Helaba

Foresight

Annual Report 2018

Values with impact.

Helaba in Brief: One of the leading banks in the German financial capital of Frankfurt am Main, the Helaba Group employs approximately 6,100 people and has total assets of € 163 bn. We offer a complete range of financial services from a single source for companies, banks and institutional investors. We provide innovative, high-quality financial products and services for the Sparkassen. Helaba serves as the Sparkasse central bank for Hesse, Thuringia, North Rhine-Westphalia and Brandenburg, making it a strong partner for some 40 percent of Germany's Sparkassen. We are the regional market leader in retail banking through our subsidiary Frankfurter Sparkasse and also have a presence in direct banking through 1822direkt. Landesbausparkasse Hessen-Thüringen, Helaba's independent home loans and savings division, uses the Sparkassen as sales partners and is the market leader in both Hesse and Thuringia. WIBank, which comes under Helaba's Public Development and Infrastructure Business unit, supports development programmes for the State of Hesse. We also engage in many areas of public life by sponsoring groundbreaking cultural, educational, environmental, sports and social projects.

“Throughout 2018, we implemented a large number of projects to propel Helaba forwards and ready it for the future. We are pursuing a strategic, customer-focused agenda that comprises growth initiatives, digitalisation and corporate culture – thus building on Helaba’s already strong market position.”

Herbert Hans Grüntker,
Chairman of the Board of Managing Directors

We have a firm belief in our long-term success. We consistently strive to find the best solutions and maintain close and lasting partnerships. We also have a long-term public duty to perform, in close cooperation and solidarity with the Sparkassen. All this can help us achieve our aspiration of simply being a good bank.

At a Glance

Helaba ratings

(As at: February 2019)

Moody's		Fitch		Standard & Poor's	
Outlook	Stable	Outlook	Stable	Outlook	Positive
Long-term Issuer Rating	Aa3	Long-term Issuer Default Rating[1]	A+	Long-term Issuer Credit Rating[1]	A
Counterparty Risk Assessment[3]	Aa3(cr)	Public Sector Pfandbriefe	AAA	Short-term Issuer Credit Rating[1, 2]	A-1
Long-term Deposit Rating[3]	Aa3	Mortgage Pfandbriefe	AAA	Long-term Senior Unsecured[1, 3]	A
Public Sector Covered Bonds	Aaa	Short-term Issuer Default Rating[1, 2]	F1+	Long-term Senior Subordinated[1, 4]	A–
Short-term Deposit Rating[2]	P-1	Derivative Counterparty Rating[1]	AA–(dcr)	Standalone Credit Profile[1]	a
Long-term Senior Unsecured[3]	Aa3	Long-term Deposit Rating[1, 3]	AA–		
Long-term Junior Senior Unsecured[4]	A2	Senior Unsecured[1, 4]	A+		
Subordinate Rating[5]	Baa2	Subordinated Debt[1, 5]	A		
Baseline Credit Assessment	baa2	Viability Rating[1]	a+		

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

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

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

Stakes in Helaba's share capital

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

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

The Helaba Group in figures

Performance Figures		2018 in € m	2017 in € m	Change in € m	Change in %
Net interest income before allowances for losses on loans and advances		1,072	1,069	3	0.3
Net fee and commission income		349	354	–5	–1.4
General and administrative expenses		–1,440	–1,348	–92	–6.8
Profit before taxes		443	447	–4	–0.9
Consolidated net profit		**278**	**256**	**22**	**8.6**
Return on equity before taxes	in %	**5.4**	**5.7**		
Cost-income ratio	in %	**78.3**	**77.5**		

Balance Sheet Figures	31.12.2018 in € m	31.12.2017 in € m	Change in € m	Change in %
Measured at amortised cost:				
Loans and advances to banks	11,222	10,678	544	5.1
Loans and advances to customers	95,529	88,750	6,779	7.6
Trading assets	16,989	16,100	889	5.5
Financial assets measured at fair value (not held for trading)	27,390	27,985	–595	–2.1
Measured at amortised cost:				
Deposits and loans from banks	32,144	31,249	895	2.9
Deposits and loans from customers	47,396	47,621	–225	–0.5
Securitised liabilities	45,455	43,514	1,941	4.5
Trading liabilities	12,763	12,277	486	4.0
Financial liabilities measured at fair value (not held for trading)	13,761	12,592	1,169	9.3
Equity	8,462	7,998	464	5.8
Total assets	**162,968**	**158,201**	**4,767**	**3.0**

Key indicators for regulatory purposes	31.12.2018 in %	31.12.2017 in %
CET1 capital ratio	14.9	15.4
Tier 1 capital ratio	16.4	16.4
Total capital ratio	20.6	21.8

Ladies and gentlemen,
dear customers, dear business partners,

Financial year 2018 was a lively and highly constructive year for Helaba. We demonstrated once again that we occupy a strong position in the market in our core business areas. Our Group net profit figures under IFRS were largely unchanged year on year at € 443 m before tax and € 278 m after tax. Its stability and its robust capital resources ensured that Helaba successfully passed the EBA stress test again in 2018. The Bank's good equity ratio not only underpins our position of strength, but also enables us to pursue inorganic growth measures, which in financial year 2018 included the acquisition of Dexia Kommunalbank Deutschland and the land transport portfolio of DVB Bank.

Numerous projects and initiatives in 2018 kept Helaba moving forwards and building for the future. We are making good progress with our digitalisation initiatives too: our customer portals for our corporate and real estate customers have been well received and komuno, our digital platform for municipal loans, has enjoyed a successful start. Given the persistently challenging competitive environment and the many initiatives launched to strengthen our business model, we are satisfied overall with the results achieved.

The good position we enjoy in our various core business areas is our greatest and most vital asset for the future. Our company has a sustainable and well-diversified business model. We are firmly anchored in the real economy and occupy a strong position in the market in our core business areas. We serve our public owners with a wide range of attractive and effective products and services. And we have been a reliable partner for decades. We embrace our responsibilities to society and the environment and have made many formal commitments in this area, including signing up to the Ten Principles of the UN Global Compact. All of these attributes form an integral part of Helaba's DNA.

The core values of Reliability, Customer Focus and Enthusiasm describe how we want and intend to cooperate with our customers and realise our objectives. Our customers too have learned to appreciate the way we consistently apply our values in our business activities; indeed they made this point very clearly in our customer survey. More than 90 percent of our business partners say that they are very satisfied with the state of cooperation with Helaba and we received particularly high ratings in the areas of trustworthiness, reliability, security and partnership too. Our commitment to following our values is also reflected in the decision to put them front and centre in our new corporate tag line – "Values with impact" – and the marketing campaign it supports.

I believe that implementing our strategic agenda of growth initiatives, digitalisation and corporate culture will make Helaba even stronger and ensure that we are able to continue building on our strong market position in future taking advantage of the market opportunities that become available to us along the way. The adverse effects of persistently low interest rates and regulatory requirements will continue to apply, but we expect results for the current financial year to be largely unchanged from the previous year taking account of the initiatives already in progress.

I would like to convey the thanks of the entire Board of Managing Directors to our customers for their enduring trust and our corporate bodies for their unfaltering support. I also extend my heartfelt thanks to our esteemed employees, without whose deep commitment and great professionalism Helaba's relentless progress would be impossible.

Yours sincerely,

Yours sincerely

Herbert Hans Grüntker
Chairman of the Board of Managing Directors

The Board of Managing Directors

Herbert Hans Grüntker
Chairman of the Board of Managing Directors, Central Staff and Group Strategy, Legal Services, Internal Audit, Human Resources, Economics/Research, Public Development and Infrastructure Business, Process Management and Information Security

Christian Schmid
Real Estate Finance, Portfolio- and Real Estate Management, Administration, GWH, OFB

Thomas Groß
Vice-Chairman of the Board of Managing Directors, Risk Management and Control, Cash Management, Strategy Project Digitalisation, Frankfurter Sparkasse, Frankfurter Bankgesellschaft

Dr. Norbert Schraad
Corporate Finance, Target Clients

Dr. Detlef Hosemann
Finance, IT, Compliance

Frank Nickel
Executive Vice President and Designated Member of the Board of Managing Directors

Hans-Dieter Kemler
Capital Markets, Treasury, Business with Savings Banks, Financial Institutions and Trade Finance, Helaba Invest

Helaba

Real Estate

Corporates & Markets

Retail & Asset Management

Development Business

Commercial bank

Sparkasse central institute

Development bank

Frankfurter Sparkasse 1822

LBS

Frankfurter Bankgesellschaft
PRIVATBANK | Zürich | Frankfurt

Helaba Invest

GWH
RÄUME ZUM LEBEN

OFB
Projektentwicklung

WIBank
Wirtschafts- und Infrastrukturbank Hessen

Corporate Strategy

Helaba's basic strategic focus remains unchanged and it intends to continue to serve its customers as a commercial bank, Sparkasse central bank and development bank. It will in addition press ahead with the growth initiatives identified in 2018 as it seeks to refine its proven business model.

Helaba is a credit institution organised under public law with the long-term strategic business model of a full-service bank; it has a strong regional focus, a presence in carefully selected international markets and is tightly integrated into the Sparkassen-Finanzgruppe.

One key aspect of Helaba's business model is its legal form as a public-law institution. Equally important are its status as part of the Sparkassen organisation 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.

As a commercial bank, Helaba operates in Germany and abroad. The Bank's hallmarks include stable, long-term customer relationships. It works with companies, institutional clients, the public sector and municipal corporations. Helaba provides a comprehensive range of products for its customers. The positive results of a customer survey conducted in 2018 underline the value attached to this long-term approach by Helaba's customers.

Helaba serves as the Sparkasse central bank for the states of Hesse, Thuringia, North Rhine-Westphalia and Brandenburg, meaning that it is the preferred service provider and product supplier for 40 percent of all Sparkassen in Germany. It operates as a partner to the Sparkassen rather than as a competitor.

In its capacity as the central development institution for Hesse, Helaba administers public-sector development programmes through Wirtschafts- und Infrastrukturbank Hessen (WIBank). WIBank's business activities are guided by the development objectives of the State of Hesse.

The Bank's registered offices are situated in Frankfurt am Main and Erfurt and it has branches in Düsseldorf, Kassel, London, New York, Paris and Stockholm plus a number of representative and sales offices, subsidiaries and affiliates.

Staff

The Helaba Group employed 6,074 people in 2018. This equates to a year-on-year reduction of 37. Comprehensive demographic analyses are performed to generate a detailed overview of how many employees and managers the Bank is likely to lose in which organisational units over the next five, ten or 15 years as a result of demographic change. It is intended that these analyses be repeated at regular intervals to allow as much time as possible to respond when required.

The initial main priorities of our newly devised diversity management concept are gender, age and disability. We have developed actions, propositions and a model based on phase of life to promote diversity at Helaba and will be implementing them from 2019. The overall representative body at Helaba for employees with disabilities signed an inclusion agreement with the Bank's general staff council and Board of Managing Directors in December 2018. The new agreement aims to raise awareness of the needs of people with disabilities and improve their opportunities to participate fully in professional life. We believe it is incumbent on us to offer people with disabilities better chances in their work and professional life, to promote their training and employment and to recognise and respect them as full and equal employees. We have made very substantial progress now with the roll-out of our Employee Assistance Programme, which offers all employees – management level staff included – free consultation on work-life-service matters (such as family, health, care in old age, leadership etc.) with an external service provider.

Helaba has introduced an electronic personnel file to streamline and digitalise processes in human resources. Employees and their direct managers can now access important personal documents electronically. The management selection procedure at Helaba is currently being revised with a particular focus on standardising the interview process and redesigning our assessment centres and the appointments decision-making process they underpin. The new assessment centre format has been formalised in a service agreement.

The distinctive space concept at our new office building in Offenbach supports a much more pronounced team-oriented/project-oriented approach to work. A comprehensive set of change management measures is being implemented to smooth the transition to the "New Work" environment. One prominent element of "New Work" is mobile working, including the necessary conditions that have to be met to make mobile working effective. A project addressing the associated issues launches at the beginning of 2019.

Megatrends like demographic change, diversity and digitalisation are causing society's values to change in a way that will also permanently change the world of work. Helaba too can of course expect to feel the effects. Our employee survey in 2016 revealed significant opportunities and potential improvements: more cooperation, a more open communication culture and appreciative management to the benefit of every individual, of all of us together and of the Bank itself. Work to implement the actions devised in these areas in response to the survey reached key milestones in 2018.

In addition to the above, we plan to digitalise more processes in the HR sphere and integrate them with the electronic personnel file, and will be developing and implementing further actions to hone our employer branding.

Sustainability

Helaba has always embraced its responsibilities to society and the natural environment and its strategic business model embodies a firm commitment to promoting prosperity, protecting vital natural resources and generally acting in the public interest.

We endeavour to improve our sustainability profile continuously across the whole of the Group and to enhance our effectiveness as a force for social and environmental good. Our efforts in this area are extending Helaba's sustainability management activities well beyond the established standards and regulatory frameworks.

Standards and Regulatory Frameworks

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

The detail of its mission to serve the public interest is filled in by the Helaba sustainability principles, in which we affirm our commitment to environmental and social responsibility and establish standards of conduct regarding business activities, our staff, the operation of our business and our corporate social responsibility. The revised Corporate Values adopted by Helaba in 2018 emphasise the importance of values that drive real action: we believe that putting valueled decision-making at the heart of our organisation's approach to business helps to ensure that our impact on society is a positive one.

Helaba upholds the principles of the United Nations Universal Declaration of Human Rights, the fundamental conventions of the International Labour Organization (ILO) and the Ten Principles of the UN Global Compact, which cover human rights, workers' rights, environmental protection and the fight against corruption. Our subsidiary company Helaba Invest signed up to the UN Principles for Responsible Investments (PRI) in May 2018. The principles to which signatory institutions agree include giving proper consideration to environmental, social and corporate culture factors in investment and decision-making processes.

Helaba has adopted a Code of Conduct to disseminate the sustainability concept underlying these requirements within the Bank and provide all employees with a binding framework to guide their actions. This Code of Conduct, which sets out a basis for responsible conduct within the Bank and in interactions with its various stakeholders, is available to employees, customers who wish to see it and the public at large.

Helaba's business strategy for 2018, which applies with binding effect across the whole of the Group, commits us to pursue our business operations with a sustainable focus taking account of economic, environmental and social factors. The mandatory risk strategy followed at Helaba defines far-reaching criteria for sustainability in lending business, which is one of the organisation's most important business areas. These criteria are derived from the business strategy.

Key Issues and Action Areas

The comprehensive materiality analysis carried out by Helaba in 2017 led to the identification of six action areas: economic performance, impact-driven business operations, responsible corporate management, appreciative corporate culture, climate change and resource efficiency and, finally, corporate social responsibility. These have subsequently come to form the basis of the strategic integration of non-financial issues into business operations.

Stepping up the Sustainability Dialogue

We stepped up our in-house sustainability dialogue in 2018 to help us develop our Group-wide sustainability management for the long term. An information event arranged to address the whole of the Bank explained where we stand at the moment with our sustainability activities and the key next steps on our sustainability agenda. Interested employees from all over the Helaba organisation seized the opportunity to become actively involved in our sustainability dialogue. Sustainability mentors specific to each area are now fostering and guiding relevant discussions between specialists within the Bank in relation to particular issues and developments. We have stepped up the dialogue with our Group subsidiaries too to enable us to grasp the specific requirements of the Group units better and integrate them into Group-wide sustainability management.

Sustainable Finance

The action plan on sustainable finance adopted by the European Commission at the beginning of March 2018 dominated Helaba's sustainability activities for much of the year under review. Helaba has been following developments closely since the plan was released and investigating how the expected changes in the wider legal environment might affect the Group. We attach particular importance in this connection to the possible inclusion of environmental and climate risks in the Group's risk management. We are watching current developments in the green and social bond markets intensively and evaluating possible options for the Group to enter these markets itself.

Mindful of the increasing pace of change in the area of sustainability in the financial sector, we maintain close links with the trade associations representing the banking sector – among them the Association of German Public Sector Banks (VÖB), the German Association for Environment and Sustainability in Financial Institutions (VfU) and the Green and Sustainable Finance Cluster Germany – so that we are able to bring our influence to bear on regulatory developments at an early stage. Participation in these forums enables Helaba to enhance the specialist discussions taking place with its input and contribute proactively in the interests of society and environment.

Revisions to core processes

We have defined mandatory guidelines for our core business – lending business – that apply across the whole of the Group. Derived from our business strategy, these lending guidelines are formalised in the risk strategies, which are approved by Helaba's corporate bodies and thus bear the full authority of our organisation.

The universal lending guidelines ensure respect for human rights, workers' rights and cultural assets and protection for the environment, while sector-specific lending guidelines for the energy, mining, oil and gas, agriculture and forestry, pulp and paper and defence industries ensure that the Bank does not become involved in controversial business practices. We review our lending criteria every year and adapt them as necessary. The update process for 2018, for example, flagged up the issue of animal welfare, which will be included as a new audit criterion from 2019, and we are also tightening the lending guidelines to speed up our withdrawal from current exposures in relation to power station coal and coalfired power plants. Hand-in-hand with these steps to reduce possible negative impacts of our operations go positive contributions to climate protection such as our strategic focus on financing renewable energy projects and energy-efficient and environmentally-friendly technologies.

Transparency

Our responsible corporate management approach emphasises the importance of transparent values, conduct, standpoints and decisions and our Code of Conduct expressly commits us to a policy of open and transparent communication.

All relevant data and information concerning HR matters, resource consumption and emissions is recorded and analysed centrally. The principal medium used to communicate information relating to sustainability is Helaba's sustainability website (https://www.helaba.com/int/about-us/helaba/sustainability/). We publish a declaration of compliance with the German Sustainability Code (DNK) and include a non-financial statement with the Group management report as part of our annual reporting. As a member of the UN Global Compact, we also publish an annual progress report.

Sustainability Ratings

Specialist agencies regularly scrutinise companies including banks to assess their performance in the area of sustainability. Leading sustainability rating agencies include ISS-oekom, imug, Sustainalytics and MSCI. Helaba aims to improve its sustainability ratings continuously and maintains close contacts with all of the rating agencies to this end.

We achieved a notable improvement in our rating with all of the agencies in 2018. Rating agency ISS-oekom awarded us “Prime Status”, which recognises outstanding sustainability performance in our sector, for the first time in March 2018. Sustainalytics upgraded us significantly too, boosting our rating to 73 points.

Rating agency	Rating	Trend
ISS-oekom	**“C” (Prime)** among the **top 20 %** in the comparison group of 138 banks B– grade for sub-rating “Social & Governance”	C- C- C C 2016 2017 2018 2019
imug	**“B” (Positive)** **Top 5** in the comparison group of 25 banks **BBB (Positive)** grade for sub-rating “Mortgage Pfandbriefe”	CC CC B B 2016 2017 2018 2019
Sustainalytics	**73 points out of 100** among the **top 15 %** in the comparison group of 345 banks **81 points** for sub-rating “Environment”	62 61 72 73 2016 2017 2018 2019
MSCI	**“A”** in the **upper midrange** in the comparison group **Top score** for sub-rating “Financial Product Safety”	BBB A A A 2016 2017 2018 2019

Group Management Report

Group Management Report

Basic Information About the Group

Business model of the Group

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

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

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

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

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

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

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

Helaba is one of the market leaders in the home loans and savings business in both Hesse and Thuringia through the legally dependent Landesbausparkasse Hessen-Thüringen (LBS).

Frankfurter Sparkasse, a wholly owned and fully consolidated subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region with over 800,000 customers; it also has a presence in the direct banking market through 1822direkt.

Frankfurter Bankgesellschaft (Schweiz) AG (FBG) and its wholly owned subsidiary Frankfurter Bankgesellschaft (Deutschland) AG provide Helaba's products and services for Sparkassen in private banking and in the wealth and asset management businesses.

FBG, which operates as the private bank of the Sparkassen-Finanzgruppe, acquires high-net-worth customers in Germany through Sparkassen in the S-Group with which it has a collaboration agreement. Frankfurter Bankgesellschaft's Family Office adds a professional point of contact for all asset-related matters as a central partner for the Sparkassen.

The wholly owned subsidiary Helaba Invest is one of Germany's leading institutional asset management companies. There are three main pillars to the Helaba Invest business strategy: the master investment company (Master IC) service; asset management with securities; and real estate and alternative asset classes. Within the Sparkassen-Finanzgruppe, Helaba Invest is the largest provider of special funds for institutional investors.

The GWH Group holds one of the largest residential real estate portfolios in Hesse with around 50,000 residential units. Its activities centre on the management and optimisation of residential property portfolios and in residential real estate project development.

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

The Bank's registered offices are situated in Frankfurt am Main and Erfurt, and it also has branches in Düsseldorf, Kassel, Paris, London, New York and – since June 2018 – Stockholm. The branches allow Helaba to strengthen its local presence close to customers and Sparkassen. The foreign branches provide Helaba with access to the funding markets, particularly those markets based on the US dollar and pound sterling. The organisation also includes representative and sales offices, subsidiaries and affiliates. A new representative office was opened in São Paulo in June 2018.

Management instruments and non-financial performance indicators

As part of managing the Bank as a whole, Helaba has integrated systems in place for business and productivity management. This is based on a multi-level Margin Accounting System Controlling comprising both the management of absolute income and costs and the integrated management of contribution margins. The target is to achieve a cost-income ratio below 70 %. The cost-income ratio is the ratio of general and administrative expenses to profit before taxes net of general and administrative expenses and of loss allowances for loans and advances. The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances analysed based on a management income statement produced in the Margin Accounting System at regular intervals in the course of the financial year. In line with management reporting, 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 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 2018 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB is 8.89 %. Profitability targets are managed on the basis of, for example, the economic return on equity (ratio of profit before taxes to average capital employed in the financial year determined in accordance with IFRS). Helaba has set a target range of 5 % to 7 % for economic return on equity before tax.

The leverage ratio measures the ratio between regulatory capital and the unweighted total of all on-balance sheet and off-balance sheet asset items including derivatives. Currently, banks must disclose the leverage ratio and report it to the supervisory authorities as an indicator for monitoring purposes. 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 is 100 %. 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 are leading to an increase in liquidity management costs and therefore have a negative impact on profitability.

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. It was announced that Helaba would be receiving a mandatory MREL at the start of 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. The product utilisation rates are to range between 60 % and 80 %.

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 lending criteria that rule out controversial business practices in particular, and take into account sector-specific risk issues.

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, strategy-oriented and 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 seminars 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. The new life-stage model takes account of all the different stages of the employment relationship at Helaba when implementing human resource management measures, thus increasing Helaba's appeal as an employer.

- Development of young talent
  Demographic change and ongoing digitalisation will have an impact on Helaba's competitiveness in the long term. The design of human resources management processes under consideration of social change presents the challenge that Helaba must acquire young talent with a high degree of potential – or identify such people already at Helaba – and then train and retain them. In addition, 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 and the implementation of measures in the context of diversity management. An Employee Assistance Programme introduced at the start of 2019 is a welcome addition to the established elements of health management. 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 1.5 % (seasonally adjusted) in 2018, which more or less corresponds to its growth potential, i.e. the growth that would be expected over the long term given a normal level of capacity utilisation. Over the course of the year, the pace of growth eased off. Growth was driven almost exclusively by domestic demand, with foreign trade contributing just 0.2 percentage points and acting as a drag. Although at 1.9 %, inflation was slightly up on the prior-year rate, collectively agreed pay rises and higher employment led to a rise in real incomes.

Despite continuing political uncertainty and a slump in demand in the second half of the year, businesses invested somewhat more heavily in machinery and vehicles in 2018. The expansion of residential construction continued on the back of strong demand for residential space (mainly in large cities), very low mortgage rates, the lack of investment alternatives and investment in existing property. Higher public-sector spending on infrastructure also had a positive impact.

On the one hand, the German banking sector is benefiting from the positive economic trend in 2018. This is reflected in particular in the low level of loss allowances for loans and advances required to be recognised. 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 enable currency hedges to be effected using standardised processes, lending portals arrange funding for small corporate customers through banks or directly through institutional investors and banks analyse their customer data in search of more effective ways of offering products. Around the globe, blockchain technology is being refined to find new, faster and more cost-effective methods of exchanging data; besides the handling of promissory note loans, foreign trade finance has also become a focus of attention.

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. Despite EU heads of government agreeing on a withdrawal agreement for the UK to leave the EU, it is still unclear whether the British parliament will agree to the deal, and a hard Brexit cannot be ruled out at this time.

As part of its preparations for a hard Brexit, Helaba has – with the consent of the Bank's governing bodies – submitted an application to the Prudential Regulation Authority (PRA), the British supervisory authority, to set up a third-country branch for its branch in London. On 6 November 2018, the UK's finance and economics ministry introduced a regulation – the Temporary Permissions Regime – that will allow firms currently passporting into the UK to continue new and existing regulated business within the scope of their current permissions should the withdrawal agreement not be ratified. The PRA has confirmed that, by applying to set up a third-country branch in London, the bank has met the criteria for entering the temporary regime. This means that the period of time available to the British supervisory authorities for approving the application or otherwise has been extended to three years as of the withdrawal date.

Key developments 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 14 February 2019 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 2019 is

9.85 %. This requirement comprises the Pillar 1 minimum capital requirement, the Pillar 2 capital requirement and the capital buffers.

- EBA stress test
  In 2018, European banks underwent a stress test required by the European Banking Authority (EBA) in conjunction with the ECB; these tests are conducted as part of a 2-year cycle. The objective was to evaluate the stability of global and domestic systemically important institutions under stressed economic conditions. The number of banks included decreased marginally from 51 in 2016 to 48. In 2018 as well, Helaba was one of the participating banks, and once again showed that it is a stable institution with resilient capital resources. One of the outcomes of the stress test in the third stress year was that the Common Equity Tier 1 (CET1, phased in) capital ratio fell from the figure of 15.40 % reported at the end of 2017 to 9.96 %. Helaba therefore complies with all the minimum regulatory requirements.

- Single Resolution Mechanism (SRM)
  Helaba is classified as a “significant” bank and thus falls within the responsibility of the Single Resolution Board. As in previous years, a data collection exercise was conducted in the first half of 2018 for the purposes of resolution planning and determining minimum requirements for own funds and eligible liabilities (MREL). As a result of the 2018 data collection exercise, Helaba will probably be notified at the start of 2019 of a binding MREL.

- Analytical credit datasets (AnaCredit)
  A decision was made back in 2016 to introduce the collection of granular credit and credit risk data. The requirements were set out in Regulation (EU) 2016/867 of the European Central Bank. As part of their responsibilities, national central banks are required to assist with the collection of granular credit and credit risk data at the level of the individual borrower. Since September 2018, the monthly notification has taken the full reporting requirements into account.

- EBA guidelines on internal governance
  After publication by the EBA of the guidelines on internal governance and on the assessment of the suitability of members of the management body and key function holders, Helaba analysed the requirements, identified the need for action, and initiated implementation measures in these fields. Many of the requirements in the EBA guidelines were already in the Bank’s in-house set of rules and regulations or have since been added to it. For example, the bank’s regulations now include a stipulation that the number of members of the Board of Managing Directors is to be reduced in the new term of office from July 2019.

- EU action plan on sustainable financing
  At the beginning of March 2018, the European Commission published its action plan on financing sustainable growth, issuing a corresponding package of measures at the end of May 2018 aimed at implementing significant actions. Thus, in July 2018, the EU Commission set up a Technical Expert Group on Sustainable Finance to provide support for the following four areas: an EU taxonomy to determine whether an economic activity is environmentally sustainable, an EU Green Bond Standard, benchmarks for low-carbon investment strategies, and guidance to improve corporate disclosure of climate-related information. Through its membership in various banking associations and involvement in key sustainability initiatives, Helaba is integrated in the consultation processes and closely follows developments in these areas.

Business performance

Key factors influencing Helaba’s business performance and results of operations in financial year 2018 were strong economic growth in Germany, which was 1.5 % in real terms, and the persistently low and negative levels of interest rates.

The volume of new medium- and long-term business in the group (excluding the WIBank development business, which does not form part of the competitive market) was positive year on year at € 19.0 bn (2017: € 18.5 bn). Maturities and special repayments were more than offset. Loans and advances to customers (financial assets measured at amortised cost and at fair value) rose to € 96.3 bn (31 December 2017: € 89.8 bn). Added to these were loans and advances to affiliated Sparkassen (financial assets measured at amortised cost and at fair value) in the amount of € 5.8 bn (31 December 2017: € 5.5 bn). The focus on lending in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba’s business model. The degree of interconnectedness with the real economy, i.e. the percentage of the total consolidated assets accounted for by customer transactions, rose to 63 % (31 December 2017: 60 %) on account of the rise in loans and advances to customers.

The market environment for funding business for financial institutions turned out to be very mixed in the year under review. Promising market phases for financial institutions alternated with phases of increased market volatility due to macro-economic and geopolitical events. Nevertheless, in 2018, Helaba was able to obtain medium- and long-term funding at favourable rates from institutional and private investors. As in previous years, the Bank continued to benefit in this regard from its strategic and well diversified business model and from its stable business and earnings performance.

As planned, medium- and long-term funding of around € 13.1 bn (2017: € 17.5 bn) was raised during 2018, with unsecured funding amounting to approximately € 8.7 bn (2017: € 12.8 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were lower than in previous years at around € 2.4 bn (2017: € 2.9 bn). Pfandbrief issues amounted to € 4.4 bn in total (2017: € 4.7 bn), with mortgage Pfandbriefe accounting for a little over 70 % and public Pfandbriefe for around 30 %. For example, it was once again possible to place US dollar mortgage Pfandbriefe. As in previous years, the customer deposits in the retail business within the Group, in particular through the subsidiary Frankfurter Sparkasse, brought further diversification to the funding base.

Moreover, it was possible – in exchange for outstanding silent participations – to raise new AT1 liable capital totalling € 0.4 bn in order to strengthen the Bank's capital base. In addition, WIBank placed capital of around € 3.7 billion, largely for the purpose of funding the State of Hesse's "Hessenkasse" project.

The cost-income ratio was 78.3 % as at 31 December 2018 (31 December 2017: 77.5 %) (restated in line with the new structure of the income statement), and is therefore higher than the target range (2018 target: < 70 %). Return on equity declined to 5.4 % (31 December 2017: 5.7 %), still within the target range of 5 to 7 %.

Phased in, i.e. taking into account the CRR transitional arrangements, as at 31 December 2018 the Helaba Group's CET1 capital ratio was 14.9 % and its total capital ratio 20.6 %. Fully loaded, i.e. disregarding the transitional arrangements, the CET1 capital ratio was 14.9 % and the total capital ratio 20.6 %. Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published.

CRD IV provides for a transitional phase until the end of 2021 for capital instruments that are currently recognised as regulatory Tier 1 capital, but will not meet the future requirements for such capital. At Helaba, this affects silent participations with a nominal amount of € 518 m. The decline from the previous year (31 December 2017: € 953 m) is due primarily to the repurchase of silent participations associated with the issue of the new AT1 instrument.

As at 31 December 2018, the Helaba Group's leverage ratio was 5.1 % taking into account the transitional provisions set out in the delegated act, or 4.8 % fully loaded, and therefore above the specified minimum ratio of 3.0 %.

The liquidity coverage ratio (LCR) for the Helaba Group was 126 % as at 31 December 2018. The uniform Europe-wide liquidity coverage requirement (LCR) is 100 %.

The NPL ratio for the Helaba Group (in accordance with EBA risk indicator code AQT_3.2) was 0.67 % as at 31 December 2018. As in the previous year, therefore, Helaba fell below the German average published in the context of the 2018 EU-wide transparency exercise, which at 1.7 % (as at 30 June 2018) was already very low by European standards.

Helaba's own funds and eligible liabilities were well above the notified indicative target MREL.

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 2018.

On 14 December 2018, Helaba concluded a contract of sale with Dexia Crédit Local (Dexia) for 100 % of the shares in Dexia Kommunalbank Deutschland (DKD) for a purchase price of € 352 m. Subject to regulatory approval, the transaction is currently set for completion in the second quarter of 2019. Plans are to merge DKD – with total assets of around € 19 bn (30 June 2018) – fully with Helaba. Dexia will terminate, with effect as of the closing date of the sale, the Letters of Support it had issued to DKD. Afterwards, Helaba will provide a declaration of exemption in favour of the Deposit Protection Fund of the Association of German Banks (BDB) that exempts the fund from losses that arise from DKD's membership in the BDB's Deposit Protection Fund.

Also in December, Helaba agreed to take over both a Land Transport Finance customer credit portfolio with a volume of more than one billion euros and the staff of DVB Bank SE (DVB). Both parties agreed to refrain from disclosing details on the purchase price. This transaction, which remains subject to regulatory approval, is currently scheduled to be completed in the first half of 2019.

In March 2018, Helaba was re-rated by the sustainability rating agency oekom research. In terms of the corporate rating, the rating of C (on a scale from D- to A+) meant that Helaba achieved prime status for the first time, consolidating its position as one of the leading financial institutions from the perspective of sustainability. Sustainalytics also improved its rating of Helaba from

61 to 73 points. This significant improvement in ratings is a visible sign that Helaba is successfully developing its sustainability profile and thus strengthening its own position among competitors.

In May 2018, Helaba Invest signed the UN-supported Principles for Responsible Investment (PRI), under which the signatory institutions agree, among other things, to abide by principles such as the inclusion of environmental, social and corporate cultural factors in investment and decision-making processes. In an initial step, from 2019 Helaba Invest will roll out environmental, social, and governance (ESG) screening for its retail equity funds. It will also examine all investment securities to determine the extent to which they comply with international sustainability standards and conventions, such as the principles of the UN Global Compact.

For the first time in September 2018, Helaba Invest launched a real estate loan fund that aims to provide Sparkassen with access to Helaba's diversified loans portfolio. This is a special alternative investment fund (AIF) in accordance with German law. The first closing attained a subscription volume of € 100 m. The fund's target volume is € 250 m.

On 1 June 2018, Helaba upgraded its Stockholm office (set up in 2016) to a branch. By turning the office into a branch, the Bank has laid the foundations for further growth. Activities at the branch will continue to focus on real estate lending, corporate customers and corporate finance.

In the first half of 2018, Helaba established Helaba Digital GmbH & Co. KG (Helaba Digital), an equity investment entity focusing on digital start-ups. The objective of Helaba Digital is to make strategic equity investments in innovative companies offering digital solutions that actively complement and refine the business model of the Helaba Group and/or that streamline the Bank's core processes. In 2018, Helaba Digital founded the "komuno" joint venture with Lucht Probst Associates (LPA), which went live with a digital platform for municipal loans in September. The platform enables bidding processes for capital development and municipal authority loans to be handled much faster and more efficiently and simply.

Helaba reviews its business model on a regular basis and continues to refine it. After implementing the action points arising from the portfolio review in 2017, the management of the business was also aligned with the new structure at the beginning of 2018. This is reflected primarily in the new segment breakdown, which has been used as the basis for reporting since the beginning of the year.

Financial Position and Financial Performance

Changes to basis of consolidation

The changes to the basis of consolidation in 2018 did not have any material impact on financial position or financial performance. The changes related mainly to property companies in the area of real estate project development.

Financial performance of the Group

	2018	2017[1)]	Change	
	in € m	in € m	in € m	in %
Net interest income	1,072	1,069	3	0.3
Loss allowances	45	56	–11	–19.6
Net interest income after loss allowances for loans and advances	**1,117**	**1,125**	**–8**	**–0.7**
Dividend income	36	26	10	38.5
Net fee and commission income	349	354	–5	–1.4
Net trading income	32	268	–236	–88.1
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	13	–136	149	>100.0
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	6	24	–18	–75.0
Share of profit or loss of equity-accounted entities	13	19	–6	–31.6
Other net operating income	317	115	202	>100.0
General and administrative expenses	–1,440	–1,348	–92	–6.8
Profit before taxes	**443**	**447**	**–4**	**–0.9**
Taxes on income	–165	–191	26	13.6
Consolidated net profit	**278**	**256**	**22**	**8.6**

[1)] Structure adjusted; see Note (1).

As part of the initial application of IFRS 9 in the 2018 financial year, Helaba has changed the structure of its statement of financial position, statement of changes in equity, income statement, statement of comprehensive income and cash flow statement from a presentation based on the standard form prescribed under the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV) to a portfolio-based presentation using the IFRS 9 measurement categories. The prior-year figures in the income statement have been restated in line with the new structure. Figures have not been restated in accordance with the transitional arrangements for IFRS 9. The comments relating to the items in the statement of financial position refer to the opening statement of financial position as at 1 January 2018. This includes both the reclassifications and the remeasurement effects from the first-time application of IFRS 9. Please refer to Notes (1) and (2) for further details.

In 2018, Helaba generated profit before taxes of € 443 m, matching the level of €447 m achieved in 2017. Operating business, the results of which show up most clearly in net interest income and net fee and commission income, was satisfactory. Thanks to the high quality of its business portfolio and the fact that the German economy is in good shape, Helaba was again able to derive income from a net reversal of loss allowances for loans and advances. Market-related measurement effects declined year on year. These effects led to a significant improvement in net income from hedge accounting, but also to a decline in net trading income. The adverse effects of a rise in administrative expenses, caused by higher project costs in connection with the implementation of regulatory and business-driven requirements, was offset by a substantial rise in other net operating income. The changes in the individual items in the income statement were as described below.

Net interest income of € 1,072 m was at the level of the prior-year figure (2017: € 1.069 m). With average portfolio volumes lower than in the previous year, the slight increase in interest rate margins on new business had a steadying effect on the operating lending business. Slightly lower net interest income from loans and advances was offset by higher one-off income amounts and treasury shares. As in the previous year, negative interest had an adverse impact on net interest income.

The allowance for losses on loans and advances amounted to a net reversal (i.e. income) of € 45 m (2017: € 56 m). The breakdown of these loan loss allowances by stage in accordance with IFRS 9 (including loss allowances for loan commitments and financial guarantees) was as follows: stage 1, net addition of € 4 m; stage 2, net reversal of € 47 m; stage 3, net reversal of € 1 m. The balance of direct write-downs and recoveries on loans and advances previously written off amounted to net income of € 1 m.

Net fee and commission income decreased by € 5 m to € 349 m. Net fee and commission income is mostly generated by Helaba, Frankfurter Sparkasse and Helaba Invest. Particularly the deconsolidation of LB (Swiss) Investment AG had a negative impact. In addition, fees and commissions from Helaba's lending and guarantee business charted a negative development, while fees and commissions from Helaba Invest's asset management activities increased.

Net trading income declined considerably, from € 268 m in 2017 to € 32 m in the year under review. This was due partly to the absence in 2018 of certain market-related measurement effects – for instance, with regard to derivatives – that had helped to boost income a year earlier (down € 11 m; [2017: € 77 m]). The considerable drop in net trading income was also due to the widening of credit spreads. A negative impact compared with 2017 arose from the consolidation of internal forward exchange transactions between the trading book and banking book, and this affected earnings to the tune of € 22 m (2017: € 42 m). The corresponding positive impact (2017: negative impact) from the consolidation was recognised under gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied. Income from customer-driven capital market operations was in line with projections. Helaba Bank was responsible for most of the Group's trading activities.

The gains or losses on hedge accounting and other financial instruments (not held for trading) measured at fair value increased from a net loss of € 136 m in the previous year to a net gain of € 13 m in financial year 2018. It should be noted that the prior-year figure included a loss of € 60 m related to the liquidity component of foreign currencies (cross currency basis spread) in the measurement of derivatives. With the first-time application of IFRS 9, these changes in value are recognised as hedge costs in accumulated other comprehensive income (OCI). Before inclusion of this liquidity component in the prior-year figure, the remeasurement of the banking book derivatives used to manage interest rates resulted in a net gain of € 5 m in the first half of 2018 compared with a net loss of € 54 m in the equivalent prior-year period. This figure also reflected the positive impact from the consolidation of internal forward exchange transactions between the trading book and banking book in an amount of € 22 m (2017: negative impact of € 42 m), this being the corresponding opposite effect from that in net trading income. The net loss from hedge accounting, in which the ineffective portion of micro hedges is reported, amounted to € 0 m (2017: net loss of € 9 m).

Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss declined from a net gain of € 24 m to a net gain of € 6 m. The prior-year result was achieved largely through the disposal of an equity investment. The share of profit or loss from associates and joint ventures accounted for using the equity method amounted to income of € 13 m (2017: € 19 m).

Other net operating income increased from € 115 m to € 317 m. A significant component of this figure is the net income from investment property, which amounted to € 198 m in 2016 (2017: € 194 m). Most of the net income from investment property is generated by the GWH Group. This figure comprises the balance of rental income, the net proceeds of disposals and operating costs. The substantial increase in other net operating income was partly explained by the absence of one-off items that had

had an adverse impact in the first half of 2017. However, the figure was also boosted by a gain of € 36 m from the disposal of LB (Swiss) Investment AG and several real estate project companies.

General and administrative expenses rose by € 92 m to € 1,440 m. These expenses comprised personnel expenses of € 655 m (2017: € 646 m), other operating expenses of € 708 m (2017: € 630 m) as well as depreciation and impairment losses totalling € 77 m (2017: €72 m). The increase in personnel expenses was due to two pay-scale increases in 2018. The Group employed an average of 6,127 people in the year under review (2017: 6,123). Factors contributing to the increase in other administrative expenses included IT and consulting expenses in connection with the implementation of regulatory and operating requirements. The contributions to the European bank levy also increased from € 38 m in 2017 to € 40 m in the reporting year. Expenses for the Association overhead allocation and the reserve funds remained the same year on year at € 52 m.

The general and administrative expenses were covered by the total operating income of € 1,839 m (2017: € 1,740 m), producing a cost-income ratio of 78.3 % (2017: 77.5 %). Helaba's return on equity before taxes fell from 5.7 % to 5.4 %. The return on assets pursuant to article 90 of Capital Requirements Directive IV (CRD IV) was unchanged compared with 2015 at 0.2 %.

The income tax expense amounted to € 165 m (2017: € 191 m). It was mainly accounted for by Helaba in Germany (€ 59 m; 2017: € 22 m), Frankfurter Sparkasse (€ 34 m; 2017: € 58 m), the branches in New York (€ 26 m; 2017: € 47 m) and London (€ 8 m; 2017: € 37 m), and GWH (€ 25 m; 2017: € 26 m). Of the total income tax expense, € 198 m was attributable to current taxes. Deferred tax expenses of € 33 m arose in relation to temporary differences. On account of non-deductible operating expenses and impairment losses as well as a countervailing effect from prior-period taxes, the tax rate amounts to 37.2 % (2017: 42.8 %). This substantial decline results from the absence of two one-off effects in the previous year: the write-off of goodwill and the effects of US tax reforms.

The consolidated net profit, i.e. the profit after tax, declined by 8.6 % to € 278 m. Of the consolidated net profit, a profit of € 2 m (2017: loss of € 6 m) was attributable to non-controlling interests, with the result that the profit attributable to the shareholders of the parent company amounted to € 276 m (2017: € 262 m). From the latter, € 28 m has been earmarked to service the capital contributions of the Federal State of Hesse that are reported under equity, and € 62 m has been earmarked for distribution to shareholders.

Comprehensive income for financial year 2018 declined from € 275 m to € 200 m. This figure includes other comprehensive income in addition to the consolidated net profit as reported in the income statement. Other comprehensive income amounted to a loss of € 78 m (2017: profit of € 19 m). The figure was negatively impacted by a loss of € 42 m before taxes arising from the cross currency basis spread in the measurement of derivatives, which had to be recognised in accumulated OCI for the first time as part of the initial application of IFRS 9. The remeasurement of the net liability under defined benefit plans contributed an increase in comprehensive income before tax of € 10 m (2017: € 116 m). A discount rate of 2.0 % (31 December 2017: 2.0 %) was used to determine pension provisions for the main pension obligations in Germany. Debt instruments measured at fair value through other comprehensive income accounted for a net loss of € 89 m before taxes within comprehensive income (2017: net loss of € 51 m).

Statement of financial position

Assets

	31.12.2018	1.1.2018[1]	Change	
	in € m	in € m	in € m	in %
Cash on hand and demand deposit balances with central banks and banks	**7,342**	**10,478**	**–3,136**	**–29.9**
Financial assets measured at amortised cost	**106,755**	**99,458**	**7,297**	**7.3**
Bonds	4	30	–26	–86.7
Loans and advances to banks	11,222	10,678	544	5.1
Loans and advances to customers	95,529	88,750	6,779	7.6
Trading assets	**16,989**	**16,100**	**889**	**5.5**
Financial assets measured at fair value (not held for trading)	**27,390**	**27,985**	**–595**	**–2.1**
Investment property	**2,420**	**2,239**	**181**	**8.1**
Income tax assets	**593**	**470**	**123**	**26.2**
Other assets	**1,479**	**1,471**	**8**	**0.5**
Total assets	**162,968**	**158,201**	**4,767**	**3.0**

[1] See Notes (1) and (2) in the Notes for information on the reconciliation to the opening statement of financial position.

Equity and liabilities

	31.12.2018	1.1.2018[1]	Change	
	in € m	in € m	in € m	in %
Financial liabilities measured at amortised cost	**125,222**	**122,537**	**2,685**	**2.2**
Deposits and loans from banks	32,144	31,249	895	2.9
Deposits and loans from customers	47,396	47,621	–225	–0.5
Securitised liabilities	45,455	43,514	1,941	4.5
Other financial liabilities	227	153	74	48.4
Trading liabilities	**12,763**	**12,277**	**486**	**4.0**
Financial liabilities measured at fair value (not held for trading)	**13,761**	**12,592**	**1,169**	**9.3**
Provisions	**2,087**	**2,101**	**–14**	**–0.7**
Income tax liabilities	**157**	**258**	**–101**	**–39.1**
Other liabilities	**516**	**438**	**78**	**17.8**
Equity	**8,462**	**7,998**	**464**	**5.8**
Total equity and liabilities	**162,968**	**158,201**	**4,767**	**3.0**

[1] See Notes (1) and (2) in the Notes for information on the reconciliation to the opening statement of financial position.

Helaba's consolidated total assets swelled by € 4.8 bn (3.0 %) to € 163.0 bn in financial year 2018. The rise in total assets is mainly due to the increase in loans and advances to customers. Total business volume, which included off-balance sheet liabilities in banking business and fiduciary activities as well as assets, increased by 4.9 % to € 200.9 bn (1 January 2018: € 191.5 bn).

Cash on hand and demand deposit balances with central banks and banks fell by 29.9 % to € 7.3 bn (1 January 2018: € 10.5 bn). This fall was attributable to a drop in the volume of demand deposits, which are mainly held with Deutsche Bundesbank.

The financial assets measured at amortised cost, which are reported at their net carrying amounts, rose by € 7.3 bn to € 106.8 bn. The rise in these assets is mainly due to the increase in loans and advances to customers, which rose by € 6.8 bn to € 95.5 bn. WIBank's implementation of the Hessenkasse programme in the State of Hesse contributed € 4.3 bn to this increase. Of the loans and advances to customers, commercial real estate loans accounted for € 32.2 bn (1 January 2018: € 29.7 bn) and infrastructure loans for € 18.6 bn (1 January 2018: € 15.1 bn). Of the loans and advances to banks amounting to € 11.2 bn (1 January 2018: € 10.7 bn), which are financial assets measured at amortised cost, € 5.8 bn (1 January 2018: € 5.5 bn) are refinancing funds made available to the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg.

The cumulative loss allowances recognised in respect of financial assets measured at amortised cost amounted to € 299 m (1 January 2018: € 430 m).

Trading assets recognised at fair value amounted to € 17.0 bn at the reporting date (1 January 2018: € 16.1 bn). While the portfolio of bonds and other fixed-income securities increased by € 1.2 bn to € 6.6 bn, the positive fair values of derivatives fell by € 0.3 bn to € 9.0 bn.

Of the financial assets measured at fair value (not held for trading) amounting to € 27.4 bn (1 January 2018: € 28.0 bn), assets of € 22.0 bn (1 January 2018: € 21.9 bn) were accounted for by bonds and other fixed-income securities measured through other comprehensive income. Non-trading derivatives decreased by € 0.3 bn to € 2.0 bn, meaning that the positive fair values of all derivatives declined by € 0.6 bn overall to € 11.7 bn.

Financial liabilities measured at amortised cost amounted to € 125.2 bn (1 January 2018: € 122.5 bn). Within this figure, deposits and loans from banks rose by € 0.9 bn to € 32.1 bn, of which liabilities due to Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg accounted for € 7.4 bn (1 January 2018: € 6.3 bn). Likewise, securitised liabilities rose by € 1.9 bn to € 45.5 bn, Whereas mortgage Pfandbriefe rose by € 2.2 bn to € 10.3 bn, public Pfandbriefe and issued money market instruments fell by € 0.8 bn and € 1.2 bn respectively to € 10.7 bn and € 4.1 bn respectively. The deposits of and loans to customers recognised under financial liabilities measured at amortised cost declined by € 0.2 bn to € 47.4 bn.

Trading liabilities recognised at fair value rose by € 0.5 bn to € 12.8 bn. Whereas deposits and loans rose by € 0.7 bn to € 4.4 bn, the negative fair values of derivatives declined by € 0.4 bn to € 7.5 bn.

Financial liabilities measured at fair value (not held for trading) amounted to € 13.8 bn for the reporting period (1 January 2018: € 12.6 bn). Among these are non-trading derivatives that remained unchanged year on year at € 2.3 bn; as a result, the total negative fair values of all derivatives declined by € 0.4 bn to € 9.8 bn.

Equity

The Helaba Group's equity amounted to € 8.5 bn as at 31 December 2018 (1 January 2018: € 8.0 bn). The increase is mainly the result of the € 354 m in Tier 1 registered bonds (AT1 bonds) raised in the fourth quarter of the year under review. For further details, please refer to Notes (59). This figure was subject to a positive impact from the comprehensive income of € 200 m (1 January 2018: € 275 m). Accumulated OCI for the Group amounted to a loss of € 361 m (1 January 2018: cumulative net loss of € 282 m). Within this figure, a cumulative loss of € 444 m (1 January 2018: cumulative loss of € 449 m) is related to items that will not be reclassified to profit or loss in future periods (i.e. they will not be recycled). This loss included remeasurements in connection with pension obligations. On a cumulative basis, these remeasurements amounted to a loss of € 440 m (1 January 2018: loss of € 450 m) after deferred taxes. At 2.0 %, the discount rate was unchanged year on year. Within this figure, a cumulative loss of € 83 m (1 January 2018: cumulative loss of € 167 m) is related to items that will be reclassified to profit or loss in future periods. One of the factors contributing to this decline was the cumulative gains and losses (after deferred taxes) on debt instruments measured at fair value through other comprehensive income amounting to a gain of € 94 m (1 January 2018: gain of € 157 m). Equity was negatively impacted by a loss of € 29 m after deferred taxes arising from the cross currency basis spread in the measurement of derivatives, which had to be recognised in accumulated OCI for the first time as part of the initial application of IFRS 9. Exchange rate factors resulted in an increase of € 8 m in the currency translation reserve for foreign operations to € 35 m. An amount of € 90 m was distributed to the owners from consolidated net profit for 2017 based on their shareholdings and capital contributions.

As a consequence of the switch in the accounting standard for financial instruments to IFRS 9, equity on the opening statement of financial position as at 1 January 2018 declined by € 36 m compared with the equivalent figure as at 31 December 2017. Please refer to Note (2) in the Notes for further details. Helaba has not made use of regulatory transitional provisions.

Please refer to the risk report and Note (79) in the Notes for information on the regulatory capital ratios.

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:

	2017 forecast for 2018	2018 actual
Net interest income	Up by approx. 3 % year on year	0.3 %
Loss allowances for loans and advances	Expense of € 150 m	€ 45 m
Net fee and commission income	Up by approx. 4 % year on year	– 1.4 %
Net trading income	Substantial decrease	– 88.1 %
Other net operating income	€ 255 m	€ 317 m
Headcount (average for the year)	Slight decrease	+ 0.1 %
Personnel expenses	On par with previous year	+ 1.4 %
Non-personnel operating expenses (including depreciation, amortisation and write-downs)	Up by 3 % year on year	+ 11.8 %
General and administrative expenses	Up by 1 % year on year	+ 6.8 %
Profit before taxes	Down by approx. 10 % year on year	– 0.9 %
Cost-income ratio	Approximately 71 %	78.3 %
Total assets	Slightly above prior-year figure	+ 3.0 %
Loans and receivables from customers (measured at amortised cost)	Slightly above prior-year figure	+ 7.6 %
Return on equity	Approximately 5 %	5.4 %
Common Equity Tier 1 (CET1)	13.9 %	14.9 %
Leverage ratio	Approximately 5 %	5.1 %
Short-term liquidity ratio (LCR)	Approximately 135 %	126 %
Medium- and long-term liquidity ratio (NSFR)	Approximately 105 %	100 %
Volume of new medium- and long-term business (excl. WIBank)	€ 17.9 bn	€ 19.0 bn

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

Contrary to expectations, net interest income did not rise, owing to low average inventory positions and the unchanged interest rate. Within loss allowances for loans and advances, planned additions were offset by significantly more unplanned reversals, as a result of which the loss allowances for loans and advances were much better overall than forecast.

The projected increase in net fee and commission income failed to materialise fully in the actual figure realised. A negative one-off effect coupled with the disposal of a consolidated company had an adverse impact.

The anticipated drop in net trading income was more pronounced than expected due to the widening of credit spreads. In addition, the consolidation of internal forward exchange transactions between the trading book and banking book unexpectedly and negatively impacted earnings to the tune of € 22 m. The corresponding positive impact from this consolidation was recognised under gains or losses on hedge accounting and other financial instruments (not held for trading) measured at fair value.

Better-than-budgeted operating income, coupled with certain disposals, meant that other net operating income surpassed expectations by far.

Personnel expenses were also slightly above what was expected due to the headcount being somewhat higher than the budgeted figure. The anticipated rise in non-personnel operating expenses was much more pronounced due to higher project and IT expenditure. Factors contributing to this increase included higher IT outlay and unscheduled consulting expenses in connection with strategic initiatives.

The year-on-year contraction in profit before taxes was, at around 1 %, less significant than projected. Even though general and administrative expenses were higher than the budget figure as a result of the effects described above, profit before taxes was greater than forecast, primarily as a consequence of the positive change in loss allowances for loans and advances.

The differing changes in income and administrative expenses resulted in an actual CIR of 78.3 %, considerably higher than the projection of 71 %.

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 real estate lending and corporate finance.

Financial performance by segment

Segment reporting reflects the structures introduced as of 2018. The prior-year figures have been restated accordingly. The contributions of the individual segments to the profit before taxes of € 443 m in 2018 (2017: € 447 m) were as follows:

in € m

	2018	2017[1)]
Real Estate	242	254
Corporates & Markets	119	261
Retail & Asset Management	205	220
WIBank	19	19
Other	–117	–316
Consolidation/reconciliation	–25	9
Group	**443**	**447**

[1)] Prior-year figures restated: New segment structure and effects in accordance with the modified presentation of the income statement.

Real Estate segment

The Real Estate Lending business line is reported in the Real Estate segment. Products related to financing major commercial projects and existing properties are Helaba's particular speciality.

In real estate lending, the volume of new medium- and long-term business increased by around 13 % year on year to € 9.8 bn and therefore exceeded the budgeted level by some distance. Margins on new business were nearly constant compared with the previous year. 2018 also saw a high level of early redemptions, as a result of which the average customer volume declined slightly.

Net interest income fell by around 2 % to € 386 m year on year.

The loss allowances amounted to € 14 m and were therefore higher year on year. An anticipated increase in the budget to € 60 m in loss allowances for loans and advances did not occur.

The 9 % rise in general and administrative expenses was in line with the budget and was mainly the result of higher internal cost allocations.

Profit before taxes for the segment amounted to € 242 m, which equated to a decrease of 5 % compared with the figure for 2017 (€ 254 m). As such, the figure for profit was in line with expectations.

Corporates & Markets segment

The Corporates & Markets segment offers products aimed at corporate customers, institutional customers as well as public institutions and municipal customers.

In Corporate Finance, the volume of new medium- and long-term business with corporate clients was up by around 5 % on the previous year to € 6.1 bn and therefore well above budget. In the municipal lending business, growth in new business of € 0.9 bn was much more modest than in the previous year. The volume of business in Sparkasse lending stood at € 0.8 bn, slightly under the prior-year level.

Despite pressure on margins, net interest income from the lending business with these customer groups performed in a stable, sideways manner. Conversely, net interest income from capital market operations fell by some € 20 m year on year. All told, net interest income in the segment stood at € 384 m, around 4 % down on the previous year but slightly above what was predicted.

Loss allowances for loans and advances at € 0 m improved substantially compared with the figure in the previous year (2017: € 68 m). A significant factor was the allowances for losses on loans and advances related to ship finance, which declined significantly year on year and were also lower than forecast.

Net fee and commission income declined slightly year on year to € 117 m.

Net trading income from capital market operations declined considerably, from € 222 m in 2017 to € 54 m in the year under review. This was due mainly to the cessation of certain market-related measurement effects on derivatives that had helped to boost income a year earlier. The widening of credit spreads also gave rise to lower market measurements. Income from customer-driven capital market operations was in line with projections.

The rise in general and administrative expenses of approximately 4 % to € –462 m is the result of general cost increases and more project work in cash management and in capital market operations.

The profit before taxes for the segment amounted to € 119 m, significantly lower than the 2017 figure of € 261 m and 11 % below expectations. This was largely the result of the substantial decline in net trading income. Corporate Finance earnings were much higher year on year, profiting in particular from the improvement in loss allowances for loans and advances.

Retail & Asset Management segment

The Retail & Asset Management segment offers retail banking, private banking and asset management products through the subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft and Helaba Invest as well as through Landesbausparkasse Hessen-Thüringen. The Settlement/Custody Services business complements the traditional asset management value chain by providing a custodian bank function. The Real Estate Management business, including the real estate subsidiaries of the GWH Group and Helicon KG, also forms part of this segment.

Net interest income in the segment amounted to € 268 m, marginally below the previous year's figure. The fall in net interest income, achieved primarily through the retail business at Frankfurter Sparkasse, was considerably lower than anticipated.

At € 4 m, loss allowances for loans and advances in this segment were unchanged compared with a year earlier, and an anticipated budgetary increase in these allowances to € 18 m did not occur.

Net fee and commission income for the segment declined slightly year on year. In addition, net fee and commission income from Helaba Invest's asset management services rose slightly, while FBG accounted for less such income due to the disposal of LB (Swiss) Investment AG during the year. However, this disposal did generate proceeds in other net operating income, which – for the segment as a whole – was up about 9 % on the previous year. GWH accounts for nearly 70 % of other net operating income in this segment.

General and administrative expenses rose around 5 % for the segment as a whole, owing in part to initiatives launched by Helaba Invest and GWH to develop new products and sales forms.

Profit before taxes in the Retail & Asset Management segment was below the prior-year level at € 205 m (2017: € 220 m), but nevertheless significantly exceeded the budget.

WIBank segment

Helaba performs public development functions for the State of Hesse through Wirtschafts- und Infrastrukturbank Hessen (WIBank).

An increase in development business and the ongoing low interest-rate environment were key features of the year under review. The significant rise in new business resulted mainly from a new development product to replace or take over approximately € 4.9 bn in short-term public sector loans of municipal authorities in Hesse as part of the "Hessenkasse".

Thanks to an increase in business volume in certain areas of business, interest income of € 51 m was higher year on year (2017: € 48 m). Net fee and commission income, which depends largely on the service business, was on a par with the previous year.

General and administrative expenses stood at € 72 m. The increase on the previous year's expense (€ 69 m) was mainly down to higher IT and personnel costs.

Profit before taxes in this segment was unchanged on the previous year at € 19 m and thus above budget.

Other segment

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, these include the net income from centrally consolidated equity investments such as the OFB Group as well as the costs of the central units that cannot be allocated to the individual segments in line with the user-pays principle. The net income or expense from Treasury activities in the Asset/Liability Management business, from central own funds investing activities and from the centrally held liquidity securities are also recognised under this segment.

Despite the adverse effects of investment of own funds in special funds, the segment's net interest income increased considerably year on year thanks to higher treasury shares.

In 2018, loss allowances for loans and advances in this segment included a reversal of € 50 m relating to a portfolio loan loss allowance. In previous years, this item included additions for risks that could not yet be allocated to specific individual exposures. This allowance was then allocated to individual exposures and segments in 2018 or reversed.

The gains or losses on hedge accounting and other financial instruments (not held for trading) measured at fair value in this segment increased from a net loss of € 97 m in the previous year to a net gain of € 5 m in financial year 2018. The primary reason for this is the absence of the prior-year loss of € 60 m related to the liquidity component of foreign currencies (cross currency basis spread) in the measurement of derivatives. With the first-time application of IFRS 9, these changes in value are recognised as hedge costs in other comprehensive income (OCI).

