changes implemented in two waves. As of the beginning of 2018, the changes will also be reflected accordingly in the internal and external reporting.

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 of less than 70 % at Helaba Group level. 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 balance sheet and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances analysed based on a management income statement produced in the Margin Accounting System at regular intervals in the course of the financial year. In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

One key indicator used to manage portfolios is the volume of new medium- and long-term business (defined as 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). The minimum Common Equity Tier 1 (CET1) capital ratio required to be maintained by the Helaba Group (as defined by the German Banking Act (Kreditwesengesetz, KWG) and the Capital Requirements Regulation (CRR)) in 2017 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB was 7.43 %. 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). Helaba has set a target range of 5 % to 7 % for return on equity at Group level.

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 when the leverage ratio migrates to Pillar 1 of the three-pillar model of prudential supervision. The European Commission has still to decide on the details. Helaba is already taking this ratio into account in its management systems.

The CRR specifies that banks must calculate a (short-term) liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The regulatory minimum LCR for 2017 was 80 %. As regards the NSFR, Europe has still to implement the requirements for medium- and long-term liquidity. The NSFR is currently expected to be introduced in 2021 at the earliest. However, it is already being taken into account in Helaba's management systems on the basis of the guidance issued by the Basel Committee on Banking Supervision (BCBS). 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.

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 does not currently expect to receive a mandatory MREL until 2018/2019.

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.

In lending operations, Helaba has defined mandatory Group-wide sustainability criteria that have been incorporated into the risk strategies. These ensure that human and workers' rights are respected, cultural assets are preserved and the environment is protected. Helaba will not knowingly finance projects that are likely to cause severe environmental damage or breach international social standards.

For critical sectors of the economy, it has developed specific excluding criteria that rule out controversial business practices in particular. This affects the energy, mining, oil and gas, agriculture and forestry, paper and pulp, and armaments sectors.

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

- 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.

- Human resources 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. This range of training seminars is complemented by foreign language training, topic-specific training provided by external providers and courses of study in business management. In addition to the aforementioned range of training options, the repertoire of human resources development also includes aspects of change, diversity and performance management, for example.

- Development of young talent
  The social changes resulting from demographic trends and the ongoing process of digitalisation 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 digitalisation 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 on which HR activities are currently focused include work-life balance, health management and managerial training, with the latter based in part on the findings of the last employee survey on the management culture. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

Economic Report

Macroeconomic and sector-specific conditions in Germany

The German economy expanded at a rate of 2.5 % (seasonally adjusted) in 2017, once again exceeding its growth potential, i.e. the growth that would be expected over the long term given a normal level of capacity utilisation. This economic growth was driven almost exclusively by domestic demand; foreign trade contributed just 0.2 percentage points to it. Although inflation was up on the prior-year rate of 0.5 % to 1.8 %, collectively agreed pay rises and higher employment led to a rise in real incomes.

Despite continuing political uncertainty, businesses invested somewhat more heavily in machinery and vehicles. This trend was supported by rising corporate profits, favourable financing terms and high order intake in industry and beyond. The upturn in residential construction continued, benefiting from 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. Higher public-sector spending on infrastructure also had a positive impact.

The German banking sector benefited from the positive economic trend in 2017. This is reflected in particular in the low level of provisions required to be recognised for losses on loans and advances. Conversely, though, banks' operating business continues to be impacted by the current level of interest rates. 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. Cut-throat competition continues to put pressure on margins.

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

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 with a view to finding new, faster and more cost-effective methods of exchanging data. Potential applications range from specialist niche trading and SEPA payments to the processing of promissory note loans.

Following the referendum on Brexit in June 2016, the specific terms of the exit have still not been definitively negotiated between the EU and the United Kingdom. As a hard Brexit is still a possibility, Helaba considers a third country regime to be the most likely scenario. This scenario assumes that any trade agreement between the EU and the UK will not include special arrangements for the banking sector or that the EU and the UK will not reach a trade agreement. In this case, the UK would treat the 27 EU member states as it treats every other third country.

In light of this, the Bank aims to apply to the UK's Prudential Regulation Authority (PRA) for authorisation to establish a third country branch for its branch in London. The Bank's corporate bodies have approved this step.

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 19 December 2017 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 2018 is 8.89 %. This requirement comprises the Pillar 1 minimum capital requirement, the Pillar 2 capital requirement and the capital buffers.

- Stress test
  In the first half of 2017, Helaba underwent the ECB's sensitivity analysis of interest rate risk in the banking book (IRRBB). This stress test is in addition to the two-yearly stress test cycle specified by the European Banking Authority (EBA), the next test in

the cycle being planned for 2018. In the IRRBB sensitivity analysis, the change in present value in the banking book and the change in net interest income were calculated for different interest rate scenarios that could potentially occur as ad hoc interest rates shocks. Helaba was able to supply all the data required by the banking supervisor in an appropriate format and in a timely manner. The results were fed into this year's SREP decision.

- Targeted review of internal models (TRIM)
  At the end of 2015, the ECB launched its TRIM project, the purpose of which was to specifically review the internal models currently used by banks to determine their Pillar 1 own funds requirements. The ECB's aim is to assess whether the models satisfy the regulatory requirements and to establish comparability between the internal models used, thereby reducing any inconsistencies and unjustified variability in the calculation of risk-weighted assets (RWAs). Local reviews are currently being carried out as part of the TRIM project.

  In 2017, the Helaba Group was subject to a review focusing on credit risk models used in retail operations and the internal market risk model.

- Single Resolution Mechanism (SRM)
  Helaba is classified as a "significant" bank and thus falls within the responsibility of the Single Resolution Board (SRB). As in 2016, a data collection exercise was conducted in the first half of 2017 for the purposes of resolution planning and determining minimum requirements for own funds and eligible liabilities (MREL). Helaba's own funds and eligible liabilities were well above the indicative target figure last communicated in 2016.

- Basel III package of reforms
  The initial phase of the Basel III reforms centred mainly on the quality and level of own funds. The Basel III reforms finalised on 7 December 2017 place increasing focus on risk-weighted assets (RWAs). Among other things, the main changes enhance the risk sensitivity of the standardised approach for credit risk and CVA risk, eliminate the advanced measurement approach (AMA) for operational risk and the advanced internal ratings-based (IRB) approach for certain portfolios and establish a floor for internal models of 72.5 % of total RWAs. According to the Basel Committee, the revised standards will apply as of 2022 and the output floor will be phased in over a period of five years. The increase in RWAs that the new requirements entail for all German institutions is being given prompt consideration in Helaba's planning.

Business performance

Key factors influencing Helaba's business performance and results of operations in financial year 2017 were the strong rate of economic growth in Germany, which was 2.5 % in real terms, and the persistently low and negative level of interest rates.

The volume of new medium- and long-term business (with a term of at least one year, excluding the WIBank development business, which does not form part of the competitive market) was stable year on year at € 17.3 bn (2016: € 17.4 bn). However, maturities, special repayments and a currency-related decline of € 1.9 bn led to an overall decrease in loans and advances to customers to € 80.1 bn (31 December 2016: € 81.9 bn). Added to these were loans and advances to affiliated Sparkassen in the amount of € 6.0 bn (31 December 2016: € 6.6 bn). 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. As in the previous year, the degree of interconnectedness with the real economy, i.e. the percentage of total consolidated assets accounted for by customer transactions, stood at 65 %.

The market environment for funding operations was very positive for financial institutions throughout financial year 2017. Helaba took advantage of this situation to raise medium- and long-term funding from institutional and private investors at low rates. As in previous years, the Bank continued to benefit in this regard from its strategic business model and from its stable business and earnings performance.

Medium- and long-term funding of around € 17.5 bn was raised during 2017 (2016: € 17.2 bn). Unsecured funding, including funding raised under Deutsche Bundesbank's series of targeted longer-term refinancing operations (TLTRO II), amounted to approximately € 12.8 bn (2016: € 14.2 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were higher than in previous years (2016: € 2.4 bn) at around € 2.8 bn. Pfandbrief issues amounted to € 4.7 bn in total (2016: € 3.0 bn), with mortgage Pfandbriefe accounting for almost 60 % and public Pfandbriefe for a little over 40 %. Successful placements once again included US dollar mortgage Pfandbriefe of various maturities totalling almost US$ 1 bn. A mortgage Pfandbrief in Swedish kronor (SEK) was issued for the first time for institutional investors in order to fund the Swedish real estate lending business.

The cost-income ratio was 69.4 % as at 31 December 2017 (31 December 2016: 57.7 %). Return on equity rose slightly to 5.9 % (31 December 2016: 5.7 %).

Phased in, i.e. taking into account the CRR transitional arrangements, the Helaba Group's CET1 capital ratio was 13.9 % and its total capital ratio 21.5 % at the end of 2017. Fully loaded, i.e. disregarding the transitional arrangements, the CET1 capital ratio was 13.9 % and the total capital ratio 20.9 %. 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 liquidity coverage ratio (LCR) for Helaba was 157 % at the end of 2017. This uniform liquidity coverage requirement applicable throughout Europe has been gradually raised and as of 1 January 2018 must be met in full.

As at 31 December 2017, Helaba's leverage ratio was 4.4 % taking into account the transitional provisions set out in the delegated act, or 4.1 % fully loaded, and therefore above the specified minimum ratio of 3.0 %.

The NPL ratio for the Helaba Group (in accordance with EBA Risk Indicator Code AQT_32) was 0.82 % as at 31 December 2017. As in the previous year, therefore, Helaba fell below the German average published in the context of the 2017 EU-wide transparency exercise, which at 2.21 % (as at 30 June 2017) was already very low by European standards.

Helaba is the S-Group bank for around 40 % of the German Sparkassen in four federal states. Collaboration with the affiliated Sparkassen held steady in 2017.

The sale in December 2016 of Helaba's shares in HANNOVER LEASING GmbH & Co. KG was completed in July 2017.

In financial year 2017, 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 revenue reserves to strengthen Tier 1 capital.

Net Assets, Financial Position and Results of Operations

Key performance data for 2017

	2017	2016	Changes	
	in € m	in € m	in € m	in %
Business volume	161,604	165,471	−3,867	−2.3
Total assets	133,253	136,788	−3,535	−2.6
Operating result before allowance for losses on loans and advances	410	611	−201	−32.9
Net additions to allowance for losses on loans and advances/ net remeasurement gains/losses	47	−147	+194	>+100.0
Net income for the year	262	291	−29	−10.0

The Bank does not include the cost of servicing its silent participations in its presentation of the results of operations. For this reason, net interest income and therefore also the operating result and net income for the year reported under the results of operations are € 45 m (2016: € 45 m) higher than in the income statement prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB).

Results of operations

	2017	2016	Changes	
	in € m	in € m	in € m	in %
Net interest income	1,044	1,105	−61	−5.5
Net fee and commission income	165	174	−9	−5.2
Net income of the trading portfolio	222	158	+64	+40.5
Other net operating income	−91	8	−99	>−100.0
Net operating income	**1,340**	**1,445**	**−105**	**−7.3**
General and administrative expenses	−930	−834	−96	+11.5
Operating result before allowance for losses on loans and advances	**410**	**611**	**−201**	**−32.9**
Net additions to allowance for losses on loans and advances/ net remeasurement gains/losses	47	−147	+194	>+100.0
Additions to/reversals of contingency reserves (section 340f HGB)	−60	−70	+10	−14.3
Extraordinary result	–	−13	+13	–
Operating result before taxes	**397**	**381**	**+16**	**+4.2**
Taxes on income	−135	−90	−45	+50.0
Additions to the fund for general banking risks (section 340g HGB)	–	–	–	–
Net income for the year	**262**	**291**	**−29**	**−10.0**

In 2017, the Bank's operating income fell to € 105 m below the prior-year figure. Despite higher net income of the trading portfolio, the decline in net interest income, the negative other net operating income and the sharp rise in general and administrative expenses resulted in a fall in the operating result before allowance for losses on loans and advances to € 410 m. Taking into account a significantly higher expense under net additions to allowance for losses on loans and advances/net remeasurement gains/losses and an addition to the contingency reserves in accordance with section 340f of the HGB, the operating result before taxes reported by the Bank showed a slight increase on the previous year of € 16 m. Taxes on income, on the other hand, were up significantly on the prior-year figure, which was impacted by one-off effects. Net income for the year was therefore € 29 m down on the prior-year figure to € 262 m.

Net interest income, a key component of Helaba's income, was € 1,044 m compared with € 1,105 m in the previous year. The main driver of this decrease was lower current interest income from on-balance sheet transactions. Income from early termination fees was also lower.

Net fee and commission income amounted to € 165 m and was derived largely from net fee and commission income on payment transactions (€ 64 m) and in the lending and guarantee business (€ 51 m). Year on year, net fee and commission income dropped by € 9 m, a key factor here being a decline in net fee and commission income from securities business.

All realised and unrealised contributions to income from trading transactions are reported under net income of the trading portfolio. Once again, the net income of € 222 m (2016: € 158 m) resulted mainly from interest rate-related business, the focus of the customer-driven capital market activities. The year-on-year rise is largely attributable to lower credit value adjustments from counterparty credit risk in derivatives business.

Other net operating income amounted to a net expense of € 91 m (2016: net income of € 8 m). This year-on-year change was a consequence of one-off items that benefited prior-year other net operating income. In 2016, pension provisions were partially reversed as a result of adjustments to the pension and salary trends and the effects of the collective bargaining agreement for the banking sector. Also in the previous year, the underlying discount rate for provisions for pensions was changed from a seven-year average to a ten-year average.

General and administrative expenses rose by € 96 m to € 930 m. These expenses comprised personnel expenses of € 368 m (2016: € 362 m), non-personnel operating expenses of € 516 m (2016: € 457 m) as well as depreciation and impairment losses on property and equipment plus amortisation and impairment losses on intangible assets totalling € 46 m (2016: € 15 m). Factors behind the increase in non-personnel operating expenses included significantly higher consulting and IT costs for domain-specific and IT projects. At € 46 m, depreciation and impairment losses on property and equipment and amortisation and impairment losses on intangible assets were € 31 m higher year on year due to the write-down of capitalised project costs. The bank levy showed only a slight increase to an expense of € 37 m in the year under review (2016: € 35 m). At the end of the year, Helaba had 3,408 employees (31 December 2016: 3,385). The average number of employees rose from 3,383 to 3,405.

The net operating income of € 1,340 m and general and administrative expenses of € 930 m combined to give an operating result before allowance for losses on loans and advances of € 410 m, a decrease on the previous year of € 201 m or 32.9 %. The cost-income ratio, which is the ratio of general and administrative expenses to net operating income, was 69.4 % as at 31 December 2017.

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

	2017	2016	Changes	
	in € m	in € m	in € m	in %
Result of lending operations	23	–179	+202	>+100.0
Result of investment operations	14	–18	+32	>+100.0
Result of securities allocated to the liquidity reserve, fixed assets and banking book derivatives	10	50	–40	–80.0
Net additions to allowance for losses on loans and advances/ net remeasurement gains/losses	**47**	**–147**	**+194**	**>+100.0**

The significant decline in the allowance for losses on loans and advances made a positive contribution to the operating result of € 23 m in the year under review. Sharply lower additions to specific loan loss allowances (net addition of € 127 m compared with a net addition of € 255 m in 2016) contributed to the positive trend. Another factor was the fall in the portfolio loan loss allowances of € 149 m owing to a significantly lower estimate of the requirement for allowances to cover potential risk not yet taken into account in the specific loan loss allowances.

The result of investment operations amounted to income of € 14 m compared with an expense of € 18 m in the previous year and was influenced by income from the sale of an equity investment.

The result of securities allocated to the liquidity reserve is the net amount of write-downs strictly to the lower of cost or market value, disposal gains and losses and reversals of write-downs required under section 253 (5) of the HGB. Together with the net redemption gain/loss on long-term securities and the net remeasurement gain/loss on banking book derivatives, this resulted in a contribution to the operating result of € 10 m.

The contingency reserves under section 340f of the HGB increased by € 60 m, taking the operating result before taxes to a total of € 397 m compared with € 381 m in the previous year.

Tax expense amounted to € 135 m (2016: € 90 m).

Overall, these figures resulted in net income of € 262 m for the year, allowing Helaba to service all subordinated debt and silent participations, make appropriations to its revenue reserves to strengthen Tier 1 capital and report net retained profits.

Changes in assets

	31.12.2017	31.12.2016	Changes	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	18,802	14,707	4,095	+27.8
Loans and advances to customers	80,056	81,919	−1,863	−2.3
Bonds and equities	17,716	19,048	−1,332	−7.0
Trading portfolio (assets)	12,307	16,536	−4,229	−25.6
Equity investments and shares in affiliated companies	1,837	1,838	−1	<−0.1
Other assets	2,535	2,740	−205	−7.5
Total assets	**133,253**	**136,788**	**−3,535**	**−2.6**
Business volume	161,604	165,471	−3,867	−2.3

Helaba's total assets fell again, dropping from € 137 bn to € 133 bn in financial year 2017.

Loans and advances to banks, including the cash reserve, rose by € 4.1 bn to € 18.8 bn. This rise was the result of a sharp increase in the cash reserve to € 9.3 bn (31 December 2016: € 2.6 bn) and more than offset a decline in loans and advances to banks, which was related to a drop in loans to the Sparkassen in Hesse and Thuringia, North Rhine-Westphalia and Brandenburg as well as to other banks.

Loans and advances to customers fell slightly to € 80.1 bn (31 December 2016: € 81.9 bn). Both mortgage loans (down by € 0.8 bn) and other loans and advances (down by € 1.1 bn) declined, while municipal loans were at the prior-year level. Bausparkasse building loans also remained almost unchanged.

The volume of bonds and equities allocated to the investment and liquidity portfolio shrank to € 17.7 bn in the past financial year. The main investments were bonds and other fixed-income securities totalling € 16.7 bn (31 December 2016: € 18.0 bn). Equity shares and other variable-income securities were unchanged at € 1.0 bn.

The trading portfolio (assets) declined by € 4.2 bn to € 12.3 bn in the reporting period. In particular, derivatives in the trading portfolio (assets) were down to € 5.2 bn (31 December 2016: € 8.0 bn). A reduction in bonds and notes to € 5.3 bn (31 December 2016: € 6.7 bn) also contributed to the decline in the trading portfolio (assets). Equity shares and other variable-income securities included in the portfolio amounted to just € 0.1 bn again. At € 1.2 bn, trading receivables remained almost on a par with the prior-year figure (€ 1.3 bn).

The business volume, which includes off-balance sheet business in addition to total assets, declined by € 3.9 bn to € 161.6 bn. Total assets contracted by € 3.5 bn to € 133.3 bn, largely as a consequence of the fall in the volume of the trading portfolio (assets). The slightly larger decrease in business volume compared with that in total assets was attributable to the reduction in contingent liabilities from sureties, indemnities and guarantees from € 6.8 bn to € 6.2 bn in the reporting period. Placement and underwriting obligations remained largely unchanged, while irrevocable loan commitments rose by € 0.4 bn to € 19.5 bn in the reporting period.

Changes in equity and liabilities

	31.12.2017	31.12.2016	Changes	
	in € m	in € m	in € m	in %
Liabilities due to banks	34,027	32,098	1,929	+6.0
Liabilities due to customers	30,614	28,467	2,147	+7.5
Securitised liabilities	47,661	50,110	−2,449	−4.9
Trading portfolio (liabilities)	6,830	10,975	−4,145	−37.8
Own funds	10,125	10,110	15	+0.1
Other liabilities	3,996	5,028	−1,032	−20.5
Total equity and liabilities	**133,253**	**136,788**	**−3,535**	**−2.6**

Liabilities due to banks climbed to € 34.0 bn (31 December 2016: € 32.1 bn). The rise was largely attributable to promissory note loans (€ 0.6 bn).

Liabilities due to customers rose by € 2.1 bn to € 30.6 bn. The increase (€ 2.9 bn) was driven predominantly by higher current account deposits.

Liabilities due to customers included home savings deposits of € 4.7 bn (31 December 2016: € 4.5 bn).

Securitised liabilities fell by € 2.4 bn. The portfolio of bonds issued amounted to € 43.2 bn (31 December 2016: € 43.0 bn). Within securitised liabilities, the issuance programmes comprising short-term money market instruments amounted to € 4.5 bn (31 December 2016: € 7.1 bn).

The trading portfolio (liabilities) declined by € 4.1 bn to € 6.8 bn. Trading liabilities amounted to € 4.4 bn (31 December 2016: € 8.0 bn) and trading derivatives (liabilities) to € 2.4 bn (31 December 2016: € 3.0 bn).

Own funds

The own funds of the Bank reported in the balance sheet (equity excluding net retained profits, including the fund for general banking risks, profit participation rights and subordinated liabilities) amounted to a total of € 10.1 bn as at 31 December 2017 (31 December 2016: € 10.1 bn).

The Bank's regulatory own funds as at 31 December 2017 – i.e. before the annual financial statements were adopted and thus before appropriations to revenue reserves were taken into consideration and including an allowance surplus of € 0.2 bn resulting from the comparison of expected losses against allowances at the end of 2016 – amounted to € 9.8 bn. This included Tier 1 capital of € 6.8 bn. The capital contributions classified as CET1 capital amounted to € 1.9 bn; silent participations of € 0.5 bn were classified as Additional Tier 1 capital.

The Bank's own funds requirements under the CRR amounted to € 3.6 bn as at 31 December 2017. This resulted in a total capital ratio of 21.5 % for Helaba; the Tier 1 capital ratio was 15.1 % and the CET1 capital ratio 13.9 %.

The own funds requirements specified by the CRR for the exposures for which capital charges are required were met at all times in 2017.

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

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:

	2016 forecast for 2017	2017 actual
Net interest income	Down by approx. 3 % year on year	– 5.5 %
Net fee and commission income	Up by 2 % year on year	– 5.2 %
Net income of the trading portfolio	Down by approx. 22 % year on year	+ 40.5 %
Other net operating income	Sharply negative net amount	Expense of € 91 m
Personnel expenses	“Not expected to increase”	+ 0.8 %
Personnel expenses	Up by 7 %	+ 1.7 %
Non-personnel operating expenses (including depreciation, amortisation and write-downs)	Up by approx. 5 %	+ 19.1 %
Provisions for losses on loans and advances	At prior-year level	– 94.0 %
Profit before taxes	**Down by approx. 1/3 on prior-year profit**	**+ 4.2 %**
Cost-income ratio	Approximately 68 %	69.4 %
Volume of new medium- and long-term business	**€ 16.3 bn**	**€ 17.3 bn**

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

Net fee and commission income was below budget in capital markets business and in lending operations. In addition, fee and commission expense was higher than budgeted due to the intensive use made of securities lending in building liquidity.

Net trading income exceeded the budgeted level by a clear margin due to lower credit value adjustments (CVAs) on derivatives as a result of higher long-term interest rates.

The change in personnel expenses was forecast based on the assumption that increases due to collective bargaining agreements will be offset by changes in headcount. The actual figure for 2017 showed a minimal increase of 0.8 % overall.

An addition in line with prior-year averages was anticipated for 2017 for total personnel expenses, which include additions of provisions to occupational pension tools. This meant that a sharp increase was expected in 2017 after an above-average adjustment to the inputs (pension adjustment) had a positive impact in 2016. As there was another above-average pension adjustment in 2017, however, the expected increase in personnel expenses did not actually occur.

The anticipated rise in non-personnel operating expenses was significantly higher due to unplanned projects. Several regulatory driven projects are tying up more capacity than originally planned and need to be prioritised. Helaba's IT project portfolio has grown primarily as a result of the Alpha program for addressing regulatory findings, which was prompted by the on-site IT inspection. The Bank's original budget had assumed that the amount capitalised would be significantly higher. In 2017, a one-off write-down relating to the abandoned introduction of a new core banking system led to an unbudgeted rise in depreciation, amortisation and write-downs.

Within provisions for losses on loans and advances, planned additions were offset by significantly more unplanned reversals, as a result of which the change in provisions for losses on loans and advances was much better than forecast.

Due in particular to the healthy trend in net income of the trading portfolio and the lower provisions for losses on loans and advances, profit before taxes was well above budget.

The project-driven increase in non-personnel expenses and the one-time effect of the write-down related to the abandoned introduction of a new core banking system meant that the cost-income ratio rose above the budgeted figure.

The main contributor to the volume of new medium- and long-term business in excess of the budget was the high volume of new business in Corporate Finance.

Results of operations by business area

In real estate lending, the volume of new medium- and long-term business contracted by around 16 % year on year to € 8.7 bn and was therefore at the budgeted level. Margins on new business increased sharply compared with the previous year. 2017 also saw a high level of early redemptions, as a result of which the average customer volume declined slightly. Income decreased year on year by around 4 %, with income from real estate lending operations falling slightly short of expectations in 2017.

In Corporate Finance, the volume of new medium- and long-term business was up by around 30 % on the previous year to € 5.6 bn and therefore well above budget. Despite a slight rise in average loans and advances to customers for the year, the absence of a one-off effect led to a fall in income of 2 % compared with the previous year. The decrease in income was therefore smaller than forecast.

The Bank only entered into selective new business with foreign public-sector institutions in 2017, the value of this new business amounting to € 0.1 bn. In the Financial Institutions and Public Finance division, total income was at the prior-year level and therefore slightly below budget.

The volume of new medium- and long-term lending in the municipal lending business in Germany (including the S-Group bank share) was € 1.5 bn in 2017, well above the prior-year figure and above budget. With margins remaining stable, the income generated was on a par with the previous year and met the budget.

Capital markets business continued to be impacted by low interest rates in 2017, as a result of which customer contributions flatlined due to subdued demand. Having been budgeted at conservative levels, contributions from the measurement of OTC derivatives and the calculation of credit value adjustments (CVAs) and debit value adjustments (DVAs) were much better than expected in 2017, as a result of which total income was well above budget.

In the cash management business, fee and commission income in 2017 rose by 7 % compared with the previous year. Within net interest income, the adverse impact of negative short-term interest rates was partly offset by charging custodian fees, as a result of which total income climbed year on year and was also above budget.

In the S-Group business with Sparkassen, income was marginally higher year on year, although the rise fell slightly short of the budget. The higher income was derived primarily from cash management products and Sparkasse lending business.

Gross new business at LBS in the reporting period was down slightly on the previous year. In addition to persistently low returns on investments, earnings performance was impacted in particular by the provision for the LBS-EVOLution reorganisation project, the absence of one-off effects arising on pension provisions and the recognition of non-operating expenses but no non-operating income. Net interest income benefited from the one-time adverse effect of a funding swap at matching maturities and amounts being brought forward in the previous year.

Helaba performs public development functions for the State of Hesse through WIBank. The financial year featured stable business performance accompanied by a slight rise in total assets. Net interest income and net fee and commission income rose by around 4 % year on year due in part to selective improvements in margins, new service agreements signed with the State of Hesse and indexed remuneration adjustments on existing contracts.

Report on Post-Balance Sheet Date Events

There were no significant events after the end of the financial year on 31 December 2017.

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 the Helaba Group. The risk strategy encompasses all the main business units in the Helaba Group and therefore also the Helaba Group itself within the meaning of the German Banking Act (KWG) and the Capital Requirements Regulation (CRR). 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 be assumed only as permitted under the general risk strategy and the specific risk strategies and only in pursuit of the strategic objectives of Helaba on the basis of the risk appetite framework (RAF), in particular in order to maintain Helaba's long-term earnings power while protecting its assets as effectively as possible and accomplishing its mission.

Protection of the Bank's reputation

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

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 appetite framework

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

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 culture

The risk culture at Helaba consists of the attitudes and conduct of Helaba's employees in relation to risk awareness, risk appetite and risk management. The risk culture at Helaba fosters an environment in which risks are identified and consciously handled to ensure that decision-making processes lead to results that comply with the approved risk strategy requirements and reflect Helaba's risk appetite. Helaba's risk culture therefore extends beyond the governance framework and the established controls.

The refinement of the risk culture is an ongoing task for all employees and managers at Helaba. The corporate values adopted by the Board of Managing Directors and encapsulating Helaba's basic values and guiding principles, a needs-based management development programme, a remuneration system based on risk awareness and an open communications policy are also components that have been developed to ensure that relevant national and international standards are taken into account.

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

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

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

- The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Reputation risk falls into this category 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.
  - As a component of operational risk, 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.

- IT risk 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) as a component of operational 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 as a component of operational 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 in the risk-bearing capacity under these two risk types.

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

Risk Concentrations

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

Both concentrations within a risk type (intra concentrations) and concentrations across risk types (inter concentrations) 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 to be regarded 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 steering

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

Boards and committees 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 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 Committee of the Board of Managing Directors (VS-KA) and the Credit Management Committee (KMA). The Asset/Liability Management Committee has responsibility for monitoring market risks, including the associated limit utilisation, and containing the strategic market risk portfolio and the portfolio of non-interest-bearing liabilities. while the Credit Committee of the Board of Managing Directors is responsible for credit and settlement risks associated with counterparties. 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.

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 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 at 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 2017. 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 depends on the risk type.

Principal risk monitoring areas

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

First line of defence (LoD 1)

For the relevant value creation processes, the profit-and-loss and risk responsibility lies with the front-office units (lending and trading units). These units are responsible for containing the default, market, liquidity and real estate risks. Each unit generally acts as a first line of defence for certain non-financial risks, especially operational risk.

Second line of defence (LoD 2)

The independent monitoring, risk control and risk reporting functions are covered by units not directly involved in the value chain, specifically the Risk Controlling and Credit Risk Management units.

Third line of defence (LoD 3)

The Internal Audit department carries out audits on a risk-oriented basis and completely independently of the value creation processes; these audits review the first two lines of defence to ensure they are fully functioning (effective) and assess compliance with the risk containment processes specified by the Board of Managing Directors, taking into account regulatory requirements. Internal Audit monitors the implementation of measures in response to external and internal audit findings, including measures that are overdue in terms of the deadline set by audit findings. Internal Audit reports directly to Helaba's full Board of Managing Directors and also on a regular basis to the Supervisory Board and its Audit Committee.

