Half-Yearly Financial Report 2021

Values with impact.

Half-Yearly Financial Report 2021

The Helaba Group

Helaba ratings (As at: August 2021)

Moody's		Fitch		Standard & Poor's	
Outlook	Stable	Outlook	Stable	Outlook	Stable
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-2
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]	BBB+
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]	AA–		
Long-term Junior Senior Unsecured[4]	A2	Senior Preferred[1), 3]	AA–		
Subordinate Rating[5]	Baa2	Senior Unsecured[1), 4]	A+		
Baseline Credit Assessment	baa2	Subordinated debt[1), 5]	A–		
		Viability Rating[1]	a+		

Ratings for Helaba liabilities that are covered by statutory guarantee (grandfathering)[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 and 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

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

68.85 % Sparkassen- und Giroverband Hessen-Thüringen

8.10 % State of Hesse

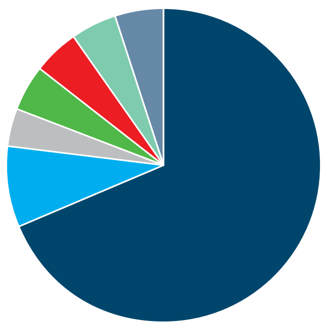
4.05 % State of Thuringia

4.75 % Sparkassenverband Westfalen-Lippe

4.75 % Rheinischer Sparkassen- und Giroverband

4.75 % FIDES Alpha GmbH[1]

4.75 % FIDES Beta GmbH[1]



The Helaba Group in figures

		1.1.–30.6.2021	1.1.–30.6.2020		Change
Performance figures		**in € m**	**in € m**	**in € m**	**in %**
Net interest income before loss allowances		643	598	45	7.4
Net fee and commission income		223	211	13	6.0
General and administrative expenses, including depreciation and amortisation		–782	–778	–4	–0.5
Profit or loss before tax		293	–274	568	> 100.0
Consolidated net profit		**201**	**–185**	**386**	**> 100.0**
Return on equity	in %	**6.7**	**–6.3**		
Cost-income ratio	in %	**64.3**	**118.7**		

	30.6.2021	31.12.2020		Change
Figures in the statement of financial position	**in € m**	**in € m**	**in € m**	**in %**
Measured at amortised cost				
Loans and advances to banks	15,181	17,922	–2,741	–15.3
Loans and advances to customers	113,504	113,925	–421	–0.4
Trading assets	**16,750**	**21,173**	**–4,423**	**–20.9**
Financial assets measured at fair value (not held for trading)	**28,623**	**34,438**	**–5,814**	**–16.9**
Measured at amortised cost				
Deposits and loans from banks	60,341	54,391	5,949	10.9
Deposits and loans from customers	64,475	63,062	1,413	2.2
Securitised liabilities	47,159	49,869	–2,710	–5.4
Trading liabilities	**12,802**	**17,793**	**–4,991**	**–28.1**
Financial liabilities measured at fair value (not held for trading)	**19,766**	**21,864**	**–2,098**	**–9.6**
Equity	**8,925**	**8,842**	**83**	**0.9**
Total assets	**217,150**	**219,324**	**–2,174**	**–1.0**

	30.6.2021	31.12.2020
Key indicators for regulatory purposes	**in %**	**in %**
CET1 capital ratio	14.0	14.7
Tier 1 capital ratio	14.7	15.6
Total capital ratio	17.9	19.1

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dear customers, dear business partners,

In the first half of 2021, Helaba generated consolidated profit before taxes (in accordance with IFRS) of € 293 m – a figure that is well above the corresponding prior-year figure and, roughly speaking, represents a return to the normal pre-COVID-19 level. Consolidated net profit, i.e. the profit after tax, came to € 201 m. The excellent results for the first half of 2021 were based on sound performance in all segments.

This strong showing in the first half of the year is very pleasing and the operating business is continuing to grow. A particularly encouraging figure is the further growth of 6 % in net fee and commission income to € 223 m. Net interest income rose by € 45 m to € 643 m. Income from investment property, which is generated predominantly by GWH, went up by € 13 m in the reporting period to € 118 m. As anticipated, the temporary negative measurement effects from the first half of 2020 continued to reverse in the first six months of 2021. As a result, gains and losses on measurement at fair value improved substantially to a net gain of € 185 m. At € 41 m, other net income/expense remained approximately at the prior-year level.

Our diversified business model is providing us with the stability we require and enabling us to generate further growth. At the same time, we have maintained our prudent approach, recognising a net addition to loss allowances of € 141 m, which is roughly at the level of the corresponding prior-year period and therefore once again a figure we believe to be more than adequate. Overall, Helaba continues to benefit from a high-quality portfolio. For example, there have been hardly any appreciable loan defaults to date.

Thanks to the scheduled implementation of our transformation programme, we have been able to achieve further cost reductions at Helaba Bank. On the other hand, investment in strategic growth initiatives at the subsidiaries has led to higher overall personnel expenses. There has also been a further rise in the bank levy, but general and administrative expenses remained steady overall at € 782 m.

Helaba's capital adequacy, which has remained very sound, led to a CET1 capital ratio of 14 %. Consolidated total assets declined slightly in the first half of 2021, by € 2.1 bn, to € 217.2 bn.

On behalf of the whole of the Executive Board, I would like to extend our thanks to our customers and business partners for their enduring trust and to our corporate bodies for their constructive involvement. I would also like to take this opportunity to express our grateful thanks to our employees, whose forward-looking dedication, exceptional efforts and exemplary team spirit are each day carrying Helaba forward in these particularly challenging times. The special relationship we have created with each other is reinforcing the sense of common purpose at the Bank, enabling us to be a strong partner providing reliable support for our customers at all times.

In the current financial year, we are continuing to focus on the implementation of our strategic agenda, which is progressing well and on schedule. For example, we are diversifying our business model to an even greater extent, upgrading our IT infrastructure and continuing to expand the range of sustainable financial solutions for our customers. We have set ourselves ambitious sustainability targets with the aim of partnering our customers in their transition to sustainable economic activity. In this way, we intend to steer cash flows towards sustainability. We also aim to cut the emissions generated by our own operations by as much as we can. Our objective is to conduct banking business on a sustainable basis, paying due regard to the environment, climate and social responsibility with exemplary corporate governance. We want to lay the foundations today for a sustainable future.

We expect the course of business over the second half of 2021 to remain positive. We therefore anticipate that the consolidated profit before taxes for the whole of the year will be well in excess of the prior-year figure.

Yours sincerely,

Thomas Groß
CEO

Interim Group Management Report

Interim 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. Helaba's hallmarks include stable, long-term customer relationships. It works with companies, institutional clients and the public sector.

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

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

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

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

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

Frankfurter Sparkasse, a wholly owned subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region with around 800,000 customers. Frankfurter Sparkasse has also successfully established a presence in the direct banking market across Germany through 1822direkt.

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

The wholly owned subsidiary Helaba Invest is one of Germany's leading institutional asset management companies. Helaba Invest offers professional management of the assets of institutional investors using special funds for institutional investors and retail funds, and as part of advisory and management portfolios. Its range of products includes management and advisory services in connection with both liquid and illiquid asset classes, together with the administration of master investment company portfolios (including optional and statutory reporting as well as risk management). Within the Sparkassen-Finanzgruppe, Helaba Invest is the largest provider of special funds for institutional investors.

The GWH Group manages around 52,000 residential units and is therefore one of the largest housing organisations in Hesse. The group focuses on developing housing projects, managing and optimising residential property portfolios, and initiating and supporting residential real estate funds.

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

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

Management instruments and non-financial performance indicators

As part of managing the Bank as a whole, Helaba has integrated systems in place for business and productivity management. This is based on a multi-level margin accounting system. Controlling comprises both the management of absolute income and costs and the integrated management of contribution margins. The target is to achieve a cost-income ratio below 70 % at Group level. This figure is the ratio of general and administrative expenses including depreciation and amortisation to total profit/loss before taxes net of general and administrative expenses including depreciation and amortisation 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, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

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

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). Taking into account the capital buffer requirements applicable at 30 June 2021, the minimum Common Equity Tier 1 (CET1) capital ratio (including capital buffer requirements) required to be maintained by the Helaba Regulatory Group (as defined by the German Banking Act (Kreditwesengesetz, KWG) and the Capital Requirements Regulation (CRR)) under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB was 8.76 %.

Profitability targets are managed on the basis of, for example, the economic return on equity (ratio of profit/loss 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. From 28 June 2021, this ratio became a mandatory capital requirement for the first time. Under the CRR, banks generally have to comply with a leverage ratio of 3.0 %. However, the ECB has extended the temporary relief measure in connection with the calculation of this ratio, which was due to expire at the end of June 2021, until 31 March 2022 because of the continued prevalence of the COVID-19 pandemic. The relief measure provides for a recalibration of the required minimum leverage ratio. As at 30 June 2021, banks were required to comply with a leverage ratio of 3.2 %.

The CRR specifies that banks must comply with a (short-term) liquidity coverage ratio (LCR) and, since 30 June 2021, a net stable funding ratio (NSFR). The regulatory minimum for both ratios is 100 %. At Group level, Helaba has set itself a target of achieving an LCR of more than 125 % and an NSFR of more than 105 %. Both liquidity ratios are leading to increased liquidity management costs and therefore have a negative impact on profitability.

As part of the implementation of the Single Resolution Mechanism (SRM) in Europe, the competent resolution authority has specified an institution-specific minimum requirement for own funds and eligible liabilities (MREL). The mandatory MREL for the Helaba Regulatory Group, based on figures as at 31 December 2019, is 21.60 % of risk-weighted assets (RWAs) and 7.11 % of the leverage ratio exposure (LRE). The portion of the MREL that needs to be covered by subordinated (i.e. non-preferred) instruments is 20.91 % based on RWAs and 7.11 % based on the LRE. Helaba was notified of this MREL by the competent resolution authority at the end of January 2021 and must comply with the requirement from 1 January 2022.

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

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

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

Helaba's sustainability principles specify the detail of the Bank's mission to serve the public interest. These principles acknowledge the Helaba Regulatory Group's environmental and social responsibilities and establish standards of conduct regarding business activities, business operations, staff and corporate social responsibility. Sustainability in the sense of environmental and social responsibility is therefore an integral part of the binding Group-wide business strategy, as is sustainability in the sense of fair corporate management, which means that business activities are systematically oriented around these requirements. The Helaba Regulatory Group's understanding of sustainability encompasses all ESG (environmental, social and governance) criteria. This is backed by a Group-wide KPI management system, ensuring that progress towards a Bank led by sustainability is well documented.

Helaba's risk assessment and risk management processes also incorporate the identification and assessment of environmental risks as well as issues from a social and ethical perspective.

1. In its business strategy, Helaba commits to the objectives of the Paris Agreement and supports the climate objectives of the German federal government and the European Union. The exclusion criteria integrated into the risk strategy provide Helaba with an effective tool for preventing ESG risks in new business. The filter for ESG risks at Helaba is therefore already tightly meshed on a qualitative basis and implemented as a mandatory part of the standard risk management process.

2. The social aspects of the sustainability criteria are addressed in the corporate values and through Helaba's membership of the UN Global Compact. With this step, the Bank recognises international standards for environmental protection, human and labour rights, and anti-corruption measures.

3. The governance framework and the Code of Conduct document Helaba's rules on proper corporate management. Together with more than 170 Sparkassen and three other Landesbanken, Helaba was also one of the first signatories to the "Commitment by German Savings Banks to climate-friendly and sustainable business practices".

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

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

The Helaba Group has a stable rating in the upper average range for the global industry and the upper midrange among the comparison group of German banks and Landesbanken from all relevant sustainability rating agencies. At the start of 2021 its rating from the Sustainalytics rating agency improved by one risk category. The Helaba Group has thereby consolidated its competitive position from the perspective of sustainability and is continually and consistently improving its sustainability profile.

Employees

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

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

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

- Management of young talent and high-potential employees
  Demographic change and ongoing digitalisation will have an impact on Helaba's competitiveness in the long term. The recruitment, development and retention of young talent and high-potential employees is therefore correspondingly important. Based on vocational training and general trainee programmes, plus internships for students, Helaba offers those at the start of their careers the opportunity to become familiar with banking practice and acquire basic skills. To reach the young target group, recruitment is making greater use of digital media channels. In addition, Helaba is focusing internally on the development of existing employees with high potential, to provide the individuals concerned with the foundations for a career as a technical specialist or executive manager. A systematic, structured process for identifying high-potential employees helps managers to identify such employees within Helaba and provide them in good time with the specific grounding they need to take on new positions with greater responsibility. This is achieved through customised development plans or as part of a programme for high-potential employees.

- Health management
  Helaba operates an occupational health management system and a company sports programme, helping employees to maintain their physical and mental well-being and nurturing an awareness of the need for a healthy lifestyle. It also provides an employee assistance programme, an advisory service for employees and managers, which staff can use to obtain help in connection with professional, family, health or other personal issues. As a result of the COVID-19 pandemic, Helaba has taken action to protect the health of its employees and arranged for most jobs to be carried out remotely from home; it then provides support for home working by offering virtual training aimed at helping employees work in a healthy manner. Helaba has also been able to offer its employees vaccination appointments within the Bank using a vaccination centre in the Kaiserlei district of Offenbach and the simultaneous deployment of mobile vaccination teams at its other major sites.

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

- Diversity management
  Helaba is focusing on diversity management to achieve a greater level of innovative capability and to improve the risk culture in its organisation. It is ensuring that diversity and equality of opportunity are established as permanent features of its sustainable corporate culture. At the moment, Helaba is concentrating on aspects such as gender, age and inclusion. The aim is to purposefully incorporate diversity into the working environment from a number of perspectives and make greater use of internal potential. Particular attention is being paid to the advancement of women. In a voluntary commitment, Helaba aims to ensure that more than 30 % of all management positions are occupied by women in the future and that the proportion of women in Helaba's young talent and professional development programmes is increased to 50 %. These efforts are supported by dedicated seminars for women and appropriate mentoring. Helaba has also created conditions in which it is possible for employees to achieve a work/life balance. This includes the offer of childcare places and the use of flexible types of working and working-time models.

COVID-19 Crisis

The COVID-19 pandemic, which has led to the most serious economic crisis of recent decades, has changed the operating environment for banks. Following a sharp rise in volatility in capital markets in the first months of the pandemic, a certain degree of calm has now returned. Another wave of uncertainty cannot be ruled out however.

The pandemic is likely to ease gradually during the course of 2021 as the vaccination programme progresses. Following a continuation in the tough economic conditions at the start of the year, a substantial rebound in the global economy was observed from the spring onwards. Nevertheless, there is still a risk that the fight against the pandemic will be set back by new variants of the virus.

- Operational stability in the pandemic
  Since the very beginning of the COVID-19 pandemic in 2020, Helaba has adapted its operations to the new requirements. In the first half of 2021, most employees continued to work from home. Official requirements were implemented in full. The measures were supported by the provision of testing and vaccination services for the employees of the Helaba Group. The operational stability of processes continued to be monitored and maintained at all times throughout the first six months of 2021.

  Suitable precautionary measures were also introduced at subsidiaries. Processes at subsidiaries are stable too. The performance of critical outsourcing service providers and their operational stability are also regularly monitored; no significant restraints have been identified.

- Economic impact of the pandemic
  The Helaba Regulatory Group's overall liquidity situation remains excellent and sound. Throughout the period of the pandemic, the liquidity coverage ratio (LCR) for the Helaba Regulatory Group has remained well above the risk tolerance threshold of 120 % and the minimum required ratio of 100 %. The LCR for the Helaba Regulatory Group stood at 215.5 % as at 30 June 2021 (31 December 2020: 201.6 %); the NSFR for the Helaba Regulatory Group as at 30 June 2021 was also well above the target figure at 121 %. (31 December 2020: 117 %).

  The liquidity situation on money and capital markets has completely returned to normal again following the turmoil in the first half of 2020 caused by the COVID-19 pandemic. Key factors have been the measures implemented by the ECB, notably the targeted longer-term refinancing operations (TLTRO) III and the pandemic emergency purchase programme (PEPP), which have substantially improved market liquidity.

  The economic impact of the COVID-19 crisis has varied from sector to sector. Currently, the financing of commercial real estate and aircraft are among the portfolios that are particularly affected. Helaba has already responded by taking action in respect of both new and existing business to reduce the risk. The credit risk strategy has also been adjusted accordingly.

  The Executive Board continues to closely monitor the ongoing changes in all relevant parameters. For further details, please refer to the risk report.

  More information on the economic impact is presented the "Financial Position and Financial Performance" section of the management report and in Note (32) of the consolidated interim financial statements.

- Development and support loan business
  WIBank, in its capacity as a development institution, provides various types of assistance for businesses in Hesse on behalf of the State of Hesse. (Trust) loans, credit, subsidies, equity investments and guarantees are available to small and medium-sized businesses, start-ups, freelancers and the self-employed.

  Thanks to a flexible structure and the considerable dedication of its employees, WIBank was able to respond very quickly to the requirements caused by the COVID-19 pandemic, making a key contribution to helping businesses to survive that were adversely affected by the crisis. The assistance programmes, some of which had already been set up in the previous year, continued to be in high demand during the first half of 2021.