Other net operating income in this segment rose to € 71 m (2017: loss of € 78 m) and this was mainly down to a year-on-year increase in project business of the OFB subsidiaries. The substantial increase in other net operating income in the entire segment is explained by the absence of one-off items that had had an adverse impact in the previous year (write-off of the goodwill in relation to Frankfurter Sparkasse, impairment loss in respect of a project for the introduction of a new core banking system discontinued for capacity reasons).

The loss for the segment amounted to € 117 m (2017: loss of € 316 m), a year-on-year change mainly caused by the absence of adverse one-off items.

Consolidation/reconciliation

Effects arising from consolidation and intragroup adjustments between the segments are reported under consolidation/reconciliation. Effects that arise from the reconciliation between the segment figures and the consolidated income statement, in particular in relation to net interest income, are also reported under consolidation/reconciliation.

The profit/loss before taxes under consolidation/reconciliation declined to a loss of € 25 m (2017: a profit of € 9 m).

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. This governance policy sets out roles and responsibilities to ensure there is independent monitoring and internal auditing of the effectiveness of the risk containment and monitoring functions that have been implemented. At Helaba 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.

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. These RAF indicators, some of which span multiple risk types and some of which are specific to a particular risk type, focus on regulatory and economic capital adequacy, the appropriateness of liquidity levels and the sustainability of the organisation's earning 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/ICAAP

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 elements of the risk culture include the corporate values adopted by the Board of Managing Directors, which set out Helaba's basic values and guiding principles, the need-based management development programme, the remuneration system, with its focus on risk awareness, and the open communications policy, all of which have been developed to help ensure relevant national and international standards are respected.

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, which is implemented annually and, where necessary, in response to relevant developments, examines which risks have the potential to damage Helaba's financial position (including capital resources), financial performance or liquidity position to a material degree. 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 transactions not included in the statement of financial position lead to short-term and/or structural liquidity risks depending on their precise nature.
- The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Compliance, business continuity management (BCM), human resources and tax matters that are of relevance to operational risk are considered under this risk type as well.

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 (i) legal proceedings or (ii) internal actions to avert such losses. Breaches of contract relating to matters of creditworthiness (for example in the case of loan contracts) do not fall within this definition.
- Conduct risk is defined as the current or potential risk of loss for an institution as a result of an inappropriate offer of financial (banking) services, including cases of intentional or negligent misconduct.
- There are two distinct aspects to model risk:
  - I. One involves the risk of loss associated with the development, implementation or inappropriate use of a different model (a model of a type other than that referred to in II) by Helaba for the purposes of decision making. This aspect of model risk is factored into operational risk.
  - II. The other aspect of model risk 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.
- The information technology 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 information security risk relates to the risk of loss caused by the impairment of Helaba's information assets at a technical, process, organisational or personnel level both internally and externally (cyber crime, for example). The risk of loss in the case of both the IT risk and the information security risk 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.
  - Outsourcing risk is defined as the risk of loss resulting from contract, supplier and performance risks and risks associated with a failure to comply with regulatory requirements that can arise when procuring services externally.
  - Project risk involves the risk of negative consequences for project objectives in the context of scheduling, financial and human resources matters.

- 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.
  Reputation risk is consequently assigned to these risk types in the risk type system. Reputation risk encompasses reputation loss caused by direct actions as well as by the effects of operational losses. The reputation risk profile is mapped entirely under operational risk.
- Real estate risk comprises the real estate portfolio risk – the potential economic loss from fluctuations in the value of an entity's own real estate – and the real estate project management risk associated with project development business. Risks associated with the provision of equity and loan capital for a project are excluded from this risk type, as are risks associated with real estate finance.

Risk Concentrations

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

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

Risk Management Process

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

1. Risk identification

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

2. Risk quantification

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

3. Risk containment

The information obtained in the risk identification and quantification phases provides the basis for risk containment by the local management units. Risk management is the entirety of the measures aimed at incurring, reducing, limiting, avoiding or transferring risks within the framework of the RAF thresholds and the limits and additional management variables for default risk defined by the Board of Managing Directors.

4. Risk monitoring/controlling and reporting

Independent central risk monitoring of the risk types default risk (including equity risk), market risk, liquidity risk, operational risk, real estate risk and business risk is performed by the Risk Controlling unit. The responsibilities of the Risk Controlling unit in this regard include the specification of appropriate methods, their implementation and the operation of the associated models. A comprehensive and objective reporting system keeps the relevant people within the organisation apprised of the existing risks as part of an independent risk controlling structure. The methods of the preceding process phases and the quality of the data used are also reviewed in this phase and plausibility checks are carried out on the results.

Risk Management Structure

Entities involved

The Helaba Board of Managing Directors is responsible for all of the risks to which the Bank is exposed and for implementing the risk policy throughout the Group. The Board of Managing Directors has also established a Risk Committee to implement and monitor Helaba's risk strategy, first and foremost, and to aggregate all of the risks – that is to say, the default risks, market price and liquidity risks, operational risks, business risks and real estate risks – assumed across the Bank and evaluate their combined implications. The Risk Committee is charged with identifying risks within the Helaba Group at the earliest possible stage, designing and monitoring the calculation of risk-bearing capacity and deriving measures to avoid risk and generate containment mechanisms for risk management. It also adopts the containment and quantification methods employed by the various units and assesses the appropriateness of the tools applied in light of the extent of the risk.

The Risk Committee is complemented by the Asset/Liability Management Committee and the Credit Committee of the Board of Managing Directors (VSKA). 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. The Credit Committee of the Board of Managing Directors is responsible for credit and settlement risks associated with counterparties as well as 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 2018. Other companies belonging to the Group are included in risk management at the level of individual risks in line with their primary risk types.

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

Principal risk monitoring areas

The responsibilities of the organisational units follow a "three lines of defence" policy. This governance policy sets out roles and responsibilities to ensure there is independent monitoring and internal auditing of the effectiveness of the risk containment and monitoring functions that have been implemented. At Helaba 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 as follows at Helaba Bank:

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: Process Management and Information Security (Corporate Business Continuity Management, IT Risk Management, Information Security Management, Corporate Sourcing Management, Project Portfolio Management), Legal Services, Compliance, Human Resources, Accounting and Taxes	
Business risk	Front office units	Risk Controlling	
Real estate risk	Real Estate Management	Risk Controlling	
Tasks across all risk types	–	Risk Controlling (including calculation of potential risk exposures, model governance) Group Controlling (including risk-bearing capacity calculation, capital planning)	

[1] The specialist functions are responsible alongside the Risk Controlling unit 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.

The independent management of risk within LBS, WIBank and the Group companies is generally structured in the same way as that at Helaba Bank in terms of the three lines of defence principle. 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.

Compliance

The Bank established a new Compliance unit bringing together the existing functions of the departments Compliance Capital Markets, Compliance Money Laundering and Fraud Prevention and Compliance MaRisk (in accordance with the German Minimum Requirements for Risk Management [AT 4.4.2 MaRisk]) on 1 July 2018. The Compliance MaRisk department was established as an independent department on 1 July 2018.

The Compliance Capital Markets department 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 – WpHG-MaAnzV), statements of the German Federal Financial Supervisory Authority (BaFin) and pertinent statements of the European Securities and Markets Authority (ESMA). It also evaluates inherent risks and checks compliance with the relevant regulatory requirements and 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 Compliance Money Laundering and Fraud Prevention department, acting in its capacity as the central authority for the purposes of Section 25h KWG, develops internal principles and adequate transaction- and customer-related safeguards and checks to prevent money laundering, the funding of terrorism and 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 Compliance Money Laundering and Fraud Prevention department is also responsible for the implementation of the legal requirements created by the Agreement between the United States of America and the Federal Republic of Germany to Improve International Tax Compliance (FATCA) and the international Automatic Exchange of Information (AEOI) process.

The Compliance MaRisk department identifies material legal provisions and regulations and promotes the adoption of effective procedures to ensure that they are observed. It also conducts risk-based checks of its own, regularly reviewing and assessing the adequacy and efficacy of the business processes and practices associated with ensuring that material legal provisions and regulations are observed within the Bank.

Information Security Management

The Information Security Management function is responsible for ensuring the proper control, coordination and development of information security management in line with the Bank's business strategy, IT strategy and risk management strategy. It identifies and analyses the information security (IS) 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 reports to and advises the Board of Managing Directors and all organisational units and employees with regard to data protection requirements. He or she is responsible for monitoring the implementation of and compliance with the requirements of data protection law and for relevant employee training and measures to raise awareness of data protection issues among employees. Helaba maintains a record of processing activities (Art. 30 GDPR) covering procedures that involve the processing of personal data. This record provides the basis for ensuring that the processing of personal data complies with the data protection regulations. Helaba has developed an information security management system (ISMS) aligned with the ISO 27001 standard to ensure the availability, confidentiality and integrity of data (Art. 5 and Art. 32 GDPR) and to assess the resilience (maintenance of operability) of data processing systems.

These 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/ICAAP

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.

Against the backdrop of the consultation on ICAAP guidelines being conducted by European banking supervisors, Helaba carried out fundamental further development in 2017 of its risk-bearing capacity calculation. The previous calculation approaches determined at national level were replaced by the two ICAAP perspectives as specified in the guidelines. The changeover to the new system in operational risk reporting took effect from financial year 2018.

Helaba's principal risk-bearing capacity approach corresponds conceptually to the regulatory requirement that institutions' ICAAP apply an internal economic perspective (meaning that when determining risk-bearing capacity, all risks that could jeopardise Helaba's future prospects, from an internal economic perspective, are considered). The economic limitation and containment of risks is also based on ensuring risk-bearing capacity in accordance with this internal economic perspective. The risk tolerance and risk appetite related to the risk exposures in this perspective are specified in the risk appetite framework.

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

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

In terms of risk, risk exposures for default risk, market risk, operational risk, business and real estate risk are included in the analysis for the internal economic perspective with a confidence level of 99.9 %. This provides verification that the economic risk cover assets pool is sufficient to enable the institution to sustain its existence out of its own resources – with no recourse to external funds – even in the event of exceptional and heavy losses being incurred.

The risk-bearing capacity assessment covering all risk types reveals that the existing risk cover pools at the end of 2018 once again exceeded the quantified risk exposures by a substantial margin, underlining Helaba's conservative risk profile. Helaba had a capital buffer of € 4.6 bn in respect of its economic risk exposures as at the reporting date.

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

An analysis using the internal normative perspective is conducted quarterly to supplement the internal economic perspective, which is the lead approach for ensuring Pillar II risk-bearing capacity. The internal normative perspective examines how the primary Pillar II risks affect the regulatory ratios in balance sheet terms and the internal objectives for capital ratios in the context of the risk appetite framework for the institution as a going concern. This analysis is conducted using various macroeconomic scenarios. Pillar II risks affect regulatory capital via both the income statement (with an impact on results) and the other comprehensive income item (with no impact on results), whereas the Pillar I risk quantification feeds into changes to risk-weighted assets (RWA).

The internal normative perspective is intended to ensure continuous compliance with the regulatory requirements and the internal objectives stemming from the risk strategy and the risk appetite framework. The capital ratios achieved under the simulated scenarios exceed the regulatory minimum requirements by a significant margin as well as the risk tolerance defined in the risk appetite framework.

Helaba additionally conducts three 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. A reverse stress scenario is used in the internal economic perspective to analyse what events beyond the extreme market dislocation scenario would need to materialise to place the risk-bearing capacity of the Helaba Group in jeopardy. There is currently no indication of any of the scenarios described above 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 € 16.0 bn in total (31 December 2017: € 15.6 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 € 555 m at the end of 2018 (31 December 2017: € 518 m). The total contributions paid in cash as at the same date amounted to € 475 m (31 December 2017: € 442 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

The 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 Articles 389 et seq. of the CRR made to borrowers in both trading and banking book activities are counted against these cumulative limits. Advance payment and settlement risks attributable to foreign currency and securities transactions, current account intraday risks, creditor risks associated with direct debits and what are referred to as "additional risks from constructs" are approved as commercial risks and counted against separate limits.

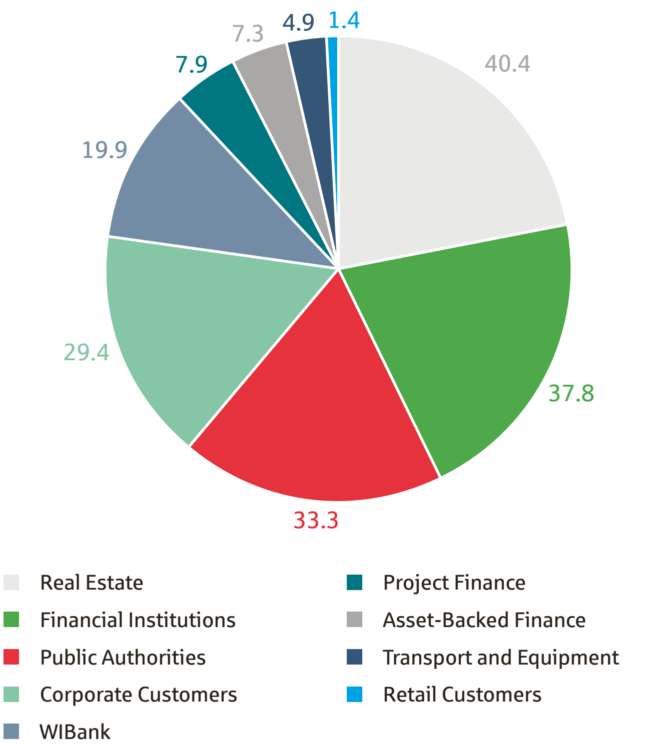
The approved total limits are allocated to individual borrowers, product categories and the operating divisions concerned in accordance with the application for approval. The utilisation of the individual limits is monitored on a daily basis and appropriate measures are initiated immediately if any limit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

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

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

Chart 1 shows the total volume of lending (comprising drawdowns and unutilised lending commitments) in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft [Schweiz] AG and Helaba Asset Services) of € 182.3 bn as at 31 December 2018 (31 December 2017: € 175.8 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 portfolio
(narrow Group companies)
Chart 1 in € bn



The real estate, financial institutions (especially the banking sector) and public sector portfolios accounted for most of Helaba's lending activities as at 31 December 2018.

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

Share in %

Region	31.12.2018	31.12.2017
Germany	61.25	61.50
Western Europe	19.00	19.16
Scandinavia	3.25	2.96
Rest of Europe	3.36	3.57
Europe	**86.86**	**87.19**
North America	11.86	11.66
Rest of the world	1.28	1.16

The table shows that Germany and selected other countries in western Europe continue to account for most of the total lending volume. The United Kingdom accounted for 4.2 % (31 December 2017: 4.4 %).

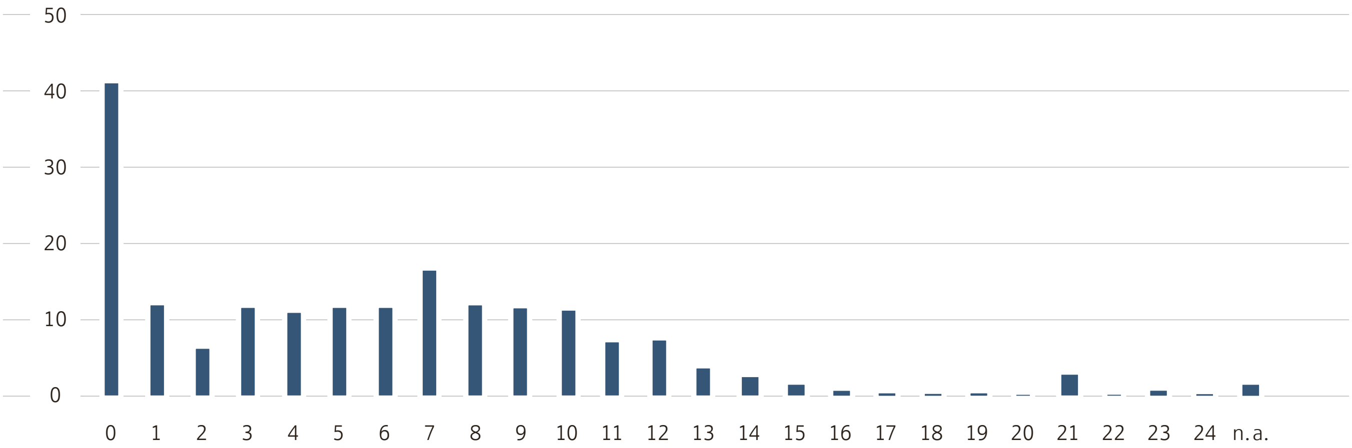
Creditworthiness/risk appraisal

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

Chart 2 shows the total volume of lending in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 182.3 bn (31 December 2017: € 175.8 bn) broken down by default rating category.

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

Chart 2 in € bn



Collateral

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

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

Country risks

Helaba has broadened its definition of country risk (transfer and conversion risk) to include the risk of sovereign default. Country risk exposure thus now also includes individual transactions entered into by a Helaba location with a borrower in the same country in local currency (local transactions).

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

The country risk system is the central tool for the comprehensive, timely and transparent risk-oriented recording, monitoring and containment of country risks. All of Helaba's lending and trading units, including subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services, are involved in country risk containment. The total country risk, excluding the countries of the euro zone, may not exceed six times the liable capital of the Helaba Group of institutions. As at 31 December 2018, utilisation was less than four times the liable capital.

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

The internal rating method for country and transfer risks provides 25 different country rating categories based on the uniform master scale used throughout the Bank. All classifications are established at least annually by the Economics and Research department and ultimately defined by the Credit Risk Management unit. The Banks and International Business unit, which performs the central coordination function for country limit requests, presents a country limit proposal on this basis factoring in bank-specific considerations and relevant factors relating to business policy and risk methodology and the Credit Committee of the 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 sovereign default risks from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 67.4 bn (31 December 2017: € 46.0 bn excluding local transactions), most of which was accounted for by borrowers in Europe (66.5 %) and North America (31.4 %). As at 31 December 2018, 80.5 % (31 December 2017: 75.6 % excluding local transactions) of these risks were assigned to country rating classes 0 and 1 and a further 19.4 % (31 December 2017: 24.3 % excluding local transactions) to rating classes 2-13. Just 0.1 % (31 December 2017: 0.1 % excluding local transactions) 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 € 7.9 bn as at 31 December 2018 (31 December 2017: € 7.3 bn). This increase reflects a year-on-year reduction in the value of collateral provided. 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 99.9 % (internal economic perspective), 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 analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 1,421 m (31 December 2017: € 1,423 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018) for the Group from default risk. Risk exposures remained essentially unchanged in 2018. The change in total exposure and the changes in ratings remained in balance overall.

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 2017. The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 70 m (31 December 2017: € 67 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018) for the Group from equity risk. The increase was mainly attributable to new investments in private equity/mezzanine funds.

Market Risk

Risk containment

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

Trading activities focus for strategic purposes on customer-driven business, which is supported by a demand-led product range. Responsibility for containing trading book exposures rests with the Capital Markets unit, while the 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 Bank's internal corporate bodies and, in the context of limit definition for the risk-bearing capacity, the Risk and Credit Committee of the Supervisory Board.

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

Compliance with the cumulative market risk limit was maintained at all times in the year under review 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 2018 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market risk types. The rise in the linear interest rate risk was primarily attributable to greater market volatility in the bond markets resulting from political uncertainty and to a normal level of reallocated exposures. Various country- and rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 87 % (31 December 2017: 86 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions 8 % (31 December 2017: 8 %). 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 € 14 m for the Group (31 December 2017: € 10 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 205 m (31 December 2017: € 166 m). The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 601 m (31 December 2017: € 412 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018) for the Group from market risk. The increase was due mainly to the rise in linear interest rate risk and elevated incremental risk.

Group MaR by risk type

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total	**64**	**45**	**58**	**39**	**0**	**1**	**6**	**5**
Trading book	18	15	17	13	0	0	1	2
Banking book	51	39	45	35	0	0	6	4

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)

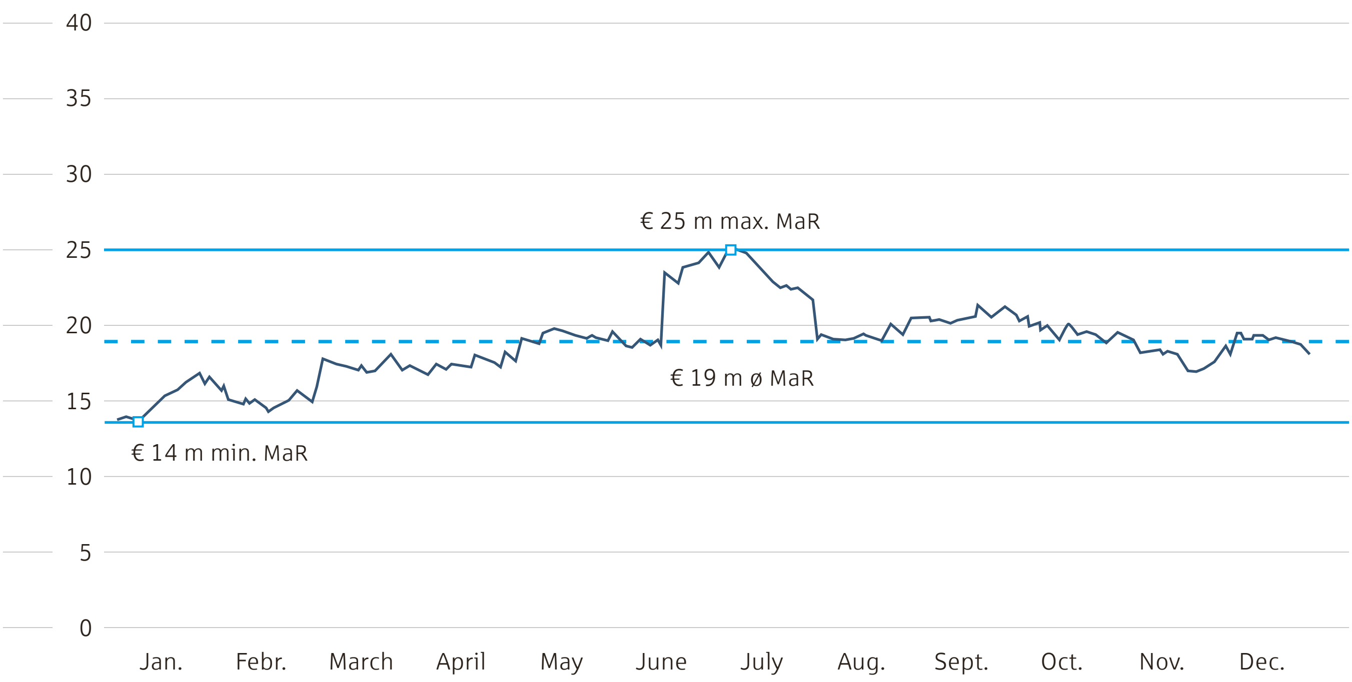
Helaba calculates the regulatory capital required for the general interest rate risk using an internal model in accordance with the CRR. This model, which consists of the risk measurement systems MaRC² (linear interest rate risk) and ELLI (interest option risk), has been approved by the banking regulator.

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 2018 financial year. The average MaR for 2018 as a whole was € 19 m (2017 as a whole: € 19 m), the maximum MaR was € 25 m (2017 as a whole: € 32 m) and the minimum MaR was € 14 m (2017 as a whole: € 14 m). The increase in risk in 2018 resulted primarily from linear interest rate risk but was also attributable to heightened volatility in the bond markets at the end of May/beginning of June 2018 caused by the formation of the new government in Italy as well as a normal level of reallocated exposures.

Daily MaR of the trading book in financial year 2018

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 2018 Ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Interest rate risk	13	26	18	15	20	13	17	12	17	17
Currency risk	0	0	0	0	0	1	0	1	0	0
Equities risk	2	2	2	2	1	2	1	2	2	2
Total risk	**16**	**28**	**19**	**18**	**21**	**16**	**19**	**15**	**19**	**19**

Number of trading days: 250 (2017: 250)

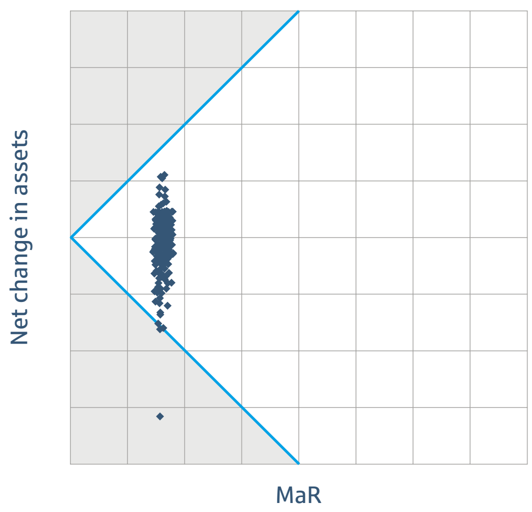
The annual average MaR for the trading book for Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG remains unchanged at € 0 m in each case.

Back-testing

Helaba carries out clean 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 price risk in financial year 2018. Two negative outliers occurred (2017: no negative outliers). One was due to the uncertainty in the bond markets associated with the process to form a new government in Italy, which caused spreads to widen. The other resulted from increases in spreads as a consequence of sharp price falls for financials.

Back-testing for the trading book in financial year 2018
Chart 4



The internal model for the general interest rate risk produced two negative outliers in 2018 in regulatory mark-to-market back-testing (2017: no negative outliers). The cause in both instances was the uncertainty in the bond markets associated with the process to form a new government in Italy, which caused spreads to widen.

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 2018, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 501 m in the value of the Helaba Group banking book (31 December 2017: € 277 m). Of this figure, € 480 m (31 December 2017: € 258 m) is attributable to local currency and € 21 m (31 December 2017: € 19 m) to foreign currencies. The change compared with the position at the end of 2017 arose mainly because of the implementation of modified requirements imposed by the banking supervisory authorities in relation to interest rate risk in the banking book. 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 2018.

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 that is based on a proprietary economic liquidity risk model and is 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.

The short-term liquidity status concept has been chosen 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 30 % as at the reporting date (31 December 2017: 11 %) as a result of the excellent level of liquidity adequacy. This increased to 32 % (31 December 2017: 16 %) when Frankfurter Sparkasse was included. The average utilisation rate in 2018 was 3 % (2017: 9 %), reflecting the excellent liquidity situation.

The Bank manages short-term liquidity in accordance with the regulatory LCR requirements in parallel with the economic model and has achieved the minimum ratio of 100 % applicable since the start of this year in full ever since 2017. The LCR stood at 126 % (31 December 2017: 159 %) on 31 December 2018.

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 € 1.6 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents an increase of € 0.1 bn as compared with the previous year. No liquidity had been drawn down from stand-by lines in US public finance business as of the reporting date (as was the case at the end of 2017).

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 scenario calculation using a variety of holding periods is carried out. The scaled MaR suggested no significant market liquidity risk as at 31 December 2018, as was also the case at 31 December 2017. 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.

Ongoing development of the tool kit

Helaba pursued ongoing development and standardisation work in the area of non-financial risks (NFR) in 2018 in recognition of the increasing prominence of NFR in risk management. The associated activities included combining operational risk and its existing risk sub-types in a complete framework for the containment and monitoring of non-financial risks centred on a comprehensive three lines of defence model with a minimum of overlap.

Risk monitoring

The risk reporting system keeps the bodies responsible, the Risk Committee, the management group created for non-financial risk and the units responsible for risk management at the local level informed of the risk situation, of any losses incurred and of 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 economic risk exposure. This also includes internal loss events and risk scenarios arising from operational risks that originate from risk sub-categories (including legal, outsourcing, information security, IT and project risks). The summary below shows the risk profile as at the end of 2018 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 | in € m

	Reporting date 31.12.2018	Reporting date 31.12.2017[1]
	VaR 99.9 %	VaR 99.9 %
Helaba Bank	229	212
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	94	94
Total	**323**	**306**

[1] Using the methodology of the internal economic perspective introduced for the calculation of risk-bearing capacity as at 1 January 2018

The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 323 m (31 December 2017: € 306 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 internal control procedures and the due and proper organisation of business. The defined framework for action is marked out in the documentation system in the form of regulations governing activities and processes.

Clear responsibilities have been defined within Helaba for the creation and continuous updating of the various components of the documentation system. The Process Management 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

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

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 utilisation of information 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 requirements concerning information security 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 information technology and information security risks (IT and IS risks). IT and IS 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 (which includes authenticity) and confidentiality – in order to avoid any detrimental impact on its ability to operate. The management group for non-financial risk also receives regular reports concerning IT and IS 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 are subject to tests and exercises to verify their effectiveness and are updated and enhanced on a regular basis to ensure that emergency operation and the restoration of normal operation both proceed properly.

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

Accounting process

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

Helaba's Accounting and Taxes unit consolidates the partial financial statements from the reporting units to produce both the single entity financial statements under HGB and the consolidated accounts under IFRS. Accounting and Taxes also analyses and prepares the closing data and communicates it to the 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 the controls and reconciliations
- Process documentation
- Communication of results

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

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

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

The procedure to be followed in accounting is set out in a number of different complementary forms of documentation. Accounting 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 the 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 operates a tax compliance management system (TCMS) to ensure that it always complies properly with its tax obligations. The TCMS 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 TCMS also includes the foreign branches with effect from 1 January 2019.

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

The analysis as at the 31 December 2018 reporting date under the internal economic perspective for the calculation of risk-bearing capacity shows a slight (+€ 156 m) year-on-year increase in business risks (31 December 2017: € 150 m using the methodology of the internal economic perspective introduced on 1 January 2018).

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 analysis as at the reporting date under the internal economic perspective shows a risk of € 112 m (31 December 2017: € 91 m using the methodology of the internal economic perspective introduced on 1 January 2018) from real estate projects and real estate portfolios. This risk figure has increased as a result of the inclusion in risk reporting of the land bank and land developments of a Group company active in the residential real estate segment. These risks continue to be fully covered by the expected income from the associated transactions.

Summary

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

Non-Financial Statement

Under Section 340i (5) of the German Commercial Code (HGB), Helaba is under an obligation to prepare a non-financial statement in which it describes the main effects of its business activities in certain non-financial areas.

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

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

In the year under review and on the date of the report, 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 and Sustainable Business Orientation

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 Group. These guidelines include standards of conduct approved by the Board of Managing Directors for business activities, business operations, employees and corporate social responsibility. The corporate values adopted by Helaba in 2018 under the "Values with impact" slogan underline its aspirations to make a positive contribution to society and to strengthen Germany as a business location.

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

Responsible for the management of institutional investors' assets in the Helaba Group, Helaba Invest signed the international Principles for Responsible Investment, or PRI, in 2018. In doing so, Helaba Invest reaffirmed its sustainability strategy of incorporating environmental, social and governance-related criteria (ESG) explicitly into its investment processes and products. In an initial step, Helaba Invest will roll out from 2019 environmental, social, and governance (ESG) screening for its retail equity funds. It will also examine all investment securities to determine the extent to which they comply with international sustainability standards and conventions, such as the principles of the UN Global Compact.

Responsible Business Practices and Social Value Proposition

There is an impact on environmental, social and human rights issues from Helaba's business activities as a bank, from the 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. Nevertheless, Helaba is committed to reducing its ecological footprint on a continuous basis. For example, Helaba's main office building (MAIN TOWER) is officially designated as a sustainable and energy-efficient building, having received platinum certification – the highest category available – in accordance with Leadership in Energy and Environmental Design (LEED) standards. Helaba relies on electricity generated from renewable sources for over 90 % of its electricity needs in office buildings. Helaba regularly monitors environmental indicators in relation to its operations and publishes the results transparently on its website.

It also uses a risk-based approach when outsourcing activities and processes. In Helaba's opinion, its supply chain has no material impact on human rights. Nevertheless, to ensure that this continues, Helaba verifies that preferred suppliers are committed to respecting human rights and have documented this in the form of binding codes of conduct.

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.

Helaba has developed sustainability and exclusion criteria for lending with the aim of minimising negative effects from financing operations. These criteria have been integrated into the existing risk process and risk containment activities and apply throughout the Group. 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 such as the destruction of the natural habitats of threatened species.

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. This ensures that the funding of controversial, high-risk activities such as fracking or the extraction of oil from tar sands is ruled out. Helaba is gradually scaling back its current exposures in relation to coal-fired power plants and power station coal. What is more, it is stepping up its positive involvement in projects relating to climate change by financing energy-efficient and environmentally friendly technologies as well as renewable energy sources. The sector-specific guidelines are published on Helaba's website and are therefore also visible to market players.

Helaba reviews its risk strategies annually and will adjust or expand sustainability criteria as required. In the 2018 update process, the Bank decided to adopt animal welfare as a new audit criterion from 2019 on.

The containment of default risk is integrated into the risk management system used throughout the Group. The basis is a comprehensive and universal risk strategy derived from the business strategy. This risk strategy was drawn up on a binding basis in accordance with the German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk). The Board of Managing Directors is responsible for all of the risks to which Helaba is exposed as well as for ensuring compliance with the risk strategy and execution of risk management throughout the Group.

Provision of financial services

Within the Helaba Group, private customer business is primarily conducted by Frankfurter Sparkasse. Frankfurter Sparkasse's Charter specifies that its mission is to promote saving and other forms of wealth accumulation and to satisfy the demand for credit at local level. As the regional market leader in private customer business with the biggest branch network in Frankfurt am Main, Frankfurter Sparkasse has significant influence over the provision of financial services in its territory. It discharges its responsibility for the provision of access to financial services and meets its mandate to operate in the public interest by ensuring it has a broadly based presence in the territory, comprising 75 branches and advice centres, more than 20 self-service banking centres and around 200 automated teller machines (ATMs).

Frankfurter Sparkasse recognises financial inclusion as a key component of its mandate to operate in the public interest. To ensure that access to banking services is available to all sectors of the population, particularly economically and socially disadvantaged customers, Frankfurter Sparkasse offers various types of basic account. As at 31 December 2018, 1,328 basic accounts were offered (2017: 1,033). Frankfurter Sparkasse makes it easier for the blind and visually impaired to access its services by ensuring that each of its physical branches has at least one ATM with a headphone socket. The online branch of the Frankfurter Sparkasse offers completely barrier-free access to its media operations, too.

Frankfurter Sparkasse pursues a business policy that is consistently focused on customer needs. Regular staff training sessions on the sales philosophy of the Sparkassen-Finanzgruppe and on implementing guidelines and laws with a consumer focus are held. For example, 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.

Residential management

GWH Immobilien Holding GmbH leases out and/or manages some 50,000 homes in its real estate business and therefore holds significant influence over environmental and social issues. The objectives it pursues are to provide high-quality, affordable homes for broad sections of the population and to reduce the detrimental effects of real estate on the environment. There is the risk of a housing shortage, particularly in urban centres such as the Rhine-Main and Rhine-Neckar regions. GWH makes best efforts to provide high-quality housing and maintain a trusting 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. According to the latest evaluations, the total energy consumption in 2017 of 409,886 MWh was reduced by approximately 1.54 % as a result of heat insulation improvements and the modernisation of heating systems, saving 1,272 tonnes of CO_2 (2016: 1,374 tonnes of CO_2). The slight fall in CO_2 savings compared with 2016 was mainly due to the fact that efficiency gains from the modernisation of heating systems had already largely been exhausted. In 2018, 88 % of the buildings received new energy certificates. At around 124 kWh/m²/a, the average energy consumption of GWH's residential properties is below the German average of around 169 kWh/m²/a (last available value for 2015) as published by the nation's energy agency.

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 wide-ranging sociocultural profiles. Around 25 % of the homes provided by GWH are rent-controlled (subsidised); around 20 % of the homes are located in areas subject to special neighbourhood management from a social perspective. The objective of the neighbourhood management scheme is to implement a range of measures aimed at improving the residents' quality of life and quality of living, as well as bringing about a degree of social equality. For instance, GWH makes premises available for example for social outreach purposes, including youth support schemes and community centres, and takes part in social projects. It supports housing development residents by setting up help and advice offices, finding local caretakers, and employing welfare officers as points of contact.

GWH services the demand for housing with a continuous programme of new construction. For example, 257 homes for rent and 52 owner-occupied houses or apartments were completed in 2018.

Combating Bribery and Corruption

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

In view of the nature of banking business, the prevention of criminal economic activity through a compliance management system with a preventive focus is of key importance at Helaba in this context. One of the measures taken by Helaba has been to set up the independent functions of the Money Laundering and Fraud Prevention Compliance Office. 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 such as fraud and bribery.

In order to cope with the steady rise in regulatory requirements, today and in the future, Helaba created its new Compliance unit on 1 July 2018, under which all existing compliance functions are to be subsumed.

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. In order to ensure that business decisions are taken objectively and transparently on the basis of a clear fact-based rationale, Helaba's company regulations provide further assistance and set standards for authorisation requirements that ensure transparent handling. As part of the regulatory requirements, Helaba holds regular training sessions, and it is mandatory for employees to attend these events every three years at least.

A whistle-blowing system is in place, enabling any employee to report potentially unlawful transactions. Employees can contact an external ombudsperson either anonymously or safe in the knowledge that their identities will not be disclosed.

As part of the preventive approach, an annual Group risk analysis report is prepared and submitted to the responsible department, the Board of Managing Directors and the Supervisory Board. In addition, Internal Audit conducts an independent assessment of risk management and the checks every year; it reports to the Board of Managing Directors on the efficiency of tools and compliance with them. In 2018, no corruption proceedings were instigated against Helaba.

Appreciative Corporate Culture and Sustainable HR Activities

The knowledge and experience of employees is key to the long-term successful performance of Helaba as a bank in the financial services sector. Around 95 % of employees work in Germany. Relevant labour-law and health and safety regulations are applied and well-established processes ensure compliance. Some 95 % of employees have a permanent employment contract.

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 57 % of employees is collectively agreed, with the pay for more than 85 % of this proportion being set under the collective agreement for public-sector banks. Remuneration for the remaining 43 % is not subject to a collective salary agreement. 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 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 in particular and has therefore set itself the enduring 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. Continuous developments in banking regulation and the ongoing digitalisation of business also mean changes to the requirements Helaba must meet to maintain its appeal, primarily for a younger target group and to respond to shifting and/or new demands in terms of skill sets.

The requisite skill sets for each unit are set out in requirements profiles. 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.

As part of the cultural transformation process launched in 2017 under the title 'move Helaba', 2018 saw the Bank carry out further employee workshops covering topics such as appreciation and leadership, communications and discussion culture, co-operation and processes, and customer focus/efficiency. For example, it was decided to introduce a hospitation scheme as of 2019 in order to promote networking between employees and improve interdepartmental collaboration.

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. Helaba therefore invested € 4.5 m in developing employee skills and qualifications in 2018. The needs-based range of seminars covering professional, personal, social and methodological development helps managers and employees fulfil their day-to-day responsibilities. These offerings are complemented by foreign language training, topic-specific seminars 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 pre-defined development path.

Helaba attaches particular importance to the greater advancement of women and to the development of HR tools that are differentiated by age in order to make the most of the potential presented by all employees and exploit the long-term prospects available in the Group. To this end, a diversity management programme has been set up; it develops strategies on the key topics of gender, age and integration. In the scope of the staff model orientated to life cycles, appropriate measures are implemented in order to recruit people, fill open positions, recognise potential early on, develop staff and increase workplace appeal to better retain employees.

Diversity in the Helaba workforce, key figures

	31.12.2018	31.12.2017	31.12.2016
Proportion of women	48.1 %	47.8 %	47.5 %
Proportion of female managers	22.0 %	22.0 %	19.6 %
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)	23.3 %	22.2 %	22.2 %
Proportion aged >50	44.9 %	42.3 %	39.5 %
Proportion aged 30-50	46.9 %	50.3 %	52.3 %
Proportion aged < 30	8.2 %	7.4 %	8.2 %
Proportion of employees with disabilities (as defined by § 2 SGB IX)	5.9 %	5.6 %	5.8 %

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 risk prevention. 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. An employee welfare service offers skilled counselling to any employees with problems in their professional or personal lives. From 2019, this offer will also include advising for employees and managers as well as a work-life service.

Overall, a low employee turnover rate of 3 % (departure initiated by the employee), an average period of service of 15.0 years and a low absenteeism rate of 4.8 % (absence caused by illness as evidenced by a doctor’s certificate) are testimony to a high degree of satisfaction and significant employee commitment.

Outlook and Opportunities

Economic conditions

All told, the global economy is growing in 2019 at a rate comparable to the previous year. The heavyweights United States and China are losing momentum. In the United States, the tailwind provided by the country's fiscal policy is gradually diminishing, while China's flatter growth trajectory appears to be continuing. That said, other regions of the world are exerting a stabilising effect so that global growth will be only slightly lower than in the year before.

With growth likely to reach 1.3 % in 2019, Germany will presumably grow almost as strongly as in 2018, with the pace set to increase as the year progresses. By then, the uncertainty over Brexit and the trade disputes should have diminished. In the light of positive employment figures and higher real incomes, domestic demand is again expected to be buoyant. The cycle of investments is continuing in the light of the favourable environment for capital formation. The pace of construction activity is likely to slacken, however; further increases will be difficult to realise given the very high level of capacity utilisation. As in the previous year, imports are anticipated to grow at a stronger rate than exports in 2019 so that German foreign trade is likely to make a slightly negative contribution to growth. Public finances are likely to show a somewhat smaller surplus in 2019 following the surplus of 1.7 % of GDP in 2018. Although tax receipts will continue to rise, higher public-sector capital spending and greater public-sector consumption will restrict the surpluses.

Diverse trends are apparent in the eurozone: in Italy, growth is likely to be well below average again in 2019 as the new government is failing to tackle the nation's competitive problems. Despite the protests afflicting the nation, France could record growth on a par with Germany's. Growth in Spain will remain above average but will fall.

Slowly but surely, the ECB is starting to turn. The first step towards a less expansionary monetary policy came at the end of 2018, when the ECB discontinued its bond-buying programme. The next step in the second half of 2019 is likely to be a cautious adjustment of the key interest rates in response to the – by then – improved economic backdrop, with the deposit rate likely to rise from – 0.4 % to – 0.2 %. Although money market rates and short-dated German government bonds are, for the most part, still in negative territory, yields on medium and long maturities are set to 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 in its operating segments as a result of its business model, market position or special expertise. By pursuing targeted strategic growth initiatives in its lines of business, Helaba has positioned itself to best exploit the potential opportunities arising from the current market environment.

In 2018, Helaba conducted a major customer survey in which 90 % of the participants stated that they were extremely satisfied with the bank. This shows that Helaba's values-based banking business is meeting with a positive response from customers and that the institution can bank on stable, enduring client relations going forward. The survey addressed virtually all the bank's client groups: target customers, real estate customers, product customers of the Cash Management and Capital Markets units, and the Sparkassen. All in all, 500 telephone interviews were carried out.

Long-term customer relationships combined with a sustainable business policy in the carefully selected domestic and international target markets have formed the basis for the growth in new business in the Real Estate segment over the last few years. Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to assert and continue to consolidate its market position in real estate lending based on its product expertise and on its well-established presence in the markets over many years. In real estate lending, Helaba will continue to expand the syndication offering it extends to customers and investors. Syndication arrangements also allow Sparkassen to participate in lending transactions set up by Helaba experts and thus diversify their risk.

The Corporates & Markets segment encompasses the customer-driven business. In Corporate Finance, Helaba is broadening its offering through targeted product initiatives, for example in structured sales finance business, and expanding its supply chain finance activities. In sales financing operations with consumers, Helaba is strengthening and extending its role as a source of funding. Thanks to its acquisition of DVB's rolling stock portfolio, Helaba can sustainably improve its market position for Land Transport funding as well as increase its business volume and new business operations.

The Metaplus Digital web application is leading to greater efficiency and more potential business in the Sparkasse lending business. With the help of interfaces to OSPlus at Sparkassen, customer and transaction data can be sent directly, which means that lending decisions can be made more quickly.

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 persistently high competitive pressure and regulatory requirements. The associated opportunities are being systematically exploited with the aim of generating fees and commissions to counter the ongoing significant downward pressure on margins.

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. In this context, the Bank has made significant progress in implementing an instant payments system, as required under regulatory requirements. Helaba launched the system in the Sparkassen-Finanzgruppe in July 2018, thereby ensuring that this forward-looking technology also forms part of a consistent approach in which Helaba aims to maintain its strong position in the Sparkassen-Finanzgruppe.

In the Retail & Asset Management segment, Frankfurter Sparkasse – the regional market leader in private customer business – is benefiting from opportunities derived from its strong local roots. In December, it opened a new branch in Frankfurt's Europaviertel in response to the dynamic growth of this new housing and business quarter in the heart of the city. In addition, appealing new solutions are being created – such as the Friends in Banks online tool, the only of its kind in Germany: its questionnaire makes it possible to ideally match customers with advisors. The tool enhances the quality of on-site counselling and our presence across a broad area.

Further business potential can be leveraged with the subsidiary Helaba Invest through the even tighter integration within the Helaba Group. Among other things, this creates opportunities for collaborating with Helaba on the real-estate loan fund, which allows Sparkassen to access Helaba's diversified lending portfolio.

Helaba believes that there is further growth potential for the Group from the business with high-net-worth customers via the Frankfurter Bankgesellschaft (FBG) subsidiary. Frankfurter Bankgesellschaft is the leading private bank in the S-Group collaborating exclusively with the Sparkassen. After opening further locations in Düsseldorf, Munich and Hamburg, Helaba believes there is a very good chance that FBG will achieve its goal of becoming one of the five most powerful private banking institutions in Germany.

GWH has added a fund component to its four-pillar strategy of real estate management, real estate sales, project development/revitalisation, and real estate services. The aim here is to create, sell and manage a residential property fund for Sparkassen.

In the development business segment, the administration and financing of the Hessenkasse, which has a volume of around € 5 bn, presents significant business potential.

By acquiring Dexia Kommunalbank Deutschland, Helaba can consolidate its market position as a leading issuer of Pfandbriefe and hone its competitive edge in municipal finance. Upon completion of the transaction, Helaba will become Germany's largest issuer of public Pfandbriefe, with a joint outstanding volume of public Pfandbriefe totalling some € 29 bn.

Despite continuing uncertainty, the bank and its London branch are well prepared for Brexit. And despite the considerable political uncertainty in the run-up to withdrawal, Helaba believes that, even in the case of a no-deal Brexit, its loans portfolio will not suffer substantial impairment in the short term, either in the UK or in continental Europe. The foreseeable impairments and shifts in ratings are acceptable. Medium term trends in the UK are countered by what is, even today, a highly selective lending policy. Although we do envisage a slight increase in contributions to loss allowances for loans and advances, and believe that the change in interest and credit spreads – especially in the short term – could give rise to significant measurement losses, even in low-risk portfolios, we do expect values to recover in the medium term. The bank is addressing these risk factors with a risk-conscious approach applied both to new business on the loans side and to its daily monitoring and countering of market risks.

In 2017, Helaba developed a future-focused digital agenda. The core component is the strategic digitalisation project, involving digitalisation initiatives in a number of 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 key development at the customer interface is Helaba's customer portal, now in its third release, which has met with lively interest from both corporate and real estate customers. This portal offers customers significant added value with the personalised customer dashboard, which provides transparency of current products, and support functions – such as the secure data room and the transparent process for new real estate loans that is trackable for both parties. The functionality will be updated in 2019 once again based on customer feedback. Process optimisation projects are also progressing as planned; the online portal for the jointly extended (meta) loans business with Sparkassen went live in November 2018 in the scope of the OS Plus release update. Following initial successful tests with Robotic Process Automation (RPA), further use cases have now been identified and these will be implemented in the course of 2019. Helaba's collaboration with the vc trade platform for promissory notes is developing in a very encouraging manner. In 2018, Helaba and other players succeeded in placing several billion euros worth of business via the platform. In addition, the komuno digital platform for municipal loans went live in September 2018. komuno is the initial capital expenditure of Helaba Digital, an equity investment entity. Following successful testing and the first round of transactions between municipalities and Sparkassen-Finanzgruppe institutes, the platform has been available since early 2019 to all interested financing providers. Helaba Digital is preparing further equity investments.

Rating agencies Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and Standard & Poor's (S&P) have awarded Helaba issuer ratings of Aa3, A+ and A. The ratings for short-term liabilities are P-1, 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 the structure of its owners (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, the international business, or high-end private banking through Frankfurter Bankgesellschaft.

Due to the challenging nature of the prevailing economic conditions, the banking sector finds itself in a continuous process of adjustment, with increasing pressure to consolidate. Against this backdrop, portfolios are offered time and again on the market. Helaba analyses such opportunities for acquisition in order to expand its business in line with its business model.

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 business with established target customers and 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 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.

Probable development of the Group

Landesbank Hessen-Thüringen Girozentrale (Helaba) is a credit institution organised under public law; its business model is based on a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkasse organisation and therefore provides an excellent foundation for the development of the business in 2019. The economic forecasts for 2019 predict solid economic trends with continued growth. Coupled with interest rates that remain low in 2019, the large number of project activities will have an adverse impact on financial performance in 2019. The details of the forecast for 2019 are presented below.

In the Real Estate segment, 2019 will again see real estate lending – both in Germany and abroad – subject to intense competition and downward pressure on margins. Nonetheless, Helaba intends to use its robust market position to augment business volumes and income in this segment in 2019. The volume of new medium- and long-term real estate lending business in 2019 is therefore budgeted to be around 4 % higher than 2018 at € 10.2 bn. Syndication is to be temporarily reduced in order to aid portfolio growth. Loss allowances for loans and advances in the Real Estate segment will rise to € 54 m compared with the very low prior-year level. In view of a slight rise in general and administrative expenses, profit before taxes for the segment is predicted to drop year on year to € 211 m in 2019 (2018: € 242 m).

In the Corporates & Markets segment, corporate client business is expected to grow in 2019 despite persistently intense competition. The acquisition of a rolling stock portfolio also plays a role in the planned growth. A continuous rise in earnings in both Sparkasse and municipal lending business is anticipated in 2019. At € 9.3 bn, the total volume of new medium- and long-term lending business in 2019 in the Corporates & Markets segment is budgeted to be well above the level of the previous year.

Customer business with capital market products will once again face challenging conditions in 2019 on account of the low interest rates. What is more, low underlying credit spreads have a fundamentally detrimental effect on customer business and warehousing. The ECB's unwinding of quantitative easing has led to expectations that credit spreads will widen and volatility increase. That said, this trend will give rise to opportunities in the market and be accompanied by an expansion in business volume. It is expected that customer business will improve over the course of 2019 and income will rise.

In the cash management business, Helaba is one of Germany's leading payment transaction clearing houses and the leading light in the Sparkassen-Finanzgruppe. The number of transactions settled is set to surpass seven billion in 2019. The structural shift to digital and increasingly cut-throat competition are producing concentration processes, particularly for network operators, and this may well result in a decline in mandates for Helaba's account. The cash management business line expects the positive trend in transaction volumes to generate a slight increase in commissions – the most important source of income – and that this will largely balance out the adverse impact of low interest rates.

Interest and fee and commission income in the Corporates & Markets segment is budgeted to rise by 2 % overall. In the capital markets business, Helaba expects earnings to be well above the previous year's level, impacted as it was by negative measurement effects. In contrast, loss allowances for loans and advances are expected to rise in 2019 compared with the very low prior-year level. In view of ongoing increases in general and administrative expenses triggered by greater project costs and higher cost allocations for the structural costs of banking, profit before taxes for the segment is predicted to rise slightly year on year to € 131 m in 2019 (2018: € 119 m).

In the Retail & Asset Management segment, Frankfurter Sparkasse will once again in 2019 contribute to positive earnings over the long term in its position as regional market leader.

Earnings performance is forecast, however, to be significantly below the good level achieved in the previous year on account of the ongoing adverse impact from low interest rates. Frankfurter Sparkasse is predicting a moderate rise in loss allowances for loans and advances in 2019 and is, therefore, expecting profits to be significantly below the 2018 level (down 25 %) despite a slight drop in general and administrative expenses.

Helaba Invest intends to further expand its product range in 2019 and expects income to be slightly above the 2018 level. Frankfurter Bankgesellschaft is planning to increase its income considerably in 2019 by expanding both its family office business locations and its consulting capacities at its new FBG Deutschland locations in Düsseldorf and Munich.

The low interest rate environment is impairing LBS's business model both through lower returns on invested assets and because lending business in the collective is subdued. As slightly rising income is offset by slightly rising costs, net income is expected to be on a par year on year.

GWH expects profits for 2019 to reach the excellent prior-year level. The anticipated continual increase in income from new products such as real estate funds will be offset in 2019 by slightly higher expenses for the realisation of initiatives.

Total earnings before loss allowances for loans and advances in this segment are expected to be on a par with the previous year. As a consequence of projected increases in loss allowances for loans and advances and in general and administrative expenses, profit before taxes in the segment is likely to fall by about 17 % to € 169 m.

Following the significant rise in the previous year due to the 'Hessenkasse' project, business volume in the WIBank segment in 2019 is expected to stabilise at the current level. Interest income will rise slightly compared with 2018. In light of the anticipated moderate rise in general and administrative expenses, profit before taxes in the segment is projected to be slightly below the average for previous years at € 16 m.

In the Other segment, income derived from investing own funds is forecast to exceed the prior-year level. In contrast, treasury contributions to earnings, which are recognised in this segment, will be below the prior-year level. The OFB Group is projecting earnings in 2019 to be on a level with the previous year. The general and administrative expenses of the central units not allocated to the operating segments are expected to be lower in 2019 compared with the previous year. In 2019, the budgeted loss before taxes for the Other segment in 2019 is expected to fall year-on-year to € 94 m (2018: loss of € 117 m).

Total new medium- and long-term lending business (including Frankfurter Sparkasse but excluding the WIBank development business, which does not form part of the competitive market) is budgeted at € 20.4 bn for 2019, slightly above the previous year's level. Taking into account anticipated redemptions, loans and advances to customers are expected to increase slightly. The changes in total assets depend to a great extent on the balances as at the reporting date. Overall, another slight increase is anticipated in 2019.

Despite the ongoing adverse impact in 2019 from low interest rates, net interest income in the Group is likely to rise by 5 % year on year in 2019. Contributing factors will be the business initiatives and the resulting planned growth in customer loans and advances. A continuous rise in net interest income is anticipated over the medium term.

Loss allowances for loans and advances in the two previous years were impacted by a high level of reversals of portfolio loan loss allowances. Based on favourable macroeconomic trends, loss allowances for loans and advances in 2019 are budgeted at € 120 m – yet still remain slightly below the long-term average of the past decade. In the medium term, there will probably be a further slight rise in loss allowances for loans and advances.

Net fee and commission income has been budgeted at roughly 9 % higher than in the previous year, mainly because of the growth in customer business. It is anticipated that net trading income will return to normal levels in 2019 and thus rise significantly compared with the previous year, which was characterised by particularly high credit value adjustments (CVAs). Other net operating income is projected to amount to € 275 m in 2019, down on the previous year's figure, which was shaped by gains on disposals.

Headcount throughout the Group is projected to remain largely unchanged. The main reason for the 1.5 % climb in personnel expenses is an increase in collective pay levels. Non-personnel operating expenses (including depreciation, amortisation and impairment losses) are predicted to decline slightly by around 1.5 %, following a rise in 2018. Overall, general and administrative expenses for the Group are budgeted to remain on a par with the previous year's value.

At € 444 m, profit before taxes for the Group is projected to be on or around the previous year's level. The amount of consolidated net profit in 2019 and specific items in the income statement will be affected by the anticipated inclusion of DKD in the consolidated financial statements. It is expected that the transaction will be concluded in the second quarter of 2019. Group forecasts do not yet reflect the effects of DKD consolidation.

Based on the budgeted profit, economic return on equity for 2019 is expected to be around 5.4 % with a cost-income ratio of approximately 72 %. The budgeted CET1 capital ratio for the Helaba Group is 13.5 %. A leverage ratio of around 4.8 % is anticipated for 2019.

Regulatory authorities stipulate that a liquidity coverage ratio (LCR) of at least 100 % must be maintained (capacity). Risk appetite was set at 125 % for 2019, risk tolerance at 120 %. The net stable funding ratio (NSFR) – a medium- and long-term liquidity ratio – will be introduced on a mandatory basis in 2021 at the earliest; Helaba is already taking this key indicator into account. In this respect, a figure of 100 % for risk appetite is budgeted for 2019. Risk tolerance has been set at 80 %.

The Bank's aim for 2020 is once again to launch strategic initiatives 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. The ongoing negotiations on the form and date of the UK's withdrawal from the EU is causing uncertainty in the markets. Although Helaba's business model is not directly affected by this, repercussions are possible for the real economy and the financial markets.

In addition, the continuing uncertainty surrounding Italy's political course and the associated budgetary discipline could well sow the seeds of destabilisation in the eurozone.

In Germany, there is a risk that economic growth could be weaker than expected due to these overarching European issues. Continuing uncertainty surrounding the pending structural shift in the automotive and energy sectors could also subdue growth in Germany.

With the ECB winding down its asset-buying programme, it appears that the first step towards more normal interest rate levels has now been taken. The risk remains, however, that the ECB may postpone the expected rise in interest rates to well beyond the end of 2019 in response to lower growth figures and general uncertainty in the eurozone.

In addition, Helaba's membership in the institutional reserve fund of the Landesbanken and in the European bank levy can compel Helaba to make special payments in the case of indemnity and assistance measures – which in turn could result in unforeseen adverse effects on Helaba's net assets, financial position, financial performance and liquidity position.

Overall assessment

Against the backdrop of exacting market conditions, Helaba generated profit before taxes of € 443 m (2017: € 447 m) in 2018, which was a satisfactory outcome and in excess of the budgeted figure. In this context, the performance of the operating business was likewise satisfactory. While the volume of new business increased, net interest income and net fee and commission income generally moved sideways compared with the previous year. Against the background of positive economic trends, loss allowances for loans and advances resulted in a net reversal (i.e. income) for the year, even with the continuation of the Bank's conservative risk provisioning policy. In the prior year, both net trading income and net income from hedge accounting were significantly impacted by temporary remeasurement effects. The rise in other net operating income had a positive effect. General and administrative expenses rose as a consequence of higher IT and consulting expenses in connection with the implementation of regulatory and business-driven requirements. The net profit generated in financial year 2018 allows Helaba to service all subordinated debt, profit participation rights and silent participations, pay a dividend to shareholders and make appropriations to reserves.

Despite the increasing competitive pressure and the multitude of regulatory requirements, Helaba is well placed to meet the challenges of the future over the long term with its strategic business model focused on the needs of the real economy and the Sparkassen-Finanzgruppe. It sees additional development opportunities in the expansion of regional private customers and SME business, S-Group business, public development and infrastructure business, and in the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. 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, 25 February 2019

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Schmid	Dr. Schraad

Consolidated Financial Statements

Consolidated Income Statement

for the period 1 January to 31 December 2018

		2018	2017[1]	Change	
	Notes	in € m	in € m	in € m	in %
Net interest income	(7), (22)	1,072	1,069	3	0.3
Interest income		3,525	3,683	–158	–4.3
thereof: Calculated using the effective interest method		2,311	2,351	–40	–1.7
Interest expenses		–2,453	–2,614	161	6.2
Loss allowances	(7), (9), (23)	45	56	–11	–19.6
Net interest income after loss allowances		**1,117**	**1,125**	**–8**	**–0.7**
Dividend income	(7), (25)	36	26	10	38.5
Net fee and commission income	(7), (26)	349	354	–5	–1.4
Fee and commission income		464	494	–30	–6.1
Fee and commission expenses		–115	–140	25	17.9
Net trading income	(7), (27)	32	268	–236	–88.1
Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss	(7), (28)	21	–215	236	>100.0
Gains or losses on financial instruments designated voluntarily at fair value	(7), (29)	–8	88	–96	>–100.0
Net income from hedge accounting	(7), (10), (30)	–	–9	9	100.0
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	(7), (31)	6	24	–18	–75.0
thereof: From financial assets measured at amortised cost		1	–1	2	>100.0
Share of profit or loss of equity-accounted entities	(32)	13	19	–6	–31.6
Other net operating income	(33)	317	115	202	>100.0
General and administrative expenses	(34)	–1,363	–1,276	–87	–6.8
Depreciation and amortisation	(35)	–77	–72	–5	–6.9
Profit before taxes		**443**	**447**	**–4**	**–0.9**
Taxes on income	(36)	–165	–191	26	13.6
Consolidated net profit		**278**	**256**	**22**	**8.6**
thereof: Attributable to non-controlling interests		2	–6	8	>100.0
thereof: Attributable to shareholders of the parent		276	262	14	5.3

[1] The prior-year figures have been reclassified in accordance with the new structure of the income statement. Figures have not been restated. Please refer to Note (1).