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

Risk types	Risk-containing units (LoD 1)	Risk-monitoring units (LoD 2)	Reviewing unit (LoD 3)
Default risk including equity risk	Front office units (Lending units, Capital Markets, Asset/Liability Management: Municipal Loans)	Risk Controlling (combined bank, portfolio level) Group Strategy and Central Staff Division (equity risk) Credit Risk Management (individual exposure level and individual portfolio level)	Internal Audit
Market risk	Capital Markets, Asset/Liability Management	Risk Controlling	
Liquidity and funding risk	Capital Markets (money market trading), Asset/Liability Management	Risk Controlling	
Operational risk	All units	Risk Controlling, together with specialist functions[1] in the following units: Information Technology, Information Security Management, Legal Affairs, Anti-Money Laundering and Fraud Prevention Compliance, Capital Market Compliance, Organisation, Human Resources, Financial Reporting and Taxes	
Business risk	Front office units	Risk Controlling	
Real estate risk	Real Estate Management	Risk Controlling	
Tasks across all risk types	–	Group Controlling (including risk-bearing capacity calculation, capital planning) Risk Controlling (including calculation of potential risk exposures, model governance)	

[1] In addition to the Risk Controlling unit, the specialist functions are responsible for relevant risks (as set out in the risk type breakdown) that are subsumed under operational risk and described in detail in the specific risk strategy for operational risk.

In terms of the three lines of defence principle, the independent risk management system within LBS, WIBank and the Group companies is generally structured in the same way as that at Helaba Bank. Regardless of the overall structure, there may, however, be specific arrangements in place. The relevant units at Helaba Bank are responsible for the integration of activities into the risk containment and risk monitoring systems of the Helaba Group. LBS and WIBank must also directly apply the requirements applicable to Helaba Bank.

The Group Controlling unit is responsible for carrying out the calculation of risk-bearing capacity across risk types.

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

Risk Management – MaRisk), an Information Security Management function and a Data Protection Officer, all of which report directly to the Board of Managing Directors.

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 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 also continuously refines the processes for ensuring that any necessary security requirements arising in connection with relevant laws and regulations (data protection legislation (German Federal Data Protection Act – BDSG, EU General Data Protection Regulation – GDPR), German IT Security Act, German Minimum Requirements for the Security of Internet Payments – MaSI, MaRisk, German Supervisory Requirements for IT in Financial Institutions – BAIT, etc.) are determined and specified, 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 as a permanent point of contact for any internal and external queries 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) no. 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. Helaba is preparing for the introduction of the requirements under the GDPR. To this end, specific tasks, issues and processes are being reviewed and carried out in an implementation project to ensure that compliance with legal requirements is adjusted by the deadline of 25 May 2018.

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 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 2017, 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 € 2.6 bn (31 December 2016: € 3.5 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 € 7.7 bn (31 December 2016: € 7.1 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, the subsidiary Frankfurter Sparkasse, and Frankfurter Bankgesellschaft (Deutschland) AG, which is a subsidiary of Frankfurter Bankgesellschaft (Schweiz) AG (which in turn is a subsidiary of Helaba), are also directly integrated into this protection scheme.

The Sparkassen-Finanzgruppe scheme includes a deposit guarantee scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected at the Helaba Group amount to € 15.6 bn in total (31 December 2016: € 15.1 bn). The German Federal Financial Supervisory Authority (BaFin) has recognised the Sparkassen-Finanzgruppe's institutional protection scheme as a deposit guarantee scheme for the purposes of the German Deposit Guarantee Act.

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide Joint Liability Scheme. It covers the liabilities of Helaba and Frankfurter Sparkasse to customers, including banks, insurance companies and other institutional investors, and their securitised liabilities. Liabilities that serve or have served at the institutions as components of own funds pursuant to section 10 KWG, such as asset contributions of dormant shareholders, liabilities under profit participation rights and subordinated liabilities, are not covered irrespective of their remaining term. The total volume of the fund is equal to 0.5 % of the affiliated institutions' total risk exposure amount as defined by article 92(3) CRR and stood at € 518 m at the end of 2017 (31 December 2016: € 522 m). The total contributions paid in cash as at the same date amounted to € 442 m (31 December 2016: € 410 m).

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

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

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

Default Risk

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

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

Basel III/CRR

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

Risk monitoring using the global limit system

Helaba employs a global limit system that records counterparty-specific default risks promptly in a structured and transparent manner. The system uses counterparty limits based on a combination of the creditworthiness (rating) of counterparties and 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, creditor risks associated with direct debits and what are referred to as "additional risks from constructs" are approved as commercial risks and counted against separate limits.

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

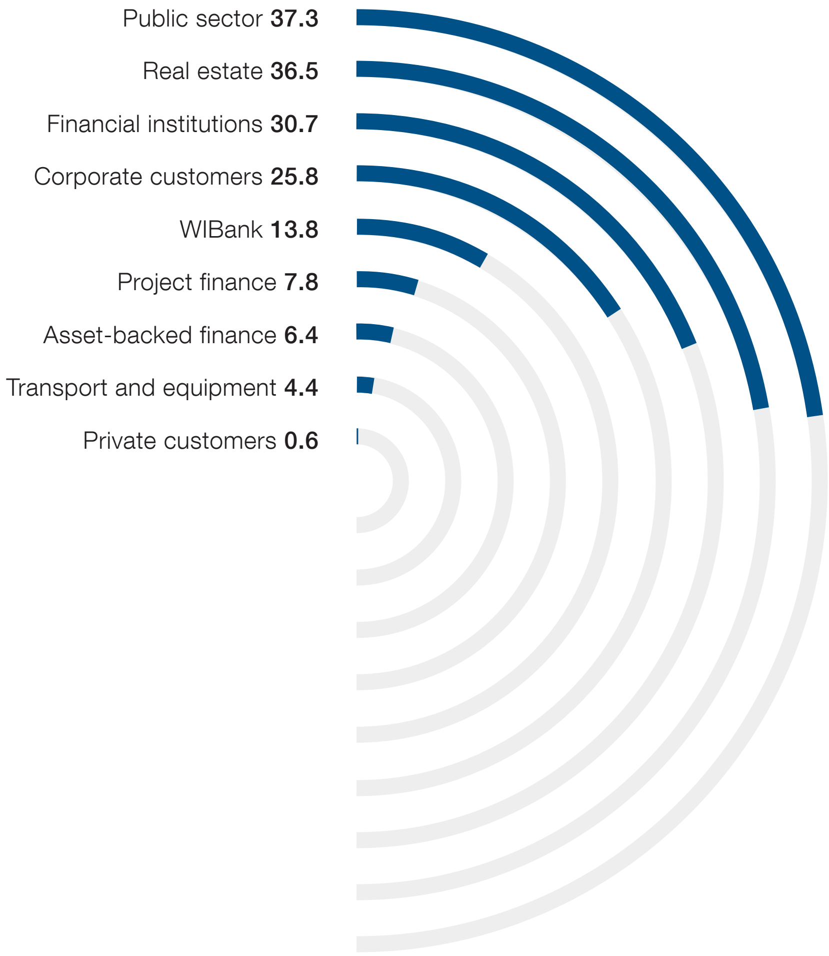
Swaps, forward transactions and options are counted towards the total limit at their credit equivalent amounts based on an internal add-on method. The Risk Controlling unit validates and, where appropriate, adjusts the add-ons once a year or on an ad hoc basis (for example in the event of market turmoil).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

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

Chart 1 shows the total volume of lending as at 31 December 2017 comprising drawings and unutilised committed credit lines of Helaba Bank totalling € 163.3 bn (31 December 2016: € 165.6 bn), broken down by portfolios. The total volume of lending is the risk exposure value calculated in accordance with the legal provisions applicable to large exposures before applying the exemptions in relation to calculating utilisation of the large exposure limit and before applying credit mitigation techniques.

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

in € bn



Helaba's lending activities as at 31 December 2017 focused on the following portfolios: public sector, real estate and financial institutions (especially in the banking sector).

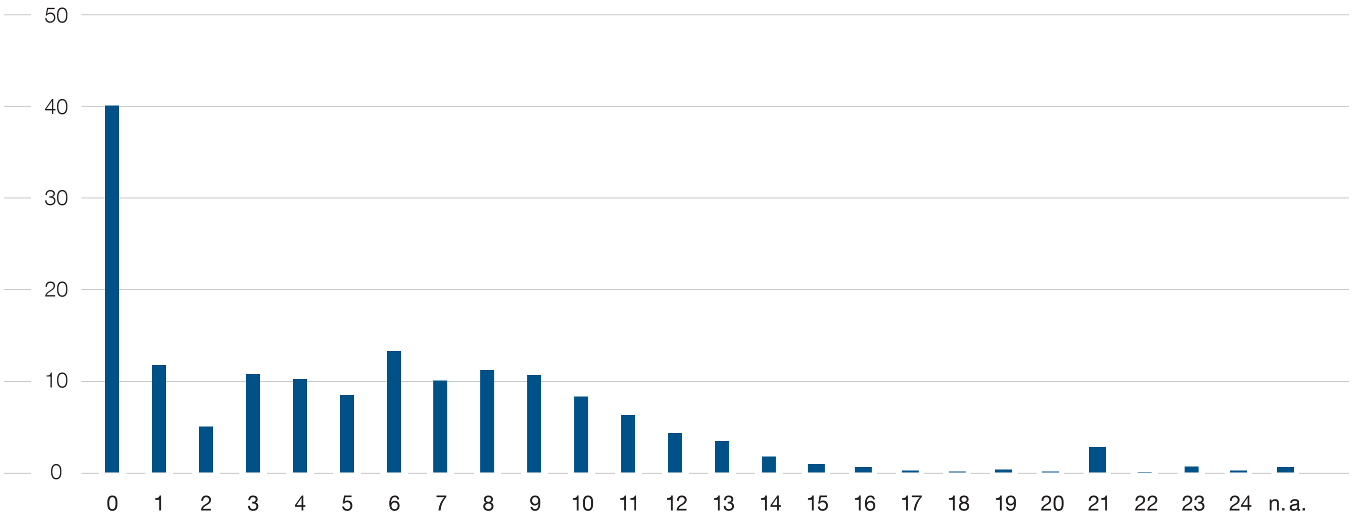
Creditworthiness/risk appraisal

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 Helaba Bank of € 163.3 bn (31 December 2016: € 165.6 bn) broken down by default rating category.

Total volume of lending by default rating category (Helaba Bank)
Chart 2

in € bn



Collateral

Like the creditworthiness of borrowers or counterparties, the collateral arrangements (or general credit risk reduction techniques) available are of major importance when determining the extent of default risks. Collateral is measured in accordance with 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 2017, 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 of Helaba Bank from loans issued to borrowers based outside Germany amounted to € 43.6 bn (31 December 2016: € 46.4 bn), most of which was accounted for by borrowers in Europe (83.5 %) and North America (14.2 %). As at 31 December 2017, 75.0 % (31 December 2016: 73.7 %) of these risks were assigned to country rating classes 0 and 1 and a further 25.0 % (31 December 2016: 26.2 %) came from rating categories 2–13. Just 0.1 % (31 December 2016: 0.1 %) fell into rating class 14 or worse.

Exposures in the UK

Helaba's net exposure to borrowers in the United Kingdom across the narrow Group companies amounted to € 7.3 bn as at 31 December 2017 (31 December 2016: € 7.9 bn). The United Kingdom's vote to leave the EU (Brexit) otherwise had no significant effect on the level of 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

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

Default risks are determined for the purposes of internal containment using a value-at-risk approach 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 base scenario of the risk-bearing capacity calculation shows an economic risk exposure from default risks of € 572 m (31 December 2016: € 561 m) for the Group.

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 2016. The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 11 m (31 December 2016: € 10 m) for the Group from equity risk.

Market Risk

Risk containment

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

Trading activities focus for strategic purposes on customer-driven business, which is supported by a demand-led product range. Responsibility for containing trading book exposures rests with the Capital Markets unit, while the 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 risks

Helaba employs a uniform limit structure to limit market 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 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 risk within the scope of the defined cumulative limit for market risks. In addition separate limits are defined for the trading book and the banking book. Responsibility for the onward allocation of limits to Helaba's subordinate organisational units and its various sites rests with the divisions to which a limit has been assigned. Stop-loss limits and volume limits are also used independently in the trading units to limit market risks.

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

Risk monitoring

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

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

A comprehensive reporting regime ensures that the relevant members of the 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 risks

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

The summary below presents a reporting date assessment of the market risks (including correlation effects between the portfolios) taken on as at the end of 2017 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market risk types. The fall in the linear interest rate risk is primarily attributable to a modification of the model in the second quarter. In addition to improving the modelling of trends in interest rates in the environment of low interest rates, Helaba also broadened the yield curve universe. Various country- and rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 86 % (31 December 2016: 90 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions 8 % (31 December 2016: 6 %). In the field of equities, the focus is on securities listed in the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar, Canadian dollar and sterling positions. Residual risk amounted to € 10 m for the Group (31 December 2016: € 12 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 166 m (31 December 2016: € 136 m). The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 239 m (31 December 2016: € 395 m) for the Group from market risks. The year-on-year decline was largely attributable to the significant fall in linear interest rate risk, although some of this fall was offset by a slight rise in incremental risk.

Group MaR by risk type — in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Total	**45**	**92**	**39**	**88**	**1**	**0**	**5**	**4**
Trading book	15	28	13	26	0	0	2	2
Banking book	39	67	35	64	0	0	4	2

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 risk in the trading book

All market risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba 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 2017 financial year. The average MaR for 2017 as a whole was € 19 m (2016 as a whole: € 25 m), the maximum MaR was € 32 m (2016 as a whole: € 33 m) and the minimum MaR was € 14 m (2016 as a whole: € 19 m). The fall in risk in the reporting year compared with 2016 is largely explained by the modification of the model used for linear interest rate risk to improve its ability to reflect the low level of interest rates.

Daily MaR of the trading book in financial year 2017
Chart 3

in € m

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

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

Average MaR for the trading book in financial year 2017

ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Interest rate risk	26	25	15	22	13	21	12	25	17	23
Currency risk	0	0	0	0	1	0	1	0	0	0
Equities risk	2	2	2	2	2	2	2	2	2	2
Total risk	**28**	**28**	**18**	**24**	**16**	**23**	**15**	**27**	**19**	**25**

Number of trading days: 250 (2016: 253)

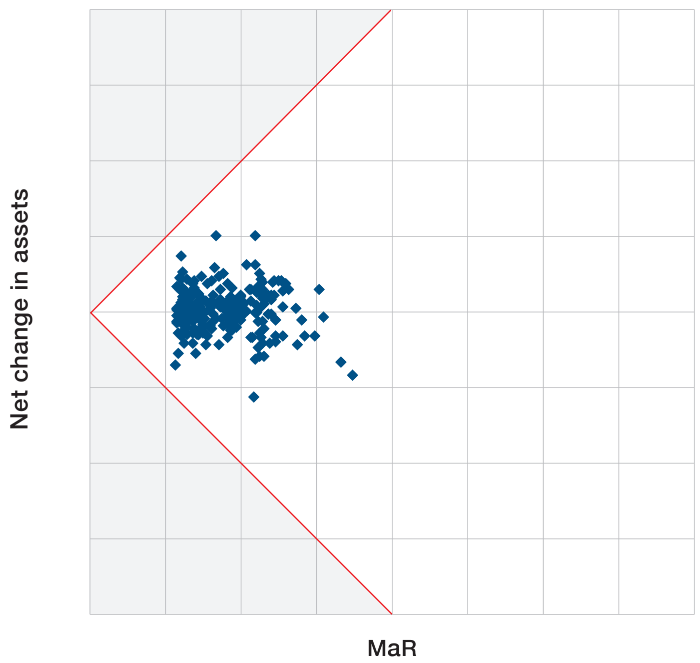
The annual average MaR for the trading book for Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG remains unchanged at € 0 m in each case.

Back-testing

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

Chart 4 shows the back-testing results of the Helaba risk models for the trading book across all types of market risk in financial year 2017. No negative outliers occurred (2016: no negative outliers).

Back-testing for the trading book in financial year 2017
Chart 4



The internal model for the general interest rate risk produced no negative outliers in 2017 in regulatory back-testing (2016: no negative outliers).

Stress test programme

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

Helaba employs the MaR approach used for the trading book to map the market 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 2017, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 277 m in the value of the Helaba Group banking book (31 December 2016: € 261 m). Of this figure, € 258 m (31 December 2016: € 249 m) is attributable to local currency and € 19 m (31 December 2016: € 12 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 2017.

A liquidity transfer pricing system ensures that all liquidity costs associated with Helaba's various business activities (direct funding costs and liquidity reserve costs) are allocated transparently. The processes of containing and monitoring liquidity and funding risks are combined in the 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, allowing a Group-wide aggregated view.

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.

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 2017.

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) was 11 % as at the reporting date (31 December 2016: 20 %) as a result of the excellent level of liquidity adequacy. This increased to 16 % (31 December 2016: 24 %) when Frankfurter Sparkasse was included. The average utilisation rate in 2017 was 9 % (2016: 27 %), reflecting the excellent liquidity situation.

The Bank manages short-term liquidity in accordance with the regulatory LCR requirements in parallel with the internal model. In 2017, Helaba's LCR was consistently higher than the relevant regulatory minimum ratio, as had also been the case in 2016. From 2017, it has also already fully achieved a ratio of 100 %, even though this ratio requirement does not yet apply until future years.

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

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 € 1.5 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents a decrease 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 2016).

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

Structural liquidity risk and market liquidity risk

The 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. Market liquidity risk is quantified in the MaR model for market risks. A monthly scenario calculation using a variety of holding periods is carried out. The scaled MaR suggested no significant market liquidity risk as at 31 December 2017, as was also the case 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 and tested for all locations.

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, any losses incurred, and containment actions derived as a result.

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 from risk sub-categories, including legal, information security and IT risks. The summary below shows the risk profile as at the end of 2017 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 31.12.2017	Reporting date 31.12.2016
	VaR 95.0 %	VaR 95.0 %
Helaba Bank	60	36
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	31	37
Total	**91**	**73**

The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an unexpected loss (economic risk exposure) of € 91 m (31 December 2016: € 73 m) for the Group from operational risks. The increase in this figure can be traced essentially to the updating of the risk scenarios.

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.

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 outsourcing arrangements, which are linked to the defined objectives of the divisions concerned for example, can arise in any unit that has outsourced services. Outsourcing also involves operational risk. The units responsible for outsourcing in each division monitor and manage the service providers and their performance in order to limit the risk. The degree of monitoring and management in this regard is based on the risk content, which is regularly reported to the relevant Dezernent (Board member). The Organisation unit (until 31 December 2017: Organisation and Information Technology) maintains a directory of the 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.

Tax risks

The Bank set up a tax compliance management system (TCMS) in the year under review. It came into force on 1 January 2018. The TCMS has been designed to take into account legal and business management principles, and focuses on complying with tax regulations and avoiding tax risks. Key components of the TCMS are processes for identifying, monitoring and containing tax risks. Risk-related tasks, processes and control requirements are integrated into the Bank's business operating processes.

The overarching parameters are set out in Helaba's tax strategy, which will form an integral part of the business strategy henceforward. All units are under an obligation to comply with the tax strategy requirements in their operating activities. The 'Taxes' department is responsible for monitoring the tax risks in Helaba's business operations. The monitoring activities are carried out by a central tax risk manager in conjunction with tax compliance coordinators in the individual departments.

The 'Taxes' department is also responsible for the system of tax-related instructions, which includes the overarching control requirements. It is the duty of the individual departments to implement the control requirements and any resulting improvement measures.

A reporting system covering the regular submission of information on tax risks has been put in place.

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.

Business risks declined by € 8 m to € 150 m over the year to 31 December 2017 (31 December 2016: € 158 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 includes determining the capital necessary to ensure that risk-bearing capacity is maintained.

The risks associated with real estate projects and real estate portfolios increased to € 48 m in 2017 as a result of portfolio growth (31 December 2016: € 31 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.

Non-Financial Statement

The following non-financial statement is identical to that in the group management report.

Under the German Act to Strengthen Non-Financial Reporting in Company Management Reports and Group Management Reports (CSR Directive Implementation Act), Helaba is now under an obligation to prepare a non-financial statement, which must be published for the first time in relation to the 2017 financial year (section 340a (1a) of the German Commercial Code (HGB)). Helaba is satisfying this obligation with this non-financial statement for the Group pursuant to section 340i (5) HGB in which it describes the main effects of its business activities in the following non-financial areas: environmental, social and employee concerns, respect for human rights and the prevention and combating of bribery and corruption (section 289c (2) HGB).

The concepts described here generally apply to the Group. If there is any variation from basic principle, this is indicated in the text. Frankfurter Sparkasse is presented on a consolidated basis; any significant attributes relating specifically to Frankfurter Sparkasse are disclosed separately at the relevant points.

In preparing the non-financial statement, Helaba has used the German Sustainability Code (DNK) and the indicators used in the code from the Global Reporting Initiative (GRI). The non-financial statement represents an excerpt from Helaba's DNK Declaration of Conformity. Helaba provides comprehensive reports online on its sustainability activities (nachhaltigkeit.helaba.de). The declaration of conformity in accordance with the DNK can also be accessed on this website.

In the year under review and on the date of the report, and taking into account the risk management process at Helaba (net method), no material risks have been identifiable that have had or are very likely to have a serious negative impact on the areas specified above.

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

Business model

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

With a view to minimising negative effects on the environment and society and preventing reputational risk, Helaba drew up guiding sustainability guidelines applicable for the entire Group in 2014. These guidelines include standards of conduct approved by the Board of Managing Directors for business activities, business operations, employees and corporate social responsibility. The guidelines set out the specific details of Helaba's mission to operate in the public interest, as enshrined in the Treaty of the Formation of a Joint Savings Banks Association Hesse-Thuringia and in Helaba's public-law Charter.

In 2017, Helaba also signed up to the ten principles of the UN Global Compact. It therefore recognises international standards for environmental protection, human and labour rights, and anti-corruption measures.

Impact of business activities on environmental and social issues

There is an impact on environmental and social issues from Helaba's business activities as a bank, from the housing portfolios of the GWH subsidiary in the real estate business and from the private customer business operated by the subsidiary Frankfurter Sparkasse. Helaba does not believe it has any material impact on the environment from its business operations in office buildings or its operational ecology. For example, Helaba's main office building (MAIN TOWER) has been certified as a sustainable building since 2011 in accordance with Leadership in Energy and Environmental Design (LEED) standards; in 2016, following the implementation of energy efficiency measures, the building was awarded platinum certification, the highest category available. Helaba regularly monitors environmental indicators in relation to its operations and publishes the results transparently on its website.

Credit finance

Lending business is Helaba's core activity. Therefore, there is a risk that businesses or projects financed by Helaba could have negative effects on the environment or society.

In 2017, Helaba developed sustainability and exclusion criteria for lending with the aim of minimising these negative effects from financing operations.These criteria have been integrated into the existing risk process and risk containment activities and will apply throughout the Group from the 2018 financial year.

Accordingly, it has been set out in the specific risk strategy for default risk that it is prohibited to consciously finance projects that could have a serious detrimental environmental or social impact. This includes, but is not limited to, violations of human rights, the destruction of cultural assets, infringements of employee rights and environmental damage.

These overarching principles in lending policies are complemented by sector-specific guidelines applicable to sectors exposed to heightened risk. Specific criteria have been adopted for the following sectors: energy, coal-fired power plants, dams and hydroelectric power plants, nuclear power plants, mining, oil and gas, agriculture and forestry, paper and pulp, and armaments. For example, Helaba has decided that its current exposures in relation to coal-fired power plants and power station coal will be gradually scaled back. At the same time, it is stepping up its positive involvement in Germany's switch to renewable energies by specifically aiming to finance energy-efficient and environmentally friendly technologies as well as renewable energy sources themselves. The sector-specific guidelines are published on Helaba's website and are therefore also visible to the market players.

Helaba reviews its risk strategies annually and will adjust or expand sustainability criteria as required. The containment of default risk is integrated into the risk management system used throughout the Bank. The basis is a comprehensive and universal risk strategy derived from the business strategy. This risk strategy was drawn up on a binding basis in accordance with the German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk). The Board of Managing Directors is responsible for all of the risks to which Helaba is exposed and for implementing the risk policy throughout the Group (see Risk Report).

Provision of financial services

Within the Helaba Group, private customer business is primarily conducted by Frankfurter Sparkasse. Frankfurter Sparkasse's Charter specifies that its mission is to promote saving and other forms of wealth accumulation and to satisfy the demand for credit at local level. As regional market leader in private customer business, Frankfurter Sparkasse has significant influence over the provision of financial services in its territory. It discharges its responsibility for the provision of access to financial services and meets its mandate to operate in the public interest by ensuring it has a broadly based presence in the territory, comprising 77 branches and advice centres, 20 self-service banking centres and more than 120 automated teller machines (ATMs).

Frankfurter Sparkasse recognises financial inclusion as a key component of its mandate to operate in the public interest. To ensure that access to banking services is available to all sectors of the population, particularly economically and socially disadvantaged customers, Frankfurter Sparkasse offers various types of basic account. As at 31 December 2017, 1,033 basic accounts were offered. Frankfurter Sparkasse makes it easier for the blind and visually impaired to access its services by ensuring that each of its physical branches has at least one ATM with a headphone socket. Since the end of 2016, the online branch has also offered full disabled access.

As a retail provider, Frankfurter Sparkasse pursues a business policy that is consistently focused on customer needs. Regular training sessions on the sales philosophy of the Sparkassen-Finanzgruppe and on implementing guidelines and laws with a consumer focus, together with targeted incentives, form the basis of this business policy. One example of the approach is that qualitative targets are used as the basis for 50 % of the measurement of the performance of customer advisors at Frankfurter Sparkasse in order to ensure that the advice provided is of a high quality. In addition, within the framework of the S-Group Concept in Hesse and Thuringia, customer satisfaction is regularly measured and reported to S-Group bodies. Targets are then determined from the findings and incorporated in the S-Group strategy.

Real estate business

GWH Immobilien Holding GmbH leases out and/or manages some 50,000 homes in its real estate business and therefore holds significant influence over environmental and social issues. The objective it pursues is to provide high-quality, affordable homes for broad sections of the population and to reduce the detrimental effects of real estate on the environment. There is a risk of a housing shortage, particularly in the urban centres of the Rhine-Main and Rhine-Neckar regions. GWH makes best efforts to provide high-quality housing and maintain a long-term relationship with its tenants based on targeted capital investment, new construction projects and the provision of local help and advice offices.

From an environmental perspective, GWH has established processes aimed at continuously optimising the energy and carbon footprint of its residential buildings. For example, it invests on an ongoing basis in improved insulation and more energy-efficient windows in its housing portfolio and uses its own energy service provider (Systeno GmbH) to ensure that an increasing proportion of its homes are supplied with heating energy from energy-efficient combined heat and power (CHP) generation and renewable energy sources. It regularly checks that these activities have been successful by measuring the savings achieved in CO_2 emissions. In 2016, the total energy consumption of 498,577 MWh was reduced by approximately 1.4 % as a result of heat insulation improvements and modernisation of heating systems, saving 1,374 tonnes of CO_2.

In addition to environmental effects, social issues related to the leasing and managing of housing are also of significance for tenants and society as a whole. Among other things, GWH is involved in major housing schemes with particular sociocultural profiles. One quarter of the homes provided by GWH are rent-controlled (subsidised); one fifth of the homes are located in areas subject to special neighbourhood management from a social perspective. The objective of this neighbourhood management is to use a range of measures to improve the residents' quality of life and quality of living as well as bring about a social balance. GWH makes premises available for example for social outreach purposes, including homework assistance, youth support schemes and community centres. It supports housing development residents by setting up help and advice offices, for example, and employing welfare officers as points of contact. GWH services the demand for housing with a continuous programme of new construction. For example, 275 homes for rent and 83 owner-occupied houses or apartments were completed in 2017.

Combating bribery and corruption

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

In view of the nature of banking business, the prevention of criminal economic activity (such as fraud, bribery or corruption) by means of a compliance management system with a preventive focus is of key importance at Helaba in this context. One of the measures taken by Helaba has been to set up the functions of the Money Laundering and Fraud Prevention Compliance Office, which is independent and reports directly to the Board of Managing Directors. This 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 compliance management system at Frankfurter Sparkasse is closely integrated into this process and satisfies the standards applicable throughout the Group.

By signing up to the UN Global Compact in 2017, Helaba has reinforced its position that it is against all forms of corruption, including blackmail and bribery.

Any kind of active or passive corruption is prohibited at Helaba. This is laid down in the code of conduct, which serves as an overarching set of guidelines and framework of principles for all employees. Procedural instructions set out binding rules and regulations for a wide variety of activities, including the handling of inducements and action to be taken if criminal economic activity is suspected. As regards the treatment of gifts, the Helaba company regulations ensure that business decisions are taken objectively and transparently on the basis of a clear fact-based rationale. The company regulations are intended to provide assistance, set standards for authorisation requirements and ensure transparent handling. As part of regulatory requirements, Helaba holds regular training events and it is mandatory for employees to attend.

A whistleblowing system is in place, enabling any employee to report potentially unlawful transactions. Any employee can contact an external ombudsperson either anonymously or safe in the knowledge that their identity will not be disclosed. A separate system has been set up at Frankfurter Sparkasse. In 2017, no corruption proceedings were instigated against Helaba.

Employee concerns

The knowledge and experience of employees is key to the long-term successful performance of Helaba as a bank in the financial services sector. The Helaba Group has approximately 6,100 employees, 95 % of whom work in Germany. Relevant labour law and health & safety regulations are applied and well-established processes ensure compliance.

As provided for in the Hessian Act concerning Personnel Representation (HPVG), the Human Resources Council (HRC) represents the interests of the employees and monitors compliance with the regulations intended to protect these interests. As the representative body, the Human Resources Council is the first point of contact for senior management in all matters concerning employees. The General Human Resources Council at Helaba is supported by personnel representative bodies at individual sites and at Frankfurter Sparkasse and by the body representing young trainees and the severely disabled. The Human Resources Council takes part in activities at Helaba on the basis of co-determination, involvement and consultation, primarily in relation to organisational, personnel and social matters.