  Attention was focused on COVID-19 assistance for the economy in Hesse and on pandemic-related support for hospitals. The latter included around € 346 m in the first half of 2021 in the form of trust subsidies. These related to compensation payments made to medical centres in Hesse because of the additional charges caused by the COVID-19 crisis and the need to establish additional intensive care capacity with ventilators.

WIBank developed the "Hessen-Mikroliquidität" (Hesse Microliquidity) and "Liquiditätshilfe für hessische KMU" (Liquidity Assistance for SMEs in Hesse) programmes with the objective of cushioning the impact of the COVID-19 pandemic on the economy in Hesse.

The "Corona Sofort-Kleinbeihilfe für Gastronomiebetriebe" (Immediate Corona Financial Assistance for Small Restaurants) programme was designed for restaurant businesses. In terms of support for the arts, assistance was also provided to help organisations absorb the shock from the cancellation of film projects caused by COVID-19. Even though it is not possible to predict the evolution of the COVID-19 pandemic going forward, the "Hessen-Mikroliquidität" and "Liquiditätshilfe für hessische KMU" programmes have been extended until 31 December 2021. In addition, WIBank was engaged to develop new programmes in the first half of 2021.

In its role as a forwarding institution, Helaba has been providing assistance since March 2020 for the Sparkassen-Finanzgruppe Hessen-Thüringen with the implementation of the COVID-19 support programmes operated by funding institutions (including KfW development bank), among other things by advising on the selection of the assistance programmes and by providing information on the requirements of the funding institutions and on the processing of both support loan applications and the existing procedures that follow. By the end of June 2021, Helaba had forwarded a total of 3,928 applications for COVID-19 assistance programmes with a total value of around € 1,043 m.

- Relaxation of regulatory requirements
  Standard setters and supervisory authorities responded to the COVID-19 pandemic and, from March 2020, granted banks some relaxation of regulatory requirements. As the situation improved in the first half of 2021, some of the temporary exemptions expired and were not extended. However, a significant degree of uncertainty remains, to the extent that the future activities of the regulatory authorities depend, among other things, on how the COVID-19 pandemic continues to evolve.

  The 2020 European Banking Authority (EBA) stress test scheduled for 2020 was postponed until 2021. It was initiated in January 2021 and ended with the notification of the findings by the EBA on 30 July 2021. This stress test found that Helaba once again satisfied the supervisory minimum requirements.

  Helaba has made use of the arrangement in article 473a CRR and has been applying the IFRS 9 transitional rules for the dynamic approach since 30 June 2020.

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

  The number of requests that Helaba has received from customers for payment deferrals or the suspension of repayments as a consequence of the crisis has remained manageable, reflecting the high quality of the lending portfolio and a very low ratio of non-performing loans (NPL ratio) in the Helaba Regulatory Group of just 0.66 % at 30 June 2021. The ratio of forbearance measures had risen slightly as at 30 June 2021 but was still low. Helaba is continuing its policy established in 2020, whereby customers and transactions particularly affected by the COVID-19 crisis are actively managed and closely monitored, as are any critical sub-portfolios that have been identified. Helaba's corporate clients are also applying for assistance from government support programmes. In this case, Helaba is accordingly integrating support programmes into its range of services for customers. Further details on credit risk are presented in the risk report and in Note (32) of the consolidated interim financial statements.

Economic Report

Macroeconomic and sector-specific conditions in Germany

The beginning of 2021 was still dominated by the measures implemented to counter the effects of the COVID-19 pandemic. Things began to open up again from May with a positive impact on growth. GDP in the first half of the year grew by around 3 % compared with the previous year. The end of the lockdown set in motion a significant upturn in consumer spending. Capital equipment spending is also recovering, but is unlikely to make up for the previous drop of one quarter before 2023. Construction investment is continuing to grow in 2021, driven by persistently high demand, for example in the housing and public sectors. German exports are benefiting in 2021 from the global economic recovery. Demand for German products is particularly high in China and the USA, boosted by the economic stimulus programmes. However, imports grew faster in the first half of the year, resulting in a brake on foreign trade. Industry, which is responsible for the greatest proportion of trade, is experiencing a boom, but this is nevertheless being held back by a shortage of raw materials and supplies. In 2021, German GDP is likely to grow by roughly 3 %. The pre-crisis level should be exceeded at the year-end. Expansion at a rate of 4 % is anticipated for 2022.

Price pressure in Germany has increased significantly, contributing factors being the carbon emissions tax and the withdrawal of reduced VAT rates. As the economy opens up again this is also leading to greater pricing pressure in respect of services. Restaurants, hotels and travel operators were among the sectors hit by the highest revenue losses during the pandemic. These businesses are trying to recoup some of their losses through price increases. Costly raw materials and supplies are also having an impact. The inflation rate is likely to rise to 3 % in 2021, followed by a slightly lower rate of 2.5 % in 2022, among other things because, from the beginning of next year, there will no longer be any effect from VAT increases.

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

For some time, derivative platforms have enabled currency hedges to be effected using standardised processes, lending portals arrange funding for small and medium-sized corporate customers through banks or directly through institutional investors and banks analyse their customer data in search of more effective ways of offering products. Around the globe, blockchain technology is being refined to find new, faster and more cost-effective methods of exchanging data. Digitalisation offers advantages for all parties, especially where complex financing structures are involved. Such transactions frequently encompass multiple participants and the interaction between these participants can be simplified and made more efficient by digital solutions. For example, Helaba now processes promissory notes almost exclusively by using the vc-trade digital platform. Alongside the option to arrange foreign trade finance on a digital basis via solutions such as SmaTiX (Small Ticket Express), there has recently been a greater focus on blockchain-based digital payments. Following the lead of young innovative businesses, established businesses, banks and supervisory authorities have increasingly become aware of the advantages (and also the negative macroeconomic implications) of using these alternative means of payment. Helaba believes that these circumstances offer significant potential for long-term change, which is why – following its participation in 2020 in the “Programmable money” working group led by the German Federal Ministry of Finance and Deutsche Bundesbank – it became involved in the first half of 2021 in a collaborative project under the auspices of the German Banking Industry Committee to design a “digital euro” and draw up use cases for programmable payments. The project’s statement of basic principles was published in July 2021. It is also fair to say that further sustainability-related opportunities could arise as a consequence of the possibilities afforded by digitalisation. One example is the use of digital sales channels to link investment products with sustainability scores.

Based on an audit of the Sparkassen-Finanzgruppe’s protection scheme, the ECB and the German Federal Financial Supervisory Authority (BaFin) notified the German Savings Banks Association (DSGV) in January 2020 of certain supervisory expectations regarding the subsequent evolution of the protection scheme. Currently, various options for action are being developed and agreed within the DSGV.

Key developments in the regulatory framework were as follows:

- Prudential supervision by the ECB (Single Supervisory Mechanism, SSM)
  The Helaba Regulatory Group (within the meaning of the KWG and the CRR), together with its affiliated subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, is among the banks classified as "significant" and therefore subject to direct supervision by the ECB.

  The ECB sent the Helaba Regulatory Group a letter dated 17 November 2020 notifying it of the findings of the Supervisory Review and Evaluation Process (SREP). Because of the COVID-19 pandemic, the SREP requirements from the 2019 decision were confirmed in 2020.

- EU implementation of Basel IV
  In view of the COVID-19 pandemic, the Basel Committee on Banking Supervision (BCBS) has postponed the mandatory application of Basel IV, which requires banks to implement stricter capital requirements (finalisation of Basel III), by one year to 1 January 2023. It is conceivable that the adoption of Basel IV by the EU will also be delayed. At the moment, the European Commission's legislative proposals are expected to be published in October 2021 at the earliest.

- German Risk Reduction Act
  The German Risk Reduction Act (RiG) is an omnibus act in which a total of 13 German acts are revised. The main additions and amendments are being applied to the German Banking Act (Kreditwesengesetz, KWG) and the German Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz, SAG). Most of the RiG provisions came into force in December 2020; the effective dates of the remainder are 28 June 2021 or 1 January 2023. Any measures that are necessary at Helaba are being implemented by the relevant deadlines.

- EU "Action Plan: Financing Sustainable Growth"
  June 2021 saw the publication of the final delegated act relating to the economic activities forming the subject matter of the Taxonomy Regulation. This delegated act establishes the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation (the first two environmental objectives). The delegated act intended to cover environmental objectives three to six is scheduled to appear in the first half of 2022. The final delegated act relating to the disclosure of indicators pursuant to Article 8 of the Taxonomy Regulation was published in July 2021. This delegated act will come into force in the autumn of 2021 unless EU member states raise any objections.

- ECB Guide on climate-related and environmental risks
  In the first half of 2021, the ECB called on banks to carry out a self-assessment based on its recommendations for handling climate -related and environmental risks. In addition, the ECB intends to make climate-related and environmental risks a key area of focus in the supervisory stress tests scheduled to be carried out in 2022. Helaba has analysed the need for action arising from the ECB guide and the EU action plan and addressed the requirements as part of its HelabaSustained programme.

- Minimum Requirements for Risk Management (MaRisk)
  October 2020 saw the start of the consultation on the sixth revision to MaRisk. This revision will primarily implement three sets of EBA guidelines: Guidelines on management of non-performing and forborne exposures, Guidelines on outsourcing arrangements and Guidelines on ICT and security risk management. The final version has still not been published. It has been delayed again because the German National Regulatory Control Council (NKR) has still not given its approval. The supervisor is assessing whether the associated shortening of implementation deadlines for selected requirements can be adjusted.

Business performance

The market environment for banking business continued to be impacted by the COVID-19 pandemic in the first half of 2021. 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) fell below the prior-year level at € 8.4 bn (H1 2020: € 9.5 bn). Loans and advances to customers (financial assets measured at amortised cost) remained virtually unchanged at € 113.5 bn (31 December 2020: € 113.9 bn). Added to these were loans and advances to Sparkassen (financial assets measured at amortised cost) in the amount of € 5.7 bn (31 December 2020: € 6.0 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 market environment for funding business for financial institutions proved to be highly stable in the first six months of 2021 with the impact of the COVID-19 pandemic only playing a minor role. Driven by the macroeconomic uptrend, financial institutions' credit spreads returned to pre-pandemic levels, although interest rates generally remained very low. Helaba was therefore in a position to obtain inexpensive medium- and long-term funding from institutional and private investors without difficulty in the first half of 2021. As in previous years, Helaba was aided in these efforts by its strategic and well-diversified business model as well as by its sound income and business performance.

In the first half of the year, Helaba raised medium- and long-term funding of approximately € 5.8 bn (H1 2020: € 17.5 bn, including the tender drawdown as part of the TLTRO III programme). This consisted entirely of unsecured funding. Helaba made its debut in the market as an issuer of green bonds with the successful launch of a senior non-preferred green bond in an amount of € 500 m with a term of eight years.

Despite the persistently low interest rates, sales of retail issues placed through the Sparkasse network amounted to € 1.3 bn (H1 2020: € 1.2 bn) and were therefore slightly up compared with the corresponding prior-year period. 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. In addition, new medium- and long-term funding at WIBank amounted to just under € 0.8 bn (H1 2020: € 1.5 bn).

A further TLTRO III drawdown of € 6.5 bn in March was not taken into account in the medium- and long-term funding plan.

The cost-income ratio was 64.3 % as at 30 June 2021 (30 June 2020: 118.7 %). It is therefore once again within the specified target range (2021 target: < 70 %) and also very clearly below the figure for the prior-year period. Return on equity rose to 6.7 % (30 June 2020: decline of 6.3 %) and therefore also remained within the target range of 5 to 7 %.

As at 30 June 2021 the Helaba Group's CET1 capital ratio was 14.0 % (31 December 2020: 14.7 %) and its total capital ratio 17.9 % (31 December 2020: 19.1 %). Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published.

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

As at 30 June 2021, the Helaba Regulatory Group's leverage ratio was 4.9 % (31 December 2020: 4.8 %) and therefore above the specified minimum ratio of 3.0 %.

The liquidity coverage ratio (LCR) for the Helaba Regulatory Group was 215.5 % as at 30 June 2021 (31 December 2020: 201.6 %).

The NPL ratio for the Helaba Regulatory Group (in accordance with EBA risk indicator code AQT_3.2) was 0.66 % as at 30 June 2021 (31 December 2020: 0.54 %). As in the previous year, therefore, Helaba fell below the German average published in the EBA Risk Dashboard, which at 1.2 % (as at 31 March 2021) was already very low by European standards.

As at 31 December 2020, the MREL ratio for the Helaba Regulatory Group stood at 64.8 % based on RWAs and 20.0 % based on LRE. The MREL portfolio was therefore well in excess of the MREL requirement of 21.60 % based on RWAs and 7.11 % based on LRE specified by the competent resolution authority, and was significantly above the requirement for subordinated instruments of 20.91 % based on RWAs and 7.11 % based on LRE.

One of Helaba's core strategic areas of activity is to provide targeted support, particularly in the form of new sustainable products, to help its customers with the transformation to a sustainable future in the form of a climate-neutral and circular economy.

In the Asset Finance business, Helaba structures projects in the renewable energy and social & digital infrastructure segments. It is also significantly expanding its sustainable finance advisory service, in which it offers a broadly based range of information across sectors and products around the theme of sustainable finance covering all financial instruments (loans, promissory notes, bonds, leases, guarantees, etc.). Helaba continues to be involved in the syndication of green, social and ESG-linked finance and promissory notes.

In the sustainable promissory note segment of the market, Helaba is one of the leading arrangers and supported or arranged further ESG-linked transactions in the first half of 2021. These transactions included the issue of ESG-linked promissory notes in which the interest cost attaching to the promissory note is linked to the entity's sustainability performance.

The issue proceeds from the green bond issued in the first half of the year are being used to fund sustainability-related projects aimed at expanding the use of solar and wind energy. The selected green financing options are based on the EU's draft green bond standard and satisfy the criteria in the forthcoming EU taxonomy for sustainable economic activities. The issue for institutional investors was also accompanied by a tranche specially aimed at retail customers and launched through the Sparkassen sales network. Helaba is pursuing a portfolio-based approach and is planning to issue more green bonds. In addition, Helaba supported the State of Hesse in its first green bond issue and specifically placed a European Investment Bank (EIB) climate awareness bond in the Sparkassen sector.

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

Helaba has updated its strategic agenda and long-term quantitative targets, and is systematically introducing measures to focus on the core areas of activity. In particular, the business model for Helaba and the Group as a whole is to be diversified across a broader base in order to strengthen business with little capital tie-up and to achieve a better balance across all the sources of income. The strategic agenda now includes investments in the updating of IT infrastructure, the aim of which is also to give further impetus to digital transformation.

As part of the broader diversification of the business model, Helaba also plans to take its collaboration with Sparkassen in the S-Group to an even higher level. A KPI referred to as "S-Group benefit" has been specified, so that these efforts can be measured. This KPI is the total of all financial benefits accruing to owner Sparkassen from the collaboration with Helaba.

In addition, the Helaba Regulatory Group intends to expand its ESG expertise across its entire range of products and services so that it can make the most of future growth opportunities and have the necessary capability to support its customers with sustainable finance products. The structured promotion and reinforcement of diversity is a component aimed at, among other things, enhancing Helaba's innovative and creative capabilities and securing them over the long term. In mid-2021, Helaba signed up to the "ECORE – ESG Circle of Real Estate" initiative because of the ever-increasing importance of ESG compliance in real estate portfolios.

The transformation project "Scope – Growth through Efficiency" adds a new dimension to the strategic agenda. The objective of the project is to counter the anticipated increase in costs and downward pressure on income, thereby creating the necessary flexibility for investment in future growth. Whereas beneficial effects from Scope continued to materialise in the first half of 2021, there was nevertheless a significant rise in costs caused by external factors, primarily the costs of the bank levy.

Financial Position and Financial Performance

Financial performance of the Group

In the management report, euro amounts are generally rounded to the nearest million. Minor discrepancies may arise in totals or in the calculation of percentages in this report due to rounding.

	1.1.–30.6.2021	1.1.–30.6.2020	Change	
	in € m	in € m	in € m	in %
Net interest income	643	598	45	7.4
Loss allowances	–141	–151	11	7.1
Net interest income after loss allowances	**502**	**447**	**55**	**12.4**
Net fee and commission income	223	211	13	6.0
Income / expenses from investment property	118	105	13	12.7
Gains or losses on measurement at fair value	185	–303	488	>100.0
Net trading income	108	–170	278	>100.0
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	78	–133	210	>100.0
Share of profit or loss of equity-accounted entities	5	2	3	>100.0
Other net income / expense	41	42	–1	–2.7
General and administrative expenses, including depreciation and amortisation	–782	–778	–4	–0.5
Profit or loss before tax	**293**	**–274**	**568**	**>100.0**
Taxes on income	–93	89	–182	>–100.0
Consolidated net profit	**201**	**–185**	**386**	**>100.0**

Key features of Helaba's financial performance in the first half of 2021 were an encouraging level of net operating income and a very significant improvement in gains or losses on measurement at fair value. Profit before taxes amounted to € 293 m compared with a loss of € 274 m in the corresponding prior-year period. Net fee and commission income rose again as a result of the systematic expansion of customer business and net interest income also benefited from Helaba's participation in the ECB's targeted longer-term refinancing operations. This meant that some of the ongoing adverse impact from negative interest rates could be offset. In this reporting period, gains and losses from measurement at fair value also made a substantial positive contribution to profit before taxes, whereas the equivalent figure in the corresponding prior-year period had been adversely impacted by significant temporary measurement markdowns in connection with the COVID-19 pandemic. The addition to loss allowances was a little lower than in the first half of the previous year. On the other hand, general and administrative expenses, including depreciation and amortisation, were stabilised at the level of the prior-year period, despite a considerable rise in the bank levy. The transformation project "Scope – Growth through Efficiency" was also a contributing factor in this regard.