Consolidated Statement of Comprehensive Income

for the period 1 January to 31 December 2018

	2018	2017	Change	
	in € m	in € m	in € m	in %
Consolidated net profit according to the income statement	**278**	**256**	**22**	**8.6**
Items that will not be reclassified to the income statement:	**5**	**82**	**–77**	**–93.9**
Remeasurement of net defined benefit liability	10	116	–106	–91.4
Change in fair value of equity instruments measured at fair value through other comprehensive income	3	n.a.	n.a.	–
Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	–11	n.a.	n.a.	–
Taxes on income on items that will not be reclassified to the income statement	3	–34	37	>100.0
Items that will be subsequently reclassified to the income statement:	**–83**	**–63**	**–20**	**–31.7**
Change in fair value of available-for-sale financial assets[1]	n.a.	–66	35	53.0
Measurement gains (+) or losses (–) on available-for-sale financial assets	n.a.	–43	30	69.8
Gains (–) or losses (+) reclassified to the income statement upon disposal	n.a.	–23	5	21.7
Change in fair value of debt instruments measured at fair value through other comprehensive income	–89	n.a.	n.a.	–
Unrealised gains (+)/losses (–) recognised in the period under review	–85	n.a.	n.a.	–
Gains (–) or losses (+) reclassified to the income statement in the reporting period	–4	n.a.	n.a.	–
Gains/losses from currency translation of foreign operations	8	–20	28	>100.0
Unrealised gains (+)/losses (–) recognised in the period under review	10	–20	30	>100.0
Gains (–) or losses (+) reclassified to the income statement in the reporting period	–2	–	–2	–
Gains or losses from fair value hedges of currency risk	–42	n.a.	n.a.	–
Unrealised gains (+)/losses (–) recognised in the period under review	–42	n.a.	n.a.	–
Taxes on income on items that will be reclassified to the income statement	40	23	17	73.9
Other comprehensive income after taxes	**–78**	**19**	**–97**	**>–100.0**
Comprehensive income for the reporting period	**200**	**275**	**–75**	**–27.3**
thereof: Attributable to non-controlling interests	2	–	2	–
thereof: Attributable to shareholders of the parent	198	275	–77	–28.0

[1] These amounts relate to equity instruments and debt instruments classified as AfS in accordance with IAS 39.

Consolidated Statement of Financial Position

as at 31 December 2018

Assets in € m

	Notes	31.12.2018	31.12.2017[1)]	1.1.2017[1)]
Cash on hand, demand deposits and overnight money balances with central banks and banks	(38)	7,342	10,478	4,322
Financial assets measured at amortised cost	(5), (39)	106,755	100,046	105,985
Trading assets	(5), (40)	16,989	16,100	20,341
Other financial assets mandatorily measured at fair value through profit or loss	(5), (41)	3,911	2,369	3,271
Financial assets designated voluntarily at fair value	(5), (42)	377	2,307	2,444
Positive fair values of hedging derivatives under hedge accounting	(10), (43)	608	551	753
Financial assets measured at fair value through other comprehensive income	(5), (44)	22,494	22,191	23,839
Shares in equity-accounted entities	(3), (45)	45	45	25
Investment property	(46)	2,420	2,239	2,163
Property and equipment	(47)	438	427	435
Intangible assets	(48)	80	66	113
Income tax assets	(50)	593	483	522
Current income tax assets		103	68	96
Deferred income tax assets		490	415	426
Non-current assets and disposal groups classified as held for sale	(49)	42	–	–
Other assets	(51)	874	933	940
Total assets		**162,968**	**158,235**	**165,153**

1) Prior-year figures have been reclassified in accordance with the new structure of the statement of financial position. Please refer to Note (1) for disclosures on the transition to the new structure of the statement of financial position.

Equity and liabilities

in € m

	Notes	31.12.2018	31.12.2017[1]	1.1.2017[1]
Financial liabilities measured at amortised cost	(5), (52)	125,222	122,537	122,010
Trading liabilities	(5), (53)	12,763	12,277	18,703
Negative fair values of non-trading derivatives	(5), (54)	1,791	2,191	3,756
Financial liabilities designated voluntarily at fair value	(5), (55)	11,480	10,312	9,607
Negative fair values of hedging derivatives under hedge accounting	(5), (56)	490	89	161
Provisions	(57)	2,087	2,089	2,319
Income tax liabilities	(50)	157	268	184
Current income tax liabilities		141	252	174
Deferred income tax liabilities		16	16	10
Other liabilities	(58)	516	438	563
Equity	(59)	8,462	8,034	7,850
Subscribed capital		2,509	2,509	2,509
Capital reserves		1,546	1,546	1,546
Additional Tier 1 capital instruments		354	–	–
Retained earnings		4,414	4,225	4,053
Accumulated other comprehensive income (OCI)		−360	−243	−256
Non-controlling interests		−1	−3	−2
Total equity and liabilities		**162,968**	**158,235**	**165,153**

[1] Prior-year figures have been reclassified in accordance with the new structure of the statement of financial position. Please refer to Note (1) for disclosures on the transition to the new structure of the statement of financial position.

Consolidated Statement of Changes in Equity

for the period 1 January to 31 December 2018

in € m

	Equity attributable to shareholders of the parent company							
	Subscribed capital	Capital reserves	Additional Tier 1 capital instruments	Retained earnings	Cumulative other comprehensive income[1]	Subtotal	Non-controlling interests	Total equity
As at 31.12.2016	**2,509**	**1,546**	**–**	**3,521**	**276**	**7,852**	**–2**	**7,850**
Adjustments due to IAS 8				532	–532	–		–
As at 1.1.2017	**2,509**	**1,546**	**–**	**4,053**	**–256**	**7,852**	**–2**	**7,850**
Changes in the basis of consolidation						–	–1	–1
Dividend payment				–90		–90		–90
Comprehensive income for the reporting period				262	13	275	–	275
thereof: Consolidated net profit				262		262	–6	256
thereof: Other comprehensive income after tax					13	13	6	19
As at 31.12.2017	**2,509**	**1,546**	**–**	**4,225**	**–243**	**8,037**	**–3**	**8,034**
Adjustments due to IFRS 9				3	–39	–36		–36
As at 1.1.2018	**2,509**	**1,546**	**–**	**4,228**	**–282**	**8,001**	**–3**	**7,998**
Issue of additional Tier 1 capital instruments			354			354		354
Dividend payment				–90		–90		–90
Comprehensive income for the reporting period				276	–78	198	2	200
thereof: Consolidated net profit				276		276	2	278
thereof: Other comprehensive income after tax					–78	–78	–	–78
As at 31.12.2018	**2,509**	**1,546**	**354**	**4,414**	**–360**	**8,463**	**–1**	**8,462**

[1] The revaluation reserve and the currency translation reserve are reported within accumulated other comprehensive income (OCI). Please refer to Note (1) for disclosures on the reconciliation from the old to the new structure for equity.

Consolidated Cash Flow Statement

for the period 1 January to 31 December 2018

in € m

	2018	2017[1]
Consolidated net profit	**278**	**256**
Non-cash items in consolidated net profit and reconciliation to cash flow from operating activities:		
Loss allowances and modifications in respect of financial assets; depreciation, amortisation, impairment losses and reversals of impairment losses in respect of non-financial assets	37	346
Additions to and reversals of provisions outside the scope of application of IFRS 9	–11	224
Other non-cash expense/income	–128	–399
Gains or losses from the derecognition of non-financial assets and financial instruments	–58	–55
Other adjustments	–909	–906
Subtotal	**–791**	**–534**
Changes in assets and liabilities from operating activities after adjustment for non-cash items:		
Loans and receivables measured at amortised cost:	–6,687	7,038
Trading assets/liabilities	–338	–2,295
Other loans and receivables mandatorily measured at fair value through profit or loss	–66	n.a.
Loans and receivables designated voluntarily at fair value	220	–33
Loans and receivables measured at fair value through other comprehensive income	–482	n.a.
Other assets/liabilities from operating activities	269	–2,006
Financial liabilities measured at amortised cost	3,348	1,404
Financial liabilities designated voluntarily at fair value	1,157	–216
Interest received	3,494	3,702
Interest paid	–2,457	–1,712
Dividends and profit distributions received	36	–
Income tax payments	–198	–82
Cash flow from operating activities	**–2,495**	**5,266**

[1] Prior-year figures restated. In accordance with the new structure of the statement of financial position, the cash flow from changes in loans and advances to banks, and loans and advances to customers, was allocated to the new line items “Loans and receivables measured at amortised cost”, and “Loans and receivables designated voluntarily at fair value”. The adjustments of cash and cash equivalents made to match the new structure of the statement of financial position resulted in a decline of the cash flow from operating activities of € 661 m.

in € m

	2018	2017[1]
Proceeds from the disposal of:		
Financial assets measured at amortised cost excluding loans and receivables	29	–
Other financial assets mandatorily measured at fair value through profit or loss excluding loans and receivables	11	n.a.
Financial assets measured at fair value through other comprehensive income excluding loans and receivables	3,435	6,165
Investment property	90	26
Property and equipment	29	60
Intangible assets	–	–
Payments for the acquisition of:		
Other financial assets mandatorily measured at fair value through profit or loss excluding loans and receivables	−30	n.a.
Financial assets measured at fair value through other comprehensive income excluding loans and receivables	−3,495	−4,972
Investment property	−291	−146
Property and equipment	−31	−40
Intangible assets	−30	−66
Effect of changes in basis of consolidation:		
Payments received from the disposal of subsidiaries	61	19
Other effects from changes in bases of consolidation	−25	–
Cash flow from investing activities	**−247**	**1,046**
Payments received from the issue of additional Tier 1 capital instruments	354	–
Dividend payments	−92	−90
Change in cash and cash equivalents from other financing activities (subordinated liabilities)[2]	−630	−110
Cash flow from financing activities	**−368**	**−200**

in € m

	2018	2017[1]
Cash and cash equivalents as at 1.1.	**10,478**	**4,322**
Cash flow from operating activities	−2,495	5,266
Cash flow from investing activities	−247	1,046
Cash flow from financing activities	−368	−200
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	−26	44
Cash and cash equivalents as at 31.12.	**7,342**	**10,478**
thereof: Cash on hand	93	89
thereof: Demand deposit balances with central banks and banks	7,249	10,389

[1] Prior-year figures restated. In accordance with the new structure of the statement of financial position, the cash flow from changes in loans and advances to banks and loans and advances to customers was allocated to the new line items "Loans and receivables measured at amortised cost", and "Loans and receivables designated voluntarily at fair value". The adjustments of cash and cash equivalents made to match the new structure of the statement of financial position resulted in a decline of the cash flow from operating activities of € 661 m.

[2] Non-cash changes in subordinated liabilities amounted to an increase of € 5 m (31 December 2017: decrease of € 3 m) and were attributable to accrued interest and measurement effects.

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

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

The cash flow from investing activities comprises proceeds and payments relating to bonds and other fixed-income securities, equity shares and other variable-income securities, shareholdings, investment property, property and equipment, intangible assets as well as proceeds and payments in connection with the sale or acquisition of subsidiaries. Further disclosures concerning the consolidated companies purchased or sold are set out in Note (4).

The cash flow from financing activities comprises proceeds and repayments related to subordinated capital as well as proceeds from capital contributions and repayments from equity. The dividends paid out in the financial year and the servicing of the silent participations reported as equity are also recognised under this cash flow category. Please refer to Note (59) for further information on equity increases due to additional Tier 1 capital instruments.

Cash and cash equivalents correspond to the cash reserve, which comprises cash on hand and demand deposit balances with central banks as well as demand deposits and overnight money balances with banks.

Given the generally limited informative value of the cash flow statement for banks, it is considered of minor importance for the Helaba Group, and is not used to manage the Group's liquidity levels or structure the statement of financial position.

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Accounting Policies

(1) Basis of Presentation

Basis of accounting

The consolidated financial statements of the Helaba Group for the year ended 31 December 2018 have been prepared pursuant to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

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

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

The IFRSs and International Financial Reporting Standards Interpretations (IFRICs) that were in force as at 31 December 2018 have been applied in full. The relevant requirements of German commercial law as specified in Section 315a HGB have also been observed.

The necessary assumptions, estimates and assessments in connection with recognition and measurement are applied in accordance with the relevant standard, are continuously reviewed and are based on past experience and other factors, such as planning, expectations and forecasts of future events. Estimation uncertainty arises in particular in connection with credit risks, impairment of assets including goodwill and other intangible assets, the determination of fair values for certain financial assets and liabilities, and the recognition of deferred tax assets, provisions and other obligations. These assumptions, estimates and assessments affect the assets and liabilities reported as at the reporting date and the income and expenses reported for the year. See Note (3) for further details on estimation uncertainty arising from consolidated entities, and Note (9) for further details on estimation uncertainty arising from the determination of impairments for financial assets, loan commitments and financial guarantees in connection with the Expected Credit Loss method.

IFRSs applied for the first time

The 2018 financial year was the first year in which mandatory application was required for the following IFRSs and IFRICs adopted by the EU and of significance for Helaba:

- IFRS 9 Financial Instruments
  IFRS 9 introduces new rules for classifying and measuring financial assets in businesses, requires changes to the accounting treatment of effects from changes to an entity's own credit risk in connection with financial obligations classified at fair value, replaces the rules governing the impairment of financial assets and amends hedge accounting requirements. Entities also have to provide comprehensive disclosures in the notes. The impact on the consolidated financial statements is described in Note (2).

- Amendments to IFRS 9 Financial Instruments – Prepayment features with negative compensation
  The amendments to IFRS 9 have been adopted by the EU and were to be applied on a mandatory basis only in financial years beginning on or after 1 January 2019. Helaba nevertheless opted to apply these amendments at an earlier date. Under the previous IFRS 9 requirements in the currently applicable version of the standard, the SPPI (solely payments of principal and interest) condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain). The new rules amend the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, it is not relevant whether the settlement amount is positive or negative. In other words, depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment.

- IFRS 15 Revenue from Contracts with Customers
  Under IFRS 15, revenue is recognised when control over the agreed goods and/or services is passed to the customer and the customer can obtain substantially all of the remaining benefits from the goods and/or services involved. The revenue must be measured in the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. The new model sets out a five-step framework for determining revenue recognition. The scope of the disclosure requirements is also extended under IFRS 15. The provisions and definitions in IFRS 15 replace the content of both IAS 18 Revenue and IAS 11 Construction Contracts as well as that of the associated interpretations; however, they will not have any impact on the recognition of revenue arising in connection with financial instruments that fall within the scope of IFRS 9.

  As a rule, Helaba has used the modified retrospective method in the transition to IFRS 15. In this method, cumulative adjustment amounts were recognised on 1 January 2018.

  There has been no impact on equity from initial application.

- Amendment of IAS 40 Investment Property – Change in Use
  This amendment of IAS 40 refers to the disclosure of investment property under construction or development. As a general rule, transfers to, or from, investment property must be made when, and only when, there is a change in use according to IAS 40. IAS 40.57 provides a list of examples for such changes in use. Given that this list was considered exhaustive, the disclosure requirements for investment property under construction or development were ambiguous. The amendment of IAS 40 clarifies that investment property under construction or development is covered by the standard's general rule. Moreover, the list of examples featured in IAS 40.57 has now explicitly been made non-exhaustive. According to the standard, the amendment may be applied prospectively or retrospectively. Helaba applied the prospective approach.

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
  IFRIC 22 clarifies what exchange rate shall be applied to the initial recognition of transactions denominated in foreign currencies to make the translation into the functional currency of the reporting entity if the entity receives or pays advance consideration for the related assets, expense or income items. According to the interpretation, the amendment may be applied prospectively or retrospectively. Helaba applied the prospective approach.

- Annual Improvements to IFRSs – 2014-2016 Cycle
  The annual improvements include changes to IFRSs with an impact on recognition, measurement and reporting of transactions, and also terminology and editorial adjustments. Some of the new stipulations must be applied retrospectively. The following standards were affected by the improvements in this cycle:

  - IFRS 1 First-Time Adoption of International Financial Reporting Standards
  - IFRS 12 Disclosure of Interests in Other Entities
  - IAS 28 Investments in Associates and Joint Ventures

With the exception of IFRS 9, the adoption of the new or amended standards and interpretations had little or no impact on the consolidated financial statements.

New financial reporting standards for future financial years

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

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

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

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

The new provisions, which have been adopted by the EU, must be applied in annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided that IFRS 15 is also applied. No early application is planned.

As part of a project to implement the requirements of IFRS 16, Helaba performed a contract inventory and introduced new software to measure leases. At Helaba, the new lease reporting standard will have an impact in particular on the reporting of leased-in commercial real estate. Overall, it is anticipated that there will be an increase in assets (as a result of the recognition of right-of-use assets) and an increase in lease liabilities of around € 200 m in each case. As a lessee, Helaba uses the following exemption or exception rules provided under IFRS 16:

- no recognition of right-of-use assets or lease liabilities for short-term leases or for leases of low value assets;
- no application of IFRS 16 to leases of intangible assets;
- no separation of individual lease and non-lease components in multiple-element arrangements.

The introduction of IFRS 16 at Helaba follows the modified retrospective approach. This means that all IFRS 16 regulations are applied to the latest reporting period (2019), while comparative periods are not adjusted retrospectively. No impact on equity is expected. At first-time application, Helaba has applied the following simplification provisions:

- The present value of leases existing at the date of transition that were previously recognised as operating leases is determined by discounting all lease payments outstanding as at 1 January 2019 with the incremental borrowing rate applicable at the same date.
- The right-of-use asset is measured at the present value of the lease liability. While Helaba recognised provisions for anticipated losses in line with IAS 37 in the past, such provisions are netted with the right-of-use asset according to the new regulations.
- Leases with lease terms ending no later than twelve months after the date of first-time application (i.e. expiring 31 December 2019) are not recognised in the statement of financial position. Such leases are accounted for as short-term leases in the 2019 financial year.
- When determining lease liabilities as a lessee, Helaba takes into account whether future purchase or extension options or early termination options will be exercised; such considerations have been based on the knowledge as at the date of first-time application of IFRS 16.

- IFRIC 23 Uncertainty over Income Tax Treatments

  This interpretation is to be applied to the determination of taxable profit (tax loss) when there is uncertainty over income tax treatments under IAS 12. It does not apply to taxes or fees outside the scope of application of IAS 12, and does not provide any regulations regarding interest and late payment fines in connection with uncertain tax treatments. The interpretation provides guidance particularly for the following issues:
  - decision whether an entity shall consider uncertain tax treatments independently;
  - assumptions for taxation authorities' examinations;
  - determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - effect of changes in facts and circumstances.

  An entity is required to use judgement to determine whether each uncertain tax treatment should be considered independently or whether some uncertain tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. The new provisions, which have been adopted by the EU, must be applied retrospectively in annual reporting periods beginning on or after 1 January 2019. However, the interpretation provides some rules for transition relief.

  Helaba will apply the interpretation at the effective date. Even though Helaba operates in a multinational tax environment, there are currently no indications that the application of the interpretation could have an impact on the consolidated financial statements.

The standards and interpretations listed below were issued by the IASB and IFRS IC, but have only been partially adopted by the EU and will only become mandatory in later financial years, and have thus not been applied early by Helaba, nor is any early application planned. These standards and interpretations are expected to have little or no impact on the consolidated financial statements:

- Amendments to IFRS 3 Business Combinations – Definition of a Business
- IFRS 17 Leases
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Materiality
- Amendments to IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement
- IAS 28 Investments in Associates and Joint Ventures – Long-term Interests
- Annual Improvements to IFRSs – 2015–2017 Cycle
- Revised Conceptual Framework and Adjustments of Links in IFRSs

Amendments to recognised amounts, changes to estimates, restatement of prior-year figures

In the 2018 financial year, Helaba has adjusted the structure of its statement of financial position, statement of changes in equity, income statement, statement of comprehensive income and cash flow statement. Previously, figures were presented in a format based on the standard form prescribed under the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV); the new presentation format is based on IFRS 9 measurement categories. The objective of the change is to bring about greater harmonisation with regulatory requirements (Financial Reporting, FINREP). This will make it easier to compare the consolidated financial statements with the IFRS-based regulatory reports and the associated reports published by the supervisory authority.

The fair values of exchange-traded derivatives are reported after netting with variation margins. No netting was applied previously for reasons of materiality (see numbers 6) and 21) of the table notes relating to the changes in the presentation of the statement of financial position). Income tax assets and income tax liabilities are now reported with separate figures for current income taxes and deferred income taxes on the face of the statement of financial position. Previously, separate figures were not reported on the face of the statement of financial position for reasons of materiality (see numbers 15) and 30) of the table notes relating to the changes in the presentation of the statement of financial position). In addition, other assets and other liabilities have now been netted to adjust the presentation of ancillary rental costs in line with the standard reporting approach used by the sector (see numbers 16) and 31) of the table notes relating to the changes in the presentation of the statement of financial position).

Reclassifications or adjustments have additionally been applied to prior-year figures within the disclosures in Notes (22), (26), (34), (45), (65), (69), (74) and (82). Please refer to the relevant Notes for details.

The prior-year figures in the income statement have been restated in line with the new structure. This included the separate disclosure of interest income determined using the effective interest method in accordance with IAS 1.82(a). The changes to the reporting structure have not had any impact on the consolidated net profit or on comprehensive income.

In the income statement disclosures, the income and expenses for the period 1 January 2018 to 31 December 2018 are therefore compared with the equivalent prior-year figures for the period 1 January 2017 to 31 December 2017 in the new structure. The reclassifications arising from the initial application of IFRS 9 only came into effect from 1 January 2018 and were therefore not yet reported in the income statement for the period 1 January 2017 to 31 December 2017.

To ensure that the figures for the current reporting period can be compared with the prior-year figures, the income statement for the period 1 January 2017 to 31 December 2017 has been reconciled to the new structure as follows:

Income statement Old structure	31.12.2017	Current income from equity instruments, AfS and FVO (dividends)	Gains or losses on the sale of loans and receivables	Gains or losses on financial instruments to which the fair value option is applied (excluding dividends)	Gains or losses on non-trading derivatives
Notes		1)	2)	3)	4)
Net interest income	1,094	–26	1	–	–
Interest income	3,709	–26			
Interest expense	–2,615		1		
Allowances for losses on loans and advances	56				
Net interest income after allowances for losses on loans and advances	**1,150**	**–26**	**1**	**–**	**–**
		26			
Net fee and commission income	354				
Fee and commission income	494				
Fee and commission expenses	–140				
Net trading income	268				
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–118			–88	206
					–206
				88	
Net income from hedge accounting	–9				
Net income from financial investments	16				
			–1		
Share of profit or loss of equity-accounted entities	19				
Other net operating income	79				
General and administrative expenses	–1,312				
Profit before taxes	**447**				
Taxes on income	–191				
Consolidated net profit	**256**				
thereof: Attributable to non-controlling interests	–6				
thereof: Attributable to shareholders of the parent company	262				

in € m

Gains or losses on the sale of AfS bonds	Gains or losses on the sale or impairment of equity instruments	Depreciation, amortisation and impairment losses	31.12.2017 restated	Income statement New structure
5)	6)	7)		Notes
–	–	–	1,069	Net interest income
			3,683	Interest income
			–2,614	Interest expense
			56	Allowances for losses on loans and advances
–	**–**	**–**	**1,125**	**Net interest income after allowances for losses on loans and advances**
			26	Dividend income
			354	Net fee and commission income
			494	Fee and commission income
			–140	Fee and commission expenses
			268	Net trading income
	–9		–215	Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss
			88	Gains or losses on financial instruments designated voluntarily at fair value
			–9	Net income from hedge accounting
–6	–10			
6	19		24	Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss
			19	Share of profit or loss of equity-accounted entities
		36	115	Other net operating income
		36	–1,276	General and administrative expenses
		–72	–72	Depreciation and amortisation
			447	Profit before taxes
			–191	Taxes on income
			256	**Consolidated net profit**
			–6	thereof: Attributable to non-controlling interests
			262	thereof: Attributable to shareholders of the parent company

1) The dividend income previously reported in net interest income, together with income from profit transfer agreements and expenses from the absorption of losses, is recognised as a separate line item.

2) Gains or losses on the sale of loans and receivables in the LaR measurement category that were previously reported under net interest income are now recognised under gains or losses on derecognition of financial instruments not measured at fair value through profit or loss.

3) Gains or losses on financial instruments to which the fair value option is applied previously included in the item "Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied" are now reported under the "Gains or losses on financial instruments designated voluntarily at fair value" item.

4) Gains or losses on non-trading derivatives previously included in the item "Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied" are now reported under the "Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss" item.

5) Net income from financial investments – where such net income relates to gains or losses on disposal of debt instruments classified as available for sale (AfS) in accordance with IAS 39 – is now included in the line item "Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss". In 2017, there were no impairment losses, reversals of impairment losses or direct write-offs in respect of debt instruments in the AfS measurement category.

6) Net income from financial investments – where such net income relates to gains or losses on disposal of equity instruments classified as available for sale (AfS) in accordance with IAS 39 – is now included in the line item "Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss". Impairment losses on equity instruments previously recognized under net income from financial investments are now included in the "Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss" item because the impairment losses relate to an adjustment of the fair value of equity instruments previously measured at cost under the simplification rules in IAS 39; under IFRS 9 it is mandatory to classify these equity instruments as measured at fair value.

7) Depreciation of investment property, which was previously reported in other net operating income, and amortisation of intangible assets and depreciation of property and equipment, which were previously recognised under general and administrative expenses, are now shown in the new line item "Depreciation and amortisation".

The following tables show the relationships between the old and new items in the consolidated statement of financial position as at 31 December 2017 and 31 December 2016:

Assets

					Financial assets LaR (IAS 39)			**Financial assets HfT (IAS 39)**		
IAS 39 structure of statement of financial position Old structure	**31.12.2017**	**Loans and receiv-ables**	**Bonds and other fixed-income securities**	**Trade re-ceivables**	**Cash on hand, demand deposits and over-night money balances**	**Demand deposits and overnight money balances**	**Switch to net method for ex-change-traded deriva-tives**	**Non-trading deriva-tives**	**Loans and receiv-ables**	**Bonds and other fixed-income securities**
Notes		1)	2)	3)	4)	5)	6)	7)	8)	9)
Cash reserve	9,913				−1,014	−8,899				
					1,372	9,106				
Loans and advances to banks	11,034	−10,676			−358					
Loans and advances to customers	90,230	−89,719	−32						−479	
Allowances for losses on loans and advances	−401	401								
		99,994	32	21			−1			
Trading assets	16,319					−207	−12			
Positive fair values of non-trading derivatives	2,924							−2,924		
							−4	2,373		
									479	1,758
								551		
Financial investments	24,019									−1,758
Shares in equity-accounted entities	45									
Investment property	2,239									
Property and equipment	427									
Intangible assets	66									
Income tax assets	483									
Other assets	1,051			−21						
Total assets	**158,349**	**–**	**–**	**–**	**–**	**–**	**−17**	**–**	**–**	**–**

in € m

Financial assets FVO (IAS 39)				Financial assets AfS (IAS 39)		Non-financial assets			
	Equity shares and other variable-income securities	Bonds and other fixed-income securities	Equity shares and other variable-income securities	Equity invest-ments	Receiv-ables from the purchase of endow-ment insurance policies	Income tax assets	Other reporting changes	31.12.2017 restated	IAS 39 structure of statement of financial position New structure
	10)	11)	12)	13)	14)	15)	16)		Notes
								10,478	Cash on hand, demand deposits and overnight money balances with central banks and banks
							–	100,046	Financial assets measured at amortised cost
								16,100	Trading assets
								2,369	Other financial assets mandatorily measured at fair value through profit or loss
	70							2,307	Financial assets designated voluntarily at fair value
								551	Positive fair values of hedging derivatives under hedge accounting
	−70	−21,930	−40	−109	−112				
		21,930	40	109	112			22,191	Financial assets measured at fair value through other comprehensive income
								45	Shares in equity-accounted entities
								2,239	Investment property
								427	Property and equipment
								66	Intangible assets
								483	Income tax assets
						68		68	Current income tax assets
						415		415	Deferred income tax assets
							−97	933	Other assets
	–	**–**	**–**	**–**	**–**	**–**	**−97**	**158,235**	**Total assets**

Equity and liabilities

		Financial liabilities OL (IAS 39)				Financial liabilities HfT (IAS 39)		Financial liabilities FVO (IAS 39)		
IAS 39 structure of statement of financial position Old structure	**31.12.2017**	**Deposits and loans**	**Securitised liabilities**	**Subordinated capital**	**Trading liabilities**	**Switch to net method for exchange-traded derivatives**	**Non-trading derivatives**	**Deposits and loans**	**Securitised liabilities**	**Subordinated capital**
Notes		17)	18)	19)	20)	21)	22)	23)	24)	25)
Liabilities due to banks	31,514	−31,015						−499		
Liabilities due to customers	49,521	−45,922						−3,599		
Securitised liabilities	48,155		−41,987						−6,168	
		76,937	41,987	3,464	153	−4				
Trading liabilities	12,289					−12				
Negative fair values of non-trading derivatives	2,281					−1	−89			
								4,098	6,168	46
							89			
Provisions	2,129									
Income tax liabilities	268									
Other liabilities	648				−153					
Subordinated capital	3,510			−3,464						−46
Equity	8,034	–	–	–	–	–	–	–	–	–
Subscribed capital	2,509									
Capital reserves	1,546									
Retained earnings	3,775									
Revaluation reserve	197									
Currency translation reserve	10									
Attributable to non-controlling interests	−3									
Total equity and liabilities	**158,349**	**–**	**–**	**–**	**–**	**−17**	**–**	**–**	**–**	**–**

in € m

Equity: Remeasurement reserve for AfS financial instruments	Equity: Actuarial losses	Equity: Currency translation reserve	Non-financial liabilities: Employee benefits due in short term	Non-financial liabilities: Income tax liabilities	Non-financial liabilities: Other reporting changes	31.12.2017 restated	IAS 39 structure of statement of financial position New structure
26)	27)	28)	29)	30)	31)		Notes
					–	122,537	Financial liabilities measured at amortised cost
						12,277	Trading liabilities
						2,191	Negative fair values of non-trading derivatives
						10,312	Financial liabilities designated voluntarily at fair value
						89	Negative fair values of hedging derivatives under hedge accounting
			−40			2,089	Provisions
						268	Income tax liabilities
				252		252	Current income tax liabilities
				16		16	Deferred income tax liabilities
			40		−97	438	Other liabilities
–	–	–	–	–	–	8,034	Equity
						2,509	Subscribed capital
						1,546	Capital reserves
	450					4,225	Retained earnings
197	−450	10				−243	Accumulated other comprehensive income (OCI)
−197							
		−10					
						−3	Attributable to non-controlling interests
–	–	–	–	–	−97	**158,235**	**Total equity and liabilities**

Assets

		Financial assets LaR (IAS 39)				Financial assets HfT (IAS 39)				
IAS 39 structure of statement of financial position Old structure	**31.12.2016**	**Loans and receivables**	**Bonds and other fixed-income securities**	**Trade receivables**	**Cash on hand, demand deposits and overnight money balances**	**Demand deposits and overnight money balances**	**Switch to net method for exchange-traded derivatives**	**Non-trading derivatives**	**Loans and receivables**	**Bonds and other fixed-income securities**
Notes		1)	2)	3)	4)	5)	6)	7)	8)	9)
Cash reserve	3,096				−1,296	−1,800				
					2,375	1,947				
Loans and advances to banks	15,235	−14,155			−1,079		−1			
Loans and advances to customers	93,078	−92,477	−89						−512	
Allowances for losses on loans and advances	−772	772								
		105,860	89	36						
Trading assets	20,498					−147	−10			
Positive fair values of non-trading derivatives	4,024						–	−4,024		
								3,271		
									512	1,863
								753		
Financial investments	25,771									−1,863
Shares in equity-accounted entities	25									
Investment property	2,163									
Property and equipment	435									
Intangible assets	113									
Income tax assets	522									
Other assets	976			−36						
Total assets	**165,164**	**–**	**–**	**–**	**–**	**–**	**−11**	**–**	**–**	**–**

in € m

Financial assets FVO (IAS 39)		Financial assets AfS (IAS 39)			Non-financial assets			
Equity shares and other variable-income securities	Bonds and other fixed-income securities	Equity shares and other variable-income securities	Equity investments	Receivables from the purchase of endowment insurance policies	Income tax assets	Other reporting changes	1.1.2017 restated	IAS 39 structure of statement of financial position New structure
10)	11)	12)	13)	14)	15)	16)		
							–	
							4,322	Cash on hand, demand deposits and overnight money balances with central banks and banks
							–	
							–	
							–	
							105,985	Financial assets measured at amortised cost
							20,341	Trading assets
							–	
							3,271	Other financial assets mandatorily measured at fair value through profit or loss
69							2,444	Financial assets designated voluntarily at fair value
							753	Positive fair values of hedging derivatives under hedge accounting
–69	–23,523	–59	–125	–132			–	
	23,523	59	125	132			23,839	Financial assets measured at fair value through other comprehensive income
							25	Shares in equity-accounted entities
							2,163	Investment property
							435	Property and equipment
							113	Intangible assets
							522	Income tax assets
					96		96	Current income tax assets
					426		426	Deferred income tax assets
							940	Other assets
–	–	–	–	–	–	–	**165,153**	**Total assets**

Equity and liabilities

		Financial liabilities OL (IAS 39)			**Financial liabilities HfT (IAS 39)**			**Financial liabilities FVO (IAS 39)**		
IAS 39 structure of statement of financial position Old structure	**31.12.2016**	**Deposits and loans**	**Securitised liabilities**	**Subordinated capital**	**Trading liabilities**	**Switch to net method for exchange-traded derivatives**	**Non-trading derivatives**	**Deposits and loans**	**Securitised liabilities**	**Subordinated capital**
Notes		17)	18)	19)	20)	21)	22)	23)	24)	25)
Liabilities due to banks	30,138	−29,755				–		−383		
Liabilities due to customers	46,824	−43,285						−3,539		
Securitised liabilities	50,948		−45,362						−5,586	
		73,040	45,362	3,524	84					
Trading liabilities	18,713					−10				
Negative fair values of non-trading derivatives	3,918					−1	−161			
								3,922	5,586	99
							161			
Provisions	2,319									
Income tax liabilities	184									
Other liabilities	647				−84					
Subordinated capital	3,623			−3,524						−99
Equity	7,850	–	–	–	–	–	–	–	–	–
Subscribed capital	2,509									
Capital reserves	1,546									
Retained earnings	3,521									
Revaluation reserve	246									
Currency translation reserve	30									
Attributable to non-controlling interests	−2									
Total equity and liabilities	**165,164**	**–**	**–**	**–**	**–**	**−11**	**–**	**–**	**–**	**–**

in € m

Re-measurement reserve for AfS financial instruments	Actuarial losses	Currency translation reserve	Employee benefits due in short term	Income tax liabilities	Other reporting changes	1.1.2017 restated	IAS 39 structure of statement of financial position New structure
Equity			Non-financial liabilities				
26)	27)	28)	29)	30)	31)		
						122,010	Financial liabilities measured at amortised cost
						18,703	Trading liabilities
						3,756	Negative fair values of non-trading derivatives
						9,607	Financial liabilities designated voluntarily at fair value
						161	Negative fair values of hedging derivatives under hedge accounting
						2,319	Provisions
				–184		184	Income tax liabilities
				174		174	Current income tax liabilities
				10		10	Deferred income tax liabilities
						563	Other liabilities
–	–	–	–	–		7,850	Equity
						2,509	Subscribed capital
						1,546	Capital reserves
	532					4,053	Retained earnings
246	–532	30				–256	Accumulated other comprehensive income (OCI)
–246							
		–30					
						–2	Attributable to non-controlling interests
–	**–**	**–**	**–**	**–**	**–**	**165,153**	**Total equity and liabilities**

1) Going forward, the loans and receivables in the LaR measurement category reported in the previous structure of the statement of financial position according to counterparty in the “Loans and advances to banks” and “Loans and advances to customers” line items will now be reported in the “Financial assets measured at amortised cost” line item at their net carrying amounts (gross carrying amount less cumulative loss allowances).

2) Bonds in the old LaR measurement category were previously also included in loans and advances to customers, but henceforward will be reported at their net carrying amounts in “Financial assets measured at amortised cost”.

3) Previously, the “Other assets” line item in the statement of financial position also included trade accounts receivable in the LaR measurement category. These receivables will now be reported in the “Financial assets measured at amortised cost” line item.

4) In the previous structure, cash on hand together with demand deposits and overnight money balances with central banks and banks in the LaR measurement category were presented separately in the “Cash reserve” and “Loans and advances to banks” line items. Henceforward, they will be aggregated and reported in the “Cash on hand, demand deposits and overnight money balances with central banks and banks” line item.

5) Demand deposit balances with central banks and banks in the HfT measurement category have previously been included in trading assets but they will now be reported in the “Cash on hand, demand deposits and overnight money balances with central banks and banks” line item.

6) Positive fair values of trading derivatives within trading assets and positive fair values of non-trading futures derivatives will be reported after netting with the associated liabilities from variation margins. Before the changes, the gross amount was reported for reasons of materiality.

7) In the previous structure of the statement of financial position, the “Positive fair values of non-trading derivatives” line item included both hedge accounting derivatives and the non-trading derivatives used for economic hedging purposes as part of hedge management. In the new structure of the statement of financial position, the hedge accounting derivatives are presented in a separate line whereas other non-trading derivatives are recognised as part of other financial assets mandatorily measured at fair value.

8) Loans and advances to which the fair value option is applied previously reported under the “Loans and advances to customers” item in the statement of financial position will in future be reported under the “Financial assets designated voluntarily at fair value” item.

9) Bonds and other fixed-income securities to which the fair value option is applied were previously reported under financial investments, but from now on will be included in the “Financial assets designated voluntarily at fair value” item.

10) Equity shares and other variable-income securities to which the fair value option is applied were previously reported under financial investments, but from now on will be included in the “Financial assets designated voluntarily at fair value” item.

11) Bonds and other fixed-income securities in the AfS measurement category were previously reported under financial investments, but henceforward will be reported in the “Financial assets measured at fair value through other comprehensive income” line item.

12) Equity shares and other variable-income securities in the AfS measurement category were previously reported under financial investments, but henceforward will be reported in the “Financial assets measured at fair value through other comprehensive income” line item.

13) Shares in unconsolidated affiliated companies, shares in non-equity-accounted joint ventures, shares in non-equity-accounted associates and other equity investments in the AfS measurement category were previously included in financial investments but are now recognised as part of the “Financial assets measured at fair value through other comprehensive income” line item.

14) Receivables from the purchase of endowment insurance policies in the AfS measurement category were previously reported under financial investments, but henceforward will be reported in the “Financial assets measured at fair value through other comprehensive income” line item.

15) In the old structure, separate lines for current and deferred income tax assets were not reported on the face of the statement of financial position for reasons of materiality. The new structure now shows both of these lines individually.

16) In the fully consolidated GWH subgroup, any operating expenses arising in the reporting period that are to be borne by the tenant (“Other assets” line item) are reported after netting with any advance payments received in respect of ancillary rental costs (“Other liabilities” line item) in accordance with common accounting practice in the real estate sector. Previously the figures were reported gross.

17) From now on, deposits and loans are no longer reported by counterparty, but by measurement category. As a result of this change, liabilities due to banks and liabilities due to customers in the OL measurement category are now reported in the “Financial liabilities measured at amortised cost” line item.

18) Securitised liabilities will also be reported according to measurement category going forward. As a consequence, securitised liabilities in the OL measurement category are now reported in the “Financial liabilities measured at amortised cost” line item.

19) Subordinated capital used to be shown separately in the statement of financial position. However, subordinated liabilities are now recognised according to measurement category and class.

20) Previously, the “Other liabilities” line item in the statement of financial position also included trade accounts payable in the OL measurement category. These payables will now be reported under “Financial liabilities measured at amortised cost”.

21) Negative fair values of trading derivatives within trading assets and negative fair values of non-trading futures derivatives will be reported after netting with the associated assets from variation margins. Before the changes, the gross amount was reported for reasons of materiality.

22) In the previous structure of the statement of financial position, the “Negative fair values of non-trading derivatives” line item included both hedge accounting derivatives and the non-trading derivatives used for economic hedging purposes as part of hedge management. In the new structure of the statement of financial position, the hedge accounting derivatives are presented in a separate line whereas other non-trading derivatives remain in the item used hitherto.

23) Deposits and loans to which the fair value option is applied are now reported separately from the deposits and loans in the OL measurement category in the “Financial liabilities designated voluntarily at fair value” line item.

24) Securitised liabilities to which the fair value option is applied are now reported separately from the securitised liabilities in the OL measurement category in the “Financial liabilities designated voluntarily at fair value” line item.

25) Subordinated liabilities to which the fair value option is applied are now reported separately from the subordinated liabilities in the OL measurement category in the “Financial liabilities designated voluntarily at fair value” line item.

26) The previous revaluation reserve for financial instruments in the AfS measurement category will be reported from now on as a component of accumulated other comprehensive income (OCI) in a separate line within equity that includes all OCI components.

27) Actuarial gains and losses from the remeasurement of pension obligations are now reported in accumulated OCI rather than as a component of retained earnings.

28) The cumulative gains or losses on currency translation of foreign operations previously reported in the currency translation reserve line item within equity and the cumulative reserves from the hedging of a net investment in a foreign operation are now reported within accumulated OCI.

29) Provisions also previously included employee benefits due for payment within the next twelve months. In the new structure, these benefits will no longer be included in the provisions but will be reported as employee benefits due in the short term within the “Other liabilities” line item.

30) In the old structure, separate lines for current and deferred income tax liabilities were not reported on the face of the statement of financial position for reasons of materiality. The new structure now shows both of these lines individually.

31) Please refer to number 16) of the table notes for information on the reporting of a net figure at GWH for operating expenses within “Other assets” and advance payments received in respect of ancillary rental costs within “Other liabilities”.

There has been no impact on the figures for consolidated net profit or equity from the restated figures referred to above. Total assets as at 31 December 2017 have declined marginally by € 114 m as a result of the changes described in numbers 6), 16), 21) and 31) above.

Please refer to Note (2) for information on the impact on equity of the initial application of IFRS 9.

(2) Disclosures on the Initial Application of IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was published in July 2014 and must be applied for the first time to reporting periods that begin on or after 1 January 2018. Helaba has been applying the requirements in IFRS 9 since 1 January 2018.

Generally speaking, first-time application must be retrospective, but various simplification options are available. These include the option not to restate comparative figures for prior periods. Helaba has utilised these simplification options. The non-restated figures as at 31 December 2017 are reported as comparative figures.

Please refer to Notes (5) and (6) for disclosures on the procedures used to classify and measure financial instruments with the application of IFRS 9.

As a general rule, all financial assets and liabilities recognised in line with IAS 39 have been transferred into the corresponding measurement categories of IFRS 9. The following table provides an overview of the IFRS 9 measurement categories, including the corresponding former IAS 39 categories:

Measurement categories (IFRS 9)	Measurement categories (IAS 39)
Financial assets measured at amortised cost	Loans and receivables
Financial liabilities measured at amortised cost	Other liabilities
Financial assets designated voluntarily at fair value	Financial instruments under fair value option
Financial liabilities designated voluntarily at fair value	Financial instruments under fair value option
Financial assets measured at fair value through other comprehensive income	Financial assets available for sale
Other financial assets mandatorily measured at fair value	Held for trading
Other financial liabilities mandatorily measured at fair value	Held for trading

The reconciled figures in the statement of financial position as at 1 January 2018 include both the reclassification of financial assets and the remeasurement effects from adjustments to fair value resulting from the reclassification of financial assets previously measured at amortised cost to measurement categories based on measurement at fair value, together with the effects from the application of the impairment model specified in IFRS 9. The rules in IFRS 9 have not led to any reclassification of financial liabilities. The initial application of the hedge accounting requirements in IFRS 9 did not have any impact on the statement of financial position or equity as at 1 January 2018.

The assets and liabilities as at 31 December 2017 were reclassified into the measurement categories in accordance with IFRS 9 using the principles described in Note (5) as shown in the following reconciliation table:

Assets		Reclassifications					
		Loans and receivables		Bonds and other fixed-income securities		Bonds and other fixed-income securities, equity shares and other variable-income securities, equity investments, receivables from endowment insurance policies	
IAS 39 structure of statement of financial position New structure	**31.12.2017 restated**	**From LaR to FVTPL MAND**	**From LaR to FVTOCI**	**From LaR to FVTOCI**	**From AfS to AC**	**From AfS to FVTPL MAND**	**From FVO to FVTPL MAND**
Notes		1)	2)	3)	4)	5)	6)
Cash on hand, demand deposits and overnight money balances with central banks and banks	10,478						
Financial assets measured at amortised cost	100,046	–134	–420	–15	15		
Trading assets	16,100						
Other financial assets mandatorily measured at fair value through profit or loss	2,369	134				223	1,709
Financial assets designated voluntarily at fair value	2,307						–1,709
Positive fair values of hedging derivatives under hedge accounting	551						
Financial assets measured at fair value through other comprehensive income	22,191		420	15	–15	–223	
Shares in equity-accounted entities	45						
Investment property	2,239						
Property and equipment	427						
Intangible assets	66						
Income tax assets	483						
Current income tax assets	68						
Deferred income tax assets	415						
Other assets	933						
Total assets	**158,235**	**–**	**–**	**–**	**–**	**–**	**–**

Remeasurements								in € m
Loans and receivables		**Bonds and other fixed-income securities**		**Equity investments**	**Accumulated depreciation and impairment losses**	**Deferred taxes**		
From LaR to FVTPL MAND	**From LaR to FVTOCI**	**From LaR to FVTOCI**	**From AfS to AC**	**From AfS to FVTPL MAND**	**Financial assets AC**		**1.1.2018**	**IFRS 9 structure of statement of financial position**
7)	8)	9)	10)	11)	12)	13)		
							10,478	Cash on hand, demand deposits and overnight money balances with central banks and banks
					–35		99,457	Financial assets measured at amortised cost
							16,100	Trading assets
9				1			4,445	Other financial assets mandatorily measured at fair value through profit or loss
							598	Financial assets designated voluntarily at fair value
							551	Positive fair values of hedging derivatives under hedge accounting
	3	1					22,392	Financial assets measured at fair value through other comprehensive income
							45	Shares in equity-accounted entities
							2,239	Investment property
							427	Property and equipment
							66	Intangible assets
						–13	470	Income tax assets
							68	Current income tax assets
						–13	402	Deferred income tax assets
							933	Other assets
9	**3**	**1**	**–**	**1**	**–35**	**–13**	**158,201**	**Total assets**

Equity and liabilities

IAS 39 structure of statement of financial position New structure	31.12.2017 restated	Loans and receivables: From LaR to FVTPL MAND	Loans and receivables: From LaR to FVTOCI	Bonds and other fixed-income securities: From LaR to FVTOCI	Bonds and other fixed-income securities: From AfS to AC
Notes		14)	15)	16)	17)
Financial liabilities measured at amortised cost	122,537				
Trading liabilities	12,277				
Negative fair values of non-trading derivatives	2,191				
Financial liabilities designated voluntarily at fair value	10,312				
Negative fair values of hedging derivatives under hedge accounting	89				
Provisions	2,089				
Income tax liabilities	268				
Current income tax liabilities	252				
Deferred income tax liabilities	16				
Other liabilities	438				
Equity	8,034	9	3	1	–
Subscribed capital	2,509				
Capital reserves	1,546				
Retained earnings	4,225	9			
Accumulated other comprehensive income (OCI)	−243		3	1	
Non-controlling interests	−3				
Total equity and liabilities	**158,235**	**9**	**3**	**1**	**–**

in € m

Equity investments	Accumulated depreciation and impairment losses	Deferred taxes	Liabilities to which the fair value option is applied		
From AfS to FVTPL MAND	**Financial assets AC and FVTOCI**	**Deferred taxes**	**Credit-risk-related change in fair value**	**1.1.2018**	**IFRS 9 structure of statement of financial position**
18)	19)	20)	21)		Notes
				122,537	Financial liabilities measured at amortised cost
				12,277	Trading liabilities
				2,191	Negative fair values of non-trading derivatives
				10,312	Financial liabilities designated voluntarily at fair value
				89	Negative fair values of hedging derivatives under hedge accounting
	12			2,101	Provisions
		−10		258	Income tax liabilities
				252	Current income tax liabilities
		−10		6	Deferred income tax liabilities
				438	Other liabilities
1	−47	−3	–	7,998	Equity
				2,509	Subscribed capital
				1,546	Capital reserves
47	−48	−3	−2	4,228	Retained earnings
−46	1		2	−282	Accumulated other comprehensive income (OCI)
			–	−3	Non-controlling interests
1	**−35**	**−13**	**–**	**158,201**	**Total equity and liabilities**

1) The reclassifications from the loans and receivables (LaR) measurement category relate to loans and advances to customers that do not satisfy the SPPI (solely payments of principal and interest) criterion and consequently may not be measured at amortised cost. Loans and advances to customers with a net carrying amount of € 134 m as at 31 December 2017 have been transferred to the measurement category of financial assets mandatorily measured at fair value (FVTPL MAND). Please refer to number 7) in these table notes for information on the effects from the first-time measurement at fair value.

2) The business model in which the aim is to hold an asset with a view to selling it ("hold to collect and sell") has been specified for loans and advances to customers in the form of promissory note loans with a net carrying amount of € 420 m as at 31 December 2017. As a result, these financial assets are reported under "Financial assets measured at fair value through other comprehensive income" (FVTOCI). Please refer to number 8) in these table notes for information on the effects from the first-time measurement at fair value.

3) The reclassification of financial instruments from the LaR measurement category to the FVTOCI measurement category relates to asset-backed securities that need to be measured at fair value because they form part of the "hold to collect and sell" business model. Please refer to number 9) of these table notes for information on the effects on equity.

4) The reclassification of financial instruments from AfS to the measurement category of financial instruments measured at amortised cost (AC) relates to bonds that need to be measured at amortised cost because they form part of the business model in which the aim is to hold the asset and collect the contractual cash flows ("hold to collect"). Please refer to number 10) of these table notes for information on the effects on equity.

5) Equity instruments and receivables from the purchase of endowment insurance policies amounting to € 223 m have been reclassified from AfS to the FVTPL MAND measurement category. Please refer to number 11) of these table notes for information on the measurement effects.

6) The reclassification of financial investments relates to investment units and bonds to which the fair value option (FVO) was previously applied because these items were managed on a fair value basis. With the initial application of IFRS 9, the units in special institutional funds and retail funds held by the Helaba Group are no longer included in the FVO but are reported under the FVTPL MAND category because the SPPI criterion is generally not satisfied (as there is a right to payment of a residual amount from the net assets). In the case of consolidated special institutional funds and retail funds, an assessment is made of the financial assets and liabilities held within the funds on a look-through basis. The assets are also allocated to the FVTPL MAND category because they form part of a business model in which the priority is on management on a fair value basis. The carrying amounts of these assets came to € 1,709 m as at 31 December 2017. No measurement effects arose from this reclassification.

7) The effect from the adjustment of the net carrying amount in line with the fair value of financial assets mandatorily measured at fair value through profit or loss amounted to € 9 m.

8) The effect from the initial fair value measurement of promissory note loans measured at fair value through other comprehensive income amounted to € 3 m.

9) The effect from the initial fair value measurement of asset-backed securities measured at fair value through other comprehensive income amounted to € 1 m.

10) The reversal of the measurement at fair value through other comprehensive income applied in the past to bonds reduced accumulated OCI by € 0.3 m. No amount is disclosed in the table above because of the effect of rounding and the presentation of figures in millions of euros.

11) The measurement of a non-strategic equity investment at fair value gave rise to an effect of € 1 m.

12) The effect from the first-time application of the IFRS 9 impairment model on the financial assets measured at amortised cost was a reduction in value of € 35 m. This effect included an increase in the loss allowance of € 64 m and a countervailing effect from the increase in the gross carrying amounts of non-interest-bearing loans and advances of € 29 m.

13) The remeasurements give rise to a reduction in deferred income tax assets of € 13 m.

14) The effect from the initial fair value measurement of financial instruments mandatorily measured at fair value through profit or loss increased retained earnings by € 9 m.

15) The first-time fair value measurement of promissory note loans was reflected in accumulated other comprehensive income (OCI) in an amount of € 3 m.

16) The first-time measurement of asset-backed securities measured at fair value through accumulated other comprehensive income increased OCI by € 1 m.

17) The reversal of the measurement at fair value through other comprehensive income applied in the past to bonds reduced accumulated OCI by € 0.3 m. No amount is disclosed in the table above because of the effect of rounding and the presentation of figures in millions of euros.

18) The reclassification of equity instruments from the AfS measurement category to the FVTPL MAND measurement category resulted in a reclassification of gains and losses on these equity instruments recognised in accumulated other comprehensive income from OCI to retained earnings in an amount of € 46 m. Retained earnings also increased by € 1 m as a result of the fair value measurement of a non-strategic equity investment.

19) The effect from the initial application of the impairment model under IFRS 9 on provisions for loan commitments and financial guarantees amounted to € 12 m (increase in the provisions and reduction in retained earnings). In addition, accumulated OCI increased by € 1 m as a result of the effect on financial instruments measured at fair value through other comprehensive income from the application of the impairment model. The effects from the adjustment of the loss allowances in respect of financial instruments in the AC measurement category (see Note [12] reduced retained earnings by € 35 m. Overall, retained earnings declined by € 48 m as a consequence of the initial application of the impairment model specified by IFRS 9.

20) Deferred income tax liabilities dropped by € 10 m. The adjustments to deferred taxes led to an overall decrease in retained earnings of € 3 m.

21) Credit-risk-related changes in fair value in respect of the Group's own liabilities in the FVO measurement category amounting to € 2 m (previously recognised through profit or loss) were reclassified from retained earnings to accumulated OCI.

As part of the initial application of IFRS 9, demand deposit balances with central banks amounting to € 8,911 m were reclassified from the HfT measurement category to the AC measurement category. The reclassification did not lead to any change in the reported figure. No measurement gains or losses were avoided by this reclassification.

The changes in the loss allowances in respect of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as a consequence of reclassifications and the initial application of the IFRS 9 requirements were as follows: Under IAS 39, loss allowances were determined using the incurred credit loss model, while the expected credit loss model is applied under IFRS 9.

Changes in the loss allowances as a result of the reclassification of the underlying assets:

in € m

	Cumulative loss allowances as at 31.12.2017				Reclassification of cumulative loss allowances from LaR to			Reclassification of cumulative loss allowances from AfS to		
	SLLA	GSLLA	PLLA	Total	FVTPL	FVTOCI	AC	FVTPL	FVTOCI	AC
Cumulative loss allowances for loans and receivables, LaR	−239	−37	−125	−401	−35	–	−366	–	–	–
Cumulative loss allowances for bonds and other fixed-income securities, LaR	–	–	–	–	–	–	–	–	–	–
Write-offs of bonds and other fixed-income securities, AfS	–	–	–	–	–	–	–	–	–	–
Total	**−239**	**−37**	**−125**	**−401**	**−35**	**–**	**−366**	**–**	**–**	**–**

Changes in the loss allowances as a result of remeasurements arising from the application of the IFRS 9 impairment model (expected credit loss, ECL, model):

in € m

	Cumulative loss allowances before ECL application	Remeasurement as a result of application of ECL	Cumulative loss allowances 1.1.2018[1]			
			Stage 1	Stage 2	Stage 3	Total
Cumulative loss allowances for bonds and other fixed-income securities, AC	–	–1	–	–1	–	–1
Cumulative loss allowances for loans and receivables, AC	–366	–63	–33	–133	–263	–429
Cumulative loss allowances for bonds and other fixed-income securities, FVTOCI	–	–1	–1	–	–	–1
Cumulative loss allowances for loans and receivables, FVTOCI	–	–	–	–	–	–
Total	**–366**	**–65**	**–34**	**–134**	**–263**	**–431**

[1] Figures adjusted: The cumulative loss allowances for bonds and other fixed-income securities in the AC category were reported under Stage 1 in the half-yearly financial report; they are now appropriately reported under Stage 2.

The table below shows the changes in the provisions for loan commitments and financial guarantees caused by the initial application of IFRS 9:

in € m

	Provisions for off-balance sheet liabilities as at 31.12.2017				Remeasurement as a result of application of ECL	Cumulative provisions, IFRS 9 1.1.2018			
	EWB	pEWB	PoWB	Total		Stage 1	Stage 2	Stage 3	Total
Provisions for loan commitments	10	–	5	15	7	9	6	7	22
Provisions for financial guarantees	6	6	1	13	5	3	3	12	18
Total	**16**	**6**	**5**	**28**	**12**	**12**	**9**	**19**	**40**

(3) Principles of Consolidation

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

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

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

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

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

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

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

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

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

A threshold value for participation in the expected variability of returns is used as an initial indicator for the existence of a (de facto) agent within the meaning of IFRS 10. If, from a legal perspective, the Helaba Group has the opportunity to direct the relevant activities of an entity, a threshold value is used as the basis for assessing whether there is any indicator that an interest should be assigned to third parties; Helaba Group's consolidation duties in accordance with IFRS 10 are also determined on this basis. Such an assignment of control applies, for instance, to the securities investment funds managed by Helaba Invest on behalf of third parties.

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

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

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

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

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

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

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

Entities are consolidated for the first time on the date of acquisition, or on the date an opportunity for control arises as defined in IFRS 10, using the acquisition method. The assets and liabilities are measured at the fair value on the date of this first-time consolidation. Any positive differences arising from this initial acquisition accounting process are recognised as goodwill under intangible assets on the face of the statement of financial position. This goodwill is subject to an impairment test at least once a year (see Note [16]). If any negative goodwill arises from this initial consolidation, the fair values are first reviewed before the resulting amount is recognised immediately in profit or loss.

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

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

If entities that have previously been consolidated or accounted for using the equity method no longer have to be included in the consolidation, they are deconsolidated with recognition in profit or loss, or no longer accounted for using the equity method, on the date on which the consolidation requirement no longer applies. Any recognition of remaining investments in accordance with IFRS 9 or using the equity method is at fair value through other comprehensive income for strategic equity investments, or at fair value through profit or loss for non-strategic equity investments.

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

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

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

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

(4) Basis of Consolidation

In addition to the parent company Helaba, a total of 117 entities are consolidated in the Helaba Group, as was the case at the previous reporting date. Of this total, 81 (31 December 2017: 84) entities are fully consolidated and 36 entities are included using the equity method (31 December 2017: 34). The fully consolidated companies are subsidiaries and special purpose entities in accordance with IFRS 10, including collective investment undertakings.

The consolidated financial statements do not include 33 subsidiaries, 19 joint ventures and ten associates that are of minor significance for the presentation of the financial position and financial performance of the Helaba Group. The shares in these entities are reported under financial assets measured at fair value through other comprehensive income if they constitute material strategic equity investments; otherwise, they are reported under financial assets mandatorily measured at fair value through profit or loss.

The changes in the basis of consolidation during the reporting period were related to the subsidiaries shown below.

Changes in the group of fully consolidated entities

Additions	
GWH WertInvest GmbH, Frankfurt am Main	Entity established, initial consolidation as from October 2018
Helaba Digital GmbH & Co. KG, Frankfurt am Main	Entity established, initial consolidation as from March 2018
Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	This entity was established in prior years and has now become material with the implementation of project development activities; initial consolidation: January 2018

Disposals	
FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	Absorbed by GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main in August 2018
Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	Shares disposed in October 2018
Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	Shares disposed in October 2018
Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	Shares disposed in October 2018
Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	Shares disposed in October 2018
LB (Swiss) Investment AG, Zurich, Switzerland	Shares disposed in April 2018

The deconsolidation of LB (Swiss) Investment AG gave rise to a gain of € 17 m. The deconsolidation of Kornmarkt Arkaden Erste GmbH & Co. KG and Kornmarkt Arkaden Zweite GmbH & Co. KG resulted in gains of € 10 m and € 8 m respectively. The deconsolidation gain relating to Kornmarkt Arkaden Dritte GmbH & Co. KG and Kornmarkt Arkaden Vierte GmbH & Co. KG amounted to a total of approximately € 1 m. These figures are reported under other net operating income.

Changes in the group of equity-accounted entities

Additions	
G & O MK 14.3 GmbH & Co. KG, Frankfurt am Main	Entity established in December 2018
G & O MK 17.7 Nord GmbH & Co. KG, Frankfurt am Main	Entity established in December 2018
G & O MK 17.7 Süd GmbH & Co. KG, Frankfurt am Main	Entity established in December 2018

Disposals	
GOB Projektentwicklung E & A GmbH & Co. Siebte Rhein-Main KG, Frankfurt am Main	Shares disposed in October 2018

(5) Financial Instruments

Recognition of financial assets and financial liabilities

Under IFRS 9, all financial assets and financial liabilities, including all derivatives, must be reported in the statement of financial position. These instruments are initially measured at cost, which equates to the value of the assets given or received at the time of transfer. Transaction costs are generally recognised as acquisition ancillary costs. In the case of cash transactions, non-derivative financial instruments are recognised for the first time in the statement of financial position on the settlement date, and derivatives on the trade date.