Helaba's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration. The remuneration for around 60 % of employees in the Helaba Group is collectively agreed, with the pay for more than 80 % of this proportion being set under the collective agreement for public-sector banks. Some 96.7 % of employees have a permanent employment contract. The remuneration systems for the employees and the Board of Managing Directors of Helaba and Frankfurter Sparkasse satisfy the requirements specified in the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (IVV) and are published annually on Helaba's website in the form of a separate report (remuneration report pursuant to section 16 IVV).

Employer brand and employee retention

Helaba is a provider of specialist financial services and has set itself the ongoing objective of attracting suitable, highly qualified employees and retaining these employees over the long term. 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. Constant developments in banking regulation and the ongoing digitalisation of business are also presenting Helaba with changes to the requirements it must meet to maintain its appeal, primarily for a young target group of employees, and to respond to shifting and/or new skills needs.

The skills required of a jobholder are set out in a requirements profile. The targets to be set and performance to be assessed against this background form part of the annual employee appraisal carried out jointly by line managers and employees. The employee appraisal is a key management tool and core component of HR development, allowing Helaba to express its appreciation for the work carried out and providing support if there is a need for change. Based on an agreement on targets, managers should aim to establish the greatest possible degree of transparency regarding the required tasks and the performance expected of employees, while at the same time fostering co-operation based on trust.

During the course of 2016, Helaba carried out an initial step in its efforts to strengthen its appeal as an employer over the long term by conducting an employee survey throughout the Bank, to which approximately 83 % of employees responded. In 2017, the results from this survey led to a process of transformation in corporate culture, headed “move Helaba”. As part of this transformation process, Helaba carried out employee workshops covering topics such as appreciation and leadership, communications and discussion culture, co-operation and processes, and customer focus/efficiency. This process will be continued in 2018.

Frankfurter Sparkasse also conducted an employee survey in 2016. Based on the results, multilevel workshops were held in 2017 with the participation of employees. These workshops drew up proposed improvements for internal co-operation and then refined the proposals in discussions with managers. The outcomes from this process and the resulting information were fed into the subsequent series of training sessions headed "FührungsTriathlon" (management triathlon) and a series of presentations entitled "FührungsImpulz" (management stimulus).

A range of training and professional development offerings ensures that staff remain employable until they reach retirement age and enhances Helaba's appeal as an employer. In 2017, Helaba invested € 5 m specifically in developing employee skills and qualifications, the same figure as in the previous year. 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. A separate trainee programme aims to attract young talent. An 18-month programme lays the foundations for the subsequent professional development of trainees as specialists or managers within a value chain defined in advance.

Helaba attaches particular importance to the greater advancement of women and to the development of HR tools that are differentiated by age. The advancement of women and age-differentiated HR tools are key factors that will enable Helaba to make the most of the potential presented by all employees and exploit the long-term prospects available in the Group. A Diversity working group with representatives from the Human Resources Council and the HR unit will discuss and launch strategies for the advancement of women and for HR activities with a greater focus on life-cycle. Within operating activities, Helaba has already benefited from good experience in implementing a cross-mentoring programme.

Diversity in the Helaba workforce, key figures

	31.12.2017	31.12.2016	31.12.2015
Employees in Germany and Switzerland (number)	5,921	5,897	5,961
Proportion of women	47.8 %	47.5 %	47.6 %
Proportion of female managers	22.0 %	19.6 %	17.7 %
Proportion of women on the Board of Managing Directors (Helaba Bank)	0.0 %	0.0 %	0.0 %
Proportion of women on the Supervisory Board (Helaba Bank)	22.2 %	22.2 %	22.2 %
Proportion aged > 50	42.3 %	39.5 %	39.3 %
Proportion aged 30 – 50	50.3 %	52.3 %	52.9 %
Proportion aged < 30	7.4 %	8.2 %	7.8 %
Proportion of employees with disabilities	5.6 %	5.8 %	6.1 %

Occupational health management at Helaba focuses on promoting the health of employees in addition to complying with statutory health and safety requirements. Employees can obtain information on a regular basis and make use of offerings at events, presentations and seminars covering topics such as nutrition, movement, mental balance/relaxation and provision for risks. A company sports programme with a wide range of options is provided to promote physical fitness. Great importance is attached to mental as well as physical health. The welfare service (or employee welfare department at Frankfurter Sparkasse) makes expert advice available to all employees who find themselves faced with challenging situations, either in their jobs or in their lives in general.

Overall, a low employee turnover rate of 2 % (departure initiated by the employee), an average period of service of 15.3 years and a low absenteeism rate of 4.3 % (absence caused by sickness evidenced by doctor's certificate) are testimony to a high degree of satisfaction and significant employee commitment.

Respect for human rights

At both national and international levels, Helaba applies the Universal Declaration of Human Rights and the Declaration on Fundamental Principles and Rights at Work issued by the International Labour Organization (ILO) as overarching principles for all its business activities. As a public-law credit institution with a mandate to operate in the public interest, Helaba does not believe that its activities have any material impact on the issue of human rights and does not therefore consider that it is subject to any reporting requirements in this regard. In Helaba's opinion, neither its business model nor its products give rise to any material risk to the respect for human rights.

Nevertheless, to minimise any potential indirect impact on human rights, in particular from business activities involving credit finance, Helaba has included appropriate criteria in its process for granting a loan (see Credit finance). In 2017, Helaba also reinforced its claim to be an upholder of human rights by signing up to the UN Global Compact, the ten principles of which include respect for human rights.

There is no material impact on human rights in respect of Helaba's supply chain either. Nevertheless, to minimise any potential impact, Helaba makes sure in the process for selecting suppliers that suppliers have committed to respecting human rights. It also uses a risk-based approach when outsourcing activities and processes. Risks are mitigated in a number of ways, including by outsourcing only to providers that abide by a sustainable business policy based on binding codes of conduct and voluntary undertakings.

Outlook and Opportunities

Economic conditions

In 2018, 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 be slightly higher than in the previous year. The upturn in the euro zone will continue with growth at 2 %. China's growth trend will continue to slacken off and countries such as Russia will benefit from the return to higher oil prices. Global economic growth is expected to be similar to the previous year at roughly 3.5 %.

In Germany, the rate of expansion in 2018 will be slightly weaker than in the previous year at a seasonally adjusted rate of around 2 %. Domestic demand should again be the main driver. Real incomes and employment are likely to rise. Capital investment should gain further momentum. High capacity utilisation rates mean a more urgent need for capital investment to support expansion and the environment for capital formation remains favourable. The pace of construction activity is likely to slacken, however. There has recently been a slight drop in new orders for both residential and non-residential construction, although orders on hand remain at a high level. While foreign trade will be negatively impacted by the stronger euro, the dynamic global economy is likely to more than make up for this. As in the previous year, imports are anticipated to grow at a stronger rate than exports. As a result, foreign trade is not expected to provide any notable impetus to growth. Public finances should show a slightly smaller surplus in 2018 following the prior-year surplus of 1.1 % of GDP, the largest since German reunification. Although tax receipts will continue to rise, higher public-sector capital spending and greater public-sector consumption will likely restrict the surpluses. The differences in growth rates among the countries of the euro zone will narrow in 2018. France will approach the euro zone average. The country's reform policy will lead to greater momentum and growing optimism. Growth in Spain and Ireland will remain above average but fall. Italy has ongoing structural problems, but will also benefit from strong global growth.

The ECB is expected to terminate its asset-buying programme in September 2018 and start to raise interest rates in the first half of 2019. Money market rates will remain largely in negative territory, as will short-dated German government bonds. Yields on medium and long maturities, on the other hand, will attain higher levels in positive territory. The yield curve will steepen overall in the course of the year.

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.

Helaba defines as opportunities the business potential that it is able to leverage as a result of its business model, market position or special expertise. By pursuing targeted strategic growth initiatives in its lines of business, Helaba has positioned itself to best exploit the potential opportunities arising from the current market environment.

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. 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 the real estate lending and corporate finance businesses, Helaba will continue to expand the syndication offering it extends to customers and investors and thus fine-tune the management of its own assets and liabilities. Syndication arrangements also allow Sparkassen to participate in lending transactions set up by Helaba experts and thus diversify their risk. Further business potential can be leveraged through the even tighter integration within the Helaba Group. For example, Helaba is currently working with Helaba Invest to develop a real estate loan fund that will be offered initially to Sparkassen.

In the structured sales finance business, Helaba is extending its range of services. It is also expanding supply chain finance. It is offering finance along the value chain, enabling clients to optimise their working capital and fostering a close relationship between customer and supplier. In sales financing operations with consumers, Helaba is strengthening and extending its role as a source of funding.

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.

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. Helaba identified the fundamental processes of transformation in the payments market at an early stage and in the last few years has already developed various initiatives to take into account the technical advances in digitalisation. The main focus in the 2018 financial year is on implementing instant payments (payments within just a few seconds) in accordance with regulatory requirements. Helaba aims to extend its strong position in the Sparkassen-Finanzgruppe to this technology of the future.

Key sections of the EU Payment Services Directive II (PSD2) are required to be implemented at the beginning of 2018. The requirements are expected to accelerate the trend in the payments market for new business models (including fintechs) and new products at the customer interface. In an initial phase, Helaba predicts that this will have the biggest impact in the retail sector, partly as a result of payment initiation services and account information services offered by new providers. In a second phase, this trend will also become evident in wholesale business. During both phases, Helaba will provide tailored solutions and services to support its customers and strategically leverage the opportunities arising from PSD2.

The main challenge in the coming years will be to ready payment transactions for the growing requirements of the digital age and make greater use of existing competitive advantages (in data security, for example) to position the Bank competitively.

In 2017, Helaba developed a consistent digital agenda. The core element is the Digitalisation Strategic Project, which took forwards digitalisation initiatives in several waves in which mixed teams comprising IT and other relevant specialists used agile development methodology to produce prototypes for applications at the customer interface and improvements to internal processes. The first payments application went online in July 2017, the customer portal for corporate and real estate clients has been active since the turn of the year, and the roll-out to customers started in January. Process optimisations included the development of a prototype for a new online portal covering the jointly extended (meta) loans business in which Helaba works in direct collaboration with the Sparkassen. Significant savings in terms of time and expense have been brought about by the use of innovative interfaces and reorganised processes. Implementation was initiated in January 2018 in a joint operation with our technology partner Finanz Informatik GmbH & Co. KG (FI). A further component relates to collaboration with fintechs. Through WI Bank, Helaba has been involved in the establishment of the TechQuartier fintech hub in Frankfurt and in the role of premium partner is actively supporting its expansion. Since June, Helaba has been an investor in the Capnamic II venture capital fund, which provides a structured, continuously updated overview of the high-quality active market in addition to maintaining equity investments in innovative internet companies. In this context, Helaba is also planning to make its own direct investments in fintechs in 2018, representing a forward-looking addition to the business model. A separate investment company with the name "Helaba Digital" is currently being established to support this development.

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. In this environment, opportunities may arise for Helaba to strengthen and extend its position as a product and service provider to the Sparkassen and a platform for combining tasks. Possible springboards include the joint lending operations with Sparkassen for larger mid-sized clients, for example, or high-end private banking through Frankfurter Bankgesellschaft.

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 Bank

Landesbank Hessen-Thüringen Girozentrale (Helaba) is a credit institution organised under public law; its business model is based on a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkasse organisation. In 2017, the Bank reviewed and refined its business model. In this context, several process and organisational changes were made. The Report on Expected Developments already takes account of this organisational restructuring.

Real estate lending, both in Germany and abroad, is subject to growing pressure on prices, while financing competitors show a greater appetite for risk due in particular to the liquidity being pumped into the system by central banks. Against this background, Helaba's focus in 2018 will be on safeguarding its well-diversified lending portfolio by taking a selective approach to new business with existing customers and acquiring new customers and finance arrangements. The volume of new medium- and long-term lending business in 2018 is therefore budgeted to be around 5 % lower year on year at € 8.3 bn, while a syndication volume of up to € 2 bn is additionally anticipated. With early redemptions expected to decline, the anticipated rise in volumes and the efforts to bolster syndication business will lead to an increase in income.

In Corporate Finance, the volume of new medium- and long-term lending business is budgeted to be € 5.0 bn in 2018. Compared with the very high prior-year figure, this represents a decline of around 14 %. Notable features in business with corporate clients and specialised lending exposures include corporates' healthy liquidity position and strong competitive pressures that are also affecting margins. Income is expected to remain flat overall in 2018.

The volume of new medium- and long-term lending in the municipal lending business in Germany and abroad is budgeted to be well above the prior-year level at € 2.1 bn in 2018. Income is forecast to rise slightly in 2018.

Customer capital market business faces challenging market conditions again in 2018, shaped by the ECB's monetary policy. Overall, it is anticipated that the market distortions of historic proportions will subside only slightly and customer demand will remain at a comparatively low level. Issuance and cross-selling are sources of opportunity. Customer income will remain flat in 2018.

The new Sparkasse lending business in place as of 2018 is responsible for lending business with Sparkassen corporate clients, among other things, and focuses on products for the meta loans and specialised lending exposures segments as well as development lending business in Hesse and Thuringia. The regional expansion of the development lending business into North

Rhine-Westphalia and Brandenburg, changes to processes in the meta loans business and the extension of the product segment comprising specialised lending exposures are expected to pave the way for an increase in income. The volume of new medium- and long-term lending business in 2018 is budgeted to be around 25 % higher year on year at € 1.0 bn.

The newly established Banks and International Business division is forecast to achieve a slight rise in income as a result of the growth in income in documentary business, primarily Sparkasse-related business.

The low interest rate environment is affecting LBS's business model both through lower returns on invested assets and because lending business in the collective is subdued. Accompanied by a slight rise in interest rates, LBS is budgeting higher income for 2018. To improve costs and performance, it has set up and begun to implement the LBS-EVOLution project.

In the cash management business, Helaba is one of Germany's leading payment transaction clearing houses and the leading Landesbank in this sector. The number of transactions settled is likely to reach a new all-time high of over € 6 bn in 2018. In addition to negative interest rates, which will continue to have a detrimental impact on income in 2018, the structural shift to digital is leading to ongoing change in the shape and intensity of competition. Competition for network operators is particularly cut-throat, resulting in a decline in Helaba's mandates and thus having a negative impact on income. Nevertheless, the cash management business line expects that, overall in 2018, it will achieve a slight increase in fee and commission contributions, its main source of income.

The main feature of the public development business in 2018 will be growth in the portfolio of the municipal authorities business. In particular, this includes a budgeted increase in business volume in the amount of approximately € 5 bn, driven mainly by the administration and financing of the Hessenkasse. The budgeted increase in business volume will lead to higher interest income in 2018. Service business is expected to remain stable in 2018. Overall, this means a slight increase in income.

The total volume of new medium- and long-term lending business (excluding the WIBank development business, which does not form part of the competitive market) is budgeted to be around 4 % down on the previous year at € 16.6 bn in 2018. When anticipated maturities (both scheduled and early) and flat growth in new short-term-maturity business are taken into account, loans and advances to customers are expected to rise in 2018. This growth will be supported by a series of structural changes and by some growth initiatives that have been put in place.

Despite the negative impact of the pressure on margins in new business and the low level of interest rates, net interest income is budgeted to be around 5 % up on the prior-year figure in 2018 due in particular to the budgeted increase in business volume.

In fee and commission business, a slight rise is budgeted for 2018, driven by the continuous expansion of customer business by all of the Bank's departments uniformly.

Net trading income is derived from trading book transactions in capital markets business and remeasurement gains and losses on derivatives. Remeasurement gains included in prior-year net income are not budgeted for 2018, meaning a sharp decline in net trading income by around 40 % compared with the previous year.

Budgeted other net operating income mainly includes operating buildings income and expenses, the addition to provisions and interest cost on pension provisions. Other net operating income is expected to improve by about one third year on year in 2018.

Personnel expenses are budgeted to include a significant rise of around 7 % in 2018, with the cost of anticipated collective pay increases and new roles to be filled partly offset by changes in headcount. However one significant reason for the rise is the large reduction attributable to pension provisions included in 2017, which was the result of above-average pension adjustments and is not forecast for 2018 in the same amount.

Budgeted non-personnel operating expenses also project a rise in 2018. This will be around 4 % and will result from higher projects costs, both in IT and for external consulting support. Adjusted for a write-down included in 2017, depreciation and write-downs of property and equipment will be on a par with the previous year in 2018.

The cost-income ratio for 2018 is forecast at approximately 70 %.

Provisions for losses on loans and advances in 2018 are budgeted at a level much higher than the very low level in 2017. They have been budgeted conservatively on the assumption that provisions for losses on loans and advances are likely to rise over the medium term despite the stable state of the economy.

Overall, the Bank estimates that profit before taxes for 2018 will be around a third lower than the high prior-year figure due to the budgeted rise in provisions for losses on loans and advances.

The Bank's aim for 2019 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 continue to dissipate with the expected return of interest rates to normal levels over the medium term. Supported by the growth initiatives that have been put in place, Helaba plans to lift earnings significantly over the medium term.

Risks to the Bank's earnings performance stem from political and macroeconomic trends. It is not yet clear from the now year-long negotiations regarding the UK's exit from the EU in what form the UK will continue to have access to the European single market. Although Helaba's business model is not directly affected by this, it is not possible to fully foresee the repercussions for the real economy and the financial markets.

It is anticipated that the ECB's securities purchase programme will expire at the end of 2018 and interest rates will then start to return to normal levels, which should have a positive impact on Helaba's business model. However, in terms of the size and duration of the purchase programme and the historically low level of interest rates, the ECB's intervention has been a huge factor shaping the financial markets. This presents a particular risk if the financial markets' response to "being weaned off cheap money" causes very sudden and sharp market movements. The anticipated rises in interest rates may also lead to sharp adjustments on the foreign currency markets.

There is a further particular risk to the Bank if the requirements and costs related to regulatory initiatives turn out to be greater than expected.

Overall assessment

Helaba generated profit before taxes of € 398 m in financial year 2017, which was therefore higher than the average for the previous five years. Net operating income fell by around 7 %. A key factor was the decrease in other net operating income, which in the previous year was boosted by one-off effects arising from the switch in the discount rate used to measure pension provisions. The falls in net interest income and net fee and commission income were almost offset by the remeasurement-related rise in net income of the trading portfolio. The rise in general and administrative expenses to € 930 m (11.5 %) is attributable to costs for domain-specific and IT projects and a write-down in this context. While maintaining its conservative provisioning policy, the Bank was able to reduce the addition to provisions for losses on loans and advances significantly. The net profit generated in financial year 2017 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 S-Group. 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. The Helaba Group's long-term objective in its profitability strategy is to further stabilise its sustainable earning power to strengthen its capital base while observing risk strategy requirements and taking account of changes in the regulatory environment.

Frankfurt am Main/Erfurt, 27 February 2018

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad

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

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

Landesbank Hessen-Thüringen Girozentrale (“Helaba”) is required to prepare an equal pay report within the meaning of section 21 (1) of the EntgTranspG. The equal pay report must be published for the first time in the 2018 calendar year, although this report (at the start of the reporting obligation) only needs to cover the 2016 calendar year. This equal pay report published by Helaba will be appended to the management report for the year ended 31 December 2017.

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

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

1. Measures taken by Helaba to advance gender equality and the impact of these measures

In implementing action plans related to diversity, one of Helaba’s particularly major concerns is to establish a corporate culture and the necessary foundations that enable all women and men at the Bank to enjoy the same opportunities for professional development.

Helaba has already notched up some success in its long-term implementation of diversity-related measures, increasing the proportion of women in management functions at head-of-division level by a total of 1.8 %, and at group-leader level by a total of 1.7 %, during the course of 2016.

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

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

In order to ensure that a sufficient number of applications are also received from women for higher-calibre posts (particularly managerial positions), Helaba intends to drive forward the process of unlocking and developing the potential of female employees at an early stage. It is planning a number of measures going forward, including:

- regular professional development discussions that include the planning of forward-looking development paths; Helaba will play close attention to gender-related reports on potential and professional development as well as its processes for making appointments; and
- use of project responsibilities to give greater visibility to the potential offered by women.

2. Measures taken by Helaba to bring about equal pay for women and men

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

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

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

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

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

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

Specialist career track	Management career track
- Specialist	- Group leader
- Head of section	- Head of department
- Senior head of section	- Head of unit

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

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

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

3. Statistical disclosures for 2016 broken down by gender

The average total number of employees in 2016 was 3,383 full-time equivalents (FTEs). Of this total, 1,536 FTEs were female employees and 1,847 FTEs male employees.

Of the female employees, 921 FTEs were full time and 615 FTEs part time.

Of the male employees, 1,773 FTEs were full time and 74 FTEs part time.

Landesbank Hessen-Thüringen Girozentrale

Frankfurt am Main/Erfurt, 27 February 2018

Annual Financial Statements of Landesbank Hessen-Thüringen

Balance Sheet of Landesbank Hessen-Thüringen Girozentrale,

as at 31 December 2017

Assets in € thousands

	See note no.				31.12.2017	31.12.2016
Cash reserve						
a) Cash in hand				5,644		6,829
b) Balances with central banks				9,323,197		2,569,843
					9,328,841	**2,576,672**
thereof: With Deutsche Bundesbank		8,898,743				(1,800,331)
Loans and advances to banks	(2), (45)					
a) Mortgage loans				–		–
b) Municipal loans				7,228,101		8,457,114
c) Other loans and advances				2,245,176		3,673,649
					9,473,277	**12,130,763**
thereof: Payable on demand		347,573				(1,118,483)
Against securities pledged as collateral		–				
thereof: Bausparkasse building loans home savings loans		0				(0)
Loans and advances to customers	(3), (45)				**80,055,543**	**81,919,395**
a) Mortgage loans				20,679,228		21,509,239
b) Municipal loans				23,668,576		23,627,020
c) Other loans and advances				34,838,733		35,931,019
thereof: Against securities pledged as collateral		–				
d) Bausparkasse building loans						
da) From allocations (home savings loans)			162,911			196,622
db) For interim and bridge-over financing			701,849			651,221
dc) Other			4,246			4,274
				869,006		852,117
thereof: Secured by mortgage charges		552,301				(538,305)
Bonds and other fixed-income securities	(4)					
a) Money market instruments						
aa) Public-sector issuers			–			–
thereof: Eligible as collateral with Deutsche Bundesbank		–				–
ab) Other issuers			567,443			(965,555)
thereof: Eligible as collateral with Deutsche Bundesbank		–				–
				567,443		965,555
b) Bonds and notes						
ba) Public-sector issuers			5,039,360			(5,665,402)
thereof: Eligible as collateral with Deutsche Bundesbank		4,978,916				(5,536,256)
bb) Other issuers			11,095,141			(11,391,316)
thereof: Eligible as collateral with Deutsche Bundesbank		9,724,750				(9,410,932)
				16,134,501		17,056,718
c) Own bonds and notes				–		–
					16,701,944	**18,022,273**
Nominal amount		–				–
Carried forward:					**115,559,605**	**114,649,103**

Equity and liabilities

in € thousands

	See note no.				31.12.2017	31.12.2016
Liabilities due to banks	(15), (18), (45)					
a) Registered mortgage Pfandbriefe issued				203,917		187,805
b) Registered public Pfandbriefe issued				878,397		705,295
c) Other liabilities				32,908,622		31,169,771
thereof: Payable on demand		7,143,430				(6,786,414)
Provided to lenders as collateral for loans raised: Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
d) Home savings deposits				36,465		35,511
					34,027,401	**32,098,382**
thereof: On allocated contracts		37				(5,384)
Liabilities due to customers	(19), (45)					
a) Registered mortgage Pfandbriefe issued				1,538,447		1,551,897
b) Registered public Pfandbriefe issued				4,137,967		4,258,712
c) Deposits from home savings business and savings deposits						
ca) Home savings deposits			4,655,685			4,456,077
thereof: On terminated contracts		35,154				(43,458)
On allocated contracts		83,615				(85,086)
cb) Savings deposits with an agreed period of notice of three months			–			–
cc) Savings deposits with an agreed period of notice of more than three months			–			–
				4,655,685		4,456,077
d) Other liabilities				20,281,459		18,200,013
					30,613,558	**28,466,699**
thereof: Payable on demand		11,879,026				(8,708,726)
Provided to lenders as collateral for loans raised: Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
Securitised liabilities	(20), (32)					
a) Bonds issued						
aa) Mortgage Pfandbriefe			8,169,855			8,195,265
ab) Public Pfandbriefe			11,440,916			12,313,495
ac) Other debt instruments			23,547,205			22,477,130
				43,157,976		42,985,890
b) Other securitised liabilities				4,503,485		7,124,248
					47,661,461	**50,110,138**
thereof: Money market instruments		4,503,485				(7,124,248)
Trading portfolio	(21), (35), (45)				**6,829,704**	**10,975,001**
Carried forward:					**119,132,124**	**121,650,220**

Assets

in € thousands

	See note no.				31.12.2017	31.12.2016
Carried forward:					115,559,605	114,649,103
Equity shares and other variable-income securities	(5)				1,013,898	1,025,343
Trading portfolio	(6), (14), (35), (45)				12,307,039	16,536,392
Equity investments	(7), (17), (45)				57,814	70,963
thereof: In banks		44,391				(48,469)
In financial services institutions		0				0
Shares in affiliated companies	(8), (17), (45)				1,778,752	1,767,325
thereof: In banks		855,580				(855,580)
In financial services institutions		–				–
Trust assets	(9)				1,043,545	1,008,830
thereof: Trustee loans		778,020				(738,538)
Intangible assets	(10), (17)					
a) Internally generated industrial rights and similar rights and assets				–		–
b) Purchased concessions, industrial Schutzrechte and similar rights and assets, and licences in such rights and assets				55,627		38,269
c) Goodwill				–		–
d) Prepayments				–		–
					55,627	38,269
Property and equipment	(11), (17)				76,623	51,410
Other assets	(12)				799,347	979,962
Prepaid expenses	(13)					
a) From issuing and lending operations				535,971		634,683
b) Other				25,178		25,676
					561,149	660,359
Total assets					133,253,399	136,787,956

Equity and liabilities

in € thousands

	See note no.				31.12.2017	31.12.2016
Carried forward:					119,132,124	121,650,220
Trust liabilities	(22)				1,043,545	1,008,830
thereof: Trustee loans		778,020				(738,538)
Other liabilities	(23)				463,254	1,547,049
Deferred income	(24)					
a) From issuing and lending operations				638,803		716,612
b) Other				185,197		199,611
					824,000	916,223
Provisions	(25)					
a) Provisions for pensions and similar obligations				998,179		941,737
b) Provisions for taxes				203,743		107,727
c) Other provisions				362,833		405,149
					1,564,755	1,454,613
Home savings protection fund					11,200	11,200
Subordinated liabilities	(26)				2,311,215	2,363,584
Profit participation rights	(27), (29)				216,000	276,000
thereof: Due within two years		135,000				(195,000)
Fund for general banking risks	(29)				598,623	598,623
thereof: Special reserve under section 340e (4) of the HGB		123,367				(123,367)
Equity	(29)					
a) Subscribed capital						
aa) Share capital			588,889			588,889
ab) Capital contribution			1,920,000			1,920,000
ac) Silent partner contributions			953,338			953,338
				3,462,227		3,462,227
b) Capital reserves				1,546,412		1,546,412
c) Revenue reserves				1,990,044		1,862,975
d) Net retained profits				90,000		90,000
					7,088,683	6,961,614
Total equity and liabilities					133,253,399	136,787,956
Contingent liabilities	(30)					
Liabilities from guarantees and indemnity agreements					6,229,489	6,823,641
Other obligations	(31)					
a) Placement and underwriting obligations				2,575,015		2,753,262
b) Irrevocable loan commitments				19,546,151		19,105,951
					22,121,166	21,859,213

Income Statement of Landesbank Hessen-Thüringen Girozentrale,

for the period 1 January to 31 December 2017

in € thousands

	See note no.				2017	2016
Interest income from	(37), (38)					
a) Lending and money market transactions			2,395,826			2,491,305
thereof: Bausparkasse interest income:						
aa) From home savings loans		6,790				(8,616)
ab) From interim and bridge-over loans		17,874				(18,044)
ac) From other loans		77				(94)
b) Fixed-income securities and registered government debt			161,165			190,091
				2,556,991		2,681,396
Interest expense				1,686,514		1,759,614
thereof: On home savings deposits		76,985				(76,802)
					870,477	921,782
Current income from	(37)					
a) Equity shares and other variable-income securities				23,806		32,758
b) Equity investments				3,938		3,082
c) Shares in affiliated companies				6,154		29,047
					33,898	64,887
Income from profit pooling, profit transfer or partial profit transfer agreements					**95,360**	73,644
Fee and commission income	(37), (39)			240,308		246,236
thereof: Bausparkasse fee and commission income:						
a) On contracts signed and arranged		19,756				(20,752)
b) From loans granted after allocation of home savings contract		56				(139)
c) From the commitment and administration of interim and bridge-over loans		9				(6)
Fee and commission expenses				75,432		71,940
thereof: On Bausparkasse contracts signed and arranged		27,889				(29,251)
					164,876	174,296
Net income of the trading portfolio	(37)				**221,556**	158,194
Other operating income	(37), (40)				**71,192**	135,732
General and administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			311,373			308,359
ab) Social security, post-employment and other benefit expenses			56,513			53,793
				367,886		362,152
thereof: Post-employment benefit expenses		14,468				(9,101)
b) Other administrative expenses				515,810		457,510
					883,696	819,662
Carried forward:					**573,663**	**708,873**

in € thousands

	See note no.				2017	2016
Carried forward:					**573,663**	**708,873**
Amortisation and write-downs of intangible assets and depreciation and write-downs of property and equipment					**46,550**	14,769
Other operating expenses	(40)				**159,803**	126,431
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions	(41)				**264,659**	200,905
Income from the reversal of write-downs of and allowances on loans and advances and certain securities and from the reversal of loan loss provisions					**234,191**	2,612
Write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					**13,070**	18,680
Income from the reversal of write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					**30,113**	–
Cost of loss absorption					**108**	120
Additions to the fund for general banking risks					–	–
Result from ordinary activities					**353,777**	350,580
Extraordinary income				–		–
Extraordinary expenses				–		13,234
Extraordinary result	(42)				**–**	13,234
Taxes on income	(43)			134,813		90,235
Other taxes not included in item Other operating expenses				1,895		1,526
					136,708	91,761
Net income for the year					**217,069**	245,585
Retained profits brought forward from previous year					**–**	–
Allocations to revenue reserves					**127,069**	155,585
Net retained profits					**90,000**	90,000

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

as at 31 December 2017

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

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

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

(1) Accounting Policies

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

As a rule, the same accounting policies have been applied in the annual financial statements for the period ended 31 December 2017 as were applied in the prior-year annual financial statements. Any changes are explained below.