Total income from the operating business, comprising net interest income, net fee and commission income and net income from investment property, slightly exceeded budget. However, other net income came in markedly above budget, with net interest income after loss allowances well above the planned figure. Gains and losses from measurement at fair value and consolidated profit before taxes exceeded the budget figure by very significant amounts. In contrast, general and administrative expenses, including depreciation and amortisation, remained noticeably, and loss allowances significantly, within the respective budgets. The changes in the individual items of the income statement were as described below.

Net interest income amounted to € 643 m and thus went up by € 45 m compared with the prior-year period. The volume of the assets-side portfolio and the average margin remained steady at the level of the prior-year period, although the earnings in the operating business rose, one of the reasons being a slight increase in interest margins in the lending business compared with the prior-year period. More favourable long-term funding terms from the ECB also helped to reduce the effect from negative interest rates.

Loss allowances amounted to a net addition of € 141 m (H1 2020: net addition of € 151 m). The breakdown of this net addition to loss allowances by stage in accordance with IFRS 9 (including the provisions for loan commitments and financial guarantees) was as follows: stage 1, net reversal of € 10 m; stage 2, net addition of € 113 m; stage 3, net addition of € 37 m. As in the previous year, the additions to the loss allowances were caused by the COVID-19 pandemic. In the first half of 2021, the heightened risk was only specifically reflected to a small extent in the individual calculations of loss allowances as a result of rating deteriorations and default events, but the Helaba Group continues to expect defaults to increase considerably in the future. With this in mind, the portfolio-based loss allowance at stage 2 of € 183 m recognised as at 31 December 2020 was increased by € 79 m. In addition, the updating of the macroeconomic parameters, which was evaluated as part of the regular loss allowance process as a “specific scenario”, led to a reduction of the loss allowances for stages 1 and 2 of € 21 m. For further details, please refer to Note (32) of the consolidated interim financial statements.

After taking into account the loss allowances, the net interest income of € 447 m in the first half the previous year increased to € 502 m in the current reporting period.

Net fee and commission income rose by € 13 m to € 223 m. In particular, fee and commission income from asset management in the FBG Group and at Helaba Invest saw a very significant uptick. Fees and commissions from the management of public-sector subsidy and development programmes at WIBank also rose. On the other hand, fees and commissions from Helaba’s securities and securities deposit business declined.

Most of the net income from investment property is generated by the GWH Group and amounted to € 118 m (H1 2020: € 105 m). This figure comprises the balance of rental income, operating costs and the net gains or losses on disposals. The increase of € 14 m in the net gain on disposals to € 25 m contributed significantly to the year-on-year rise.

Net trading income improved very significantly in the first half of 2021, aided by benign market conditions. Risk premiums fell significantly compared with the prior-year period, resulting in remeasurement gains across all asset classes. The main drivers behind the improvement in net trading income were measurement gains on derivatives. In addition, the nascent economic recovery slightly improved customer demand for capital market products, even though there continues to be persistent noticeable uncertainty as a consequence of the COVID-19 pandemic. Accordingly, the customer business performed satisfactorily and within expectations.

Net income from hedge accounting and other financial instruments measured at fair value (non-trading) amounted to a net income of € 78 m (H1 2020: net expense of € 133 m). Key drivers behind this net income were the effects of the recovery compared with the prior-year period and the impact from the remeasurement of non-trading financial instruments measured at fair value. A remeasurement gain of € 16 m arose on fund investments, compared with a remeasurement loss of € 71 m in same period in the previous year.

Other net income / expense amounted to net income of € 41 m (H1 2020: net income of € 42 m). This figure included an expense of € 17 m (H1 2020: € 0 m) relating to the addition to a restructuring provision at Frankfurter Sparkasse, which is planning a number of measures, including the closure of branches. Offsetting the addition was a reversal of provisions generating income of € 19 m (H1 2020: € 5 m). Other net income / expense also included dividend income of € 6 m (H1 2020: € 8 m) and gains or losses on derecognition of financial instruments not measured at fair value through profit or loss amounting to a net gain of € 0 m (H1 2020: € 5 m).

General and administrative expenses, including depreciation and amortisation, were stabilised at the level of the prior-year period. These expenses comprised personnel expenses of € 352 m (H1 2020: € 335 m), other administrative expenses of € 368 m (H1 2020: € 378 m) as well as depreciation and amortisation charges of € 62 m (H1 2020: € 65 m). The rise in personnel expenses resulted mainly from an increase in the headcount in selected Group units in line with the strategy. Other administrative expenses included the European bank levy in an amount of € 73 m (H1 2020: € 51 m) and expenses for the association overhead allocation and the reserve funds in an amount of € 46 m (H1 2020: € 63 m).

The profit before taxes amounted to € 293 m (H1 2020: loss of € 274 m).

After taking into account an income tax expense of € 93 m (H1 2020: tax income of € 89 m), the consolidated net profit came to € 201 m (H1 2020: net loss of € 185 m). Of this amount, net profit of € 0 m was attributable to non-controlling interests in consolidated subsidiaries (H1 2020: € 2 m).

Comprehensive income rose from € 115 m to € 173 m. This figure includes other comprehensive income in addition to the consolidated net profit/loss for the period as reported in the income statement. Other comprehensive income amounted to a loss of € 28 m (H1 2020: income of € 300 m). One of the components was the remeasurement of the net liability under defined benefit plans caused by the increase in the discount rate. This remeasurement amounted to a gain of € 121 m before taxes (H1 2020: € 166 m). A discount rate of 1.25 % (31 December 2020: 1.0 %) was used to determine pension provisions for the main pension obligations in Germany. On the other hand, credit-risk-related changes in the fair value of financial liabilities designated voluntarily at fair value adversely impacted comprehensive income with a net loss of € 79 m before taxes (H1 2020: net gain of € 254 m). A further negative impact arose from debt instruments measured at fair value through other comprehensive income with a net loss of € 73 m before taxes (H1 2020: net loss of € 19 m). The cross currency basis spread in the measurement of derivatives accounted for a net loss of € 18 m before taxes within comprehensive income (H1 2020: net gain of € 34 m).

Statement of financial position

Assets

	30.6.2021	31.12.2020	Change	
	in € m	in € m	in € m	in %
Cash on hand and demand deposit balances with central banks and banks	**37,332**	**26,429**	**10,903**	**41.3**
Financial assets measured at amortised cost	**128,800**	**131,847**	**–3,047**	**–2.3**
Bonds	115	–	115	–
Loans and advances to banks	15,181	17,922	–2,741	–15.3
Loans and advances to customers	113,504	113,925	–421	–0.4
Trading assets	**16,750**	**21,173**	**–4,423**	**–20.9**
Financial assets measured at fair value (not held for trading)	**28,623**	**34,438**	**–5,814**	**–16.9**
Investment property	**2,945**	**2,702**	**243**	**9.0**
Income tax assets	**701**	**704**	**–2**	**–0.3**
Other assets	**1,997**	**2,032**	**–34**	**–1.7**
Total assets	**217,150**	**219,324**	**–2,174**	**–1.0**

Equity and liabilities

	30.6.2021	31.12.2020	Change	
	in € m	in € m	in € m	in %
Financial liabilities measured at amortised cost	**172,632**	**167,731**	**4,901**	**2.9**
Deposits and loans from banks	60,341	54,391	5,949	10.9
Deposits and loans from customers	64,475	63,062	1,413	2.2
Securitised liabilities	47,159	49,869	–2,710	–5.4
Other financial liabilities	658	409	249	60.9
Trading liabilities	**12,802**	**17,793**	**–4,991**	**–28.1**
Financial liabilities measured at fair value (not held for trading)	**19,766**	**21,864**	**–2,098**	**–9.6**
Provisions	**2,464**	**2,551**	**–88**	**–3.4**
Income tax liabilities	**148**	**144**	**4**	**2.5**
Other liabilities	**414**	**399**	**15**	**3.7**
Equity	**8,925**	**8,842**	**83**	**0.9**
Total equity and liabilities	**217,150**	**219,324**	**–2,174**	**–1.0**

Helaba's consolidated total assets declined from € 219.3 bn to € 217.2 bn in the first half of 2021. The decrease in total assets mainly resulted from a targeted reduction in bonds and from a fall in the fair value of derivatives.

On the assets side of the statement of financial position, loans and advances to customers continued to dominate, accounting for a large proportion of total assets (52.3 %). These assets decreased by € 0.4 bn to € 113.5 bn. Of the loans and advances to customers reported at amortised cost, commercial real estate loans accounted for € 35.5 bn (31 December 2020: € 34.6 bn) and infrastructure loans € 28.2 bn (31 December 2020: € 29.0 bn).

The cumulative loss allowances recognised in respect of financial assets measured at amortised cost amounted to € 685 m (31 December 2020: € 553 m).

The most significant change on the assets side resulted from the rise of € 10.9 bn in cash on hand and demand deposit balances with central banks and banks to € 37.3 bn. This was primarily attributable to Helaba's participation in the ECB's longer-term refinancing operations (TLTRO III), which provides funding at favourable rates, and led to an expansion in the demand deposits held with Deutsche Bundesbank.

Trading assets recognised at fair value amounted to € 16.7 bn at the reporting date (31 December 2020: € 21.2 bn). The main reason for this decrease lay with the positive fair values of derivatives, which declined by € 3.7 bn to € 12.0 bn. The portfolio of bonds and other fixed-income securities also contracted by € 0.8 bn to € 3.6 bn.

Of the financial assets measured at fair value (not held for trading) amounting to € 28.6 bn (31 December 2020: € 34.4 bn), assets of € 17.3 bn (31 December 2020: € 20.3 bn) were accounted for by bonds and other fixed-income securities measured through other comprehensive income. Non-trading derivatives also decreased by € 2.2 bn to € 5.4 bn, meaning that the positive fair values of all derivatives fell by € 5.9 bn overall to € 17.4 bn.

The structure of the equity and liabilities side of the statement of financial position is characterised by a high proportion of financial liabilities measured at amortised cost (79.5 % of total equity and liabilities). These liabilities went up by € 4.9 bn to € 172.6 bn. This increase resulted firstly from Helaba's participation in the ECB's TLTRO III programme, reflected in a rise in deposits and loans from banks to € 60.3 bn (31 December 2020: € 54.4 bn). Secondly, the COVID-19 pandemic is continuing to lead to high demand for liquidity from our customers, as a result of which some of the loans that have been granted have been re-deposited in current accounts and in overnight and term deposit accounts held with the Helaba Group. Consequently, deposits and loans from customers rose by € 1.4 bn to € 64.5 bn. Securitised liabilities showed a downward trend, falling by € 2.7 bn to € 47.2 bn.

Trading liabilities recognised at fair value amounted to € 12.8 bn at the reporting date (31 December 2020: € 17.8 bn). The main reason for this decrease lay with the negative fair values of derivatives, which declined by € 3.3 bn to € 9.2 bn. Deposits and loans also fell by € 1.9 bn to € 2.8 bn.

The financial liabilities measured at fair value (not held for trading) included non-trading derivatives of € 7.4 bn (31 December 2020: € 9.0 bn), meaning that the total negative fair values of all derivatives decreased by € 4.9 bn to € 16.6 bn.

Equity

The Helaba Group's equity amounted to € 8.9 bn as at 30 June 2021 (31 December 2020: € 8.8 bn). Equity was increased by the comprehensive income of € 173 m for the first half of 2021. Accumulated OCI for the Group amounted to a loss of € 539 m (31 December 2019: cumulative net loss of € 511 m). Within this figure, a cumulative loss of € 612 m (31 December 2020: cumulative loss of € 645 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. These remeasurements amounted to a cumulative loss of € 616 m (31 December 2020: cumulative loss of € 701 m). The balance of the accumulated OCI amounting to cumulative net income of € 73 m (31 December 2020: cumulative net income of € 133 m) is related to items that will be reclassified to profit or loss in future periods. This included the cumulative gains and losses on debt instruments measured at fair value through other comprehensive income amounting to a gain of € 113 m (31 December 2020: € 163 m). Equity was negatively impacted by a loss of € 49 m (31 December 2020: loss of € 37 m) arising from the cross currency basis spread in the measurement of derivatives, which is recognised in accumulated OCI. Exchange rate factors resulted in an increase of € 1 m in the currency translation reserve for foreign operations to € 26 m. An amount of € 90 m was distributed from the consolidated net profit for 2020 to the owners based on their shareholdings and capital contributions. In the previous year, the original plan to distribute the same amount from the consolidated net profit for 2019 had been suspended in line with a recommendation by the ECB. This distribution has not been reinstated and the amount remains part of retained earnings.

Please refer to the risk report and Note (31) in the Notes for information on the regulatory capital ratios.

Financial performance by segment

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

The contributions of the individual segments to the profit before taxes of € 293 m in the first half of 2021 (H1 2020: loss before taxes of € 274 m) were as follows:

in € m

	1.1.–30.6.2021	1.1.–30.6.2020[1)]
Real estate	123	121
Corporates & Markets	133	–166
Retail & Asset Management	113	65
WIBank	14	15
Other	–111	–348
Consolidation / reconciliation	21	39
Group	**293**	**–274**

[1)] Prior-year figures adjusted: Following a change to the assignment of the loss allowance from the specific scenario in internal management reporting, the presentation has been adjusted; see Notes (1) and (17).

Real Estate segment

The Real Estate Lending business line is reported in the Real Estate segment. Its core business consists of financing major commercial real estate projects and existing properties.

In the first half of 2021, the volume of new medium- and long-term business in Real Estate Lending rose by 11 % year on year to € 3.7 bn (H1 2020: € 3.3 bn). This led to modest growth in the average lending volume of the portfolio. Coupled with a slight increase in the average lending margin, this led to a significant rise of € 25 m in net interest income. Net interest income for the segment amounted to € 217 m (H1 2020: € 192 m).

As at the reporting date, loss allowances had risen very significantly compared with the corresponding prior-year period. In the period ending 30 June 2021, the loss allowance expense amounted to € 30 m (H1 2020: € 1 m).

Net fee and commission income amounted to € 7 m, down by € 3 m year on year.

General and administrative expenses for the segment declined year on year by € 13 m to € 69 m. The reduction was largely attributable to the planned decrease in the allocation of overheads.

Profit before taxes attributable to the segment amounted to € 123 m, slightly exceeding the equivalent prior-year figure of € 122 m.

Corporates & Markets segment

The Corporates & Markets segment offers products aimed at companies, institutional clients, public sector and municipal clients.

New medium- and long-term business in the segment amounted to € 3.8 bn, which equated to a very marked year-on-year decrease of 29 % (€ 5.3 bn).

Net interest income for the segment came to € 245 m, which was € 59 m higher than in the corresponding prior-year period, and was mainly generated by the Corporate Banking and Asset Finance units. Both units delivered a greater level of net interest income, driven mainly by an increase in the average size of their interest-bearing portfolios. The rise in average portfolio volumes resulted from new business activities in prior years, a change in redemption behaviour and short-term business. Figures for capital market business and the municipal lending business also increased. Loss allowances amounted to € 44 m, much higher than the figure of € 12 m in the corresponding prior-year period.

Net fee and commission income amounted to € 78 m compared with € 83 m in the equivalent prior-year period, the decrease being primarily attributable to the capital markets business.

The segment's net trading income for the reporting period was € 105 m (H1 2020: net expense of € 158 m). The critical factor in the significant gains was the return of credit spreads to normal levels following the earlier impact of the COVID-19 pandemic. The gains and losses in the corresponding prior-year period had suffered a heavy negative impact from the widening of credit spreads.

General and administrative expenses for the segment declined year on year by € 14 m to € 256 m. This decrease was mainly caused by lower internal cost allocations between the segments.

The segment generated profit before taxes of € 133 m compared with a loss of € 166 m in the first half of the previous year. The main factors were a very sharp rise in income from operating activities and a very strong recovery in net trading income.

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 Portfolio and Real Estate Management business and the real estate subsidiaries of the GWH Group and Helicon KG also form part of this segment.

The segment's net interest income of € 115 m (H1 2020: € 123 m) was accounted for by Frankfurter Sparkasse for the most part. Loss allowances declined to a net addition of € 8 m (H1 2020: net addition of € 14 m).

Net fee and commission income in the segment is generated by Frankfurter Sparkasse, Helaba Invest and Frankfurter Bankgesellschaft and totalled € 131 m, which was up by € 16 m year on year and therefore well above the figure for the first six months of 2020.