Financial assets are derecognised when the contractual rights associated with an asset expire or are transferred such that substantially all the risks and rewards incidental to ownership are passed to another party or when the control or power over the asset is transferred to another party. If substantially all the risks and rewards incidental to ownership are not transferred or control or power over the asset is not passed to another party, the remaining economic involvement in the financial instrument (“continuing involvement”) is recognised in accordance with IFRS 9. In addition, financial assets of the AC and FVOCI categories are derecognised if they have been substantially modified, i.e. if the contractual cash flows have been modified or the legal position affecting the cash flows has changed such that, de facto, there is a new transaction in place.

Financial liabilities are derecognised when the liabilities are settled. The same applies to financial obligations in the AC measurement category in the case of substantial modifications leading to new obligations.

Within the Helaba Group, financial instruments of the AC measurement category as well as financial assets of the FVOCI category are considered modified substantially if specific qualitative criteria are fulfilled in the context of contract adjustments; this includes, for instance, borrower changes, currency changes, or the subsequent stipulation of contractual components not in line with the SPPI criteria. In the case of financial assets in stages 1 and 2, and in the case of financial liabilities, a quantitative test is also carried out: if the present value of the cash flows after modification (determined by discounting using the original effective interest rate) varies by more than 10 % from the present value of the originally agreed cash flows, then the financial instrument concerned is also deemed to have been substantially modified.

Classification of financial assets

On initial recognition, financial assets are allocated to a measurement category, which then serves as a basis for subsequent measurement. The classification of debt instruments is determined by the allocation to a business model (business model criterion) and by an assessment as to whether the asset satisfies the SPPI (solely payments of principal and interest) criterion.

To determine the underlying business model, an assessment must be carried out at portfolio level to establish whether the cash flows for the financial instruments to be classified are to be generated by collecting the contractual cash flows (“hold to collect” business model) or also by selling the financial instrument (“hold to collect and sell” business model), or whether a different business model is involved. Examples of different business models are an intention to trade or management on the basis of the fair value. In the first step, financial instruments are classified according to the business models used for these portfolios. Financial instruments are allocated to the “hold to collect” business model if financial instruments in the portfolio concerned are only expected to be sold rarely or in small volumes. The assessment does not into take into account the sale of such financial instruments shortly before the maturity date or in the event of a rise in default risk on the part of the borrower. Any other non-material disposals (i.e. unrelated to the frequency or volume criteria) lead to a review of the business model criterion for future classifications of financial instruments.

A financial instrument is reviewed on an individual transaction basis to assess whether the SPPI criterion is satisfied. The SPPI criterion is deemed to be satisfied if the contractual cash flows from the financial instrument are exclusively the same as those in a lending relationship (i.e. from an economic perspective, solely payment of principal and interest). Other components of cash flows that represent other risks (such as market risk and leverage effects) rather than just interest for the term of the loan and the credit quality of the borrower generally mean that the SPPI criterion under IFRS 9 is not satisfied. Only contractual components of very minor financial significance (for example, because they are very unlikely to materialise or only have a very marginal impact on the cash flows) can be compatible with the requirements of the SPPI criterion.

Subsequent measurement at amortised cost (AC)

Financial assets in the “hold to collect” business model that satisfy the SPPI criterion and for which the fair value option has not been exercised (see FVTPL measurement category) are measured at amortised cost. Therefore, only debt instruments can be measured subsequently at amortised cost; this method cannot be used for equity instruments or derivatives because they do not satisfy the SPPI criterion. At Helaba, such debt instruments include bonds, other fixed-income securities and loans and receivables.

Subsequent measurement at amortised cost is applied by updating the carrying amount of the financial asset with the estimated cash flows (up to the maturity date of the financial asset concerned) distributed over the residual term of the asset and discounted with the effective interest rate. The resulting gross carrying amount must then be reduced by the impairment loss as required by the IFRS 9 impairment model, the final amount then being the net carrying amount.

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

Please refer to Note (9) for information on the inclusion of the impairment model in connection with credit risks arising on financial assets in the AC measurement category.

Subsequent measurement at fair value through other comprehensive income with recycling (FVTOCI [recycling])

The FVTOCI (recycling) measurement category encompasses financial assets that are allocated to the "hold to collect and sell" business model and for which the SPPI criterion is satisfied, provided that the fair value option is not exercised. Again, this measurement category can only be used for debt instruments because equity instruments and derivatives do not satisfy the SPPI criterion. At Helaba, such debt instruments include bonds and other fixed-income securities. They are generally measured at fair value. Gains and losses on remeasurement at fair value are reported – after taking into account deferred taxes – in a separate line item in other comprehensive income (accumulated OCI). If a financial asset in the FVTOCI (recycling) measurement category forms part of a hedge subject to hedge accounting, the portion of the remeasurement gains or losses attributable to the hedged risk is recognised under net income from hedge accounting. Interest income from financial instruments in the FVTOCI (recycling) measurement category is calculated using the effective interest method and recognised in net interest income under interest income from financial assets measured at fair value through other comprehensive income.

Debt instruments in the FVTOCI (recycling) measurement category are also subject to the IFRS 9 impairment model. Please refer to Note (9) for further disclosures.

Subsequent measurement at fair value through other comprehensive income without recycling (FVTOCI [non-recycling])

Generally speaking, equity instruments do not satisfy the SPPI criterion and have to be measured at fair value through profit or loss. However, IFRS 9 offers an irrevocable election option at the time of initial recognition whereby equity instruments as defined in IAS 32 may be measured at fair value through other comprehensive income if such instruments are acquired for non-trading purposes. In the FVTOCI (non-recycling) measurement category, all measurement gains and losses accumulated up to the point at which the equity instrument is derecognised are recognised in accumulated other comprehensive income. In contrast to the treatment of financial instruments in the FVTOCI (recycling) measurement category, even when financial instruments in the FVTOCI (non-recycling) measurement category are derecognised, no impairment losses, reversals of impairment losses or accumulated gains or losses are reclassified to profit or loss (i.e. there is no recycling). However, the changes in fair value accumulated in other comprehensive income up to the point of derecognition are reclassified to retained earnings within the statement of changes in equity.

Helaba has elected to apply this option (to recognise gains or losses on the remeasurement of equity instruments in other comprehensive income) for identified strategic equity investments.

It is not possible to use this option for shares in collective investment undertakings because the issuer's obligation to accept the return of the shares/units in the fund(s) means that such shares do not qualify as equity instruments as defined by IAS 32.

Subsequent measurement at fair value through profit or loss (FVTPL)

The measurement at fair value through profit or loss (FVTPL) measurement category is used for all financial assets that do not meet the SPPI condition or that are not allocated to either the "hold to collect" or "hold to collect and sell" business models. Business models other than "hold to collect" and "hold to collect and sell" therefore cover all other portfolios and include, for example, portfolios of financial assets and liabilities held for trading purposes or managed on the basis of fair value To ensure that the importance of trading activities is properly reflected in financial statements, a further breakdown is applied to the

FVTPL measurement category for the purposes of reporting in the statement of financial position and income statement. This breakdown consists of two subcategories: held for trading (FVTPL HfT) and other financial assets mandatorily measured at fair value through profit or loss (FVTPL MAND).

By applying the fair value option (FVO) voluntarily, it is possible to use the FVTPL (FVO subcategory) measurement category for financial assets that would otherwise be allocated to the AC or FVTOCI (recycling) measurement categories based solely on the business model criterion or SPPI condition. However, IFRS 9 only permits use of the FVO for financial assets to avoid accounting mismatches. Helaba uses the FVO in individual cases in which there is an economic relationship between the financial assets concerned and other financial instruments – for example in an economic hedge where hedge accounting is not applied – and these other financial instruments need to be measured at fair value in accordance with IFRS 9.

Derivative financial instruments always have to be allocated to the FVTPL measurement category because they do not satisfy the SPPI criterion. Within the FVTPL category, derivatives held for trading purposes are allocated to the HfT subcategory, and non-trading derivatives to the FVTPL MAND subcategory. Generally speaking, equity instruments do not satisfy the SPPI criterion and have to be measured at fair value. Where the option for measurement at fair value through other comprehensive income is not exercised (and is in any case only permissible for equity instruments as defined in IAS 32), these financial instruments are also allocated to the FVTPL MAND measurement category. Likewise, derivatives forming part of a hedge are allocated to the FVTPL MAND measurement category.

Classification of financial liabilities

On initial recognition, financial liabilities are allocated to a measurement category, which then serves as a basis for subsequent measurement. Generally, all financial liabilities are allocated to the AC measurement category unless they are intended for trading, they are derivatives or the FVO is exercised.

Subsequent measurement at amortised cost (AC)

This measurement category consists of non-derivative financial liabilities that are not intended for trading and for which the FVO has not been exercised. The liabilities are measured at amortised cost.

Derivative components embedded in financial liabilities within this measurement category must be evaluated to assess whether there is a bifurcation requirement. If there is a bifurcation requirement, the derivative must be classified and accounted for separately (normally in the FVTPL MAND measurement category). The host contract is classified independently (excluding any separated derivative components) and can be allocated to the AC measurement category.

Please refer to the procedure described for financial assets (AC) for information on determining amortised cost.

Subsequent measurement at fair value through profit or loss (FVTPL)

The FVTPL measurement category consists of three subcategories. Non-derivative financial liabilities held for trading on initial recognition are allocated to the FVTPL HfT subcategory. Non-trading derivatives are allocated to the FVTPL MAND subcategory. In addition, financial liabilities can be voluntarily allocated to this measurement category (FVTPL FVO subcategory). Financial liabilities allocated to the FVTPL measurement category are measured at fair value through profit or loss.

Financial liabilities held for trading are instruments acquired or held for the purpose of selling and generating profits from short-term fluctuations in prices or trader margins.

The FVO can be exercised to measure financial liabilities at fair value through profit or loss if one of the following criteria is satisfied:

- The financial liability is managed on a fair value basis.
- The financial liability is a structured product and, if the FVO were not applied, the host contract and the embedded derivative would have to be accounted for separately.
- There is an economic relationship between the financial liability and other financial instruments and the application of the FVO avoids an accounting mismatch in the income statement.

Helaba uses the FVO particularly for structured products within financial liabilities.

When the FVO is applied, changes in the fair value of financial liabilities are generally recognised through profit or loss. However, the portion of a change in fair value attributable to changes in Helaba's own credit quality is recognised in accumulated other comprehensive income. Cumulative changes in fair value recognised in other comprehensive income are not reclassified to profit or loss, even in the event of early derecognition of financial liabilities prior to maturity. However, the changes in fair value accumulated in other comprehensive income up to the point of derecognition are reclassified to retained earnings within equity.

(6) Classes of Financial Instruments

The following classes of financial assets and financial liabilities, which have different characteristics, are used for the financial instrument disclosures in the notes. In some of the disclosures, these classes are broken down into sub-classes. The definition of these classes is based on the classes of instruments specified by the FINREP financial reporting framework developed by the European Banking Authority (EBA).

Bonds and other fixed-income securities

This class comprises debt instruments in the form of securities held by the Helaba Group. Certain characteristics, such as the nature of the collateral, subordination or the existence of a compound instrument, have no bearing on the classification.

A distinction is made between money market instruments and medium- and long-term bonds based on the original maturity of the security concerned. All bonds and other fixed-income securities, regardless of what they are actually called, are deemed to be money market instruments if their original maturity is one year or less. Examples of money market instruments are commercial paper and certificates of deposit.

Loans and receivables

All non-derivative debt instruments not classified as bonds or other fixed-income securities are treated as loans and receivables. In addition to (current account) loans and deposits repayable on demand, such instruments include fixed-term loans, credit card receivables, trade accounts receivable, finance lease receivables and reverse repos.

The Helaba Group enters into securities repurchase agreements in the form of standardised repo or reverse repo deals in which Helaba is either the seller/borrower (repo) or buyer/lender (reverse repo). Such arrangements are a contractual agreement to transfer securities accompanied by a simultaneous agreement to repurchase the transferred (or equivalent) securities on a specified date in the future in return for the payment of an amount agreed in advance.

As the risks and rewards associated with the securities involved in the transaction remain entirely with the seller despite the transfer, such transactions are considered "genuine" repurchase agreements in which the derecognition criteria specified in IFRS 9 are not satisfied. The transferred securities therefore continue to be reported in the seller's statement of financial position and measured in accordance with the original measurement category.

The financial assets reported as reverse repos in the loans and receivables class are in effect Helaba's entitlement to repayment of the cash it paid out as the buyer in return for the transfer of securities. This class is also used to report cash collateral furnished by Helaba, as borrower, in connection with securities lending transactions.

Under IFRS 9, securities lending is subject to the same accounting requirements as those applicable to repos and reverse repos with the result that the transfer of securities under securities lending agreements does not result in the derecognition of the securities by the lender. Only the cash collateral furnished and received is recognised by the parties: by the collateral provider as loans and receivables, and by the collateral recipient as deposits and loans.

Positive and negative fair values of derivatives

A derivative is a financial instrument or other contract in which the value is derived from a certain interest rate, price or index, for the purchase of which little or no initial payment is required, and the settlement of which will take place at a later point in time. A derivative may be an asset or a liability depending on whether the fair value of the derivative is positive or negative. The Helaba Group holds derivatives for trading (trading book) and for hedging purposes (banking book). In the case of derivatives held for hedging purposes, a distinction is made between derivatives used for economic hedging as part of hedge management for which the formal documentation requirements specified in IFRS 9 are not satisfied (economic hedges) and derivatives used in qualifying hedging relationships in accordance with IFRS 9.

Equity shares and other variable-income securities

This class comprises equity instruments and other securities for which no fixed interest payments have been agreed. The class largely consists of shares or participation documents evidencing a share in the assets of a public limited company or entity with a similar legal structure, provided that the involvement is not intended to support Helaba's own business operations by establishing a lasting relationship (in which case the securities must be allocated to the shareholdings class). This class also includes shares/units in securities investment funds in the form of special institutional funds and retail funds (such as equity funds, fixed-income funds, mixed funds and real estate funds).

Shareholdings

The shareholdings class comprises equity shares in unconsolidated affiliated companies, joint ventures not measured at equity, associates not measured at equity, and other equity investments.

Affiliated companies include subsidiaries that are not fully consolidated in the Helaba consolidated financial statements because they are of minor significance.

A joint venture is a joint agreement between two or more partner entities in which the partner entities jointly share the management of the venture and have rights to the net assets of the venture under the agreement.

Entities in which Helaba is able to exercise significant influence, either directly or indirectly, on the basis of its shareholding and that do not constitute either a subsidiary or a joint venture of Helaba are reported as associates. There is a (rebuttable) presumption of significant influence if Helaba holds 20 % or more of the voting rights.

Shares in any other entities are reported as other equity investments if they are intended to serve Helaba's own business operations by establishing a lasting relationship and the entities concerned are not otherwise classified as subsidiaries, joint ventures or associates.

Receivables from the purchase of endowment insurance policies

This class consists of endowment insurance policies purchased on the secondary market by a subsidiary.

Securitised liabilities

Securitised liabilities comprise the debt instruments issued by Helaba as securities. The class brings together issued money market instruments, medium-/long-term bonds and equity/index certificates, reflecting the composition of the bonds and other fixed-income securities asset class. This class of liabilities also includes subordinated bearer bonds, profit-participation certificates and silent participation certificates issued by Helaba.

Deposits and loans

The definition of deposits and loans is based on the definition of the term "Deposits" in Part 2 of Annex II of Regulation (EU) No 1071/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector.

The deposits and loans class comprises amounts invested with Helaba by creditors except amounts arising from the issue of negotiable securities. The class includes deposits on savings accounts, overnight deposit accounts and term deposit accounts as well as (promissory note) loans taken out by Helaba. For the purposes of the aforementioned Annex, deposits and loans are further subdivided into deposits and loans repayable on demand (overnight deposits), deposits and loans with agreed maturity, deposits and loans redeemable at notice and repurchase agreements (repos).

Financial liabilities reported as repos represent the obligation to repay the cash received by Helaba (as seller/borrower) in return for the transfer of securities and/or the cash collateral received by Helaba in connection with securities lending transactions (see the section on loans and receivables above).

Liabilities arising from short-selling of securities

If, during the term of a securities lending transaction or repo, Helaba sells borrowed securities to third parties, its obligation to return the securities to the original lender or seller is recognised as a liability arising from short-selling of securities.

Other financial liabilities

Other financial liabilities comprise all financial liabilities that are not classified as negative fair values of derivatives, securitised liabilities, deposits and loans or liabilities arising from short-selling of securities.

Examples of other financial liabilities include dividends to be distributed, charges under executory contracts, trade payables and operating lease liabilities.

Hedging derivatives

Derivatives that have been designated as hedging instruments as part of hedge accounting are reported as hedging derivatives.

Hedging derivatives are measured at fair value and are reported under either "Positive fair values of hedging derivatives under hedge accounting" or "Negative fair values of hedging derivatives under hedge accounting", depending on the fair value as at the reporting date.

Loan commitments

Loan commitments are firm obligations entered into by Helaba to provide a loan to a potential borrower on the basis of terms and conditions contractually established in advance. Loan commitments also include forward loans in which Helaba enters into an irrevocable agreement with a potential borrower to issue a loan at a future point in time on the basis of terms specified when the agreement is signed (forward interest rate).

The loan commitments covered by this class comprise solely loan commitments to which the impairment rules under IFRS 9 apply. When a loan commitment is subsequently remeasured in accordance with the rules under IFRS 9 for recognising impairment losses, a provision is recognised for anticipated losses that may arise from a drawdown under the loan commitment.

Loan commitments that do not fall within the scope of the impairment requirements under IFRS 9 are classified as sundry obligations and reported under sundry obligations (within the scope of IAS 37). Examples of such loan commitments are loan commitments in which the party making the commitment can legally withdraw from the commitment unilaterally and unconditionally at any time and in which therefore no default risk arises.

Loan commitments that constitute derivatives or for which the fair value option was exercised on initial recognition are measured at fair value both on initial measurement and in any subsequent remeasurement.

Financial guarantees

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

When a financial guarantee is subsequently remeasured in accordance with the rules under IFRS 9 for recognising impairment losses, a provision is recognised for anticipated losses that may arise from a claim under the guarantee.

Financial guarantees for which the fair value option was exercised on initial recognition are measured at fair value both on initial measurement and in any subsequent remeasurement.

Sundry obligations

This class encompasses all other off-balance sheet liabilities that do not fall within the scope of IFRS 9 and are therefore subject to the requirements specified in IAS 37. Such obligations include warranty bonds, placement/margin/contribution payment obligations and obligations to purchase non-financial assets.

(7) Recognition of Financial Instruments and of Income and Expenses

The recognition of financial instruments is first based on their measurement category in accordance with IFRS 9. For the purposes of the disclosures in the notes, they are grouped into classes of financial instruments as described in Note (6).

The sole exception is the “Cash on hand, demand deposits and overnight money balances with central banks and banks” line item. This item is used to report cash balances denominated in euros and foreign currencies. These balances are measured at their nominal amounts. The item also includes deposits with the European Central Bank and other central banks repayable on demand or no later than on the following business day as well as demand deposits and overnight money with other banks. Longer-term financial investments and overdrafts on current accounts held by other banks are reported as loans and receivables in accordance with their IFRS 9 measurement category.

Income and expenses from financial instruments are also reported according to the IFRS 9 measurement category applicable to the financial instrument in question and then according to the class of financial instrument concerned.

Net interest income

The net interest income item encompasses the interest arising from financial assets and liabilities with the exception of interest in connection with financial instruments held for trading, which is reported as part of net trading income. Net interest income includes both interest on debt instruments and the interest on non-trading derivatives in the banking book and on hedge accounting derivatives. Existing premiums, discounts and transaction costs are allocated over the residual maturity of the financial instrument using the effective interest method (amortisation) and recognised in profit or loss under net interest income in addition to the contractually agreed nominal interest. Helaba also uses the net interest income item to recognise financial instrument fees and commissions that form an integral part of the effective interest rate of financial instruments in accordance with IFRS 9.

Net interest income additionally includes pull-to-par effects from hedge accounting derivatives when an underlying asset is retrospectively designated as part of a hedge (after initial recognition of the asset). In this process, the difference between the amortised cost and the repayment amount of the hedged item at the time the hedge is established is reversed using the effective interest method.

Interest income on impaired financial assets in stage 3 and on purchased or originated credit-impaired (POCI) financial assets is not recognised on the basis of the gross carrying amount. In the case of the former, it is determined by applying the effective interest method with the original effective interest rate to the amortised cost, i.e. net carrying amount (gross carrying amount less cumulative impairment losses); in the case of POCI financial assets, it is determined by applying the original credit-adjusted effective interest rate to the amortised cost (taking into account the expected credit loss on initial recognition).

Depending on the measurement category concerned, interest income from demand deposits and overnight money balances with central banks and banks is reported within net interest income as interest income from other assets (AC) or within net trading income (HfT).

Net interest income also includes the net interest income or expense from pension obligations and the interest cost arising from the unwinding of the discount on non-current provisions and other liabilities recognised at present value.

Reporting interest anomalies

The breakdown of interest anomalies (negative interest on financial assets and/or positive interest on financial liabilities) is shown in the table in Note (22). Helaba reports positive interest on financial liabilities under interest income, and negative interest on financial assets under interest expense. Cash flows resulting from interest anomalies in connection with derivatives are offset against each other and reported either in interest income or interest expense in the same way that cash flows for each derivative are netted in a normal interest rate environment.

Loss allowances

The “Loss allowances” item in the income statement includes all impairment expenses and income in relation to debt instruments in the measurement categories AC (including trade accounts receivable (IFRS 15) and lease receivables) and FVTOCI (recycling) and in relation to loan commitments and financial guarantees where such commitments and guarantees are subject to the IFRS 9 impairment requirements. This includes additions to cumulative loss allowances, reversals, direct write-downs, recoveries on loans and receivables previously written off as well as necessary adjustments to loss allowances in the case of modifications of stage 3 financial assets (or POCI assets).

Cumulative loss allowances on debt instruments in the AC measurement category are deducted from the gross carrying amounts on the assets side of the statement of financial position. In the case of debt instruments in the FVTOCI (recycling) measurement category, they are reported within accumulated OCI. The cumulative provisions for losses on loan commitments and financial guarantees are reported separately as a provision for off-balance sheet liabilities under provisions on the liabilities side of the statement of financial position. Impairment losses and reversals of impairment losses are recognised as additions to, and reversals of, this provision.

Gains or losses from modification of contractual cash flows

This item consists of gains or losses from non-substantial modifications of financial assets in stages 1 and 2 and financial liabilities in the AC measurement category.

If the contractual cash flows in connection with financial assets or financial liabilities measured at amortised cost are renegotiated or otherwise modified, and such renegotiation or modification is substantial, the financial instrument must be derecognised and a new transaction recognised. If the modification is not substantial, the gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows discounted using the original effective interest rate. Gains or losses from non-substantial modifications are reported in this item if they arise from financial assets in stages 1 or 2 or from financial liabilities. Gains or losses from the modification of financial assets in stage 3 or of POCI financial assets are reported under loss allowances.

Dividend income

Dividend income is recognised as soon as a legal entitlement to payment is established. Dividend income from equity instruments mandatorily measured at fair value and from equity instruments measured at fair value through other comprehensive income on the basis of the FVTOCI option is reported in the "Dividend income" line item. Dividend income from equity instruments allocated to the trading book is recognised as part of net trading income. Dividend income includes dividends from public limited companies, profit distributions from other companies, income under profit transfer agreements and distributions from special institutional funds and retail funds.

Net fee and commission income

In the Helaba Group, the definition of net fee and commission income is based on Section 30 of the RechKredV, and comprises income and expenses from the service business. This item in the income statement is used to report fee and commission income and expenses according to the nature of the activity concerned. Fee and commission income and expenses from trading-related activities are reported within net trading income. Income from non-banking services is recognised as sundry income within other net operating income.

Net trading income

Net trading income includes disposal and remeasurement gains or losses on derivative and non-derivative financial instruments held for trading, interest and dividends resulting from trading assets as well as fees and commissions in connection with trading activities. All gains and losses from the currency translation of financial assets and liabilities, regardless of measurement category, are recognised as currency gains and losses within net trading income.

Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss

The gains or losses from the fair value measurement and from the derecognition of financial instruments not held for trading in the FVTPL MAND measurement category are reported under this item. The unrealised remeasurement gains or losses result from the non-exchange-rate-related change in fair value, disregarding accrued interest (changes in clean fair value). Currency-related changes in fair value are reported as currency gains or losses within net trading income. Current and accrued interest, premiums and discounts as well as other components of the effective interest rate on debt instruments and derivatives mandatorily measured at fair value through profit or loss are reported in net interest income; dividends on equity instruments in this measurement category are recognised under dividend income.

Gains or losses on financial instruments designated voluntarily at fair value

This line item in the income statement is used to report the realised and unrealised gains or losses on financial assets and financial liabilities designated voluntarily at fair value (FVO). In the case of financial assets designated voluntarily at fair value, the item only includes changes in clean fair value (i.e. excluding currency-related changes) in the same way as the item for financial instruments mandatorily measured at fair value through profit or loss. Currency-related changes in fair value are reported as currency gains or losses in net trading income. In the case of the measurement of financial liabilities, changes in fair value attributable to changes in Helaba's own credit risk are not recognised in this income statement item, but in accumulated OCI instead. Current and accrued interest, premiums and discounts as well as other components of the effective interest rate for debt instruments are recognised in net interest income.

Net income from hedge accounting

The changes in value of the hedged items and hedging instruments included in hedging relationships and relating to the hedged risk (interest rate risk, currency risk) are reported under net income from hedge accounting. Please refer to Note (10) for disclosures on hedge accounting.

Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss

This income statement item consists of the net gains or losses from the early derecognition (as a result of disposal or substantial modification) of financial assets and financial liabilities measured at amortised cost (AC measurement category) and of financial assets measured at fair value through other comprehensive income (FVTOCI measurement category).

The recognition of the financial assets disposal or modification gain or loss is based on the stage under the impairment model at the time of derecognition. In the case of financial assets in stage 1, the cumulative loss allowances previously recognised under loss allowances in the income statement are first reversed. A net gain or loss on derecognition in the amount of the difference between the selling price and the gross carrying amount is then recognised. For instruments in stage 2, the cumulative loss allowances are first utilised and the difference between the selling price and gross carrying amount after utilisation is then recognised as a net gain or loss on derecognition. In the case of impaired financial assets in stage 3, the main factor determining value is the credit risk in a sale transaction. The cumulative loss allowances are therefore first adjusted until the selling price equates to the net carrying amount. Generally speaking, the same system is used for financial assets measured at fair value through other comprehensive income. In addition, the non-credit-risk-related changes in fair value accumulated up to that point in accumulated OCI are recycled to profit or loss.

Day-one profit or loss

In the case of financial instruments measured at fair value, differences may arise between the transaction price and the fair value (day-one profit or loss). Any day-one profit or loss is normally recognised immediately in profit or loss. If the calculation of the fair value is not based on observable measurement parameters, the day-one profit or loss must be recognised in profit or loss over the maturity of the asset concerned. In such cases, a deferral item is recognised under the same item as the transaction responsible for the day-one profit or loss. The reversal of the deferral item and recognition in profit or loss depends on the underlying transaction. In the case of interest-bearing financial instruments, the day-one profit or loss is amortised over the life of the instrument using the effective interest method; in the case of equity instruments, the deferred item is only reversed and recognised in profit or loss on derecognition of the instrument. It may also be appropriate to amortise day-one profit or loss on a straight line basis. On derecognition of a financial asset or financial liability, any related day-one profit or loss that has not yet been amortised is recognised immediately in profit or loss.

(8) Fair Values of Financial Instruments

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

Measurement methods

When selecting the measurement method for financial instruments, the Helaba Group distinguishes between those financial instruments that can be measured directly using prices quoted in an active market and those measured using standard valuation techniques. In this process, of all the markets to which Helaba has access, the market with the highest level of activity is generally assumed to be the relevant market (primary market). If no primary market can be determined for individual financial instruments, the most favourable market is selected.

The fair value of financial instruments listed in active markets is determined on the basis of quoted prices. A market is deemed to be active if, for relevant or similar financial instruments, there are market prices that satisfy minimum requirements, particularly in relation to price spread and trading volume. The minimum requirements are specified by Helaba and subject to a regular review.

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

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

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

Financial instruments	Measurement models	Key inputs
Interest-rate swaps and interest-rate options	Discounted cash flow method, Black/Normal Black model, Markov functional model, SABR model, replication model, bivariate copula models	Yield curves, interest-rate volatility, correlations
Interest-rate futures	Discounted cash flow method	Yield curves
Currency futures	Discounted cash flow method	Exchange rates, yield curves
Equity/index options	Black model, local volatility model	Equity prices, yield curves, equity volatilities, dividends
Currency options	Black model, skew barrier model	Exchange rates, yield curves, FX volatilities
Commodity options	Black model, Turnbull/Wakeman	Commodity prices, yield curves, commodity volatilities/correlations
Credit derivatives	Black model	Yield curves, credit spreads, credit volatilities
Loans	Discounted cash flow method	Yield curves, credit spreads
Money market instruments	Discounted cash flow method	Yield curves
Securities repurchase transactions	Discounted cash flow method	Yield curves
Promissory note loans	Discounted cash flow method	Yield curves, credit spreads
Securities, forward securities transactions	Discounted cash flow method	Yield curves, credit spreads, securities prices
Fund units/shares	Fund valuation	Fair values of fund assets
Shareholdings	Dividend discount method, net asset value method	Discount rate, expected cash flows

With reference to fund units/shares in the equity shares and other variable-income securities measurement category, the fair values used are mainly determined by the fund management companies and made available to the unitholders/shareholders. If the latest fair value was determined as at a date other than the reporting date, such value is extrapolated to the reporting date.

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

Adjustments

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

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

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

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

Validation and control

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

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

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

Level 1

The market price is the best indicator of the fair value of financial instruments. If an active market exists, observable market prices are used to measure the financial instruments recognised at fair value. These are normally prices quoted on a stock exchange or market prices quoted on the interbank market. These fair values are reported as Level 1.

Level 2

If an observable market price does not exist for a financial instrument, recognised and customary valuation techniques are used for measurement purposes, with all input data being based on observable market data and taken from external sources. These valuation techniques are normally used for OTC derivatives (including credit derivatives) and for financial instruments that are recognised at fair value and not traded on an active market. In such cases, the fair values are reported as Level 2.

Level 3

In those cases in which not all input parameters are directly observable on the market, the fair values are calculated using realistic assumptions based on market conditions. This approach is required in particular for complex structured (derivative) basket products where correlations not directly observable in the market are significant to the measurement. If no market prices are available for non-derivative financial instruments, arranger prices are used. Inputs that cannot be observed, particularly the surpluses derived from corporate planning, are also used to measure unlisted shareholdings recognised at fair value and to test goodwill for impairment. In the case of investment property, fair values are determined on the basis of expected income and expenses, with the result that these fair values are also classified as Level 3.

If an input material to the measurement of a financial instrument can no longer be classified under the same level used in the previous measurement, the instrument is reallocated to the relevant level.

(9) Impairment of Financial Assets, Loan Commitments and Financial Guarantees

Helaba applies the three-stage IFRS 9 impairment model to the following financial instruments and measurement categories:

- Financial assets in the AC measurement category
- Debt instruments in the FVTOCI Recycling measurement category
- Lease receivables
- Receivables as specified in IFRS 15 (including contract assets)
- Loan commitments within the scope of IFRS 9 and financial guarantees not measured at fair value through profit or loss

In accordance with the expected credit loss model, a loss allowance is recognised in the amount of the expected credit loss for all financial instruments falling within this scope, depending on the allocation of the financial instrument concerned to the relevant stage in the model.

Loss allowances at stage 1

When a financial instrument is first recognised, it is normally allocated to stage 1 regardless of its initial credit risk. Exceptions are financial instruments that need to be classified as POCI assets because there is already objective evidence of impairment at the time of initial recognition, and lease receivables, and contract assets in accordance with IFRS 15, which are always allocated to stage 2 in application of the simplified approach under IFRS 9.

The loss allowance at stage 1 is recognised in an amount equal to the twelve-month expected credit loss (12M ECL). This amount is derived from the lifetime expected credit losses and comprises the portion of the losses resulting from default events anticipated in the twelve months following the reporting date.

Loss allowances at stage 2

Financial instruments for which the credit risk has increased significantly compared with the credit risk expected on initial recognition are allocated to stage 2. Lease receivables, and contract assets as specified in IFRS 15 are also allocated to stage 2. IFRS 9 offers an option whereby financial instruments with a very low absolute credit risk can be left in stage 1 regardless of any relative deterioration since initial recognition. Helaba only exercises this option for bonds and other fixed-income investment-grade securities. The investment-grade range covers all rating classes up to, and including, rating class 11 of the internal credit rating scale. Please refer to Note (72) for a reconciliation of the internal rating classes to the ratings provided by external rating agencies.

To assess whether there has been a significant increase in credit risk since initial recognition, Helaba uses a relative quantitative transfer criterion based on the established internal rating process. In this approach, the latest probability of default over the residual maturity of the financial instrument is compared with the probability of default anticipated for this period at the time of initial recognition. The predicted default risk will be determined using rating-module-specific migration matrices and a distribution assumption (quantile), such that a rating threshold value can be established as a quantitative transfer criterion for each financial instrument. The probability of default is adjusted using macroeconomic factors if strong economic changes are expected which were previously not sufficiently reflected. The transfer of an instrument to loan workout will also be used as a qualitative criterion for assessing whether the instrument needs to be moved to stage 2. This is required, for example, if payments are overdue for more than 30 days. If a payment is overdue for more than 30 days, this is considered a major credit event affecting creditworthiness, which means that the corresponding item is automatically transferred to stage 2.

The definition of default event used to determine probabilities of default corresponds to the regulatory definition in accordance with Article 178 of the Capital Requirements Regulation (CRR).

The criteria for a transfer from stage 1 to stage 2 apply in the same way for a transfer back to stage 1: a financial instrument can be transferred back to stage 1 if the credit risk associated with the financial instrument has reduced again to the extent that the criterion of a significant increase in credit risk is no longer satisfied.

At stage 2, a loss allowance is recognised in an amount equal to the lifetime expected credit losses (lifetime ECLs) for the financial instrument concerned.

The lifetime ECL is generally determined for each individual financial instrument. A portfolio approach is only used to take into consideration information not previously reflected at sub-portfolio level in the ECL calculation models and that should be factored into the recognition of loss allowances. Currently, this approach is used in relation to the shipping loan portfolio and the anticipated impact from the recalibration of the International Real Estate rating module, which is only gradually being reflected in the re-rating process.

The following main parameters, assumptions and estimation methods are used to establish lifetime ECL:

- Probability of default (PD): The lifetime PD represents the borrower's probability of default for the entire remaining term of the transaction concerned. The calculation of the lifetime PD is based on migration matrices available for every rating module. The migration matrices describe the probability that a borrower will migrate from one rating class into another within the next twelve months. They can be used to determine both the one-year PD and – based on matrix multiplication – the lifetime PD. The migration probabilities are mainly derived from historical experience, but also take information on the current situation as well as forward-looking information into account. The migration probabilities may be adjusted by macroeconomic factors. The necessary adjustments are based on three macroeconomic scenarios (negative, positive and basic).
- Exposure at default (EAD): the EAD is mainly based on the expected present value of the projected and extraordinary cash flows during the remaining term of the transaction. This includes both expected unscheduled repayments as well as cancellation probabilities for transactions where the cancellation before the end of the contract term is considered possible. Both parameters are calculated as average values of historical data.
- Credit conversion factor (CCF): the CCF is taken into account as part of the EAD calculation in the context of loan commitments. The CCF represents the projected drawdown of the provided credit line if a default occurs within the next year. Based on historical and economic customer behaviour, the CCF is calculated as the ratio between the loan amount to be drawn until the default event, and the provided credit line as at the respective reporting date. In order to be able to determine the provided credit line for more than one period in the event of a default, a life CCF (LCCF) must be taken into consideration. The LCCF represents the expected drawdown of a provided credit line over time provided that no counterparty default occurs. The LCCF is calculated from historical data: it is the percentage of drawdowns of the overall credit line in the respective period.
- Loss given default (LGD): the LGD is calculated for the secured and unsecured portions of the EAD. The calculation of the secured EAD portion includes estimated changes in the fair value of collateral; these estimates might be adjusted if pronounced macroeconomic fluctuations are anticipated. Initially, the LGD is calculated for twelve months. In order to calculate LGDs covering more than one year, both the EAD and the collateral value are extrapolated over future periods. IFRS 9 requires reporting entities to make estimates reflecting their expectations; to fulfil this requirement, Helaba does not take into account any downturn components or collateral margins considered inappropriately high for economic purposes. Moreover, the consideration of collateral is also based on economic criteria. For instance, all recoverable collateral is taken into account irrespective of its eligibility for regulatory purposes.
- When determining the remaining term of financial instruments, the Helaba Group bases its calculations on the maximum contractual term, taking into account borrowers' renewal options. In the case of combined financial instruments, i.e. financial instruments consisting of a combination of loan and revolving credit (such as current account overdrafts), the contractual term is generally an inadequate reflection of the actual term – therefore, an estimated term is used for these scenarios.

All parameters used to determine the ECL are subject to estimation uncertainty, meaning that the actual losses incurred at Helaba may deviate from the expected losses recognised in loss allowances. The wider the time frame used for ECL projection purposes, the higher the estimation uncertainty. The list of factors influencing loss allowances includes, for instance, the expected credit rating of the borrower, economic conditions and changes in the value of the collateral held by Helaba. All factors used to determine the ECL are subject to regular validation processes.

Loss allowances at stage 3

A financial instrument is allocated to stage 3 if there is objective evidence of impairment, as follows:

- significant financial difficulty on the part of the issuer or the borrower;
- failure of the issuer or borrower to make interest payments or repayments of principal in accordance with contract;
- concessions by the lender that have only been granted because of the financial difficulties of the issuer or borrower (forbearance);
- significant probability that the issuer or borrower will become insolvent or have to undergo financial restructuring;
- disappearance of an active market for the asset because of the issuer's or borrower's financial difficulties;
- observable data indicating a measurable decline in estimated future cash flows from a group of financial assets even though a decline cannot yet be identified for the individual asset concerned.

In this context, Helaba has harmonised its definition of indicators constituting objective evidence with the regulatory definition of a default event in accordance with article 178 CRR. A financial asset is therefore deemed to be in default and is allocated to stage 3 if one of more of the following criteria are satisfied:

- Repayment by the borrower in full, without recourse by the lender to recovery of collateral, is unlikely.
- A significant liability of the borrower to the Helaba Group is more than 90 days past due.

However, in individual cases, the connection between stage 3 and the regulatory definition of a default event may no longer apply where Helaba has granted substantial modifications or originated new primary business with defaulted borrowers who are already in a period of good conduct. The new business is allocated to stage 1 provided it is not classified as a POCI asset.

If the objective evidence of impairment no longer applies, the instrument is transferred back from stage 3 into stage 2 or stage 1. The objective evidence of impairment no longer applies as soon as the default event is over. Simultaneously, an internally established period of good conduct applies, taking regulatory requirements into account. During the period of good conduct, all exposures remain in stage 3.

The amount of the loss allowance to be recognised for financial instruments in stage 3 is also equivalent to the lifetime ECL. In the case of significant loans (exposures of € 3 m or more), the loss allowance is then calculated on the basis of individual cash flow estimates, taking into account various scenarios and the probability of such scenarios materialising. In the case of loans not classified as significant, the lifetime ECL as determined at stage 2 is used, but with the given default probability of 100 %.

Uncollectible loans and receivables in which it is virtually certain that there will be no further receipt of payments after recovery of all collateral and receipt of other proceeds are derecognised taking into account recognised loss allowances, or through profit or loss (direct write-offs).

POCI assets

Financial instruments for which there is already objective evidence of impairment on initial recognition are subject to a separate measurement approach known as the purchased or originated credit-impaired (POCI) approach. With reference to newly issued financial instruments and financial instruments after substantial modifications, Helaba verifies upon initial recognition whether all contractually agreed payments can be expected to be received without the potential recovery of collateral. If a financial instrument is classified as a POCI asset on initial recognition, this classification must be maintained until the financial instrument is derecognised, regardless of any change in the associated credit risk. POCI financial assets are therefore not subject to the transfer criteria in the general three-stage model.

Modifications

According to IFRS 9, contract modifications of financial instruments comprise both the adjustment of contractual cash flows as well as changes in the legal situation with an effect on the cash flows associated with the financial instrument. However, unlike forbearance measures, the exercise of a provision or option stipulated in the original contract is not considered a contract modification within the meaning of IFRS 9. In addition, modifications in line with IFRS 9 are considered independently from any financial difficulties of the borrower.

The modification rules apply to financial instruments measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVTOCI recycling category) as well as loan commitments and financial guarantees within the scope of application of impairment regulations.

A distinction must be made between substantial and non-substantial modifications. Substantial modifications of stage 1 and stage 2 financial assets mean that the asset in question is derecognised through profit or loss and that another financial asset – with amended contract conditions – is initially recognised. Non-substantial modifications do not lead to the derecognition of the assets concerned; instead, the gross carrying amount of the asset is adjusted through profit or loss to the present value of the modified cash flows in a calculation using the original effective interest rate. With reference to stage 3 financial assets and POCI, modification effects are recognised by utilising loss allowances. If the allowances for credit losses must be adjusted for modification effects, the risk provisioning result may be affected as well.

If a stage 2 or stage 3 financial instrument is not substantially modified, it is transferred back to stage 1 in line with the general provisions. Regarding quantitative transfer criteria, the expected default probability at initial recognition (i.e. not at the modification date) is taken into account.

(10) Hedge Accounting

The Helaba Group enters into derivatives for both trading and hedging purposes. If derivatives are demonstrably used to hedge risks, special hedge accounting rules can be applied under IFRS 9, subject to certain preconditions, in order to eliminate accounting mismatches (in annual financial statements) that could arise from differences between the measurement of hedging instruments and that of hedged items.

Please refer to the Helaba Group's general risk strategy and specific risk strategies in the management report for a description of the overarching risk management strategy for managing market risk in the banking book. The Helaba Group applies hedge accounting on a selective basis for the derivatives used in the context of managing market risk in the banking book. It is not necessary to apply hedge accounting to all banking book derivatives because the risk exposures in connection with some of the banking book derivatives balance each other out and, in addition, some of the hedged banking book transactions are themselves measured at fair value through profit or loss.

Two hedge accounting models are used in the Helaba Group:

- Fair value hedges for interest rate risk
  Fair value hedge accounting is used for interest rate swaps and those cross-currency swaps with a fixed and variable interest-bearing component to offset in the income statement the changes in the fair value of the designated swaps against the interest-rate-related changes in fair value of fixed-interest issues, loans or securities on the assets side of the statement of financial position. Hedged banking book transactions are allocated to each swap individually (micro hedges). Interest-rate-related changes in the fair value of hedged items are deemed to be those changes in fair value that arise from changes in the currency-specific interest rate swap curves with the predominant variable market interest rate basis (hedged risk). Together with any gains or losses from currency translation in connection with foreign currency transactions, these interest-rate-related changes in fair value make up the majority of the market-risk-related changes in the fair value of hedged items. As the hedging relationships do not involve any basis risk that could be systematically countered through a hedge ratio, one unit of hedge always hedges one unit of hedged item in the designated hedges (and the hedge ratio is therefore always 1:1). Nevertheless, the resulting offsetting in the income statement (net income from hedge accounting) is not perfect; a certain degree of hedging ineffectiveness is to be expected, particularly for the following reasons:

  - Differences in the discounting for hedged items and hedging instruments resulting from the fact that, unlike hedged items, derivative hedging instruments backed by cash collateral are measured on the basis of overnight index swap (OIS) yield curves (OIS discounting)
  - Interest rate measurement gains or losses from the variable side of derivative hedges (which cannot be offset by any corresponding measurement gains or losses on fixed-interest hedged items)

No sources of ineffectiveness arose in the reporting period other than the anticipated sources described above.

- Fair value hedges for currency risk
  Cross-currency basis swaps are used as instruments in fair value hedges of currency risk. Changes in the fair value of the swaps arising from a change in the currency basis element are reported as hedge costs under other comprehensive income in the statement of comprehensive income (change from the fair value hedges of currency risk) and, on a cumulative basis, in the reserve for fair value hedges of currency risk, which is a component of accumulated OCI. The remaining change in the fair value of the designated cross-currency basis swaps is recognised in net income from hedge accounting together with the spot-rate-related change in the fair value of the hedged items (hedged risk). Together with any interest-rate-related changes in fair value in fixed-rate transactions, these spot-rate-related changes in the fair value of hedged items make up the majority of the market-risk-related changes in the fair value of hedged items. As the hedging relationships do not involve any basis risk that could be systematically countered through a hedge ratio, one unit of hedge always hedges one unit of hedged item (and the hedge ratio is therefore always 1:1). Nevertheless, the resulting offsetting in the income statement is not completely perfect because the interest rate measurement gains and losses from the floating rates on both sides of the cross-currency basis swaps are not matched by any corresponding measurement gains or losses in the hedged items, which are only measured at spot rates. For this reason (and other reasons of minor significance), a certain degree of hedge ineffectiveness is always anticipated.

  No sources of ineffectiveness arose in the reporting period other than the anticipated sources described above.

  Hedged items are not allocated individually to the cross-currency basis swaps. Rather, a group hedge is designated for each currency. Each group hedge consists of the swaps and the primary banking book transactions in the currency concerned.

  If cross-currency basis swaps are derecognised, the cumulative cross-currency basis spread elements recognised in OCI are recycled in the income statement. The same applies in the case of a de-designation of a formerly designated cross-currency basis swap. Over the maturity of the hedge, the cross-currency basis spread element in OCI decreases as a result of the residual maturity effect. Other measurement changes relating to hedges are recognised under hedging gains or losses.

In the Helaba Group, prospective effectiveness is determined using regression analysis; the critical terms match method is used for currency risks.

If ineffectiveness is identified, the hedge is terminated, even if the ineffectiveness is predominantly attributable to credit-risk-related fair value fluctuations.

(11) Offsetting Financial Assets and Financial Liabilities

Under IAS 32, an entity may offset a financial asset and a financial liability and present the net amount in the statement of financial position if the entity has a legally enforceable right at any time to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The right must be legally enforceable as part of normal business operations and cannot be restricted such that it only comes into being if certain circumstances occur. The disclosures in Note (63) describe the extent of the net presentation of financial assets and financial liabilities in the statement of financial position. The information also includes details of conditional offsetting opportunities that do not meet the requirements for offsetting under IAS 32.

(12) Accounting Treatment of Leases

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

Leases in which the Helaba Group is the lessor

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

Leases in which the Helaba Group is the lessee

Lease instalments paid under operating leases are reported under general and administrative expenses. In the year under review, there were no contractual arrangements classified as finance leases.

(13) Currency Translation

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

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

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

(14) Investment Property

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

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

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

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

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

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

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

Depreciation is recognised as a separate item.

The fair values for property disclosed in Note (46) have been determined using internationally recognised valuation techniques. The vast majority of the residential buildings, commercial properties, parking facilities and undeveloped land areas in the Group's portfolio are valued by independent experts on the basis of market values, mainly by using the discounted cash flow method. In this method, the fair value is calculated by determining the present value of the rental income achievable over the long term, taking into account management costs and forecast property vacancy rates.

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

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

- Annual rates of increase for rent
- Non-allocatable operating costs
- Effective vacancy rates
- Discount rates

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

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

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

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

(15) Property and Equipment

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

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

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

The range of anticipated useful lives is as follows:

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

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

Depreciation on property and equipment is recognised as a separate item. Impairment losses and gains or losses on the disposal of assets are reported under other net operating income.

(16) Intangible Assets

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

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

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

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

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

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

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

(18) Other Assets and Other Liabilities

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

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

(19) Provisions for Employee Benefits

Pensions and similar defined benefit obligations

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

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

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

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

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

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

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

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

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

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

Other employee benefits due in the long term

Provisions for other employee benefits due in the long term are recognised for employee benefits that are not entirely payable within twelve months after the reporting period. These items mainly comprise provisions for long-service awards, early retirement agreements, partial retirement agreements and deferred bonuses. Such items are measured in line with IAS 19, although using a simplified method, according to which remeasurements of the net obligation are recognised through profit or loss.

(20) Other Provisions

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

Provisions for off-balance sheet liabilities include provisions for loan commitments and financial guarantees, which are measured according to the IFRS 9 impairment model. Please refer to Note (9).

(21) Taxes on Income

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

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

Income Statement Disclosures

(22) Net Interest Income

in € m

	2018	2017[1]
Interest income from	**3,525**	**3,683**
financial assets measured at amortised cost	**2,192**	**2,295**
Bonds and other fixed-income securities	1	2
Loans and receivables	2,191	2,293
Non-trading financial assets mandatorily measured at fair value through profit or loss	**755**	**774**
Bonds and other fixed-income securities	28	n.a.
Loans and receivables	9	n.a.
Derivatives not held for trading	718	774
Financial assets designated voluntarily at fair value	**11**	**48**
Bonds and other fixed-income securities	3	31
Loans and receivables	8	17
Financial assets measured at fair value through other comprehensive income	**212**	**213**
Bonds and other fixed-income securities	207	213
Loans and receivables	5	–
Hedging derivatives under hedge accounting	**220**	**246**
Financial liabilities (negative interest)	**67**	**45**
Financial liabilities measured at amortised cost	67	45
Other	**68**	**62**
Cash on hand and demand deposit balances	4	–
Commitment fees	64	62

in € m

	2018	2017[1)]
Interest expense on	**−2,453**	**−2,614**
Financial liabilities measured at amortised cost	**−1,310**	**−1,411**
Securitised liabilities	−439	−393
Deposits and loans	−871	−1,018
Derivatives not held for trading	**−720**	**−728**
Financial liabilities designated voluntarily at fair value	**−189**	**−194**
Securitised liabilities	−77	−70
Deposits and loans	−112	−124
Hedging derivatives under hedge accounting	**−121**	**−190**
Financial assets (negative interest)	**−76**	**−57**
Financial assets measured at amortised cost	−76	−57
Provisions and other liabilities	**−37**	**−34**
Unwinding of discount on provisions for pension obligations	−34	−33
Unwinding of discount on other provisions	−1	−1
Other liabilities	−2	–
Total	**1,072**	**1,069**

1) Prior-year figures adjusted: € 18 m reclassified from interest income from financial assets designated voluntarily at fair value to interest expenses from financial liabilities designated voluntarily at fair value. Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

An amount of € 2,094 m calculated using the effective interest method was included in interest income from financial assets measured at amortised cost; an amount of € 212 m calculated using the effective interest method was included in interest income from financial assets measured at fair value through other comprehensive income. Interest income not calculated using the effective interest method largely consisted of early redemption fees and non-recurring loan fees.

Interest income and expenses on trading activities are reported under net trading income.

(23) Loss Allowances

in € m

	2018	2017[1]
Related to financial assets measured at amortised cost	**43**	**50**
Loans and receivables	**43**	**50**
Additions to cumulative loss allowances	–220	–171
Reversals of cumulative loss allowances	262	196
Direct write-offs	–8	–4
Recoveries on loans and receivables previously written off	9	29
Related to financial assets measured at fair value through other comprehensive income	**–**	**–**
Bonds and other fixed-income securities	**–**	**–**
Additions to cumulative loss allowances	–1	–
Reversals of cumulative loss allowances	1	–
Loan commitments	**–**	**1**
Additions to provisions	–36	–11
Reversals of provisions	36	12
Financial guarantees	**2**	**5**
Additions to provisions	–19	–10
Reversals of provisions	21	15
Total	**45**	**56**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

(24) Gains or Losses from Modification of Contractual Cash Flows

In the period under review, gains or losses from the modification of contractual cash flows were less than € 1 m.

(25) Dividend income

in € m

	2018	2017[1)]
Related to equity instruments mandatorily measured at fair value through profit or loss	**34**	**n.a.**
Equity shares and other variable-income securities	28	n.a.
Shares in unconsolidated affiliates	1	n.a.
Other equity investments	5	n.a.
Related to equity instruments measured voluntarily at fair value	**n.a.**	**4**
Equity shares and other variable-income securities	n.a.	4
Related to equity instruments measured at fair value through other comprehensive income	**2**	**22**
Equity shares and other variable-income securities	–	14
Shares in non-consolidated affiliates	–	1
Shares in non-equity-accounted joint ventures	–	1
Other equity investments	2	6
Total	**36**	**26**

[1)] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

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

Dividend income on trading activities is recognised under net trading income.

Of the dividend income from equity instruments for which the option of measurement through other comprehensive income has been exercised, no income was derived from assets derecognised during the reporting period.

(26) Net Fee and Commission Income

in € m

	2018	2017[1)]
Lending and guarantee business	52	58
Account management and payment transactions	109	107
Asset management	96	93
Securities and securities deposit business	41	44
Management of public-sector subsidy and development programmes	38	38
Other fees and commissions	13	14
Total	**349**	**354**

[1)] Prior-year figures restated: Fees and commissions in connection with placement and underwriting obligations in an amount of € 21 m were reported in the previous year. These fees and commissions are now reported under fees and commissions from lending and guarantee business. The corresponding figure for the year ended 31 December 2018 was € 18 m. In the prior year, a fee and commission expense of € 7 m relating to the payments business had been reported under other fees and commissions; this has been reclassified to account management and payment transactions. A fee and commission income of € 2 m related to collection charges, which had been included in the prior year under the net fee and commission income from account management and payment transactions, is now reported under other fees and commissions.

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

Please refer to Note (78) for disclosures on revenue from contracts with customers in accordance with IFRS 15.

(27) Net Trading Income

in € m

	2018	2017
Equity-/index-related transactions	**1**	**3**
Equity shares and other variable-income securities	–22	8
Equities	–22	8
Equity/index certificates	18	5
Issued equity/index certificates	5	–10
Interest-rate-related transactions	**27**	**198**
Bonds and other fixed-income securities	–14	31
Loans and receivables	25	17
Repayable on demand and at short notice	2	–
Other fixed-term loans	23	14
Other receivables not classified as loans	–	3
Short-selling of securities	–	–1
Issued money market instruments	–2	–1
Deposits and loans	2	8
Payable on demand	1	–
Securities repurchase transactions (repos)	1	–
With an agreed term	–	8
Interest-rate derivatives	16	144
Currency-related transactions	**11**	**90**
Foreign exchange	50	220
FX derivatives	–39	–130
Credit derivatives	**4**	**–10**
Commodity-related transactions	**7**	**6**
Net fee and commission income or expense	**–18**	**–19**
Total	**32**	**268**

(28) Gains or Losses on Other Financial Instruments Mandatorily Measured at Fair Value Through Profit or Loss

in € m

	2018	2017[1]
Derivatives not held for trading	**63**	**–206**
Equity/index certificates	–4	8
Interest-rate derivatives	74	–144
Cross-currency derivatives (FX derivatives)	–7	–71
Credit derivatives	–	1
Bonds and other fixed-income securities	**–37**	**n.a.**
Loans and receivables	**–2**	**n.a.**
Equity shares and other variable-income securities	**–10**	**n.a.**
Shareholdings	**3**	**–9**
Shares in non-consolidated affiliates	2	–
Other equity investments	1	–9
Receivables from the purchase of endowment insurance policies	**4**	**n.a.**
Total	**21**	**–215**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

(29) Gains or Losses on Financial Instruments Designated Voluntarily at Fair Value

in € m

	2018	2017[1]
Bonds and other fixed-income securities	6	–50
Equity shares and other variable-income securities	n.a.	1
Loans and receivables	–2	–9
Securitised liabilities	–21	49
Deposits and loans	9	97
Total	**–8**	**88**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

(30) Net Income from Hedge Accounting

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

in € m

	2018	2017
Fair value hedges – micro	**1**	**–9**
Remeasurement gains (losses) on hedged items	–83	44
Remeasurement gains (losses) on hedging instruments	84	–53
Fair value hedges – group hedges	**–1**	**n.a.**
Remeasurement gains (losses) on hedged items	429	n.a.
Remeasurement gains (losses) on hedging instruments	–430	n.a.
Total	**–**	**–9**

Only interest rate risks are hedged using micro hedges. Group hedges are used to hedge currency risk.

(31) Gains or Losses on Derecognition of Financial Instruments Not Measured at Fair Value Through Profit or Loss

in € m

	2018	2017[1]
Related to financial assets measured at amortised cost	**1**	**–1**
Bonds and other fixed-income securities	1	–
Loans and receivables	–	–1
Related to financial assets measured at fair value through other comprehensive income	**4**	**25**
Bonds and other fixed-income securities	4	6
Equity shares and other variable-income securities	n. a.	1
Shareholdings	n. a.	18
Related to financial liabilities measured at amortised cost (AC)	**1**	**–**
Deposits and loans	1	–
Total	**6**	**24**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

The gains and losses from the derecognition of financial assets measured at amortised cost consisted of gains from the derecognition of asset-backed securities (ABSs) that were sold as part of a product portfolio review.

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

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

in € m

	2018	2017
Share of profit or loss of equity-accounted joint ventures	**9**	**14**
Share of profit or loss	11	1
Impairments or impairment reversals	–2	13
Share of profit or loss of equity-accounted associates	**4**	**5**
Share of profit or loss	4	5
Total	**13**	**19**

(33) Other Net Operating Income

in € m

	2018	2017[1]
Gains (+) or losses (–) from the disposal of non-financial assets	**52**	**50**
Investment property	18	28
Property and equipment	–	–1
Inventories	34	23
Impairment losses (–) or reversals of impairment losses (+) on non-financial assets	**–5**	**–129**
Investment property	–	–1
Property and equipment	–	–3
Intangible assets	–	–99
Inventories	–5	–26
Additions (–) to or reversals (+) of provisions	**11**	**20**
Provisions for off-balance sheet liabilities (excluding loan commitments and financial guarantees)	1	–
Restructuring provisions	–9	–7
Provisions for litigation risks and tax proceedings	–	3
Sundry provisions	19	24
Income from the deconsolidation of subsidiaries	**36**	**–**
Other net operating income	**197**	**181**
Investment property	180	167
Property and equipment	12	14
Inventories	5	–
Rental income under non-cancellable subtenancy arrangements	**3**	**3**
Income from non-banking services	**29**	**33**
Profit transfer expenses	**–1**	**–3**
Sundry other operating income and expenses	**–5**	**–40**
Total	**317**	**115**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

The main components of other net operating income are income and expenses attributable to investment property. The breakdown is as follows:

in € m

	2018	2017
Income from investment property	**358**	**352**
Rental and lease income	334	324
Gains on disposals	18	28
Other income	6	–
Expenses from investment property	**–160**	**–158**
Operating and maintenance expenses for investment property	–157	–156
thereof: From property leased to third parties	–157	–156
Impairment losses	–	–1
Miscellaneous expenses	–3	–1
Total	**198**	**194**

(34) General and Administrative Expenses

in € m

	2018	2017[1)]
Personnel expenses	**–655**	**–646**
Wages and salaries	–523	–511
Social security	–75	–73
Expenses for pensions and other benefits	–57	–62
Other administrative expenses	**–708**	**–630**
Business operating costs	–114	–102
Audit and consultancy services	–127	–110
IT expenses	–262	–222
Expenses for business premises	–62	–58
Cost of advertising, public relations and representation	–38	–34
Mandatory contributions	–105	–104
Total	**–1,363**	**–1,276**

[1)] Prior-year figures restated: In the prior year, insurance premiums had been reported under mandatory contributions but are now shown under business operating costs. Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

The mandatory contributions included the portion of contributions to the European Single Resolution Fund subject to recognition in profit or loss amounting to € 40 m (2017: € 38 m).

(35) Depreciation and Amortisation

in € m

	2018	2017[1]
Investment property	**–38**	**–36**
Buildings leased out	–38	–36
Property and equipment	**–20**	**–22**
Owner-occupied land and buildings	–10	–10
Operating and office equipment	–10	–12
Intangible assets	**–19**	**–14**
Purchased software	–19	–14
Total	**–77**	**–72**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

(36) Taxes on Income

in € m

	2018	2017
Current taxes	–198	–189
Deferred taxes	33	–2
Total	**–165**	**–191**

The current tax expense incurred in the reporting period was primarily attributable to the Bank in Germany (€ 122 m; 2017: € 90 m), Frankfurter Sparkasse (€ 48 m; 2017: € 27 m) and the New York branch (€ 23 m; 2017: € 34 m). It included expenses relating to prior years amounting to € 129 m (2017: € 8 m).

As in the previous year, the current tax expense in the period under review was not material due to the utilisation of tax losses previously not taken into account.

The deferred tax income recognised in the reporting period related mainly to the occurrence and reversal of temporary differences amounting to € 33 m (2017: deferred tax expense of € 2 m). This included deferred tax income relating to prior years of € 190 m (2017: € 9 m). There was no material tax expense arising from changes in tax rates in the reporting year. The net outcome from new tax loss carryforwards and the utilisation of such carryforwards in the reporting period was a deferred tax income of € 9 m (2017: deferred tax expense of € 6 m).