Receivables and liabilities

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

Specific allowances or provisions have been recognised to take account of all identifiable credit risks. For the purpose of presenting latent credit risks in the financial accounting and reporting in accordance with the HGB, the Bank continues to pursue an accounting approach appropriate to the risk. In doing so, the Bank also uses the method of calculating and accounting for portfolio-based loan loss allowances under IFRSs for global allowances under the HGB. The global allowances include a further provisioning component to cover additional risks in individual lending sub-portfolios not yet identified by statistical analysis. This relates to both the shipping portfolio and the expected impact from the forthcoming recalibration of a rating module.

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

Securities

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

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

Equity investments and shares in affiliated companies

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

Trading portfolio

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

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

Changes in value, realised gains and losses, commissions and current income from financial instruments held for trading as well as interest expense for funding trading activities are reported under "Net income of the trading portfolio" or "Net expense of the trading portfolio".

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

The Bank has offset trading assets and liabilities in the form of derivatives that were entered into with each counterparty under a master agreement with a Credit Support Annex and for which collateral is calculated daily. The carrying amounts of the derivatives and the collateral per counterparty were taken into account in doing so. Derivatives and collateral entered into with a central counterparty are also included in offsetting.

Fixed assets and intangible assets

Fixed assets and intangible assets with finite useful lives are carried at depreciated or amortised cost less any impairment write-downs to fair values. Depreciation and amortisation are charged over the useful life of the asset. Low-value assets are fully depreciated or amortised in the year of acquisition. The Bank does not capitalise internally generated intangible assets.

Provisions

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

Pension obligations are determined annually by external actuarial experts. They are measured using the projected unit credit method, based on biometric assumptions (2005G mortality tables of Professor Dr. Heubeck), salary and pension increases expected in the future as well as the average market rate published by the Bundesbank for an assumed remaining maturity of 15 years. In accordance with the new section 253 (2) sentence 1 of the HGB added last year, pension obligations were measured as at 31 December 2017 using the average market rate for the past ten years. The difference in 2017 of € 148 m resulting from the switch is subject to a distribution restriction.

The measurement parameters applied are shown in the table below:

	31.12.2017	31.12.2016
Discount rate	3.68 %	4.01 %
Salary trend	2.00 %	2.00 %
Pension trend	1.00 – 2.00 %	1.00 – 2.00 %
Employee turnover rate	3.00 %	3.00 %

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

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

Fair value measurement

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

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

Currency translation

Foreign currency assets and liabilities included in the annual financial statements and currency spot transactions not settled at the balance sheet date are translated at the middle spot exchange rate in accordance with the principles set out in section 256a of the HGB and section 340h of the HGB. In the case of foreign currency futures in the trading portfolio, swap spreads are accrued and the residual spreads measured. In the case of foreign currency swaps in the non-trading portfolio, swap spreads are accrued. The Bank applies the principle of special cover in accordance with section 340h of the HGB. All currency gains or losses are recognised in the income statement.

Derivatives

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

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

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

Valuation units

In its banking book, Helaba has created valuation units in accordance with section 340a in conjunction with section 254 of the HGB, comprising securities held in the liquidity reserve and the corresponding interest rate swaps entered into for hedging purposes. The valuation units consist of asset-swap combinations in the form of micro valuation units (micro hedges). The hedges relate exclusively to interest rate risks. The net hedge presentation method is used to present changes in value that offset each other between the hedged item and the hedging instrument. The hedged items are always hedged at 100 % of the nominal volume for the entire remaining maturity. The fact that key factors affecting value match ensures the prospective effectiveness of the valuation units. Prospective effectiveness is determined using regression analysis. The offsetting changes in value and cash flows cancelled each other out to a large extent at the balance sheet date and are expected to continue to do so in future. The changes in value arising from the hedged risks will cancel each other out almost entirely by the envisaged end of the valuation units (the time at which the hedged item and the hedging instrument mature). For net losses on the ineffective portion of the hedging relationship, the Bank recognises a provision for expected losses. In the year under review, this resulted in a net reversal (income) of € 1.2 m (2016: net addition (expense) of € 0.8 m).

Deferred taxes

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

(2) Loans and Advances to Banks

in € m

	31.12.2017	31.12.2016[1]
This item includes:		
Loans and advances to affiliated Sparkassen	5,982	6,634
Loans and advances to affiliated companies	1,019	1,178
Loans and advances to other long-term investees and investors	28	14
The sub-item – other loans and advances – comprises:		
Subordinated loans and advances	35	37
thereof: To other long-term investees and investors	–	–
Payable on demand	348	1,119
Remaining maturities:		
Up to three months	3,172	5,675
More than three months and up to one year	941	971
More than one year and up to five years	2,182	1,967
More than five years	2,832	2,399
Cover funds	269	1,197

[1] The prior-year figures have been restated to improve comparability.

(3) Loans and Advances to Customers

in € m

	31.12.2017	31.12.2016
This item includes:		
Loans and advances to affiliated companies	1,071	747
Loans and advances to other long-term investees and investors	9	117
Subordinated loans and advances	46	190
thereof: To other long-term investees and investors	2	6
Remaining maturities:		
Up to three months	4,705	5,199
More than three months and up to one year	7,948	8,286
More than one year and up to five years	34,623	35,994
More than five years	29,980	29,163
With an indefinite term	2,800	3,277
Cover funds	19,166	18,459

(4) Bonds and Other Fixed-Income Securities

in € m

	31.12.2017	31.12.2016
Securitised receivables:		
From affiliated companies	–	–
From other long-term investees and investors	–	–
The marketable securities comprise:		
Listed securities	15,350	15,601
Unlisted securities	590	1,065
Remaining maturities:		
Amounts due in the following year	3,676	3,831
Subordinated assets	–	3
Deposited as collateral in open market transactions	1,500	–
Carrying amount of investment securities	17	66
Fair value of investment securities	17	66
Temporary impairment of investment securities	–	1

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

(5) Equity Shares and Other Variable-Income Securities

in € m

	31.12.2017	31.12.2016
The marketable securities comprise:		
Listed securities	16	15
Unlisted securities	17	18

This item comprises units in two (31 December 2016: two) securities investment funds held exclusively by Helaba (mixed funds or pure fixed-income funds) with a total carrying amount of € 1 bn (31 December 2016: € 1 bn). In line with Helaba's long-term investment intentions, these investment funds mainly invest in interest-bearing securities.

As at the balance sheet date, all units were measured at the lower fair value, if applicable. There were no material price reserves at the balance sheet date. Income from dividend payments received in 2017 amounted to a total of € 8.0 m (2016: € 4.8 m).

In accordance with section 17 of the RechKredV in conjunction with the definition of an investment fund as set out in section 1 of the KAGB, this item also includes shares in domestic closed-end investment limited partnerships and similar foreign structures in the amount of € 19 m. In the previous year, an amount of € 28 m was attributable to such investment funds.

(6) Trading Portfolio (Assets)

in € m

	31.12.2017	31.12.2016
Derivative financial instruments	5,189	7,995
Loans and advances	1,213	1,304
Bonds and other fixed-income securities	5,792	7,140
Equity shares and other variable-income securities	113	97
Subordinated assets	–	–
Other assets	–	–

The decline in the trading portfolio (assets) is mainly the result of scaling back the portfolio of bonds and other fixed-income securities as planned. It also reflects the offsetting of trading derivatives (liabilities) and related collateral, which resulted in an amount of € 5.4 bn (31 December 2016: € 5.8 bn) being set off.

(7) Equity Investments

in € m

	31.12.2017	31.12.2016
The securities comprise:		
Marketable securities	18	18
Listed securities	–	–

(8) Shares in Affiliated Companies

in € m

	31.12.2017	31.12.2016
The securities comprise:		
Marketable securities	104	104
Listed securities	–	–

(9) Trust Assets

in € m

	31.12.2017	31.12.2016
This item includes:		
Loans and advances to banks	268	194
Loans and advances to customers	510	545
Equity investments	55	56
Shares in affiliated companies	–	–
Equity shares and other variable-income securities	197	202
Other assets	14	12

(10) Intangible Assets

in € m

	31.12.2017	31.12.2016
Purchased standardised software	56	38

(11) Property and Equipment

in € m

	31.12.2017	31.12.2016
This item includes:		
Land and buildings used for own operations	38	12
Operating and office equipment	32	33

(12) Other Assets

in € m

	31.12.2017	31.12.2016
Significant items are:		
Interest receivables under swap agreements	398	528
Other	401	452

(13) Prepaid Expenses

in € m

	31.12.2017	31.12.2016
From issuing and lending operations, this item includes:		
Premiums on loans and advances	198	254
Upfront payments on own issues	234	283
Discounts on liabilities and bonds issued	104	99

(14) Repurchase Agreements

in € m

	31.12.2017	31.12.2016
Trading assets sold under repo agreements	–	–
Assets in the liquidity reserve sold under repo agreements	–	–

(15) Assets Pledged as Collateral

in € m

	31.12.2017	31.12.2016
Assets of the following amounts were transferred for the following liabilities:		
Liabilities due to banks	3,307	3,338
Trading liabilities	3,379	5,888

This includes borrowed securities in the amount of € 0 m (31 December 2016: € 0 m) that had been transferred on to credit institutions in connection with repurchase agreements.

(16) Assets Denominated in Foreign Currency

in € m

	31.12.2017	31.12.2016
Assets denominated in foreign currency	22,363	26,825

(17) Statement of Changes in Fixed Assets

in € m

	Intangible assets	Property and equipment	Long-term securities	Equity investments	Shares in affiliated companies	Total
Cost						
As at 1.1.2017	**141**	**211**	**106**	**110**	**1,849**	**2,417**
Additions	58	33	1	3	22	117
Exchange rate changes	–1	–2	–1	0	–3	–7
Reclassifications	–	–	–	–	–	–
Disposals	–	21	67	32	8	128
As at 31.12.2017	**198**	**221**	**39**	**81**	**1,860**	**2,399**
Depreciation, amortisation and write-downs and reversals of write-downs						
As at 1.1.2017	**103**	**147**	**12**	**39**	**82**	**383**
Reversals of write-downs	–	–	1	–	–	1
Depreciation and amortisation	9	6	–	9	–	24
Write-downs	31	–	–	–	–	31
Exchange rate changes	–1	–2	–	–	–1	–4
Reclassifications	–	–	–	–	–	–
Disposals	–	7	7	25	–	39
As at 31.12.2017	**142**	**144**	**4**	**23**	**81**	**394**
Carrying amounts						
As at 1.1.2017	38	64	94	71	1,767	2,034
As at 31.12.2017	56	77	35	58	1,779	2,005

(18) Liabilities Due to Banks

in € m

	31.12.2017	31.12.2016
This item includes:		
Liabilities due to affiliated Sparkassen	10,936	10,221
Liabilities due to affiliated companies	724	4,636
Liabilities due to other long-term investees and investors	18	48
Payable on demand	7,143	6,786
Remaining maturities:		
Up to three months	2,043	1,716
More than three months and up to one year	2,566	3,289
More than one year and up to five years	10,679	10,067
More than five years	11,560	10,204

(19) Liabilities Due to Customers

in € m

	31.12.2017	31.12.2016
This item includes:		
Liabilities due to affiliated companies	315	649
Liabilities due to other long-term investees and investors	25	4
Payable on demand	11,896	8,709
Remaining maturities:		
Up to three months	2,746	2,515
More than three months and up to one year	1,005	1,626
More than one year and up to five years	3,042	3,282
More than five years	7,285	7,879

(20) Securitised Liabilities

in € m

	31.12.2017	31.12.2016
This item includes:		
Liabilities due to affiliated companies	–	–
Liabilities due to other long-term investees and investors	–	–
Remaining maturities of the sub-item – bonds issued:		
Amounts due in the following year	5,049	10,208
Remaining maturities of the sub-item – other securitised liabilities:		
Up to three months	3,894	4,044
More than three months and up to one year	610	3,080
More than one year and up to five years	–	–
More than five years	–	–

(21) Trading Portfolio (Liabilities)

in € m

	31.12.2017	31.12.2016
Derivative financial instruments	2,441	3,003
Liabilities	4,374	7,943
Risk premium	15	29

As at 31 December 2017 the offsetting of trading derivatives (assets) and related collateral resulted in an amount of € 7.0 bn (31 December 2016: € 9.5 bn) being set off.

(22) Trust Liabilities

in € m

	31.12.2017	31.12.2016[1]
Liabilities due to banks	126	126
Liabilities due to customers	647	596
Other liabilities	271	287

[1] Prior-year figures restated owing to reclassification from liabilities due to customers to other liabilities.

(23) Other Liabilities

in € m

	31.12.2017	31.12.2016
Significant items are:		
Interest obligations arising from swap agreements in the non-trading portfolio	246	335
Interest on profit participation rights and silent participations	59	79
Currency translation differences	56	1,034
Taxes to be paid	13	11
Option premiums received for the non-trading portfolio	7	7

(24) Deferred Income

in € m

	31.12.2017	31.12.2016
From issuing and lending operations, this item includes:		
Premiums on liabilities and bonds issued	337	385
Upfront payments on own issues	257	277
Discounts on lending operations	45	55

(25) Provisions

The difference between the carrying amount of the pension provisions measured using the average market rate for the past ten financial years (3.68 %) and the carrying amount of the provisions measured using the appropriate average market rate for the past seven financial years (2.80 %) was € 148 m as at the balance sheet date. This amount is subject to a distribution restriction.

The cost of the assets offset against provisions in accordance with section 246 (2) sentence 2 of the HGB amounted to € 32 m (31 December 2016: € 30 m) and the fair value to € 38 m (31 December 2016: € 35 m). The settlement amount of the offset liabilities amounted to € 39 m (31 December 2016: € 35 m). In the income statement, income from these assets amounting to € 2.2 m (2016: € 1.6 m) was offset against expenses from the corresponding liabilities amounting to € 2.8 m (2016: € 0.1 m).

The other provisions were recognised mainly for personnel-related items and for credit and country risks in off-balance sheet lending business. Provisions are recognised for litigation risks if it is likely that they will be used. Further provisions are attributable to liabilities for which the actual amount or the reason is uncertain.

(26) Subordinated Liabilities

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

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

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

The reported figure includes pro-rata interest of € 30 m (31 December 2016: € 33 m). Interest expense on subordinated borrowings amounted to € 79 m in the year under review (2016: € 82 m).

(27) Profit Participation Rights

in € m

	31.12.2017	31.12.2016
This item includes:		
Registered profit participation rights	196	256
Securitised profit participation rights	20	20

The profit participation rights were structured as own funds for regulatory reporting purposes in view of the prudential requirements regarding eligibility in place at the date of issue. Rights to income and repayments are dependent upon there being appropriate profits available. Holders participate in any losses in accordance with the terms and conditions of the profit participation rights. The item contains 15 profit participation rights.

(28) Liabilities Denominated in Foreign Currency

in € m

	31.12.2017	31.12.2016
Liabilities denominated in foreign currency	11,456	13,382

(29) Own Funds

in € m

	31.12.2017	31.12.2016
Subscribed capital	**3,462**	**3,462**
a) Share capital	589	589
b) Capital contribution	1,920	1,920
c) Silent partner contributions	953	953
Capital reserves	**1,546**	**1,546**
Revenue reserves	**1,990**	**1,863**
Including profit participation rights,	216	276
fund for general banking risks	599	599
and subordinated liabilities,	2,311	2,364
the liable capital reported in the balance sheet amounted to	10,124	10,110

A distribution of € 90 m and an appropriation to revenue reserves of € 127 m are proposed for the appropriation of net profit.

(30) Contingent Liabilities

in € m

	31.12.2017	31.12.2016
This item includes:		
Credit guarantees	2,203	2,729
Other guarantees and sureties	4,027	4,095

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

Contingent liabilities include the used payment undertaking arising from the share of the bank levy in the amount of € 24 m.

(31) Other Obligations

in € m

	31.12.2017	31.12.2016
This item includes:		
Placement and underwriting obligations	2,575	2,753
Irrevocable loan commitments for open-account loans	19,546	19,106

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

(32) Pfandbriefe and Statement of Cover Assets

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

in € m

	Nominal amount		Net present value	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Mortgage Pfandbriefe:				
Cover pool	13,267	13,380	14,002	14,203
Pfandbriefe in circulation	9,851	9,871	10,065	10,226
Surplus cover	3,416	3,509	3,937	3,977
Net present value at risk under internal model	–	–	3,568	3,564
Public Pfandbriefe:				
Cover pool	20,571	20,872	22,603	23,332
Pfandbriefe in circulation	16,256	17,385	17,539	19,118
Surplus cover	4,315	3,486	5,064	4,214
Net present value at risk under internal model	–	–	4,741	3,906

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

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

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

in € m

	Cover pool		Pfandbrief	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
Mortgage Pfandbriefe:				
Up to one year	1,385	2,402	1,481	2,642
More than one year and up to two years	2,075	1,498	2,750	1,481
More than two years and up to three years	1,278	2,213	2,519	2,014
More than three years and up to four years	1,660	1,899	516	2,004
More than four years and up to five years	2,726	1,141	2,148	399
More than five years and up to ten years	4,078	4,166	221	1,114
More than ten years	65	61	217	217
Public Pfandbriefe:				
Up to one year	2,746	2,842	2,074	2,976
More than one year and up to two years	1,972	2,707	3,278	2,075
More than two years and up to three years	2,566	1,785	1,650	3,208
More than three years and up to four years	1,930	2,546	1,439	1,502
More than four years and up to five years	1,826	1,741	1,783	1,340
More than five years and up to ten years	5,949	5,995	4,013	4,083
More than ten years	3,581	3,256	2,021	2,201

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

in € m

	31.12.2017	31.12.2016
Mortgage Pfandbriefe:		
Cover pool	**13,267**	13,380
thereof: Further cover	**345**	233
Public Pfandbriefe:		
Cover pool	**20,571**	20,872
thereof: Further cover	**71**	145

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

Residential breakdown:

in € m

	Flats		Single-family houses		Multi-family houses		Building land and building shells		Total	
Country	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Germany	60	53	94	64	2,059	1,958	–	–	2,213	2,075

Commercial breakdown:

in € m

Country	Office buildings 2017	Office buildings 2016	Retail buildings 2017	Retail buildings 2016	Industrial buildings 2017	Industrial buildings 2016	Other buildings 2017	Other buildings 2016	Building land and building shells 2017	Building land and building shells 2016	Total 2017	Total 2016
Germany	2,227	2,507	2,641	3,023	168	193	273	279	24	5	5,332	6,007
Belgium	43	14	–	–	–	–	–	–	–	–	43	14
France	1,118	937	206	186	–	–	–	–	–	–	1,324	1,123
Luxembourg	70	70	–	–	–	–	–	–	–	–	70	70
Sweden	107	30	74	40	–	–	0	0	–	–	181	69
The Netherlands	158	52	6	41	–	–	–	–	–	–	163	93
Austria	24	–	68	121	–	–	–	–	–	–	92	121
Poland	389	481	499	394	–	54	–	–	–	–	888	929
Czech Republic	35	51	184	180	–	–	–	–	5	–	223	231
UK	362	262	100	–	7	–	1	–	–	–	470	262
USA	1,280	1,519	114	78		–		–	–	–	1,394	1,598
Total	**5,812**	**5,923**	**3,891**	**4,063**	**175**	**247**	**274**	**279**	**29**	**5**	**10,179**	**10,517**

Breakdown of the cover pool for mortgage Pfandbriefe by size

in € m

	31.12.2017	31.12.2016
Up to € 0.3 m	182	158
More than € 0.3 m and up to € 1 m	109	141
More than € 1m and up to € 10 m	1,116	1,341
More than € 10 m	11,515	11,508
Further cover	345	233

The total amount of payments at least 90 days past due was € 0 thousand (31 December 2016: € 12 thousand) and related to domestic debtors. There were no instances of receivership or forced sales in the year under review, nor was it necessary to take charge of any land in order to avoid losses.

Interest arrears from mortgage operations

in € m

	31.12.2017	31.12.2016
Commercial	–	–
Residential	–	–
Total	**–**	**–**

Breakdown of the cover pool for public Pfandbriefe by issuer

in € m

	Central government		Regional authorities		Municipal authorities		Public-law credit institutions/other		Total	
Country	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Germany	601	498	3,575	3,803	11,188	10,910	4,026	4,032	19,389	19,243
France incl. Monaco	–	–	492	537	–	–	35	–	527	537
UK incl. Northern Ireland	306	356		–	–	–	–	–	306	356
Luxembourg	5	6		–	–	–	–	–	5	6
Spain	–	–	184	381	–	–	–	–	184	381
Austria	–	–	5	9	–	–	–	–	5	9
Switzerland	–	–	43	47		–	43	147	85	193
Total	**911**	**860**	**4,298**	**4,777**	**11,188**	**10,910**	**4,103**	**4,179**	**20,500**	**20,725**

In the case of public Pfandbriefe, payments at least 90 days past due totalled € 0 thousand (31 December 2016: € 0 thousand).

(33) Non-Trading Derivative Financial Instruments

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

Transactions in non-trading derivative products are presented in accordance with the disclosure requirements under section 285 no. 19 of the HGB in conjunction with section 36 of the RechKredV. Non-trading derivative financial instruments are entered into to hedge or manage risks attributable to banking book transactions (asset/liability management).

The nominal volume of derivative transactions in the non-trading portfolio decreased by 2.0 % year on year.

Disclosure of volumes

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2017	31.12.2016	31.12.2017	31.12.2017
Interest rate risk	**153,486**	**150,669**	**3,659**	**2,609**
Interest rate swaps	134,448	134,906	3,585	1,572
Forward rate agreements	–	–	–	–
Interest rate options	10,259	8,545	16	1,031
Calls	1,027	467	16	–
Puts	9,232	8,078	–	1,031
Caps, floors	3,015	3,421	58	6
Market contracts	5,764	3,797	–	–
Other interest rate futures	–	–	–	–
Currency risk	**17,961**	**23,479**	**373**	**376**
Currency futures	4,532	7,280	19	55
Currency swaps/cross-currency swaps	13,429	16,199	354	321
Currency options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Equity and other price risks	**–**	**–**	**–**	**–**
Equity options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Market contracts	–	–	–	–
Credit derivatives	**150**	**865**	**–**	**–**
Calls	150	210	–	–
Puts		655		–
Commodity risk	**–**	**–**	**–**	**–**
Commodity swaps	–	–	–	–
Commodity options	–	–	–	–
Total	**171,597**	**175,013**	**4,032**	**2,985**

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

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

The fair values are in some cases offset by unrealised premium and special cash flows and interest accrued on derivatives, which are shown in the balance sheet under other assets or liabilities and under prepaid expenses or deferred income. The total amount of assets related to derivatives is € 669 m (31 December 2016: € 837 m), while liabilities related to derivatives amount to € 555 m (31 December 2016: € 1,659 m).

Breakdown of nominal amounts by maturity

in € m

	Interest rate risk		Currency risk		Equity and other price risks	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Up to three months	13,168	12,748	4,406	6,795	–	–
More than three months and up to one year	17,266	18,904	2,389	4,473	–	–
More than one year and up to five years	73,588	73,588	8,507	9,158	–	–
More than five years	49,464	45,429	2,659	3,053	–	–
Total	**153,486**	**150,669**	**17,961**	**23,479**	**–**	**–**

in € m

	Credit derivatives		Commodity derivatives		Total	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Up to three months	–	62	–	–	17,574	19,605
More than three months and up to one year	150	803	–	–	19,805	24,180
More than one year and up to five years	–	–	–	–	82,095	82,746
More than five years	–	–	–	–	52,123	48,482
Total	**150**	**865**	**–**	**–**	**171,597**	**175,013**

The volume of both short-term and medium-term interest rate transactions increased. Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 19.8 % of total business in this risk category (31 December 2016: 21.0 %).

Breakdown by counterparty

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2017	31.12.2016	31.12.2017	31.12.2017
Banks in OECD countries	60,232	75,827	2,530	2,031
Banks outside OECD countries	8	11	–	1
Public institutions in OECD countries	4,931	7,132	520	255
Other counterparties	106,426	92,043	982	698
Total	**171,597**	**175,013**	**4,032**	**2,985**

The purpose of the counterparty breakdown is to present the default risks associated with derivative transactions. Helaba enters into derivative transactions mainly with banks in OECD countries and central counterparties.

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 96.6 % of the nominal volume (31 December 2016: 99.2 %).

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

(34) Derivative Financial Instruments Held For Trading

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

The nominal volume of derivative trades declined by 1.4 % year on year. The decline was due mainly to forward rate agreements and currency futures maturing. This contrasts with a moderate rise in the volume of interest rate options and caps and floors.

Disclosure of volumes

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2017	31.12.2016	31.12.2017	31.12.2017
Interest rate risk	**279,279**	**276,922**	**9,308**	**8,230**
Interest rate swaps	230,192	229,531	8,375	6,911
Forward rate agreements	25	2,920	–	–
Interest rate options	25,518	24,188	852	1,267
Calls	10,237	9,240	751	56
Puts	15,281	14,948	101	1,211
Caps, floors	16,675	13,723	73	51
Market contracts	6,716	6,453	7	1
Other interest rate futures	153	107	1	–
Currency risk	**42,858**	**50,985**	**1,015**	**930**
Currency futures	34,513	41,872	436	490
Currency swaps/cross-currency swaps	7,803	8,451	570	431
Currency options	542	662	9	9
Calls	268	328	9	–
Puts	274	334	–	9
Equity and other price risks	**4,497**	**3,627**	**186**	**179**
Equity options	3,605	2,735	168	158
Calls	2,039	1,548	168	–
Puts	1,566	1,187	–	158
Market contracts	892	892	18	21
Credit derivatives	**5,056**	**4,962**	**57**	**61**
Calls	2,628	2,589	1	61
Puts	2,428	2,373	56	–
Commodity risk	**121**	**147**	**2**	**2**
Commodity swaps	48	53	2	2
Commodity options	73	94	–	–
Total	**331,811**	**336,643**	**10,568**	**9,402**

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

Breakdown of nominal amounts by maturity

in € m

	Interest rate risk		Currency risk		Equity and other price risks	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Up to three months	13,384	20,265	18,853	22,166	295	353
More than three months and up to one year	26,544	25,842	12,743	14,185	770	689
More than one year and up to five years	125,570	116,137	8,903	11,634	3,193	2,434
More than five years	113,781	114,678	2,359	3,000	239	151
Total	**279,279**	**276,922**	**42,858**	**50,985**	**4,497**	**3,627**

in € m

	Credit derivatives		Commodity derivatives		Total	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Up to three months	120	68	43	47	32,695	42,899
More than three months and up to one year	370	508	42	32	40,469	41,256
More than one year and up to five years	4,448	4,253	36	68	142,150	134,526
More than five years	118	133	–	–	116,497	117,962
Total	**5,056**	**4,962**	**121**	**147**	**331,811**	**336,643**

Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 14.3 % of total business in this risk category (31 December 2016: 16.6 %). The volume of short- and medium-term currency-related transactions decreased slightly.

Breakdown by counterparty

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2017	31.12.2016	31.12.2017	31.12.2017
Banks in OECD countries	136,118	141,953	4,250	6,027
Banks outside OECD countries	23	10	–	–
Public institutions in OECD countries	24,283	26,774	2,991	956
Other counterparties	171,387	167,906	3,327	2,419
Total	**331,811**	**336,643**	**10,568**	**9,402**

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

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 68.5 % of the nominal volume (31 December 2016: 65.1 %).

The percentage of the total volume of derivatives accounted for by trading derivatives was virtually unchanged year on year at 65.9 % (31 December 2016: 65.8 %).

As in previous years, interest rate contracts accounted for most of the trading activities. In this case, 64.5 % (31 December 2016: 64.8 %) of the total portfolio is attributable to trading derivatives. 70.5 % (31 December 2016: 68.5 %) of the currency risk contracts and 97.1 % (31 December 2016: 85.2 %) of the credit derivatives relate to the trading portfolio.

(35) Trading Products

in € m

	Assets		Liabilities		Net income of the trading portfolio	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Derivative financial instruments	**5,189**	**7,995**	**2,441**	**3,004**	**177**	**–12**
Interest rate trading	4,434	6,716	1,590	2,177	156	–20
Equity trading	108	90	104	75	5	–19
Currency trading	640	1,186	729	735	20	21
Credit derivatives	6	2	16	14	–10	0
Commodities	1	1	2	3	6	6
Receivables/liabilities	**1,213**	**1,304**	**4,368**	**7,974**	**–2**	**–3**
Promissory note loans	981	1,140	–	–	–8	6
Overnight and time deposits	12	13	3,623	6,139	8	0
Repos/reverse repos/ securities lending	22	3	–	–	–	0
Issued money market instruments/ securitised liabilities	–	–	613	1,569	–2	–4
Issued equity/index certificates	–	–	61	149	–13	–6
Other	198	148	71	117	13	1
Bonds and other fixed-income securities	5,792	7,140	21	15	54	171
Equity shares and other variable-income securities	113	97	–	–	11	25
Other	**–**		**–**		**–19**	**–18**
Commissions	–		–		–19	–18
Fund for general banking risks in accordance with section 340e of the HGB	–		–		–	–5
Total	**12,307**	**16,536**	**6,830**	**10,993**	**221**	**158**

Offsetting was reflected in both the year under review and the prior-year amounts when presenting derivative financial instrument assets and liabilities.

A total of € 5.4 bn (31 December 2016: € 5.8 bn) was set off in the case of trading assets and € 7.0 bn (31 December 2016: € 9.5 bn) in the case of trading liabilities.