Net income from investment property is generated by GWH, mainly in the form of rental income from residential real estate. This net income rose from € 105 m to € 118 m.

Net income from hedge accounting and other financial instruments measured at fair value (non-trading) stabilised as the situation in capital markets returned to normal, amounting to net income of € 5 m (H1 2020: net expense of € 20 m).

In the previous year, the main component of other net income / expense had been a non-recurring item arising from the disposal of a property.

General and administrative expenses amounted to € 285 m, which was roughly at the prior-year level (H1 2020: € 286 m).

Profit before taxes attributable to the segment amounted to € 113 m compared with € 65 m in the corresponding prior-year period.

WIBank segment

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

At € 32 m, net interest income was at the same level as in the corresponding prior-year period. Net fee and commission income is shaped by the service business. In the reporting period, this income went up substantially, by € 4 m, to € 25 m as a result of the expansion of the development business.

General and administrative expenses amounted to € 44 m (H1 2020: € 39 m). Profit before taxes for the segment amounted to € 14 m compared with € 15 m in the corresponding prior-year period.

Other segment

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. These items include the net income from centrally consolidated equity investments, such as those from 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, from central own funds investing activities and from the centrally held securities in the liquidity portfolio are also recognised under this segment.

The decline in the segment's net interest income to € 43 m (H1 2020: € 61 m) resulted from a reduced contribution from the Treasury's interest rate management activities. The balance in the segment also included centrally recognised liability markups for subordinated debt and the pension provision additions for Corporate Centre employees included in the interest.

The very significant decline in loss allowances to a net addition of € 59 m (H1 2020: net addition of € 127 m) was primarily attributable to the reassessment of the COVID-19-related supplementary loss allowance requirement from the special scenario and the portfolio-based loss allowance.

The main factors affecting net income from hedge accounting and other financial instruments measured at fair value (non-trading) were the gains arising from the narrowing of credit spreads compared with the losses caused by the market dislocation of the previous year. This item amounted to net income of € 71 m (H1 2020: net expense of € 116 m), which represented a very significant year-on-year improvement of € 187 m.

Other net income / expense in the segment came to net income of € 19 m (H1 2020: net income of € 6 m), driven by the project activities at OFB.

In the first half of 2021, general and administrative expenses amounted to € 172 m (H1 2020: € 156 m), mainly because of the reduced allocation of costs to other segments. The bank levy and the contribution to the reserve funds were already fully included at the end of the first half of the year; the expenses for the bank levy (excluding Frankfurter Sparkasse) rose by € 22 m to € 71 m.

The segment incurred a loss before taxes of € 111 m compared with a loss before taxes of € 348 m in the corresponding prior-year period, the latter figure having been determined to a very significant degree by loss allowances and the net expense from hedge accounting and other financial instruments measured at fair value (non-trading).

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 presented under consolidation / reconciliation.

The profit before taxes under consolidation / reconciliation amounted to € 21 m (H1 2020: € 39 m).

Risk Report

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

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

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

Risk types

The primary risk types for the purposes of containment in the Helaba Regulatory Group result directly from its business activities. The structured risk inventory process, which is implemented annually and, where necessary, in response to relevant developments, examines which risks have the potential to damage the Helaba Regulatory Group's financial position (including capital resources), financial performance or liquidity position to a material degree. The following primary risk types have been identified:

- default risk (including equity risk),
- market risk,
- liquidity and funding risk,
- non-financial risk (NFR),
- business risk and
- real estate risk.

Risk-bearing capacity / ICAAP

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

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

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

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

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

The risk-bearing capacity assessment for the Helaba Group covering all risk types reveals that the existing risk cover pools at the end of the second quarter of 2021 once again exceeded the quantified risk exposures by a substantial margin, underlining the conservative risk profile. Helaba had a capital buffer of € 4.7 bn in respect of its economic risk exposures as at the reporting date (31 December 2020: € 4.0 bn).

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

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

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

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

Other protection mechanisms

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

The most notable features of this protection scheme are the way that it safeguards the viability of the affiliated institutions, especially their liquidity and solvency, its risk monitoring system for the early detection of specific risk profiles and its use of a method based on risk parameters defined by the supervisory authorities to calculate the amounts to be paid into the protection scheme by the various institutions. The legally dependent Landesbausparkasse Hessen-Thüringen, the subsidiary Frankfurter Sparkasse, and Frankfurter Bankgesellschaft (Deutschland) AG, which is a subsidiary of Frankfurter Bankgesellschaft (Schweiz) AG (which in turn is a subsidiary of Helaba), are also directly integrated into this protection scheme.

The Sparkassen-Finanzgruppe scheme includes a deposit guarantee scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected in the Helaba Group amount to € 17.6 bn in total (31 December 2020: € 17.2 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 (Einlagensicherungsgesetz, EinSiG).

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

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

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

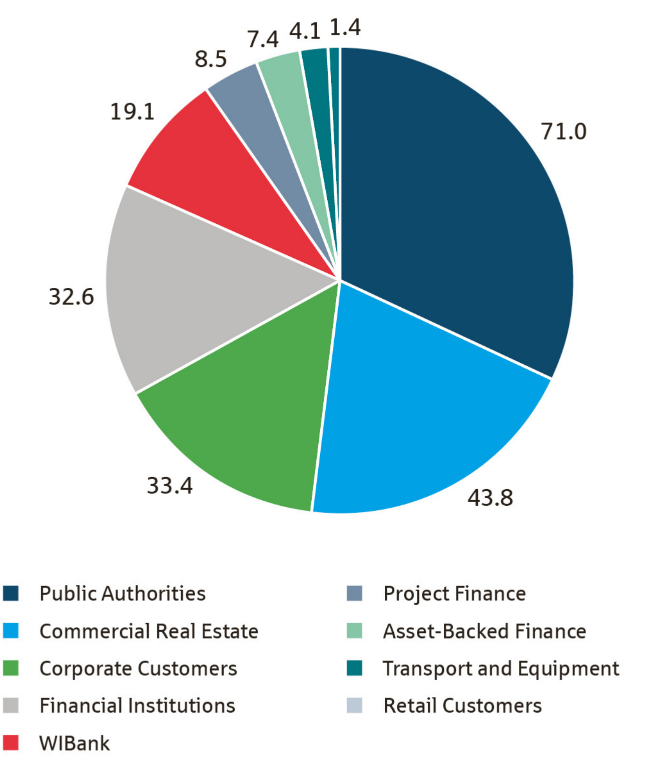
Development institution WIBank, which is organised as a dependent institution within Helaba, enjoys the direct statutory guarantee of the State of Hesse as regulated by law and as permitted under EU law on state aid.

Default Risk

Chart 1 shows the total volume of lending (comprising drawdowns and unutilised lending commitments) in the narrow Group companies (Helaba plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 221.2 bn as at 30 June 2021 (31 December 2020: € 215.2 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.

Chart 1

Total volume of lending by portfolio (narrow Group companies) **in € bn**



The lending activities in the narrow Group companies as at 30 June 2021 focused on the following portfolios: public sector, commercial real estate and corporate customers.

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

Region		in € bn
	30.6.2021	31.12.2020
Germany	152.3	142.5
Rest of Europe	48.9	50.7
North America	18.9	20.3
Oceania	0.5	0.6
Other	0.6	1.1

The table shows that Germany and other European countries continue to account for most of the total lending volume.

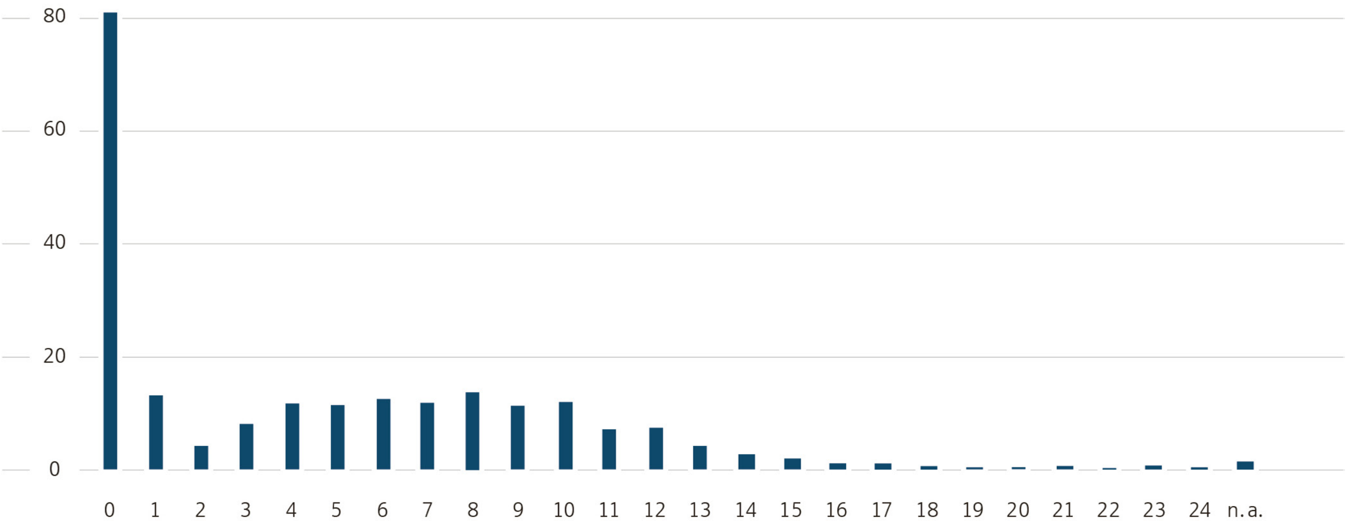
Creditworthiness / risk appraisal

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

Chart 2 shows the total volume of lending in the narrow Group companies (Helaba plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 221.2 bn (31 December 2020: € 215.2 bn) broken down by default rating category.

Chart 2

Total volume of lending by default rating category (narrow Group companies) **in € bn**



The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity indicates that the economic risk exposure for the Helaba Regulatory Group from default risk, calculated on the basis of the VaR, was € 1,551 m (31 December 2020: € 1,558 m). The changes in risk exposures in the first half of 2021 were largely shaped by countervailing effects. The decline in risk arising from the reduction of exposures in Corporate Banking and from the decrease of cluster risk in Asset Finance was roughly offset by an increase in the risk attaching to the portfolio at Frankfurter Sparkasse and the gradual expansion in the volume of Helaba Invest funds.

COVID-19 pandemic

Continuous monitoring is still being carried out to identify potential effects from the COVID-19 pandemic on credit risk in the narrow Group companies. Helaba is continuing to implement, without changes, the policy it established in 2020, whereby risk sub-portfolios significantly affected by the crisis are actively managed and exposures from these sub-portfolios that have been classified, in particular, as intensively supervised, recovering or non-performing loans are subject to close monitoring on an overarching basis.

To complement existing monitoring approaches, Helaba regularly analysed sectors again during the first half of 2021 to assess how far they are affected and has carried out sensitivity analyses and scenario calculations to facilitate early identification of risks that could gradually materialise over the course of the year. The analyses have highlighted that the COVID-19 pandemic continues to have a substantial impact mainly on businesses related to transport and trade in the following portfolios: commercial real estate, corporate customers, and transport and equipment. The total lending volume to the sectors classified as critical in these portfolios amounted to around € 19.0 bn as at 30 June 2021 (31 December 2020: € 20.3 bn).

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

Portfolio	Critical sectors	Watchlist
Commercial Real Estate	€ 7.2 bn	€ 1.0 bn
Corporate Customers	€ 9.1 bn	€ 2.4 bn
Transport and Equipment	€ 2.6 bn	€ 0.8 bn

Overall, the lending portfolio for the narrow Group companies again proved to be stable for the most part in the first half of 2021. Heightened risk materialised as a result of rating deteriorations and, to a much lesser extent, default events. Nevertheless, despite government assistance and individual concessions to borrowers to cushion the adverse effects of COVID-19, Helaba cannot rule out COVID-19-induced loan defaults over the remainder of the year, depending on how the pandemic evolves.

Loss allowances

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

Country risks

Country risk (transfer, conversion and sovereign default risks) from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 63.6 bn (31 December 2020: € 66.0 bn), most of which was accounted for by borrowers in Europe (70.0 %) and North America (28.3 %). As at 30 June 2021, 75.8 % (31 December 2020: 81.4 %) of these risks were assigned to country rating classes 0 and 1 and a further 24.1 % (31 December 2020: 18.5 %) came from rating categories 2–13. Just 0.1 % (31 December 2020: 0.1 %) fell into rating class 14 or worse.

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.

The composition of the equity investments portfolio has remained virtually unchanged since year-end 2020. The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an almost unchanged economic risk exposure of € 106 m (31 December 2020: € 107 m) for the Helaba Group from equity risk.

Market Risk

Quantification of market risk

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

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

The summary below presents a reporting date assessment of the market risks (including correlation effects between the portfolios) taken on as at 30 June 2021 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market risk types. The decrease in linear interest rate risk is primarily attributable to the absence from the parameter calculation of the market volatility that had arisen in 2020 from the COVID-19 pandemic. Various country- and rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 87 % (31 December 2020: 87 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions 8 % (31 December 2020: 10 %). In the field of equities, the focus is on securities listed in the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar and sterling positions. Residual risk amounted to € 12 m for the Group (31 December 2020: € 28 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 127 m (31 December 2020: € 120 m). The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 436 m (excluding CVA risk, 31 December 2020: € 950 m) for the Group from market risk. The fall in economic risk exposure arose primarily because of the decline in linear interest rate risk and residual risk, in turn caused by the regular parameter updates (which no longer included market volatility induced by the COVID-19 pandemic) and a normal level of reallocated exposures.

Group MaR by risk type in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Trading book	8	29	5	25	1	3	2	1
Banking book	38	93	29	88	1	1	8	4
Total	**43**	**118**	**31**	**111**	**2**	**3**	**10**	**4**

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

Internal model in accordance with the CRR

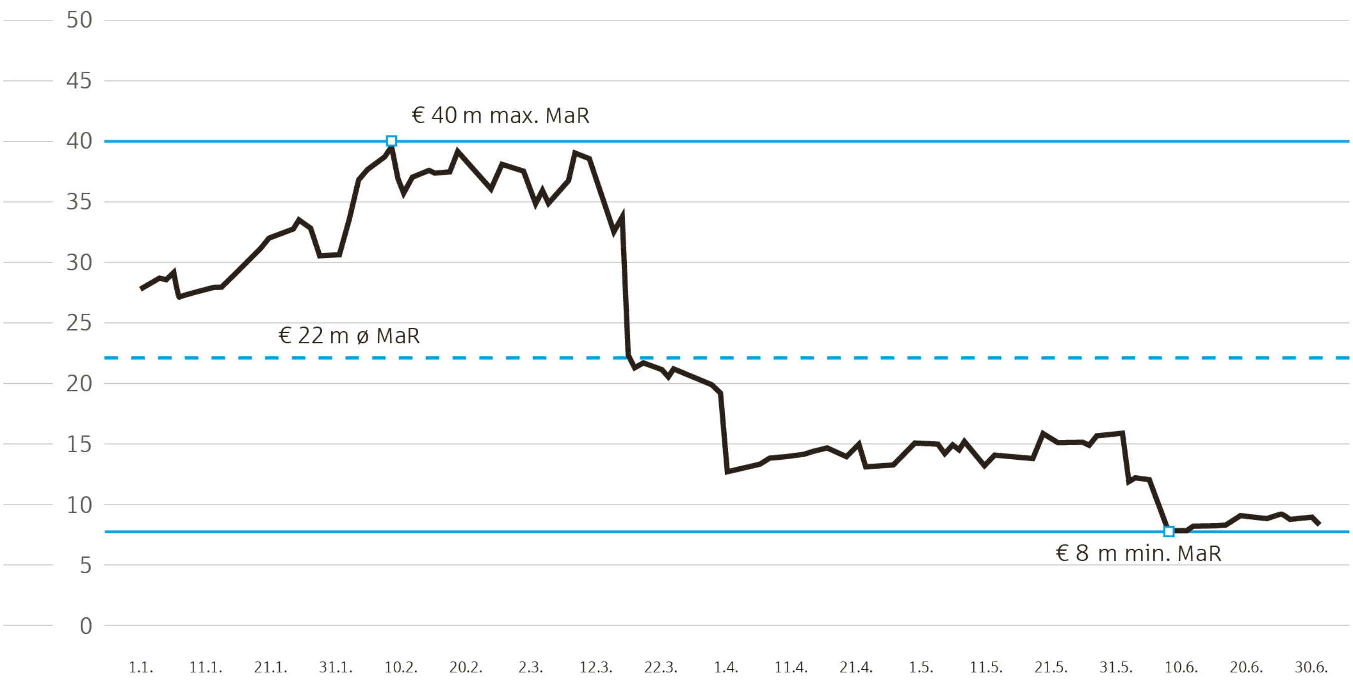
Helaba calculates the regulatory capital required for the general interest rate risk using an internal model in accordance with the CRR. This model, which consists of the risk measurement systems MaRC² (linear interest rate risk) and ELLI (interest rate option risk), has been approved by the banking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

Market risk in the trading book

All market risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba uses the parameters prescribed by the regulatory authorities – a 99 % confidence level, a holding period of ten trading days and a historical observation period of one year – for internal risk management as well. Chart 3 shows the MaR for the trading book (Helaba Bank) for the first half of 2021. The average MaR for the first half of 2021 was € 22 m (2020 as a whole: € 30 m), the maximum MaR was € 40 m (2020 as a whole: € 63 m) and the minimum MaR was € 8 m (2020 as a whole: € 15 m). The changes in risk in the first half of 2021 stemmed predominantly from linear interest rate risk and were attributable to regular parameter updates (volatility, correlations), which in the second quarter no longer included market fluctuations caused by the COVID-19 pandemic, and to a normal level of reallocated exposures.