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

in € m

	2018	2017
Profit before taxes	**443**	**447**
Applicable income tax rate in %	32	32
Expected income tax expense in the financial year	**–142**	**–143**
Effect of variance in tax rates	8	–3
Effect of changes in the tax rate	2	–11
Effect of prior-period taxes recognised in the financial year	8	–9
Tax-exempt income and trade tax reduction	15	31
Non-deductible operating expenses and trade tax addition	–34	–31
Goodwill impairment losses	–	–21
Impairment losses and adjustments	–13	1
Other effects	–9	–5
Income tax expense	**–165**	**–191**

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

in € m

	Before tax		Taxes		After tax	
	2018	2017	2018	2017	2018	2017
Items that will not be reclassified to the income statement:	**2**	**116**	**3**	**–34**	**5**	**82**
Remeasurement of net defined benefit liability	10	116	–	–34	10	82
Change in fair value of equity instruments measured at fair value through other comprehensive income	3	n.a.	–	n.a.	3	n.a.
Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	–11	n.a.	3	n.a.	–8	n.a.
Items that will be subsequently reclassified to the income statement:	**–123**	**–86**	**40**	**23**	**–83**	**–63**
Change in fair value of available- for-sale financial assets[1]	n.a.	–66	n.a.	23	n.a.	–43
Change in fair value of debt instruments measured at fair value through other comprehensive income	–89	n.a.	26	n.a.	–63	n.a.
Gains/losses from currency translation of foreign operations	8	–20	–	–	8	–20
Changes from fair value hedges of currency risk	–42	n.a.	14	n.a.	–28	n.a.
Total	**–121**	**30**	**43**	**–11**	**–78**	**19**

[1] These amounts relate to equity instruments and debt instruments classified as AfS in accordance with IAS 39.

(37) Segment Reporting

In 2017, Helaba reviewed and refined its business model. In this regard, a number of process adjustments were carried out. Approval was also given to changes to the organisational structure, which will be implemented from 2018. In this context, Helaba has also reviewed its segment structures. The outcome is that the new segment breakdown has largely been based on the Bank's products and reduced from five to four operating segments. The structure has also been amended in line with the changes to the presentation of the income statement compared with the prior year. Please refer to Note (1) for disclosures relating to the modification of the income statement. The prior-year figures in the segment report have been restated accordingly.

in € m

	Real Estate		Corporates & Markets		Retail & Asset Management		WIBank	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net interest income	386	394	384	399	268	269	51	48
Loss allowances	–14	2	–	–68	–4	–4	–	–
Net interest income after loss allowances	**372**	**396**	**384**	**331**	**264**	**265**	**51**	**48**
Net fee and commission income	17	16	117	118	183	184	40	40
Net trading income	–	–	54	222	–	4	–	–
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	–	–	–7	–	–6	4	–1	–1
Share of profit or loss of equity-accounted entities	–	–	–	–4	3	4	–	–
Other net income/expense	–1	–24	33	37	291	266	1	1
Total income	**388**	**388**	**581**	**704**	**735**	**727**	**91**	**88**
General and administrative expenses	–146	–134	–462	–443	–530	–507	–72	–69
Profit before taxes	**242**	**254**	**119**	**261**	**205**	**220**	**19**	**19**
Assets (€ bn)	30.2	29.1	71.1	70.3	30.6	29.6	23.5	16.8
Risk-weighted assets (€ bn)	16.4	14.7	20.8	19.7	6.6	5.8	1.2	1.2
Allocated capital (€ m)	2,007	1,971	2,513	2,616	2,384	2,019	145	151
Return on allocated capital (%)	12.1	12.9	4.7	10.0	8.6	10.9	13.2	12.5
Cost-income ratio	36.3	34.7	79.5	57.4	71.7	69.3	78.9	78.4

in € m

	Other		Consolidation/ reconciliation		Group	
	2018	2017	2018	2017	2018	2017
Net interest income	31	–24	–48	–17	1,072	1,069
Loss allowances	64	128	–1	–2	45	56
Net interest income after loss allowances	**95**	**104**	**–49**	**–19**	**1,117**	**1,125**
Net fee and commission income	–7	–5	–1	1	349	354
Net trading income	–	–	–22	42	32	268
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	5	–97	22	–42	13	–136
Share of profit or loss of equity-accounted entities	10	19	–	–	13	19
Other net income/expense	71	–78	–36	–37	359	165
Total income	**174**	**–57**	**–86**	**–55**	**1,883**	**1,795**
General and administrative expenses	–291	–259	61	64	–1,440	–1,348
Profit before taxes	**–117**	**–316**	**–25**	**9**	**443**	**447**
Assets (€ bn)	21.8	22.3	–14.2	–9.9	163.0	158.2
Risk-weighted assets (€ bn)	9.3	8.4	–	–	54.3	49.8
Allocated capital (€ m)	1,110	1,110	–	–	8,158	7,866
Return on allocated capital (%)	–	–	–	–	5.4	5.7
Cost-income ratio	–	–	–	–	78.3	77.5

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

- Products related to financing major commercial projects and existing properties are Helaba's particular speciality in the Real Estate segment. The product range includes traditional real estate loans in Germany and abroad, financing for open-ended real estate funds as well as development/portfolio financing. Office buildings, retail outlets and residential portfolios make up the bulk of the business in this area, although the segment also provides finance for retail parks and logistics centres.
- In the Corporates & Markets segment, Helaba offers products for all customer groups. The Corporate Finance division provides specially tailored finance for companies, structured and arranged to specific customer requirements, through its constituent product groups Corporate Loans, Project Finance, Transport Finance, Foreign Trade Finance, Acquisition Finance, Asset Backed Finance, Investment and Leasing Finance and Tax Engineering. The Bank's activities in the Sparkasse Lending Business division concentrate on supporting Sparkassen and their customers with financing arrangements based on credit standing and cash flow (primarily jointly extended loans). Activities in the Banks and International Business division focus on trade finance and documentary business. The Sales Public Authorities division provides advice and products for municipal authorities and their corporations. In addition to the lending products, this segment also includes the trading and sales activities from the Capital Markets division and payment services from the Cash Management division.
- The Retail & Asset Management segment encompasses retail banking, private banking, Landesbausparkasse Hessen-Thüringen and asset management activities. Frankfurter Sparkasse offers the conventional products of a retail bank. The Frankfurter Bankgesellschaft Group rounds off the range of private banking products available from Helaba. The asset management products at Helaba Invest Kapitalanlage-

gesellschaft mbH also include traditional asset management and administration, the management of special and retail funds for institutional investors and support for master investment trust clients. The Settlement/Custody Services business complements the traditional asset management value chain by providing a custodian bank function. The Real Estate Management business, including the real estate subsidiaries such as the GWH Group and Helicon KG, also forms part of this segment. The range of products is broad, covering support for third-party and own real estate, project development and facility management.

- The WIBank segment mainly comprises the Wirtschafts- und Infrastrukturbank Hessen (WIBank) business line. In its capacity as the central development institution for Hesse, WIBank administers development programmes on behalf of the State of Hesse. This segment therefore brings together the earnings from the public-sector development and infrastructure business in the fields of housing, municipal and urban development, public infrastructure, business/enterprise and employment promotion, agriculture and environmental protection.

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

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

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

Other net income/expense consists of dividend income, other net operating income and gains or losses on derecognition of financial instruments not measured at fair value through profit or loss.

General and administrative expenses comprise the costs directly assignable to the segments plus the costs of internal services provided by other units. The costs of these services are allocated on the basis of arm's-length pricing agreements or volume drivers according to the user-pays principle. The final component is the allocation of corporate centre costs, generally also based on the user-pays principle.

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

The return ratios reflect the profit before taxes expressed as a percentage of the allocated capital. The cost-income ratio is the ratio of general and administrative expenses to profit before taxes net of general and administrative expenses and of loss allowances.

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, this column includes the net income from centrally consolidated equity investments such as the OFB Group as well as the costs of the central units that cannot be allocated to the individual segments in line with the user-pays principle. The net income or expense from Treasury activities in the Asset/Liability Management business, from central own funds investing activities, from strategic planning decisions and from the centrally held liquidity securities is also recognised under this segment.

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

Income after loss allowances is attributable to products and services as follows:

in € m

	Income after loss allowances	
	2018	2017[1)]
Real estate lending	388	388
Property management and development	268	268
Corporate loans	335	258
Municipal lending business	34	32
Treasury products	133	–66
Trading products	106	301
Loans to financial institutions	28	32
Fund management/asset management	141	120
Home savings business	38	32
Sparkasse lending business	29	26
Public development and infrastructure business	91	88
Retail	348	360
Other products/reconciliation	–56	–44
Group	**1,883**	**1,795**

[1)] Prior-year figures restated: The presentation of the products and services has also been revised as part of the adjustment of the segment structure. Income amounts have also changed as a result of the new reporting structure. Please refer to Note (1) for further information.

The breakdown by region is as follows:

in € m

	Income after loss allowances	
	2018	2017[1)]
Germany	1,636	1,567
Europe (excluding Germany)	106	99
Rest of world (excluding Europe)	141	129
Group	**1,883**	**1,795**

[1)] Income amounts have changed as a result of the new reporting structure. Please refer to Note (1) for further information.

Statement of Financial Position Disclosures

(38) Cash on Hand, Demand Deposits and Overnight Money Balances with Central Banks and Banks

in € m

	31.12.2018	31.12.2017[1)]
Cash on hand	**93**	**89**
Demand deposit balances with central banks	**6,613**	**9,836**
With Deutsche Bundesbank	**5,767**	**9,118**
Financial assets measured at amortised cost category	5,767	219
Financial assets mandatorily measured at fair value category	–	8,899
With other central banks	**846**	**718**
Financial assets measured at amortised cost category	846	706
Financial assets mandatorily measured at fair value category	–	12
Demand deposits and overnight money balances with banks	**636**	**553**
Financial assets measured at amortised cost category	346	358
Financial assets mandatorily measured at fair value category	290	195
Total	**7,342**	**10,478**

1) Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

(39) Financial Assets Measured at Amortised Cost

in € m

	31.12.2018	31.12.2017[1)]
Bonds and other fixed-income securities	**4**	**32**
thereof: Listed	4	32
Medium- and long-term bonds	4	32
Loans and receivables	**106,751**	**100,014**
Repayable on demand and at short notice	5,820	6,083
Trade accounts receivable, including factoring	3,057	2,839
Receivables from finance leases	2	3
Other fixed-term loans	97,805	91,055
thereof: Forwarding loans	7,406	6,853
Other receivables not classified as loans	67	34
Total	**106,755**	**100,046**

[1)] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

Please refer to Note (72) for disclosures on the stages of impairment of financial assets measured at amortised cost.

The following table shows the financial assets measured at amortised cost by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Bonds and other fixed-income securities	**–**	**–**	**4**	**32**	**–**	**–**	**4**	**32**
Corporates	–	–	4	32	–	–	4	32
Loans and receivables	**71,078**	**65,549**	**22,505**	**22,667**	**13,168**	**11,798**	**106,751**	**100,014**
Central giro institutions	455	291	–	–	–	–	455	291
Sparkassen	6,410	5,454	–	–	–	–	6,410	5,454
Other banks	1,376	2,026	2,265	2,176	716	729	4,357	4,931
Other financial corporations	5,671	5,647	3,440	3,864	865	347	9,976	9,858
Non-financial corporations	28,963	29,565	16,101	15,843	11,367	10,537	56,431	55,945
Government	20,964	17,644	675	763	47	47	21,686	18,454
Households	7,239	4,922	24	21	173	138	7,436	5,081
Total	**71,078**	**65,549**	**22,509**	**22,699**	**13,168**	**11,798**	**106,755**	**100,046**

The following table shows a breakdown of the other fixed-term loans by financing purpose:

in € m

	31.12.2018	31.12.2017[1)]
Commercial real estate loans	32,209	29,668
Residential building loans	5,942	5,443
Consumer loans to private households	189	133
Infrastructure loans	18,614	15,092
Asset finance	6,281	5,554
Leasing funding	3,976	3,905
Import/export finance	17	13
Other financing purposes	30,577	31,247
Total	**97,805**	**91,055**

[1)] Prior-year figures restated: In the prior year, residential building loans in an amount of € 1,500 m had been reported under commercial real estate loans.

(40) Trading Assets

in € m

	31.12.2018	31.12.2017[1)]
Positive fair values of trading derivatives	**8,994**	**9,308**
thereof: Traded OTC	8,984	9,293
thereof: Exchange-traded	10	15
Equity-/index-related transactions	427	182
Interest-rate-related transactions	7,629	8,054
Currency-related transactions	907	1,013
Credit derivatives	31	57
Commodity-related transactions	–	2
Bonds and other fixed-income securities	**6,570**	**5,324**
thereof: Listed	6,152	5,284
Money market instruments	52	–
Medium- and long-term bonds	6,518	5,324
Loans and receivables	**1,395**	**1,355**
Repayable on demand and at short notice	3	4
Securities repurchase transactions	134	22
Other fixed-term loans	1,258	1,329
Equity shares and other variable-income securities	**30**	**113**
thereof: Listed	30	113
Equities	30	113
Total	**16,989**	**16,100**

[1)] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

The financial instruments under trading assets are measured at fair value and assigned exclusively to the measurement category FVTPL HfT. Loans and receivables held for trading mainly comprise promissory note loans and, to a lesser extent, repos and money trading transactions.

The following table comprises the trading assets by regions and counterparties:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Positive fair values of derivatives held for trading	**6,571**	**6,565**	**2,341**	**2,662**	**82**	**81**	**8,994**	**9,308**
Central giro institutions	374	152	–	–	–	–	374	152
Sparkassen	871	523	–	–	–	–	871	523
Other banks	947	1,491	1,775	2,047	27	24	2,749	3,562
Other financial corporations	141	169	69	94	–	–	210	263
Non-financial corporations	1,080	1,130	497	520	55	57	1,632	1,707
Government	3,076	2,991	–	–	–	–	3,076	2,991
Households	72	85	–	–	–	–	72	85
Exchange-traded derivatives	10	24	–	1	–	–	10	25
Bonds and other fixed-income securities	**1,458**	**1,052**	**3,687**	**3,093**	**1,425**	**1,179**	**6,570**	**5,324**
Central giro institutions	111	128	–	–	–	–	111	128
Other banks	821	484	3,456	2,845	1,256	1,170	5,533	4,499
Other financial corporations	60	6	55	65	130	6	245	77
Non-financial corporations	108	55	66	26	4	2	178	83
Government	358	379	110	157	35	1	503	537
Loans and receivables	**1,036**	**887**	**339**	**397**	**20**	**71**	**1,395**	**1,355**
Central banks	28	–	–	10	–	2	28	12
Sparkassen	150	–	–	–	–	–	150	–
Other banks	287	5	24	137	–	38	311	180
Other financial corporations	–	–	3	2	–	–	3	2
Non-financial corporations	83	130	312	248	20	31	415	409
Government	488	752	–	–	–	–	488	752
Equity shares and other variable-income securities	**26**	**112**	**4**	**1**	**–**	**–**	**30**	**113**
Other banks	3	103	–	–	–	–	3	103
Other financial corporations	2	–	4	–	–	–	6	–
Non-financial corporations	21	9	–	1	–	–	21	10
Total	**9,091**	**8,616**	**6,371**	**6,153**	**1,527**	**1,331**	**16,989**	**16,100**

(41) Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss

in € m

	31.12.2018	31.12.2017[1)]
Positive fair values of non-trading derivatives	**2,046**	**2,369**
thereof: Traded OTC	2,046	2,369
Interest-rate-related transactions	1,976	1,993
Currency-related transactions	70	376
Bonds and other variable-income securities	**1,525**	**n.a.**
thereof: Listed	1,287	n.a.
Medium- and long-term bonds	1,525	n.a.
Loans and receivables	**64**	**n.a.**
Other fixed-term loans	61	n.a.
Other receivables not classified as loans	3	n.a.
Equity shares and other variable-income securities	**110**	**n.a.**
thereof: Listed	3	n.a.
Investment units	110	n.a.
Shareholdings	**71**	**n.a.**
Shares in unconsolidated affiliates	18	n.a.
Shares in non-equity-accounted joint ventures	4	n.a.
Shares in non-equity-accounted associates	5	n.a.
Other equity investments	44	n.a.
Receivables from the purchase of endowment insurance policies	**95**	**n.a.**
Total	**3,911**	**2,369**

[1)] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

The non-trading derivatives recognised in this item are derivative financial instruments used for economic hedging as part of hedge management (economic hedges); the documentation requirements for hedge accounting in accordance with IFRS 9 are not satisfied.

The following table shows the other financial assets mandatorily measured at fair value through profit or loss by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Positive fair values of non-trading derivatives	**927**	**1,066**	**1,111**	**1,294**	**8**	**9**	**2,046**	**2,369**
Central giro institutions	35	42	–	–	–	–	35	42
Other banks	713	757	1,024	1,293	6	7	1,743	2,057
Other financial corporations	3	33	87	1	–	2	90	36
Non-financial corporations	2	1	–	–	–	–	2	1
Government	174	233	–	–	–	–	174	233
Households	–	–	–	–	2	–	2	–
Bonds and other fixed-income securities	**116**	**–**	**872**	**–**	**537**	**–**	**1,525**	**–**
Other banks	12	–	41	–	28	–	81	–
Other financial corporations	29	–	326	–	146	–	501	–
Non-financial corporations	73	–	493	–	328	–	894	–
Government	2	–	12	–	35	–	49	–
Loans and receivables	**38**	**–**	**7**	**–**	**19**	**–**	**64**	**–**
Other banks	–	–	–	–	3	–	3	–
Other financial corporations	38	–	2	–	16	–	56	–
Non-financial corporations	–	–	5	–	–	–	5	–
Equity shares and other variable-income securities	**82**	**–**	**13**	**–**	**15**	**–**	**110**	**–**
Other financial corporations	81	–	13	–	15	–	109	–
Non-financial corporations	1	–	–	–	–	–	1	–
Shareholdings	**71**	**–**	**–**	**–**	**–**	**–**	**71**	**–**
Other banks	1	–	–	–	–	–	1	–
Other financial corporations	37	–	–	–	–	–	37	–
Non-financial corporations	33	–	–	–	–	–	33	–
Receivables from the purchase of endowment insurance policies	**95**	**–**	**–**	**–**	**–**	**–**	**95**	**–**
Other financial corporations	95	–	–	–	–	–	95	–
Total	**1,329**	**1,066**	**2,003**	**1,294**	**579**	**9**	**3,911**	**2,369**

(42) Financial Assets Designated Voluntarily at Fair Value

in € m

	31.12.2018	31.12.2017[1]
Bonds and other fixed-income securities	**124**	**1,758**
thereof: Listed	3	1,576
Medium- and long-term bonds	124	1,758
Loans and receivables	**253**	**479**
Other fixed-term loans	252	479
Other receivables not classified as loans	1	–
Equity shares and other variable-income securities	**n.a.**	**70**
thereof: Listed	n.a.	60
Investment units	n.a.	70
Total	**377**	**2,307**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

The following table shows the financial assets designated voluntarily at fair value by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Bonds and other fixed-income securities	**121**	**497**	**3**	**715**	**–**	**546**	**124**	**1,758**
Central giro institutions	–	1	–	–	–	–	–	1
Other banks	–	24	3	37	–	24	3	85
Other financial corporations	–	14	–	257	–	81	–	352
Non-financial corporations	–	73	–	381	–	263	–	717
Government	121	385	–	40	–	178	121	603
Loans and receivables	**253**	**479**	**–**	**–**	**–**	**–**	**253**	**479**
Other financial corporations	1	2	–	–	–	–	1	2
Non-financial corporations	16	24	–	–	–	–	16	24
Government	236	453	–	–	–	–	236	453
Equity shares and other variable-income securities	**–**	**60**	**–**	**–**	**–**	**10**	**–**	**70**
Other financial corporations	–	60	–	–	–	10	–	70
Total	**374**	**1,036**	**3**	**715**	**–**	**556**	**377**	**2,307**

(43) Positive Fair Values of Hedging Derivatives Under Hedge Accounting

in € m

	31.12.2018	31.12.2017[1]
Derivatives in fair value hedges – micro	**471**	**551**
thereof: Traded OTC	471	551
Interest-rate-related transactions	471	551
Derivatives in fair value hedges – group hedges	**137**	**n.a.**
thereof: Traded OTC	137	n.a.
Currency-related transactions	137	n.a.
Total	**608**	**551**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

(44) Financial Assets Measured at Fair Value Through Other Comprehensive Income

in € m

	31.12.2018	31.12.2017[1)]
Bonds and other fixed-income securities	**21,965**	**21,930**
thereof: Listed	21,254	20,754
Money market instruments	474	567
Medium- and long-term bonds	21,491	21,363
Loans and receivables	**488**	**–**
Other fixed-term loans	488	–
Equity shares and other variable-income securities	**–**	**40**
thereof: Listed	–	4
Equities	–	1
Investment units	–	39
Shareholdings	**41**	**109**
Shares in non-consolidated affiliates	5	25
Shares in non-equity-accounted joint ventures	–	3
Shares in non-equity-accounted associates	–	6
Other equity investments	36	75
Receivables from the purchase of endowment insurance policies	**n. a.**	**112**
Total	**22,494**	**22,191**

[1)] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

Financial assets recognised in shareholdings are equity instruments classified as fair value through other comprehensive income without recycling (FVTOCI [non-recycling]).

The following table shows the financial assets measured at fair value through other comprehensive income by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Bonds and other fixed-income securities	**6,309**	**7,560**	**10,406**	**9,138**	**5,250**	**5,232**	**21,965**	**21,930**
Central giro institutions	402	253	–	–	–	–	402	253
Other banks	1,780	1,828	8,673	7,514	4,620	4,523	15,073	13,865
Other financial corporations	15	13	300	131	230	501	545	645
Non-financial corporations	51	53	67	67	81	1	199	121
Government	4,061	5,413	1,366	1,426	319	207	5,746	7,046
Loans and receivables	**268**	**–**	**167**	**–**	**53**	**–**	**488**	**–**
Other financial corporations	–	–	99	–	–	–	99	–
Non-financial corporations	263	–	68	–	53	–	384	–
Government	5	–	–	–	–	–	5	–
Equity shares and other variable-income securities	**–**	**8**	**–**	**4**	**–**	**28**	**–**	**40**
Other financial corporations	–	7	–	4	–	20	–	31
Non-financial corporations	–	1	–	–	–	8	–	9
Shareholdings	**41**	**107**	**–**	**2**	**–**	**–**	**41**	**109**
Other banks	20	18	–	–	–	–	20	18
Other financial corporations	21	43	–	1	–	–	21	44
Non-financial corporations	–	46	–	1	–	–	–	47
Receivables from the purchase of endowment insurance policies	**–**	**112**	**–**	**–**	**–**	**–**	**–**	**112**
Other financial corporations	–	112	–	–	–	–	–	112
Total	**6,618**	**7,787**	**10,573**	**9,144**	**5,303**	**5,260**	**22,494**	**22,191**

No equity instruments measured at fair value through other comprehensive income were derecognised in the reporting period.

(45) Shares in Equity-Accounted Entities

In the reporting period, a total of 34 (31 December 2017: 31) joint ventures and 2 (31 December 2017: 3) associates were accounted for using the equity method.

The breakdown of equity-accounted investments is shown below:

in € m

	31.12.2018	31.12.2017[1]
Investments in joint ventures	**39**	**36**
Non-financial corporations	39	36
Investments in associates	**6**	**9**
Other financial corporations	3	6
Non-financial corporations	3	3
Total	**45**	**45**

[1] In the previous year, investments in joint ventures in an amount of € 2 m were reported under investments in associates; this has been corrected in the prior-year figures.

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

The share of losses of equity-accounted entities not recognised for the reporting period amounted to € 1 m (2017: € 0 m); the cumulative total of such unrecognised losses amounted to € 2 m as at 31 December 2018 (31 December 2017: € 1 m).

The tables below contain summarised financial information about equity-accounted joint ventures and associates based on the Helaba Group's equity-accounted interest in the assets, liabilities, profit or loss from continuing operations and comprehensive income.

in € m

	31.12.2018	31.12.2017
Investments in joint ventures – total		
Total assets	469	432
Total liabilities	388	386
Profit or loss from continuing operations	16	–8
Comprehensive income	16	–8
Investments in joint ventures – proportionate		
Total assets	265	224
Total liabilities	223	193
Profit or loss from continuing operations	8	–2
Comprehensive income	8	–2

in € m

	31.12.2018	31.12.2017
Investments in associates – total		
Total assets	21	27
Total liabilities	1	1
Profit or loss from continuing operations	15	8
Comprehensive income	15	8
Investments in associates – proportionate		
Total assets	6	9
Profit or loss from continuing operations	4	2
Comprehensive income	4	2

(46) Investment Property

in € m

	31.12.2018	31.12.2017
Land and buildings leased to third parties	2,174	2,114
Undeveloped land	44	55
Vacant buildings	2	2
Investment property under construction	200	68
Total	**2,420**	**2,239**

Real estate held by the GWH Group accounted for € 2,231 m (31 December 2017: € 2,149 m) of the total investment property.

The table below shows the changes in investment property:

in € m

	2018	2017
Cost		
As at 1.1.	**2,636**	**2,530**
Additions	291	147
Disposals	–32	–40
Transfers	–49	–1
Transfers to the portfolio of owner-occupied land and buildings	–1	–1
Transfers to non-current assets and disposal groups held for sale	–48	–
As at 31.12.	**2,846**	**2,636**
Accumulated depreciation		
As at 1.1.	**–387**	**–358**
Depreciation	–38	–36
Disposals	3	7
As at 31.12.	**–422**	**–387**
Cumulative impairment losses		
As at 1.1.	**–10**	**–9**
Impairment losses	–	–1
Transfers	6	–
Transfers to non-current assets and disposal groups held for sale	6	–
As at 31.12.	**–4**	**–10**
Carrying amounts as at 31.12.	**2,420**	**2,239**

The contractual obligations to purchase, construct or develop investment property in the GWH Group amounted to € 306 m (31 December 2017: € 239 m).

The fair values of the properties as at the reporting date came to a total of € 4,099 m (31 December 2017: € 3,491 m) and were allocated to Level 3.

(47) Property and Equipment

in € m

	31.12.2018	31.12.2017
Owner-occupied land and buildings	381	372
Operating and office equipment	53	52
Machinery and technical equipment	4	3
Total	**438**	**427**

Some parts of the owner-occupied land and buildings are leased out. The proportion attributable to the parts of such land and buildings leased out (under operating leases) amounts to € 73 m for the Group.

The changes in property and equipment were as follows:

in € m

	Owner-occupied land and buildings		Operating and office equipment		Machinery and technical equipment		Ships and aircraft		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Cost										
As at 1.1.	**571**	**557**	**216**	**212**	**3**	**1**	**–**	**17**	**790**	**787**
Changes due to currency translation	1	–2	–	–1	–	–	–	–	1	–3
Additions	16	29	13	10	1	1	–	–	30	40
Disposals	–	–14	–13	–5	–	–	–	–17	–13	–36
Transfers	–	1	–	–	–	–	–	–	–	1
Transfers from the portfolio of investment property	1	1	–	–	–	–	–	–	1	1
Other adjustments	1	–	–1	–	–	1	–	–	–	1
As at 31.12.	**589**	**571**	**215**	**216**	**4**	**3**	**–**	**–**	**808**	**790**
Accumulated depreciation										
As at 1.1.	**–195**	**–192**	**–164**	**–157**	**–**	**–**	**–**	**–**	**–359**	**–349**
Changes due to currency translation	–	1	–1	1	–	–	–	–	–1	2
Depreciation	–10	–10	–10	–12	–	–	–	–	–20	–22
Disposals	–	6	13	4	–	–	–	–	13	10
Other adjustments	1	–	–	–	–	–	–	–	1	–
As at 31.12.	**–204**	**–195**	**–162**	**–164**	**–**	**–**	**–**	**–**	**–366**	**–359**
Cumulative impairment losses										
As at 1.1.	**–4**	**–3**	**–**	**–**	**–**	**–**	**–**	**–**	**–4**	**–3**
Impairment losses	–	–1	–	–	–	–	–	–3	–	–4
Reversals of impairment losses	–	–	–	–	–	–	–	1	–	1
Disposals	–	–	–	–	–	–	–	2	–	2
As at 31.12.	**–4**	**–4**	**–**	**–**	**–**	**–**	**–**	**–**	**–4**	**–4**
Carrying amounts as at 31.12.	**381**	**372**	**53**	**52**	**4**	**3**	**–**	**–**	**438**	**427**

(48) Intangible Assets

in € m

	31.12.2018	31.12.2017
Software	80	66
thereof: Purchased	79	66
thereof: Internally generated	1	–
Total	**80**	**66**

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

The intangible assets changed as follows:

in € m

	Goodwill		Purchased software		Internally generated software		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Cost								
As at 1.1.	**144**	**144**	**267**	**204**	**–**	**–**	**411**	**348**
Changes in basis of consolidation	–	–	–1	–	–	–	–1	–
Changes due to currency translation	–	–	1	–3	–	–	1	–3
Additions	–	–	32	66	1	–	33	66
Additions from internal development	–	–	2	–	1	–	3	–
Other additions	–	–	30	–	–	–	30	–
Disposals	–	–	–4	–	–	–	–4	–
As at 31.12.	**144**	**144**	**295**	**267**	**1**	**–**	**440**	**411**
Accumulated amortisation								
As at 1.1.	**–**	**–**	**–170**	**–159**	**–**	**–**	**–170**	**–159**
Changes in basis of consolidation	–	–	1	–	–	–	1	–
Changes due to currency translation	–	–	–1	3	–	–	–1	3
Amortisation	–	–	–19	–14	–	–	–19	–14
Disposals	–	–	4	–	–	–	4	–
Other adjustments	–	–	–	–	–	–	–	–
As at 31.12.	**–**	**–**	**–185**	**–170**	**–**	**–**	**–185**	**–170**
Accumulated impairment losses								
As at 1.1.	**–144**	**–76**	**–31**	**–**	**–**	**–**	**–175**	**–76**
Impairment losses	–	–68	–	–31	–	–	–	–99
As at 31.12.	**–144**	**–144**	**–31**	**–31**	**–**	**–**	**–175**	**–175**
Carrying amounts as at 31.12.	**–**	**–**	**79**	**66**	**1**	**–**	**80**	**66**

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

(49) Non-Current Assets and Disposal Groups Classified as Held for Sale and Liabilities Related to Non-Current Assets and Disposal Groups Classified as Held for Sale

The assets held for sale in an amount of € 42 m relate to a commercial property. The carrying amount of this asset is below the fair value less costs to sell. A sale and purchase agreement has already been signed; the asset will be derecognised after completion of the property in 2019.

The entire sale of shares in four investment funds (mandatorily measured through profit or loss) that had been reported as held for sale at 30 June 2018 gave rise to a loss of € 1 m. The sale took place in the fourth quarter of 2018.

(50) Income Tax Assets and Liabilities

The deferred income tax assets and liabilities relate to the following items:

in € m

	Deferred income tax assets		Deferred income tax liabilities	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Financial assets and financial liabilities measured at amortised cost	469	169	289	19
Financial assets and financial liabilities measured at fair value through profit or loss, and trading assets and trading liabilities	1,066	1,089	1,139	1,331
Financial assets measured at fair value through other comprehensive income	16	5	96	34
Other assets	67	67	28	24
Provisions for employee benefits	309	308	5	1
Other provisions	42	29	5	1
Other liabilities	54	156	8	27
Tax loss carryforwards	22	13	–	–
Deferred tax assets and liabilities, gross	**2,045**	**1,836**	**1,570**	**1,437**
Netted against deferred tax liabilities/assets	–1,555	–1,421	–1,555	–1,421
Total	**490**	**415**	**16**	**16**
thereof: Non-current	358	254	32	8

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

The following table shows the deferred taxes recognised in association with items in other comprehensive income:

in € m

	Before tax		Taxes		After tax	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Items that will not be reclassified to the income statement:	**–631**	**–633**	**187**	**183**	**–444**	**–450**
Remeasurement of net defined benefit liability	–623	–633	183	183	–440	–450
Change in fair value of equity instruments at fair value through other comprehensive income	1	–	1	–	2	–
Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	–8	n.a.	2	n.a.	–6	n.a.
Items that will be subsequently reclassified to the income statement:	**118**	**282**	**–34**	**–75**	**84**	**207**
Change in fair value of available-for-sale financial assets[1]	n.a.	46	n.a.	–1	n.a.	45
Change in fair value of debt instruments at fair value through other comprehensive income	142	226	–48	–74	94	152
Gains/losses from hedges of a net investment in a foreign operation	–17	–17	–	–	–17	–17
Gains/losses from currency translation of foreign operations	35	27	–	–	35	27
Gains or losses from fair value hedges of currency risk	–42	n.a.	14	n.a.	–28	n.a.
Total	**–513**	**–351**	**153**	**108**	**–360**	**–243**

[1] These cumulative amounts relate to equity instruments and debt instruments classified as AfS in accordance with IAS 39.

The calculation of deferred tax assets for the domestic and foreign reporting units was based on individual tax rates. Given an average municipality trade tax multiplier of 452 %, the combined income tax rate for the Bank in Germany in 2018 was 31.7 %, which was unchanged compared with the prior year.

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

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

As at the reporting date, Helaba had recognised deferred tax assets of € 10 m (31 December 2017: € 3 m) in respect of corporate income tax loss carryforwards of € 65 m (31 December 2017: € 21 m) and deferred tax assets of € 12 m (31 December 2017: € 10 m) in respect of trade tax loss carryforwards of € 74 m (31 December 2017: € 93 m).

Overall, no deferred tax assets had been recognised in respect of corporate income tax loss carryforwards of € 18 m (31 December 2017: € 39 m) and in respect of trade tax loss carryforwards of € 130 m (31 December 2017: € 53 m) because Helaba did not believe there was sufficient probability of taxable profits in the foreseeable future against which these tax loss carryforwards could be used. There is no time limit for the utilisation of loss carryforwards.

In the reporting period, the Bank recognised impairment losses on € 7 m of deferred tax assets in respect of loss carryforwards.

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

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

(51) Other Assets

in € m

	31.12.2018	31.12.2017[1)]
Inventories	**458**	**442**
Property held for sale	456	441
Other inventories/work in progress	2	1
Advance payments and payments on account	**149**	**123**
Other taxes receivable	**7**	**8**
Other assets	**260**	**360**
Total	**874**	**933**

1) Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

(52) Financial Liabilities Measured at Amortised Cost

in € m

	31.12.2018	31.12.2017[1]
Securitised liabilities	**45,455**	**43,514**
Issued money market instruments	**4,099**	**5,265**
Commercial paper (CP)	2,137	1,729
Certificates of deposit (CD)	1,221	2,771
Asset-backed commercial paper (ABCP)	741	765
Medium- and long-term bonds issued	**41,356**	**38,249**
Mortgage Pfandbriefe	10,309	8,111
Public Pfandbriefe	10,657	11,468
Structured (hybrid) bonds	1,676	1,438
Other medium- and long-term bonds	18,714	17,232
Deposits and loans	**79,540**	**78,870**
Payable on demand	34,753	34,909
With an agreed term	38,200	37,194
With an agreed period of notice	6,524	6,767
Securities repurchase transactions (repos)	63	–
Other financial liabilities	**227**	**153**
Total	**125,222**	**122,537**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

For detailed disclosures on issuance activities see Note (70).

The following table shows the financial liabilities measured at amortised cost by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Deposits and loans	**75,026**	**73,506**	**2,240**	**2,544**	**2,274**	**2,820**	**79,540**	**78,870**
Central banks	2,191	2,201	–	–	–	–	2,191	2,201
Central giro institutions	788	641	–	–	–	–	788	641
Sparkassen	9,460	6,296	–	–	–	–	9,460	6,296
Other banks	18,340	19,623	425	812	939	1,702	19,704	22,137
Other financial corporations	14,617	14,896	729	691	250	361	15,596	15,948
Non-financial corporations	6,144	8,528	723	663	825	541	7,692	9,732
Government	3,967	3,998	230	253	3	2	4,200	4,253
Households	19,519	17,323	133	125	257	214	19,909	17,662
Other financial liabilities	**227**	**151**	**–**	**–**	**–**	**2**	**227**	**153**
Sparkassen	2	3	–	–	–	–	2	3
Other banks	1	–	–	–	–	–	1	–
Other financial corporations	21	21	–	–	–	–	21	21
Non-financial corporations	141	110	–	–	–	2	141	112
Government	6	–	–	–	–	–	6	–
Households	56	17	–	–	–	–	56	17
Total	**75,253**	**73,657**	**2,240**	**2,544**	**2,274**	**2,822**	**79,767**	**79,023**

(53) Trading Liabilities

in € m

	31.12.2018	31.12.2017[1]
Negative fair values of trading derivatives	**7,505**	**7,935**
thereof: Traded OTC	7,455	7,915
thereof: Exchange-traded	50	20
Equity-/index-related transactions	417	178
Interest-rate-related transactions	6,222	6,768
Currency-related transactions	838	925
Credit derivatives	27	61
Commodity-related transactions	1	3
Securitised liabilities	**853**	**652**
Issued money market instruments	822	612
Commercial paper (CP)	350	612
Certificates of deposit (CD)	472	–
Issued equity/index certificates	31	40
Deposits and loans	**4,353**	**3,669**
Payable on demand	1,073	438
With an agreed term	3,280	3,231
Liabilities arising from short-selling	**52**	**21**
Total	**12,763**	**12,277**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

For detailed disclosures on issuance activities see Note (70).

Trading liabilities consist solely of financial instruments held for trading purposes and measured mandatorily at fair value through profit or loss.

The following table shows the financial liabilities measured at amortised cost by region and counterparties:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Negative fair values of derivatives held for trading	**2,827**	**3,159**	**4,486**	**4,586**	**192**	**190**	**7,505**	**7,935**
Central banks	–	–	1	3	–	–	1	3
Central giro institutions	157	143	–	–	–	–	157	143
Sparkassen	445	354	–	–	–	–	445	354
Other banks	948	1,143	4,168	4,235	135	148	5,251	5,526
Other financial corporations	74	106	131	139	–	–	205	245
Non-financial corporations	369	436	186	209	57	42	612	687
Government	784	956	–	–	–	–	784	956
Exchange-traded derivatives	50	21	–	–	–	–	50	21
Deposits and loans	**4,189**	**3,365**	**147**	**263**	**17**	**41**	**4,353**	**3,669**
Sparkassen	1,381	753	–	–	–	–	1,381	753
Other banks	66	410	44	8	17	33	127	451
Other financial corporations	1,518	992	103	98	–	–	1,621	1,090
Non-financial corporations	36	83	–	157	–	8	36	248
Government	1,185	1,127	–	–	–	–	1,185	1,127
Households	3	–	–	–	–	–	3	–
Liabilities arising from short-selling	**52**	**–**	**–**	**–**	**–**	**21**	**52**	**21**
Other banks	26	–	–	–	–	5	26	5
Other financial corporations	–	–	–	–	–	16	–	16
Government	26	–	–	–	–	–	26	–
Total	**7,068**	**6,524**	**4,633**	**4,849**	**209**	**252**	**11,910**	**11,625**

(54) Negative Fair Values of Non-Trading Derivatives

in € m

	31.12.2018	31.12.2017[1)]
Negative fair values of non-trading derivatives	**1,791**	**2,191**
thereof: Traded OTC	1,790	2,190
thereof: Exchange-traded	1	1
Equity-/index-related transactions	1	1
Interest-rate-related transactions	1,738	1,808
Currency-related transactions	52	382
Total	**1,791**	**2,191**

[1)] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

The non-trading derivatives recognised in this item are derivative financial instruments used for economic hedging as part of hedge management (economic hedges); the documentation requirements for hedge accounting in accordance with IFRS 9 are not satisfied.

(55) Financial Liabilities Designated Voluntarily at Fair Value

in € m

	31.12.2018	31.12.2017[1)]
Securitised liabilities	**7,062**	**6,168**
Medium- and long-term bonds issued	**7,062**	**6,168**
Public Pfandbriefe	77	109
Structured (hybrid) bonds	2,368	1,696
Other medium- and long-term bonds	4,617	4,363
Deposits and loans	**4,418**	**4,144**
With an agreed term	4,418	4,144
Total	**11,480**	**10,312**

[1)] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

For detailed disclosures on issuance activities see Note (70).

The following table shows the financial liabilities designated voluntarily at fair value by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Deposits and loans	**4,438**	**4,126**	**–**	**18**	**–20**	**–**	**4,418**	**4,144**
Sparkassen	353	219	–	–	–	–	353	219
Other banks	207	281	–	18	–	–	207	299
Other financial corporations	3,464	3,207	–	–	–	–	3,464	3,207
Non-financial corporations	243	233	–	–	–20	–	223	233
Government	171	186	–	–	–	–	171	186
Total	**4,438**	**4,126**	**–**	**18**	**–20**	**–**	**4,418**	**4,144**

(56) Negative Fair Values of Hedging Derivatives Under Hedge Accounting

in € m

	31.12.2018	31.12.2017
Derivatives in fair value hedges – micro	**66**	**89**
thereof: Traded OTC	66	89
Interest-rate-related transactions	66	89
Derivatives in fair value hedges – group hedges	**424**	**n.a.**
thereof: Traded OTC	424	n.a.
Currency-related transactions	424	n.a.
Total	**490**	**89**

(57) Provisions

in € m

	31.12.2018	31.12.2017[1]
Provisions for employee benefits	**1,806**	**1,799**
Pensions and similar defined benefit obligations	1,732	1,718
Other employee benefits due in the long term	74	81
Other provisions	**281**	**290**
Provisions for off-balance sheet liabilities	39	29
Provisions for loan commitments and financial guarantees	39	28
Provisions for other off-balance sheet liabilities	–	1
Restructuring provisions	18	17
Provisions for litigation risks	24	32
Sundry provisions	200	212
Total	**2,087**	**2,089**

[1] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

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

in € m

	DBO		Plan assets		Net defined benefit obligations	
	2018	2017	2018	2017	2018	2017
As at 1.1.	**2,098**	**2,185**	**–380**	**–346**	**1,718**	**1,839**
Total pension cost	88	89	–7	–5	81	84
Interest expense (+)/interest income (–)	41	38	–7	–5	34	33
Current service cost	47	52	–		47	52
Past service cost	–	–1	–		–	–1
Total gains or losses on remeasurement	–21	–112	11	–4	–10	–116
Actuarial gains (–)/losses (+) on financial assumptions	–22	–101	–		–22	–101
Actuarial gains (–)/losses (+) on demographic assumptions	16	–	–		16	–
Experience adjustment gains (–)/losses (+)	–15	–11	–		–15	–11
Gains or losses on remeasurement of plan assets			11	–4	11	–4
Employee contributions	3	3	–3	–3	–	–
Employer contributions	–	–	–8	–37	–8	–37
Benefits paid	–65	–58	16	9	–49	–49
Changes due to currency translation	2	–9	–2	6	–	–3
As at 31.12.	**2,105**	**2,098**	**–373**	**–380**	**1,732**	**1,718**

The main defined benefit plans (in the form of direct commitments) at Landesbank Hessen-Thüringen are as follows:

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

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

For the defined benefit plan in force since 1999, the retirement pension is calculated by adding all the pension credits accrued during the pensionable period of service. The pension credits are determined by multiplying the pensionable remuneration for the respective calendar year by an age-dependent factor. During the period in which the pension is drawn, the benefits are subject to an annual increase of 1 %. The plan is open to new members. The current members of the scheme are almost exclusively active employees and individuals who have left the Bank but have vested rights.

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

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

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

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

There is also an employee-funded pension plan in the form of a deferred compensation scheme in which the benefits comprise lump-sum capital payments. In this case, investment fund units are purchased for each amount of deferred compensation and an age-dependent capital component is calculated for the employee concerned. Upon retirement, the employee is paid the higher of the total capital components or the fund assets. The deferred compensation scheme offered to employees is currently being revised and adjusted in line with changes to the legal framework.

At Frankfurter Sparkasse, employees who joined the bank before 31 December 2014 are entitled to a pension from the Frankfurter Sparkasse pension fund. This is a regulated pension fund, and the pension fund's obligation to regularly adjust the lifetime benefits is implemented in the form of a direct commitment by Frankfurter Sparkasse. Under the subsequent arrangements, there is a defined contribution plan funded by both the employer and employees; the pension is provided through BVV Versicherungsverein des Bankgewerbes a.G. Employees of the former Stadtsparkasse Frankfurt are entitled to a pension from Zusatzversorgungskasse der Stadt Frankfurt (ZVK Frankfurt), which Helaba identified as an obligation during the course of its acquisition of Frankfurter Sparkasse and recognises in its statement of financial position. There are also individual commitments, largely in the form of comprehensive defined benefit plans (in which the benefits represent the difference between a target pension and third-party pension entitlements) and an employee-funded pension plan.

Employees at the London branch are members of a defined benefit plan, although the plan is now closed to new entrants. This plan is a pension fund that follows local measurement arrangements. It is reviewed at regular intervals to ensure that it meets the requirements for external financing. In 2018, the vested rights were determined for the members of the pension scheme and future services are being funded through a matching plan in the form of a defined contribution plan via an external pension provider.

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

The following table shows the funding status of the pension plans as at 31 December 2018:

in € m

	DBO		Plan assets		Net defined benefit obligations	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Domestic defined benefit plans	**1,980**	**1,956**	**–281**	**–285**	**1,699**	**1,671**
Landesbank Hessen-Thüringen	**1,382**	**1,369**	**–36**	**–38**	**1,346**	**1,331**
Comprehensive defined benefit plans	774	796	–	–	774	796
Defined benefit plan up to 1985	651	677	–	–	651	677
Individual commitments	82	80	–	–	82	80
VBB dual contract holders	41	39	–	–	41	39
Final salary plans (Retirement pension scheme 1986-1998)	219	212	–	–	219	212
Pension credit system (Retirement pension scheme from 1999)	270	245	–	–	270	245
Other plans	119	116	–36	–38	83	78
Frankfurter Sparkasse	**531**	**520**	**–236**	**–238**	**295**	**282**
Frankfurter Sparkasse pension fund	262	255	–234	–236	28	19
Pension fund adjustment obligation	93	90	–	–	93	90
ZVK Frankfurt	96	96	–	–	96	96
Individual commitments	70	69	–	–	70	69
Other plans	10	10	–2	–2	8	8
Other Group companies	**67**	**67**	**–9**	**–9**	**58**	**58**
Foreign defined benefit plans	**125**	**142**	**–92**	**–95**	**33**	**47**
Total	**2,105**	**2,098**	**–373**	**–380**	**1,732**	**1,718**

The following table shows the breakdown of plan assets:

in € m

	31.12.2018	31.12.2017
Plan assets quoted in active markets	**316**	**295**
Cash on hand, demand deposits and overnight money balances with central banks and banks	5	3
Bonds and other fixed-income securities	202	190
Equity shares and other variable-income securities	110	102
Plan assets not quoted in active markets	**57**	**85**
Loans and receivables	7	35
Qualifying insurance contracts	51	50
Fair values of plan assets	**373**	**380**

The plan assets do not include any of the Group's own assets (31 December 2017: € 31 m of assets in the form of the Group's own transferable financial instruments).

For the next financial year, Helaba expects to make contributions to plan assets of € 7 m (2017: € 9 m).

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

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

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

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

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

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

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

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

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

in %

	31.12.2018	31.12.2017
Discount rate	2.0	2.0
Salary trend	2.1	2.2
Pension trend	1.5	1.5

In the reporting period, the probability of invalidity and death in Germany was based on the 2018 generation mortality tables published by Professor Dr. Heubeck (31 December 2017: 2005 generation mortality tables from Professor Dr. Heubeck). The application of the new generation mortality tables resulted in actuarial losses of € 19 m.

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

in € m

	31.12.2018	31.12.2017
Discount rate (decreased by 50 basis points)	206	209
Salary trend (increased by 25 basis points)	65	62
Pension trend (increased by 25 basis points)	78	75
Life expectancy (improved by 10 %)	76	77

The sensitivity analysis shown above reflects the change in one assumption, all the other assumptions remaining as in the original calculation. In other words, the analysis does not factor in any possible correlation effects between the individual assumptions. This analysis only takes into account changes in assumptions that lead to an increase in the liability. The relevant present value of the obligations arising from changes to key actuarial assumptions that lead to a reduction in the liability can be extrapolated approximately from the calculated values by looking at the figures symmetrically.

The impact on the obligations from a change to an actuarial assumption is calculated precisely on the basis of the projected unit credit method. Approximation methods have not been used. The absolute change in assumptions in terms of basis points in each case is based on the average long-term changes that have occurred in the recent past and on potential future changes, and is therefore estimated as a mean change.

As at 31 December 2018, the weighted average maturity of the defined benefit obligations was 19.2 years (31 December 2017: 19.6 years). The following table shows the maturity structure of the forecast pension payments:

in € m

	31.12.2018	31.12.2017
Forecast pension payments with maturities of up to one year	64	62
Forecast pension payments with maturities of one year to five years	281	274
Forecast pension payments with maturities of five years to ten years	430	412

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

There are also defined contribution plans arising from Helaba's membership of BVV Versicherungsverein des Bankgewerbes a. G. Curtailment of the benefits under the pension terms will be offset by additional contributions on the part of the employer. Further defined contribution plans are externally funded through direct insurance with insurers subject to public law. As far as possible, these arrangements are through SV Sparkassen-Versicherung and Provinzial Lebensversicherung AG. The foreign branches in London and New York also have their own defined contribution plans funded through external pension providers. The total expenses in the reporting period for defined contribution plans were € 3 m (2017: € 3 m).

The employer subsidy for pension insurance in 2018 amounted to € 35 m (2017: € 34 m).

The changes in other provisions were as follows:

in € m

	Provisions for other long-term employee benefits		Provisions for other off-balance sheet obligations		Restructuring provisions	
	2018	2017	2018	2017	2018	2017
As at 1.1.	**81**	**131**	**1**	**14**	**17**	**13**
Changes in basis of consolidation	–	–	–	–	–	–
Changes due to currency translation	–	–2	–	–2	–	–
Use	–30	–70	–	–	–1	–1
Reversals	–1	–3	–1	–6	–	–3
Reclassifications	10	2	–	–5	–7	–2
Interest cost	–	–	–	–	–	–
Additions	14	62	–	6	9	10
Other adjustments	–	–39	–	–6	–	–
As at 31.12.	**74**	**81**	**–**	**1**	**18**	**17**

in € m

	Provisions for litigation risks		Sundry provisions	
	2018	2017	2018	2017
As at 1.1.	**32**	**45**	**212**	**248**
Changes in basis of consolidation	–	–	–	–31
Changes due to currency translation	–	–	–	11
Use	–8	–13	–112	–181
Reversals	–1	–3	–19	–21
Reclassifications	–	–	–	–
Interest cost	–	–	1	1
Additions	1	3	118	185
Other adjustments	–	–	–	–
As at 31.12.	**24**	**32**	**200**	**212**

The provisions for other long-term employee benefits relate primarily to provisions for partial and early retirement, long-service awards and deferred bonuses for employees.

Provisions for other off-balance sheet liabilities result from liabilities outside the scope of application of the IFRS 9 impairment model that are subject to the recognition and measurement regulations of IAS 37. Please refer to Note (72) for further information on provisions for loan commitments and financial guarantees within the scope of application of the IFRS 9 impairment model.

The restructuring provisions largely relate to the reorganisation programme at LBS ("LBS-EVOLution") initiated in 2017 against the background of the generally low level of interest rates (in which the core objective is to achieve a long-term improvement in earnings by 2021) and to the "Helaba PRO" cost optimisation program launched in 2013.

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

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

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

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

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

The sundry provisions mainly relate to obligations in connection with share transactions, flat-rate employment taxes, interest on retrospective tax payments as well as risks related to the reimbursement of loan processing fees.

Additions to and reversals of provisions for other long-term employee benefits are normally recognised under personnel expenses; those relating to other off-balance sheet liabilities, to restructuring provisions and to provisions for litigation expenses are reported under other net operating income. Additions to sundry provisions are normally included in general and administrative expenses but reversals of these provisions are recognised under other net operating income. The interest cost (from unwinding of discount) is reported under net interest income.

Of the total for other provisions, current provisions accounted for € 145 m (31 December 2017: € 177 m).

(58) Other Liabilities

in € m

	31.12.2018	31.12.2017[1)]
Advance payments/payments on account	211	273
Tax liabilities, other taxes	28	35
Employee benefits due in short term	75	68
Other liabilities	202	62
Total	**516**	**438**

[1)] Please refer to Note (1) for disclosures on the restatement of the prior-year figures in line with the new structure.

(59) Equity

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

As at 31 December 2018, the share capital was attributable to the owners as follows:

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

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

In 2018, the Helaba Group issued Additional Tier 1 (AT1) capital through registered bonds in the amount of € 354 m. All AT1 bonds are unsecured subordinated Helaba bonds. The servicing of these bonds is based on an interest rate applied to the respective nominal amount. These bonds provide fixed interest rates for the period between the issue date and the first possible early repayment date. Afterwards, interest rates will be established for another period of ten years. According to the bond terms, Helaba may be obliged, but also has extensive rights, to take the sole decision to suspend interest payments at any time. Interest payments are not cumulative, which means that suspended interest payments will not be paid out in subsequent periods. These bonds have no maturity date, and may be terminated by Helaba at specific dates. If Helaba does not terminate a bond, it has additional termination options every ten years. Early terminations may be permissible provided that all tax-related and regulatory conditions are met. Every termination is subject to approval from the competent supervisory authority. The repayment as well as the nominal amount of the bonds may be impaired if a triggering event occurs. The decline of Helaba Group's Common Equity Tier 1 (CET1) capital ratio to under 5.125 % on a consolidated basis would be a triggering event. After the occurrence of a triggering event, any impaired bond amounts may be recovered under specific conditions. According to the applicable settlement stipulations, the competent supervisory authority may exercise a series of rights; for instance, the supervisory authority may decide to wholly or partially impair capital payment claims and/or to convert such claims into CET1 instruments. As at 31 December 2018, the bond amounts recognised in the statement of financial position stood at € 354 m.

The retained earnings amounting to € 4,414 m (31 December 2017: € 4,225 m) comprise the profits retained by the parent company and the consolidated subsidiaries as well as amounts from the amortised results of acquisition accounting and other consolidation adjustments. Retained earnings include reserves provided for by the Charter of € 294 m. If it is necessary to use these reserves to cover losses, the net profit generated in subsequent years is used in full to restore the reserves required by the Charter to the required level.

The following table shows the changes in the individual components of accumulated other comprehensive income (OCI) in the reporting period:

in € m

	Items that will not be reclassified to the income statement, after taxes			Items that will be reclassified to the income statement, after taxes				Accumulated other comprehensive income
	Remeasurement of net defined benefit liability	Change in fair value of equity instruments measured at fair value through other comprehensive income	Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	Change in fair value of financial instruments measured at fair value through other comprehensive income	Net gain or loss from hedging net investments in foreign operations	Net gain or loss from currency translation of foreign operations	Net gain or loss from fair value hedges of currency risk	
As at 31.12.2016	**–**	**–**	**–**	**246**	**–17**	**47**	**–**	**276**
Adjustments due to IAS 8	–532	–	–	–	–	–	–	–532
As at 1.1.2017	**–532**	**–**	**–**	**246**	**–17**	**47**	**–**	**–256**
Other comprehensive income for the reporting period	82	–	–	–49	–	–20	–	13
As at 31.12.2017	**–450**	**–**	**–**	**197**	**–17**	**27**	**–**	**–243**
Adjustments due to IFRS 9	–	–1	2	–40	–	–	–	–39
As at 1.1.2018	**–450**	**–1**	**2**	**157**	**–17**	**27**	**–**	**–282**
Other comprehensive income	10	3	–8	–63	–	8	–28	–78
As at 31.12.2018	**–440**	**2**	**–6**	**94**	**–17**	**35**	**–28**	**–360**

[1] These gains and losses relate to equity instruments and debt instruments classified as AfS in accordance with IAS 39; they were previously reported in the revaluation reserve. The gains and losses in respect of equity instruments reported for 2017 were recyclable to the income statement during this period.

Further Disclosures on Financial Instruments

(60) Provision of Collateral

Assets pledged as security

The collateral is provided on terms which are customary for the relevant repo, securities and financing transactions. As at the reporting date, the following assets (carrying amounts after loss allowances) had been pledged or transferred as collateral for Helaba's own liabilities (for details on the transfer of financial assets without derecognition, please refer to Note [61]):

in € m

	31.12.2018	31.12.2017
Financial assets	**9,218**	**8,374**
Financial assets measured at amortised cost	**3,379**	**3,305**
Loans and receivables	3,379	3,305
Trading assets	**1,489**	**1,502**
Bonds and other fixed-income securities	1,489	1,499
Loans and receivables	–	3
Financial assets measured at fair value through other comprehensive income	**4,350**	**3,567**
Bonds and other fixed-income securities	4,350	3,567
Non-financial assets	**1,399**	**1,205**
Investment property	1,188	1,035
Property and equipment	168	170
Property held for sale	43	–
Total	**10,617**	**9,579**

Financial assets (securities and cash collateral) were provided as collateral in connection with the following business transactions:

in € m

	31.12.2018	31.12.2017
Collateral for funding transactions with central banks	3,618	2,200
Securities collateral for transactions via exchanges and clearing houses	1,572	1,312
Cash collateral for exchange-traded derivative transactions	57	26
Cash collateral for OTC derivative transactions incl. central counterparties	3,322	3,282
Securities provided as collateral for funding transactions with the European Investment Bank (EIB)	492	1,433
Collateral provided for other purposes	157	121
Total	**9,218**	**8,374**

The collateral provided for other purposes was mainly related to securities collateral furnished in accordance with Section 202b of the New York Banking Law, which was a precondition for the operation of banking business by the US branch.

Securities are pledged as collateral in connection with repos and securities lending transactions (with cash collateral) and may be re-sold or pledged as collateral to others by the recipient even if Helaba (as the original provider of the collateral) is not in default. The disposal or pledge of such collateral is subject to standard contractual conditions. Please refer to Notes (6) and (61) for further information on the definition and structure of repos and securities lending transactions. As a result of these transactions, as in the previous year, no financial assets were furnished as collateral in which the recipient of the collateral had a contractual right to re-sell the assets or pledge them to other parties as collateral even if Helaba were not in default.

In addition, the Bank holds loans and advances backed by property charges and municipal authority loans and advances as well as other cover assets in its collateral pool in accordance with Sections 12 and 30 of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). As at 31 December 2018, cover assets amounted to € 33,986 m (31 December 2017: € 33,838 m) with mortgage and public Pfandbriefe of € 26,710 m in circulation (31 December 2017: € 26,107 m). These also included registered securities, which are reported under liabilities due to banks and liabilities due to customers.

Assets Received as Collateral

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

The fair value of collateral received in connection with repurchase agreements (repos), which permit Helaba to sell on or pledge such collateral even if the party providing the collateral does not default, amounted to € 133 m (31 December 2017: € 21 m). Such collateral with a fair value of € 102 m (31 December 2017: € 21 m) has been sold on, or has been the subject of onward pledging.

Please refer to Note (72) for disclosures on collateral received in connection with lending operations. Please refer to Note (63) for disclosures on collateral and offsetting agreements.

In connection with Helaba's Pfandbrief business, there are arrangements in which loans and advances eligible for the collateral pool, including the rights to the corresponding collateral, are also legally transferred to Helaba but the beneficial ownership of the loans and advances remains with the transferring bank in accordance with the terms and conditions of the transfer agreement. The transferring bank continues to account for these loans and advances to the customers concerned, which are entered in the cover register. As at 31 December 2018, Helaba's collateral pool included such legal transfers with a nominal value of € 866 m (31 December 2017: € 183 m).

(61) Transfer of Financial Assets Without Derecognition

In connection with “genuine” repo and securities lending transactions, Helaba Group transfers bonds and other fixed-income securities, but retains the main credit, interest rate and currency risks as well as the opportunities for capital appreciation associated with the ownership of these financial assets. Thus, the requirements for derecognition in accordance with IFRS 9 are not fulfilled, and the financial assets continue to be recognised in the consolidated statement of financial position and measured in accordance with the corresponding measurement category, provided the items are bonds and other fixed-income securities owned by the Helaba Group.

In the context of securities repurchase and lending transactions, securities accepted from third parties as part of reverse repos or borrowed bonds and other fixed-income securities, which may not be recognised in the consolidated statement of financial position, may also be transferred.

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

The transactions are settled using standard framework contracts, and do not contain any limitations.

The liquidity from bonds and other fixed-income securities transferred in connection with repurchase transactions, or from cash collateral received in connection with securities lending transactions, is recognised in financial liabilities (see Note [6]).