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

As at 31 December 2017, the carrying amount of the securities included in valuation units was € 12,504 m (31 December 2016: € 11,965 m).

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

in € m

	31.12.2017	31.12.2016
Credit risk-related reversals of write-downs of securities	–3	13
Change in provision for expected losses for interest rate-related measurement effects that were not fully offset	1	–1

(37) Breakdown by Geographical Market

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

in € m

	31.12.2017	31.12.2016
Germany	2,457	2,813
European Union, excl. Germany	412	210
Other	283	265

(38) Net Interest Income

In the year under review, interest income from lending and money market transactions included negative interest in the amount of € 56.1 m, while interest expense included income of € 41.6 m.

(39) Fee and Commission Income

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

(40) Other Operating Income and Expenses

Under other operating income for the year under review, the Bank reports, among other things, income from the reversal of provisions in the amount of € 17 m (2016: € 75 m), rental and leasing income of € 41 m (2016: € 25 m) and cost reimbursements on commissioned work undertaken for third parties of € 180 m (2016: € 20 m).

The interest cost on provisions amounted to € 94 m (2016: € 53 m). Expenses for buildings not occupied by the Group amounted to € 10 m in the year under review (2016: € 9 m).

The item includes prior-period income of € 6 m and prior-period expenses of € 2 m.

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

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

(42) Extraordinary Results

The Bank has not reported any extraordinary result for the year ended 31 December 2017. The extraordinary result of € 13 m for the year ended 31 December 2016 was solely attributable to additions to provisions and comprised the last allocation to pension provisions in the amount of 1/15 of the difference arising from the change to the measurement of provisions due to the initial application of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG).

(43) Taxes on Income

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

(44) Other Financial Obligations

At the balance sheet date, the Bank had obligations to make contributions to the subscribed capital of 21 companies totalling € 32 m, of which € 10 m was attributable to affiliated companies.

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

In its capacity as the legal successor of its subsidiary Horrido OHG, the Bank assumed the obligations arising from the merger of that subsidiary. As part of this process, the building OMEGA E in Offenbach, which was already owned by Horrido OHG following the exercise of the Horrido purchase option on 1 January 2017, was additionally transferred to the Bank's portfolio of properties.

The Bank is also jointly liable for ensuring that other members belonging to the Deutscher Sparkassen- und Giroverband e.V. (DSGV) meet their obligations to make additional contributions.

If a claim were made against a former guarantor of DekaBank under the grandfathering provisions applicable to the guarantor liability in accordance with the Brussels Accord I, Helaba would be obliged to pay pro-rata internal liability compensation. The owners of DekaBank on 18 July 2005 are liable for the fulfilment of all liabilities of DekaBank existing at that date. For such liabilities entered into on or before 18 July 2001, the owners are liable without time limitation; with regard to liabilities entered into after this date and on or before 18 July 2005, they were liable only for liabilities whose term to maturity did not extend beyond 31 December 2015.

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

In addition, Helaba is a member of the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen (SGVHT). This fund provides additional protection on top of the existing protection schemes; it provides protection not only to institutions but also to creditors. Landesbank Hessen-Thüringen and the Sparkassen make successive contributions to the fund until 0.5 % of the assessment base (eligible positions under the German Solvency Regulation (Solvabilitätsverordnung – SolvV) 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.

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

Securities worth € 7,583 m have been pledged for settling clearing transactions and for off-balance sheet draw-down risks. The market value of secured money trading securities was € 1.5 m. In accordance with international requirements, securities with an equivalent market value of € 1,993 m had been pledged as collateral.

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

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

Further obligations in accordance with section 285 no. 3 of the HGB are attributable in particular to long-term property rental and lease agreements for properties used for banking operations. Rental and lease payment obligations of € 44.1 m are expected for 2018 for the properties used by Helaba with contract terms and notice periods of 0.5 to 13.5 years. Other financial obligations arise from various rental, usage and service agreements as well as consultancy agreements to the extent customary in business.

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

The line of liquidity provided for the OPUSALPHA programme as a whole amounted to € 2,797 m (31 December 2016: € 2,426 m), of which € 1,875 m had been drawn down as at 31 December 2017 (31 December 2016: € 1,453 m).

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

As at 31 December 2017, liquidity lines for third-party securitisation platforms amounted to € 65 m (31 December 2016: € 65 m).

The potential litigation risk obligations as at 31 December amounted to € 1 m. On the basis of indemnity agreements, the Bank has undertaken vis-à-vis individual subsidiaries to exempt them from risks arising from certain transactions.

Under local measurement procedures, a foreign pension fund for a foreign subsidiary's pension commitments has a deficit for which appropriate provisions have been recognised. This deficit must be eliminated by making payments into the corresponding plan assets starting in 2015. In the process, regular comparisons will be made between the value of the plan assets after payments and the effects arising from changes in local measurement parameters. Under international accounting requirements, the indirect pension obligation (before the existing plan assets are taken into account) amounts to € 76 m. (31 December 2016: € 72 m).

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

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

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

Auditors’ Fees

The disclosures on auditors’ fees in accordance with section 285 no. 17 of the HGB are included in the consolidated financial statements.

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

Fees for other attestation services were primarily attributable to attestation services in relation to protection schemes and statutory notifications as well as to the auditing of the custody and investment services business.

The other services largely comprised the provision of expert reports and opinions on further specialist matters.

(45) Related Party Disclosures

Helaba is required to report its transactions with related parties in accordance with section 285 no. 21 of the HGB. These transactions are conducted on an arm’s-length basis. Over and above the minimum disclosures required by section 285 no. 21 of the HGB, we provide a comprehensive report on related party transactions in accordance with international accounting requirements (IAS 24). With regard to the Sparkassen- und Giroverband Hessen-Thüringen, the Federal State of Hesse and the Free State of Thuringia in their capacity as shareholders and owners, the criteria for exemption from reporting on related parties that are public-sector entities are satisfied; this option is always utilised if the business volumes involved are insignificant. The following information relates to the transactions with affiliated companies, associates and equity investments in joint ventures of the Helaba Group, the SGVHT and the Federal State of Hesse and the Free State of Thuringia in their capacity as shareholders, as well as subsidiaries of the SGVHT. The information relating to the persons in key positions at Helaba as defined in accordance with section 285 no. 21 of the HGB, including their close family relations as well as companies controlled by these persons, is also included in the following table.

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 31 December 2017:

in € m

	Affiliated companies	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Assets	**4,829**	**228**	**2,473**	**–**	**7,530**
Loans and advances to banks	1,019	3	–	–	**1,022**
Loans and advances to customers	1,071	211	1,649	–	**2,931**
Bonds and other fixed-income securities	–	–	129	–	**129**
Equity shares and other variable-income securities	995	–	–	–	**995**
Trading assets	1	–	695	–	**696**
Equity investments	–	14	–	–	**14**
Shares in affiliated companies	1,720	–	–	–	**1,720**
Other assets	23	–	–	–	**23**
Liabilities	**1,552**	**42**	**1,634**	**–**	**3,228**
Liabilities due to banks	724	–	114	–	**838**
Liabilities due to customers	315	42	1,382	–	**1,739**
Trading liabilities	3	–	58	–	**61**
Other liabilities	510	–	80	–	**590**
Contingent liabilities	**30**	**76**	**40**	**–**	**146**

The equivalent amounts as at 31 December 2016 were as follows:

in € m

	Affiliated companies	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Assets	**5,021**	**652**	**2,682**	**–**	**8,355**
Loans and advances to banks	1,178	3	–	–	**1,181**
Loans and advances to customers	1,007	645	1,458	–	**3,110**
Bonds and other fixed-income securities	–	–	130	–	**130**
Equity shares and other variable-income securities	1,025	–	–	–	**1,025**
Trading assets	7	3	1,094	–	**1,104**
Equity investments	22	–	–	–	**22**
Shares in affiliated companies	1,752	–	–	–	**1,752**
Other assets	30	1	–	–	**31**
Liabilities	**6,069**	**330**	**2,042**	**4**	**8,445**
Liabilities due to banks	4,694	–	142	–	**4,836**
Liabilities due to customers	832	293	1,681	4	**2,810**
Trading liabilities	3	–	79	–	**82**
Other liabilities	540	37	140	–	**717**
Contingent liabilities	**33**	**84**	**49**	**–**	**166**

Allowances of € 40 m (31 December 2016: € 41 m) were recognised on receivables from subsidiaries and joint ventures.

Receivables from other related parties comprise loans of € 0 m to members of the Board of Managing Directors (31 December 2016: € 0 m) and loans of € 0.4 m to members of the Supervisory Board (31 December 2016: € 0.5 m).

The total remuneration paid by the Bank to the Board of Managing Directors amounted to € 6.6 m (2016: € 6.5 m). A total of € 0.9 m (2016: € 0.9 m) was paid to the Supervisory Board and, as in the previous year, € 0.1 m was paid to the members of the Advisory Board. In addition, a total of € 2.4 m (2016: € 2.5 m) was paid to the members of the Supervisory Board as employees. An amount of € 3.4 m was paid to former members of the Board of Managing Directors and their surviving dependants (2016: € 3.1 m). Provisions of € 52.9 m were recognised for pension obligations for this group of persons (2016: € 53.7 m).

(46) Average Number of Employees During the Year

	Female		Male		Total	
	2017	2016	2017	2016	2017	2016
Bank	1,162	1,139	1,576	1,566	2,738	2,705
WIBank – Wirtschafts- und Infrastrukturbank Hessen	242	234	172	169	414	403
Landesbausparkasse	149	163	104	113	253	275
Bank as a whole	**1,553**	**1,536**	**1,852**	**1,847**	**3,405**	**3,383**

(47) Executive Bodies of the Bank

Supervisory Board

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

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

Dr. Thomas Schäfer
Minister of State
Ministry of Finance of the
State of Hesse
Wiesbaden
– Second Vice Chairman –

Alexander Wüerst
Chairman of the Board of
Managing Directors
Kreissparkasse Köln
Cologne
– Third Vice
Chairman –

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
– until 30 September 2017 –

Patrick Burghardt
Mayor
City of Rüsselsheim
Rüsselsheim
– until 31 December 2017 –

Georg Fahrenschon
President
Deutscher Sparkassen- und
Giroverband e. V.
Berlin
– until 30 November 2017 –

Sven Gerich
Mayor
City of Wiesbaden
Wiesbaden
– since 22 November 2017 –
– until 15 December 2017 –

Stefan Hastrich
Chairman of the Board of
Managing Directors
Kreissparkasse Weilburg
Weilburg

Bertram Hilgen
Mayor
City of Kassel
Kassel
– until 21 July 2017 –

Günter Högner
Chairman of the Board of
Managing Directors
Nassauische Sparkasse
Wiesbaden

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
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

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

Arnd Zinnhardt
Member of the Group
Executive Board
Software AG
Darmstadt

Employee representatives

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

Frank Beck
Vice President
Frankfurt am Main

Gabriele Fuchs
Bank employee
Offenbach

Anke Glombik
Vice President
Erfurt

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

Jürgen Pilgenröther
Bank employee
Frankfurt am Main

Birgit Sahliger-Rasper
Bank employee
Frankfurt am Main

Susanne Schmiedebach
Vice President
Düsseldorf

Thomas Sittner
Bank employee
Frankfurt am Main

Members of the Board of Managing Directors

Herbert Hans Grüntker
– Chairman –

Thomas Groß
– Vice-Chairman –

Jürgen Fenk
– until 30 September 2017 –

Dr. Detlef Hosemann

Hans-Dieter Kemler
– since 1 May 2017 –

Klaus-Jörg Mulfinger

Dr. Norbert Schraad

(48) List of Shareholdings

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

		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	
1	„Dia“ Productions GmbH & Co. KG, Pullach	0.27	0.00		0.0	0	
2	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00	0.00		7.1	0	1)
3	ABE CLEARING S.A.S à capital variable, Paris, France	1.85	1.85		20.4	4,800	
4	Advent International GPE V-B Limited Partnership, George Town, Cayman Islands	1.99	1.99		29.8	1,722	
5	Advent International GPE VI Limited Partnership, George Town, Cayman Islands	0.24	0.24		2,960.3	329,456	
6	Airport Office One GmbH & Co. KG, Schönefeld	100.00	0.00		0.0	– 9	
7	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	1.14	1.14		231.8	22,885	
8	Almack Mezzanine I LP, London, United Kingdom	3.93	3.93		0.4	83,211	
9	Almack Mezzanine II Unleveraged LP, London, United Kingdom	5.83	5.83		27.6	10,411	
10	AlphaHaus GmbH & Co. KG, Erzhausen	5.50	0.00		0.9	– 107	
11	Antenne Thüringen GmbH & Co. KG, Weimar	3.50	3.50		2.1	1,288	
12	ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	100.00	100.00		– 6.2	– 137	
13	ASTARTE Verwaltungsgesellschaft mbH, Pullach	100.00	100.00		0.0	1	
14	AVW Assekuranzvermittlung der Wohnungswirtschaft GmbH & Co. KG, Bosau	11.76	0.00		0.2	15,694	
15	Bauverein für Höchst a. M. und Umgebung eG, Frankfurt am Main	0.03	0.00		28.6	762	
16	BC European Capital VIII– 8, Saint Peter Port, Guernsey	1.83	1.83		1,022.5	– 144,023	
17	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	1)
18	BHT Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	66.67	1.0	78	
19	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00	0.00		0.0	0	1)
20	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		3.4	788	
21	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		1.4	152	
22	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt MGK Marstall-Gebäude Kassel KG, Kassel	50.00	50.00	66.67	0.5	38	
23	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00		2.1	190	

		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
24	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	66.67	2.2	236
25	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG i. L., Munich	100.00	100.00	0.21	0.0	36
26	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Wiesbaden	100.00	100.00		1.3	554
27	BOF III CV Investors LP, Wilmington, USA	4.16	4.16		46.2	13,768
28	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.03	21.03		19.2	970
29	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		25.3	700
30	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.3	4
31	Campus Kronberg GmbH & Co. KG, Hamburg	6.00	0.00		63.6	5,293
32	Capnamic Ventures Fund II GmbH & Co. KG, Cologne	4.27	4.27		0.0	0,0
33	CapVest Equity Partners II, L.P., Hamilton, Bermuda	3.48	3.48		144.8	2,932
34	Castra Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	2.85	0.00		−19.5	−802
35	Clareant Mezzanine Fund II (No.1) Limited Partnership, Saint Helier, Jersey	4.07	4.07		158.5	−664
36	Clareant Mezzanine No. 1 Fund Limited Partnership, Saint Helier, Jersey	3.40	3.40		150.4	13,276
37	CP Campus Projekte GmbH, Frankfurt am Main	50.00	0.00		1.1	−414
38	DBAG Fund IV GmbH & Co. KG i.L., Frankfurt am Main	6.13	6.13		5.5	−5,267
39	DBAG Fund V GmbH & Co. KG, Frankfurt am Main	7.59	7.59		44.7	47,227
40	Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe	1.71	0.00		626.8	45,284
41	Deutsche WertpapierService Bank AG, Frankfurt am Main	3.74	3.74		180.2	8,725
42	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		171.7	37,787
43	DIV Grundbesitzanlage Nr. 30 Frankfurt-Deutschherrnufer GmbH & Co. KG i. L., Frankfurt am Main	0.06	0.06		15.3	741
44	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89	0.00		36.7	1,832
45	Doughty Hanson & Co. V LP No. 1, London, United Kingdom	1.60	1.60		372.5	24,588
46	Dritte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	0
47	Dritte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	−4
48	Dritte Projektentwicklungs-GmbH & Co. Schulen Landkreis Kassel KG, Kassel	6.00	0.00		10.8	1,919
49	EIG Energy Fund XIV, L.P., Dover, USA	4.05	4.05		US-$ 98.6	US-$ −47,543
50	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00	0.00		−0.7	112
51	EQT Expansion Capital II (No. 1) Limited Partnership, Saint Peter Port, Guernsey	4.57	4.57		281.7	−62,612
52	EQT V (No. 1) Limited Partnership, Saint Peter Port, Guernsey	0.28	0.28		1,189.2	−79,540
53	Erste Hessisch-Thüringische Sparkassen-Kapitaleinlagengesellschaft mbH & Co. KG, Sömmerda	6.39	0.00		0.3	216

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	
54	Erste OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	0	
55	Erste Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00	0.00		0.1	4	
56	Erste ST Berlin Projekt GmbH & Co KG, Berlin	0.50	0.00		0.0	−8	
57	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00	0.00		70.4	1	
58	Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, Neuhardenberg	1.76	1.76		3,309.3	45,029	
59	EUFISERV Payments s.c.r.l., Brussels, Belgium	11.37	11.37		0.2	46	
60	Fachmarktzentrum Fulda GmbH & Co. KG, Munich	5.10	0.00		42.6	1,592	
61	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	5	
62	Family Office der Frankfurter Bankgesellschaft AG, Frankfurt am Main	100.00	0.00		n. a.	n. a.	
63	FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	75.00	0.00		n. a.	n. a.	
64	FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	75.00	0.00		n. a.	n. a.	
65	FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	75.00	0.00		n. a.	n. a.	
66	FHP Friedenauer Höhe Projekt GmbH, Berlin	75.00	0.00		n. a.	n. a.	
67	FHP Friedenauer Höhe Sechste GmbH & Co. KG., Berlin	75.00	0.00		n. a.	n. a.	
68	FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	75.00	0.00		n. a.	n. a.	
69	FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	75.00	0.00		n. a.	n. a.	
70	Fiducia & GAD IT AG, Karlsruhe	0.02	0.00		435.1	33,969	
71	FIDUCIA Mailing Services eG, Karlsruhe	0.13	0.06		0.1	0	
72	FinTecH Community Frankfurt GmbH, Frankfurt am Main	33.33	33.33		n. a.	n. a.	
73	FMZ Fulda Verwaltung GmbH, Frankfurt am Main	100.00	0.00		0.0	−1	
74	Fourth Cinven Fund (No. 1) Limited Partnership, Saint Peter Port, Guernsey	1.42	1.42		1,022.0	1,412,618	
75	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00	0.00		11.3	968	
76	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		CHF 107.8	CHF 2,906	
77	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		843.2	45,000	
78	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	100.00	0.00		0.2	0	1)
79	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00	0.00		0.1	−3	
80	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.2	−4	
81	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		0.1	5	
82	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.1	−4	
83	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.0	−5	
84	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.5	379	
85	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		0.0	1	

		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	
86	G&O MK 15 Bauherren GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.0	–27	
87	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00	0.00		23.4	0	1)
88	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	94.90	0.00		–1.8	–2,122	
89	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00	0.00		–0.9	–55	
90	gatelands Verwaltungs GmbH, Schönefeld	75.00	0.00		0.0	2	
91	GeckoGroup AG insolvency proceedings, Wetzlar	5.02	5.02		0.0	0,0	
92	GELIMER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	8.93	8.93		–1.9	167	
93	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00	0.00		0.3	0	1)
94	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00	0.00		0.3	0	1)
95	GIMPRO Beteiligungs- und Geschäftsführungs-gesellschaft mbH, Frankfurt am Main	100.00	0.00		0.2	4	
96	GIZS GmbH & Co. KG, Frankfurt am Main	33.33	33.33		14.7	–3,653	
97	GIZS Verwaltungs-GmbH, Frankfurt am Main	33.33	33.33		0.0	–10	
98	GLB GmbH & Co. OHG, Frankfurt am Main	11.20	11.20		5.4	729	
99	GLB-Verwaltungs-GmbH, Frankfurt am Main	11.20	11.20		0.0	2	
100	GLD Verwaltungsgesellschaft GmbH, Frankfurt am Main	100.00	0.00		0.0	0	
101	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	47.00	0.00		–3.4	–232	
102	GOB Projektentwicklung E & A GmbH & Co. Siebte Rhein-Main KG, Frankfurt am Main	8.84	0.00		5.3	1,095	
103	GOB Projektentwicklung Fünfte GmbH & Co. KG, Frankfurt am Main	8.84	0.00		0.0	–10	
104	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00	0.00		0.0	0	
105	Gründerfonds Ruhr GmbH & Co. KG, Essen	8.96	8.96		0.0	–22	
106	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33	0.00		4.3	–1,333	
107	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00	0.00		0.1	47	
108	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00	0.00		2.4	2,643	
109	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00	0.00		0.0	–10	
110	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		76.4	4,895	
111	GWH Bauprojekte GmbH, Frankfurt am Main	100.00	0.00		13.6	0	1)
112	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	1)
113	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00	0.00		368.5	50,667	
114	HaemoSys GmbH, Jena	38.33	0.00		–4.8	–524	
115	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		–0.3	–321	
116	HANNOVER LEASING GmbH & Co. KG, Pullach	5.10	5.10		1.5	–7,020	
117	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	43.10	0.00		12.9	–407	
118	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	63.10	0.00		13.5	–365	

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	
119	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	54.51	0.00		18.5	–210	
120	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–68	
121	Helaba Asset Services, Dublin, Ireland	100.00	100.00		54.8	221	
122	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0	
123	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	1)
124	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		4.5	54	
125	Helaba Representação Ltda., São Paulo, Brazil	100.00	99.00		n. a.	n. a.	
126	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.7	354	
127	Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	5.92	0.00		–129.9	5,151	
128	Hello Darmstadt Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–150	
129	Herkules Grundbesitz GmbH & Co. Frankfurt KG, Berlin	5.10	5.10		2.6	756	
130	Hessen Kapital I GmbH, Wiesbaden	100.00	100.00		34.4	233	
131	Hessen Kapital II GmbH, Wiesbaden	100.00	100.00		6.8	206	
132	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		70.1	5,151	
133	Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH, Frankfurt am Main	15.49	0.00		1.8	507	
134	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00	0.00		2.6	34	
135	Horus AWG GmbH, Pöcking	50.00	0.00		–0.1	–114	
136	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	10	
137	Hutton Collins Capital Partners II L.P., London, United Kingdom	1.40	1.40		57.3	5,590	
138	Hutton Collins Capital Partners III L.P., London, United Kingdom	1.45	1.45		190.6	–56,026	
139	Icon Brickell LLC, Miami, USA	14.94	14.94		US-$ 0.0	US-$ –154	
140	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH i.L., Frankfurt am Main	100.00	100.00		0.1	0	
141	Interessengemeinschaft Frankfurter Kreditinstitute GmbH, Frankfurt am Main	16.90	4.21		25.4	9,691	
142	Investcorp Private Equity 2007 Fund, L.P., George Town, Cayman Islands	2.01	2.01		US-$ 300.8	US-$ 42,431	
143	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–11	
144	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50.00	50.00	66.67	3.2	437	
145	Komplementarselskabet Logistica CPH ApS, Kastrup, Denmark	52.00	52.00		DKK 0.0	DKK –3	
146	Königstor Verwaltungs-GmbH, Kassel	100.00	0.00		0.0	–1	
147	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–66	
148	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–2.8	–280	
149	Kornmarkt Arkaden Verwaltung GmbH, Frankfurt am Main	100.00	0.00		0.0	3	

		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	
150	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–23	
151	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.8	–316	
152	LB(Swiss) Investment AG, Zurich, Switzerland	100.00	0.00		CHF 10.2	CHF 1,628	
153	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		0,7	87	
154	LBS IT Informations-Technologie GmbH & Co KG, Berlin	7.30	7.30		0.0	47	
155	LHT MSIP, LLC, Wilmington, USA	100.00	0.00		US-$ 7.0	US-$ 0	
156	LHT Power Three LLC, Wilmington, USA	100.00	100.00		US-$ 33.7	US-$ –364	
157	LHT TCW, LLC, Wilmington, USA	100.00	0.00		US-$ 21.3	US-$ 413	
158	LHT TPF II, LLC, Wilmington, USA	100.00	0.00		US-$ 5.9	US-$ –523	
159	Logistica CPH K/S, Kastrup, Denmark	53.33	53.33		DKK 0.8	DKK 1,624	
160	Magical Produktions GmbH & Co. KG, Pullach	1.50	0.00		–8.9	10,193	
161	Magnolia GmbH & Co. KG, Nonnweiler	6.00	0.00		–0.1	–10	
162	Magnum Capital, L.P., Edinburgh, United Kingdom	1.45	1.45		564.9	130,710	
163	Marienbader Platz Projektentwicklungsgesell-schaft mbH & Co. Bad Homburg v.d.H. KG, Frankfurt am Main	50.00	0.00		0.4	5	
164	Marienbader Platz Projektentwicklungsgesell-schaft mbH, Frankfurt am Main	50.00	0.00		0.1	2	
165	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00	0.00		0.0	0	1)
166	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99	0.00		8.1	1,313	
167	MBG H Mittelständische Beteiligungsgesell-schaft Hessen mbH, Wiesbaden	32.52	32.52		10.4	402	
168	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90	0.00		23.1	1,092	
169	MESTO Grundstücksgesellschaft mbH & Co. KG, Grünwald	1.00	1.00		–3.8	248	
170	Mezzanine Management Fund IV ‚A' L.P., Hamilton, Bermuda	7.46	7.46		53.3	–26,636	
171	MezzVest II, L.P., Saint Helier, Jersey	3.50	3.50		0.1	–18,867	
172	Mittelhessenfonds GmbH, Wiesbaden	100.00	100.00		–2.5	24	
173	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		23.7	1,214	
174	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		15.1	227	
175	Multi Park Mönchhof Dritte GmbH & Co. KG, Neu-Isenburg	50.00	0.00		0.5	–13	
176	Multi Park Mönchhof GmbH & Co. KG, Neu-Isenburg	50.00	0.00		0.0	–7	
177	Multi Park Mönchhof Main GmbH & Co. KG, Neu-Isenburg	50.00	0.00		1.6	1,511	
178	Multi Park Verwaltungs GmbH, Neu-Isenburg	50.00	0.00		0.0	1	
179	NAsP III/V GmbH, Marburg	14.92	0.00		2.8	–716	
180	Nassauische Heimstätte Wohnungs- und Ent-wicklungsgesellschaft mbH, Frankfurt am Main	0.89	0.00		495.8	29,432	
181	neue leben Pensionsverwaltung AG, Hamburg	3.20	0.00		2.3	–52	
182	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–53	
183	North Haven Infrastructure Partners LP, Wilmington, USA	0.25	0.00		US-$ 2,431.6	US-$ 93,198	
184	Nötzli, Mai & Partner Family Office AG, Zurich, Switzerland	100.00	0.00		CHF 0.3	CHF 65	
185	Objekt Limes Haus GmbH & Co. KG, Hamburg	5.10	0.00		17.0	568	

		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	
186	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00	0.00		0.4	7	
187	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00	0.00		−0.1	−7	
188	OFB Berlin Projekt GmbH, Berlin	100.00	0.00		0.0	−1	
189	OFB Beteiligungen GmbH, Frankfurt am Main	100.00	0.00		5.9	90	
190	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	1)
191	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00	0.00		0.0	1	
192	Office One Verwaltung GmbH, Schönefeld	100.00	0.00		0.0	1	
193	PALMYRA Verwaltungsgesellschaft mbH & Co. Vermietungs KG S.e.n.c., Luxembourg, Luxembourg	5.20	0.00		69.6	363	
194	Pan-European Infrastructure Fund LP, Saint Helier, Jersey	0.73	0.73		2,897.7	257,682	
195	PATRIZIA Hessen Zehn GmbH & Co. KG, Frankfurt am Main	5.20	0.00		−1.3	−165	
196	PineBridge PEP IV Co-Investment L.P., Wilmington, USA	9.51	0.00		US-$ 18.1	US-$ −3,908	
197	PineBridge PEP IV Non-U.S. L.P., Wilmington, USA	17.00	0.00		US-$ 16.8	US-$ 1,010	
198	PineBridge PEP IV Secondary L.P., Wilmington, USA	16.10	0.00		US-$ 10.9	US-$ −555	
199	PineBridge PEP IV U.S. Buyout L.P., Wilmington, USA	17.21	0.00		US-$ 42.3	US-$ 5,098	
200	PineBridge PEP IV U.S. Venture L.P., Wilmington, USA	17.51	0.00		US-$ 21.9	US-$ 83	
201	Private Equity Thüringen GmbH & Co. KG, Erfurt	14.11	14.11		2.7	−31	
202	Procom & OFB Projektentwicklung GmbH, Hamburg	50.00	0.00		0.0	−3	
203	Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		−0.2	−210	
204	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00	0.00		0.0	0	
205	Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		−1.0	−615	
206	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	30.00	0.00		−1.2	−220	
207	Projekt Wilhelmstraße Wiesbaden Verwaltung GmbH, Frankfurt am Main	30.00	0.00		n. a.	n. a.	
208	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00	0.00		−0.4	−743	
209	Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	−1	
210	Projektentwicklungs-GmbH & Co. Landratsamt KG, Wolfhagen	6.00	0.00		3.0	456	
211	Projektentwicklungs-GmbH & Co. Schule an der Wascherde KG, Lauterbach	6.00	0.00		0.2	16	
212	Projektgesellschaft Andreasstraße mbH, Erfurt	6.00	0.00		0.6	0	
213	Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	−2	
214	PVG GmbH, Frankfurt am Main	100.00	100.00		0.4	252	1)
215	Rebstöcker Straße GmbH & Co. KG, Hamburg	5.10	0.00		−17.8	−412	
216	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe mbH & Co. KG, Erfurt	60.00	60.00	33.33	0.6	48	
217	Rotunde Verwaltungsgesellschaft mbH, Erfurt	60.00	60.00	33.33	n. a.	n. a.	