Chart 3

Daily MaR of the trading book in the first half of 2021 **in € m**



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

Helaba employs the MaR approach used for the trading book to map the market risk in the banking book. The risk figures calculated using this approach are supplemented with daily reports, from which the maturity structure of the positions taken out can be ascertained.

Regular stress tests with holding periods of between ten days and twelve months back up the daily risk measurement routine for the banking book.

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest rate shocks. The computation examines the effects of a rise and fall of 200 basis points in interest rates in line with the requirements of the banking regulator. As at 30 June 2021, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 185 m in the value of the Helaba Group banking book (31 December 2020: negative change of € 7 m). Of this figure, € 176 m (31 December 2020: € –1 m) would have been attributable to local currency and € 9 m (31 December 2020: € 8 m) to foreign currencies. The change compared with the end of 2020 was mainly due to the higher level of interest rates in conjunction with the regulatory requirements for a maturity-related interest rate floor. Helaba carries out an interest rate shock test at least once every quarter.

Performance measurement

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

Liquidity and Funding Risk

Ensuring liquidity so as to safeguard its short-term solvency and avoid cost risks in procuring medium-term and long-term funding is a top priority at Helaba, which accordingly employs a comprehensive set of constantly evolving tools to record, quantify, contain and monitor liquidity and funding risks in the internal liquidity adequacy assessment process (ILAAP). The processes, tools and responsibilities in place for managing liquidity and funding risks have clearly demonstrated their value both in the COVID-19 pandemic and over recent years in the face of the global crisis in the financial markets and the resultant turmoil in the money and capital markets. Helaba's liquidity was fully assured at all times in the first half of 2021, even in the midst of the COVID-19 crisis.

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

Containment and monitoring

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

Short-term liquidity risk

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

The short-term liquidity status concept has been chosen to allow various stress scenarios to be incorporated. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are five days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. In the first quarter of 2021, the presentation of liquidity was switched to an economic liquidity coverage ratio in order to expand the dovetailing between regulatory and economic perspectives required in the ILAAP. The coverage in the most relevant scenario (30 day solvency) was 225 % as at 30 June 2021 as a result of the excellent level of liquidity adequacy. The figure was 228 % when Frankfurter Sparkasse was included. The average coverage in the first half of 2021 was 185 %, reflecting a very good liquidity position, which the Helaba Group was able to maintain at all times, even when markets fluctuated because of the COVID-19 pandemic.

The Helaba Regulatory Group manages short-term liquidity in accordance with the regulatory LCR requirements in parallel with the economic model. The two perspectives are integrated through the ILAAP. The ratio for the Helaba Group stood at 216 % on 30 June 2021 (31 December 2020: 202 %).

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

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

Structural liquidity risk and market liquidity risk

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

The Executive Board defines the risk tolerance for liquidity and funding risk at least annually. This covers the limit applicable for short-term and structural liquidity risk (funding risk), liquidity building for off-balance sheet liquidity risks and the definition of the corresponding models and assumptions. A comprehensive plan of action in the event of any liquidity shortage is maintained and tested for all locations.

Non-Financial Risk / Operational Risk

Principles of risk containment

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

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

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

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

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

Quantification

Risks are quantified for Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model for operational risk based on a loss distribution approach, which takes into account risk scenarios and internal and external losses to calculate economic risk exposure. This also includes internal losses and risk scenarios that relate to sub-categories of non-financial risk and form part of operational risk. Such risks include legal risk, third-party risk, information risk and project risk.

The summary below shows the risk profile as at 30 June 2021 for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Regulatory Group that are included in risk management at the level of individual risks.

Operational risks – risk profile

Economic risk exposure in € m

	Reporting date 30.6.2021	Reporting date 31.12.2020
	VaR 99.9 %	VaR 99.9 %
Helaba Bank	190	188
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	94	90
Total	**284**	**278**

The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 284 m (31 December 2020: € 278 m) for the Helaba Regulatory Group from operational risk. The increase is largely attributable to a lack of precision in the simulation and to the "other companies" item.

COVID-19 pandemic

Business continuity management (BCM) measures were implemented in response to the COVID-19 pandemic in 2020 and continued in 2021. These measures included a greater level of remote working to ensure the health and safety of employees and maintain the availability of operating processes.

Other Risk Types

Business risk

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

The analysis as at the 30 June 2021 reporting date under the economic internal perspective for the calculation of risk-bearing capacity indicates that, compared with the position as at the end of 2020, business risks increased by € 48 m to € 204 m (31 December 2020: € 156 m). This increase is largely attributable to adjustments made to the methodology used for determining business risk.

Real estate risk

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

The analysis as at the reporting date under the economic internal perspective shows a risk of € 210 m (31 December 2020: € 174 m) from real estate projects and real estate portfolios. The increase resulted primarily from the expansion of the real estate project portfolio and the real estate portfolio in one of the Regulatory Group entities and a larger real estate portfolio at Helaba. These risks continue to be fully covered by the expected income from the associated transactions.

Outlook and Opportunities

Economic conditions

As the vaccination programme progresses, an increasing number of countries are returning to the growth trajectory interrupted by the lockdowns caused by the COVID-19 pandemic. Whereas laggards such as the euro zone are just getting going, the pace of growth is already slowing again in China. In the USA, the very expansionary monetary policy continues to provide support but fiscal policy stimulus is easing off. The US economy is likely to expand by around 6 % in 2021 on average. Expansion of 4.3 % is then forecast for 2022, which is still a disproportionately high rate.

In the euro zone, the easing of restrictions is only now having an effect. France, Italy and Spain are now benefiting as tourism starts up again. Following a disproportionately sharp downturn, economic growth in those countries in 2021 will probably be higher than in Germany. Overall, the euro zone is likely to grow by 4.5 % in 2021, especially as the "Next Generation EU" recovery programme will start to have a positive effect in the second half of the year and monetary policy remains extremely expansionary. Economic growth is again expected to be high in 2022, with the rate projected at 3.6 %.

The ECB has adjusted its strategy and slightly raised its inflation target. Under this strategy, overshooting the inflation target in the euro zone is more readily tolerable, making it easier to continue the extremely loose monetary policy. Recently, it has again become increasingly probable that there will also be a purchasing programme in some kind of flexible form in 2022. However, the US Federal Reserve (Fed) is edging towards the first moves in phasing out its current policy, but interest rate hikes are only likely at the end of 2022 despite significant inflation. The Fed is still likely to pump even more liquidity into the system through its asset purchases until well into 2022. Yields on capital markets on both sides of the Atlantic will probably rise moderately over the coming quarters.

Opportunities

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

Helaba has long had a stable and viable strategic business model in place. Over the last few years, it has therefore been able not only to consolidate its market position in its core areas of business but also – on the basis of the good operating results achieved – service all subordinated liabilities, profit participation rights and silent participations in full at all times 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 long-term financing operations in real estate lending business and corporate lending business, in which Helaba is one of the leading banks in Germany. The diversified strategic business model has also stood the test of the COVID-19 crisis, as evidenced by the stability of the operating business in the pandemic.

Helaba continues to rigorously pursue the transformation project "Scope – Growth through Efficiency", which was launched to counter the trend of rising costs over recent years. One example of the approach in this project is that processes are structured more efficiently where this is possible and useful from both regulatory and economic perspectives. Helaba is at the same time working to diversify its successful business model even further to establish a presence in new market segments and continue reducing the scale of potential risks. The intention here is to drive growth mainly in business areas that do not tie up too much capital. Ever keen to exploit new possibilities in the market, Helaba views sustainability as both an absolute imperative for an institution committed to being a force for good in society and as an opportunity to make further inroads into a growth area with excellent future prospects.

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

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

In the first half of 2021, Helaba successfully placed its first green bond, laying the foundations that will enable Helaba to position itself in the bond market as a sustainable issuer. In this regard, Helaba is making the most of its established market access to place new sustainable funding instruments with investors.

The digital transformation is marching on and will continue to bring huge changes to the banking industry as well as attract other competitors to the market. Helaba itself also plans to continue pressing ahead with digitalisation using a systematic approach.

Based on the continual implementation of the digitalisation strategy drawn up back in 2020, trends in digitalisation are analysed and assessed on an ongoing basis and strategically relevant initiatives instigated and coordinated. The established "Digital Transformation Committee", which brings together senior management expertise from the front office and corporate centre units, also ensures that Helaba maintains a comprehensive overview of the opportunities opened up by digital transformation. Helaba pursues collaborative partnerships with fintechs, or makes equity investments in such entities, through its equity investment company Helaba Digital. Continued expansion of the equity investment portfolio is planned. Digitalisation initiatives include applications at the customer interface and improvements to internal processes. Further opportunities for enhancing efficiency at Helaba are also presenting themselves in the form of blockchain applications and artificial intelligence technologies. One specific initiative is the "Marco Polo" blockchain platform to develop new working capital and foreign trade financing processes. The ongoing development of payment transactions in the direction of programmable payments and programmable money could also present new opportunities for Helaba, which is a major player in payment transaction business.

Together with other banks in the "Programmable money" working group led by Deutsche Bundesbank, Helaba published a fundamental analysis paper with the title "Money in programmable applications" at the end of 2020.

In the first half of 2021, Helaba played an active role in a collaborative project run by the German Banking Industry Committee to design a "digital euro" and draw up use cases for programmable payments. This project used the output from the "Programmable money" working group in 2020 to carry out more extensive, in-depth work. The project's statement of basic principles was published in July 2021. Potential product solutions are being evaluated in collaboration with customers and then developed, if the assessment is positive.

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

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

It is implementing a programme throughout the Bank with the aim of extensively enhancing the efficiency of Helaba IT systems over the next few years, during the course of which the application landscape and IT platforms will be upgraded. The associated reduction in complexity will simplify working processes, cut duplicated data capture and retention, and enhance the quality of value creation, thereby improving overall customer benefit. This will put in place the foundations necessary for access to innovative products, the use of platforms inside and outside Helaba, and the creation of strategic partnerships that offer our customers added value and enable Helaba to stand out effectively from its competitors.

Long-term customer relationships combined with a sustainable business policy in the carefully selected domestic and international target markets have formed the basis for the growth in new business in the Real Estate segment over the last few years. Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to assert and continue to consolidate its market position in real estate lending based on its product expertise and on its well-established presence in the markets over many years. Helaba has identified particular opportunities in real estate lending business in areas including the digitalisation of customer-facing processes and interfaces and the enhancement of its regional presence. In mid-2021, Helaba signed up to the “ECORE – ESG Circle of Real Estate” initiative because of the ever-increasing importance of ESG compliance in real estate portfolios. The objective of the initiative is to draw up uniform standards for assessing the compliance of real estate with ESG requirements so that sustainability in real estate portfolios is transparent, measurable and more comparable.

The Corporates & Markets segment encompasses the customer-driven wholesale business. Helaba is broadening its activities in corporate finance business with targeted product initiatives that include the development and expansion of sustainable products and the strengthening of development loan structuring activities. Another key component of Helaba’s activities is the provision of finance for infrastructure and infrastructure-related services in the form of project and transport finance.

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

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

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

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

A sustainability-led regional universal bank and market leader in private customer business, Frankfurter Sparkasse enjoys particular opportunities in the Retail & Asset Management segment thanks to its strong local roots. The network of local branches forms the heart of sales activities, although customers also have the option of other user-friendly access channels (online, mobile, chat, telephone) if they prefer. Frankfurter Sparkasse is stepping up work to develop these additional channels to help it compete effectively as a genuine multi-channel provider. The targeted transformation of Frankfurter Sparkasse, shifting its focus more onto lending and fee and commission business, will open up new opportunities for the institution. Frankfurter Sparkasse’s digital sales platform, 1822direkt, once again received multiple awards in the first half of 2021 for the quality of its products, advice and service, highlighting the appeal of its offering. It also received the accolade of "Best bank" in the overall rating resulting from Germany's largest assessment of banking services.

Further business potential can be leveraged with the subsidiary Helaba Invest through the even tighter integration within the Helaba Regulatory Group. Helaba Invest's strategic focus on its three main pillars – AM Liquid, AM Illiquid and Administration (master investment company) – presents opportunities for it to build on its position as the largest provider of special funds for institutional investors in the Sparkassen-Finanzgruppe, covering both liquid and illiquid asset classes. Helaba Invest's position continues to strengthen as the development of its sustainability agenda at company level and its holistic sustainability approach in own asset management (including ESG reporting for customers and the adoption of defined ESG minimum standards across the entire product range) gathers pace. Since 2020, Helaba Invest has been carbon-neutral, offsetting the CO_2 emissions that it generates at its offices and from business travel.

In the first half of 2021, Helaba Invest continued to expand its range of products focused on sustainability. Further sustainability-linked products are planned. These products already anticipate new regulatory requirements with the aim of creating an offering in line with market requirements. Corporate social responsibility activities are also being expanded as part of a holistic approach to sustainability. For example, in May, Helaba Invest participated for the first time in German Diversity Day, thereby also demonstrating externally its commitment as a sustainability-oriented employer.

Helaba believes that there is further growth potential for the Group from the business with high-net-worth customers via the FBG subsidiary. FBG is the private bank in the Sparkassen-Finanzgruppe and collaborates with the Sparkassen. Its strategic holding in IMAP M&A Consultants AG (Deutschland) extends FBG's range of services to include corporate transactions, thus opening up another opportunity to strengthen and expand its position.

Potential exists for the GWH Group to continue growing its portfolio of managed residential units through the real estate funds business line and also by buying and building new housing portfolios. Progress in this area is being supported by expanding (on a modest scale) residential real estate project development, increasing depth in the portfolio value chain and optimising the existing portfolio. These activities pay due regard to ongoing, sustainable optimisation of the energy and carbon footprint of residential buildings.

OFB is opening up further growth opportunities by covering all areas of the real estate business. In this regard, it is also consistently taking into account the various aspects of sustainability. In particular, OFB can consolidate its position by increasing its development activities through further diversification across sectors and regions of the market. OFB is also aiming to press ahead with IT optimisation and the digitalisation of various business processes.

In the development business segment, there are more opportunities and potential available from the further expansion of the product portfolio. For example, in Business Development, there is a new focus on the development of equity and mezzanine financing products. Efforts are also being made to grow business involving infrastructure development, housing and urban development, and EU structural funds. Additional opportunities are arising from the accelerated digitalisation of application and processing operations.

Helaba receives ratings from rating agencies Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and Standard & Poor's (S&P). Moody's has awarded Helaba an issuer rating of "Aa3", plus a rating of "P-1" for its short-term liabilities. In the case of Fitch and S&P, Helaba is rated jointly with the Sparkassen in Hesse and Thuringia in the form of an S-Group rating. In June 2021, Fitch confirmed the ratings for the Sparkassen-Finanzgruppe Hessen-Thüringen at "A+/F1+" and at the same time raised its outlook to stable from negative. Likewise in June, S&P downgraded its assessment of the German market as the basis for its bank ratings. As part of this rating action, it also lowered the rating for the Sparkassen-Finanzgruppe Hessen-Thüringen by one notch to "A-/A-2". At the same time, the outlook was raised from negative to stable.

The strategically significant funding instruments "public Pfandbriefe" and "mortgage Pfandbriefe" both have AAA ratings. Thanks to its excellent standing among institutional and private investors and its diversified product range, Helaba has consistently enjoyed direct access to the funding markets over the last few years. Helaba's status as part of a strong association of financial institutions also underpins its ongoing ability to access funding in the money and capital markets.

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

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

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

Probable development of the Group

The forecasts for 2021 included in the 2020 Annual Report are being affected by the reversal of losses as the situation in capital markets returns to normal. Very significant positive variances were already apparent in the first half of the year in respect of net income from hedge accounting and other financial instruments measured at fair value (not held for trading). The forecasts for operating income can largely be confirmed.

In view of the performance in the first half of the year, Helaba expects that the overall volume of medium- and long-term new business budgeted for the whole of the year will be achievable. However, within the overall figure, some shifts are apparent between the segments.

Net interest income is expected to be markedly higher than both the prior-year figure and the budget. Based on a reassessment of the loss allowance requirement because of the COVID-19 pandemic, Helaba believes that the overall figure for loss allowances for the year will be substantially lower than both the budgeted and prior-year figures. As a consequence, it is anticipated that net interest income after loss allowances will turn out to be well above budget and higher than the figure achieved in the previous year.

Net fee and commission income is projected to be at the budgeted level for the year as a whole and therefore significantly higher than the prior-year level.

Net income from investment property appears to be running in line with budget and will therefore probably be moderately higher than the prior-year figure.