The liabilities from securities repurchase transactions result from the amount paid by the transferee for the transferred bonds and other fixed-income securities. This amount corresponds to the fair value of the transferred securities less a safety margin on the date on which the transaction is entered into. When the bonds and other fixed-income securities are transferred back at the end of the term of the securities repurchase agreement, this amount, plus agreed interest, must be repaid to the transferee. The liabilities from securities repurchase transactions are recognised under trading liabilities or under financial liabilities measured at amortised cost.

The corresponding liabilities in connection with securities lending transactions arise out of the obligation to repay the cash collateral received. The main counterparties in the Helaba Group’s securities lending transactions comprise affiliated and non-affiliated Sparkassen. Cash collateral for lent bonds and other fixed-income securities are generally only required from counterparties outside the Sparkassen-Finanzgruppe. However, as at the reporting date the Helaba Group has only entered into unsecured securities lending transactions.

Given that bonds and other fixed-income securities are disclosed in the HfT and FVTOCI measurement categories, respectively, the carrying amounts of the transferred items represent their fair values.

The following table shows the carrying amounts after loss allowances of the transferred assets owned by Helaba Group that do not qualify for derecognition as well as the corresponding liabilities:

in € m

	Carrying amount		Fair value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Bonds and other fixed income securities pledged in connection with repo transactions	10	–	10	–
Liabilities associated with repo transactions	–10	–	–10	–
Net value	**–**	**–**	**–**	**–**

(62) Transfer of Financial Assets with Derecognition

Contracts for the sale and acquisition of shares in companies (equity investments and affiliates) include the warranties customary with such transactions, in particular in respect of the tax and legal position. Provisions of € 16 m (31 December 2017: € 18 m) have been recognised for such warranties.

(63) Disclosures on Offsetting Assets and Liabilities in the Statement of Financial Position

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

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

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

Cash collateral items do not include any other conditional offsetting options under property charges or in connection with other loan collateral not covered by master netting agreements.

These agreements resulted in the following net amounts as at 31 December 2018:

in € m

	Actual netting			Conditional netting rights on basis of master netting agreements		
	Gross before netting	Gross amount of financial instruments netted in SoFP	Carrying amount	Collateral in form of financial instruments	Cash collateral	Net amount after taking into account conditional netting rights
Financial assets						
Positive fair values of derivatives	14,206	−2,558	11,648	−5,607	−1,681	4,360
Securities repurchase transactions	134	–	134	−105	–	29
Current account receivables	9,380	−3,669	5,711	–	–	5,711
Total	**23,720**	**−6,227**	**17,493**	**−5,712**	**−1,681**	**10,100**
Financial liabilities						
Negative fair values of derivatives	12,245	−2,459	9,786	−5,607	−3,249	930
Securities repurchase transactions	63	–	63	−63	–	–
Current account payables	4,297	−3,768	529	–	–	529
Total	**16,605**	**−6,227**	**10,378**	**−5,670**	**−3,249**	**1,459**

The following tables show the amounts as at 31 December 2017:

in € m

	Actual netting			Conditional netting rights on basis of master netting agreements		
	Gross before netting	Gross amount of financial instruments netted in SoFP	Carrying amount	Collateral in form of financial instruments	Cash collateral	Net amount after taking into account conditional netting rights
Financial assets						
Positive fair values of derivatives	14,421	−2,193	12,228	−6,423	−1,890	3,915
Securities repurchase transactions	22	–	22	−21	–	1
Current account receivables	20,677	−11,751	8,926	–	–	8,926
Total	**35,120**	**−13,944**	**21,176**	**−6,444**	**−1,890**	**12,842**
Financial liabilities						
Negative fair values of derivatives	12,312	−2,097	10,215	−6,423	−3,070	722
Securities repurchase transactions	–	–	–	–	–	–
Current account payables	12,769	−11,847	922	–	–	922
Total	**25,081**	**−13,944**	**11,137**	**−6,423**	**−3,070**	**1,644**

(64) Foreign Currency Volumes

in € m

	Foreign currency assets		Foreign currency liabilities	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
USD	15,174	14,188	8,200	8,722
GBP	5,594	5,810	1,423	1,609
CHF	1,149	1,062	274	254
JPY	419	390	426	394
Other currencies	1,229	1,206	482	510
Total	**23,565**	**22,656**	**10,805**	**11,489**

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

(65) Breakdown of Maturities

The maturity structure of the financial liabilities as at 31 December 2018 was as follows:

in € m

	Payable on demand	Less than three months	Three months to one year	One year to five years	More than five years
Financial liabilities measured at amortised cost	**34,550**	**11,078**	**14,731**	**40,220**	**30,057**
Securitised liabilities	257	5,559	6,070	21,822	13,181
Deposits and loans	34,143	5,475	8,631	18,397	16,876
Other financial liabilities	150	44	30	1	–
Trading liabilities	**8,630**	**1,755**	**2,347**	**–**	**31**
Negative fair values of derivatives HfT	7,505	–	–	–	–
Securitised liabilities	–	720	102	–	31
Deposits and loans	1,073	1,035	2,245	–	–
Liabilities arising from short-selling	52	–	–	–	–
Other financial liabilities	–	–	–	–	–
Negative fair values of derivatives HfT	**–**	**148**	**189**	**785**	**646**
Negative fair values of hedging derivatives under hedge accounting	**–**	**70**	**140**	**745**	**425**
Financial liabilities designated voluntarily at fair value	**–**	**1,170**	**2,982**	**3,186**	**4,591**
Securitised liabilities	–	977	2,601	1,498	2,073
Deposits and loans	–	193	381	1,688	2,518
Other financial liabilities	–	–	–	–	–
Loan commitments	**25,036**	**517**	**301**	**1,408**	**348**
Financial guarantees	**6,687**	**1**	**15**	**17**	**–**
Total	**74,903**	**14,739**	**20,705**	**46,361**	**36,098**

The following tables show the amounts as at 31 December 2017:

in € m

	Payable on demand[1]	Less than three months[1]	Three months to one year[1]	One year to five years[1]	More than five years[1]
Financial liabilities measured at amortised cost	**34,922**	**11,005**	**14,413**	**40,281**	**26,967**
Securitised liabilities	1	6,170	5,504	23,301	8,588
Deposits and loans	34,921	4,835	8,756	16,980	18,379
Other financial liabilities	–	–	153	–	–
Trading liabilities	**8,395**	**1,328**	**2,514**	**–**	**40**
Negative fair values of derivatives HfT	7,924	–	–	–	–
Securitised liabilities	–	113	499	–	40
Deposits and loans	471	1,215	2,015	–	–
Negative fair values of derivatives HfT	**–**	**151**	**291**	**1,216**	**823**
Negative fair values of hedging derivatives under hedge accounting	**–**	**11**	**17**	**43**	**29**
Financial liabilities designated voluntarily at fair value	**–**	**992**	**2,152**	**4,069**	**3,590**
Securitised liabilities	–	882	2,085	2,051	1,258
Deposits and loans	–	110	67	2,018	2,332
Loan commitments	**23,059**	**528**	**25**	**17**	**–**
Financial guarantees	**6,002**	**–**	**–**	**–**	**–**
Total	**72,378**	**14,015**	**19,412**	**45,626**	**31,449**

[1] Prior-year figures restated: In the case of irrevocable loan commitments and financial guarantees, some of the figures have been based on the contract maturity rather than earliest possible drawdown or call.

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

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

(66) Derivatives

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

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

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

The notional and fair values of derivatives as at 31 December 2018 were as follows:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Equity-/index-related transactions	**5,413**	**4,575**	**427**	**182**	**418**	**179**
OTC products	**4,764**	**3,605**	**417**	**167**	**367**	**158**
Equity options	4,764	3,605	417	167	367	158
Purchases	2,562	2,039	417	167	–	–
Sales	2,202	1,566	–	–	367	158
Exchange-traded products	**649**	**970**	**10**	**15**	**51**	**21**
Equity/index futures	76	197	–	–	–	–
Equity/index options	573	773	10	15	51	21
Interest-rate-related transactions	**439,790**	**422,045**	**10,076**	**10,598**	**8,026**	**8,665**
OTC products	**428,017**	**409,124**	**10,076**	**10,598**	**8,026**	**8,665**
Forward rate agreements	–	25	–	–	–	–
Interest-rate swaps	373,288	354,445	9,193	9,600	5,583	6,310
Interest rate options	54,229	54,501	883	997	2,441	2,355
Purchases	20,591	21,025	785	897	46	56
Sales	33,638	33,476	97	100	2,395	2,299
Other interest rate contracts	500	153	–	1	2	–
Exchange-traded products	**11,773**	**12,921**	**–**	**–**	**–**	**–**
Interest rate futures	11,591	12,921	–	–	–	–
Interest rate options	182	–	–	–	–	–
Currency-related transactions	**62,526**	**60,688**	**1,114**	**1,389**	**1,314**	**1,307**
OTC products	**62,526**	**60,688**	**1,114**	**1,389**	**1,314**	**1,307**
Currency spot and futures contracts	38,012	38,914	411	457	499	546
Cross-currency swaps	24,041	21,232	698	923	809	752
Currency options	473	542	5	9	6	9
Purchases	234	268	5	9	–	–
Sales	239	274	–	–	6	9
Credit derivatives	**6,808**	**5,206**	**31**	**57**	**27**	**61**
OTC products	**6,808**	**5,206**	**31**	**57**	**27**	**61**
Commodity-related transactions	**58**	**121**	**–**	**2**	**1**	**3**
OTC products	**58**	**121**	**–**	**2**	**1**	**3**
Commodity swaps	2	48	–	2	–	2
Commodity options	56	73	–	–	1	1
Total	**514,595**	**492,635**	**11,648**	**12,228**	**9,786**	**10,215**

Notional amounts broken down by term to maturity:

in € m

	Equity-/index-related transactions		Interest-rate-related transactions		Currency-related transactions	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Up to three months	295	342	40,050	26,020	26,903	22,982
More than three months and up to one year	762	800	41,290	41,741	15,145	15,277
More than one year and up to five years	4,015	3,194	193,313	194,900	15,910	17,412
More than five years	341	239	165,137	159,384	4,568	5,017
Total	**5,413**	**4,575**	**439,790**	**422,045**	**62,526**	**60,688**

in € m

	Credit derivatives		Commodity-related transactions		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Up to three months	50	120	33	43	67,330	49,507
More than three months and up to one year	844	519	25	42	58,066	58,379
More than one year and up to five years	5,777	4,448	–	36	219,015	219,990
More than five years	137	119	–	–	170,184	164,759
Total	**6,808**	**5,206**	**58**	**121**	**514,595**	**492,635**

Derivatives have been entered into with the following counterparties:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Central banks and banks in Germany	77,002	72,752	2,995	3,045	2,228	2,282
Central banks and EU banks (excluding Germany)	107,983	109,828	3,044	3,482	5,453	5,557
Central banks and banks in the rest of the world (excluding EU)	2,381	3,195	36	34	150	173
Governments, Germany	26,891	29,214	3,514	3,511	1,008	1,211
Other counterparties in Germany	32,146	36,702	1,339	1,465	443	574
Other counterparties in the EU (excluding Germany)	254,457	225,842	653	616	394	349
Other counterparties (rest of world, excluding EU)	1,313	1,211	57	60	59	48
Exchange-traded derivatives	12,422	13,891	10	15	51	21
Total	**514,595**	**492,635**	**11,648**	**12,228**	**9,786**	**10,215**

(67) Fair Values of Financial Instruments

The breakdown of financial instruments on the assets side measured at fair value according to the hierarchy of the inputs used was as follows:

in € m

	31.12.2018				31.12.2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash on hand, demand deposits and overnight money balances with central banks and banks	**–**	**290**	**–**	**290**	**–**	**9,106**	**–**	**9,106**
Balances with central banks	–	–	–	–	–	8,911	–	8,911
Demand deposits and overnight money balances with banks	–	290	–	290	–	195	–	195
Trading assets	**6,375**	**10,193**	**421**	**16,989**	**5,173**	**10,787**	**140**	**16,100**
Positive fair values of derivatives	10	8,697	287	8,994	15	9,155	138	9,308
Bonds and other fixed-income securities	6,335	213	22	6,570	5,045	279	–	5,324
Loans and receivables	–	1,283	112	1,395	–	1,353	2	1,355
Equity shares and other variable-income securities	30	–	–	30	113	–	–	113
Other financial assets mandatorily measured at fair value through profit or loss	**1,455**	**2,215**	**241**	**3,911**	**–**	**2,355**	**14**	**2,369**
Positive fair values of derivatives	–	2,031	15	2,046	–	2,355	14	2,369
Bonds and other fixed-income securities	1,447	73	5	1,525	n.a.	n.a.	n.a.	n.a.
Loans and receivables	–	43	21	64	n.a.	n.a.	n.a.	n.a.
Equity shares and other variable-income securities	8	68	34	110	n.a.	n.a.	n.a.	n.a.
Shareholdings	–	–	71	71	n.a.	n.a.	n.a.	n.a.
Receivables from the purchase of endowment insurance policies	–	–	95	95	n.a.	n.a.	n.a.	n.a.
Financial assets designated voluntarily at fair value	**3**	**301**	**73**	**377**	**1,582**	**626**	**99**	**2,307**
Bonds and other fixed-income securities	3	121	–	124	1,582	171	5	1,758
Loans and receivables	–	180	73	253	–	394	85	479
Equity shares and other variable-income securities	n.a.	n.a.	n.a.	n.a.	–	61	9	70
Positive fair values of hedging derivatives under hedge accounting	**–**	**608**	**–**	**608**	**–**	**551**	**–**	**551**
Financial assets measured at fair value through other comprehensive income	**21,221**	**875**	**398**	**22,494**	**20,830**	**1,104**	**245**	**22,179**
Bonds and other fixed-income securities	21,221	737	7	21,965	20,829	1,101	–	21,930
Loans and receivables	–	138	350	488	–	–	–	–
Equity shares and other variable-income securities	–	–	–	–	1	3	36	40
Shareholdings	–	–	41	41	–	–	97	97
Receivables from the purchase of endowment insurance policies	n.a.	n.a.	n.a.	n.a.	–	–	112	112
Financial assets	**29,054**	**14,482**	**1,133**	**44,669**	**27,585**	**24,529**	**498**	**52,612**

The breakdown of financial liabilities on the liabilities side measured at fair value was as follows:

in € m

	31.12.2018				31.12.2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading liabilities	**134**	**12,341**	**288**	**12,763**	**82**	**12,056**	**139**	**12,277**
Negative fair values of derivatives	51	7,166	288	7,505	21	7,775	139	7,935
Securitised liabilities	31	822	–	853	40	612	–	652
Deposits and loans	–	4,353	–	4,353		3,669	–	3,669
Liabilities arising from short-selling	52	–	–	52	21	–	–	21
Negative fair values of trading derivatives	**1**	**1,778**	**12**	**1,791**	**1**	**2,177**	**13**	**2,191**
Financial liabilities designated voluntarily at fair value	**–**	**10,759**	**721**	**11,480**	**–**	**9,808**	**504**	**10,312**
Securitised liabilities	–	6,379	683	7,062	–	5,703	465	6,168
Deposits and loans	–	4,380	38	4,418	–	4,105	39	4,144
Negative fair values of hedging derivatives under hedge accounting	**–**	**490**	**–**	**490**	**–**	**89**	**–**	**89**
Financial liabilities	**135**	**25,368**	**1,021**	**26,524**	**83**	**24,130**	**656**	**24,869**

The following tables show transfers from Level 1 and Level 2 to other levels as a result of a change in fair value quality. Other changes are attributable to additions, disposals or measurement changes.

in € m

	31.12.2018				31.12.2017			
	From Level 1 to		From Level 2 to		From Level 1 to		From Level 2 to	
	Level 2	Level 3	Level 1	Level 3	Level 2	Level 3	Level 1	Level 3
Trading assets	**9**	**–**	**25**	**–**	**50**	**–**	**19**	**–**
Bonds and other fixed-income securities	9	–	25	–	50	–	19	–
Financial assets designated voluntarily at fair value	**–**	**–**	**–**	**–**	**17**	**–**	**–**	**–**
Bonds and other fixed-income securities	–	–	–	–	17	–	–	–
Financial assets measured at fair value through other comprehensive income	**61**	**–**	**112**	**15**	**55**	**–**	**10**	**–**
Bonds and other fixed-income securities	61	–	112	–	55	–	10	–
Loans and receivables	–	–	–	15			–	–
Total	**70**	**–**	**137**	**15**	**122**	**–**	**29**	**–**

As in the prior-year period, there were no transfers of financial liabilities from Levels 1 or 2 to another level in the reporting period.

The following tables show the changes in the portfolio of financial instruments measured at fair value and allocated to Level 3, on the basis of class of financial instrument regardless of measurement category. Transfers to or from Level 3 from/to other levels in the measurement hierarchy were made at the carrying amount on the date on which the transfer was carried out. The allocations to the various levels are reviewed quarterly. The tables show the gains and losses as well as the cash flows that have occurred since the beginning of the year or since the allocation to Level 3.

The tables also show the net gains or losses on remeasurement of the financial instruments still held in the portfolio as at 31 December 2018:

in € m

	Positive fair values of derivatives	Bonds and other fixed-income securities	Loans and receivables	Equity shares and variable-income securities	Share-holdings	Receivables from endow-ment insurance policies
Fair value at 1.1.2018	**152**	**20**	**402**	**45**	**109**	**112**
Gains or losses recognised in the income statement	223	–	−5	−8	−2	6
Net trading income	221	–	1	–	–	–
Gains or losses on non-trading financial instruments measured at FVTPL	2	–	−6	−8	−2	6
Gains or losses recognised in other comprehensive income	–	–	9	–	2	–
Additions	7	52	419	13	1	–
Disposals/liquidations	−28	−30	−285	−9	−2	−23
Changes due to scope of consolidation	–	–	–	–	4	–
Changes due to currency translation	–	–	1	–	–	–
Transfers from Level 2	–	–	15	–	–	–
Transfers to Level 2	−50	−7	–	−7	–	–
Other changes in the portfolio	−2	–	–	–	–	–
Fair value at 31.12.2018	**302**	**35**	**556**	**34**	**112**	**95**
Gains or losses on financial assets in the portfolio recognised in the income statement	208	–	−3	−5	−3	4

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
Fair value at 1.1.2018	**152**	**465**	**39**
Gains or losses recognised in the income statement	218	–2	–1
Net trading income	220	–	–
Gains or losses on non-trading financial instruments measured at FVTPL	–2	–2	–1
Gains or losses recognised in other comprehensive income	–	1	–
Additions	12	243	–
Disposals/liquidations	–29	–24	–
Changes in accrued interest	–2	–	–
Amortisation of premiums/discounts	–	2	–
Transfers from Level 2	–	–	–
Transfers to Level 2	–49	–2	–
Other changes in the portfolio	–2	–	–
Fair value at 31.12.2018	**300**	**683**	**38**
Gains or losses on financial liabilities in the portfolio recognised in the income statement	–204	2	1

The following table shows the changes during the prior-year period:

in € m

	Positive fair values of derivatives	Bonds and other fixed-income securities	Loans and receivables	Equity shares and variable-income securities	Share-holdings	Receivables from endowment insurance policies
Fair value at 1.1.2017	**113**	**5**	**138**	**77**	**95**	**132**
Gains or losses recognised in the income statement	28	–	−3	–	–	–
Net trading income	33	–	–	–	–	–
Gains or losses on non-trading financial instruments measured at FVTPL	−5	–	−3	1	–	–
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss				−1		
Gains or losses recognised in other comprehensive income				–	–	2
Additions	5	10		1	–	1
Disposals/liquidations	−10	–	−9	−8	–	−7
Amortisation of premiums/discounts	−4	–	–	–	–	–
Transfers to Level 2	−12	–	−35	–	–	–
Fair value at 31.12.2017	**120**	**15**	**91**	**69**	**95**	**128**
Gains or losses on financial assets in the portfolio recognised in the income statement	36	–	−2	−2	–	–

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
Fair value at 1.1.2017	**97**	**450**	**58**
Gains or losses recognised in the income statement	37	−9	−4
Net trading income	34	–	–
Gains or losses on non-trading financial instruments measured at FVTPL	3	−9	−4
Additions	5	53	
Disposals/liquidations	−10	−113	−11
Changes due to currency translation	–	–	−1
Transfers to Level 2	−13	–	−42
Fair value at 31.12.2017	**116**	**381**	**–**
Gains or losses on financial liabilities in the portfolio recognised in the income statement	−45	4	–

Helaba's model for measuring the Level 3 instruments used inputs producing a price that knowledgeable market participants would apply. In its model considerations, Helaba uses inputs that are preferably observable in a market. In the case of inputs that are not observable in a market, Helaba uses the same assumptions that would be used by market participants for pricing purposes. The following table provides an overview of the main inputs not observable in a market that were used in the relevant valuation techniques:

in € m

	Level 3				
	Assets	**Liabilities**	**Valuation technique**	**Key inputs not observable in a market**	**Range**
Derivatives	**302**	**300**			
Equity-/index-related derivatives	212	213	Option pricing model	Dividend estimate with remaining term > 3 years	0.04 – 121
	66	65	Option pricing model	Equity shares correlation	– 35.5 % – 100 %
Interest-rate derivatives	24	22	Option pricing model	Interest correlation	– 32.0 % – 100 %
Equity shares and other variable-income securities	**34**				
Private equity funds	34		Fund valuation	Fair value	n.a.
Bonds and other fixed-income securities	**34**		DCF approach	Credit spread	0.3 % – 3.3 %
Securitised liabilities		**683**			
Interest certificates		688	Option pricing model	Inerest correlation	– 32.0 % – 100 %
Loans and receivables	**556**				
Promissory note loans	535		DCF approach	Credit spread	0.3 % – 3.3 %
Mezzanine receivables	9		Fund valuation	Fair value	n.a.
Others	12		Various	n.a.	n.a.
Deposits and loans		**38**	Option pricing model	Inerest correlation	– 32.0 % – 100 %
Shareholdings	**112**				
	45		Income capitalisation approach	Discount rate	6.4 % – 7.5 %
				Expected cash flows	n.a.
	67		Net asset value method	Fair value	n.a.
Receivables from the purchase of endowment insurance policies	95		Insurance valuation model	Surrender values	n.a.
Total	**1,133**	**1,021**			

In the case of those market inputs used that are not directly observable in a market, it is possible to use alternative inputs that knowledgeable market participants can apply to identify more advantageous or more disadvantageous prices. The following section describes how fluctuations of unobservable parameters may impact fair values of financial instruments. The considerations are based either on sensitivities or recalculations of fair values.

Helaba uses correlations to measure derivatives, issued certificates, deposits, and loans. Correlations are unobservable market parameters used in model calculations of fair values for financial instruments with more than one reference value. Correlations are used to describe the relation between reference values. A high degree of correlation means that there is a strong relation regarding the performance of the respective reference values. Structured interest rate derivatives are typically entered into exclusively to hedge structured interest rate issues in the banking book, or to hedge structured customer transactions in the trading book. Furthermore, structured equity or commodity derivatives – where correlations must be taken into account as market parameters – are usually entered into exclusively in connection with the corresponding retail issues; such items are closed with back-to-back hedges. The value changes in the hedging transaction and the hedged item, which are attributable to the relevant parameter (interest, equity share or commodity correlation), offset each other.

In the case of equity derivatives with underlyings involving dividend distributions, future dividends are taken into account in the valuation. However, no dividend estimates are directly observable on the market for securities with a remaining term of more than three years. To make dividend projections for items with a remaining term of more than three years, including the impact on the respective fair values, a premium, or discount, of 50 % was applied to the available dividend estimates. If the dividend estimate is increased, the fair value rises by € 1 m; if it is reduced, the fair value falls by € 1 m.

The credit spread is a key input in a model-based measurement of the fair value of bonds and other fixed-income securities and of the promissory note loans reported under loans and receivables. Interest-bearing securities are allocated to Level 3 if it is not (or not with reasonable assurance) possible to derive the credit spread as an input parameter from market data. For this reason, the sensitivity analysis applied to interest-bearing securities includes verification of the potential impact from credit spread changes. Helaba determines credit spread standard deviations for all required sector-rating-combinations based on one-year history files of sector curves from the CDS or bond market. The determined standard deviations are allocated to Level 3 securities – based on sector and rating – and then multiplied with credit spread sensitivity of the respective security. The result will be the value adjustment for the respective security item provided that the valuation spread increases or declines by the one-year standard deviation. This results in an increase or decline in the fair values of the respective items by € 1 m.

In the case of fund units/shares and mezzanine loans, fair values are predominantly determined by the fund management companies on the basis of the fund assets and made available to the unitholders/shareholders. The latest available fair values are adjusted up to the reporting date. If the input factors used are increased or decreased by 10 %, the fair values determined using these input factors change by up to € 4 m.

For investments in unlisted companies, fair values are determined using the discounted earnings model; a premium, or discount, of 10 % is applied to all discountable cash flows. This results in an increase, or decline, of fair values by € 4 m (31 December 2017: € 3 m). If the discount rate were to be increased by one percentage point, the calculated fair values would fall by € 6 m (31 December 2017: € 5 m); if the discount rate were lowered by one percentage point, the fair values would rise by € 9 m (31 December 2017: € 8 m). Furthermore, the fair value for some investments in unlisted companies is determined using the net asset value method. The input factors used are subject to a premium, or discount, of 10 %. This results in alternative values that are up to € 5 m (31 December 2017: € 6 m) above, or up to € 6 m (31 December 2017: € 6 m) below the disclosed amounts.

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

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

The following overview compares the fair values of financial assets and liabilities measured at amortised cost with their corresponding carrying amounts.

in € m

	Fair value					
	Level 1	Level 2	Level 3	Total	Carrying amount	Difference
Cash on hand, demand deposits and overnight money balances with central banks and banks	**–**	**6,959**	**–**	**6,959**	**6,959**	**–**
Balances with central banks	–	6,613	–	6,613	6,613	–
Demand deposits and overnight money balances with banks	–	346	–	346	346	–
Financial assets measured at amortised cost	**4**	**73,748**	**37,175**	**110,927**	**106,755**	**4,172**
Bonds and other fixed-income securities	4	–	–	4	4	–
Loans and receivables	–	73,748	37,175	110,923	106,751	4,172
Financial assets	**4**	**80,707**	**37,175**	**117,886**	**113,714**	**4,172**
Financial liabilities measured at amortised cost	**3,955**	**112,042**	**11,021**	**127,018**	**125,222**	**1,796**
Securitised liabilities	3,955	41,731	–	45,686	45,455	231
Deposits and loans	–	70,232	10,871	81,103	79,540	1,563
Other financial liabilities	–	79	150	229	227	2
Financial liabilities	**3,955**	**112,042**	**11,021**	**127,018**	**125,222**	**1,796**

The following table shows the amounts as at 31 December 2017:

in € m

	Fair value					
	Level 1	Level 2	Level 3	Total	Carrying amount	Difference
Cash on hand, demand deposits and overnight money balances with central banks and banks	**–**	**1,283**	**–**	**1,283**	**1,283**	**–**
Balances with central banks	–	925	–	925	925	–
Demand deposits and overnight money balances with banks	–	358	–	358	358	–
Financial assets measured at amortised cost	**–**	**67,578**	**36,963**	**104,541**	**100,046**	**4,495**
Bonds and other fixed-income securities	–	–	32	32	32	–
Loans and receivables		67,578	36,931	104,509	100,014	4,495
Financial assets	**–**	**68,861**	**36,963**	**105,824**	**101,329**	**4,495**
Financial liabilities measured at amortised cost	**2,727**	**111,844**	**10,320**	**124,891**	**122,537**	**2,354**
Securitised liabilities	2,727	41,070	–	43,797	43,514	283
Deposits and loans	–	70,621	10,320	80,941	78,870	2,071
Other financial liabilities	–	153	–	153	153	–
Financial liabilities	**2,727**	**111,844**	**10,320**	**124,891**	**122,537**	**2,354**

The portfolios reported under Level 3 involve types of business for which observable measurement parameters are not generally available for all the key inputs. The portfolios mainly consist of development and retail business as well as loans to and receivables from customers who do not have an impeccable credit standing.

(68) Disclosures Relating to Financial Instruments to Which the Fair Value Option is Applied

Helaba determines the cumulative changes in carrying amounts attributable to credit risk for assets and liabilities classified as financial instruments to which the fair value option is applied.

For each of these financial instruments, the calculation is based on the difference between the latest measurement and the historical measurement on the date of addition. This difference is then adjusted for any changes in value resulting from market factors not related to credit risk. The amounts concerned are shown in the following tables:

in € m

	Carrying amount (fair value)		Changes attributable to credit risk			
			Reporting period		Cumulative	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Bonds and other fixed-income securities	124	1,758	5	–	3	–2
Loans and receivables	253	479	1	1	–4	–5
Equity shares and other variable- income securities	n.a.	70	n.a.	–	n.a.	–
Total	**377**	**2,307**	**6**	**1**	**–1**	**–7**

The decline in bonds and other fixed-income securities resulted from the reclassification carried out as part of the initial application of IFRS 9.

in € m

	Carrying amount (fair value)		Cumulative changes attributable to credit risk	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Securitised liabilities	7,062	6,168	–8	–17
Deposits and loans	4,418	4,144	16	14
Total	**11,480**	**10,312**	**8**	**–3**

The following overview compares the settlement amounts for the liabilities to which the fair value option is applied and the carrying amounts of these liabilities:

in € m

	Settlement amount		Carrying amount (fair value)		Difference	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Securitised liabilities	7,034	6,207	7,062	6,168	–28	39
Deposits and loans	5,799	4,628	4,418	4,144	1,381	484
Total	**12,833**	**10,835**	**11,480**	**10,312**	**1,353**	**523**

(69) Subordinated Assets and Liabilities

in € m

	31.12.2018	31.12.2017[1)]
Financial assets measured at amortised cost	**113**	**175**
Loans and receivables	113	175
Other financial assets measured mandatorily at fair value through profit or loss	**2**	**–**
Loans and receivables	2	–
Subordinated financial assets	**115**	**175**
Financial liabilities measured at amortised cost	**2,837**	**3,464**
Deposits and loans	**1,385**	**1,937**
Unsecuritised profit participation rights	61	196
Unsecuritised silent participations	34	453
Subordinated loans	1,290	1,288
Securitised liabilities	**1,452**	**1,527**
Profit participation certificates	20	20
Securitised silent participations	528	529
Subordinated bonds	904	978
Financial liabilities designated voluntarily at fair value	**47**	**46**
Deposits and loans	**47**	**46**
Subordinated loans	47	46
Subordinated financial liabilities	**2,884**	**3,510**

1) Prior-year figures restated: The loans and receivables reported under financial assets measured at amortised cost had been understated by € 89 m in the prior year.

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

Subordinated financial liabilities comprise unsecuritised and securitised profit participation issues, silent participations as well as subordinated loans and bonds, which must be classified as debt in accordance with the criteria specified in IAS 32.

As a general rule, subordinated financial liabilities are classified as financial liabilities measured at amortised cost. Micro fair value hedges or fair value options are used for some subordinated liabilities in order to avoid accounting mismatches.

(70) Disclosures Relating to Issuing Activities

The following table provides an overview of changes in the Helaba Group's securitised funding during the reporting period:

in € m

	Securitised liabilities							
	AC		HfT		FVO		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
As at 1.1.	**43,514**	**46,894**	**652**	**1,675**	**6,168**	**5,581**	**50,334**	**54,150**
Changes due to currency translation	243	–725	6	–22	1	–2	250	–749
Additions from issues	92,323	70,663	1,215	660	1,687	2,020	95,225	73,343
Additions from reissue of previously repurchased instruments	1,046	795	–	6	16	29	1,062	830
Redemptions	–90,524	–72,898	–1,013	–1,576	–752	–1,316	–92,289	–75,790
Repurchases	–1,239	–1,035	–3	–99	–108	–108	–1,350	–1,242
Changes in accrued interest	–	–17	–	–	4	–2	4	–19
Changes in value recognised through profit or loss	92	–163	–4	8	38	–34	126	–189
Credit-risk-related changes in fair value recognised in OCI	–	–	–	–	8	–	8	–
As at 31.12.	**45,455**	**43,514**	**853**	**652**	**7,062**	**6,168**	**53,370**	**50,334**

As part of its issuing activities, the Helaba Group places short-term commercial paper, equities and index certificates, medium- and long-term bonds, and subordinated sources of funding on the money and capital markets.

Additions from issues and redemptions also include the placement volume of short-term commercial paper that could be repaid by as early as the end of the reporting period. The changes in value recognised through profit or loss result from remeasurement gains or losses on financial liabilities held as at 31 December 2018 that were either accounted for as hedged items or to which the fair value option was applied and from the amortisation of premiums and discounts.

(71) Risk Management Disclosures

The Group's risk strategy focuses on the assumption of risks with a view to making profits and takes account of the company's economic and regulatory capital. The identified risks are continuously measured and monitored for risk management purposes. The methods used are subject to constant improvement. With regard to the organisation of risk management, the individual risk types as well as risk concentrations, please refer to the risk report, which forms an integral part of the management report.

(72) Credit Risks Attributable to Financial Instruments

The following section comprises the quantitative disclosures in line with IFRS 7 required for financial instruments within the scope of application of IFRS 9.

Financial assets measured at amortised cost

The following table shows a breakdown of the financial assets measured at amortised cost and the cumulative loss allowances recognised in respect of these assets by IFRS 9 impairment model stage as at 31 December 2018:

in € m

	Gross carrying amount					Cumulative loss allowances				
	Stage 1	Stage 2		Stage 3	POCI	Stage 1	Stage 2		Stage 3	POCI
		General	Simplified				General	Simplified		
Cash on hand, demand deposits and overnight money balances at central banks and banks	**6,959**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables	6,959	–	–	–	–	–	–	–	–	–
Financial assets measured at amortised cost	**103,056**	**3,378**	**20**	**586**	**14**	**–46**	**–65**	**–1**	**–185**	**–2**
Bonds and other fixed-income securities	4	–	–	–	–	–	–	–	–	–
Loans and receivables	103,052	3,378	20	586	14	–46	–65	–1	–185	–2
Total	**110,015**	**3,378**	**20**	**586**	**14**	**–46**	**–65**	**–1**	**–185**	**–2**

As at 31 December 2017, the cumulative loss allowances recognised for financial assets measured at amortised cost were broken down into the following three loss allowance types in accordance with IAS 39:

in € m

	Gross carrying amount		Cumulative loss allowances		
	Not impaired	**Impaired**	**Specific allowances**	**Specific allowances on a group basis**	**Portfolio allowances**
Cash on hand, demand deposits and overnight money balances at central banks and banks	**1,283**	**–**	**–**	**–**	**–**
Loans and receivables	1,283	–	–	–	–
Financial assets measured at amortised cost	**99,805**	**642**	**–239**	**–37**	**–125**
Bonds and other fixed-income securities	32	–	–	–	–
Loans and receivables	99,773	642	–239	–37	–125
Total	**101,088**	**642**	**–239**	**–37**	**–125**

The following table shows the changes (broken down by stage) in the period under review in the loss allowances recognised in respect of financial assets measured at amortised cost:

in € m

	Stage 1	Stage 2		Stage 3	POCI	Total
		General	Simplified			
Bonds and other fixed-income securities						
As at 1.1.	**–**	**–1**	**–**	**–**	**–**	**–1**
Utilisations	–	1	–	–	–	1
Utilisations from disposals	–	1	–	–	–	1
As at 31.12.	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables						
As at 1.1.	**–33**	**–132**	**–1**	**–245**	**–18**	**–429**
Newly originated/acquired financial assets	–32	–3	–	–2	–	–37
Total change in loss allowances due to transfers between stages	–9	16	–	–7	–	–
Transfer to stage 1	–11	11	–	–	–	–
Transfer to stage 2	2	–2	–	–	–	–
Transfer to stage 3	–	7	–	–7	–	–
Additions	–31	–68	–	–70	–11	–180
Interest effects in stage 3 from updates of gross carrying amount	–	–	–	3	–	3
Additions from stage transfers	–	–23	–	–24	–	–47
Additions without stage transfers	–31	–45	–	–49	–11	–136
Reversals	57	124	–	76	5	262
Reversals from stage transfers	11	1	–	5	–	17
Reversals without stage transfers	41	110	–	56	5	212
Reversals from redemptions (derecognition)	5	13	–	6	–	24
Reversals from disposals	–	–	–	1	–	1
Reversals from modifications without derecognition	–	–	–	8	–	8
Utilisations	–	–	–	59	22	81
Utilisations from disposals	–	–	–	1	–	1
Utilisations due to uncollectibility (write-offs)	–	–	–	58	22	80
Other adjustments	2	–2	–	4	–	4
As at 31.12.	**–46**	**–65**	**–1**	**–185**	**–2**	**–299**

The gross carrying amounts of the financial assets measured at amortised cost include the loans and receivables under cash on hand, demand deposits and overnight money balances with central banks and banks. The changes in the gross carrying amounts in the reporting period were as follows:

in € m

	Stage 1	Stage 2		Stage 3	POCI	Total
		General	Simplified			
Bonds and other fixed-income securities						
As at 1.1.	**15**	**17**	**–**	**–**	**–**	**32**
Redemptions incl. current principal repayments	–10	–	–	–	–	–10
Disposals	–	–17	–	–	–	–17
Changes in accrued interest	–1	–	–	–	–	–1
As at 31.12.	**4**	**–**	**–**	**–**	**–**	**4**
Loans and receivables						
As at 1.1.	**106,779**	**2,640**	**26**	**627**	**24**	**110,096**
Changes in basis of consolidation	–5	–	–	–	–	–5
Newly originated/acquired financial assets	72,127	79	3	5	15	72,229
Change in current account balance	–2,711	5	–	–7	–	–2,713
Transfers between stages	–1,979	1,808	–	171	–	–
Transfer to stage 1	970	–849	–	–121	–	–
Transfer to stage 2	–2,853	2,866	–	–13	–	–
Transfer to stage 3	–96	–209	–	305	–	–
Redemptions incl. current principal repayments	–70,178	–1,255	–1	–202	–2	–71,638
Disposals	–22	–	–	–2	–	–24
Write-offs	–	–	–	–80	–6	–86
Interest effect from updating gross carrying amount of impaired assets	–	–	–	5	–	5
Change in accrued interest	13	2	–	2	–	17
Amortisation of premiums and discounts	–37	–3	–	–	–	–40
Changes due to currency translation	504	30	–	5	–	539
Other adjustments	5,520	72	–8	62	–17	5,629
As at 31.12.	**110,011**	**3,378**	**20**	**586**	**14**	**114,009**

The following table provides an overview of the gross carrying amounts and cumulative loss allowances for financial assets measured at amortised cost by counterparty sector and industry.

in € m

	Gross carrying amount		Cumulative loss allowances	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Bonds and other fixed-income securities	**4**	**32**	**–**	**–**
Other financial corporations	4	32	–	–
Loans and receivables	**114,009**	**101,698**	**–299**	**–401**
Central banks	6,613	925	–	–
Central giro institutions	472	316	–	–
Sparkassen	6,531	5,667	–	–
Other banks	4,566	5,051	–	–1
Other financial corporations	10,011	9,889	–36	–30
Non-financial corporations	56,656	56,279	–225	–333
Agriculture, forestry and fishing	3	11	–	–
Mining and quarrying	56	67	–	–
Manufacturing	4,052	3,789	–21	–30
Electricity, gas, steam and air-conditioning supply	4,956	4,648	–10	–11
Water supply, sewerage, waste management and remediation activities	2,345	2,424	–1	–
Construction	528	560	–3	–5
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,046	1,117	–3	–5
Transportation and storage	5,631	5,348	–45	–147
Accommodation and food service activities	87	155	–	–1
Information and communication	2,851	2,568	–4	–15
Real estate activities	29,235	29,522	–87	–34
Professional, scientific and technical activities	1,347	1,306	–5	–31
Other service activities	1,536	1,540	–4	–6
Public administration, defence, social insurance	239	203	–	–
Education	396	427	–	–
Human health and social work activities	989	1,030	–2	–2
Arts, entertainment and recreation	378	408	–1	–1
Other service activities	981	1,156	–39	–45
Government	21,686	18,453	–	–
Households	7,474	5,118	–38	–37
Total	**114,013**	**101,730**	**–299**	**–401**

The following table shows the carrying amounts of financial assets measured at amortised cost, excluding instruments recognised under the simplified approach, by allocation to internal rating class as at the reporting date:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Bonds and other fixed-income securities					
Gross carrying amount	**4**	**–**	**–**	**–**	**4**
Internal classes 8–11	4	–	–	–	4
Cumulative loss allowances	**–**	**–**	**–**	**–**	**–**
Net carrying amount	**4**	**–**	**–**	**–**	**4**
Loans and receivables					
Gross carrying amount	**110,011**	**3,378**	**586**	**14**	**113,989**
Internal classes 0–3	47,729	2	–	–	47,731
Internal classes 4–7	22,932	106	–	–	23,038
Internal classes 8–11	27,919	744	–	2	28,665
Internal classes 12–15	8,616	1,358	–	5	9,979
Internal classes 16–20	513	766	–	4	1,283
Internal class 21	1,457	382	–	–	1,839
Internal classes 22–24 (defaulted)	5	–	583	3	591
No allocation to an internal rating class	840	20	3	–	863
Cumulative loss allowances	**–46**	**–65**	**–185**	**–2**	**–298**
Net carrying amount	**109,965**	**3,313**	**401**	**12**	**113,691**

Helaba determines the credit rating using a 25-point rating scale. The following table shows the reconciliation from the rating classes to the ratings of S&P, Moody's and Fitch:

	Mapping to external ratings		
	S&P	**Moody's**	**Fitch**
Internal classes 0–3	AAA to AA–	Aaa to A1	AAA to AA–
Internal classes 4–7	A+ to A–	A1 to A3	A+ to A–
Internal classes 8–11	BBB+ to BBB–	Baa1 to Baa3	A– to BBB–
Internal classes 12–15	BB+ to BB–	Ba1 to Ba3	BBB– to BB–
Internal classes 16–20	B+ to B–	B1 to B3	BB– to B–
Internal class 21	CCC to C	Caa to C	CCC to C
Internal classes 22–24 (defaulted)	Default	Default	Default

The internal rating classes 0 to 11 are designated "investment grade", while all other classes are designated "non-investment grade".

The following table provides an overview of all past due receivables for which loss allowances were recognised under the simplified approach as at the reporting date:

in € m

	Carrying amount	Past due by up to one month	Past due by more than one month and up to three months	Past due by more than three months and up to one year	Past due by more than one year	Total past due
Trade accounts receivable (stages 2 and 3)						
EL rate (%)	–0.1	0.0	0.0	0.0	0.0	0.0
Gross carrying amount	18	1	1	–	–	2
Lifetime EL	–1	–	–	–	–	–
Net carrying amount	17	1	1	–	–	2
Finance lease receivables (stages 2 and 3)						
EL rate (%)	0.0	0.0	0.0	0.0	0.0	0.0
Gross carrying amount	2	–	–	–	–	–
Lifetime EL	–	–	–	–	–	–
Net carrying amount	2	–	–	–	–	–

A financial asset is classified as past due if the party to the agreement fails to make the contractually agreed payments in respect of the financial instrument on time. Even if only certain contractually agreed part payments (interest or partial repayments of principal) are overdue, the asset is still considered past due.

The following table shows the changes in allowances for losses on loans and advances during the prior-year period (IAS 39):

in € m

	Specific allowances	Specific allowances on a group basis	Portfolio allowances	Total
Loans and receivables				
As at 1.1.2017	**453**	**46**	**273**	**772**
Changes due to scope of consolidation	–	–	−2	**−2**
Changes due to currency translation	−28	–	−2	**−30**
Reclassifications	8	–	−3	**5**
Unwinding	−9	–	–	**−9**
Additions	159	12	–	**171**
Reversals	−44	−11	−141	**−196**
Utilisation	−300	−10		**−310**
As at 31.12.2017	**239**	**37**	**125**	**401**

No loss allowances were recognised for loans and receivables measured at amortised cost with a carrying amount of € 72 m that were past due at 31 December 2017. This was because Helaba had noted no material change in the rating of the debtors and still expected the outstanding amounts to be repaid. At the prior-year reporting date, financial assets measured at amortised cost with a balance of € 101,016 m were neither past due nor impaired.

Financial assets measured at fair value through other comprehensive income

The following table shows the carrying amounts of financial assets measured at fair value through other comprehensive income and the cumulative loss allowances recognised in respect of these assets during the period under review:

in € m

	Carrying amount (fair value)				Cumulative loss allowances (recognised in OCI)			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Bonds and other fixed-income securities	21,965	–	–	–	–3	–	–	–
Loans and receivables	488	–	–	–	–	–	–	–
Total	**22,453**	**–**	**–**	**–**	**–3**	**–**	**–**	**–**

Cumulative loss allowances on financial assets measured at fair value through other comprehensive income remained largely unchanged compared with the position as at 1 January 2018. At 31 December 2017, no loss allowances were recognised in respect of financial assets measured at fair value through other comprehensive income.

The following table shows the changes in the gross carrying amounts of financial assets measured at fair value through other comprehensive income in the reporting period:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Bonds and other fixed-income securities					
As at 1.1.	**21,700**	**5**	**–**	**–**	**21,705**
Changes in basis of consolidation	–1	–	–	–	–1
Newly originated/acquired financial assets	3,495	–	–	–	3,495
Redemptions incl. current principal repayments	–3,712	–5	–	–	–3,717
Disposals	–692	–	–	–	–692
Changes in accrued interest	–1	–	–	–	–1
Amortisation of premiums and discounts	–83	–	–	–	–83
Changes due to currency translation	75	–	–	–	75
Other adjustments	1,050	–	–	–	1,050
As at 31.12.	**21,831**	**–**	**–**	**–**	**21,831**
Loans and receivables					
As at 1.1.	**420**	**–**	**–**	**–**	**420**
Newly originated/acquired financial assets	122	–	–	–	122
Transfers between stages	–2	2	–	–	–
Transfer to stage 2	–2	2	–	–	–
Redemptions incl. current principal repayments	–57	–2	–	–	–59
As at 31.12.	**483**	**–**	**–**	**–**	**483**

The carrying amount of debt instruments in the FVTOCI category is the same as the fair value, which comprises the gross carrying amount plus cumulative changes in fair value. Of the accumulated other comprehensive income as at 31 December 2018 for debt instruments measured at fair value through other comprehensive income amounting to € 142 m before tax (see Note [50]), € 139 m was attributable to cumulative changes in fair value.

The following table shows the carrying amounts and loss allowances recognised in OCI by counterparty sector and industry:

in € m

	Carrying amount (fair value)		Cumulative loss allowance (recognised in OCI)	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Bonds and other fixed-income securities	**21,965**	**21,930**	**–3**	**–**
Central giro institutions	401	253	–	–
Other banks	15,074	13,865	–3	–
Other financial corporations	546	645	–	–
Non-financial corporations	198	121	–	–
Government	5,746	7,046	–	–
Loans and receivables	**488**	**n.a.**	**–**	**n.a.**
Other financial corporations	99	n.a.	–	n.a.
Non-financial corporations	384	n.a.	–	n.a.
Agriculture, forestry and fishing	2	n.a.	–	n.a.
Mining and quarrying	5	n.a.	–	n.a.
Manufacturing	185	n.a.	–	n.a.
Electricity, gas, steam and air-conditioning supply	39	n.a.	–	n.a.
Wholesale and retail trade; repair of motor vehicles and motorcycles	15	n.a.	–	n.a.
Transportation and storage	37	n.a.	–	n.a.
Information and communication	18	n.a.	–	n.a.
Real estate activities	47	n.a.	–	n.a.
Professional, scientific and technical activities	33	n.a.	–	n.a.
Other service activities	3	n.a.	–	n.a.
Government	5	n.a.	–	n.a.
Total	**22,453**	**21,930**	**–3**	**–**

The following table shows the gross carrying amounts of financial assets measured at fair value through other comprehensive income by allocation to internal rating class as at the reporting date:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Bonds and other fixed-income securities					
Gross carrying amount	**21,831**	**–**	**–**	**–**	**21,831**
Internal classes 0–3	13,239	–	–	–	13,239
Internal classes 4–7	7,661	–	–	–	7,661
Internal classes 8–11	931	–	–	–	931
Cumulative loss allowances	**–3**	**–**	**–**	**–**	**–3**
Net carrying amount	**21,828**	**–**	**–**	**–**	**21,828**
Total fair value	**21,965**	**–**	**–**	**–**	**21,965**
Loans and receivables					
Gross carrying amount	**483**	**–**	**–**	**–**	**483**
Internal classes 0–3	15	–	–	–	15
Internal classes 4–7	208	–	–	–	208
Internal classes 8–11	255	–	–	–	255
Internal classes 12–15	5	–	–	–	5
Cumulative loss allowances	**–**	**–**	**–**	**–**	**–**
Net carrying amount	**483**	**–**	**–**	**–**	**483**
Total fair value	**488**	**–**	**–**	**–**	**488**

Provisions for off-balance sheet liabilities

The following table shows the nominal amounts of loan commitments and the maximum guarantee amounts of financial guarantees (subsequently referred to as nominal amount) as well as the related provisions as at 31 December 2018:

in € m

	Nominal amount				Provisions			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loan commitments	27,154	410	45	1	8	6	8	–
Financial guarantees	6,375	305	28	12	3	5	6	3
Total	**33,529**	**715**	**73**	**13**	**11**	**11**	**14**	**3**

The following tables show the amounts as at 31 December 2017:

in € m

	Nominal amount		Provisions		
	Not impaired	Impaired	Specific allowances	Specific allowances on a group basis	Portfolio allowances
Loan commitments	23,619	10	10	–	5
Financial guarantees	5,987	15	6	6	1
Total	**29,606**	**25**	**16**	**6**	**6**

The following table shows the change in provisions for loan commitments during the period under review:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.	**9**	**6**	**7**	**–**	**22**
New loan commitments originated	5	–	–	–	5
Total change in provision due to transfers between stages	1	–1	–	–	–
Transfer to stage 1	1	–1	–	–	–
Additions	3	12	16	–	31
Additions from stage transfers	–	4	2	–	6
Additions without stage transfers	3	8	14	–	25
Reversals	–10	–11	–15	–	–36
Reversals from stage transfers	–1	–	–	–	–1
Reversals without stage transfers	–5	–10	–13	–	–28
Utilisations (drawdown under loan commitment)	–4	–1	–2	–	–7
As at 31.12.	**8**	**6**	**8**	**–**	**22**

The following table shows the change in provisions for financial guarantees during the period under review:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.	**3**	**3**	**12**	**–**	**18**
New financial guarantees originated	–	–	–	3	**3**
Total change in provision due to transfers between stages	2	–3	1	–	**–**
Transfer to stage 1	2	–2	–	–	**–**
Transfer to stage 3	–	–1	1	–	**–**
Additions	1	7	8	–	**16**
Additions from stage transfers	–	5	5	–	**10**
Additions without stage transfers	1	2	3	–	**6**
Reversals	–4	–2	–15	–	**–21**
Reversals from stage transfers	–2	–	–1	–	**–3**
Reversals without stage transfers	–2	–2	–14	–	**–18**
Other adjustments	1	–	–	–	**1**
As at 31.12.	**3**	**5**	**6**	**3**	**17**

The following table shows the change in the nominal amounts of loan commitments in the period under review:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.	**26,304**	**310**	**28**	**1**	**26,643**
New loan commitments originated	18,139	–	–	–	18,139
Change in current account balance	–175	7	13	–	–155
Transfers between stages	–58	53	5	–	–
Transfer to stage 1	6	–4	–2	–	–
Transfer to stage 2	–61	61	–	–	–
Transfer to stage 3	–3	–4	7	–	–
Drawdowns under loan commitments	–15,088	–122	–14	–	–15,224
Changes due to currency translation	231	5	–	–	236
Other adjustments	–2,199	157	13	–	–2,029
As at 31.12.	**27,154**	**410**	**45**	**1**	**27,610**

The following table shows the changes in the nominal amounts of financial guarantees in the period under review:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.	**5,782**	**184**	**28**	**–**	**5,994**
New financial guarantees originated	1,137	–	–	12	1,149
Transfers between stages	–102	89	13	–	–
Transfer to stage 1	27	–26	–1	–	–
Transfer to stage 2	–113	115	–2	–	–
Transfer to stage 3	–16	–	16	–	–
Changes due to currency translation	135	3	–1	–	137
Other adjustments	–577	29	–12	–	–560
As at 31.12.	**6,375**	**305**	**28**	**12**	**6,720**

Helaba entered into loan commitments and financial guarantees with customers in the following counterparty sectors and industries:

in € m

	Nominal amount		Provisions	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Loan commitments	**27,610**	**23,629**	**22**	**15**
Central giro institutions	15	47	–	–
Sparkassen	426	405	–	–
Other banks	507	486	–	–
Other financial corporations	3,511	3,246	1	–
Non-financial corporations	17,390	15,837	18	15
Government	4,358	2,414	–	–
Households	1,403	1,194	3	–
Financial guarantees	**6,720**	**6,002**	**17**	**13**
Central giro institutions	3	3	–	–
Sparkassen	61	70	–	–
Other banks	182	150	–	–
Other financial corporations	2,741	2,641	–	–
Non-financial corporations	3,659	3,056	17	12
Government	66	66	–	–
Households	8	16	–	1
Total	**34,330**	**29,631**	**39**	**28**

The following table shows the nominal amounts of loan commitments by allocation to internal rating class as at the reporting date:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Internal classes 0–3	6,566	–	–	–	6,566
Internal classes 4–7	3,882	7	–	–	3,889
Internal classes 8–11	3,763	46	–	–	3,809
Internal classes 12–15	2,299	178	–	–	2,477
Internal classes 16–20	35	48	–	–	83
Internal class 21	117	2	–	–	119
Internal classes 22–24 (defaulted)	2	–	45	1	48
No allocation to an internal rating class	10,490	129	–	–	10,619
Total nominal amount of loan commitments	**27,154**	**410**	**45**	**1**	**27,610**
Provisions for loan commitments	8	6	8	–	22

The following table shows the nominal amounts of financial guarantees by allocation to internal rating class as at the reporting date:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Internal classes 0–3	335	–	–	–	335
Internal classes 4–7	3,892	8	–	–	3,900
Internal classes 8–11	1,536	13	–	–	1,549
Internal classes 12–15	571	160	–	–	731
Internal classes 16–20	29	85	–	–	114
Internal class 21	10	39	–	–	49
Internal classes 22–24 (defaulted)	–	–	28	12	40
No allocation to an internal rating class	2	–	–	–	2
Total nominal amount of financial guarantees	**6,375**	**305**	**28**	**12**	**6,720**
Provisions for financial guarantees	3	5	6	3	17

The following table shows the changes in provisions for off-balance sheet commitments in the comparative period (IAS 39):

in € m

	Provisions for		
	loan commitments	financial guarantees	Total
As at 1.1.2017	**22**	**18**	**40**
Changes due to currency translation	–2	–	–2
Reversals	–12	–15	–27
Reclassifications	–3	–	–3
Additions	10	10	20
As at 31.12.2017	**15**	**13**	**28**

Non-performing exposures and forbearance

In addition to the mandatory disclosures in accordance with IFRS 9, Helaba provides information on non-performing exposures and forborne exposures (in accordance with EBA definitions) to provide a comprehensive picture of the credit risks. Items are designated non-performing exposures if one of the following criteria is met:

- A material exposure is more than 90 days past due
- An exposure is unlikely to be repaid in full without the recovery of collateral

Regardless of these criteria, exposures deemed to be defaulted in accordance with article 178 of the CRR are always classified as non-performing exposures. The same materiality threshold relating to the 90 day past due criterion is applied to both default events in accordance with the CRR and non-performing exposures. An exposure is considered material if it exceeds either an absolute threshold of € 100 or 2.5 % of the overall credit line (in accordance with Section 16 of the German Solvency Regulation (Solvabilitätsverordnung, SolvV). A financial asset is classified as past due if the party to the agreement fails to make the contractually agreed (partial) payments in respect of the financial instrument on time. The past due period begins on the day after the due date of the contractually agreed partial payment. Besides the indicators listed in Article 178 of the CRR, the following indicators are used to identify exposures that will probably not be fully redeemed: ban on business operations issued by a supervisory authority, rating-related terminations, or the borrower's loss of regular sources of income.

In 2018, Helaba harmonised the internal application of the terms "non-performing exposures" and "default event" in line with Article 178 of the CRR. The harmonisation of the objective evidence with the regulatory definition of a default event also ensures that the requirements match the criteria for the allocation of an exposure to stage 3. However, in individual cases, this standardised approach may no longer apply where Helaba grants substantial modifications or issues new financial instruments to defaulted borrowers who are already in a period of good conduct. New business is allocated to stage 1 unless it has to be classified as a POCI asset. Please refer to Note (9) for information on the classification of instruments as POCI assets. Furthermore, if a POCI asset recovers, this may lead to differences between non-performing exposures and financial instruments in default. POCI assets are always reported as non-performing exposures in accordance with regulatory requirements.

Deferred or renegotiated loans and advances are determined in accordance with the definition of forborne exposures issued by the European Banking Authority (EBA). A forborne exposure refers to debt instruments in connection with which forbearance action has been applied. Such action includes concessions or restructuring as a result of existing or anticipated financial difficulties on the part of the debtor. Forbearance action includes any rights agreed upon at contract inception enabling the debtor to amend the credit terms if such amendments are due to (pending) financial difficulties of the debtor. Before a contract may be classified as forborne, concessions to the debtor must have been made. Please refer to Note (9) for further information on the conceptual differences between forbearance actions and modifications.

For every forbearance action, Helaba verifies whether a default event has occurred regarding the respective debt instrument. If the forbearance action led to a default event, the respective instrument is designated as "non-performing forborne" and transferred to stage 3. If the objective evidence of impairment no longer applies, the instrument may be remedied. The objective evidence of impairment no longer applies as soon as the default event is over. Simultaneously, an internally established period of good conduct applies, taking regulatory requirements into account. During the period of good conduct, exposures remain in stage 3. If the forbearance action does not lead to a default event, the instrument is designated as "performing forborne" and transferred to stage 2 based on the qualitative transfer criterion. If the debt instrument recovers during the period of good conduct to the extent that it is no longer deemed an exposure subject to workout and no longer constitutes a significant increase in credit risk on the basis of the quantitative transfer criterion, it is transferred from stage 2 to stage 1.

The following table shows the financial assets measured at amortised cost broken down into performing and non-performing exposures, together with the value of the debt instruments within these exposures that were in default or subject to forbearance action at the reporting date:

in € m

	Gross carrying amount		Cumulative loss allowances	
	Performing exposures	Non-performing exposures	Performing exposures	Non-performing exposures
Cash on hand, demand deposits and overnight money balances at banks	**6,959**	**–**	**–**	**–**
Loans and receivables	6,959	–	–	–
Financial assets measured at amortised cost	**106,454**	**600**	**–112**	**–187**
Bonds and other fixed-income securities	4	–	–	–
Loans and receivables	106,450	600	–112	–187
thereof: Forborne exposures	704	359	–13	–127
thereof: Defaulted	–	589	–	–187
Total	**113,413**	**600**	**–112**	**–187**

The following table shows the amounts as at 31 December 2017:

in € m

	Gross carrying amount		Cumulative loss allowances	
	Performing Exposures	Non-performing exposures	Performing exposures	Non-performing exposures
Cash on hand, demand deposits and overnight money balances at banks	**1,283**	**–**	**–**	**–**
Loans and receivables	1,283	–	–	–
Financial assets measured at amortised cost	**99,695**	**752**	**–125**	**–276**
Bonds and other fixed-income securities	32	–	–	–
Loans and receivables	99,663	752	–125	–276
thereof: Forborne exposures	327	511	–7	–183
thereof: Defaulted		749		–276
Total	**100,978**	**752**	**–125**	**–276**

The following table shows the financial assets measured at fair value through other comprehensive income by classification as performing/non-performing, defaulted or forborne as at the reporting date:

in € m

	Carrying amount (fair value)		Cumulative loss allowance (recognised in OCI)	
	Performing exposures	Non-performing exposures	Performing exposures	Non-performing exposures
Bonds and other fixed-income securities	21,965	–	–3	–
Loans and receivables	488	–	–	–
Total	**22,453**	**–**	**–3**	**–**

The following table shows the amounts as at 31 December 2017:

in € m

	Carrying amount (fair value)		Cumulative loss allowance (recognised in OCI)	
	Performing exposures	Non-performing exposures	Performing exposures	Non-performing exposures
Bonds and other fixed-income securities	21,930	–	–	–
Loans and receivables	n.a.	n.a.	n.a.	n.a.
Total	**21,930**	**–**	**–**	**–**

The following table shows the performing status as well as the occurrence of default events for off-balance sheet liabilities within the scope of application of the IFRS 9 impairment model as at the reporting date. In accordance with the FINREP requirements of the EBA, Helaba classifies off-balance sheet liabilities by forbearance status only for loan commitments:

in € m

	Nominal amount		Provisions	
	Performing exposures	Non-performing exposures	Performing exposures	Non-performing exposures
Loan commitments	**27,562**	**48**	**14**	**8**
thereof: Forborne exposures	2	17	–	3
thereof: Defaulted	–	48	–	9
Financial guarantees	**6,680**	**40**	**8**	**9**
thereof: Defaulted	–	40	–	9
Total	**34,242**	**88**	**22**	**17**

The following table shows the amounts as at 31 December 2017:

in € m

	Nominal amount		Provisions	
	Performing exposures	Non-performing exposures	Performing exposures	Non-performing exposures
Loan commitments	**23,619**	**10**	**5**	**10**
thereof: Forborne exposures	3	7	–	–
thereof: Defaulted	–	10	–	10
Financial guarantees	**5,987**	**15**	**1**	**12**
thereof: Defaulted	–	15	–	12
Total	**29,606**	**25**	**6**	**22**

Modifications

Please refer to Notes (9) and (7) for details on the procedure for adjusting contractual cash flows.