		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	
218	RSU Rating Service Unit GmbH & Co. KG, Munich	9.60	9.60		14.9	1,825	
219	S CountryDesk GmbH, Cologne	5.00	2.50		0.4	32	
220	S.W.I.F.T. Society for Worldwide Interbank Financial Telecommunication SCRL, La Hulpe, Belgium	0.00	0.00		325.2	20,722	
221	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.2	–13	
222	SCHUFA Holding AG, Wiesbaden	0.28	0.00		75.5	28,228	
223	SIX Group AG, Zurich, Switzerland	0.00	0.00		CHF 2,554.4	CHF 221,100	
224	SIZ GmbH, Bonn	5.32	5.32		4.9	334	
225	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00	0.00		0.0	0	
226	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00	0.00		15.0	–581	
227	Sparkassen-Marktservice Beteiligungs GmbH & Co. KG, Frankfurt am Main	50.00	40.00		8.0	224	
228	Sparkassen-Marktservice Verwaltungs GmbH, Frankfurt am Main	50.00	40.00		0.0	0	
229	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.2	–120	
230	Stresemannquartier GmbH & Co. KG, Berlin	50.00	0.00		0.5	30,842	
231	Systeno GmbH, Frankfurt am Main	100.00	0.00		2.2	265	
232	TCW/Crescent Mezzanine Partners IVB, L.P., Los Angeles, USA	2.08	0.00		US-$ 29.4	US-$ –6,336	
233	TdW südwest Treuhandgesellschaft für die Südwestdeutsche Wohnungswirtschaft mbH, Frankfurt am Main	3.25	0.00		1.8	121	
234	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.4	96	
235	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.1	8	
236	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		1.7	–2	
237	Tenaska Power Fund, L.P., Wilmington, USA	1.55	0.00		US-$ 32.7	US-$ 4,625	
238	TF H III Technologiefonds Hessen Gesellschaft mit beschränkter Haftung, Wiesbaden	25.00	25.00		1.7	–72	
239	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH) i. L., Frankfurt am Main	66.67	66.67	66.66	0.6	–2	
240	TFK Hessengrund-Gesellschaft für Bauland-beschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG i. L., Kassel	33.33	33.33	66.67	1.5	–25	
241	THE TRITON FUND II L.P., Saint Helier, Jersey	0.77	0.77		400.5	122,886	
242	TPF II, LP, Wilmington, USA	2.37	0.00		US-$ 78.3	US-$ 7,708	
243	Triton Fund III L.P., Saint Helier, Jersey	0.71	0.71		1,681.6	613,480	
244	True Sale International GmbH, Frankfurt am Main	7.69	7.69		4.8	46	
245	unIQus Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–117	
246	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0	
247	VCM Golding Mezzanine GmbH & Co. KG, München	6.48	6.48		6.7	3,252	
248	VCM Golding Mezzanine SICAV II, Luxembourg, Luxembourg	4.20	4.20		73.6	10,648	
249	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00	0.00		0.3	0	1)
250	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	49	

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
251	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		1.8	782
252	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		–4.9	–1,748
253	Vierte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	0
254	Vierte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	0
255	Volks- Bau- und Sparverein Frankfurt am Main eG, Frankfurt am Main	0.01	0.00		10.6	3,557
256	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00	0.00		–0.2	0
257	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00	0.00	33.33	0.0	–3
258	WoWi Media GmbH & Co. KG, Hamburg	23.72	0.00	19.24	2.8	–11
259	Zweite Hessisch-Thüringische Sparkassen-Kapitaleinlagengesellschaft mbH & Co. KG, Battenberg	10.32	0.00		0.4	265
260	Zweite OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	0
261	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.2	186
262	Zweite Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00	0.00		0.1	3
263	Zweite ST Berlin Projekt GmbH & Co. KG, Berlin	0.50	0.00		–0.1	–114

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

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

Positions held by the members of the Board of Managing Directors

Office holder	Corporation	Function
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
Hans-Dieter Kemler	Frankfurter Sparkasse, Frankfurt am Main	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Member
Thomas Groß	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	DSGF Deutsche Servicegesellschaft für Finanzdienstleister mbH	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
	Thüringer Aufbaubank, Erfurt	Member

Positions held by other employees

Office holder	Corporation	Function
Diana Häring	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Dirk Mewesen	Helaba Asset Services, Dublin, Ireland	Member
Dr. Ulrich Pähler	Helaba Asset Services, Dublin, Ireland	Vice-Chairman
Dr. Michael Reckhard	Bürgschaftsbank Hessen GmbH, Wiesbaden	Member
Klaus Georg Schmidbauer	Bürgschaftsbank Thüringen GmbH, Erfurt	Member
André Stolz	Nassauische Sparkasse, Wiesbaden	Member

(50) Report on Events After the Reporting Date

There were no significant events after the end of the financial year on 31 December 2017.

Frankfurt am Main/Erfurt, 27 February 2018

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad

Responsibility Statement

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

Frankfurt am Main/Erfurt, 27 February 2018

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad

Independent Auditor's Report

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

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

Audit Opinions

We have audited the annual financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, which comprise the balance sheet as at 31 December 2017, and the statement of profit and loss for the financial year from 1 January to 31 December 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Landesbank Hessen-Thüringen Girozentrale for the financial year from 1 January to 31 December 2017. We have not audited the content of the non-financial statement pursuant to § (Article) 289b Abs. (paragraph) 1 HGB (Handelsgesetzbuch: German Commercial Code).

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017 in compliance with German Legally Required Accounting Principles, and

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

Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Risk provisions for the ship loan portfolio**
2. **Measurement of general loan loss allowances in the lending business**

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Risk provisions for the ship loan portfolio

1. Among other things, ship loans are reported in the Company‘s annual financial statements under the „Loans and advances to customers“ balance sheet item. A risk provision has been recognized for the ship loan portfolio, comprising specific and general loan loss allowances. In the 2017 financial year, the ship loan portfolio represented the main driver of additions to the specific loan loss allowances due to the further deterioration of the market environment. In calculating the risk provision, the executive directors made estimates, specifically in relation to the development of future charter rates and assumptions regarding the realization of the ships which were financed and pledged as security. Given that these measurement parameters have a significant influence on the amount of any allowances which may become necessary and these allowances are subject to considerable uncertainties to that extent, this matter was of particular importance during our audit.
2. As part of our audit, we assessed, among other things, the appropriateness of the relevant lending processes in the Company‘s internal control system for valuing ship loans and examined their effectiveness with the assistance of functional tests. We also included the business organization, IT systems and valuation models in this area in our assessment. In addition, we assessed the valuation of ship loans, including the appropriateness of estimates, on a risk-oriented test basis in which we, inter alia, confirmed the correct application of the valuation models and the appropriateness of the future charter rates and additional input factors used. In addition, our assessment of the valuation assumptions made by the executive directors was based on general and sector-specific market expectations. Overall, the measurement inputs and assumptions used by the executive directors of the Company to value the ship loan portfolio are in line with our expectations and are also within the ranges considered by us to be reasonable.
3. With respect to the ship loan portfolio, we refer to the disclosures in the notes relating to the risk provisions in the lending business in general under notes (1) and (41), which also cover risk provisioning for the ship loan portfolio.

2. Measurement of general loan loss allowances in the lending business

1. In the Company‘s annual financial statements as of 31 December 2017, general loan loss allowances are deducted from the „Loans and advances to banks“ and „Loans and advances to customers“ balance sheet items. The general loan loss allowances include an additional provision element which the Company recognized to protect against additional risks in individual loan sub-portfolios not yet identified by statistical analyses. A majority of these as-of-yet unidentified risks relate to the ship loan portfolio. The selection of the affected loan sub-portfolios and the measurement of the additional general loan loss allowances recognized in respect of these sub-portfolios depend to a large extent on estimates by the executive directors of the Company. The measurement is therefore subject to considerable uncertainty and was of particular importance for our audit.
2. As part of our audit, we assessed, among other things, the justification provided by the executive directors for selecting those loan sub-portfolios which in their view necessitated the recognition of additional general loan loss allowances above and beyond the loan loss allowances recognized as part of the regular parameters-based process. Furthermore, we verified the underlying measurement bases for recognizing additional loan loss allowances for the individual loan sub-portfolios and assessed the appropriateness of the measurement parameters used (e.g., credit spreads for certain country risks and collateral values for ship loans observable on the market). In addition, we verified the mathematical accuracy of the Company‘s calculations. With respect to the ship loan portfolio, we assessed in particular whether changes in the specific loan loss allowances for ship loans during the financial year were adequately taken into account when measuring the additional general loan loss allowances and in that respect that no allowances were double-booked. Ove-

rall, the measurement inputs and assumptions used by the executive directors to measure the additional general loan loss allowances are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures relating to the general loan loss allowances in the lending business are contained in note (1) of the notes to the financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the non-financial statement pursuant to § 289b Abs. 1 HGB.

The other information comprises further the remaining parts of the annual financial report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

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

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

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

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

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

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

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

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

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

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

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

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the board of public owners on 23 March 2017. We were engaged by the board of managing directors on 3 May 2017. We have been the auditor of the Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, without interruption since the financial year 1953.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Peter Flick.

Frankfurt am Main, 27 February 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	Peter Flick
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Management Report of Landesbausparkasse Hessen-Thüringen

Management Report of Landesbausparkasse Hessen-Thüringen

I. Basic Information

Legal and Organisational Structure

Landesbausparkasse Hessen-Thüringen (LBS) is a legally dependent unit of Helaba that prepares financial statements on an independent basis. It forms part of Helaba's S-Group business segment along with the other S-Group activities.

LBS has a Bausparkasse Advisory Board created in accordance with the Principles for the Landesbausparkasse Hessen-Thüringen. This board, which consists of representatives of the Sparkassen in Hesse and Thuringia, is intended to promote co-operation between the Bausparkasse and the Sparkassen- und Giroverband Hessen-Thüringen and the Sparkassen in the operating territory.

Business Model

The LBS business model envisages the organisation as a regional provider of financial services in the real estate sphere. Its mission under the model, which acknowledges the status of LBS as an integral part of Helaba and of the S-Finanzgruppe, includes the delivery of demand-oriented support for customers in the areas of home loans and savings, finance, real estate and provision for old age.

Objectives and Strategies

Competition in the home finance market is intense. Direct banks, internet providers and Kreditanstalt für Wiederaufbau (KfW) are increasingly making their presence felt and there is consequently growing pressure on terms. LBS pursues a sales strategy fashioned around the Sparkasse organisation's deep roots in the region. Joint business with the Sparkassen, a business area of great strategic significance for LBS, is crucial in enabling it to make the most of the customer potential of the Sparkassen.

The strategy applied by LBS has at its heart a consistent focus – across all activities – on growing earning power sustainably while maintaining the conservative risk profile, which is vital if the organisation is to maintain its competitive edge. Risks are assumed with the objective of generating a reasonable and sustainable return bearing in mind the risk-bearing capacity.

LBS Hessen-Thüringen launched a reorganisation programme (the LBS-EVOLution project) in 2017 in response to the generally low level of interest rates. The project aims primarily to bring about a lasting improvement in earnings by 2021. The longer-term intention is to concentrate LBS activities at two sites – a production site in Erfurt and an administrative site in Offenbach – rather than the current three. Large parts of liabilities-side home loan and savings business will at the same time be steadily outsourced to LBS Westdeutsche Landesbausparkasse, Münster, to help realise the lasting improvement in earnings. It is intended to bring headcount to the level of 180 FTE overall by 2021 by optimising processes, streamlining the service range and outsourcing.

Management System

The internal management system reflects LBS's consistent focus on generating a reasonable and sustainable return while maintaining its conservative risk profile. The management variables applied in respect of operating business development are net interest income, net fee and commission income and general and administrative expenses, which together largely determine the operating result before taxes, and gross new business. LBS also makes use, in its planning, monitoring and oversight of business operations, of value-oriented indicators such as the cost-income ratio (which expresses general and administrative expenses as a percentage of the sum of net interest income, net fee and commission income and the balance of other ordinary income/expenses), the interest rate risk coefficient for the interest rate risk, the liquidity ratios in accordance with the German Liquidity Regulation (Liquiditätsverordnung – LiqV) and the liquidity coverage ratio (LCR) in accordance with the Capital Requirements Regulation (CRR).

II. Report on Economic Position

Economic Development

The German economy grew strongly in 2017. Economic output increased by 2.2 % in real terms in the year under review, continuing the pattern of substantial growth established over the previous two years.

Private and public-sector spending delivered most of the economic impetus in Germany just as in the previous year. Private consumer spending rose by 2.0 % in real terms as a result of very low interest rates, a 3.9 % increase in private disposable incomes and positive developments in the labour market. Public-sector spending excluding the demand effects driven by the high level of immigration to Germany in 2015 rose by an average 1.4 %. The average savings rate across all private households in 2017 was essentially unchanged from the previous year at 9.7 %.

The number of people in employment in Germany increased significantly in 2017 to reach a new record high. Initial calculations indicate that the country had 1.5 % more people in employment in 2017 than in the previous year.

The more expansionary approach to monetary policy and the historically low level of interest rates remained the most influential factors for the German financial system. The European Central Bank (ECB) halved its monthly purchase volume of government and corporate bonds from € 60 bn to € 30 bn and extended the bond purchase programme until at least September 2018. It also decided to leave the main refinancing interest rates at the record low level of 0.0 %.

Demand continued to outstrip supply in the German residential real estate market. The highly favourable conditions for financing, the generally positive economic situation (with correspondingly good prospects for employment and the labour market) and the increasing concentration of the population in the major metropolitan areas – a trend that has been apparent for some years now – are fuelling strong demand for residential property in Germany. Real estate also remains as popular as ever as a target for investment thanks to the long-term protection it provides against the effects of inflation. Larger-scale investors too recognise the appeal of real estate, especially assets in the Rhine-Main region.

Investment in construction rose again in the year under review, by 2.6 %, as a result of these effects. This dynamic growth in new construction activity has been accompanied by a further increase in investment in modernising ageing housing stock and measures to improve energy efficiency. The fall in the number of building permits issued does suggest, however that the supply bottleneck in the residential real estate market may well gradually diminish. The number of homes approved between January and November 2017 was 7.8 % down on the same period in the previous year at 313,700. The drop in the number of permits approved was most pronounced (at 42.8 %) in the category covering homes in publicly-owned accommodation blocks, which includes housing for refugees.

The outlook for the construction industry remains positive, with new orders in the structural and civil engineering sector up 2.0 % over the first eleven months of 2017 as compared with the same period in the previous year according to figures from the German Federal Statistical Office.

The key general economic factors – economic situation, labour market and high demand for residential real estate – in Hesse and Thuringia together present a decidedly fertile environment for home loan and savings business and home finance. The inclusion of this type of asset in the German government's scheme to promote private retirement pension provision, which provides for the use of home savings contracts to purchase owner-occupied residential property, had a positive impact in the financial year.

Contract Development

LBS concluded a total of 60,629 (previous year: 66,760) new home savings contracts with a total net value of € 2,562 m (previous year: € 2,667 m), which represents a 3.9 % decrease year on year in volume terms. Gross new business failed to match the figure anticipated in the previous year's Report on Expected Developments. The average value of each home savings contract concluded rose by 5.8 %, reflecting LBS's continuing efforts to promote financing business.

LBS arranged 44,988 home savings contracts (previous year: 51,074) with a total net value of € 2,052 m (previous year: € 2,182 m) in Hesse and 15,641 home savings contracts (previous year: 15,686) with a total net value of € 510 m (previous year: € 485 m) in Thuringia.

New business adjusted for the amounts actually paid in amounted to 57,543 home savings contracts (previous year: 67,282) with a total net value of € 2,361 m (previous year: € 2,517 m) and was thus also down on the previous year. There were 42,651 new contracts (previous year: 51,088) in an amount of € 1,894 m (previous year: € 2,041 m) paid in in Hesse and 14,892 new contracts (previous year: 16,194) in an amount of € 467 m (previous year: € 476 m) paid in in Thuringia, which represents a year-on-year fall of 7.2 % in Hesse and 1.9 % in Thuringia in terms of total net value. Home savings customers under the age of 25 accounted for 42.1 % of the first-time contracts concluded in the year under review.

S-Group Activities Successful

The Sparkassen in Hesse and Thuringia have traditionally been the main sales partners for new contracts and the proportion of business arranged by the Sparkassen (including joint business) remained high in the year under review at 88.0 % (previous year: 87.0 %), which corresponds to home savings contracts with a value of € 2.1 bn.

Contract Portfolio

LBS serviced a home loan and savings volume of € 20,519 m (previous year: € 20,205 m) in the year under review representing 781,910 home savings contracts (previous year: 796,992). The year-on-year change in volume terms amounts to a 1.6 % increase.

Development of Allocations

The target valuation index that has to be reached in order for allocation by LBS has been constant at 224, which is the minimum valuation index specified in the general terms and conditions, for more than 20 years. Some 58,696 contracts representing a home loan and savings volume of € 1,210.3 m were allocated in the year under review.

Of the inflows to the allocation fund, € 793.8 m (– 1.4 %) was attributable to savings deposits, including employer contributions to employee capital formation schemes, the “Wohnungsbauprämie” (a government subsidy paid on savings to be used for the construction, purchase or improvement of residential real estate) and interest credits, while € 76.1 m (– 21.4 %) was attributable to redemption payments. In total, an amount of € 869.9 m (– 3.8 %) was added to the allocation fund. These inflows were offset by withdrawals in the amount of € 635.5 m (+ 2.1 %), meaning that the allocation fund had increased by € 234.4 m at the end of the year.

Lending Business

Disbursements of loans outside the home savings collective decreased by € 23.2 m (– 16.0 %) year on year to € 121.9 m. The decline in the value of disbursements of home savings loans precipitated by persistently low interest rates continued in the year under review, although the drop of € 2.1 m to € 16.8 m is smaller in percentage terms than was recorded in the previous year at 11.0 % (previous year: – 23.2 %).

Results of Operations

Results of operations are significantly affected by the burden of the ECB’s sustained minimal interest rates policy, the precautionary measures required in anticipation of a continuation of the low interest rate era and the reorganisation costs associated with the LBS-EVOLution project.

Interest income

Interest income fell by € 15.8 m to € 123.9 m. This is due in part to a decrease in the annual average portfolio of home savings loans, which shrank by € 40.2 m (– 17.8 %). The average interest rate for home savings loans also declined in 2017, dropping 16 basis points to 3.65 % (previous year: 3.81 %). These falls in volume and interest rates reduced interest income from home savings loans. Interest income in lending business outside the home savings collective also decreased by a scant € 0.1 m to € 18.0 m. The average portfolio subject to interest increased by € 57.1 m (+ 8.9 %) year on year, but the average interest earned on loans outside the home savings collective dropped to 2.56 % (previous year: 2.82 %).

The increased capital market investment requirement due to the € 200.6 m (+ 4.5 %) increase in home savings deposits and the contraction in lending operations impacted positively on interest received. The sustained period of historically weak returns in the money and capital markets, in contrast, had a negative impact. LBS generated negative interest from early repayment charges (settlement payments) due to the early repayment of time deposits amounting to € 6.4 m in anticipation of continued low interest rates. The reinvestment of the same volume of time deposits at current interest rates causes an increase in interest income of € 0.6 m in each of the next ten years. Interest received from financial investments, including measures implemented through short-term planning, declined by € 13.8 m overall (– 12.2 %).

Interest expense

The introduction of new home loan and savings tariffs over recent years has had a positive impact on interest expenses. The inflow of home savings deposits pushed up annual average holdings of home savings deposits by € 230.4 m year on year to € 4.6 bn in 2017.This volume effect was, however, partially offset by the lower average interest rate for home savings deposits: the average interest rate for 2017 was down 8 basis points year on year to 1.69 %. The contradictory volume and interest rate effects increased the interest expense for home savings deposits by € 0.2 m to € 77.0 m.

The home savings collective interest margin, which is calculated as the difference between the average interest rates for home savings loans and home savings deposits, amounted in 2017 to 1.96 %.

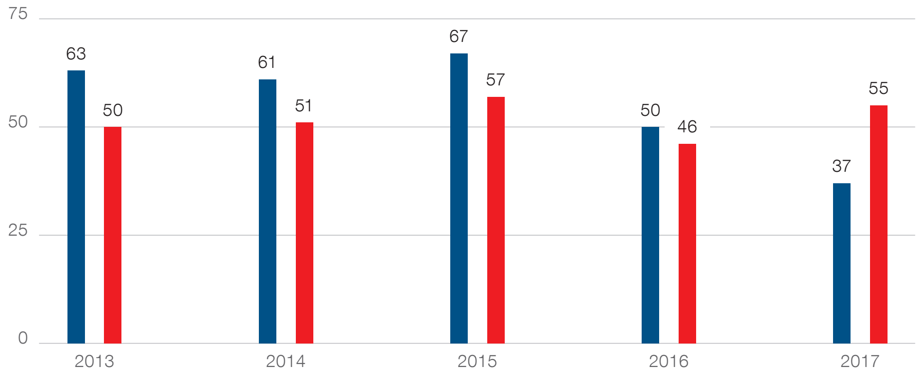
Net fee and commission income/expense

The net fee and commission income/expense variable improved by € 0.4 m to a net expense of € 5.9 m. Commissions paid dropped by € 1.7 m (– 5.0 %) due to the decrease in gross new business. Fee and commission income was also down, in this case by € 1.3 m (– 4.7 %) to € 26.3 m.

General and administrative expenses

Net interest income, net fee and commission income/expense and other income together totalled € 37.4 m (– 24.6 %), which figure was offset by € 54.9 m (+ 20.4 %) for general and administrative expenses including depreciation, amortisation and write-downs of property and equipment. Having been boosted in the previous year by the one-time reversal of pension provisions stemming from a change in the law, other operating income fell by € 12.5 m (– 91.2 %) in the year under review. Personnel expenses fell by € 1.0 m to € 20.8 m. Other operating expenses increased, most notably due to the provision recognised for the far-reaching organisational changes to come under the LBS-EVOLution project (€ 7.2 m). The interest component from the allocation to pension provisions, which rose by € 5.8 m, also helped to push up other operating expenses. Depreciation and write-downs of fixed assets increased by € 0.8 m to € 1.0 m due to write-downs from the OSPlus project. This means that general and administrative expenses including other operating expenses progressed as forecast in the previous year.

Significant income statement components in € m



■ Net interest income/net fee and commission income/other expenses (incl. special funds)
■ General and administration expenses/Afa (depreciation)/other expenses (excl. tax allocation)

Net profit/loss before taxes was down € 16.6 m year on year to a net loss of € 18.6 m and thus fell short of the figure anticipated in the previous year's Report on Expected Developments. This can be attributed to the one-time reorganisation costs in particular and the impact of the one-time reversal of pension provisions on the figure for the previous year.

The cost-income ratio rose by 91.4 percentage points to 182.5 % (previous year: 91.1 %).

Financial Position

As a non-trading book institute, LBS allocates all of its business positions to the investment book. The German specialist bank principle requires LBS, as a Bausparkasse, to comply with the specific provisions of the German Building and Loan Associations Act (Bausparkassengesetz –BauSparkG) as well as the general stipulations of the German Banking Act (Kreditwesengesetz – KWG). Of particular relevance is section 4 (3) BauSparkG, which regulates the investment of available funds. The Bausparkasse is obliged to maintain sufficient levels of cash and cash equivalents to assure its liquidity. Any investment of available funds is accordingly made exclusively in order to form a liquidity reserve as part of a "buy-and-hold" strategy in accordance with the BauSparkG requirements. No investments are sold prior to maturity unless for the purpose of optimising the portfolio structure, actively managing interest rate risk, complying with specified limits imposed by management to limit market risk or for liquidity purposes.

Revenue reserves constitute the main item in the equity structure. The equity of LBS includes no silent participations or subordinated liable capital. Equity backing is adequate for further growth in lending business.

LBS calculates capital requirements using an internal ratings-based approach (IRBA). The total capital ratio in accordance with article 92 CRR fell in 2017, but is still high at 54.5 % (previous year: 56.1 %). The Tier 1 ratio also fell, dropping by 1.7 percentage points to 54.1 %.

The LiqV liquidity ratio ranged between 1.22 and 1.68 in 2017 and met the relevant requirements as of 31 December 2017 at 1.42. The liquidity coverage ratio (LCR) indicator introduced in 2015 stood at 164.40 % on 31 December 2017 and was thus well above both the level required by the regulator (80 %) and the previous year's forecast. LBS was in a position to meet its payment obligations at all times.

The financial position of LBS is sound. The Bausparkasse is capable of meeting its obligation with respect to the scheduled allocation of the home loan and savings amounts at any time.

Net Assets

Total assets rose by € 0.27 bn year on year to € 5.68 bn. Home savings deposits increased to € 4,692 m. Home finance loans rose by € 16.9 m to € 869 m, financial investments by € 257 m to € 4,792 m. The proportion of total assets accounted for by home finance loans fell to 15.3 %. Interim and bridge-over loans increased by 7.8 % to € 702 m in the financial year and are largely funded with matching maturities. The net assets position of LBS is sound. The volume of business is virtually unchanged and overall there have been no notable changes in the asset structure.

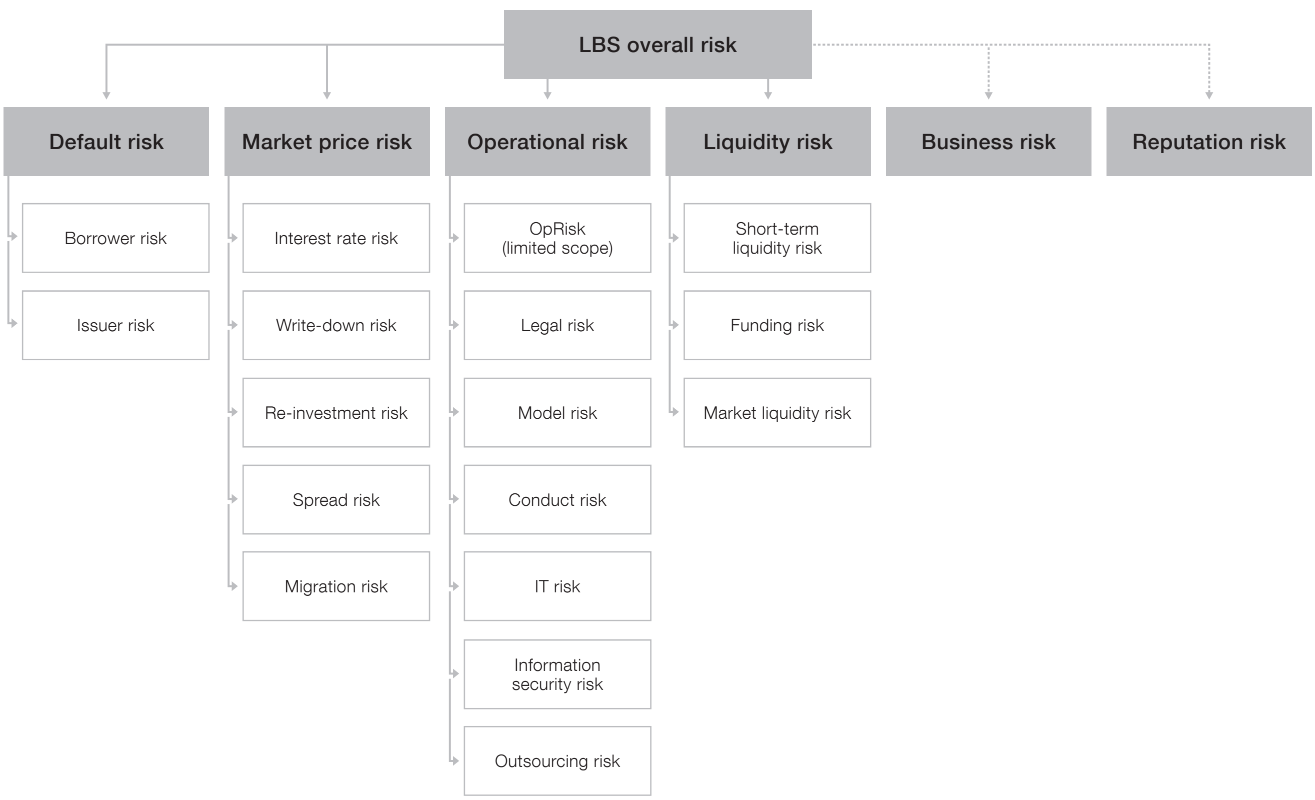
III. Report on Opportunities, Risks and Expected Developments

Risk Management

Strategic risk management at LBS aims to safeguard and, within defined limits, enhance the organisation's conservative risk profile.

LBS manages risk through four interlinked process elements: risk identification, risk quantification, risk containment and risk controlling/reporting. The risk identification element involves identifying the primary risks for LBS and then classifying them on this basis. Risk quantification comprises the quantitative and qualitative measurement and evaluation of risks using suitable models and methods. Risk containment encompasses all of the measures implemented in order to reduce, limit, avoid and transfer risks and keep risk exposure within the limits defined by senior management. Plans to adjust limits are assessed against the associated positive effects (opportunities), for example in relation to processes, business development and income and cost trends. Risk controlling includes comprehensive reporting to keep the people with the relevant authority within the organisation apprised of the existing risks/opportunities. The Risk Committee established for this purpose receives a comprehensive risk report every quarter depicting the overall risk position and risk-bearing capacity, the results of stress scenarios for the primary risks, any risk management measures adopted, any unusual factors arising in the period under review, developments compared with the previous quarter, limit utilisations and changes in significant parameters underlying the processes used for risk assessment. Ad hoc reporting processes have been established for defined significant events and loss events to ensure that senior management, the Board of Managing Directors and Internal Audit are notified immediately.

LBS determines the applicable containment requirements in each case based on its recognised risk types, namely default risk, market risk, liquidity risk, operational risk, business risk and reputation risk. These broad risk types comprise the following specific risks:



Risk Strategy

The risk strategy sets out the general procedure for handling risk at LBS in conformity with the requirements imposed by the law, the Charter and the regulatory authorities. It is consistent with the Helaba risk strategy.

The risk strategy forms part of the business strategy and guides the development of the latter in respect of the handling of risks.

The risk strategy fills in the detail of the risks classified as being of primary importance in the specific risk strategies for the risk types default risk, market risk, liquidity risk and operational risk. Requirements also apply in respect of two other recognised risk types – business risk and reputation risk – that are not classified as being of primary importance.

A supplementary risk manual documents definitions, organisation, tools for risk recording, evaluation and containment, risk reporting and the underlying written rules for the individual risk types. The manual also describes the risk management process and the risk management structure.

Risks may in principle be assumed only as permitted under the current risk strategy and only in pursuit of the corporate objectives – in particular in order to maintain the long-term earning power of LBS while protecting its assets as effectively as possible.

LBS has provided work instructions, manuals and process descriptions for employees to ensure the propriety of business operations and provide a robust foundation for the implementation of the risk strategy.