Based on a narrowing of credit spreads compared with the previous year, long-term interest rates that remain at a low level and continued stability in the customer business, it is likely that net trading income will see further improvement in the second half of the year. Net trading income for the whole of the year is projected to be as budgeted, exceeding the prior-year figure by a very significant amount.

In this context, it is predicted that, at the end of the year, net income from hedge accounting and other financial instruments measured at fair value (non-trading) will be below the level of the half-year but very substantially higher than the budget figure and that achieved in the previous year.

In 2020, other net income/expense was significantly affected by a one-off item relating to the conclusion of a real estate project. The figure for the whole of the year is projected to be at the level of the budget.

Despite the European bank levy (the costs of which have risen very significantly year on year and have already been recognised in full in the first half of the year), the expenses for the association overhead allocation and the contributions to the reserve funds, general and administrative expenses are expected to follow a steady trend in the second half of the year and will therefore probably end the year at the budgeted level. These expenses include extensive project activities, including work to upgrade the IT infrastructure. Measures are being implemented to counter the uptrend in costs, including those forming part of the "Scope – Growth through Efficiency" transformation project launched in 2019.

From a present-day perspective, the consolidated profit before taxes for the entire year will significantly exceed the budgeted figure of around € 225 m.

The key risk for Helaba's operating activities is the potential for the financial markets and global economy to be hit by setbacks arising from the evolution of the COVID-19 pandemic. Political and macroeconomic trends are the source of further risks to Helaba's earnings performance.

Overall assessment

In the first half of 2021, Helaba achieved a consolidated profit before taxes of € 293 m. This profit before taxes is therefore very much higher than the corresponding prior-year figure, which had been affected by the COVID-19-related turmoil in the markets and the resulting temporary remeasurement losses. The operating business continued to perform well; in particular, the further rise in net fee and commission income was very encouraging. This operating performance is backed by the ECB's programme to safeguard liquidity (TLTRO).

As in the previous year, an adequate addition to loss allowances was recognised, although no appreciable level of defaults has occurred to date. General and administrative expenses were held at a steady level, even though these expenses included the rise in the bank levy and the costs of growth initiatives implemented by subsidiaries.

Helaba expects the course of business over the second half of 2021 to remain positive and therefore predicts that the consolidated profit before taxes for the whole of the year will be well in excess of both the prior-year level and the budget.

Frankfurt am Main/Erfurt, 10 August 2021

Landesbank Hessen-Thüringen Girozentrale

The Executive Board

Groß	Dr. Hosemann	Kemler
Nickel	Rhino	Schmid

Consolidated Interim Financial Statements

Consolidated Income Statement

for the period 1 January to 30 June 2021

	Notes	1.1.–30.6.2021 in € m	1.1.–30.6.2020 in € m	Change in %
Net interest income	(3)	643	598	7.4
Interest income		1,647	1,768	–6.9
thereof: Calculated using the effective interest method		961	1,083	–11.2
Interest expenses		–1,004	–1,170	14.2
Loss allowances	(4)	–141	–151	7.1
Net interest income after loss allowances		**502**	**447**	**12.4**
Dividend income	(6)	6	8	–26.7
Net fee and commission income	(7)	223	211	6.0
Fee and commission income		288	270	6.8
Fee and commission expenses		–65	–59	–9.6
Net trading income	(8)	108	–170	>100.0
Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss	(9)	–168	–16	>–100.0
Gains or losses on financial instruments designated voluntarily at fair value	(10)	246	–109	>100.0
Net income from hedge accounting	(11)	–0	–8	97.7
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	(12)	–0	5	>–100.0
Share of profit or loss of equity-accounted entities	(13)	5	2	>100.0
Other net operating income	(14)	154	134	14.9
General and administrative expenses	(15)	–720	–713	–1.0
Depreciation and amortisation	(16)	–62	–65	5.1
Profit or loss before tax		**293**	**–274**	**>100.0**
Taxes on income		–93	89	>–100.0
Consolidated net profit/loss		**201**	**–185**	**>100.0**
thereof: Attributable to non-controlling interests		0	2	–82.0
thereof: Attributable to shareholders of the parent		200	–187	>100.0

Consolidated Statement of Comprehensive Income

for the period 1 January to 30 June 2021

	1.1.–30.6.2021	1.1.–30.6.2020	Change
	in € m	in € m	in %
Consolidated net profit according to the consolidated income statement	**201**	**–185**	**>100.0**
Items that will not be reclassified to the consolidated income statement:	**33**	**289**	**–88.6**
Remeasurement of net defined benefit liability	121	166	–26.8
Change in fair value of equity instruments measured at fair value through other comprehensive income	2	–1	>100.0
Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	–79	254	>–100.0
Taxes on income on items that will not be reclassified to the consolidated income statement	–11	–130	91.2
Items that will be subsequently reclassified to the consolidated income statement:	**–61**	**11**	**>–100.0**
Share of profit or loss of equity-accounted entities	0	–0	>100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	0	–0	>100.0
Change in fair value of debt instruments measured at fair value through other comprehensive income	–73	–19	>–100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	–74	–15	>–100.0
Gains (–)/losses (+) reclassified to the consolidated income statement in the reporting period	0	–4	>100.0
Gains or losses from currency translation of foreign operations	2	1	92.6
Unrealised gains (+)/losses (–) recognised in the reporting period	2	1	92.6
Gains or losses from fair value hedges of currency risk	–18	34	>–100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	–18	34	>–100.0
Taxes on income on items that will be subsequently reclassified to the consolidated income statement	29	–5	>100.0
Other comprehensive income after taxes	**–28**	**300**	**>–100.0**
Comprehensive income for the reporting period	**173**	**115**	**50.9**
thereof: Attributable to non-controlling interests	0	1	–57.4
thereof: Attributable to shareholders of the parent	173	114	52.0

Consolidated Statement of Financial Position

as at 30 June 2021

Assets

	Notes	30.6.2021 in € m	31.12.2020 in € m	Change in %
Cash on hand, demand deposits and overnight money balances with central banks and banks	(18), (32)	37,332	26,429	41.3
Financial assets measured at amortised cost	(19), (32)	128,800	131,847	–2.3
Trading assets	(20)	16,750	21,173	–20.9
Other financial assets mandatorily measured at fair value through profit or loss	(21)	6,298	8,206	–23.3
Financial assets designated voluntarily at fair value	(22)	3,748	3,955	–5.2
Negative fair values of hedging derivatives under hedge accounting	(23)	642	1,258	–48.9
Financial assets measured at fair value through other comprehensive income	(24), (32)	17,935	21,018	–14.7
Shares in equity-accounted entities	(25)	27	49	–45.1
Investment property	(26)	2,945	2,702	9.0
Property and equipment	(27)	672	682	–1.5
Intangible assets	(28)	139	134	3.8
Income tax assets		701	704	–0.3
Current income tax assets		156	126	24.0
Deferred income tax assets		546	578	–5.6
Other assets	(29)	1,159	1,166	–0.6
Total assets		**217,150**	**219,324**	**–1.0**

Equity and liabilities

		30.6.2021	31.12.2020	Change
	Notes	**in € m**	**in € m**	**in %**
Financial liabilities measured at amortised cost	(19)	172,632	167,731	2.9
Trading liabilities	(20)	12,802	17,793	–28.1
Negative fair values of non-trading derivatives	(21)	5,767	7,322	–21.2
Financial liabilities designated voluntarily at fair value	(22)	12,384	12,872	–3.8
Negative fair values of hedging derivatives under hedge accounting	(23)	1,615	1,671	–3.4
Provisions	(30)	2,464	2,551	–3.4
Income tax liabilities		148	144	2.5
Current income tax liabilities		140	136	2.6
Deferred income tax liabilities		8	8	1.0
Other liabilities	(29)	414	399	3.7
Equity	(31)	8,925	8,842	0.9
Subscribed capital		2,509	2,509	–
Capital reserves		1,546	1,546	–
Additional Tier 1 capital instruments		354	354	–
Retained earnings		5,052	4,942	2.2
Accumulated other comprehensive income (OCI)		–539	–511	–5.4
Non-controlling interests		3	2	11.6
Total equity and liabilities		**217,150**	**219,324**	**–1.0**

Consolidated Statement of Changes in Equity

for the period 1 January to 30 June 2021

in € m

	Subscribed capital	Capital reserves	Additional Tier 1 capital instruments	Retained earnings	Accumulated other comprehensive income	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
As at 1.1.2020	**2,509**	**1,546**	**354**	**4,778**	**–488**	**8,699**	**1**	**8,700**
Changes in the basis of consolidation	–	–	–	–	–	–	1	1
Comprehensive income for the reporting period				–186	300	114	1	115
thereof: Consolidated net profit profit/loss				–186		–186	1	–185
thereof: Other comprehensive income after taxes					300	300	–	300
As at 30.6.2020	**2,509**	**1,546**	**354**	**4,592**	**–188**	**8,813**	**3**	**8,816**
Dividend payment				–14		–14	–1	–15
Comprehensive income for the reporting period				362	–323	39	1	40
thereof: Consolidated net profit/loss				362		362	1	362
thereof: Other comprehensive income after taxes					–323	–323	–	–323
Reclassifications within equity				1	–1	–		–
As at 31.12.2020	**2,509**	**1,546**	**354**	**4,942**	**–511**	**8,839**	**2**	**8,842**
Dividend payment				–90		–90	–	–90
Comprehensive income for the reporting period				201	–28	173	0	173
thereof: Consolidated net profit/loss				201		201	0	201
thereof: Other comprehensive income after taxes					–28	–28	–	–28
As at 30.6.2021	**2,509**	**1,546**	**354**	**5,052**	**–539**	**8,922**	**3**	**8,925**

An amount of € 90 m was distributed from the consolidated net profit for 2020 to the owners based on their shareholdings and capital contributions. In the previous year, the original plan to distribute the same amount from the consolidated net profit for 2019 had been suspended in line with a recommendation by the ECB. This distribution has not been reinstated and the amount remains part of retained earnings.

Consolidated Cash Flow Statement

for the period 1 January to 30 June 2021 – condensed

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Cash and cash equivalents as at 1.1.	**26,429**	**14,555**
Cash flow from operating activities	8,165	12,545
Cash flow from investing activities	2,810	–661
Cash flow from financing activities[1]	–44	–9
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	–28	8
Cash and cash equivalents as at 30.6	**37,332**	**26,438**
thereof: Cash on hand	66	258
thereof: Demand deposits and overnight money balances at central banks and banks	37,266	26,180

[1] Non-cash changes in subordinated liabilities amounted to an increase of € 17 m (30 June 2020: € 21 m) and were attributable to accrued interest and measurement effects.

Notes

Accounting Policies

(1) Basis of Presentation

Basis of accounting

The consolidated interim financial statements of the Helaba Group for the period ended 30 June 2021 have been prepared pursuant to section 315e (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). They also take into consideration the requirements of IAS 34 Interim Financial Reporting. The consolidated cash flow statement is presented in a condensed version; only selected information is disclosed in the notes. The consolidated interim financial statements should be read in conjunction with the Helaba Group's IFRS consolidated financial statements for the year ended 31 December 2020.

The reporting currency of the consolidated financial statements is the euro (€). Euro amounts are generally rounded to the nearest million. Minor discrepancies may arise in totals or in the calculation of percentages in this report due to rounding. If a figure is reported as "0", this means that the amount has been rounded to zero. If a figure is reported as "–", this means that the figure is zero.

The IFRSs and International Financial Reporting Standards Interpretations (IFRICs) that were in force as at 30 June 2021 have been applied in full. The relevant requirements of German commercial law as specified in section 315e HGB have also been observed.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements and the assumptions, estimates and assessments made are generally the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2020. Exceptions are the standards and interpretations described in the following section that have been applied in the Helaba Group since 1 January 2021.

The COVID-19 pandemic has significantly heightened the uncertainty surrounding the necessary assumptions, estimates and assessments in accounting policies. The main areas of uncertainty are the assessment about future macroeconomic conditions and the analysis of whether there has been a significant rise in credit risk. Helaba has taken into account its assessment of future macroeconomic conditions that were not yet fully reflected in the loss allowance models as at the reporting date by recognising a portfolio loan loss allowance.

For further information on the organisation of risk management, the individual risk types as well as risk concentrations, including such details in the COVID-19 context, and also on further risks arising in connection with financial instruments, please refer to the risk report, which forms an integral part of the management report.

IFRSs applied for the first time

The 2021 financial year was the first year in which mandatory application was required for the following IFRSs and IFRICs adopted by the EU:

- Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9

  The IASB has published the final amendments to IFRS 17 relating to the accounting treatment of insurance contracts. An associated amendment to IFRS 4 has been applied at the same time, as a result of which the existing option to delay the initial application of IFRS 9 has been extended to the new date on which IFRS 17 comes into effect.

- Amendments to various standards in connection with phase 2 of the IBOR reform. The following standards are affected by these amendments:

  - IAS 39 Financial Instruments: Recognition and Measurement
  - IFRS 4 Insurance Contracts
  - IFRS 7 Financial Instruments: Disclosures
  - IFRS 9 Financial Instruments
  - IFRS 16 Leases

  The amendments in IFRS 9 in connection with phase 2 of the IBOR reform address accounting issues related to the switch to alternative benchmark interest rates and facilitate the accounting treatment of contractual modifications or changes to cash flows in existing contractual relationships that are required as a direct consequence of the IBOR reform. They also concern the continuation of existing hedge accounting relationships despite necessary adjustments to hedged items or hedging transactions in line with the benchmark interest rate reform. In particular, the practical expedients for the accounting treatment of modifications of the large number of existing contractual relationships are relevant for Helaba. These practical expedients allow entities to account for the necessary modifications by updating the variable interest rate. The general rules of IFRS 9 relating to the review and recognition of modifications only need to be applied to other modifications that are not directly required as a consequence of the IBOR reform. Helaba began to modify its contracts with customers in the first half of 2021. The vast majority of contract modifications will be carried out from the second half of the year onwards. The first contracts with bilateral customers in the derivatives business were also modified. This did not have any material impact on hedge accounting relationships.

Further implications of the reform of interbank offered rates (IBOR) and effects on financial reporting:

the Bank is implementing a project to manage the reforms and requirements under a changeover initiated by regulators in which the Bank must switch away from the current benchmark interest rates, namely EONIA (Euro OverNight Index Average), EURIBOR (Euro Interbank Offered Rate) and LIBOR (London Interbank Offered Rate). The implementation of the reforms will require extensive modifications to contracts and IT systems. At the Bank alone, this affected the following as at 30 June 2021: assets with a total carrying amount of € 51.6 bn, liabilities with a carrying amount of € 9.5 bn and portfolios of derivatives with a notional amount (non-netted) of € 450.2 bn. In terms of the Bank's existing contracts, the following benchmark interest rates are particularly relevant: EONIA (switch to euro short-term rate (€STR)) and LIBOR (switch to risk-free rates, i.e. Secured Overnight Financing Rate, (SOFR), Sterling Overnight Index Average (SONIA) or Swiss Average Rate Overnight (SARON)). Of these amounts, assets of € 6.8 bn, liabilities of € 5.7 bn and portfolios of derivatives with a notional amount of € 4.1 bn related to the EONIA benchmark interest rate, which will be replaced by the €STR. Assets of € 15.7 bn, liabilities of € 0.8 bn and portfolios of derivatives with a notional amount of € 70.6 bn related to the LIBOR benchmark interest rate.

The central clearing counterparties used by the Bank changed over their discount curves at the end of July 2020 and applied appropriate compensation payments in connection with the adjustment of interest agreements for collateral in line with €STR requirements. Accordingly, for its internal purposes, the Bank is also using measurement parameters that have been adapted for the €STR and SOFR benchmarks. The changeover in derivative transactions with clearing houses will be set in motion in the second half of 2021.

More recent agreements in the customer and derivatives businesses have already incorporated new or modified contractual arrangements or frameworks that either include the new benchmark interest rates (€STR, SOFR) or specify a fallback if the existing basis of calculations can no longer be applied. In the case of existing agreements without such arrangements, the contractual modifications and related negotiations have already commenced. The vast majority of contracts will only be modified from the second half of 2021 onwards. The entire financial implications from as yet outstanding potential contractual adjustments and changes in other market parameters used in measurements cannot yet be quantified but, overall, are not expected to be in an amount that is material to the financial circumstances of the Bank.

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

The standards and interpretations listed below have been 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 IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts — Cost of Fulfilling a Contract
- Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts
- Annual Improvements to IFRSs – 2018–2020 Cycle

  The annual improvements include changes to IFRSs with an impact on recognition, measurement and reporting of transactions, and also terminology and editorial adjustments. The following standards were affected by the improvements in this cycle:
  - IAS 41 Agriculture
  - IFRS 1 First-Time Adoption of International Financial Reporting Standards
  - IFRS 9 Financial Instruments
  - IFRS 16 Leases

Amendments to recognised amounts, changes to estimates, adjustment of prior-year figures, correction of errors

To improve comparability with other line items of the statement of financial position, the Helaba Group has adjusted the presentation of the demand deposits and overnight money balances with central banks and banks line item in the notes. In the new presentation, the item is broken down by the Group's measurement categories for financial instruments. This has led to presentation changes within Notes (18) and (32).