The following table shows the amortised cost before modification and the gains or losses arising from a contractual modification in respect of financial assets that were not substantially modified in the reporting period and for which the cumulative loss allowances on the date of contractual modification were measured in the amount of the lifetime ECL (stages 2 and 3) and, in cases where the simplified approach was used, in respect of financial assets that were more than 30 days past due.

in € m

	Amortised cost before modification		Gains or losses on the modification of contractual cash flows	
	Total	thereof: Simplified	Total	thereof: Simplified
Financial assets measured at amortised cost	**36**	**–**	**–**	**–**
Loans and receivables	36	–	–	–
Total	**36**	**–**	**–**	**–**

The IFRS 9 requirements relating to modifications had not yet been applied in the comparative period.

Adjustments made to gross carrying amounts due to stage 3 modifications, accounted for as utilisations of loss allowances, are reported in the statement of changes in loss allowances. The portfolio does not contain any modified assets that were assigned to stages 2 and 3 at the date of modification, but transferred to stage 1 in the reporting period.

Collateral

In order to secure its loans, the Helaba Group holds, in particular, property charges in relation to real estate, guarantees and warranties as well as securities. Financial collateral arrangements that are customary in the industry are also used. Regular remeasurements and reviews to assess whether collateral can be recovered, used or applied to other purposes are carried out to ensure the quality of collateral held. The bulk of guarantees are provided by public-sector institutions, but guarantees are also received from the banking sector.

The estimated fair value of the collateral is based on a valuation of that collateral. Depending on the type and volume of the loans in question, the collateral is constantly monitored and updated in accordance with the credit guidelines. The maximum amount of the collateral held that can be taken into account in a transaction is the fair value of the collateral, reduced to the carrying amount of the secured financial asset. The maximum amount of loan commitments and financial guarantees is derived by reducing the collateral value to the nominal amount or the maximum guarantee amount. If a financial instrument is covered by more than one item of collateral, the value reduction is applied to the collateral with the worst quality. Collateral in the form of a charge over real estate is considered to be the highest quality collateral available and is therefore always preferred; this is followed by cash collateral, Helaba's own debt instruments and financial guarantees.

The following values are used to determine the maximum exposure to credit risk within the meaning of IFRS 7.35K (a) as at the reporting date: for financial assets measured at amortised cost, the carrying amounts as presented in Notes (38) and (39); and for financial assets measured at fair value through other comprehensive income, the fair value as presented in the statement of financial position. The maximum credit risk from loan commitments within the scope of application of the impairment regulations corresponds to the nominal amounts as disclosed in Note (72). The same applies to the maximum guarantee amounts of financial guarantees.

The following table shows the maximum amounts of the collateral held by Helaba as at the reporting date for financial instruments within the scope of application of the IFRS 9 impairment model:

in € m

	Gross carrying amount/ nominal amount/ maximum guarantee amount	Cumulative loss allowances/provisions	Maximum amount of collateral or financial guarantees to be taken into account						
			Residential real estate	Commercial real estate	Cash collateral and own debt instruments	Other debt instruments and other assets	Financial guarantees received	Total
Cash on hand, demand deposits and overnight money balances at central banks and banks	**6,959**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial assets measured at amortised cost	**107,054**	**–299**	**8,803**	**21,273**	**808**	**3,063**	**4,565**	**38,512**
Bonds and other fixed-income securities	4	–	–	–	–	–	–	–
Loans and receivables	107,050	–299	8,803	21,273	808	3,063	4,565	38,512
thereof: Stage 3 and POCI assets	600	–187	43	101	3	29	21	197
Financial assets measured at fair value through other comprehensive income	**22,314**	**–2**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds and other fixed-income securities	21,831	–2	–	–	–	–	–	–
Loans and receivables	483	–	–	–	–	–	–	–
Loan commitments	**27,610**	**–22**	**155**	**210**	**8**	**104**	**415**	**892**
thereof: Stage 3 and POCI assets	46	–8	–	–	–	–	–	–
Financial guarantees	**6,720**	**–17**	**–**	**29**	**16**	**6**	**10**	**61**
thereof: Stage 3 and POCI assets	40	–9	–	–	–	–	–	–
Total	**170,657**	**–340**	**8,958**	**21,512**	**832**	**3,173**	**4,990**	**39,465**

The following table shows the amounts as at 31 December 2017:

in € m

	Gross carrying amount/ nominal amount/ maximum guarantee amount	Cumulative loss allowances/provisions	Maximum amount of collateral or financial guarantees to be taken into account					
			Residential real estate	Commercial real estate	Cash collateral and own debt instruments	Other debt instruments and other assets	Financial guarantees received	Total
Cash on hand, demand deposits and overnight money balances at central banks and banks	**1,283**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial assets measured at amortised cost	**100,447**	**–401**	**9,249**	**17,091**	**449**	**6,860**	**1,327**	**34,976**
Bonds and other fixed-income securities	32	–	–	–	–	–	–	–
Loans and receivables	100,415	–401	9,249	17,091	449	6,860	1,327	34,976
Financial assets measured at fair value through other comprehensive income[1]	**21,930**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds and other fixed-income securities	21,930	–	–	–	–	–	–	–
Loan commitments	**23,629**	**–15**	**196**	**67**	**6**	**16**	**303**	**588**
Financial guarantees	**6,002**	**–13**	**6**	**55**	**10**	**24**	**130**	**225**
Total	**153,291**	**–429**	**9,451**	**17,213**	**465**	**6,900**	**1,760**	**35,789**

[1] For financial assets measured at fair value through other comprehensive income, fair values were reported as at 31 December 2017 as a reasonable approximation of the gross carrying amounts.

The following table shows the financial instruments within the scope of application of impairment regulations, for which no loss allowance was recognised due to sufficient collateralisation:

in € m

	31.12.2018
Gross carrying amount of financial assets measured at amortised cost	**18,168**
Loans and receivables	18,168
Nominal amount of loan commitments	**869**
Maximum guarantee amount of financial guarantees	**24**
Total	**19,061**

The following table shows the contractually agreed outstanding amount of financial assets that were wholly or partially derecognised (direct write-offs) in the period under review due to uncollectability; however, Helaba is still pursuing the collection of outstanding amounts (legal enforcement). Legal enforcement measures are carried out until Helaba's legal claims against the debtor have been extinguished, for instance by way of final settlement or external debt waivers.

in € m

	31.12.2018
Financial assets measured at amortised cost	**42**
Loans and receivables	42
Total	**42**

Credit risks and collateral in respect of financial instruments outside the scope of application of IFRS 9 impairment requirements9

As at the reporting date, the maximum exposure to credit risk within the meaning of IFRS 7.36 (a) corresponded to the carrying amount of the financial assets as disclosed in the statement of financial position, plus other obligations according to Note (74). These amounts do not factor in any deduction of collateral or other credit enhancements.

The following table shows the financial assets measured at fair value through profit or loss as well as other off-balance sheet commitments (fair values or nominal amounts) and the corresponding collateral including the maximum amounts to be taken into account as at 31 December 2018:

in € m

		Maximum amount of collateral or financial guarantees to be taken into account					
	Fair value/ nominal amount	Residential real estate	Commercial real estate	Cash collateral and own debt instruments	Other debt instruments and other assets	Financial guarantees received	Total
Cash on hand, demand deposits and overnight money balances at central banks and banks	**290**	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables HfT	290	–	–	–	–	–	–
Trading assets	**7,965**	**–**	**99**	**–**	**9**	**1**	**109**
Bonds and other fixed-income securities	6,570	–	–	–	–	–	–
Loans and receivables	1,395	–	99	–	9	1	109
Financial assets measured mandatorily at fair value through profit or loss	**1,684**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds and other fixed-income securities	1,525	–	–	–	–	–	–
Loans and receivables	64	–	–	–	–	–	–
Receivables from the purchase of endowment insurance policies	95	–	–	–	–	–	–
Financial assets designated voluntarily at fair value	**377**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds and other fixed-income securities	124	–	–	–	–	–	–
Loans and receivables	253	–	–	–	–	–	–
Total financial assets	**10,316**	**–**	**99**	**–**	**9**	**1**	**109**
Other obligations	**3,486**	**1**	**884**	**4**	**1**	**–**	**890**

The following table shows the amounts as at 31 December 2017:

in € m

	Fair value/ nominal amount	Maximum amount of collateral or financial guarantees to be taken into account: Residential real estate	Commer-cial real estate	Cash colla-teral and own debt instru-ments	Other debt instru-ments and other as-sets	Financial guarantees received	Total
Cash on hand, demand deposits and overnight money balances at central banks and banks	**9,106**	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables HfT	9,106	–	–	–	–	–	–
Trading assets	**6,679**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds and other fixed-income securities	5,324	–	–	–	–	–	–
Loans and receivables	1,355	–	–	–	–	–	–
Financial assets measured mandatorily at fair value through profit or loss	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Financial assets designated voluntarily at fair value	**2,237**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds and other fixed-income securities	1,758	–	–	–	–	–	–
Loans and receivables	479	–	–	–	–	–	–
Total financial assets	**18,022**	**–**	**–**	**–**	**–**	**–**	**–**
Other obligations	**3,383**	771	6	9	3	3	792

Collateral for derivatives (cash collateral), master netting agreements and the maximum exposure to credit risk for derivatives, which equates to fair value, are presented in Note (63).

In the case of OTC derivative transactions, Helaba applies a credit valuation adjustment (CVA) for default risk in order to cover any expected losses in the lending business. This CVA is determined by assessing the potential credit risk for a given counterparty. This assessment takes into account any collateral held, any offsetting effects under master agreements, the expected loss in the event of a default and the credit risk based on market data, including CDS spreads. As at 31 December 2018, the CVAs for both trading book and banking book derivatives with positive fair values amounted to € 121 m (31 December 2017: € 85 m).

For further information on credit risks, please refer to the risk report, which forms an integral part of the management report.

(73) Hedge Accounting

The following table shows the notional amounts by remaining maturity of the hedging derivatives used in hedge accounting:

in € m

	Up to three months		More than three months Up to one year		More than one year Up to five years		More than five years	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Fair value hedges	**2,585**	**536**	**5,584**	**2,185**	**33,546**	**24,558**	**19,306**	**6,902**
Hedging of interest rate risk	**2,289**	**536**	**4,135**	**2,185**	**23,519**	**24,558**	**14,998**	**6,902**
Interest-rate swaps	2,289	536	4,135	2,185	23,464	24,558	14,998	6,902
Cross-currency swaps	–	–	–	–	55	–	–	–
Hedging of currency risk	**296**	**–**	**1,449**	**–**	**10,027**	**–**	**4,308**	**–**
Cross-currency swaps	296	–	1,449	–	10,027	–	4,308	–
Total	**2,585**	**536**	**5,584**	**2,185**	**33,546**	**24,558**	**19,306**	**6,902**

The following table shows the positive and negative fair values of the hedging derivatives used in hedge accounting:

in € m

	Notional amount		Positive fair values		Negative fair values	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Fair value hedges	**61,021**	**34,181**	**608**	**551**	**490**	**89**
Interest rate hedges	**44,941**	**34,181**	**471**	**551**	**66**	**89**
Interest-rate swaps	44,886	34,181	471	551	66	89
Cross-currency swaps	55	–	–	–	–	–
Foreign currency hedges	**16,080**	**–**	**137**	**–**	**424**	**–**
Cross-currency swaps	16,080	–	137	–	424	–
Total	**61,021**	**34,181**	**608**	**551**	**490**	**89**

Hedging instruments are included in the items “Positive fair values of hedging derivatives under hedge accounting” and “Negative fair values of hedging derivatives under hedge accounting” shown on the face of the statement of financial position.

The ineffective portions of hedges of interest rate and currency risks are reported in the income statement under net income from hedge accounting. The hedging costs associated with hedging currency risks are disclosed in the accumulated other comprehensive income (OCI). In the Helaba Group, currency risk has only been hedged as part of hedge accounting since the 2018 financial year.

The following table comprises the carrying amounts of the hedged items as well as the cumulative hedge adjustments resulting from continued and discontinued hedges:

in € m

	Carrying amount		Cumulative hedge adjustments		Cumulative hedge adjustments from discontinued hedges	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Interest rate hedges	**44,931**	**35,585**	**655**	**474**	**277**	**317**
Financial assets measured at amortised cost	**5,304**	**2,018**	**100**	**26**	**64**	**78**
Loans and receivables	5,304	2,018	100	26	64	78
Financial assets measured at fair value through other comprehensive income	**13,014**	**11,994**	**165**	**146**	**1**	**2**
Bonds and other fixed-income securities	13,014	11,994	165	146	1	2
Financial liabilities measured at amortised cost	**26,613**	**21,573**	**390**	**302**	**212**	**237**
Securitised liabilities	19,913	15,090	154	87	86	84
Deposits and loans	6,700	6,483	236	215	126	153
Foreign currency hedges	**16,079**	**–**	**–**	**–**	**–**	**–**
Financial assets measured at amortised cost	**14,640**	**–**	**–**	**–**	**–**	**–**
Loans and receivables	14,640	–	–	–	–	–
Financial assets measured at fair value through other comprehensive income	**1,439**	**–**	**–**	**–**	**–**	**–**
Bonds and other fixed-income securities	1,439	–	–	–	–	–
Total	**61,010**	**35,585**	**655**	**474**	**277**	**317**

The following table shows the ineffective portion of hedges reported in the income statement or in other comprehensive income (OCI):

in € m

	Income statement Recognised ineffective portion of hedges		Comprehensive income Recognised hedge costs	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Fair value hedges	**–**	**–9**	**–42**	**–**
Interest rate hedges	**1**	**–9**	**–**	**–**
Change in fair value of hedging derivatives in the reporting period	84	–53	–	–
Interest-rate-related change in fair value of hedged items in the reporting period	–83	44	–	–
Foreign currency hedges	**–1**	**n.a.**	**–42**	**n.a.**
Change in fair value of hedging derivatives in the reporting period	–430	n.a.	–42	n.a.
Spot-rate-related change in fair value of hedged items in the reporting period	429	n.a.	–	n.a.
Total	**–**	**–9**	**–42**	**n.a.**

The ineffective portions of hedges of interest rate risk reported in the income statement resulted from interest rate swaps. The hedging costs from the hedging of currency risk recognised in comprehensive income resulted from cross-currency swaps.

Off-Balance Sheet Transactions and Obligations

(74) Contingent Liabilities and Other Off-Balance Sheet Obligations

The Helaba Group's contingent liabilities and other obligations are mainly potential future payment obligations of the Group attributable to credit lines that have been granted but have not yet been drawn down and to financial guarantees that have been provided. The figures shown reflect potential liabilities and assume that the credit lines extended are utilised in full and that the financial guarantees are called upon.

in € m

	31.12.2018	31.12.2017[1)]
Loan commitments	**27,610**	**23,629**
Financial guarantees	**6,720**	**6,002**
Other obligations	**3,486**	**3,383**
Liabilities from guarantees and warranty agreements (excluding financial guarantees)	207	302
Placement and underwriting obligations	2,587	2,575
Contribution obligations	81	42
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	144	168
Contractual obligations in connection with investment property	306	239
Litigation risk obligations	1	1
Sundry obligations	160	56
Total	**37,816**	**33,014**

[1)] To bring the presentation into line with FINREP requirements, revocable loan commitments are also reported in addition to the irrevocable loan commitments. The prior-year figures have been increased by € 3,340 m. Financial guarantees of € 1,245 m were previously reported under liabilities from guarantees and warranty agreements (excluding financial guarantees) and are now shown under financial guarantees.

On the reporting date, € 78 m of the contribution obligations was attributable to 15 commercial partnerships, while € 3 m was attributable to three corporations. No contribution obligations existed in respect of affiliated companies.

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

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

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

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

Certain banks affiliated with the Group have additional obligations as members of protection schemes in accordance with the provisions applicable to such arrangements.

If Sparkassen-Immobilien-Vermittlungs-GmbH or OFB Projektentwicklung GmbH becomes insolvent, Helaba has agreed to make the compensation payments to the relevant supplementary pension fund.

As in the previous year, contingent liabilities of € 205 m may arise if capital contributions have to be repaid.

The sundry obligations include obligations of € 32 m (31 December 2017: € 25 m) to the European Single Resolution Fund. The Bank and Frankfurter Sparkasse have elected to fully utilise the option to make some of the annual contribution in the form of an irrevocable payment undertaking backed in full by cash collateral.

The Reserve Fund of the Landesbanken and Girozentralen and the deposit security reserve fund of the Landesbausparkassen also give their member banks an option to pay part of their contributions in the form of irrevocable payment undertakings backed by cash collateral. The Bank and the Landesbausparkasse have utilised this option for contributions of € 20 m (31 December 2017: € 13 m).

(75) Letters of Comfort

Entity	Registered offices
Grundstücksgesellschaft Gateway Gardens GmbH	Frankfurt am Main

(76) Fiduciary Transactions

in € m

	31.12.2018	31.12.2017
Trust assets		
Loans and advances to banks	405	322
Loans and advances to customers	313	491
Equity shares and other variable-income securities	197	197
Shareholdings	56	55
Other assets	14	14
Total	**985**	**1,079**
Trust liabilities		
Deposits and loans from banks	255	125
Deposits and loans from customers	421	648
Other financial liabilities	309	306
Total	**985**	**1,079**

The fiduciary transactions mainly involve development funding from the Federal Government, the Federal State of Hesse and from the KfW provided in the form of trustee loans, trust funds invested with other credit institutions as well as shareholdings managed for private investors.

Other Disclosures

(77) Leasing Disclosures

Leases in which the Helaba Group is the lessor

The following table provides details of finance leases:

in € m

	31.12.2018	31.12.2017
Gross investment value	**2**	**3**
Up to one year	1	1
More than one year and up to five years	1	2
Net investment value	**2**	**3**
Up to one year	1	1
More than one year and up to five years	1	2

The gross investment value is equivalent to the sum of the minimum lease payments from the finance lease and the non-guaranteed residual values to which the lessor is entitled. The minimum lease payments include the guaranteed residual values to be paid by the lessee. The unrealised financial income corresponds to the difference between the gross investment value and the net investment value.

As in the previous year, there were no cumulative loss allowances in connection with finance leases. No contingent rental payments were recognised as income in the year under review, as was also the case in the previous year.

The following minimum lease payments are expected in the course of the next few years from non-cancellable operating leases:

in € m

	31.12.2018	31.12.2017
Up to one year	72	68
More than one year and up to five years	37	35
More than five years	47	47
Total	**156**	**150**

The operating leases mainly comprise subtenancy agreements for space rented out in leased buildings as well as tenancy agreements in which Helaba's own land and buildings are leased out. No contingent rental payments were recognised as income from operating leases in the year under review, as was also the case in the previous year.

Leases in which the Helaba Group is the lessee

General and administrative expenses included an amount of € 42 m (2017: € 44 m) relating to payments for operating leases in which Helaba is the lessee. This amount mainly relates to land and buildings as well as operating and business equipment.

The leased properties are predominantly office buildings used for banking operations, unless they are subject to different commercial use as part of subtenancy arrangements. The tenancy agreements have fixed terms with current residual terms of up to twelve years. Price adjustment clauses exist in various forms; no contingent rental payments have been agreed.

The following minimum lease payments for non-cancellable operating leases are expected to be made over the next few years:

in € m

	31.12.2018	31.12.2017[1)]
Up to one year	40	43
More than one year and up to five years	102	122
More than five years	40	49
Total	**182**	**214**

[1)] Prior-year figures adjusted because the recognition of minimum lease payments was duplicated in a Group company.

As at the reporting date, future minimum rental payments of € 5 m were expected under non-cancellable subtenancy arrangements (31 December 2017: € 4 m). In the reporting period, income of € 4 m (2017: € 2 m) was generated from subtenancy agreements. This income is reported under other operating income.

In the year under review, there were no finance leases in which the Helaba Group was the lessee.

(78) Disclosures on Revenue from Contracts with Customers

Helaba applied IFRS 15 Revenue from Contracts with Customers for the first time in the 2018 financial year.

The following table shows income items in the reporting period that included revenue as defined in IFRS 15, broken down by type of service and segment:

in € m

	Real Estate		Corporates & Markets		Retail & Asset Management		WIBank	
	2018	2017	2018	2017	2018	2017	2018	2017
Fee and commission income	**17**	**16**	**127**	**120**	**296**	**337**	**41**	**41**
Lending and guarantee business	17	16	42	42	1	2	–	–
Account management and payment transactions	–	–	60	60	56	56	–	–
Asset management	–	–	–	–	118	155	–	–
Securities and securities deposit business	–	–	13	8	81	86	–	–
Management of public-sector subsidy and development programmes	–	–	–	–	–	–	38	38
Other	–	–	12	10	40	38	3	3
Revenue in accordance with IFRS 15 under other operating income	**–**	**–**	**–**	**3**	**34**	**33**	**–**	**–**
Total	**17**	**16**	**127**	**123**	**330**	**370**	**41**	**41**

in € m

	Other		Consolidation/ reconciliation		Group	
	2018	2017	2018	2017	2018	2017
Fee and commission income	**–**	**–**	**–17**	**–20**	**464**	**494**
Lending and guarantee business	–	–	–	–	60	60
Account management and payment transactions	–	–	–	–	116	116
Asset management	–	–	–6	–9	112	146
Securities and securities deposit business	–	–	–9	–10	85	84
Management of public-sector subsidy and development programmes	–	–	–	–	38	38
Other	–	–	–2	–1	53	50
Revenue in accordance with IFRS 15 under other operating income	**68**	**63**	**–12**	**–12**	**90**	**87**
Total	**68**	**63**	**–29**	**–32**	**554**	**581**

As at 31 December 2018, Helaba had contractual liabilities of € 2 m (31 December 2017: € 1 m) that are expected to crystallise in 2019 with income of at least the same amount.

The balance of contractual liabilities at the beginning of the reporting period amounted to € 1 m and was recycled into the revenues during the 2018 financial year.

Revenue recognition in accordance with IFRS 15

Helaba recognises revenue in its income statement when control over goods has passed to the customer or a service has been performed for a customer. In the case of performance obligations related to a specific point in time, revenue is recognised at the time of performance; for services performed over a period of time, revenue is recognised in line with the pattern of performance.

Where services are performed on a recurring basis (either at specific points in time or over periods of time), customer payments arising from the rights to revenue are predominantly processed on specific reference dates, i.e. monthly, quarterly or at least once a year for the completed period. In the case of non-recurring services or the sale of assets, invoicing and payment are generally immediate or as soon as the service has been performed or ownership of the assets has passed to the buyer.

Standard customs and practice (in terms of invoicing and payment methods) apply to parts of the service business: in the leasing business, partial payments on account are collected for management activities and the onward charging of operating costs; actual costs incurred are billed at least annually. In the development business, fees may be paid in the form of one-time payments or recurring payments, or may even be paid over a period of time. Individual agreements covering service fees are made for individual types of services, especially in the payments, securities, custody and asset management businesses. These agreements may give rise to pricing adjustments, depending on the frequency, volume and/or timing of the transactions. Flat-rate fees can also be applied, particularly in the retail business.

If revenue is based on the reimbursement of expenses by customers, the anticipated revenue is generally recognised as the expenses are incurred. If the rights to revenue are based on particular agreements with customers or if they are agreed retrospectively, revenue is recognised in accordance with the relevant agreement. If, in substance, services constitute brokering services and a third party bears responsibility for the variability arising in connection with the brokered service, Helaba generates revenue from the performance of these services in a capacity as agent.

(79) Capital Management and Regulatory Ratio Disclosures

Helaba defines capital management as all processes directly or indirectly involved in ensuring that it upholds its risk-bearing capacity (both from a regulatory perspective in Pillar I and from an economic perspective in Pillar II) and that it is in a position to monitor its capital adequacy in a timely manner. The main components of capital management in the Helaba Group are planning regulatory own funds and own funds ratios as part of the planning process, allocating own funds, monitoring changes in risk exposures and complying with regulatory and economic capital limits, monitoring the remaining capital buffer as well as recognising a projected cost of capital as part of contribution margin accounting. The aim of capital management is to allocate capital over the various divisions of the Group, with due consideration being given to risk and return aspects, and also in line with the need to comply with regulatory requirements concerning capital adequacy.

Capital management focuses on both regulatory own funds and internal capital from a complementary economic management perspective.

The minimum regulatory requirements that need to be taken into account include Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR), the additional provisions in the German Banking Act (Kreditwesengesetz, KWG) and also the requirements specified under the European Single Supervisory Mechanism (SSM). Article 92 of the CRR specifies that institutions must at all times have adequate own funds in relation to their risk-weighted assets (RWAs). It makes a distinction between the following minimum ratios:

- Common Equity Tier 1 (CET1) capital ratio: 4.5 %
- Tier 1 capital ratio (where Tier 1 capital is the total of CET1 and additional capital): 6.0 %
- Total capital ratio (based on the total of Tier 1 and Tier 2 capital): 8.0 %.

In addition, KWG requirements specify general and bank-specific capital buffers such as the capital conservation buffer, the countercyclical capital buffer and the buffers for global and other systemically important banks, which in each case relate to CET1 capital and ultimately increase the minimum CET1 capital ratio for each bank by at least 2.5 %.

To add to these generally applicable requirements, the ECB lays down further institution-specific requirements for institutions subject to the SSM. The minimum CET1 capital ratio required to be maintained by the Helaba Group in 2018 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB was 8.89 %.

Within the risk appetite framework, the Board of Managing Directors of Helaba sets internal targets for the minimum ratios that include a sufficient buffer in respect of the regulatory minimum requirements so that Helaba is able to operate at all times without any restrictions on its business activities.

The regulatory own funds of the Helaba banking group are determined in accordance with Regulation (EU) No. 575/2013 (CRR) and the complementary provisions in Sections 10 and 10a of the KWG. In accordance with the classification specified in the CRR, own funds comprise Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital.

The regulatory own funds requirements and the capital ratios are also determined in accordance with the provisions of the CRR.

As at 31 December 2018, the breakdown of the own funds of the Helaba banking group was as follows (each amount shown after regulatory adjustments):

in € m

	31.12.2018	31.12.2017
Tier 1 capital	**8,883**	**8,180**
Common Equity Tier 1 capital (CET1)	8,108	7,673
Additional Tier 1 capital	775	507
Tier 2 capital	**2,288**	**2,667**
Own funds, total	**11,171**	**10,847**

The following capital requirements and ratios were applicable as at 31 December 2018:

in € m

	31.12.2018	31.12.2017
Default risk (including equity investments and securitisations)	3,719	3,411
Market risk (including CVA risk)	338	284
Operational risk	285	291
Total own funds requirement	**4,342**	**3,986**
CET1 capital ratio	14.9 %	15.4 %
Tier 1 capital ratio	16.4 %	16.4 %
Total capital ratio	20.6 %	21.8 %

The Tier 1 and total capital ratios comply with the target ratios specified by Helaba in its capital planning. Helaba is complying with the regulatory requirements including the requirements of the European SSM regarding capital adequacy.

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.

More detailed information on the structure and adequacy of Helaba's regulatory own funds, together with a reconciliation to the own funds in the IFRS consolidated statement of financial position, has been published in the Helaba Group's disclosure report in accordance with Section 26a KWG (offenlegung.helaba.de).

(80) Report on Business Relationships with Structured Entities

The banking business and other operating activities of the Group companies give rise to various business relationships with structured entities within the meaning of IFRS 12. A structured entity is an entity that has been designed so that the exercise of voting or similar rights under company law is not the dominant factor in deciding who controls the entity as defined by IFRS 10.

The sponsorship of a structured entity as described in IFRS 12.27 may arise as part of the banking functions provided for customers. This affects situations in which the Helaba Group has initiated a special purpose entity or service entity, has been involved in and supported the establishment and initiation of the entity, and in which the Group's current business relationship with this unconsolidated structured entity is still so close that a third party would justifiably assume that the entity was affiliated with the Group.

Disclosures on unconsolidated structured entities

The following table shows the loans and advances as at 31 December 2018 to unconsolidated structured entities within the meaning of IFRS 12:

in € m

	Securitisation special purpose entities	Asset management entities	Other structured entities	Total
Assets	**2,583**	**398**	**3,798**	**6,779**
Financial assets measured at amortised cost	2,552	281	3,797	6,630
Loans and receivables	2,552	281	3,797	6,630
Trading assets	2	9	–	11
Positive fair values of trading derivatives	2	9	–	11
Other financial assets mandatorily measured at fair value through profit or loss	5	102	1	108
Positive fair values of non- trading derivatives	–	1	–	1
Bonds and other fixed-income securities	5	–	–	5
Equity shares and other variable-income securities	–	101	1	102
Financial assets measured at fair value through other comprehensive income	24	–	–	24
Bonds and other fixed-income securities	24	–	–	24
Other assets	–	6	–	6
Off-balance sheet liabilities	**1,108**	**13**	**242**	**1,363**
Loan commitments	1,078	13	242	1,333
Financial guarantees	30	–	–	30
Size of structured entities	**19,162**	**142,287**	**99,957**	**261,406**

The following table shows the amounts as at 31 December 2017:

in € m

	Securitisation special purpose entities	Asset management entities	Other structured entities	Total
Assets	**2,498**	**283**	**2,993**	**5,774**
Financial assets measured at amortised cost	2,476	240	2,933	5,649
Bonds and other fixed-income securities				
Loans and receivables	2,476	240	2,933	5,649
Trading assets	1	7	–	8
Positive fair values of trading derivatives	1	7	–	8
Financial assets measured at fair value through other comprehensive income	21	29	60	110
Bonds and other fixed-income securities	21	–	–	21
Equity shares and other variable- income securities	–	29	60	89
Other assets	–	7	–	7
Off-balance sheet liabilities	**1,113**	**18**	**238**	**1,369**
Loan commitments	1,108	18	238	1,364
Sundry obligations	5	–	–	5
Size of structured entities	**23,074**	**147,693**	**91,501**	**262,268**

The asset management entities predominantly relate to the investment assets managed by Helaba Invest Kapitalanlagegesellschaft mbH, the breakdown of which was as follows:

in € m

	31.12.2018	31.12.2017
Retail funds 33 (31.12.2017: 76)	4,337	8,805
Institutional funds 295 (31.12.2017: 247)	101,658	101,256
Total	**105,995**	**110,061**

Some of the securitisation entities business comprises service functions for securitisation entities in the OPUSALPHA Group. The lines of liquidity provided for the entities in the OPUSALPHA Group, including flat-rate premiums of 2 %, amounted to € 2,115 m (31 December 2017: € 2,109 m), of which € 1,594 m had been drawn down as at 31 December 2018 (31 December 2017: € 1,467 m). The liquidity provision commitments relate to the maximum planned purchase commitments; Helaba is exposed to subordinated liabilities should the discounts on purchases and risks borne by third parties be insufficient. The table above shows the Group's default risk from asset exposures plus any current interest and fees due to the Group as at 31 December 2018 after taking into account issues of € 742 m (31 December 2017: € 765 m). From the current perspective, there are no plans to provide support for the structured entities beyond the normal banking financing functions and corresponding services. As at 31 December 2018, there were undrawn liquidity lines for third-party securitisation platforms amounting to € 55 m (31 December 2017: € 65 m).

There were also irrevocable loan commitments for customer factoring entities (operating mainly in the area of aircraft financing) amounting to € 226 m (31 December 2017: € 236 m).

The recognised loans and advances to other structured entities related to a number of financing transactions for property and special purpose entities. These structured entities predominantly act as property entities for leasing or real estate transactions.

Disclosures on consolidated structured entities

If a structured entity is included in the basis of consolidation in accordance with IFRS 10, the business relationships with other consolidated entities are subject to the normal consolidation requirements. The structured entities consolidated as at 31 December 2018 included investment funds in which Helaba or a subsidiary held a majority or all of the shares/units. Other entities consolidated in accordance with IFRS 10 were a property entity related to real estate partly used by Helaba itself (Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG) and a funding entity for purchasing entities in the OPUSALPHA securitisation structure (OPUSALPHA Funding LTD). The consolidation in accordance with IFRS 10 additionally required the inclusion of four entities (HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, EGERIA Verwaltungsgesellschaft mbH and CORDELIA Verwaltungsgesellschaft mbH) that formed part of the structures of closed-end funds with investments in acquired rights under life insurance policies.

(81) Significant Restrictions on Assets or on the Transfer of Funds

In addition to the information in the disclosures on legal restrictions affecting control over financial instruments (see Notes [60] and [61]), there were restrictions for the following entities as at the reporting date on current dividend distributions because of contractual arrangements or rules in the articles of association:

- Bürgschaftsbank Thüringen GmbH, Erfurt
- Bürgschaftsbank Hessen GmbH, Wiesbaden
- Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel
- Hessenkapital I GmbH, Frankfurt am Main
- Hessenkapital II GmbH, Frankfurt am Main
- MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Frankfurt am Main
- Mittelhessenfonds GmbH, Frankfurt am Main
- Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt

At Frankfurter Sparkasse, a statutory requirement in the German Act Establishing Frankfurter Sparkasse as a Public-Law Institution (Gesetz zur Errichtung der Frankfurter Sparkasse als Anstalt des öffentlichen Rechts, Fraspa-Gesetz) specifies an obligation to appropriate 33 % of the net income reported in the annual financial statements of Frankfurter Sparkasse to reserves.

In the case of nine consolidated subsidiaries, there is a block on dividends amounting to a total of € 32 m (31 December 2017: € 27 m) based on the stipulations in Section 253 (6) sentence 2 HGB. This results from the measurement of provisions for pension obligations in the separate financial statements, which have had to be discounted since 2016 with average discount rates for the last ten years.

The consolidation of special purpose entities in accordance with IFRS 10 is frequently not based on holding the majority of voting rights. Accordingly, in the case of these consolidated special purpose entities, there is no basis in law requiring unconditional, immediate appropriation of profits or transfer of assets for the benefit of Helaba. The total volume of assets in consolidated special purpose entities in accordance with IFRS prior to consolidation amounted to € 1,727 m (31 December 2017: € 1,682 m). This total figure included an amount of € 1,370 m (31 December 2017: € 1,299 m) related to the consolidated funding entity in the OPUSALPHA securitisation structure.

The business activities of Landesbausparkasse Hessen-Thüringen and WIBank, and the activities in the Pfandbrief business operated by the Bank, are subject to special legal frameworks, namely the German Building and Loan Associations Act (Bausparkassengesetz, BSpKG), the Act Governing WIBank (Gesetz über die Wirtschafts- und Infrastrukturbank Hessen) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). Most of the assets and liabilities in these business operations are therefore subject to restrictions because the operations are focused on the object of the entity in each case and the appropriation of funds is tied to statutory requirements. In some cases, the way funding is used is also restricted. For example, in the case of certain development programmes, such as those related to the construction of social housing or the development of infrastructure, the provider of the development funding (such as national or international development banks, federal or state governments) limits the purpose for which the funds may be used to ensure that the funding is properly targeted to achieve the desired development impact. In the case of the "Wohnungswesen und Zukunftsinvestition" and "Hessischer Investitionsfonds" special funds, two funds focusing on housing/investing for the future and capital investment in the State of Hesse respectively, there are also restrictions on the use of the return inflows derived from the application of the funding. In their respective financial statements as at 31 December 2018, WIBank reported total assets of € 24,105 m (31 December 2017: € 17,627 m) and LBS total assets of € 6,027 m (31 December 2017: € 5,683 m).

Regulatory requirements relating to the recognition of own funds specified certain contractual details for issues of subordinated liabilities and silent participations. Under these requirements, the Helaba Group's right of termination is limited if certain conditions are met and the consent of the regulator must be obtained. The contractual rules for some issues require a replenishment following any loss before any actual repayment is made. Currently, there are no such replenishment obligations.

(82) Related Party Disclosures

In the course of the ordinary activities of Helaba, transactions with parties deemed to be related in accordance with IAS 24 are conducted on an arm's-length basis. The following disclosures relate to transactions with unconsolidated affiliated companies, with associates and with joint ventures of the Helaba Group as well as their subordinated subsidiaries.

With regard to the Sparkassen- und Giroverband Hessen-Thüringen, the Federal State of Hesse and the Free State of Thuringia in their capacity as shareholders and owners, the criteria for exemption from reporting on related parties that are public-sector entities are satisfied; this option is always utilised if the business volumes involved are insignificant. The business relations with our shareholders and their subordinated subsidiaries in accordance with IAS 24 comprise normal banking services. The extent of business relations with the shareholders and main subordinated companies in the period under review is detailed in the balances at the end of the year shown in the following table. The disclosures relating to persons in key positions of the Helaba Group as defined in IAS 24, including their close family relations and companies controlled by those persons, are also included in the following table.

In the reporting period, Helaba entered into the "Hessenkasse" deal with the State of Hesse. As at 31 December 2018, this contributed to a rise in loans and advances to shareholders of € 3,305 m and a rise in loan commitments to shareholders of € 2,080 m.

The following receivables due from related parties were in existence as at 31 December 2018:

in € m

	Un-consolidated subsidiaries	Investments in joint ventures and associates	Helaba share-holders	Other related parties	Total
Financial assets measured at amortised cost	**4**	**240**	**8,204**	**1**	**8,449**
Loans and receivables	4	240	8,204	1	8,449
Trading assets	**–**	**–**	**855**	**–**	**855**
Positive fair values of trading derivatives	–	–	702	–	702
Bonds and other fixed-income securities	–	–	153	–	153
Other financial assets mandatorily measured at fair value through profit or loss	**18**	**9**	**1**	**–**	**28**
Shareholdings	18	9	1	–	28
Financial assets designated voluntarily at fair value	**–**	**–**	**29**	**–**	**29**
Loans and receivables	–	–	29	–	29
Financial assets measured at fair value through other comprehensive income	**5**	**–**	**385**	**–**	**390**
Bonds and other fixed-income securities	–	–	355	–	355
Loans and receivables	–	–	30	–	30
Shareholdings	5	–	–	–	5
Shares in equity-accounted entities	**–**	**7**	**–**	**–**	**7**
Other assets	**–**	**–**	**115**	**–**	**115**
Total assets	**27**	**256**	**9,589**	**1**	**9,873**

The following table shows the amounts as at 31 December 2017:

in € m

	Un-consolidated subsidiaries[1]	Investments in joint ventures and associates	Helaba share-holders	Other related parties	Total
Financial assets measured at amortised cost	**4**	**319**	**1,629**	**–**	**1,952**
Loans and receivables	4	319	1,629	–	1,952
Trading assets	**–**	**–**	**695**	**–**	**695**
Positive fair values of trading derivatives	–	–	667	–	667
Bonds and other fixed-income securities	–	–	4	–	4
Loans and receivables	–	–	24	–	24
Financial assets designated voluntarily at fair value	**–**	**–**	**29**	**–**	**29**
Loans and receivables	–	–	29	–	29
Financial assets measured at fair value through other comprehensive income	**24**	**9**	**393**	**–**	**426**
Bonds and other fixed-income securities	–	–	393	–	393
Shareholdings	24	9	–	–	33
Other assets	**–**	**3**	**116**	**–**	**119**
Total assets	**28**	**331**	**2,862**	**–**	**3,221**

[1] Prior-year figures restated: Loans and advances to unconsolidated affiliates were overstated by € 31 m.

The following liabilities due to related parties were in existence as at 31 December 2018:

in € m

	Un-consolidated subsidiaries	Investments in joint ventures and associates	Helaba share-holders	Other related parties	Total
Financial assets measured at amortised cost	**68**	**54**	**2,253**	**12**	**2,387**
Deposits and loans	68	54	2,253	12	2,387
Trading liabilities	**–**	**–**	**55**	**–**	**55**
Negative fair values of trading derivatives	–	–	55	–	55
Financial liabilities designated voluntarily at fair value	**–**	**–**	**18**	**–**	**18**
Deposits and loans	–	–	18	–	18
Provisions	**–**	**2**	**14**	**22**	**38**
Total liabilities	**68**	**56**	**2,340**	**34**	**2,498**

The following table shows the amounts as at 31 December 2017:

in € m

	Un-consolidated subsidiaries	Investments in joint ventures and associates	Helaba share-holders	Other related parties	Total
Financial assets measured at amortised cost	**62**	**68**	**1,876**	**43**	**2,049**
Deposits and loans	62	68	1,876	43	2,049
Trading liabilities	**–**	**–**	**58**	**–**	**58**
Negative fair values of trading derivatives	–	–	58	–	58
Provisions	**–**	**–**	**–**	**23**	**23**
Other liabilities	**–**	**1**	**9**	**–**	**10**
Total equity and liabilities	**62**	**69**	**1,943**	**66**	**2,140**

The following off-balance sheet commitments to related parties were in existence as at 31 December 2018:

in € m

	Un-consolidated subsidiaries	Investments in joint ventures and associates	Helaba share-holders	Other related parties	Total
Loan commitments	3	115	2,260	–	2,378
Financial guarantees	–	2	14	–	16
Total off-balance sheet commitments	**3**	**117**	**2,274**	**–**	**2,394**

The following table shows the amounts as at 31 December 2017:

in € m

	Un-consolidated subsidiaries	Investments in joint ventures and associates	Helaba share-holders	Other related parties	Total
Loan commitments	12	118	34	–	164
Financial guarantees	–	–	5	–	5
Sundry obligations	–	3	10	–	13
Total off-balance sheet commitments	**12**	**121**	**49**	**–**	**182**

The following contributions to income and expense from related party transactions were recognised in the income statement in the reporting period:

in € m

	Un-consolidated subsidiaries	Investments in joint ventures and associates	Helaba share-holders	Other related parties	Total
Net interest income	–	4	73	–	77
Interest income	–	4	84	–	88
Interest expenses	–	–	–11	–	–11
Loss allowances	–	–	–	–	–
Net interest income after loss allowances	**–**	**4**	**73**	**–**	**77**
Dividend income	–	1	–	–	1
Net fee and commission income	–	–	42	–	42
Fee and commission income	–	–	42	–	42
Net trading income	–	–	65	–	65
Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss	2	–	–	–	2
Gains or losses on financial instruments designated voluntarily at fair value	–	–	1	–	1
Net income from hedge accounting	–	–	56	–	56
Share of profit or loss of equity- accounted entities	–	12	–	–	12
General and administrative expenses	–	–5	–9	–7	–21
Profit before taxes	**2**	**12**	**228**	**–7**	**235**

The following table shows the corresponding amounts for the prior-year period:

in € m

	Un-consolidated subsidiaries	Investments in joint ventures and associates[1]	Helaba share-holders	Other related parties	Total
Net interest income	**–1**	**4**	**6**	**–**	**9**
Interest income	–	4	24	–	28
Interest expenses	–1	–	–18	–	–19
Loss allowances	–	–	–	–	–
Net interest income after loss allowances	**–1**	**4**	**6**	**–**	**9**
Dividend income	1	1	4	–	6
Net fee and commission income	**–**	**–**	**42**	**–**	**42**
Fee and commission income	–	–	42	–	42
Net trading income	–	–1	–163	–	–164
Net income from hedge accounting	–	–	1	–	1
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	1	–1	–	–	–
Share of profit or loss of equity- accounted entities	–	2	–	–	2
Other net operating income	–	1	–	–	1
General and administrative expenses	–	–5	–10	–7	–22
Profit before taxes	**1**	**1**	**–120**	**–7**	**–125**

[1] Prior-year figures restated: The share of profit or loss of equity-accounted entities and gains or losses from the reclassification of financial assets, in both cases in respect of unconsolidated affiliates, were overstated by € 22 m.

The income and expenses from transactions with related parties arise predominantly from standard banking activities in the lending, investment and derivatives businesses. Exposures resulting from market risk assumed by the Bank, for example in connection with interest rate derivatives, are matched by corresponding countervailing transactions with other customers as part of overall bank management. An analysis in isolation, for example of the net trading income from transactions with related parties, does not therefore present the actual net income achieved by the Bank from such transactions.

The remuneration paid to the Board of Managing Directors of Helaba was broken down as follows:

in € m

	2018	2017
Benefits due in short term	4.5	4.8
Post-employment benefits (defined contribution plans)	–	–
Other benefits due in the long term	1.9	1.8
Benefits payable on termination of employment	–	–
Total	**6.4**	**6.6**

Additions of € 1.4 m were also made to the pension provisions for members of the Board of Managing Directors (2017: € 1.1 m). This amount represented the current service cost.

As in the previous year, a total of € 0.9 m was paid to the Supervisory Board and € 0.1 m to the members of the Advisory Board. In addition, the employee representatives on the Supervisory Board (including deputy members) received a combined amount of € 2 m in salary payments as company employees. This amount was unchanged compared with the previous year. An amount of € 4 m was paid to former members of the Board of Managing Directors and their surviving dependants, the same amount as in the prior year. As at 31 December 2018, provisions of € 67 m were recognised in accordance with IAS 19 for pension obligations for this group of persons (31 December 2017: € 64 m).

(83) Auditors' Fees

The following fees for services rendered by Group companies of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (2017: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft) were invoiced for the reporting period:

in € m

	2018	2017
Audit fees	5	4
Other attestation services	1	–
Other services	–	1
Total	**6**	**5**

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

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

(84) Employee Disclosures

The breakdown of the average number of employees in the year under review in the Helaba Group was as follows:

	Female		Male		Total	
	2018	2017	2018	2017	2018	2017
Bank as a whole	**1,562**	**1,552**	**1,857**	**1,852**	**3,419**	**3,404**
Bank	1,171	1,162	1,585	1,576	2,756	2,738
WIBank	250	242	173	172	423	414
LBS	141	148	99	104	240	252
Group subsidiaries	**1,364**	**1,365**	**1,344**	**1,354**	**2,708**	**2,719**
Group	**2,926**	**2,917**	**3,201**	**3,206**	**6,127**	**6,123**

(85) Members of the Supervisory Board

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

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

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

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

Dr. Karl-Peter Schackmann-Fallis
Executive Member of the Board
Deutscher Sparkassen- und
Giroverband e.V.
Berlin
– since 5 April 2018 –
– Fifth Vice-Chairman since 22 June 2018 –

Andreas Bausewein
Mayor
City of Erfurt
Erfurt

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

Christian Blechschmidt
Chairman of the Board of
Managing Directors
Sparkasse Unstrut-Hainich
Mühlhausen
– since 28 March 2018 –

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

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
– until 31 December 2018 –

Frank Nickel
Chairman of the Board of
Managing Directors
Sparkasse Werra-Meissner
Eschwege
– until 10 December 2018 –

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
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

Dr. Heiko Wingenfeld
Mayor
City of Fulda
Fulda
– since 21 June 2018 –

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

Dr. Robert Becker
Senior Vice President
New York
– since 1 May 2018 –

Gabriele Fuchs
Bank employee
Frankfurt am Main
– until 30 April 2018 –

Anke Glombik-Batschkus
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

(86) Members of the Board of Managing Directors

Herbert Hans Grüntker – Chairman –	Dezernent (Board member) with responsibility for Central Staff and Group Strategy, Internal Audit, Human Resources, Legal Services, Economics/Research, Process Management and Information Technology, WIBank
Thomas Groß – Vice-Chairman –	Dezernent (Board member) with responsibility for Risk Controlling, Credit Risk Management Corporates/Markets, Credit Risk Management Real Estate, Credit Risk Management Restructuring/Workout, Cash Management, Strategy Project Digitalisation, Frankfurter Sparkasse, Frankfurter Bankgesellschaft
Dr. Detlef Hosemann	Dezernent (Board member) with responsibility for Accounting and Taxes, Group Controlling, Information Technology, Compliance, Settlement/Custody Services
Hans-Dieter Kemler	Dezernent (Board member) with responsibility for Capital Markets, Asset/Liability Management, Sales Public Authorities, Institutional CRM, Helaba Invest, Banks and International Business, Sparkasse Lending Business and S-Group Service, Sparkasse Support North, Sparkasse Support South, Landesbausparkasse Hessen-Thüringen (LBS)
Klaus-Jörg Mulfinger – until 31 December 2018 –	Dezernent (Board member) with responsibility for Banks and International Business, Sparkasse Lending Business and S-Group Service, Sparkasse Support North and South, Landesbausparkasse Hessen-Thüringen (LBS)
Christian Schmid – since 20 December 2018 –	Dezernent (Board member) with responsibility for Real Estate Lending, Debt Capital Markets and Sales Management RE, Real Estate Management, Administration, GWH, OFB
Dr. Norbert Schraad	Dezernent (Board member) with responsibility for Corporate Finance, CRM Wholesale Business, CRM Midcaps, General Manager Sales NRW/Düsseldorf Branch, CRM Public Authorities/Municipal Corporations, CRM International, Sales Service

(87) Positions on Supervisory Boards and Other Executive Bodies

Positions held by the members of the Board of Managing Directors

Office holder	Corporation	Function
Herbert Hans Grüntker	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice-Chairman
Thomas Groß	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member
	DSGF Deutsche Servicegesellschaft für Finanzdienstleister mbH, Cologne	Member
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Frankfurter Sparkasse, Frankfurt am Main	Chairman
Dr. Detlef Hosemann	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
	Frankfurter Sparkasse, Frankfurt am Main	Member
	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice-Chairman
Hans-Dieter Kemler	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Chairman
Klaus-Jörg Mulfinger	Frankfurter Sparkasse, Frankfurt am Main	Member
	Thüringer Aufbaubank, Erfurt	Member
Christian Schmid	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman

Positions held by other employees

Office holder	Corporation	Function
Stephan Bruhn	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Klaus Kirchberger	TTL Beteiligungs- und Grundbesitz-AG, Munich	Vice-Chairman
Holger Mai	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Chairman
Dirk Mewesen	Helaba Asset Services Unlimited Company, Dublin, Ireland	Member
Dr. Ulrich Pähler	Helaba Asset Services Unlimited Company, Dublin, Ireland	Vice-Chairman
Dr. Michael Reckhard	Bürgschaftsbank Hessen GmbH, Wiesbaden	Member
Robert Restani	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
Klaus Georg Schmidbauer	Bürgschaftsbank Thüringen GmbH, Erfurt	Member
Peter Marc Stober	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member
André Stolz	Nassauische Sparkasse, Wiesbaden	Member
Erich Vettiger	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Vice-Chairman

(88) Report on Events After the Reporting Date

There were no significant events after 31 December 2018.

(89) List of Shareholdings of Landesbank Hessen-Thüringen Girozentrale in Accordance with Section 315a in Conjunction with Section 313 (2) HGBB

Fully consolidated subsidiaries

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Holding in % as per Section 16 (4) AktG: Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7.1	0	€	1)
2	Airport Office One GmbH & Co. KG, Schönefeld	100.00			0.0	–481	€	2)
3	ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	100.00	100.00		–23.0	–1,918	€	2)
4	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00			0.0	0	€	1), 3)
5	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	782	€	2)
6	CORDELIA Verwaltungsgesellschaft mbH, Pullach	0.00			0.0	0	€	1), 4)
7	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36.7	2,395	€	
8	Dritte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00			–0.1	–88	€	2)
9	EGERIA Verwaltungsgesellschaft mbH, Pullach	0.00			0.0	0	€	1), 4)
10	Erste OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–40	€	2)
11	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00	94.90		70.4	0	€	2)
12	Family Office der Frankfurter Bankgesellschaft AG, Frankfurt am Main	100.00			3.6	–1,405	€	
13	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			11.4	1,036	€	
14	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		112.3	3,139	CHF	
15	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		864.7	45,000	€	
16	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	94.90			–6.9	–7,552	€	2)
17	GGM Gesellschaft für Gebäude-Management mbH, Frankfurt am Main	100.00			0.3	0	€	1), 3)

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thous-ands	Original currency	
18	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			0.3	0	€	1), 3)
19	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00			0.2	44	€	
20	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00			0.0	10	€	
21	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			0.8	–1,553	€	2)
22	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00			23.4	0	€	1)
23	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		82.2	5,743	€	
24	GWH Bauprojekte GmbH, Frankfurt am Main	100.00			13.6	0	€	1)
25	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	€	1)
26	GWH WertInvest GmbH, Frankfurt am Main	100.00			n.a.	n.a.		
27	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00			372.9	63,564	€	
28	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		21.4	–307	€	2)
29	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	48.27			13.8	875	€	4)
30	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	63.10			14.1	653	€	4)
31	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–100	€	2)
32	Helaba Asset Services Unlimited Company, Dublin, Ireland	100.00	100.00		53.6	–1,243	€	
33	Helaba Digital GmbH & Co. KG, Frankfurt am Main	100.00	100.00		n.a.	n.a.		2)
34	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	€	1)
35	Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	5.92			–128.2	5,762	€	4)
36	Hello Darmstadt Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			–0.1	54	€	2)
37	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2.6	33	€	2)
38	Honua'ula Partners LLC, Wailea, USA	0.00			96.9	1	USD	4)

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Holding in % as per Section 16 (4) AktG: Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
39	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	83	€	
40	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00			–0.3	–299	€	2)
41	LHT MSIP, LLC, Wilmington, USA	100.00			6.6	0	USD	
42	LHT Power Three LLC, Wilmington, USA	100.00	100.00		34.6	687	USD	
43	LHT TCW, LLC, Wilmington, USA	100.00			22.9	706	USD	
44	LHT TPF II, LLC, Wilmington, USA	100.00			6.2	159	USD	
45	Logistica CPH K/S, Kastrup, Denmark	53.33	53.33		0.0	–721	DKK	
46	Main Capital Funding II Limited Partnership, Saint Helier, Jersey	0.00			21.7	4,616	€	4)
47	Main Capital Funding Limited Partnership, Saint Helier, Jersey	0.00			14.2	5,981	€	4)
48	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00			0.0	0	€	1)
49	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99			9.3	1,160	€	
50	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90			24.3	1,198	€	
51	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		15.3	223	€	
52	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00			0.0	–36	€	2)
53	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			5.2	–696	€	
54	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	€	1), 3)
55	OPUSALPHA FUNDING LTD, Dublin, Ireland	0.00			0.0	0	€	4)
56	Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	100.00			–0.6	–380	€	2)
57	Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	100.00			–3.2	–2,225	€	2)
58	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00			–0.3	1,214	€	2)
59	Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–1	€	2)
60	Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG, Frankfurt am Main	100.00			–0.3	–287	€	2)
61	PVG GmbH, Frankfurt am Main	100.00	100.00		0.4	5	€	1), 3)

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
62	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00			–0.6	–397	€	2)
63	Systeno GmbH, Frankfurt am Main	100.00			5.4	260	€	
64	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		0.6	375	€	
65	unIQus Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			11.0	11,102	€	2)
66	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			0.3	0	€	1)
67	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			–0.1	47	€	2)
68	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			1.7	–80	€	2)
69	Vierte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–24	€	2)
70	Vierte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–4	€	2)
71	Zweite OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00			0.1	57	€	2)
72	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			0.3	85	€	2)

No.	Name and location of the entity	Holding in %: Total	Thereof directly	Fund volume in € m	Original currency	
73	HI-A-FSP-Fonds, Frankfurt am Main	100.00	100.00	122.3	€	4)
74	HI-C-FSP-Fonds, Frankfurt am Main	100.00	100.00	106.2	€	4)
75	HI-FBI-Fonds, Frankfurt am Main	100.00	100.00	121.8	€	4)
76	HI-FBP-Fonds, Frankfurt am Main	100.00	100.00	79.8	€	4)
77	HI-FSP-Fonds, Frankfurt am Main	100.00	100.00	156.8	€	4)
78	HI-H-FSP-Fonds, Frankfurt am Main	100.00	100.00	123.4	€	4)
79	HI-HT-KOMP.-Fonds, Frankfurt am Main	100.00	100.00	38.3	€	4), 5)
80	HI-HTNW-Fonds, Frankfurt am Main	100.00	100.00	485.8	€	4), 5)
81	HI-RentPlus-Fonds, Frankfurt am Main	100.00	100.00	467.1	€	4), 5)

The following joint ventures and associates have also been accounted for using the equity method:

Joint ventures accounted for using the equity method

		Holding in % as per Section 16 (4) AktG					
No.	**Name and location of the entity**	**Total**	**Thereof directly**	**Voting rights if different from holding total in %**	**Equity in € m**	**Net profit in € thousands**	**Original currency**
82	CP Campus Projekte GmbH, Frankfurt am Main	50.00			1.1	–414	€
83	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			–0.6	78	€
84	FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	75.00			–0.1	–105	€
85	FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	75.00			–0.1	–84	€
86	FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	75.00			–0.1	–117	€
87	FHP Friedenauer Höhe Projekt GmbH, Berlin	75.00			0.0	7	€
88	FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin	75.00			–0.1	–171	€
89	FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	75.00			–0.1	–126	€
90	FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	75.00			–0.1	–108	€
91	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00			0.7	–3,206	€
92	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00			0.3	433	€
93	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00			0.1	–9	€
94	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00			0.2	148	€
95	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00			1.1	723	€
96	G & O MK 14.3 GmbH & Co. KG, Frankfurt am Main	50.00			n.a.	n.a.	
97	G & O MK 17.7 Nord GmbH & Co. KG, Frankfurt am Main	50.00			n.a.	n.a.	
98	G & O MK 17.7 Süd GmbH & Co. KG, Frankfurt am Main	50.00			n.a.	n.a.	
99	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00			–1.0	–75	€

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thous-ands	Original currency
100	GIZS GmbH & Co. KG, Frankfurt am Main	33.33	33.33		14.9	−12,039	€
101	G & O MK 15 Bauherren GmbH & Co. KG, Frankfurt am Main	50.00			−0.1	−75	€
102	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	50.00			−3.7	−24	€
103	GOB Projektentwicklung Fünfte GmbH & Co. KG, Frankfurt am Main	8.84			0.0	−46	€
104	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33			6.9	2,657	€
105	Horus AWG GmbH, Pöcking	50.00			−0.2	7	€
106	Multi Park Mönchhof Dritte GmbH & Co. KG, Langen (Hesse)	50.00			0.3	68	€
107	Multi Park Mönchhof GmbH & Co. KG, Neu-Isenburg	50.00			0.0	−5	€
108	Multi Park Mönchhof Main GmbH & Co. KG, Langen (Hesse)	50.00			0.4	1,759	€
109	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00			0.4	7	€
110	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00			−0.1	−7	€
111	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	30.00			0.8	−353	€
112	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00			13.4	−98	€
113	Stresemannquartier GmbH & Co. KG, Berlin	50.00			0.2	1,162	€
114	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00			−0.1	104	€
115	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00		33.33	0.1	81	€

Associates accounted for using the equity method

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
116	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	54.51			10.6	3,237	€	
117	WoWi Media GmbH & Co. KG, Hamburg	23.72		19.24	2.8	–3	€	

Non-consolidated subsidiaries

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
118	ASTARTE Verwaltungsgesellschaft mbH, Pullach	100.00	100.00		0.0	0	€	
119	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	€	1)
120	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		1.6	140	€	
121	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG i. L., Frankfurt am Main	100.00	100.00		2.3	187	€	
122	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	2.4	238	€	
123	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Wiesbaden	100.00	100.00		1.5	617	€	
124	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.3	0	€	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thous-ands	Original currency	
125	Dritte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–43	€	
126	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	1	€	
127	FMZ Fulda Verwaltung GmbH, Frankfurt am Main	100.00			0.0	–2	€	
128	GIMPRO Beteiligungs- und Geschäftsführungs-gesellschaft mbH, Frankfurt am Main	100.00			0.1	4	€	
129	GLD Verwaltungsgesellschaft GmbH, Frankfurt am Main	100.00			0.0	1	€	
130	Helaba Digital Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			n.a.	n.a.		
131	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0	€	
132	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		5.9	1,440	€	
133	Helaba Representação Ltda., São Paulo, Brazil	100.00	99.00		0.1	–3	BRL	
134	Innovationsfonds Hessen-Verwaltungs-gesellschaft mbH i. L., Frankfurt am Main	100.00	100.00		0.1	0	€	
135	Komplementarselskabet Logistica CPH ApS, Kastrup, Denmark	52.00	52.00		0.0	16	DKK	
136	Königstor Verwaltungs-GmbH, Kassel	100.00			0.0	0	€	
137	Kornmarkt Arkaden Verwaltung GmbH, Frankfurt am Main	100.00			0.0	2	€	
138	Main Funding GmbH, Frankfurt am Main	0.00			0.3	5	€	4)
139	Main Funding II GmbH, Frankfurt am Main	0.00			0.1	3	€	4)
140	OFB Berlin Projekt GmbH, Berlin	100.00			0.0	–1	€	
141	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00			0.0	0	€	
142	Office One Verwaltung GmbH, Schönefeld	100.00			0.0	2	€	
143	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.2	–22	€	
144	Sparkassen-Immobilien-Vermittlungs-GmbH, Frankfurt am Main	100.00	100.00		1.2	494	€	
145	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.4	94	€	
146	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.1	8	€	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
147	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH) i. L., Wiesbaden	66.67	66.67		0.6	–2	€	
148	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0	€	
149	wall park GmbH & Co. KG, Frankfurt am Main	100.00	100.00		n.a.	n.a.		
150	wall park Grundstücksgesellschaft mbH, Frankfurt am Main	100.00	100.00		n.a.	n.a.		