Default Risk

Risks in lending business, which is one of the main business areas at LBS, are assumed on the basis of the specific risk strategy for default risks.

Credit risks are assumed with the objective of generating a reasonable return bearing in mind the risk-bearing capacity. The specific risk strategy for default risks is reviewed annually as well as on an ad hoc basis in the event of serious changes in the underlying conditions and brought into line with current circumstances.

Default Risk in Lending Business

The main focus of business at LBS is private home finance, which is pursued as standardised customer business. The total lending portfolio, including trading business and irrevocable loan commitments, amounts to € 5,728.7 m. Home savings loans make up € 196.5 m of this figure and loans concluded outside of the home savings collective make up € 726.4 m, meaning that traditional lending business accounts for € 895.9 m, or 15.8 %, of total assets (€ 5,683.7 m). A total of 91.7 % of home finance loans were extended to private persons who were not self-employed and the proportion of home finance loans secured by mortgage charges amounted to 63.7 %.

The special loan processing function (back office) decides on the granting of loans in risk-relevant lending business. In such cases, LBS applies the process-dependent simplification regulation pursuant to BTO 1.1 item 4 of the German Minimum Requirements for Risk Management (MaRisk) in the case of lending transactions initiated by third parties and refrains from obtaining an assessment from the front office. The risk arising from loans in retail business is classified by means of LBS customer scoring at customer level. Analyses of the default risk are prepared on the basis of fixed and/or dynamic evaluations of the LBS database as part of risk containment. LBS loans made under the “single-source financing” model are approved and managed by the Sparkassen in Hesse and Thuringia and by Sparkasse Worms-Alzey-Ried through a trust-type arrangement on the basis of the contracts concluded and associated supplementary guidelines bearing in mind the applicable regulatory requirements.

Specific loan loss allowances for home finance loans decreased by € 0.6 m to € 4.1 m in the year under review. The default ratio, which equals the sum of direct write-offs and utilisation of allowances for losses on loans and advances expressed in relation to the lending volume, amounted to 0.05 %. The largest new specific allowance recognised for a single exposure in 2017 was € 49 thousand. There were no defaults within the framework of trading transactions.

Issuer Risk

Trading transactions within the meaning of MaRisk amounted to € 4,528 m (nominal amount) and thus accounted for 79.7 % of total assets as at 31 December 2017. Of that figure, 97.5 % was invested as overnight money and in time deposits at Helaba with original terms to maturity of up to 15 years.

LBS applies a highly conservative investment policy. The choice of issuer for promissory note loans and registered bonds is currently limited exclusively to Landesbanken, development banks and German federal states in order to minimise the risk of an issuer defaulting .

Market Risk

Market risk at LBS is limited specifically to risks attributable to the change in the position and structure of the yield curve (interest rate risk). LBS does not expose itself to share price risks and is prohibited by the BauSparkG from allowing any exposure to currency risks.

The interest rate risk refers to the commercial law (income statement-related) and business administration (present value) risk that can arise as a result of changes in interest rates.

Interest Rate Risk

Changes in market interest rates are reflected in changes in behaviour within the home savings collective, in the reinvestment risk arising from financial investments maturing and in the value of positive/negative maturity transformations. The interest rate risk associated with the behaviour of the home savings collective relates to the possibility of changes in market interest rates causing the home savings collective not to behave as originally predicted. This would impact the forecast net interest income. LBS prepares a collective forecast regularly following each measurement date (end of quarter). The forecast period covers up to five years. The previous quarter forecasts are compared with the actual data and analysed in each case so that any changes in the behaviour patterns of home savings customers can be identified and analysed at an early stage.

The interest rate risk arising from positive/negative maturity transformations relates to the commercial law and business administration risk that may arise due to changes in interest rates in conjunction with a deliberate decision to utilise positive or negative maturity transformation. When positions are taken out for strategic reasons in this way, economic mark-to-market valuations (positive or negative maturity transformations) are carried out for the individual positions on the basis of current capital market rates and various interest rate scenarios, and the cost of carries (negative maturity transformation) and unearned income from maturity transformation (positive maturity transformation), both of which directly influence net interest income, are reported. No volume or risk limits apply to the taking of positions from maturity transformations for strategic reasons because the results are already implicit in net interest income.

The reinvestment risk results from the maturity of financial investments. When investments mature, it may only be possible to invest the liquidity released at a lower rate, depending on capital market interest rate trends.

The risk of there being a high level of liquidity available for investment at a time when interest rates are low or, conversely, a low level of liquidity available for investment at a time when interest rates are high is contained through the investment strategy defined every year.

Write-Down Risk

The write-down risk is the risk of having to write down the institution's own fixed-interest security holdings to the lower of cost or market value pursuant to commercial law provisions at the end of the year as a result of a hike in interest rates and the resultant share price losses. Models are used as the basis for performing simulations of the probable write-down requirement, with due consideration being given to the current level of interest rates and the various interest rate scenarios. LBS holds no fixed-interest securities as of 31 December 2017.

Interest Rate Risk (Business Administration)

The business administration element of the interest rate risk describes the risk of a downward change in values occurring as a consequence of changes in capital market rates due to a lack of matching maturities between lending and funding.

All interest rate portfolio cash flows are calculated and discounted to record, evaluate and contain this risk. The present value calculation in the case of ad hoc parallel shifts in the interest rate level is performed using the parameters specified by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). Rate-sensitive customer behaviour is recognised in the interest rate portfolio by way of a corresponding cash flow presentation of the cash outflows from the home savings collective (credit balances paid out after termination, credit balances paid out after allocation, home savings loans paid out to customers) and cash inflows to the home savings collective (savings deposits, loan repayments).

The interest rate risk lay in positive territory as of 31 December 2017, with the interest rate risk coefficient (the ad hoc interest rate risk in relation to own funds) standing at 15.3.

Operational Risk

Operational risk results in particular from daily banking operations and is thus an inherent component of business activities. LBS defines operational risk, in line with regulatory requirements, as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. This definition also encompasses IT and legal risks, but not possible strategic risks.

The systematic classification of operational risk is based on the Helaba risk model, which recognises four different classes of risk: “internal processes”, “people”, “systems” and “external events”.

The integrated holistic approach to the management of operational risk applied at LBS, which is based on the requirements of the German banking regulator, aims to measure and contain operational risks on the basis of risk scenarios and loss events.

Liquidity Risk

Short-term and long-term liquidity planning constitutes the basis for ensuring solvency at all times and for avoiding unexpected losses attributable to the absence of and necessary procurement of funds to fulfil payment obligations.

The short-term liquidity risk designates the risk that LBS will not be able, or will not be fully able, to meet its payment obligations (obligation to disburse loans, make interest payments, repay funding) as a result of a shortage of liquid funds, or that it will fall into non-compliance with the regulatory liquidity coverage ratio.

A model-supported approach is used to record, evaluate and contain risk within the framework of a short-term liquidity forecast, which focuses on the probable liquidity trend at least over the next nine to twelve months. The forecast takes into account all definitively known liquidity inflows and outflows (including maturities, interest payments and financial investments/borrowings) as well as experience-based liquidity parameters (including savings deposits/withdrawals and loan disbursements).

The long-term liquidity outlook (funding risk) additionally takes in all cash inflows and outflows over a period of up to ten years. It considers liquidity inflows and outflows attributable to the home savings collective and to overnight and time deposits, funding obtained and repaid (including the associated interest income and expense) and payments related to operations. The funding risk is calculated using scenarios for which minimum survival periods are defined from a liquidity perspective.

The funding risk refers to a deterioration in the funding conditions available to LBS and the resulting difficulty of maintaining an adequate and cost-effective funding base.

LBS, as a Bausparkasse, funds itself principally via deposits to the home savings collective and through Helaba.

The liquidity risk thus ultimately boils down to a credit rating risk. Any materialisation of risk (default, market price, operational or other risk) negatively impacts the rating and thus also access to the capital market, so the management of the other risks simultaneously impacts on the liquidity risk.

The market liquidity risk involves the risk of inadequate market liquidity, meaning that it might not be possible for positions to be closed at prices that are fair or close to fair as a result of inadequate market depth or market disruptions. When investing in fixed-income securities, promissory note loans and registered bonds, LBS also considers the fungibility of the asset when selecting the issuer and the product, it being the case that funds are generally invested with the intention of not liquidating them ahead of schedule. The market liquidity risk is taken into account in liquidity forecasts as well as in the measurement of the structural liquidity risk.

Business Risk

Business risk is not classified as being of primary importance at LBS because the two primary risks – collective risk and market sales risk – included under the business risk heading are addressed in the market risk type, which is classified as being of primary importance.

The collective risk is the risk that the home savings collective will behave other than in the predicted manner in response to changes in the market interest rate risk parameter. The market sales risk relates to the attractiveness of the home savings product, which can fade, with a corresponding negative impact on new business, in response to changes in the market interest rate risk parameter.

Reputation Risk

Reputation risk is similarly not classified as being of primary importance at LBS because its material consequences (the termination of existing contracts and, in particular, a slump in new business) largely fall under the business risk heading and likewise directly affect the collective risk and market sales risk elements of market risk, a risk type that is defined as being of primary importance.

Risk-Bearing Capacity

Risk-bearing capacity is calculated in order to ensure that the primary risks always remain within the risk-taking potential of LBS and that going-concern status is thus continuously and permanently assured. This process involves quantifying and comparing possible risk exposures and the available risk-taking potential.

LBS assesses its risk-bearing capacity with a periodic reference date view (as of the balance sheet date) and a separate twelve-month rolling view.

The risk-taking potential is calculated on the basis of expected earnings ratios and balance sheet equity ratios. The components of the risk-taking potential are prioritised on the basis of their availability, their nature as provisions for loan losses, and minimum regulatory requirements.

LBS carries out specific calculations according to a going-concern approach and a gone-concern approach, considering one base scenario and two stress scenarios in each case, to check the stability of the risk-bearing capacity calculation. The stress tests are performed applying a historical perspective for individual risks and a hypothetical perspective for all types of risk at the institutional level. The implications for the risk-bearing capacity are presented and analysed. The results of the stress tests are indicated in risk reporting along with their potential impacts on the risk situation and the risk-taking potential.

The scenarios provide a separate calculation of risk for each risk type. Risk-bearing capacity exists if the risk-taking potential covers risk exposure at all times taking account of the capital required for regulatory purposes.

That share of the calculated risk-taking potential that is to be used for absorbing risk is defined for the operating management of risk-bearing capacity and the associated permanent safeguarding of going-concern status. This defined share of the risk-taking potential is known as the risk cover pool and corresponds to the total risk limit of LBS, which is allocated to the individual risk types.

The decision concerning the definition of the share of the risk-taking potential may impact directly on the risk monitoring indicators within the joint liability scheme of the LBS Group and thus on the individual risk levels indicated therein under the “traffic light” model. By the same token, the objectives defined within the framework of risk monitoring are also of significance in the decision-making process to determine the share of the risk-taking potential.

The risk quantification exercise on the quarterly reporting dates revealed that even under the most severe (hypothetical) stress scenario, the risk exposure amounted to less than 50 % of the available risk-taking potential.

Summary of the Risk Situation

LBS prepares quarterly collective forecasts and an annual ongoing collective monitoring report in order to ensure that the home savings contracts concluded can always be fulfilled. The ongoing collective monitoring report and the corresponding collective management report, which contain a description of the initial position and scenarios with presentations of results and related analysis as well as an overall assessment, are transmitted to BaFin. According to the collective management report for 2016, funds sufficient for the allocation of home savings contracts were available at all times.

The overall institution limit in the calculation of risk-bearing capacity was observed in the year ended (on a quarterly basis).

Utilisation of the overall institution limit

Reporting date	Going-concern approach Position on 31.12.2017	Going-concern approach Twelve-month rolling view
31.03.2017	33 %	45 %
30.06.2017	32 %	46 %
30.09.2017	28 %	48 %
31.12.2017	46 %	46 %

The liquidity ratio in accordance with the LiqV was 1.42 as of 31 December 2017 and the total capital ratio in accordance with the CRR stood at 54.51 % (in accordance with the delegated regulation since 30 September 2016). The capital available for covering risks was adequate at all times.

Outlook for 2018

LBS expects the sustained strength of the labour market (with a positive outlook for incomes and job security) and moderate income growth to stimulate increased investment in residential construction just as in the previous year.

The ECB's current approach leads LBS to conclude that 2018 will bring neither an end to the current period of expansionary monetary policy nor the start of an upwards trend in key interest rates. The resulting combination of low interest rates and housing shortages in and around the major economic centres will keep demand for residential space running high. Real estate prices will continue to rise at the same time, so affordable solutions with corresponding financing options will also be very much in demand. Home savings contracts offer people in pursuit of home finance or follow-up financing a readily calculable way to fund real estate investments and lock in the current low interest rates long-term to protect against future rate rises. Home loan and savings products accordingly remain an attractive option for much of the population, which regards a debt-free residential property to be the best form of provision for retirement.

A slowing rate of employment growth due to demographic change and migration – especially in certain parts of Thuringia – on the other hand, could exacerbate the shortage of suitable qualified specialists already apparent in some sectors and thus impact negatively on the residential real estate portfolio.

The need to convert more properties to make them suitable for the increasing population of older people provides additional potential for growth. The comparatively low home ownership rate in Germany, government initiatives to promote saving (the employee savings bonus and a subsidy paid on savings to be used for the construction, purchase or improvement of residential real estate) and the inclusion of owner-occupied residential property in the state subsidy programme for private old-age provision ("Wohn-Riester") additionally promise very significant untapped potential in home savings business with current levels of interest. Demand for financing is also being boosted by concerns about climate change and the anticipated investment required to modernise Germany's ageing housing stock and make it more energy efficient.

The possibility still remains, however, that consumers will find alternative affordable ways to finance their real estate ambitions and that the loans in the old tariff generations will not be taken up. New and more onerous regulatory requirements and the associated cost of digitalising processes may well come to have a significant negative impact on results alongside the low returns available in the capital market.

LBS intends to continue meeting the impending challenges with strict cost management, measures in the home savings collective to stabilise earnings and a high level of efficiency. The LBS-EVOLution reorganisation project, the investments made in a common IT system (the OSPlus-LBS Bausparkasse system) and the internet branch of the Sparkassen should yield stronger earnings and improved productivity in the medium term. Home loan and savings products tailored to customer requirements will be deployed along with strategic sales support measures to enhance further the close and successful collaborative relationship between LBS and the Sparkassen and strengthen the position of the LBS field sales force in high-potential regions.

The adoption of the revised German Building and Loan Associations Act (Bausparkassengesetz – BauSparkG), which provides for more flexible use of the home savings protection fund and introduces new options in residential construction finance business, enables LBS to respond more effectively to the changed operating environment.

LBS expects gross new business in fiscal 2018 to be essentially unchanged from the previous year. The combined effects of a further reduction in average interest rates for home savings loans, the action taken to reduce interest expense from funding capital, ongoing income-boosting measures implemented through short-term planning and a continuation of the minimal interest rates policy at the ECB lead LBS to anticipate net interest income of between € 60 m and € 70 m. The forecast figures reflect the home savings collective simulation, which usually covers a period of 20 years. The home savings collective simulation is based on the full contract portfolio, with changes in the behaviour patterns of home savings customers being considered over time. The forecast for future interest rate developments is prepared using the forward interest rates derived from the interest rate structure as of the key date for forecasting. LBS anticipates an interest rate risk in positive territory in financial year 2018, taking account of the planned new investments, and an LCR in excess of 120 % (against a minimum requirement of 100 %).

Net fee and commission income at LBS is expected to be down by up to one million euros year on year. General and administrative expenses are predicted to rise by 5 % as a result of allocations to pension provisions including interest expense. This will knock the cost-income ratio back into the 85 % to 90 % range.

In summary, LBS expects to generate net profit before taxes of between € 5 m and € 8 m in 2018.

Frankfurt am Main/Erfurt, 27 February 2018

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad

Annual Financial Statements of Landesbausparkasse Hessen-Thüringen

Balance Sheet of Landesbausparkasse Hessen-Thüringen,

as at 31 December 2017
– included in the Consolidated Balance Sheet of the Bank –

Assets — in € thousands

				2017	2016
Cash reserve					
b) Balances with central banks			6		
thereof: With Deutsche Bundesbank	6				(0)
				6	0
Loans and advances to banks					
a) Home savings loans			0		0
b) Other loans and advances			4,782,029		4,469,037
thereof: Payable on demand	324,348				(197,921)
				4,782,029	4,469,037
Loans and advances to customers					
a) Home finance loans					
aa) From allocations (home savings loans)		162,911			196,622
ab) For interim and bridge-over financing		701,849			651,221
ac) Other		4,246			4,274
thereof: Secured by mortgage charges	552,301				(540,201)
			869,006		852,117
b) Other loans and advances			21,678		22,240
				890,684	874,357
Bonds and other fixed-income securities					
b) Bonds and notes					
ba) Public-sector issuers				**0**	55,476
thereof: Eligible as collateral with Deutsche Bundesbank	0				(55,476)
Intangible assets					
b) Purchased concessions, industrial property rights and similar rights and licences in such rights and assets			8,671		9,653
				8,671	9,653
Property and equipment				**252**	269
Other assets				**1,890**	1,433
Prepaid expenses				**118**	531
Total assets				**5,683,650**	**5,410,756**

Equity and liabilities

in € thousands

				2017	2016
Liabilities due to banks					
a) Home savings deposits			36,465		35,511
thereof: On allocated contracts	37				(5,384)
b) Other liabilities			624,942		541,428
thereof: Payable on demand	9,812				(9,681)
				661,407	576,939
Liabilities due to customers					
a) Deposits from home savings business					
aa) Home savings deposits		4,655,685			4,456,077
thereof: On terminated contracts	35,154				(43,458)
On allocated contracts	83,615				(85,086)
			4,655,685		4,456,077
b) Other liabilities					
ba) Payable on demand		5,014			6,446
			5,014		6,446
				4,660,699	4,462,522
Other liabilities				**7,208**	7,407
Deferred income				**1,658**	1,937
Provisions					
a) Provisions for pensions and similar obligations			106,500		105,827
c) Other provisions			16,729		10,665
				123,229	116,492
Home savings protection fund				**11,200**	11,200
Fund for general banking risks				**25,000**	25,000
Equity					
c) Revenue reserves			193,249		207,900
d) Net retained profits			0		1,359
				193,249	209,259
Total equity and liabilities				**5,683,650**	**5,410,756**
Contingent liabilities					
b) Liabilities from guarantees and indemnity agreements				13	0
Other obligations					
c) Irrevocable loan commitments				26,665	30,201

Income Statement of Landesbausparkasse Hessen-Thüringen,

for the period 1 January to 31 December 2017
– included in the Consolidated Income Statement of the Bank –

in € thousands

				2017	2016
Interest income from					
a) Lending and money market transactions					
aa) From home savings loans	6,789				8,616
ab) From interim and bridge-over loans	17,874				18,044
ac) From other home finance loans	77				94
ad) From other lending and money market transactions	99,164				112,851
		123,904			139,605
b) Fixed-income securities and registered government debt		21			124
			123,925		139,729
Interest expense					
a) On home savings deposits		76,985			76,802
b) Other interest expenses		4,815			20,702
			81,800		97,504
				42,125	42,225
Fee and commission income					
a) On contracts signed and arranged		19,756			20,752
b) From loans granted after allocation		56			139
c) From the commitment and administration of interim and bridge-over loans		9			6
d) Other fee and commission income		6,515			6,690
			26,336		27,587
Fee and commission expenses					
a) On contracts signed and arranged		27,889			29,251
b) Other fee and commission expense		4,309			4,677
			32,198		33,928
				–5,862	–6,341
Other operating income				**5,142**	16,965
Carried forward:				**41,405**	52,849

in € thousands

				2017	2016
Brought forward				**41,405**	52,849
General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		17,256			18,351
ab) Social security, post-employment and other benefit expenses		3,610			3,459
			20,866		21,810
thereof: Post-employment benefit expenses	803				(438)
b) Other administrative expenses			16,871		17,739
				37,737	39,549
Amortisation and write-downs of property and equipment and intangible assets				**1,030**	218
Other operating expenses				**16,157**	5,780
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions				**1,132**	3,915
Result from ordinary activities				**–14,651**	3,387
Extraordinary income			0		0
Extraordinary expenses			0		2,028
Extraordinary result				**0**	–2,028
Net income/net loss for the year				**–14,651**	1,359
Withdrawals from revenue reserves				**14,651**	0
Net retained profits				**0**	**1,359**

Notes to the Financial Statements of Landesbausparkasse Hessen-Thüringen,

as at 31 December 2017

Basis of Preparation and Accounting Policies

Landesbausparkasse Hessen-Thüringen (LBS) is a legally dependent unit of Landesbank Hessen-Thüringen, Frankfurt am Main/ Erfurt (Helaba), registered in the commercial registers of Frankfurt am Main, HRA 29821 and Jena, HRA 102181, and is obliged in accordance with section 18 (3) of the German Building and Loan Associations Act (Bausparkassengesetz – BauSparkG) to prepare separate annual financial statements, which are included in the annual financial statements of Helaba. These annual financial statements have been prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) and the supplementary regulations of the German Accounting Regulation for Credit Institutions and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV), with due consideration being given to all permitted accounting policies. The balance sheet and income statement have been supplemented to include those items that are mandatory for Bausparkassen.

Items that are included in the statutory form but for which no entries are applicable have not been listed.

Receivables are reported at their nominal amount and liabilities at their settlement amount. Provisions are recorded at the settlement amount as dictated by prudent business judgement. In accordance with section 253 (2) HGB, provisions with a remaining term of more than one year have been discounted at the rates published by the Bundesbank in accordance with their remaining term.

One security with a nominal value of € 55 m provided as a loan and serving as a highly liquid asset (security loaned in unsecured form) is not reported on the balance sheet.

Intangible assets and property and equipment are stated at cost, less straight-line amortisation and depreciation. Activities performed in connection with the internal generation of an intangible asset have been capitalised. Depreciation and amortisation are charged over the useful life of the asset.

LBS makes use of the option provided in section 6 2a. first sentence of the German Income Tax Act (Einkommensteuergesetz – EStG) and capitalises assets worth more than € 410 and less than € 1,000. Other assets are recognised at their nominal value.

The loans and advances to customers that are exposed to default risk and the receivables from the field service included under other assets have been adequately recognised by way of specific allowances. LBS applies the IFRS accounting treatment and calculation method for portfolio loan loss allowances. Provisions for losses on loans and advances in accordance with section 340f HGB were recognised for special risks relating to credit institutions. All allowances and provisions for losses on loans and advances are reported separately under assets.

LBS reported prepaid expenses and deferred income for income and expenses recognised before the balance sheet date that represent income or expenses for a specific time after this date.

Pension obligations are determined on the reporting date by external actuarial experts. They are measured using the projected unit credit method, based on biometric assumptions (2005G mortality tables of Professor Dr. Heubeck), salary and pension increases expected in the future as well as the average market rate published by the Bundesbank for an assumed remaining maturity of 15 years.

The measurement parameters applied are shown in the table below:

	31.12.2017
Interest rate	3.68 %
Salary trend	2.00 %
Pension trend	1.60 % – 2.00 %
Employee turnover rate	3.00 %

Some pension obligations are covered by assets (securities) that cannot be accessed by any other creditors. These assets serve exclusively to settle liabilities from retirement benefit obligations (plan assets). They are measured at fair value (repurchase price) pursuant to section 253 (1) sentence 4 HGB and offset against the corresponding pension obligations. To the extent that the fair value of the assets exceeds the carrying amount of the provisions, the respective surplus amount is disclosed on the assets side as an "Excess of plan assets over post-employment benefit liability".

The application of the new version of section 253 (6) HGB yielded a difference in the recognised pension obligations resulting from discounting using the average market rate for ten financial years instead of seven of € 13.8 m as at 31 December 2017.

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

Negative interest for financial assets in other lending and money market transactions is reported under interest received because negative interest reduces income from financial investment. LBS paid a sum of € 158 thousand (previous year: € 63 thousand). Interest income is also reduced by early termination fees paid by LBS in the amount of € 6.4 m (previous year: € 0.0 m) for positions under these transactions that were ended early.

Negative interest for other liabilities due to banks is reported under interest expense. LBS received € 123 thousand (previous year: € 4 thousand).

The receivables not yet due from arrangement fees arising from "LBS-Wohn-Riester" agreements (tariff Classic Riester, type FR and SR) were discounted in line with matching maturities. The cash value of the fees is recognised in full in the year of contract conclusion. As of 31 December 2017, receivables not yet due from Riester arrangement fees were capitalised in the amount of € 5.2 m (previous year: € 5.9 m).

To ensure measurement of interest-based banking book transactions at the lower of cost or net realisable value, a calculation based on the present value method is used to review whether it is necessary to recognise a provision for expected losses in accordance with section 340a in conjunction with section 249 (1) sentence 1 no. 2 HGB. The calculation indicated that it was not necessary to recognise a provision for expected losses.

The figure for net remeasurement gains/losses includes a sum of € 0.5 m (previous year: € 0.5 m) representing expenses for insurance cover against loan defaults.

Disclosures and Comments Concerning the Balance Sheet and Income Statement

Receivables from Helaba amounted to € 4,674.5 m (previous year: € 4,320.3 m) and liabilities due to Helaba were € 615.1 m (previous year: € 531.7 m).

Classification by remaining maturity in € m

	31.12.2017	31.12.2016
Other loans and advances to banks		
Payable on demand	324.3	197.9
Up to three months	99.7	117.1
More than three months and up to one year	231.0	206.0
More than one year and up to five years	1,209.0	1,154.0
More than five years	2,918.0	2,794.0
Loans and advances to customers		
Up to three months	36.2	36.8
More than three months and up to one year	68.5	76.1
More than one year and up to five years	342.3	369.7
More than five years	443.6	391.7

Loans and advances to customers do not include any indefinite term loans and advances.

Remaining maturities from interim and bridge-over loans have been determined to the point of allocation.

Interest and principal payments that were past due by more than three monthly instalments, including payments to alternative repayment vehicles, amounted to € 2.6 m (previous year: € 3.0 m) with respect to home finance loans, including terminated exposures.

The Deka fund shares from salary conversion that are used to hedge the partial-retirement provision are offset as plan assets against the corresponding provisions pursuant to section 246 (2) sentence 2 HGB.

The development of the acquisition or production cost (AK/HK) for intangible assets and property and equipment in financial year 2017 (FY) is shown below (in € thousands):

	Intangible assets	Property and equipment
	Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	
AK/HK at start of FY (total)	9,974	3,366
Additions, total AK/HK (FY)	0	34
Disposals, total AK/HK (FY)	0	65
Reclassifications, total AK/HK (FY)	0	0
AK/HK at end of FY (total)	9,974	3,335
Amortisation and depreciation at start of FY (total)	321	3,096
Amortisation and depreciation (FY)	982	48
Changes in total amortisation and depreciation in connection with disposals (total)	0	61
Amortisation and depreciation at end of FY (total)	1,303	3,083
Position, FY (carrying amount)	**8,671**	**252**
Position, previous year (carrying amount)	9,653	270

Other assets mainly shows commission advances paid to and returns of commissions due from the field service and credit pledged to the protection scheme to protect deposits.

Prepaid expenses essentially comprise interest payments already made for an irrevocable loan commitment.

Other liabilities due to banks, excluding home savings deposits

in € m

	31.12.2017	31.12.2016
Payable on demand	9.8	9.7
Up to three months	10.6	15.3
More than three months and up to one year	71.4	54.7
More than one year and up to five years	288.3	284.8
More than five years	244.8	176.9

Borrowings in the amount of € 615.1 m (previous year: € 531.7 m) serve exclusively to fund business outside the home loan and savings collective.

Other liabilities mainly comprises commission liabilities due to the field service.

Deferred income includes a discount from receivables of € 1.6 m (previous year: € 1.8 m).

The purchase cost of assets offset against provisions pursuant to section 246 (2) sentence 2 HGB amounted to € 1.7 m (previous year: € 1.8 m) and their fair value was € 2.2 m (previous year: € 2.2 m). The settlement amount of the offset liabilities amounted to € 2.3 m (previous year: € 2.2 m). Expenses of € 173.4 thousand (previous year: € 6.2 thousand) were offset in the income statement against income of € 122 thousand (previous year: € 95.8 thousand) from these assets and liabilities from salary conversion.

The largest single item under other provisions is the € 7.2 m provision for organisational changes under the LBS-EVOLution restructuring project. Other significant items under this heading include provisions for sales bonuses and provisions for the year-end bonus.

The taxed home savings protection fund is designed to provide a long-term safeguard for the home savings collective. The value of the fund is unchanged at € 11.2 m.

Legally binding payment obligations are broken down as follows

in € m

	31.12.2017	31.12.2016
From allocations	0.8	0.6
For interim and bridge-over financing	25.8	29.2
From other home finance loans	0.1	0.4
Total	**26.7**	**30.2**

LBS will in all probability be responsible for payment of nearly all these obligations.

LBS has an obligation to pay a lifelong monthly pension to a home loan and savings customer under a retirement pension home savings contract. The claim amounts to € 13 thousand and LBS has concluded a pension insurance agreement for a corresponding insured sum with Provinzial NordWest Lebensversicherung AG to cover it.

Other operating income mainly comprises income from the reversal of provisions in the amount of € 0.6 m (previous year: € 12.0 m) and income of € 0.4 m (previous year: € 0.4 m) from the magazine “Das Haus”.

Other operating expenses mainly comprise the expense of € 8.7 m (previous year: € 2.9 m) from interest on pension provisions, a charge of € 7.2 m (previous year: € 0.0 m) to recognise a provision for the reorganisation process and compensation payments of € 0.1 m (previous year: € 0.2 m) to the field service.

The € 4.0 m (previous year: € 3.3 m) tax refund settled by way of allocation with Helaba is utilised in full to improve the result from ordinary activities.

Acting in accordance with section 18 (2) and (3) of the German Deposit Guarantee Act (Einlagensicherungsgesetz – EinSiG) and on the basis of the resolution of the Landesbausparkassen protection scheme, LBS made use of the option to provide 30 % of the funds to be paid in the form of payment obligations once again in 2017. This reduced non-personnel operating expenses by € 0.6 m (previous year: € 0.5 m).