Following a change to the assignment of the loss allowance from the specific scenario in internal management reporting, the presentation in the segments has been adjusted. The effects for the segments concerned are now presented in a separate table in Note (17).

In Note (32), the plus/minus sign used for the balance of loss allowances has been adjusted. From now on, the loss allowances will be reported without a minus sign. This has led to a corresponding change in the plus/minus signs within the statements of changes in loss allowances. This change in the use of plus/minus signs means that the balance of loss allowances and the provisions for loan commitments and financial guarantees are now presented in the same way, i.e. as positive figures, thereby making the credit risk disclosures more comprehensible and consistent.

Presentation changes or adjustments have been applied to prior-year figures within the disclosures in Notes (7), (15) and (35). Please refer to the relevant Notes for details. There has been no impact on the figures for consolidated net profit or equity from these changes.

(2) Basis of Consolidation

In addition to the parent company Helaba, a total of 122 entities are consolidated in the Helaba Group (31 December 2020: 115). Of this total, 90 (31 December 2020: 85) entities are fully consolidated and 32 entities are included using the equity method (31 December 2020: 30). 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 25 subsidiaries, 18 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

Entities added

FHP Projektentwicklung GmbH & Co. KG, Berlin	Consolidated for the first time because entity became material in February 2021; acquired in previous years
HI-FSP-Infrastruktur-Fonds, Frankfurt am Main	Fund launched in April 2021
HI-Helaba Aktien Return-Fonds, Frankfurt am Main	Fund launched in January 2021
HI-Helaba Renten Return-Fonds, Frankfurt am Main	Fund launched in January 2021
OFB gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	Switched from equity-accounted to fully consolidated following the withdrawal of the other partner in April 2021

Changes in the group of equity-accounted entities

Entities added

G&O MK 12 GmbH & Co. KG, Frankfurt am Main	Shares acquired in February 2021
Gatelands Immobilien GmbH & Co. KG, Schönefeld	Entity established February 2021; included from April 2021
Projekt am Sonnenberg Wiesbaden GmbH, Essen	Shares acquired in April 2021

Entities removed

OFB gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	Switched from equity-accounted to fully consolidated following the withdrawal of the other partner in April 2021

Consolidated Income Statement Disclosures

(3) Net Interest Income

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Interest income from	**1,647**	**1,768**
Financial assets measured at amortised cost	**949**	**1,040**
thereof: Calculated using the effective interest method	914	1,014
Bonds and other fixed-income securities	0	–
Loans and receivables	949	1,040
Non-trading financial assets mandatorily measured at fair value through profit or loss	**304**	**433**
Bonds and other fixed-income securities	4	13
Loans and receivables	2	2
Derivatives not held for trading	298	418
Financial assets designated voluntarily at fair value	**14**	**14**
Bonds and other fixed-income securities	1	1
Loans and receivables	12	13
Financial assets measured at fair value through other comprehensive income	**47**	**68**
thereof: Calculated using the effective interest method	47	68
Bonds and other fixed-income securities	44	65
Loans and receivables	3	3
Hedging derivatives under hedge accounting	**118**	**118**
Financial liabilities (negative interest)	**179**	**63**
Financial liabilities measured at amortised cost	179	63
Other	**36**	**32**
Cash on hand and demand deposit balances	0	1
thereof: Calculated using the effective interest method	0	1
Commitment fees	36	31

Table continued on next page.

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Interest expense on	**–1,004**	**–1,170**
Financial liabilities measured at amortised cost	**–430**	**–527**
Securitised liabilities	–131	–191
Deposits and loans	–298	–335
Other financial liabilities	–1	–1
Derivatives not held for trading	**–208**	**–254**
Financial liabilities designated voluntarily at fair value	**–82**	**–89**
Securitised liabilities	–25	–27
Deposits and loans	–57	–62
Hedging derivatives under hedge accounting	**–156**	**–226**
Financial assets (negative interest)	**–115**	**–60**
Financial assets measured at amortised cost	–114	–60
Financial assets measured mandatorily at fair value through profit or loss	–1	–0
Financial assets designated voluntarily at fair value	–0	–0
Financial assets measured at fair value through other comprehensive income	–0	–
Provisions and other liabilities	**–12**	**–14**
Unwinding of discount on provisions for pension obligations	–11	–13
Unwinding of discount on other provisions	–0	–0
Sundry liabilities	–1	–1
Total	**643**	**598**

Interest income not calculated using the effective interest method largely consisted of early redemption fees and non-recurring loan fees.

Interest income and expenses relating to trading activities are reported under net trading income.

Effects of the ECB's targeted longer-term refinancing operations (TLTRO III)

In the tender procedure in March 2021, the Helaba Group drew down funding totalling € 6.5 bn (compared with a total of € 17.4 bn in June and September of the previous year), which means that its total borrowing under the ECB's TLTRO III programme amounted to € 23.9 bn as at 30 June 2021.

In 2019, the ECB had decided on the terms and conditions for a third series of quarterly tenders from 2020 onwards (TLTRO III). The terms and conditions, which were updated again in 2020, provide for interest (calculated using the average main refinancing rate over the maturity) to be paid out retrospectively on repayment or on the maturity date. The terms also grant a guaranteed reduction in this interest rate of 50 basis points for a special interest period up to 23 June 2022. In addition, depending on the growth in net lending granted as at a particular accounting date, there is also the opportunity to earn an additional interest benefit for special interest periods in the form of a (pro rata) reduction in the primary debt.

The guaranteed interest rate reduction for the special interest period is recognised proportionately under net interest income in the income statement as a component of the effective interest rate. The availability of additional interest benefits depends on the attainment of future net lending growth as at particular accounting dates. This condition was satisfied on 31 March 2021 in respect of the special interest period from 24 June 2020 to 23 June 2021. As it was reasonably certain at this accounting date that all conditions would be satisfied or that the entitlement would arise, the additional interest benefit was recognised from 31 March 2021. The bonus amounting to €62 m is included in the income from negative interest rates in connection with liabilities. The receipt of any additional interest benefit for the special interest period from 24 June 2021 to 23 June 2022 will only be decided on 31 December 2021, depending on the net lending granted as at that accounting date. This additional interest benefit will not be recognised in advance.

(4) Loss Allowances

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Financial assets measured at amortised cost	**–131**	**–145**
Demand deposits and overnight money balances at central banks and banks	–0	0
Additions to cumulative loss allowances	–0	–0
Reversals of cumulative loss allowances	0	0
Bonds and other fixed-income securities	–0	–
Additions to cumulative loss allowances	–0	–
Reversals of cumulative loss allowances	0	–
Loans and receivables	–131	–145
Additions to cumulative loss allowances	–266	–252
Reversals of cumulative loss allowances	134	106
Direct write-offs	–1	–1
Recoveries on loans and receivables previously written off	2	2
Financial assets measured at fair value through other comprehensive income	**–1**	**–0**
Bonds and other fixed-income securities	0	–0
Additions to cumulative loss allowances	–0	–1
Reversals of cumulative loss allowances	0	1
Loans and receivables	–1	–0
Additions to cumulative loss allowances	–2	–0
Reversals of cumulative loss allowances	1	0
Loan commitments	**–5**	**–6**
Additions to provisions	–33	–28
Reversals of provisions	28	22
Financial guarantees	**–3**	**–0**
Additions to provisions	–12	–13
Reversals of provisions	9	13
Total	**–141**	**–151**

See Note (32) for further disclosures relating to loss allowances.

(5) Gains or Losses from Non-Substantial Modification of Contractual Cash Flows

There were no gains or losses from non-substantial modification of contractual cash flows in the reporting period or in the comparative period.

(6) Dividend Income

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Related to financial assets mandatorily measured at fair value through profit or loss	**5**	**7**
Equity shares and other variable-income securities	1	4
Shares in unconsolidated affiliates	1	1
Other equity investments	2	2
Related to financial assets measured at fair value through other comprehensive income	**1**	**1**
Other equity investments	1	1
Total	**6**	**8**

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

Dividend income relating to trading activities is recognised under net trading income.

(7) Net Fee and Commission Income

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Lending and guarantee business	34	37
Account management and payment transactions	65	64
Asset management	66	54
Securities and securities deposit business	22	28
Management of public-sector subsidy and development programmes	24	21
Other fees and commissions	13	7
Total	**223**	**211**

Fees and commissions relating to trading activities are recognised under net trading income.

Disclosures regarding revenue from contracts with customers

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	Other	Consolidation/reconciliation	Group
Fee and commission income	**7**	**95**	**171**	**26**	**–**	**–11**	**288**
Lending and guarantee business	7	34	1	–	–	–2	39
Account management and payment transactions	–	32	36	–	–	–0	67
Asset management	–	–	72	–	–	–3	69
Securities and securities deposit business	–	28	30	–	–	–3	55
Management of public-sector subsidy and development programmes	–	–	–	24	–	–	24
Other	0	2	33	2	–	–2	34
Revenue in accordance with IFRS 15 under other operating income	**–**	**0**	**34**	**0**	**39**	**–4**	**69**
Total	**7**	**95**	**205**	**26**	**39**	**–15**	**358**

The following table shows the figures for the prior-year period:

in € m

	Real Estate	Corporates & Markets[1]	Retail & Asset Management[1]	WIBank	Other	Consolidation/reconciliation[1]	Group
Fee and commission income	**10**	**96**	**149**	**21**	**–**	**–6**	**270**
Lending and guarantee business	10	29	1	–	–	–	40
Account management and payment transactions	–	32	36	–	–	–1	67
Asset management	–	–	58	–	–	–2	56
Securities and securities deposit business	–	33	28	–	–	–2	59
Management of public-sector subsidy and development programmes	–	–	–	21	–	–	21
Other	–	2	26	–	–	–1	27
Revenue in accordance with IFRS 15 under other operating income	**–**	**1**	**20**	**–**	**32**	**–5**	**48**
Total	**10**	**97**	**169**	**21**	**32**	**–11**	**318**

[1] Prior-year figures adjusted: Because of an incomplete reallocation as part of an internal reorganisation, the prior-year figures have been adjusted for the securities and securities deposit business in the Corporates & Markets (+ € 10 m), Retail & Asset Management (– € 11 m) and Consolidation/reconciliation (+ € 1 m) segments. Similar adjustments have been applied to the fee and commission income and total lines.

(8) Net Trading Income

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Equity-/index-related transactions	**0**	**–1**
Equity shares and other variable-income securities	–3	–6
Equities	–3	–6
Investment units	0	–0
Equity/index certificates	7	0
Issued equity/index certificates	–4	5
Interest-rate-related transactions	**106**	**–135**
Bonds and other fixed-income securities	–69	36
Loans and receivables	–7	22
Repayable on demand and at short notice	–0	–0
Securities repurchase transactions (reverse repos)	–1	–0
Other fixed-term loans	–6	22
Other receivables not classified as loans	–0	–0
Short sales	–1	–1
Issued money market instruments	1	–3
Deposits and loans	10	8
Payable on demand	3	2
Securities repurchase transactions (repos)	7	6
Other financial liabilities	–0	0
Interest-rate derivatives	172	–197
Currency-related transactions	**13**	**–27**
Foreign exchange	16	–133
FX derivatives	–3	106
Credit derivatives	**–8**	**–1**
Commodity-related transactions	**9**	**13**
Net fee and commission income or expense	**–12**	**–19**
Total	**108**	**–170**

Risk premiums fell significantly compared with the prior-year period, resulting in remeasurement gains across all asset classes. The main drivers behind the improvement in net trading income were measurement gains on derivatives.

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

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Derivatives not held for trading	**–168**	**28**
Equity/index certificates	7	–16
Interest-rate derivatives	–177	76
Cross-currency derivatives (FX derivatives)	2	–32
Credit derivatives	–0	–
Bonds and other fixed-income securities	**–4**	**–42**
Loans and receivables	**–8**	**9**
Equity shares and other variable-income securities	**14**	**–13**
Shareholdings	**–1**	**–0**
Shares in unconsolidated affiliates	–0	–0
Shares in non-equity-accounted joint ventures	0	–0
Shares in non-equity-accounted associates	–0	–0
Other equity investments	–1	0
Receivables from the purchase of endowment insurance policies	**0**	**2**
Total	**–168**	**–16**

The gains or losses on interest rate derivatives mandatorily measured at fair value through profit or loss largely resulted from hedges in connection with financial instruments designated voluntarily at fair value. The gains or losses on remeasurement of the hedged items are reported under gains or losses on financial instruments designated voluntarily at fair value (Note (10)).

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

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Bonds and other fixed-income securities	–5	6
Loans and receivables	–142	173
Securitised liabilities	127	–70
Deposits and loans	266	–218
Total	**246**	**–109**

Gains or losses on financial instruments designated voluntarily at fair value are largely driven by changes in interest rates and partially neutralised by the offsetting measurement effects from associated economic hedges. The figure for the prior-year period had been subject to a sharp negative impact from measurement effects resulting from the COVID-19 pandemic.

The measurement of the liabilities-side business to which the fair value option was applied was also affected by the change in Helaba's own credit risk. The resulting measurement effects are recognised in comprehensive income.

(11) 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

	Consolidated income statement: Recognised ineffective portion of hedges		Comprehensive income: Recognised hedge costs	
	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–30.6.2021	1.1.–30.6.2020
Fair value hedges – micro hedges	**0**	**–4**	**–**	**–**
Interest rate hedges	0	–4	–	–
Change in fair value of hedging derivatives in the reporting period	58	–286	–	–
Interest-rate-related change in fair value of hedged items in the reporting period	–58	282	–	–
Fair value hedges – group hedges	**–0**	**–4**	**–18**	**34**
Foreign currency hedges	–0	–4	–18	34
Change in fair value of hedging derivatives in the reporting period	–596	303	–18	34
Spot-rate-related change in fair value of hedged items in the reporting period	596	–307	–	–
Total	**–0**	**–8**	**–18**	**34**

Only interest rate risks are hedged using micro hedges. Group hedges are used to hedge currency risk. The negative effect from hedge costs recognised in comprehensive income (cross currency basis spread, CCBS) resulted from the narrowing of the CCBS. Overall, the impact on the consolidated income statement of net income from hedge accounting was neutral at –€ 0 m.

(12) Gains or Losses on Derecognition of Financial Instruments not Measured at Fair Value through Profit or Loss

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Related to financial assets measured at fair value through other comprehensive income	**–0**	**4**
Bonds and other fixed-income securities	–0	4
Related to financial liabilities measured at amortised cost	**0**	**1**
Deposits and loans	0	1
Total	**–0**	**5**

(13) 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

	1.1.–30.6.2021	1.1.–30.6.2020
Share of profit or loss of equity-accounted joint ventures	**2**	**–0**
Share of profit or loss	4	0
Impairment losses or impairment loss reversals	–1	–0
Share of profit or loss of equity-accounted associates	**2**	**2**
Share of profit or loss	2	2
Total	**5**	**2**

(14) Other Net Operating Income

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Gains (+) or losses (–) from the disposal of non-financial assets	**54**	**32**
Investment property	25	11
Property and equipment	–0	16
Inventories	29	5
Impairment losses (–) or reversals of impairment losses (+) on non-financial assets	**–6**	**–4**
Property and equipment	–0	–0
Intangible assets	–	–1
Other intangible assets	–	–1
Inventories	–6	–3
Additions (–) to or reversals (+) of provisions	**2**	**3**
Provisions for off-balance sheet liabilities (excluding loan commitments and financial guarantees)	0	0
Restructuring provisions	–17	1
Provisions for litigation risks and tax proceedings	–0	–1
Sundry provisions	18	3
Other net operating income	**105**	**106**
Investment property	93	94
Property and equipment	8	8
Inventories	5	4
Rental income under non-cancellable subtenancy arrangements	**0**	**1**
Income from non-banking services	**11**	**7**
Sundry other operating income and expenses	**–12**	**–11**
Total	**154**	**134**

The sundry other operating income and expenses include revenue in accordance with IFRS 15. Please refer to Note (7) for further disclosures.

The income and expenses from investment property included in other net operating income are shown in the following breakdown:

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Income from investment property	**216**	**195**
Rental and lease income	187	180
Gains on derecognition	25	11
Other income	4	4
Expenses from investment property	**–98**	**–90**
Operating and maintenance expenses	–96	–88
thereof: From property leased out	–96	–88
Losses on derecognition	–0	–
Miscellaneous expenses	–2	–2
Total	**118**	**105**

(15) General and Administrative Expenses

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Personnel expenses	**–352**	**–335**
Wages and salaries	–273	–260
Social security	–43	–42
Expenses for pensions and other benefits	–36	–33
Other administrative expenses	**–368**	**–378**
Business operating costs	–55	–54
Audit and consultancy services	–37	–44
IT expenses	–126	–130
Expenses for business premises	–15	–17
Cost of advertising, public relations and representation	–8	–11
Mandatory contributions	–127	–122
thereof: Contributions to SGVHT and DSGV protection schemes[1)]	–29	–46
thereof: Mandatory contributions to the European Single Resolution Fund	–73	–51
Total	**–720**	**–713**

[1)] Presentation adjusted: The line "thereof: Contributions to SGVHT and DSGV protection schemes" has been inserted.