Joint ventures not accounted for using the equity method

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency
151	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	6	€
152	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.0	1	€
153	gatelands Verwaltungs GmbH, Schönefeld	75.00			0.0	1	€
154	GIZS Verwaltungs-GmbH, Frankfurt am Main	33.33	33.33		0.0	7	€
155	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00			0.0	3	€
156	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.7	344	€
157	Hessen Kapital I GmbH, Wiesbaden	100.00	100.00		35.2	–1,197	€
158	Hessen Kapital II GmbH, Wiesbaden	100.00	100.00		7.0	169	€
159	Komuno GmbH, Frankfurt am Main	51.00			n.a.	n.a.	
160	Marienbader Platz Projektentwicklungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	2	€
161	Marienbader Platz Projektentwicklungsgesellschaft mbH & Co. Bad Homburg v. d. H. KG, Frankfurt am Main	50.00			0.4	–19	€
162	Mittelhessenfonds GmbH, Wiesbaden	100.00	100.00		–3.5	–946	€
163	Multi Park Verwaltungs GmbH, Langen (Hesse)	50.00			0.0	0	€
164	Procom & OFB Projektentwicklung GmbH, Hamburg	50.00			0.0	–1	€
165	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00			0.0	1	€
166	Projekt Wilhelmstraße Wiesbaden Verwaltung GmbH, Frankfurt am Main	30.00			0.0	0.	
167	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe mbH & Co. KG, Erfurt	60.00	60.00	33.33	4.1	37	€
168	Rotunde Verwaltungsgesellschaft mbH, Erfurt	60.00	60.00	33.33	0.0	–1	
169	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			0.0	0	€

Associates not accounted for using the equity method

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency
170	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.03	21.03		20.0	827	€
171	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		25.9	642	€
172	FinTech Community Frankfurt GmbH, Frankfurt am Main	25.00	25.00		0.0	–110	€
173	GbR VÖB-ImmobilienAnalyse, Bonn	0.00		20.00	n.a.	n.a.	
174	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		77.1	6,991	€
175	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Wiesbaden	32.52	32.52		10.9	444	€
176	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		24.9	1,214	€
177	Sparkassen-Marktservice Beteiligungs GmbH & Co. KG, Frankfurt am Main	50.00	40.00		8.0	1,714	€
178	Sparkassen-Marktservice Verwaltungs GmbH, Frankfurt am Main	50.00	40.00		0.0	0	€
179	TF H III Technologiefonds Hessen Gesellschaft mit beschränkter Haftung, Wiesbaden	25.00	25.00		5.6	–87	€

List of Other Shareholdings

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG		Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency
		Total	Thereof directly				
180	"Dia" Productions GmbH & Co. KG, Pullach	0.27			n.a.	n.a.	
181	ABE CLEARING S.A.S à capital variable, Paris, France	1.85	1.85		24.7	4,321	€
182	Advent International GPE V-B Limited Partnership, George Town, Cayman Islands	1.99	1.99		24.9	8,224	€
183	Advent International GPE VI Limited Partnership, George Town, Cayman Islands	0.24	0.24		1,851.4	–104,944	€
184	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	1.14	1.14		238.7	11,080	€
185	Almack Mezzanine I LP, London, United Kingdom	3.93	3.93		0.2	8,025	€
186	Almack Mezzanine II Unleveraged LP, London, United Kingdom	5.83	5.83		18.0	8,971	€
187	AlphaHaus GmbH & Co. KG i. L., Erzhausen	5.50			1.1	9	€
188	Antenne Thüringen GmbH & Co. KG, Weimar	3.50	3.50		2.0	1,265	€
189	AVW Assekuranzvermittlung der Wohnungswirtschaft GmbH & Co. KG, Bosau	11.76	11.76		0.2	17,408	€
190	Bauverein für Höchst a. M. und Umgebung eG, Frankfurt am Main	0.03			28.6	762	€
191	BC European Capital VIII–8, Saint Peter Port, Guernsey	1.83	1.83	0.17	390.8	44,228	€
192	BCEC X Luxembourg 1 SCSp, Luxembourg, Luxembourg	7.37	7.37		n.a.	n.a.	
193	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG i. L., Munich	100.00		0.21	0.0	–26	€
194	BOF III CV Investors LP, Wilmington, USA	4.16	4.16		22.0	3,860	€
195	Campus Kronberg GmbH & Co. KG, Hamburg	6.00			63.6	5,293	€
196	Capnamic Ventures Fund II GmbH & Co. KG, Cologne	4.27	4.27	4.35	11.3	–204	€
197	CapVest Equity Partners II, L.P., Hamilton, Bermuda	3.48	3.48		160.5	49,652	€
198	CapVest Equity Partners IV (Feeder) SCSp, Findel, Luxembourg	2.66	2.66		n.a.	n.a.	
199	Castra Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	2.85			–20.3	–786	€

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency	
200	Clareant Mezzanine Fund II (No.1) Limited Partnership, Saint Helier, Jersey	4.07	4.07		17.4	14,072	€	
201	Clareant Mezzanine No. 1 Fund Limited Partnership, Saint Helier, Jersey	3.40	3.40		19.4	758	€	
202	DBAG Fund IV GmbH & Co. KG i. L., Frankfurt am Main	6.13	6.13		3.2	–329	€	
203	DBAG Fund V GmbH & Co. KG, Frankfurt am Main	7.59	7.59	15.11	14.6	125,121	€	
204	Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe	1.71			637.0	45,286	€	
205	Deutsche WertpapierService Bank AG, Frankfurt am Main	3.74	3.74		193.7	22,115	€	
206	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		174.5	17,791	€	6)
207	DIV Grundbesitzanlage Nr. 30 Frankfurt-Deutschherrnufer GmbH & Co. KG i. L., Frankfurt am Main	0.06	0.06		13.8	42,812	€	
208	Doughty Hanson & Co. V LP No. 1, London, United Kingdom	1.60	1.60		311.1	8,219	€	
209	Dritte Projektentwicklungs-GmbH & Co. Schulen Landkreis Kassel KG, Kassel	6.00			12.6	1,945	€	
210	EQT Expansion Capital II (No. 1) Limited Partnership, Saint Peter Port, Guernsey	4.57			128.8	–49,103	€	
211	EQT V (No. 1) Limited Partnership, Saint Peter Port, Guernsey	0.28	0.28		695.2	180,568	€	
212	Erste Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00			0.1	5	€	
213	Erste ST Berlin Projekt GmbH & Co KG, Berlin	0.50			2.5	–413	€	
214	Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, Neuhardenberg	1.76		0.00	3,380.4	211,872	€	
215	EUFISERV Payments s.c.r.l., Brussels, Belgium	11.37	11.37		0.3	24	€	
216	Fachmarktzentrum Fulda GmbH & Co. KG, Munich	5.10			43.5	1,584	€	
217	Fiducia & GAD IT AG, Karlsruhe	0.02			447.2	20,644	€	
218	FIDUCIA Mailing Services eG, Karlsruhe	0.13	0.06		0.1	0	€	
219	Fourth Cinven Fund (No. 1) Limited Partnership, Saint Peter Port, Guernsey	1.42	1.42		69.7	1,145.743	€	
220	GbR Datenkonsortium OpRisk, Bonn	0.00		10.00	n.a.	n.a.		

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Holding in % as per Section 16 (4) AktG: Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thous-ands	Original currency	
221	GbR Legicheck, Bonn	0.00		11.11	n.a.	n.a.		
222	GeckoGroup AG (insolvent), Wetzlar	5.02			n.a.	n.a.		
223	GELIMER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	8.93	8.93		–1.9	167	€	
224	GLB GmbH & Co. OHG, Frankfurt am Main	11.20	11.20		5.7	453	€	
225	GLB-Verwaltungs-GmbH, Frankfurt am Main	11.20	11.20		0.1	2	€	
226	Gründerfonds Ruhr GmbH & Co. KG, Essen	8.70	8.70	8.96	–0.2	–540	€	
227	HaemoSys GmbH, Jena	38.33			–4.8	–524	€	7)
228	HANNOVER LEASING GmbH & Co. KG, Pullach	5.10	5.10		–4.1	–11,636	€	
229	Herkules Grundbesitz GmbH & Co. Frankfurt KG, Berlin	5.10	5.10		0.2	–6	€	
230	Hessisch-Thüringische Sparkassen-Beteiligungs-gesellschaft mbH, Frankfurt am Main	15.49			1.8	549	€	
231	Hutton Collins Capital Partners III L.P., London, United Kingdom	1.45	1.45		139.0	–37,930	€	
232	ICG Europe Fund VII Feeder SCSp, Luxembourg, Luxembourg	0.64	0.64		n.a.	n.a.		
233	Icon Brickell LLC, Miami, USA	14.94	14.94		0.0	–135	USD	
234	Interessengemeinschaft Frankfurter Kreditinstitute GmbH, Frankfurt am Main	16.90	4.21		24.6	8,937	€	
235	Investcorp Private Equity 2007 Fund, L.P., George Town, Cayman Islands	2.01	2.01		90.7	26,980	USD	
236	Kornmarkt Arkaden Dritte GmbH & Co. KG	5.1	5.1		–0.2	–71	€	
237	Kornmarkt Arkaden Erste GmbH & Co. KG	5.1	5.1		–3.5	–701	€	
238	Kornmarkt Arkaden Vierte GmbH & Co. KG	5.1	5.1		–0.2	–61	€	
239	Kornmarkt Arkaden Zweite GmbH & Co. KG	5.1	5.1		–1.1	–286	€	
240	LBS IT Informations-Technologie GmbH & Co KG, Berlin	7.30	7.30		0.0	39	€	
241	Magical Produktions GmbH & Co. KG, Pullach	2.05			–6.4	8,809	€	
242	Magnolia GmbH & Co. KG, Nonnweiler	6.00			–0.1	20	€	
243	MESTO Grundstücksgesellschaft mbH & Co. KG, Grünwald	1.00	1.00	0.78	–3.5	346	€	
244	Mezzanine Management Fund IV 'A' L.P., Hamilton, Bermuda	7.46	7.46		3.5	9,463	€	
245	MezzVest II, L.P., Saint Helier, Jersey	3.50	3.50		0.2	55	€	

		Holding in % as per Section 16 (4) AktG					
No.	**Name and location of the entity**	**Total**	**Thereof directly**	**Voting rights if different from holding total in %**	**Equity in € m**	**Net profit in € thousands**	**Original currency**
246	NAsP III/V GmbH, Marburg	14.92			2.3	–463	€
247	Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH, Frankfurt am Main	0.89			635.0	43,510	€
248	neue leben Pensionsverwaltung AG, Hamburg	3.20			2.2	–126	€
249	Objekt Limes Haus GmbH & Co. KG, Hamburg	5.10			14.2	–8,938	€
250	PALMYRA Verwaltungsgesellschaft mbH & Co. Vermietungs KG S.e.n.c., Luxembourg, Luxembourg	5.20			32.4	–1,315	€
251	Pan-European Infrastructure Fund LP, Saint Helier, Jersey	0.73	0.73		2,767.6	69,212	€
252	PATRIZIA Hessen Zehn GmbH & Co. KG, Hamburg	5.20			17.2	–870	€
253	PineBridge PEP IV Co-Investment L.P., Wilmington, USA	9.51			10.5	339	USD
254	PineBridge PEP IV Non-U.S. L.P., Wilmington, USA	17.00			7.8	1,517	USD
255	PineBridge PEP IV Secondary L.P., Wilmington, USA	16.10			8.8	50	USD
256	PineBridge PEP IV U.S. Buyout L.P., Wilmington, USA	17.21			16.0	1,813	USD
257	PineBridge PEP IV U.S. Venture L.P., Wilmington, USA	17.51			14.7	–894	USD
258	Private Equity Thüringen GmbH & Co. KG i. L., Erfurt	14.11	14.11		2.0	9,200	€
259	Projektentwicklungs-GmbH & Co. Landratsamt KG, Wolfhagen	6.00			4.1	564	€
260	Projektentwicklungs-GmbH & Co. Schule an der Wascherde KG, Lauterbach	6.00			0.2	–39	€
261	Rebstöcker Straße GmbH & Co. KG, Hamburg	5.10			–18.7	–405	€
262	RSU Rating Service Unit GmbH & Co. KG, Munich	9.60	9.60		14.0	909	€
263	S CountryDesk GmbH, Cologne	5.13	5.13		0.4	44	€
264	S.W.I.F.T. Society for Worldwide Interbank Financial Telecommunication SCRL, La Hulpe, Belgium	0.00		0.20	325.2	20,722	€
265	SCHUFA Holding AG, Wiesbaden	0.28			88.6	29,348	€
266	SIX Group AG, Zurich, Switzerland	0.00			2,675.9	207,200	€

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding total in %	Equity in € m	Net profit in € thousands	Original currency
267	SIZ GmbH, Bonn	5.32	5.32		5.4	356	€
268	TCW/Crescent Mezzanine Partners IVB, L.P., Los Angeles, USA	2.08	2.08		7.4	397	USD
269	TdW südwest Treuhandgesellschaft für die Südwestdeutsche Wohnungswirtschaft mbH, Frankfurt am Main	3.25			1.9	37	€
240	THE TRITON FUND II L.P. i. L., Saint Helier, Jersey	0.77			166.6	22,987	€
271	Triton Fund III L.P., Saint Helier, Jersey	0.71	0.71		1,827.1	646,799	€
272	Triton Fund V SCSp, Luxembourg, Luxembourg	0.41	0.41		n.a.	k.A.	
273	True Sale International GmbH, Frankfurt am Main	8.33	8.33		4.9	119	€
274	VCM Golding Mezzanine GmbH & Co. KG, Munich	6.48	6.48		5.0	936	€
275	VCM Golding Mezzanine SICAV II, Luxembourg, Luxembourg	4.20	4.20		43.9	–1,100	€
276	Volks- Bau- und Sparverein Frankfurt am Main eG, Frankfurt am Main	0.01			10.6	3,557	€
277	Zweite Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00			0.1	3	€
278	Zweite ST Berlin Projekt GmbH & Co. KG, Berlin	0.50			7.0	–88	€

[1] A profit and loss transfer agreement has been signed with the entity.
[2] Section 264b HGB has been applied with regard to the entity's annual financial statements.
[3] Section 264 (3) HGB has been applied with regard to the entity's annual financial statements.
[4] The entity is classified as a subsidiary, but not based on the majority of voting rights held.
[5] Financial year end: 31 January.
[6] Holding larger than 5 % in a large corporation
[7] The entity has been liquidated following the initiation of insolvency proceedings.
n.a. There are no adopted financial statements.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Helaba Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Helaba Group, together with a description of the principal opportunities and risks associated with the expected development of the Helaba Group.

Frankfurt am Main/Erfurt, 25 February 2019

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Schmid	Dr. Schraad

Country by Country Reporting Pursuant to Section 26a KWG

"Country by country reporting" has to be performed in accordance with the requirements stipulated in EU Directive 2013/36/EU ("Capital Requirements Directive", CRD IV) and transposed into German law by Section 26a of the German Banking Act (Kreditwesengesetz, KWG).

The report sets out the sales revenues generated and number of employees in 2018 for each EU member state and third country in which, as at 31 December 2018, the entities included in the consolidated financial statements via full consolidation have a branch or their head office.

The figures disclosed as sales revenue, consolidated net profit and income tax expenses are before consolidation effects. The figures disclosed as sales revenue are each office's net profit, before allowances for losses on loans and advances and general and administrative expenses, as included in the consolidated accounts under IFRS. The figures disclosed as consolidated net profit before taxes and taxes on income refer to the balance of contributions to these two items on the consolidated income statement in accordance with IFRS. Income tax expenses refers to the corporation taxes for the reporting unit in question.

The average figures disclosed under number of employees are based on full-time equivalent (FTE) employees.

Within the meaning of an EU subsidy program, the consolidated entities did not receive any subsidies during 2018.

	Sales revenue	Consolidated net profit before taxes on income	Taxes on income[1]	Number of employees
	in € m	in € m	in € m	
European Union	**1,736**	**371**	**–140**	**5,471**
Belgium	1	1	–	–
Denmark	7	7	–1	–
Germany	1,661	323	–132	5,377
France	–	1	–	18
Ireland	–1	–5	1	3
Sweden	–	–	–	6
United Kingdom	68	44	–8	67
Switzerland	**48**	**18**	**1**	**102**
USA	**129**	**81**	**–24**	**84**
Other	**1**	**1**	**–**	**–**
Total	**1,914**	**471**	**–163**	**5,657**

[1] The amount of tax reported for a country can be affected by the following factors, for example: effects on personal taxation, which is not borne by consolidated entities, are not included. The measurement basis for tax purposes can differ from the measurement basis shown according to commercial law; for example, entities reporting a loss can reduce the net income without being able to report corresponding tax income for the same period.

The entities included in country by country reporting are assigned to the regions below:

Entity	Nature of activity	Head office/ location	Country
1822direkt Gesellschaft der Frankfurter Sparkasse mbH	Provider of ancillary services	Frankfurt am Main	Germany
Airport Office One GmbH & Co. KG	Other undertaking	Schönefeld	Germany
BHT Baugrund Hessen-Thüringen GmbH	Other undertaking	Kassel	Germany
BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG	Other undertaking	Frankfurt am Main	Germany
CORDELIA Verwaltungsgesellschaft mbH	Financial institution	Pullach	Germany
DKB Wohnimmobilien Beteiligungs GmbH & Co. KG	Financial institution	Potsdam	Germany
Dritte OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
EGERIA Verwaltungsgesellschaft mbH	Financial institution	Pullach	Germany
Erste OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Erste Veritas Frankfurt GmbH & Co. KG	Other undertaking	Kriftel	Germany
Family Office der Frankfurter Bankgesellschaft AG	Other undertaking	Frankfurt am Main	Germany
Frankfurter Bankgesellschaft (Deutschland) AG	Bank	Frankfurt am Main	Germany
Frankfurter Sparkasse	Bank	Frankfurt am Main	Germany
G+S Wohnen in Frankfurt am Main GmbH	Other undertaking	Frankfurt am Main	Germany
Galerie Lippe GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
GGM Gesellschaft für Gebäude-Management mbH	Provider of ancillary services	Erfurt	Germany
GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH	Other undertaking	Frankfurt am Main	Germany
Grundstücksgesellschaft Limes-Haus Schwalbach II GbR	Other undertaking	Frankfurt am Main	Germany
Grundstücksverwaltungsgesellschaft Kaiserlei GmbH	Other undertaking	Frankfurt am Main	Germany
Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG	Other undertaking	Frankfurt am Main	Germany
GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH	Other undertaking	Frankfurt am Main	Germany
GWH Bauprojekte GmbH	Other undertaking	Frankfurt am Main	Germany
GWH Immobilien Holding GmbH	Financial institution	Frankfurt am Main	Germany
GWH WertInvest GmbH	Other undertaking	Frankfurt am Main	Germany
GWH Wohnungsgesellschaft mbH Hessen	Other undertaking	Frankfurt am Main	Germany
Hafenbogen GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG	Financial institution	Pullach	Germany
HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG	Financial institution	Pullach	Germany
Haus am Brüsseler Platz GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Helaba Invest Kapitalanlagegesellschaft mbH	Investment trust company	Frankfurt am Main	Germany
Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG	Financial institution	Pullach	Germany
Hello Darmstadt Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany

Entity	Nature of activity	Head office/ location	Country
HeWiPPP II GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
HI A-FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI C-FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI FBI FONDS	Securities investment fund	Frankfurt am Main	Germany
HI FBP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI H-FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-HT-KOMP-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-HTNW-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-RENTPLUS-FONDS	Securities investment fund	Frankfurt am Main	Germany
HTB Grundstücksverwaltungsgesellschaft mbH	Other undertaking	Frankfurt am Main	Germany
Landesbank Hessen-Thüringen Girozentrale Düsseldorf	Bank	Düsseldorf	Germany
Landesbank Hessen-Thüringen Girozentrale	Bank	Frankfurt am Main/ Erfurt	Germany
Landesbausparkasse Hessen-Thüringen – legally dependent division of Landesbank Hessen-Thüringen Girozentrale	Bank	Offenbach	Germany
Landeskreditkasse zu Kassel – branch of Landesbank Hessen-Thüringen Girozentrale	Bank	Kassel	Germany
MAVEST Vertriebsgesellschaft mbH	Other undertaking	Frankfurt am Main	Germany
MAVEST Wohnungsbaugesellschaft mbH	Other undertaking	Frankfurt am Main	Germany
Merian GmbH Wohnungsunternehmen	Other undertaking	Frankfurt am Main	Germany
Neunte P 1 Projektgesellschaft mbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
OFB Beteiligungen GmbH	Financial institution	Frankfurt am Main	Germany
OFB Projektentwicklung GmbH	Other undertaking	Frankfurt am Main	Germany
Projekt Erfurt B38 GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projekt Hirschgarten MK8 GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projektentwicklung Königstor GmbH & Co. KG	Other undertaking	Kassel	Germany
Projektentwicklung Lutherplatz GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
PVG GmbH	Other undertaking	Frankfurt am Main	Germany
SQO Stadt Quartier Offenburg GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Systeno GmbH	Other undertaking	Frankfurt am Main	Germany
TE Kronos GmbH	Financial institution	Frankfurt am Main	Germany
unIQus Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Versicherungsservice der Frankfurter Sparkasse GmbH	Other undertaking	Frankfurt am Main	Germany
Verso Grundstücksentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Verso Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany

Entity	Nature of activity	Head office/ location	Country
Vierte OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Vierte OFB PE GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Wirtschafts- und Infrastrukturbank Hessen – legally dependent entity within Landesbank Hessen-Thüringen Girozentrale	Bank	Frankfurt am Main	Germany
Zweite OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Zweite OFB PE GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Montindu S.A./N.V.	Other undertaking	Brussels	Belgium
Logistica CPH K/S	Other undertaking	Copenhagen	Denmark
Landesbank Hessen-Thüringen Girozentrale – Paris branch	Bank	Paris	France
Helaba Asset Services	Financial institution	Dublin	Ireland
OPUSALPHA FUNDING LTD	Financial institution	Dublin	Ireland
Landesbank Hessen-Thüringen Girozentrale – Stockholm branch	Bank	Stockholm	Sweden
Landesbank Hessen-Thüringen Girozentrale – London branch	Bank	London	United Kingdom
Landesbank Hessen-Thüringen Girozentrale – Grand Cayman branch	Bank	George Town	Cayman Islands
Main Capital Funding II Limited Partnership	Financial institution	Saint Helier	Jersey
Main Capital Funding Limited Partnership	Financial institution	Saint Helier	Jersey
Frankfurter Bankgesellschaft (Schweiz) AG	Bank	Zurich	Switzerland
Honua'ula Partners LLC	Other undertaking	Wailea	USA
Landesbank Hessen-Thüringen Girozentrale – New York branch	Bank	New York	USA
LHT MSIP LLC	Financial institution	Wilmington	USA
LHT Power Three LLC	Financial institution	Wilmington	USA
LHT TCW LLC	Financial institution	Wilmington	USA
LHT TPF II LLC	Financial institution	Wilmington	USA

Independent Auditor's Report

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

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Landesbank Hessen-Thüringen Girozentrale Frankfurt am Main/ Erfurt, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2018 to 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/ Erfurt, for the financial year from 1 January 2018 to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the non-financial statement included in the "non-financial statement" section of the group management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the financial year from 1 January 2018 to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group non-financial statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

1. Calculation of the loss provisions for financial instruments not in default (stage allocation)

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

Financial instruments not in default have been measured in accordance with IFRS 9 for the first time since 1 January 2018. This involves replacing the incurred loss model under IAS 39 with an expected loss model.

Impairments of non-defaulted financial instruments for which a loss provision is to be recognized in accordance with IFRS 9 are now accounted for either at an amount equal to the 12-month expected credit loss (stage 1) or, if there has been a significant increase in credit risk since initial recognition, at an amount equal to the lifetime expected credit loss (stage 2).

In this context, in particular the specification of the criteria set by the executive directors for determining a significant increase in credit risk ("stage transfer criteria") is subject to judgment. Given that the stage transfer criteria were set for the first time by the executive directors and given the related scope for judgment and the volume of financial instruments not in default for which risk provisions are to be recognized under IFRS 9, we consider the calculation of the risk provisions for financial instruments not in default (stage allocation) to be a key audit matter.

Auditor's response

We assessed the stage transfer criteria set by the executive directors, the devised stage allocation and the significant assumptions for evaluating the significance of the increase in credit risk for financial instruments not in default for their conformity with IFRS 9.

We assessed the design and operating effectiveness of the internal control system as it relates to stage allocation. In doing so, we focused particularly on the procedures and controls in place for loan origination (determination of the original credit risk) and for loan monitoring (determination of the current credit risk).

We performed substantive analytical procedures based on a data export from significant sub-portfolios, selected on a risk basis, covered by the loss provisions for non-defaulted financial instruments. In this context, the original credit risk was assessed in terms of significant anomalies. We also obtained an understanding of stage 2 allocation based on quantitative and qualitative criteria (for example, changes in the rating, consideration of the loan management class). For risk-based samples we assessed the significant anomalies, in particular in view of the stage allocation.

Our procedures did not lead to any reservations relating to the calculation of the loss provisions for non-defaulted financial instruments (stage allocation).

Reference to related disclosures

Information on the calculation of the loss provisions for financial instruments in stages 1 and 2 is contained in note nos. (9), (23) and (72) of the notes to the consolidated financial statements.

2. Calculation of the loss provisions for commercial real estate financing in the event of objective evidence of impairment (stage 3)

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

The valuation of the commercial real estate financing portfolios in the event of objective evidence of impairment (stage 3) and the assessment of the amount of any necessary loss provisions for the loans is a key area in which the executive directors use judgment. The identification of impaired loans and determination of an appropriate impairment loss entail uncertainties and involve various assumptions and factors, in particular the financial situation of the counterparty, expectations of future cash flows, observable market prices and expectations of net sales prices from the realization of collateral. Minimal changes in the assumptions can lead to significantly differing valuations and thus to higher impairment losses.

As part of the audit, the measurement of the commercial real estate financing was a key important audit matter as this portfolio comprises a considerable portion of the entire customer loan volume in the face of concurrent uncertainty concerning future market developments given the long loan terms. In light of these uncertainties, the use of judgment in estimating cash flows in various scenarios and probabilities of occurrence pertaining to the valuation of portfolios can significantly affect the amount of the provisions for loan losses.

Auditor's response

As part of our audit, we evaluated the design of the processes aimed at monitoring the default risk and the impairment calculation and used samples to test the effectiveness of the controls implemented in the processes.

We also performed substantive procedures on a sample basis, assessing specific loan loss provisions in terms of necessity and adequacy in a test of details. We selected the sample with a view to risk, applying in particular criteria such as inclusion in watchlists for elevated risks of default, rating categories or specific loan loss allowances already in place.

We obtained an understanding of the significant assumption used in provisioning on the basis of risk-based samples. This included reviewing the estimates of the expected future cash flows from borrowers, including the potential cash flows from the realization of collateral, and estimates of the recoverability of payments in the event of default. We obtained an understanding of the methods used in terms of methodology and arithmetic. Since the Institution's stage 3 commercial real estate financing relates almost exclusively to asset finance, we paid particular attention to the impairment of collateral. For our evaluation of the collateral, we relied in particular on external appraisals and used these in our audit. This also included assessing the independence and the methodology of the external experts used by the executive directors to value the collateral or to estimate future cash flows.

We consulted real estate valuation specialists during our audit.

Our procedures did not lead to any reservations relating to the calculation of the loss provisions for commercial real estate financing in the event of objective evidence of impairment (stage 3).

Reference to related disclosures

Information on the valuation of the commercial real estate financing is provided in note nos. (9), (23), (39) and (72) of the notes to the consolidated financial statements and in the Default risk in the risk report section of the group management report.

3. Valuation of investment property

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

Investment property is recognized at amortized cost and is held to generate rental income in the long term and to achieve value appreciation, and relates nearly exclusively to leased residential property.

The buildings are depreciated over their estimated useful lives according to the straight-line method. An impairment test must be conducted in accordance with IAS 36 if there are indications of impairment, comparing the carrying amount with the recoverable amount. The recoverable amount is determined using numerous valuation-relevant parameters requiring considerable judgments and assumptions by the executive directors. These are in particular assumptions about the future development of realizable rents, the future development of the vacancy rate, the discount and capitalization rates and future repairs and investments. These parameters entail significant uncertainty. A minimal change in these parameters can have a significant effect on the valuation of the investment property.

Due to the use of judgment in assessing indications of potential impairment as well as the assumptions made by the executive directors in connection with the valuation procedures, the valuation of the investment property was a key audit matter.

Auditor's response

As part of our audit, we analyzed the process implemented by the executive directors and the recognition and measurement policies applied to calculate the recoverable amounts and obtained an understanding of the process steps. In this context, we also assessed whether the process is suited to providing objective evidence of impairment.

In risk-based samples, we satisfied ourselves of the appropriateness of the methods applied in the calculations and of the valuation parameters, in particular realizable rents, vacancy assumptions, necessary repairs and investments as well as discount and capitalization rates. In doing so, we relied on the corresponding property accounting records as well as the underlying rental agreements and compared these with our knowledge of valuation parameters customary in the market. This also included assessing the independence and the methodology of the external experts used by the executive directors to value the real estate or estimate future cash flows.

We consulted real estate valuation specialists during our audit.

Our procedures did not lead to any reservations relating to the valuation of investment property.

Reference to related disclosures

Information on the recognition and measurement of investment property are provided in the balance sheet item Investment property and in note nos. (14) and (46) of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the "Report of the Supervisory Board," while the Board of Public Owners is responsible for the "Report of the Board of Public Owners." In all other respects, the executive directors are responsible for the other information. The other information comprises the group statement on corporate governance included in the "Non-financial statement" section of the group management report in accordance with Sec. 315b HGB.

In addition, the other information comprises the other sections of the annual report that we expect to be provided to us after we have issued our auditor's report:

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

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

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

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

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

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group 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 consolidated financial statements and of the group 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- 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 Group'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 consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Board of Public Owners on 1 December 2017. We were engaged by the Board of Managing Directors on 23 January 2018. We have been the group auditor of Landesbank Hessen-Thüringen Girozentrale Frankfurt am Main/Erfurt since financial year 2018.

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Mr. Christoph Hultsch.

Eschborn/Frankfurt am Main, 26 February 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Müller-Tronnier	Hultsch
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Independent Auditor's Limited Assurance Report

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

We have performed a limited assurance engagement on the Non-financial Group Statement of Landesbank Hessen-Thüringen Girozentrale according to §§ 340i in conjunction with 315b HGB ("Handelsgesetzbuch": German Commercial Code) as well as the section "Basic Information About the Group" in the Group Management Report being incorporated by reference for the reporting period from 1 January 2018 to 31 December 2018 (hereafter non-financial group statement). Our engagement did not include any disclosures for prior years

A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial group statement in accordance with §§ 340i in conjunction with 315c HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial group statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial group statement that is free from material misstatement, whether due to fraud or error.

B. Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial group statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial group statement of the Company has been prepared, in all material respects, in accordance with §§ 340i in conjunction with 315c HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2018 and February 2019, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial group statement, the risk assessment and the concepts of Landesbank Hessen-Thüringen Girozentrale for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial group statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial group statement,
- Identification of likely risks of material misstatement in the non-financial group statement
- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas e.g. compliance and employees in the reporting period and testing such documentation on a sample basis,

- Analytical evaluation of disclosures in the non-financial group statement,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial group statement.

D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial group statement of Landesbank Hessen-Thüringen Girozentrale for the period from 1 January 2018 to 31 December 2018 has not been prepared, in all material respects, in accordance with §§ 340i in conjunction with 315c HGB.

E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with Landesbank Hessen-Thüringen Girozentrale. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/generalengagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 26 February 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter ppa. Dr. Patrick Albrecht
Wirtschaftsprüferin
(German Public Auditor)

Corporate Bodies

Supervisory Board

Appointed by the Sparkassen- und Giroverband Hessen-Thüringen

Members	Deputy Members
Gerhard Grandke Executive President Sparkassen- und Giroverband Hessen-Thüringen Frankfurt am Main/Erfurt – Chairman –	TBA
Dr. Werner Henning Chief Administrative Officer County District of Eichsfeld Heiligenstadt – First Vice Chairman –	TBA
Andreas Bausewein Mayor City of Erfurt Erfurt	**Jochen Partsch** Mayor City of Darmstadt Darmstadt
Dr. Annette Beller Member of the Management Board B. Braun Melsungen AG Melsungen	**Dr. Ingo Wiedemeier** Chairman of the Board of Managing Directors Sparkasse Hanau Hanau
Christian Blechschmidt Chairman of the Board of Managing Directors Sparkasse Unstrut-Hainich Mühlhausen – since 28 March 2018 –	**Hans-Georg Dorst** Vice-Chairman of the Board of Managing Directors Sparkasse Mittelthüringen Erfurt – since 21 June 2018 – **Christian Blechschmidt** Chairman of the Board of Managing Directors Sparkasse Unstrut-Hainich Mühlhausen – until 27 March 2018 –
TBA	**Wilhelm Bechtel** Chairman of the Board of Managing Directors Stadtsparkasse Schwalmstadt Schwalmstadt
Stefan Hastrich Chairman of the Board of Managing Directors Kreissparkasse Weilburg Weilburg	**Norbert Spory** Chairman of the Board of Managing Directors Sparkasse Wetzlar Wetzlar
Günter Högner Chairman of the Board of Managing Directors Nassauische Sparkasse Wiesbaden	**Oliver Klink** Chairman of the Board of Managing Directors Taunussparkasse Bad Homburg v. d. Höhe

Members	Deputy Members
TBA	**Ulrich Krebs** Chief Administrative Officer County District of Hochtaunus Bad Homburg v. d. Höhe
Manfred Michel Chief Administrative Officer Country District of Limburg-Weilburg Limburg an der Lahn – until 31 December 2018 –	
TBA	**Reinhard Faulstich** Chairman of the Board of Managing Directors Sparkasse Bad Hersfeld-Rotenburg Bad Hersfeld
Frank Nickel Chairman of the Board of Managing Directors Sparkasse Werra-Meissner Eschwege – until 10 December 2018 –	
Thorsten Schäfer-Gümbel Member of the State Parliament of Hesse Wiesbaden	TBA
	Peter Feldmann Mayor City of Frankfurt am Main Frankfurt am Main – until 12 October 2018 –
TBA	**Marina Heller** Chairwoman of the Board of Managing Directors Sparkasse Rhön-Rennsteig Meiningen
Helmut Schmidt Chairman of the Board of Managing Directors Kreissparkasse Saale-Orla Schleiz – until 18 January 2019 –	
Uwe Schmidt Chief Administrative Officer District of Kassel Kassel	**Anita Schneider** Chief Administrative Officer County District of Giessen Giessen
Wolfgang Schuster Chief Administrative Officer County District of Lahn-Dill Wetzlar	**Thomas Will** Chief Administrative Officer County District of Groß-Gerau Groß-Gerau

Members	Deputy Members
Dr. Eric Tjarks Chairman of the Board of Managing Directors Sparkasse Bensheim Bensheim	**Jürgen Schüdde** Chairman of the Board of Managing Directors Sparkasse Starkenburg Heppenheim
Dr. Heiko Wingenfeld Mayor City of Fulda Fulda – since 21 June 2018 –	**Alexander Hetjes** Mayor Stadt Bad Homburg v. d. Höhe Bad Homburg v. d. Höhe – since 21 June 2018 – **Dr. Heiko Wingenfeld** Mayor City of Fulda Fulda – until 20 June 2018 –
TBA	**Uwe Becker** Mayor City of Frankfurt am Main Frankfurt am Main – since 21 June 2018 –

Appointed by the State of Hesse

Members	Deputy Members
Dr. Thomas Schäfer Minister of State Ministry of Finance of the State of Hesse Wiesbaden – Second Vice Chairman –	**Tarek Al-Wazir** Minister of State Ministry of Economics, Energy, Transport, Urban and Regional Development of the State of Hesse Wiesbaden
Clemens Reif Member of the State Parliament of Hesse Wiesbaden	**Frank Lortz** Member of the State Parliament of Hesse Wiesbaden

Appointed by the State of Thuringia

Members	Deputy Members
Dr. Hartmut Schubert Secretary of State Ministry of Finance of the State of Thuringia Erfurt	**Dr. Werner Pidde** Member of the State Parliament of Thuringia Erfurt

Appointed by the Rheinischer Sparkassen- und Giroverband

Members	Deputy Members
Alexander Wüerst Chairman of the Board of Managing Directors Kreissparkasse Köln Cologne – Third Vice Chairman –	**Dr. Birgit Roos** Chairwoman of the Board of Managing Directors Sparkasse Krefeld Krefeld

Appointed by the Sparkassenverband Westfalen-Lippe

Members	Deputy Members
Dr. Christoph Krämer Chairman of the Board of Managing Directors Sparkasse Iserlohn Iserlohn	**Dr. h.c. Sven-Georg Adenauer** Chief Administrative Officer County District of Gütersloh Gütersloh

Appointed by Fides Beta GmbH

Members	Deputy Members
Dr. Karl-Peter Schackmann-Fallis Executive Member of the Board Deutscher Sparkassen- und Giroverband e.V. Berlin – since 5 April 2018 – – Fifth Vice-Chairman since 22 June 2018 –	TBA
	Dr. Karl-Peter Schackmann-Fallis Executive Member of the Board Deutscher Sparkassen- und Giroverband e.V. Berlin – until 4 April 2018 –

Appointed by Fides Alpha GmbH

Members	Deputy Members
Arnd Zinnhardt Member of the Group Executive Board Software AG Darmstadt	**Michael Bräuer** Chairman of the Board of Managing Directors Sparkasse Oberlausitz-Niederschlesien Zittau – since 1 July 2018 –
	Siegmar Müller Chairman of the Board of Managing Directors Sparkasse Germersheim-Kandel Kandel – until 6 June 2018 –

Employee representatives

Members	Deputy Members*
Thorsten Derlitzki Vice President Landesbank Hessen-Thüringen Frankfurt am Main – Fourth Vice Chairman -	**Dr. Robert Becker** Senior Vice President Landesbank Hessen-Thüringen New York – until 30 April 2018 –
Frank Beck Vice President Landesbank Hessen-Thüringen Frankfurt am Main	**Sven Ansorg** Bank employee Landesbank Hessen-Thüringen Erfurt
Dr. Robert Becker Senior Vice President Landesbank Hessen-Thüringen New York – since 1 May 2018 –	**Jens Druyen** Bank employee Landesbank Hessen-Thüringen Düsseldorf
Gabriele Fuchs Bank employee Landesbank Hessen-Thüringen Frankfurt am Main – until 30 April 2018 –	**Ursula Schmitt** Bank employee Landesbank Hessen-Thüringen Wirtschafts- und Infrastrukturbank Hessen Offenbach
Anke Glombik-Batschkus Vice President Landesbank Hessen-Thüringen Erfurt	**Rainer Baur** Vice President Landesbank Hessen-Thüringen Düsseldorf
Thorsten Kiwitz Vice President Landesbank Hessen-Thüringen Frankfurt am Main	**Thomas Buchmayer** Bank employee Landesbank Hessen-Thüringen Offenbach
Christiane Kutil-Bleibaum Vice President Landesbank Hessen-Thüringen Düsseldorf	**Petra Barz** Bank employee Landesbank Hessen-Thüringen Frankfurt am Main
Annette Langner Vice President Landesbank Hessen-Thüringen Frankfurt am Main	**Ute Opfer** Bank employee Landesbank Hessen-Thüringen Kassel
Susanne Noll Bank employee Landesbank Hessen-Thüringen Frankfurt am Main	**Astrid Mitteldorf** Bank employee Landesbank Hessen-Thüringen Wirtschafts- und Infrastrukturbank Hessen Offenbach
Jürgen Pilgenröther Bank employee Landesbank Hessen-Thüringen Frankfurt am Main	**Angelika Schröder** Bank employee Landesbank Hessen-Thüringen Kassel

Employee representatives

Members	Deputy Members*
Birgit Sahliger-Rasper Bank employee Landesbank Hessen-Thüringen Frankfurt am Main	TBA
Susanne Schmiedebach Vice President Landesbank Hessen-Thüringen Düsseldorf	TBA
Thomas Sittner Bank employee Landesbank Hessen-Thüringen Frankfurt am Main	TBA

* The order in which deputy employee representatives are listed is based on the outcome of the Supervisory Board election.

Board of Public Owners

Stefan Reuß
Chief Administrative Officer
County District of Werra-Meissner
Eschwege
– Chairman –

Prof. Dr. Liane Buchholz
President
Sparkassenverband Westfalen-Lippe
Münster
– Vice-Chairwoman –

Ingo Buchholz
Chairman of the Board of Managing Directors
Kasseler Sparkasse
Kassel
– Vice-Chairman –

Helmut Schleweis
President
Deutscher Sparkassen- und
Giroverband e.V.
Berlin
– Member since 25 January 2018 –
– Vice-Chairman since 1 April 2018 –

Helmut Schleweis
Chairman of the Board of Managing Directors
Sparkasse Heidelberg
Heidelberg
– Vice-Chairman –
– until 24 January 2018 –

Heike Taubert
Minister of State
Ministry of Finance of the State of Thuringia
Erfurt
– Vice-Chairwoman –

Dieter Bauhaus
Chairman of the Board of Managing Directors
Sparkasse Mittelthüringen
Erfurt

Volker Bouffier
Minister-President of the State of Hesse
State Chancellery of Hesse
Wiesbaden

Michael Breuer
President
Rheinischer Sparkassen- und Giroverband
Düsseldorf

Sigrid Erfurth
Member of the State Parliament of Hesse
Wiesbaden

Alois Früchtl
Chairman of the Board of Managing Directors
Sparkasse Fulda
Fulda

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

Claus Kaminsky
Mayor
City of Hanau
Hanau

Siegmar Müller
Chairman of the Board of Managing Directors
Sparkasse Germersheim-Kandel
Kandel
– since 6 June 2018 –

Thomas Müller
Chief Administrative Officer
County District of Hildburghausen
Hildburghausen

Günter Sedlak
Chairman of the Board of Managing Directors
Sparkasse Oberhessen
Friedberg

TBA

Advisory Board on Public Companies/ Institutions, Municipalities and Sparkassen

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

Herbert Hans Grüntker
Chairman of the Board of Managing Directors
Landesbank Hessen-Thüringen Girozentrale
Frankfurt am Main
– Vice-Chairman –

Burkhard Albers
Managing Director
Kommunaler Arbeitgeberverband Hessen e.V.
Frankfurt am Main

Dr. Constantin H. Alsheimer
Chairman of the Management Board
Mainova AG
Frankfurt am Main

Uwe Becker
Mayor and City Treasurer
City of Frankfurt am Main
Frankfurt am Main
– until 29 June 2018 –

Guido Braun
Chairman of the Board of Managing Directors
Städtische Sparkasse Offenbach a. M.
Offenbach am Main

Uwe Brückmann
State Welfare Organisation of Hesse
Kassel
– until 30 April 2018 –

Andreas Feicht
Chairman of the Management Board
WSW Energie und Wasser AG
Berlin
– until 31 January 2019 –

Thomas Fügmann
Chief Administrative Officer
County District of Saale-Orla
Schleiz
– since 1 December 2018 –

Dr. Thomas Hain
Managing Director
Nassauische Heimstätte GmbH
Frankfurt am Main

Dieter Hassel
Chief Commercial Officer
Rheinenergie AG
Cologne

Andreas Heller
Chief Administrative Officer
County District of Saale-Holzland
Eisenberg

Renate Hötte
LVR Board Member
Landschaftsverband Rheinland
Cologne

Dr. Andreas Jahn
Member of the Management Board
SV SparkassenVersicherung Holding AG
Stuttgart
– since 1 June 2018 –

Frank Junker
Member of the Management Board
FAAG - Frankfurter Aufbau AG
Frankfurt am Main

Jürgen Kuhn
Vice-Chairman of the Board of
Managing Directors
Sparkasse Langen-Seligenstadt
Seligenstadt

Brigitte Lindscheid
Darmstadt Regional Council
Darmstadt

Matthias Löb
Director
Landschaftsverband Westfalen-Lippe
Münster

Dr. Henning Müller-Tengelmann
Commercial Director
Stadtwerke Münster GmbH
Münster
– until 20 September 2018 –

Guntram Pehlke
Chairman of the Management Board
DSW21 Dortmunder Stadtwerke AG
Dortmund

Stefan G. Reindl
Spokesman for the Management Board
TEAG – Thüringer Energie AG
Erfurt

Prof. Knut Ringat
Managing Director and spokesman for
the Management Board
Rhein-Main-Verkehrsverbund GmbH
Hofheim am Taunus

Klaus Peter Schellhaas
Chief Administrative Officer
County District of Darmstadt-Dieburg
Darmstadt

Michael Schmitz
Member of the Executive Management
Berufsgenossenschaft Holz und Metall
Mainz

Ralf Schodlok
Chairman of the Executive Board
ESWE Versorgungs AG
Wiesbaden

Dr. Albrecht Schröter
Mayor
City of Jena
Jena
– until 30 June 2018 –

Martina Schweinsburg
Chief Administrative Officer
County District of Greiz
Greiz
– until 30 November 2018 –

Susanne Selbert
State Welfare Organisation of Hesse
Kassel
– since 1 May 2018 –

Volker Sparmann
Mobility Officer
of Ministry of Economics, Energy,
Transport, Urban and Regional Development
of the State of Hesse
House of Logistics & Mobility (HOLM) GmbH
Frankfurt am Main

Heinz Thomas Striegler
Head of the church administrative board
of the Protestant church in Hesse and Nassau
Darmstadt

Axel ter Glane
Head of Department
Ministry of Finance of the State of
Thuringia
Erfurt

Dr. Peter Traut
President
IHK Südthüringen
Suhl

Berthold Tritschler
Chief Operating Officer
Hessischer Rundfunk
Frankfurt am Main

Georg von Meibom
Managing Director
EAM Verwaltungs GmbH
Kassel

Marcus Wittig
Chairman of the Board
Duisburger Versorgungs- und
Verkehrsgesellschaft mbH
Duisburg

Bernd Woide
Chief Administration Officer
County District of Fulda
Fulda

Stefan Wolf
Mayor
City of Weimar
Weimar
– until 30 June 2018 –

Ulrich-Bernd Wolff von der Sahl
Chairman of the Board of Managing Directors
SV SparkassenVersicherung Holding AG
Stuttgart
– until 31 May 2018 –

Peter Zaiß
Managing Director
SWE Stadtwerke Erfurt GmbH
Erfurt

Report of the Supervisory Board

The Supervisory Board and its committees supervised the conduct of business by the Board of Managing Directors in accordance with the statutory regulations and Helaba's Charter and were notified of and involved in matters relating to equity holdings, major events and important business transactions of material significance for the Bank.

Supervisory Board

The Supervisory Board was notified regularly of developments in the business, earnings and risk situation of Landesbank Hessen-Thüringen Girozentrale and the Landesbank Group in the six meetings held during the year under review. It obtained reports on current developments in the international financial markets and the banking markets, on the implications of these developments for the Bank's earnings, liquidity and risk situation and on the management measures taken by the Board of Managing Directors.

The Board of Managing Directors discussed the business and risk strategy for 2019, operational planning and rolling medium-term planning, including equity planning, in detail with the Supervisory Board, which also received prompt notification of the content of the Risk Report, prepared in accordance with the German Minimum Requirements for Risk Management (MaRisk), that was presented to the Supervisory Board Risk and Credit Committee every quarter. The Supervisory Board also noted and discussed the 2019 IT strategy, the 2019 outsourcing strategy and the 2019 tax strategy.

Internal Audit reported to the Supervisory Board meetings regularly on audit findings of particular significance and the checks performed on actions taken to resolve previously identified concerns. The Supervisory Board took note of the reports prepared by the Capital Market Compliance Office and the MaRisk Compliance function, the activity report prepared by the Money Laundering Officers and the risk analysis for capturing and assessing the risks arising from money laundering, the funding of terrorism and other punishable acts.

The meetings of the Supervisory Board also received reports from the Board of Managing Directors on the following key topics:

- The programme to address previously identified concerns and improve the IT organisation
- The ECB's SREP decision
- Regulatory audits and resulting action plans
- The current situation report regarding the 2007 trading transactions
- Reporting in relation to the Risk Appetite Statement
- The updating of Helaba's recovery plan
- The situation report concerning the resolution planning project
- Helaba's new advertising concept.

The Supervisory Board also adopted resolutions on the following key topics:

- The extension of HSH Nordbank's membership of the Landesbanken Reserve Fund and participation of the Sparkassen-Finanzgruppe's protection scheme in the reserve fund for HSH and in the provision of funds for HSH
- The acquisition of Dexia Kommunalbank Deutschland GmbH (DKD)
- The amendment of the Charter
- The amendment of the Rules of Procedure for the Supervisory Board and its committees
- The amendment of the Rules of Procedure for the Board of Managing Directors and the granting of exemptions for strategic equity investments

- The principles and procedures for the handling of conflicts of interest affecting Helaba's Supervisory Board
- The updating of the job description and candidate profile for members of the Supervisory Board
- The requirements concerning the time for which members of the Supervisory Board and its committees need to be available
- The inclusion of allowable AT1 capital instruments as part of an exchange of silent partner contributions of the Sparkassen in Hesse-Thuringia
- Matters relating to the real estate at Neue Mainzer Straße 57/59
- The sale of equity investment LB(Swiss) Investment AG
- The revision of the remuneration principles for employees of Helaba

Helaba organised three information events for all members of the corporate bodies during the year under review. External speakers were brought in for elements of these events, which also serve as continuing professional development as required in connection with the expertise requirements for the exercise of a mandate in management and supervisory entities pursuant to Section 25d (4) of the German Banking Act (Kreditwesengesetz – KWG). The events presented information on topics including Helaba's IT strategy and digital agenda, its real estate lending and Sparkasse business, compliance and money laundering, the three lines of defence model and current developments in the field of supervisory law. The principal activities of Helaba Invest and LBS were also addressed in detail and individual training was provided for new and existing members of the Supervisory Board.

Committees of the Supervisory Board

The committees of the Supervisory Board (Risk and Credit Committee, Audit Committee, Personnel and Remuneration Oversight Committee, Nomination Committee, Investment Committee, Building Committee and WIBank Committee) assisted the Supervisory Board in its work and drew up proposals for decisions. The duties of the committees follow from Section 25d (7) et seq. KWG and from the rules of procedure for the Supervisory Board and its committees. The chairpersons and vice-chairpersons of the committees reported to the Supervisory Board on the outcomes of deliberations in the relevant committee.

The Risk and Credit Committee held 13 meetings in the year under review, one of which was a two-day closed meeting to discuss matters relating to banking regulation, banking strategy and lending strategy. The committee's duties, in line with the responsibilities assigned to it, include approving the granting of loans, the implementation of requirements set out in Section 25d (8) KWG, in particular advising the Supervisory Board on the Bank's current and future overall risk acceptance and strategy and assisting with the monitoring of the implementation of this strategy by the Board of Managing Directors. The committee also monitors the terms applied in customer business to ensure that they remain in harmony with the Bank's business model and risk structure. In the year under review, the Supervisory Board Risk and Credit Committee devoted attention to Helaba's overall risk reporting on a quarterly basis and discussed in advance the risk strategy for 2019. The Risk and Credit Committee also gave regular intensive consideration to the programme to address previously identified concerns and improve the IT organisation, in which work it was at times joined by the Audit Committee.

The Audit Committee convened for four meetings, considering in detail, in accordance with the requirements of Section 25d (9) KWG, the audit of the annual accounts of the Bank, the Group and Landesbausparkasse Hessen-Thüringen and the audit of securities trading business as specified in Section 36 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). In addition, the Audit Committee was notified of audit planning for the separate and consolidated financial statements at 31 December 2018, received updates on the status of the resolution of observations made in the course of regulatory audits and took note of the Audit unit's annual report. The Audit Committee was also notified of external audits conducted in the financial year under review and of the latest status of the Alpha programme.

The Nomination Committee met three times in the year under review. In accordance with the requirements of Section 25 d (11) KWG, it devoted attention to assessing the questionnaire to evaluate the activities of the Supervisory Board. This questionnaire reflects the stipulations of Section 25d (11) KWG, which requires a regular assessment of the structure, size, composition and performance of the supervisory entity and the knowledge, skills and experience of the members of the supervisory entity. The matters involved were subsequently addressed by the Supervisory Board. The Nomination Committee selected an external party to evaluate the activities of the Supervisory Board in the 2018/2019 evaluation and recommended to the Supervisory Board that the external party be engaged to perform the evaluation. The Nomination Committee also considered the content and implementation of EBA guidelines nos. 11/2017 and 12/2017 in relation to the Nomination Committee, the requirements concerning the time for which members of the Supervisory Board and its committees need to be available, the principles and procedures for the handling of conflicts of interest affecting Helaba's Supervisory Board, the principles concerning appointments to the level below the Board of Managing Directors and the training concept for members of the Supervisory Board and its committees, discussed proposals on the appointment of ordinary and deputy members of the Supervisory Board and submitted recommended resolutions to the Supervisory Board.

The two meetings of the Personnel and Remuneration Oversight Committee held in the year under review examined the implementation of the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (Instituts-Vergütungsverordnung – IVV) to ensure compliance with the regulatory requirements concerning employee remuneration systems pursuant to Section 25d (12) KWG. The Personnel and Remuneration Oversight Committee also took note of the results of the risk analysis to identify risk-bearing entities for financial year 2019 and of the report of the Remuneration Officers and recommended to the Supervisory Board that the revised remuneration principles for employees of Helaba be adopted. In addition, the committee dealt in detail with

- the evaluation of the effects of the remuneration systems on risk, capital and liquidity management,
- the proper involvement of the internal units exercising control in monitoring the design of the remuneration systems, within the scope of their responsibility,
- Helaba's remuneration report and
- the status of implementation of IVV 3.0.

The WIBank Committee, which is responsible for monitoring WIBank's development activities in accordance with Article 26 of Helaba's Charter, met six times in the year under review. At its meetings, it addressed the annual accounts, the course of business and the business and risk strategy of WIBank.

The Investment Committee was informed at one meeting about the Bank's strategic equity investments and submitted proposals for decisions in relation to equity investment matters to the Supervisory Board within the scope of its responsibility.

The Building Committee held one meeting in the year under review, at which it was informed about developments in the real estate market and about the Bank's real estate portfolio. It also considered the current status of the development of the MainPark complex at Offenbach-Kaiserlei.

Audit and Adoption of the Annual Accounts for 2018

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the annual accounts for 2018 together with the accompanying management report. The annual accounts received an unqualified certificate of audit. The Supervisory Board meeting of 25 March 2019 adopted the annual accounts of the Bank, approved the management report and applied to the Board of Public Owners for the Board of Managing Directors and the Supervisory Board to be discharged from responsibility in respect of financial year 2018.

Changes to the Board of Managing Directors

Following approval by the Supervisory Board on 6 December 2018, and subject to approval by the European Central Bank (ECB), the meeting of the Board of Public Owners of Landesbank Hessen-Thüringen Girozentrale on 10 December 2018 appointed Mr. Frank Nickel as a member of the Board of Managing Directors. Following approval by the Supervisory Board, the Board of Public Owners resolved at its meeting on 23 March 2018 to approve the reappointment of Dr. Detlef Hosemann as a Member of the Board of Managing Directors with effect from 1 December 2018. Member of the Board of Managing Directors Mr. Klaus-Jörg Mulfinger retired on 31 December 2018.

The Supervisory Board wishes to thank Helaba's Board of Managing Directors and employees for their efforts in the year under review.

Frankfurt am Main, 25 March 2019

The Chairman of the Supervisory Board
of Landesbank Hessen-Thüringen
Girozentrale

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

Report of the Board of Public Owners

The Board of Public Owners discharged the duties incumbent upon it under the law and the Helaba Charter in a total of five meetings in the year under review. It was notified accordingly of major events, operational planning for the year and rolling medium-term planning, including equity planning, and it discussed the business and risk strategy and the tax, outsourcing and IT strategies for 2019. It also regularly considered Helaba's business, income and risk reports.

The Board of Managing Directors reported on the following key topics at the meetings of the Board of Public Owners:

- The programme to address previously identified concerns and improve the IT organisation
- The ECB's SREP decision
- Regulatory audits and resulting action plans
- The current situation report regarding the 2007 trading transactions
- Reporting in relation to the Risk Appetite Statement
- The updating of Helaba's recovery plan
- The situation report concerning the resolution planning project
- The principles and procedures for the handling of conflicts of interest affecting Helaba's Board of Public Owners

The Board of Public Owners also adopted resolutions on the following key topics:

- The extension of HSH Nordbank's membership of the Landesbanken Reserve Fund
- The acquisition of Dexia Kommunalbank Deutschland GmbH (DKD)
- The inclusion of allowable AT1 capital instruments as part of an exchange of silent partner contributions of the Sparkassen in Hesse-Thuringia
- Matters relating to the real estate at Neue Mainzer Straße 57/59
- The sale of equity investment LB(Swiss) Investment AG
- The amendment of the Charter
- The amendment of the Rules of Procedure for the Board of Public Owners
- The amendment of the Rules of Procedure for the Board of Managing Directors and the granting of exemptions for strategic equity investments

The Committee of the Board of Public Owners convened for three meetings, at which it considered matters including the following:

- The assessment of the questionnaire to evaluate the activities of the Board of Managing Directors in accordance with Section 25d of the German Banking Act (Kreditwesengesetz – KWG)
- The implementation of the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (Instituts-Vergütungsverordnung – IVV) to ensure compliance with the regulatory requirements in relation to the remuneration system of Landesbank Hessen-Thüringen
- The review of the principles of the remuneration structure for the Board of Managing Directors of Landesbank Hessen-Thüringen to establish whether they are still appropriate (IVV)
- The consistency of the remuneration strategy of Landesbank Hessen-Thüringen
- The principles for selecting members of the Board of Managing Directors of Landesbank Hessen-Thüringen and assessing their suitability for the role

- The job description and candidate profile for members of the Board of Managing Directors of Landesbank Hessen-Thüringen
- The preparatory process to ensure that suitable successors are ready to take on roles in the Board of Managing Directors as they fall vacant

The matters involved in each case were subsequently addressed by the Board of Public Owners.

The Board of Public Owners additionally handled personnel matters involving the Board of Managing Directors. Following approval by the Supervisory Board on 6 December 2018, and subject to approval by the European Central Bank (ECB), it appointed Mr. Frank Nickel as a member of the Board of Managing Directors. Following approval by the Supervisory Board, the Board of Public Owners resolved at its meeting on 23 March 2018 to approve the reappointment of Dr. Detlef Hosemann as a Member of the Board of Managing Directors with effect from 1 December 2018. Member of the Board of Managing Directors Mr. Klaus-Jörg Mulfinger retired on 31 December 2018.

The Board of Public Owners in its decision of 29 March 2019 approved the Bank's annual accounts and management report and discharged the Board of Managing Directors and the Supervisory Board from responsibility in respect of financial year 2018. It resolved, moreover, to use the reported distributable profit of € 90,000,000 as follows: € 61,588,440 will be paid as a dividend on the Bank's share capital and € 28,411,560 as remuneration for the capital contribution from the State of Hesse.

The Board of Public Owners wishes to thank Helaba's Board of Managing Directors and employees for their efforts in the year under review.

Frankfurt am Main, 29 March 2019

The Chairman of the Board of Public Owners
of Landesbank Hessen-Thüringen
Girozentrale

Stefan Reuß
Chief Administrative Officer
President of the Sparkassen- und
Giroverband Hessen-Thüringen

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Helaba Addresses

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