Other Disclosures

For financial year 2017, € 233 thousand (previous year: € 270 thousand) was invoiced for the audit, € 30 thousand (previous year € 0) was invoiced for other attestation services and € 0 (previous year: € 6 thousand) was invoiced for other services performed by companies of the PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft group. As in the previous year, no tax advice services were provided.

The remuneration for the members of the executive bodies of Helaba who are also responsible for LBS was paid by the Bank. The members of the executive bodies are listed in the notes to Helaba's financial statements. Home finance loans to members of the Supervisory Board (persons within the meaning of section 34 (2) sentence 1 alternative 2 RechKredV) amount to € 47 thousand (previous year: € 32 thousand).

Remuneration paid to LBS Advisory Board members totalled € 26 thousand (previous year: € 25 thousand).

LBS employed 253 people on average in 2017, 149 of them female and 104 male.

No significant events have occurred since the end of the financial year under review.

Frankfurt am Main/Erfurt, 27 February 2018

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad

Independent Auditor’s Report

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

Audit Opinions

We have audited the annual financial statements of Landesbausparkasse Hessen-Thüringen (unit of Landesbank Hessen-Thüringen Girozentrale), Frankfurt am Main/Erfurt, which comprise the balance sheet as at 31 December 2017, and the statement of profit and loss for the financial year from 1 January to 31 December 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Landesbausparkasse Hessen-Thüringen (unit of Landesbank Hessen-Thüringen Girozentrale) for the financial year from 1 January to 31 December 2017.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 HGB (Handelsgesetzbuch: German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Risk provisions in the lending business**
2. **Restructuring provision in the context of the "LBS-EVOLution" reorganization project**

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Risk provisions in the lending business

1. As of 31 December 2017 customer loan receivables of € 869.0 million, which are primarily secured by real estate in Germany, are reported in the annual financial statements of Landesbausparkasse Hessen-Thüringen under the "Loans and advances to customers" balance sheet item. As of 31 December 2017 risk provisions for the loan portfolio consisting of specific and general loan loss allowances were reported in the balance sheet. The measurement of the risk provisions for the customer lending business is determined in particular by estimates made by the executive directors with respect to the future loan defaults, the structure and quality of the loan portfolios and general economic factors. The amount of the risk provisions for customer loan receivables reflects the difference between the carrying amount of the loan and the present value of the future cash flows it is expected to generate. Income expected to be received from existing collateral is taken into account. In the first place, the amounts of the loan loss allowances in the customer lending business are highly significant for the net assets and results of operations of the Company and, secondly, they involve considerable scope for judgment on the part of management. Furthermore, the valuation parameters applied, which are subject to uncertainty, have a significant impact on the recognition and/or the amount of any loan loss allowances required. Against this background, this matter was of particular significance in the context of our audit.
2. For the purposes of our audit, we first of all assessed whether the design of the controls in Landesbausparkasse Hessen-Thüringen's relevant internal control system was appropriate and tested whether the controls functioned effectively. We included the business organization, the IT systems and the relevant valuation models in our assessment. We also evaluated the measurement of the customer loan receivables, including the appropriateness of estimated values, on the basis of sample testing of loan exposures. For the purposes of this exercise, among other things we reviewed the available documentation in order to assess the economic circumstances and the recoverability of the related collateral. With respect to real estate as collateral for which the Company has submitted expert appraisals to us, we obtained an understanding of the underlying source data, value inputs used and assumptions made, evaluated those factors critically and assessed whether they lay within a reasonable range. In addition, for the purpose of assessing the specific and general loan loss allowances applied, we evaluated the calculation methodology applied by the Company together with the underlying assumptions and parameters. On the basis of the audit procedures we carried out, we satisfied ourselves overall that the assumptions made by the executive directors for the purpose of reviewing the recoverability of the loan portfolio are appropriate, and that the processes implemented by the Company are appropriate and effective.
3. The Company's disclosures on risk provisioning in the customer lending business are contained in the "General Disclosures, Accounting and Valuation Principles" section of the notes.

2. Restructuring provision in the context of the "LBS-EVOLution" reorganization project

1. In financial year 2017, the Executive Board of Landesbank Hessen-Thüringen resolved to undertake a comprehensive reorganization of Landesbausparkasse Hessen-Thüringen as part of the "LBS-EVOLution" reorganization project. When it announced the "LBS-EVOLution" reorganization project, the Company announced, among other things, that it intended to reduce the number of employees by the end of 2021, and thus sought to reduce personnel expenses accordingly. Additionally, expenses are incurred in the context of the reorganization in relation to the qualification of executives and employees for new and changed responsibilities, for outplacement advice and workshops in units where major changes are being made to responsibilities and staffing levels. In accordance with § 249 Abs. 1 Satz 1 HGB, pro-

visions must be recognized for uncertain liabilities. There must be an external legal or economic obligation for this which was caused during the financial year, and there must be a serious assumption that the provisions will be utilized. If the necessary recognition criteria are met, there is a resulting obligation to recognize a provision for restructuring. In its assessment of the matter, the Company concluded that the recognition criteria were met as of December 31, 2017 and accordingly it recognized restructuring provisions. In our view, this matter was of particular significance for our audit, as the recognition of restructuring provisions is to a large extent based on estimates and assumptions made by the executive directors.

2. Being aware that estimated values result in an increased risk of accounting misstatements and that the executive directors' accounting decisions have a direct and significant effect on net profit, we assessed the recognition of the provision on the basis of the analyses and contractual documents made available to us. As part of this assessment, we examined the numerical data underpinning individual measures undertaken as part of the restructuring program as they relate to the recognition of a provision. Specifically, we assessed whether the necessary recognition criteria had been met. In so doing, we requested that the executive directors of the Company provide us with the relevant documents, such as contracts, social plans and cost estimates, pertaining to the recognition of obligations. Accordingly, we reviewed and assessed the potential cash outflows calculated by the Company. Our assessment was also based on the status of the negotiations between the executive directors and the employee representatives. We were able to satisfy ourselves that the estimates and assumptions of the executive directors on the basis of which a restructuring provision was recognized were sufficiently documented and substantiated.
3. The Company's disclosures pertaining to the provisions are contained in the section "Balance sheet and income statement disclosures" of the notes.

Other Information

The executive directors are responsible for the other information. The other information comprises the remaining parts of the annual financial report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, as far as they relate to the Company and which we obtained prior to the date of our auditor's report, – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

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

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

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

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

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

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

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

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

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

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

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Frankfurt am Main, 27 February 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Peter Flick	ppa. Dr. Jürgen Kuhlmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Advisory Board of Landesbau-sparkasse Hessen-Thüringen

for financial year 2017

Chairman

Gerhard Grandke
Executive President of the
Sparkassen- und Giroverband
Hessen-Thüringen

Vice Chairman

Bernd Woide
Chief Administrative Officer
County District of Fulda

Members

Wolfgang Asche
Chairman of the Board of Managing Directors
Kreissparkasse Nordhausen

Michael Baumann
Member of the Board of Managing Directors
Nassauische Sparkasse, Wiesbaden

Stephan Bruhn
Vice Chairman of the Board of Managing Directors
Frankfurter Sparkasse

Erhard Bückemeier
Chairman of the Board of Managing Directors
Sparkasse Jena-Saale-Holzland, Jena

Thomas Fügmann
Chief Administrative Officer
Saale-Orla-Kreis

Manfred Görig
Chief Administrative Officer
Vogelsbergkreis

Sven Hauschild
Member of the Board of Managing Directors
Sparkasse Arnstadt-Ilmenau, Ilmenau

Gerhard Heß
Member of the Board of Managing Directors
Sparkasse Bad Hersfeld-Rotenburg, Bad Hersfeld

Stephan Hofmann
Member of the Board of Managing Directors
Sparkasse Wetzlar

Jochen Johannink
Vice Chairman of the Board of Managing Directors
Kasseler Sparkasse

Marc Semmel
Member of the Board of Managing Directors
Sparkasse Werra-Meißner, Eschwege

Manfred Vögtlin
Vice Chairman of the Board of Managing Directors
Sparkasse Bensheim

Statistical Information on the Home Savings Business

Statistical Information on the Home Savings Business

A. Allocations	€ thousands
I. Amount carried forward from the previous year (surplus): amounts not yet disbursed	4,301,357
II. Allocations in the financial year	
1. Savings amounts (including offset homeowner allowances)	714,818
2. Repayment amounts[1] (including offset homeowner allowances)	76,106
3. Interest on home savings deposits	78,951
4. Home savings protection fund	0
5. Other	
a) Borrowings and own funds	0
Total	**5,171,232**

B. Withdrawals	€ thousands
I. Withdrawals in the financial year	
1. Sums allocated, to the extent disbursed	
a) Home savings deposits	267,316
b) Home loans	42,309
2. Repayment of home savings deposits made on home savings contracts not yet allocated	325,890
3. Home savings protection fund	0
4. Other	
a) Borrowings and own funds	0
II. Allocation surplus (amounts not yet disbursed) at the end of the financial year[2]	4,535,717
Total	**5,171,232**

Remarks:
[1] Repayment amounts only represent the portion of the repayment sum attributable to the principal.
[2] The allocation surplus includes, among other things:
a) the home savings deposits relating to allocated contracts that have not yet been disbursed in € thousands: 83,652
b) the home loans attributable to allocations that have not yet been disbursed in € thousands: 746

Movements in the Portfolio in 2017

Tariff group I (tariffs A, B, C, D)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	1,913	56,423	256	7,387	2,169	63,810
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	0	0	–	–	0	0
2. Transfer	6	597	0	0	6	597
3. Waiver of allocation and revocation of allocation	36	1,395	–	–	36	1,395
4. Partition	0	–	0	–	0	–
5. Allocation	–	–	61	1,924	61	1,924
6. Other	2	53	0	2	2	55
Total	44	2,045	61	1,926	105	3,971
C. Disposals in the financial year due to						
1. Allocation	61	1,924	–	–	61	1,924
2. Reduction	–	55	–	0	–	55
3. Cancellation	216	7,278	29	777	245	8,055
4. Transfer	6	597	0	0	6	597
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	72	1,812	72	1,812
7. Waiver of allocation and revocation of allocation	–	–	36	1,395	36	1,395
8. Other	2	36	0	0	2	36
Total	285	9,890	137	3,984	422	13,874
D. Net addition/disposal	–241	–7,845	–76	–2,058	–317	–9,903
E. Portfolio at the end of the financial year	1,672	48,578	180	5,329	1,852	53,907
thereof: Attributable to home savings customers outside of Germany	42	845	2	41	44	886
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			–			–
b) Contracts concluded in financial year 2017			–			–
III. Size classification of unallocated contracts						
up to 10,000 €			354			1,984
more than 10,000 up to 25,000 €			592			8,593
more than 25,000 up to 50,000 €			407			13,309
more than 50,000 up to 150,000 €			300			21,100
more than 150,000 up to 250,000 €			17			2,880
more than 250,000 up to 500,000 €			2			712
more than 500,000 €			–			–
Total			1,672			48,578

IV. The average total net value at the end of the financial year was € 29,107

Movements in the Portfolio in 2017

Tariff group II (Classic, Classic V, Vario 1, 2, 3 tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	Number of contracts	Total net value in € thousands	Number of contracts	Total net value in € thousands	Number of contracts	Total net value in € thousands
A. Portfolio at the end of the previous year	14,121	326,954	3,511	106,237	17,632	433,191
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	3	91	–	–	3	91
2. Transfer	23	800	6	192	29	992
3. Waiver of allocation and revocation of allocation	294	6,586	–	–	294	6,586
4. Partition	10	–	1	–	11	–
5. Allocation	–	–	455	10,009	455	10,009
6. Other	30	764	3	49	33	813
Total	360	8,241	465	10,250	825	18,491
C. Disposals in the financial year due to						
1. Allocation	455	10,009	–	–	455	10,009
2. Reduction	–	406	–	0	–	406
3. Cancellation	1,949	38,117	277	6,146	2,226	44,263
4. Transfer	23	800	6	192	29	992
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	1,387	38,484	1,387	38,484
7. Waiver of allocation and revocation of allocation	–	–	294	6,586	294	6,586
8. Other	30	768	2	27	32	795
Total	2,457	50,098	1,966	51,436	4,423	101,534
D. Net addition/disposal	–2,097	–41,857	–1,501	–41,186	–3,598	–83,043
E. Portfolio at the end of the financial year	12,024	285,097	2,010	65,051	14,034	350,148
thereof: Attributable to home savings customers outside of Germany	116	2,705	4	192	120	2,898
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			–			–
b) Contracts concluded in financial year 2017			–			–
III. Size classification of unallocated contracts						
up to 10,000 €			1,792			11,573
more than 10,000 up to 25,000 €			6,168			92,054
more than 25,000 up to 50,000 €			2,728			88,091
more than 50,000 up to 150,000 €			1,309			87,378
more than 150,000 up to 250,000 €			22			3,872
more than 250,000 up to 500,000 €			4			1,617
more than 500,000 €			1			511
Total			12,024			285,097

IV. The average total net value at the end of the financial year was € 24,950

Movements in the Portfolio in 2017

Tariff group III (Classic S, L, Vario E, U, R tariffs)

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	Not allocated: Number of contracts	Not allocated: Total net value in € thousands	Allocated: Number of contracts	Allocated: Total net value in € thousands	Total: Number of contracts	Total: Total net value in € thousands
A. Portfolio at the end of the previous year	40,818	727,944	7,944	200,808	48,762	928,752
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	1	36	–	–	1	36
2. Transfer	133	2,605	10	521	143	3,126
3. Waiver of allocation and revocation of allocation	923	16,978	–	–	923	16,978
4. Partition	13	–	1	–	14	–
5. Allocation	–	–	1,418	28,395	1,418	28,395
6. Other	44	1,071	8	201	52	1,272
Total	1,114	20,690	1,437	29,117	2,551	49,807
C. Disposals in the financial year due to						
1. Allocation	1,418	28,395	–	–	1,418	28,395
2. Reduction	–	1,101	–	0	–	1,101
3. Cancellation	3,606	59,303	562	20,721	4,168	80,024
4. Transfer	133	2,605	10	521	143	3,126
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	2,092	51,510	2,092	51,510
7. Waiver of allocation and revocation of allocation	–	–	923	16,978	923	16,978
8. Other	45	1,053	6	110	51	1,163
Total	5,202	92,458	3,593	89,840	8,795	182,297
D. Net addition/disposal	−4,088	−71,768	−2,156	−60,723	−6,244	−132,490
E. Portfolio at the end of the financial year	36,730	656,176	5,788	140,085	42,518	796,262
thereof: Attributable to home savings customers outside of Germany	165	3,241	10	236	175	3,477
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			–			–
b) Contracts concluded in financial year 2017			–			–
III. Size classification of unallocated contracts						
up to 10,000 €			11,996			98,380
more than 10,000 up to 25,000 €			19,263			308,654
more than 25,000 up to 50,000 €			3,991			135,905
more than 50,000 up to 150,000 €			1,439			102,829
more than 150,000 up to 250,000 €			32			5,976
more than 250,000 up to 500,000 €			8			2,898
more than 500,000 €			1			1,534
Total			36,730			656,176

IV. The average total net value at the end of the financial year was € 18,728

Movements in the Portfolio in 2017

Tariff group IV (Classic S1, L1, N1, F1, Vario E1, U1, R1 tariffs)

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	Not allocated		Allocated		Total	
	Number of contracts	Total net value in € thousands	Number of contracts	Total net value in € thousands	Number of contracts	Total net value in € thousands
A. Portfolio at the end of the previous year	93,455	1,910,063	13,203	307,551	106,658	2,217,614
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	117	7,373	–	–	117	7,373
2. Transfer	221	4,658	22	526	243	5,184
3. Waiver of allocation and revocation of allocation	4,176	76,662	–	–	4,176	76,662
4. Partition	38	–	2	–	40	–
5. Allocation	–	–	6,953	155,496	6,953	155,496
6. Other	182	11,205	30	666	212	11,871
Total	4,734	99,898	7,007	156,688	11,741	256,586
C. Disposals in the financial year due to						
1. Allocation	6,953	155,496	–	–	6,953	155,496
2. Reduction	–	21,201	–	21	–	21,222
3. Cancellation	6,912	176,670	3,105	95,742	10,017	272,412
4. Transfer	221	4,658	22	526	243	5,184
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	2,493	58,629	2,493	58,629
7. Waiver of allocation and revocation of allocation	–	–	4,176	76,662	4,176	76,662
8. Other	226	13,558	26	565	252	14,123
Total	14,312	371,584	9,822	232,145	24,134	603,728
D. Net addition/disposal	–9,578	–271,686	–2,815	–75,457	–12,393	–347,142
E. Portfolio at the end of the financial year	83,877	1,638,377	10,388	232,094	94,265	1,870,472
thereof: Attributable to home savings customers outside of Germany	315	8,010	24	738	339	8,748
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			10			728
b) Contracts concluded in financial year 2017			–			–
III. Size classification of unallocated contracts						
up to 10,000 €			36,329			311,557
more than 10,000 up to 25,000 €			34,657			613,663
more than 25,000 up to 50,000 €			9,357			380,814
more than 50,000 up to 150,000 €			3,276			274,740
more than 150,000 up to 250,000 €			208			39,169
more than 250,000 up to 500,000 €			47			15,524
more than 500,000 €			3			2,910
Total			83,877			1,638,377

IV. The average total net value at the end of the financial year was € 19,843

Movements in the Portfolio in 2017

Tariff group V (Classic2007 S, B, F, N, Classic Young tariffs)

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	Not allocated: Number of contracts	Not allocated: Total net value in € thousands	Allocated: Number of contracts	Allocated: Total net value in € thousands	Total: Number of contracts	Total: Total net value in € thousands
A. Portfolio at the end of the previous year	291,030	6,553,838	12,883	313,964	303,913	6,867,801
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	935	59,015	–	–	935	59,015
2. Transfer	704	17,486	51	1,333	755	18,819
3. Waiver of allocation and revocation of allocation	32,675	607,579	–	–	32,675	607,579
4. Partition	64	–	1	–	65	–
5. Allocation	–	–	45,833	907,876	45,833	907,876
6. Other	701	47,199	40	816	741	48,015
Total	35,079	731,279	45,925	910,025	81,004	1,641,304
C. Disposals in the financial year due to						
1. Allocation	45,833	907,876	–	–	45,833	907,876
2. Reduction	–	116,560	–	267	–	116,827
3. Cancellation	18,207	418,664	10,272	241,344	28,479	660,008
4. Transfer	704	17,486	51	1,333	755	18,819
5. Combination	1	–	0	–	1	–
6. Expiry of contract	–	–	1,849	47,922	1,849	47,922
7. Waiver of allocation and revocation of allocation	–	–	32,675	607,579	32,675	607,579
8. Other	976	63,256	24	541	1,000	63,797
Total	65,721	1,523,841	44,871	898,986	110,592	2,422,827
D. Net addition/disposal	−30,642	−792,562	1,054	11,039	−29,588	−781,523
E. Portfolio at the end of the financial year	260,388	5,761,276	13,937	325,003	274,325	6,086,278
thereof: Attributable to home savings customers outside of Germany	570	16,085	19	535	589	16,620
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			75			5,645
b) Contracts concluded in financial year 2017			–			–
III. Size classification of unallocated contracts						
up to 10,000 €			136,946			1,367,868
more than 10,000 up to 25,000 €			77,202			1,426,158
more than 25,000 up to 50,000 €			29,891			1,203,317
more than 50,000 up to 150,000 €			14,306			1,248,552
more than 150,000 up to 250,000 €			1,593			304,773
more than 250,000 up to 500,000 €			384			125,698
more than 500,000 €			66			84,909
Total			260,388			5,761,276

IV. The average total net value at the end of the financial year was € 22,186

Movements in the Portfolio in 2017

Tariff group VI (Classic2012 S, B, F, FL, N, Classic Young tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	87,111	2,228,308	977	23,599	88,088	2,251,907
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	57	3,520	–	–	57	3,520
2. Transfer	208	6,862	4	222	212	7,084
3. Waiver of allocation and revocation of allocation	655	17,200	–	–	655	17,200
4. Partition	18	–	0	–	18	–
5. Allocation	–	–	1,846	52,088	1,846	52,088
6. Other	168	9,961	4	138	172	10,099
Total	1,106	37,543	1,854	52,448	2,960	89,991
C. Disposals in the financial year due to						
1. Allocation	1,846	52,088	–	–	1,846	52,088
2. Reduction	–	24,267	–	121	–	24,388
3. Cancellation	4,410	107,356	532	17,949	4,942	125,305
4. Transfer	208	6,862	4	222	212	7,084
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	156	4,193	156	4,193
7. Waiver of allocation and revocation of allocation	–	–	655	17,200	655	17,200
8. Other	292	16,132	1	12	293	16,144
Total	6,756	206,706	1,348	39,697	8,104	246,402
D. Net addition/disposal	–5,650	–169,163	506	12,751	–5,144	–156,411
E. Portfolio at the end of the financial year	81,461	2,059,145	1,483	36,350	82,944	2,095,496
thereof: Attributable to home savings customers outside of Germany	178	6,888	1	10	179	6,898
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			71			4,483
b) Contracts concluded in financial year 2017			–			–
III. Size classification of unallocated contracts						
up to 10,000 €			41,352			413,287
more than 10,000 up to 25,000 €			21,728			405,030
more than 25,000 up to 50,000 €			10,856			430,786
more than 50,000 up to 150,000 €			6,681			574,264
more than 150,000 up to 250,000 €			616			117,454
more than 250,000 up to 500,000 €			181			62,045
more than 500,000 €			47			56,279
Total			81,461			2,059,145

IV. The average total net value at the end of the financial year was € 25,264

Movements in the Portfolio in 2017

Tariff group VII (Classic2014 S, B, F, FL, N, Classic Young tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	132,871	3,794,777	459	9,139	133,330	3,803,916
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	829	42,299	–	–	829	42,299
2. Transfer	207	8,896	3	85	210	8,981
3. Waiver of allocation and revocation of allocation	161	4,307	–	–	161	4,307
4. Partition	22	–	0	–	22	–
5. Allocation	–	–	1,142	29,132	1,142	29,132
6. Other	140	8,423	3	45	143	8,468
Total	1,359	63,925	1,148	29,262	2,507	93,187
C. Disposals in the financial year due to						
1. Allocation	1,142	29,132	–	–	1,142	29,132
2. Reduction	–	42,631	–	0	–	42,631
3. Cancellation	7,260	180,317	363	10,787	7,623	191,104
4. Transfer	207	8,896	3	85	210	8,981
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	110	2,329	110	2,329
7. Waiver of allocation and revocation of allocation	–	–	161	4,307	161	4,307
8. Other	304	20,034	2	30	306	20,064
Total	8,913	281,010	639	17,538	9,552	298,548
D. Net addition/disposal	−7,554	−217,085	509	11,724	−7,045	−205,361
E. Portfolio at the end of the financial year	125,317	3,577,692	968	20,863	126,285	3,598,555
thereof: Attributable to home savings customers outside of Germany	201	8,313	–	–	201	8,313
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			597			30,998
b) Contracts concluded in financial year 2017			–			–
III. Size classification of unallocated contracts						
up to 10,000 €			60,766			607,416
more than 10,000 up to 25,000 €			31,212			583,422
more than 25,000 up to 50,000 €			18,927			760,956
more than 50,000 up to 150,000 €			12,606			1,105,098
more than 150,000 up to 250,000 €			1,270			245,142
more than 250,000 up to 500,000 €			426			142,886
more than 500,000 €			110			132,772
Total			125,317			3,577,692

IV. The average total net value at the end of the financial year was € 28,496

Movements in the Portfolio in 2017

Tariff group VIII (Classic2015 F, L, N, S, Classic Young tariffs)

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	Not allocated: Number of contracts	Not allocated: Total net value in € thousands	Allocated: Number of contracts	Allocated: Total net value in € thousands	Total: Number of contracts	Total: Total net value in € thousands
A. Portfolio at the end of the previous year	51,040	1,917,928	22	530	51,062	1,918,458
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	50,030	2,001,217	–	–	50,030	2,001,217
2. Transfer	83	3,888	0	0	83	3,888
3. Waiver of allocation and revocation of allocation	8	139	–	–	8	139
4. Partition	32	–	0	–	32	–
5. Allocation	–	–	91	1,831	91	1,831
6. Other	744	47,582	0	0	744	47,582
Total	50,897	2,052,826	91	1,831	50,988	2,054,657
C. Disposals in the financial year due to						
1. Allocation	91	1,831	–	–	91	1,831
2. Reduction	–	29,261	–	0	–	29,261
3. Cancellation	3,614	111,604	48	1,097	3,662	112,701
4. Transfer	83	3,888	0	0	83	3,888
5. Combination	480	–	0	–	480	–
6. Expiry of contract	–	–	5	35	5	35
7. Waiver of allocation and revocation of allocation	–	–	8	139	8	139
8. Other	136	10,205	0	0	136	10,205
Total	4,404	156,789	61	1,271	4,465	158,060
D. Net addition/disposal	46,493	1,896,037	30	560	46,523	1,896,597
E. Portfolio at the end of the financial year	97,533	3,813,965	52	1,090	97,585	3,815,055
thereof: Attributable to home savings customers outside of Germany	108	7,090	–	–	108	7,090
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			1,849			112,254
b) Contracts concluded in financial year 2017			12,778			637,762
III. Size classification of unallocated contracts						
up to 10,000 €			34,355			343,235
more than 10,000 up to 25,000 €			25,278			483,183
more than 25,000 up to 50,000 €			20,552			840,343
more than 50,000 up to 150,000 €			14,663			1,317,290
more than 150,000 up to 250,000 €			1,818			352,404
more than 250,000 up to 500,000 €			690			233,904
more than 500,000 €			177			243,606
Total			97,533			3,813,965

IV. The average total net value at the end of the financial year was € 39,095

Movements in the Portfolio in 2017

Tariff group "Riester" (FR, SR, R tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	45,161	1,714,029	217	5,605	45,378	1,719,634
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	5,571	247,309	–	–	5,571	247,309
2. Transfer	0	0	0	0	0	0
3. Waiver of allocation and revocation of allocation	614	15,038	–	–	614	15,038
4. Partition	0	–	0	–	0	–
5. Allocation	–	–	897	23,512	897	23,512
6. Other	209	9,743	14	270	223	10,013
Total	6,394	272,090	911	23,782	7,305	295,872
C. Disposals in the financial year due to						
1. Allocation	897	23,512	–	–	897	23,512
2. Reduction	–	9,306	–	0	–	9,306
3. Cancellation	2,661	99,984	149	3,796	2,810	103,780
4. Transfer	0	0	0	0	0	0
5. Combination	27	–	0	–	27	–
6. Expiry of contract	–	–	24	807	24	807
7. Waiver of allocation and revocation of allocation	–	–	614	15,038	614	15,038
8. Other	209	9,917	0	0	209	9,917
Total	3,794	142,719	787	19,641	4,581	162,360
D. Net addition/disposal	2,600	129,371	124	4,141	2,724	133,512
E. Portfolio at the end of the financial year	47,761	1,843,400	341	9,746	48,102	1,853,146
thereof: Attributable to home savings customers outside of Germany	42	1,733	–	–	42	1,733
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			2,697			114,559
b) Contracts concluded in financial year 2017			2,611			116,510
III. Size classification of unallocated contracts						
up to 10,000 €			4,360			43,281
more than 10,000 up to 25,000 €			12,309			245,899
more than 25,000 up to 50,000 €			20,714			825,677
more than 50,000 up to 150,000 €			10,304			715,067
more than 150,000 up to 250,000 €			72			12,926
more than 250,000 up to 500,000 €			2			550
more than 500,000 €			–			–
Total			47,761			1,843,400

IV. The average total net value at the end of the financial year was € 38,525

Movements in the Portfolio in 2017

All Tariffs

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Not allocated**		**Allocated**		**Total**	
	Number of contracts	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	757,520	19,230,265	39,472	974,820	796,992	20,205,084
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	57,543	2,360,860	–	–	57,543	2,360,860
2. Transfer	1,585	45,792	96	2,879	1,681	48,671
3. Waiver of allocation and revocation of allocation	39,542	745,884	–	–	39,542	745,884
4. Partition	197	–	5	–	202	–
5. Allocation	–	–	58,696	1,210,263	58,696	1,210,263
6. Other	2,220	136,001	102	2,187	2,322	138,188
Total	101,087	3,288,537	58,899	1,215,329	159,986	4,503,866
C. Disposals in the financial year due to						
1. Allocation	58,696	1,210,263	–	–	58,696	1,210,263
2. Reduction	–	244,787	–	409	–	245,196
3. Cancellation	48,835	1,199,293	15,337	398,358	64,172	1,597,652
4. Transfer	1,585	45,792	96	2,879	1,681	48,671
5. Combination	508	–	–	–	508	–
6. Expiry of contract	–	–	8,188	205,721	8,188	205,721
7. Waiver of allocation and revocation of allocation	–	–	39,542	745,884	39,542	745,884
8. Other	2,220	134,959	61	1,285	2,281	136,244
Total	111,844	2,835,095	63,224	1,354,537	175,068	4,189,631
D. Net addition/disposal	– 10,757	453,442	– 4,325	– 139,208	– 15,082	314,235
E. Portfolio at the end of the financial year	746,763	19,683,707	35,147	835,612	781,910	20,519,319
thereof: Attributable to home savings customers outside of Germany	1,737	54,910	60	1,752	1,797	56,662
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2017 (financial year)			5,299			268,667
b) Contracts concluded in financial year 2017			15,389			754,272
III. Size classification of unallocated contracts						
up to 10,000 €			328,250			3,198,582
more than 10,000 up to 25,000 €			228,409			4,166,657
more than 25,000 up to 50,000 €			117,423			4,679,199
more than 50,000 up to 150,000 €			64,884			5,446,318
more than 150,000 up to 250,000 €			5,648			1,084,596
more than 250,000 up to 500,000 €			1,744			585,834
more than 500,000 €			405			522,521
Total			746,763			19,683,707

IV. The average total net value at the end of the financial year was € 26,243

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