(16) Depreciation and Amortisation

in € m

	1.1.–30.6.2021	1.1.–30.6.2020
Investment property	**–23**	**–22**
Buildings leased out	–23	–22
Vacant buildings	–0	–0
Property and equipment	**–28**	**–32**
Owner-occupied land and buildings	–20	–24
Operating and office equipment	–7	–7
Machinery and technical equipment	–1	–1
Intangible assets	**–11**	**–11**
Concessions, industrial and similar rights	–0	–0
Purchased software	–10	–11
Internally generated software	–0	–0
Other intangible assets	–0	–0
Total	**–62**	**–65**

(17) Segment Reporting

The following table shows the segment reporting for the reporting period:

in € m

	Real Estate	Corporates & Markets	Retail & Asset Management	WIBank	Other	Consolidation / reconciliation	Group
Net interest income	217	245	115	32	43	–10	643
Loss allowances	–30	–44	–8	–0	–59	–0	–141
Net interest income after loss allowances	**186**	**201**	**107**	**32**	**–15**	**–10**	**502**
Net fee and commission income	7	78	131	25	–16	–1	223
Income / expenses from investment property	–	–	118	–	–	–	118
Gains or losses on measurement at fair value	–	106	8	–1	71	–	185
Net trading income	–	105	4	–	–	–1	108
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	–	2	5	–1	71	1	78
Share of profit or loss of equity-accounted entities	–	–0	2	–	3	–	5
Other net income / expense	–1	3	31	1	19	–12	41
Total income	**192**	**389**	**398**	**58**	**62**	**–24**	**1,075**
General and administrative expenses, including depreciation and amortisation	–69	–256	–285	–44	–172	44	–782
Profit or loss before tax	**123**	**133**	**113**	**14**	**–111**	**21**	**293**
Assets (€ bn)	33.8	65.2	33.9	25.6	69.3	–10.7	217.2
Risk-weighted assets (€ bn)	18.4	26.6	7.5	1.2	8.8	–	62.5
Allocated capital (€ m)	2,170	3,023	2,450	135	1,034	0	8,812
Return on equity (%)	11.4	8.8	9.2	20.5	–	–	6.7
Cost-income ratio (%)	30.9	59.2	70.2	76.1	–	–	64.3

The following table shows the figures for the prior-year period:

in € m

	Real Estate[1]	Corporates & Markets[1]	Retail & Asset Management	WIBank	Other[1]	Consolidation / reconciliation	Group
Net interest income	192	185	123	32	61	5	598
Loss allowances	1	–11	–14	–0	–127	0	–151
Net interest income after loss allowances	**193**	**174**	**109**	**32**	**–66**	**5**	**447**
Net fee and commission income	9	83	115	21	–15	–2	211
Income / expenses from investment property	–	–	105	–	–	–	105
Gains or losses on measurement at fair value	–	–158	–29	–0	–116	–	–303
Net trading income	–	–158	–9	–	–	–3	–170
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	–	0	–20	–0	–116	3	–133
Share of profit or loss of equity-accounted entities	–	–	2	–	–0	–	2
Other net income / expense	0	4	49	1	5	–17	42
Total income	**202**	**103**	**351**	**54**	**–192**	**–14**	**504**
General and administrative expenses, including depreciation and amortisation	–81	–269	–286	–39	–156	53	–778
Profit or loss before tax	**121**	**–166**	**65**	**15**	**–348**	**39**	**–274**
Assets (€ bn)	32.6	74.7	32.9	25.3	63.6	–1.4	227.7
Risk-weighted assets (€ bn)	17.3	27.2	7.4	1.2	10.2	–	63.3
Allocated capital (€ m)	2,021	3,062	2,335	136	1,138	0	8,692
Return on equity (%)	12.0	–	5.6	21.8	–	–	–
Cost-income ratio (%)	40.3	234.4	78.4	72.2	–	–	118.7

[1] Prior-year figures adjusted: Following a change to the assignment of the loss allowance from the specific scenario in internal management reporting, the presentation of the prior-year loss allowance has been adjusted. The effects for the segments concerned are presented in a separate table.

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 Asset Finance and Corporate Banking divisions provide specially tailored finance for companies, structured and arranged to specific customer requirements, through the 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 Savings Banks & SME division concentrate on supporting Sparkassen and their customers with financing arrangements based on credit standing and cash flow

(primarily jointly extended loans), trade finance business and cash management services. The Public Sector 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. The Capital Markets division also additionally includes the income and expenses from the depositary.

- 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 Kapitalanlagegesellschaft mbH also include traditional asset management and administration, the management of special and retail funds for institutional investors and support for master investment trust clients. The Portfolio and 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. The presentation of income and expenses follows the reporting to management.

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 Treasury.

Net income from investment property includes both income and expenses from the management of investment property and investment property project development.

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 not attributable to net income from investment property, 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.

The assets line shows the assets in the statement of financial position allocated to the relevant 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 on equity for the segments is the ratio of profit/loss before taxes to average allocated capital. The cost-income ratio is the ratio of general and administrative expenses to total income net 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, from central own funds investing activities, from strategic planning decisions and from the centrally held liquidity securities is also recognised under this segment. The Other segment also includes the additional requirement for loss allowances as a result of COVID-19 from the special scenario (because these allowances are unrelated to individual transactions) and the portfolio-based loss allowance.

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.

In the 2020 half-yearly financial report, the additional loss allowance requirement from the special scenario caused by COVID-19 had been assigned to the Real Estate, Corporates & Markets and Other segments. In the second half of 2020, the presentation in internal management reporting was adjusted and the figure is now reported centrally under the Other segment. The prior-year figures have been adjusted, as follows:

in € m

	Real Estate			Corporates & Markets			Other		
	reported	**adjust-ment**	**adjusted**	**reported**	**adjust-ment**	**adjusted**	**reported**	**adjust-ment**	**adjusted**
Loss allowances	–2	3	1	–101	90	–11	–34	–93	–127
Net interest income after loss allowances	**190**	**3**	**193**	**84**	**90**	**174**	**27**	**–93**	**–66**
Total income	**199**	**3**	**202**	**13**	**90**	**103**	**–99**	**–93**	**–192**
Profit or loss before tax	**118**	**3**	**121**	**–256**	**90**	**–166**	**–255**	**–93**	**–348**
Return on equity (%)	11.7	0.3	12.0	–	–	–	–	–	–

Consolidated Statement of Financial Position Disclosures

(18) Cash on Hand, Demand Deposits and Overnight Money Balances with Central Banks and Banks

in € m

	30.6.2021	31.12.2020[1]
Cash on hand	**66**	**71**
Financial assets measured at amortised cost	**37,028**	**26,038**
Demand deposits at central banks	36,702	25,619
With Deutsche Bundesbank	35,596	24,364
With other central banks	1,106	1,255
Demand deposits and overnight money balances at banks	326	418
Financial assets mandatorily measured at fair value	**238**	**320**
Demand deposits and overnight money balances at banks	238	320
Total	**37,332**	**26,429**

[1] Presentation adjusted. See Note (1).

(19) Financial Instruments Measured at Amortised Cost

The following table shows the financial assets measured at amortised cost:

in € m

	30.6.2021	31.12.2020
Bonds and other fixed-income securities	**115**	**–**
Medium- and long-term bonds	115	–
Loans and receivables	**128,685**	**131,847**
Repayable on demand and at short notice	10,597	13,242
Credit card receivables	16	13
Trade accounts receivable, including factoring	2,360	2,544
Other fixed-term loans	115,493	116,001
Promissory note loans	2,823	2,871
Registered bonds	950	966
Forwarding loans	8,810	8,569
Time deposits	2,526	2,108
Bausparkasse building loans	998	973
Sundry other fixed-term loans	99,387	100,514
Other receivables not classified as loans	219	48
Total	**128,800**	**131,847**

The table below shows a breakdown of the other fixed-term loans by financing purpose:

in € m

	30.6.2021	31.12.2020
Commercial real estate loans	35,512	34,595
Residential building loans	6,601	6,448
Consumer loans to private households	225	228
Infrastructure loans	28,172	29,010
Asset finance	6,541	6,974
Leasing funding	4,553	4,463
Import/export finance	4	3
Other financing purposes	33,885	34,279
Total	**115,493**	**116,001**

The following table shows the financial liabilities measured at amortised cost:

in € m

	30.6.2021	31.12.2020
Securitised liabilities	**47,159**	**49,869**
Issued money market instruments	3,952	4,152
Commercial paper (CP)	1,269	1,524
Certificates of deposit (CD)	1,742	1,752
Asset-backed commercial paper (ABCP)	941	876
Medium- and long-term bonds issued	43,208	45,718
Mortgage Pfandbriefe	8,593	9,305
Public Pfandbriefe	11,144	12,454
Structured (hybrid) bonds	1,312	1,490
Other medium- and long-term bonds	22,159	22,469
Deposits and loans	**124,815**	**117,453**
Payable on demand	45,435	44,543
With an agreed term	72,603	66,249
With an agreed period of notice	6,755	6,661
Securities repurchase transactions (repos)	23	–
Other financial liabilities	**658**	**409**
Total	**172,632**	**167,731**

The rise in the deposits and loans with agreed maturity in the reporting period was attributable to a number of factors, notably the Helaba Group's participation in the ECB's TLTRO III programme, the drawdowns under this arrangement amounting to a total of € 6.5 bn (see Note (3)).

The following tables show the financial assets measured at amortised cost, together with the deposits and loans and other financial liabilities measured at amortised cost, broken down by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Bonds and other fixed-income securities	**73**	**–**	**0**	**–**	**42**	**–**	**115**	**–**
Other banks	73	–	–	–	42	–	115	–
Loans and receivables	**80,978**	**81,782**	**26,565**	**35,683**	**21,143**	**14,382**	**128,685**	**131,847**
Central banks	53	59	–	–	–	–	53	59
Central giro institutions	318	256	–	–	–	–	318	256
Sparkassen	5,687	6,028	–	–	–	–	5,687	6,028
Other banks	2,482	2,792	2,466	7,875	4,175	911	9,123	11,578
Other financial corporations	5,325	5,264	3,485	4,562	1,474	492	10,284	10,318
Non-financial corporations	31,663	30,823	18,786	21,300	15,220	12,736	65,669	64,859
Government	27,631	28,848	1,805	1,924	92	70	29,528	30,841
Households	7,818	7,712	23	22	182	174	8,023	7,908
Total	**81,051**	**81,782**	**26,565**	**35,683**	**21,185**	**14,382**	**128,800**	**131,847**

Following the United Kingdom's withdrawal from the EU, transactions with counterparties in that country amounting to €7,572 m are now reported under the World region. As at 31 December 2020, these transactions had been included in the European Union (excluding Germany) region in an amount of €8,595 m.

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Deposits and loans	**119,086**	**112,278**	**2,410**	**2,733**	**3,319**	**2,442**	**124,815**	**117,453**
Central banks	24,012	17,416	–	–	–	–	24,012	17,416
Central giro institutions	1,072	1,135	–	–	–	–	1,072	1,135
Sparkassen	13,136	13,452	–	–	–	–	13,136	13,452
Other banks	20,203	20,508	500	1,084	1,417	796	22,120	22,389
Other financial corporations	22,412	23,279	463	965	674	670	23,550	24,914
Non-financial corporations	9,317	7,361	1,334	406	809	765	11,460	8,532
Government	8,178	8,266	1	138	200	1	8,379	8,405
Households	20,755	20,862	113	139	218	210	21,086	21,211
Other financial liabilities	**638**	**388**	**7**	**8**	**12**	**12**	**658**	**409**
Central giro institutions	3	3	–	–	–	–	3	3
Sparkassen	3	2	–	–	–	–	3	2
Other banks	2	2	–	–	–	–	2	2
Other financial corporations	76	79	–	–	10	10	86	89
Non-financial corporations	293	229	7	8	2	2	302	239
Government	210	24	–	–	0	0	210	24
Households	53	49	–	–	0	0	53	49
Total	**119,724**	**112,667**	**2,418**	**2,741**	**3,331**	**2,454**	**125,473**	**117,862**

Following the United Kingdom's withdrawal from the EU, transactions with counterparties in that country amounting to € 575 m are now reported under the World region. As at 31 December 2020, these transactions had been included in the European Union (excluding Germany) region in an amount of € 675 m.

(20) Trading Assets and Trading Liabilities

This item consists solely of financial instruments held for trading purposes and mandatorily measured at fair value through profit or loss (FVTPL HfT).

Loans and receivables held for trading mainly comprise promissory note loans and, to a lesser extent, repos and money trading transactions. Further disclosures on derivatives can be found in Note (34), and on issuing activities in Note (35).

The following tables show a breakdown of trading assets and trading liabilities by product:

in € m

	30.6.2021	31.12.2020
Positive fair values of derivatives held for trading	**11,983**	**15,730**
thereof: Traded OTC	11,978	15,726
thereof: Exchange-traded	5	3
Equity-/index-related transactions	213	289
Interest-rate-related transactions	11,179	14,612
Currency-related transactions	574	809
Credit derivatives	16	17
Commodity-related transactions	2	2
Bonds and other fixed-income securities	**3,597**	**4,413**
Money market instruments	–	2
Medium- and long-term bonds	3,597	4,411
Loans and receivables	**1,152**	**1,008**
Repayable on demand and at short notice	3	4
Receivables from securities repurchase transactions (reverse repos)	177	87
Other fixed-term loans	972	917
Equity shares and other variable-income securities	**18**	**23**
Equities	18	23
Trading assets	**16,750**	**21,173**

in € m

	30.6.2021	31.12.2020
Negative fair values of derivatives held for trading	**9,245**	**12,502**
thereof: Traded OTC	9,238	12,493
thereof: Exchange-traded	7	10
Equity-/index-related transactions	211	289
Interest-rate-related transactions	8,547	11,514
Currency-related transactions	472	682
Credit derivatives	15	17
Commodity-related transactions	0	0
Securitised liabilities	**558**	**512**
Issued money market instruments	525	481
Commercial paper (CP)	435	330
Certificates of deposit (CD)	90	150
Issued equity/index certificates	33	31
Deposits and loans	**2,828**	**4,695**
Payable on demand	797	650
With an agreed term	2,031	4,044
Liabilities arising from short-selling	**170**	**85**
Other financial liabilities	**–**	**0**
Trading liabilities	**12,802**	**17,793**

The following table presents the non-derivative trading assets by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Bonds and other fixed-income securities	**1,218**	**1,499**	**1,685**	**2,219**	**694**	**695**	**3,597**	**4,413**
Central giro institutions	59	90	–	–	–	–	59	90
Sparkassen	50	56	–	–	–	–	50	56
Other banks	749	859	1,398	1,958	641	656	2,788	3,473
Other financial corporations	3	7	52	7	19	2	73	16
Non-financial corporations	22	23	45	16	17	13	84	52
Government	335	463	190	238	17	23	542	725
Loans and receivables	**943**	**782**	**206**	**222**	**3**	**4**	**1,152**	**1,008**
Central banks	176	76	–	–	–	–	176	76
Central giro institutions	6	45	–	–	–	–	6	45
Sparkassen	15	161	–	–	–	–	15	161
Other banks	213	144	0	37	–	–	213	181
Other financial corporations	–	–	–	–	3	4	3	4
Non-financial corporations	189	113	199	185	–	–	389	298
Government	343	243	7	–	–	–	350	243
Equity shares and other variable-income securities	**17**	**20**	**1**	**2**	**–**	**–**	**18**	**23**
Other banks	0	0	0	0	–	–	0	0
Other financial corporations	3	4	1	2	–	–	4	5
Non-financial corporations	14	16	0	1	–	–	14	17
Total	**2,177**	**2,302**	**1,892**	**2,443**	**697**	**699**	**4,767**	**5,443**

The following table presents the non-derivative securitised trading liabilities by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Deposits and loans	**2,611**	**4,215**	**190**	**457**	**27**	**23**	**2,828**	**4,695**
Sparkassen	629	1,116	–	–	–	–	629	1,116
Other banks	23	28	4	107	27	23	54	158
Other financial corporations	898	1,289	186	349	–	–	1,084	1,638
Non-financial corporations	115	231	–	0	0	–	115	231
Government	947	1,552	–	–	–	–	947	1,552
Households	0	0	–	–	–	–	0	0
Liabilities arising from short-selling	**170**	**74**	**–**	**11**	**–**	**–**	**170**	**85**
Other financial corporations	–	0	–	–	–	–	–	0
Government	170	74	–	11	–	–	170	85
Other financial liabilities	**–**	**0**	**–**	**–**	**–**	**–**	**–**	**0**
Sparkassen	–	0	–	–	–	–	–	0
Total	**2,782**	**4,288**	**190**	**468**	**27**	**23**	**2,999**	**4,779**

(21) Other Financial Instruments Mandatorily Measured at Fair Value through Profit or Loss

in € m

	30.6.2021	31.12.2020
Positive fair values of non-trading derivatives	**4,801**	**6,430**
thereof: Traded OTC	4,801	6,430
thereof: Exchange-traded	0	–
Equity-/index-related transactions	1	1
Interest-rate-related transactions	4,724	6,376
Currency-related transactions	77	53
Bonds and other fixed-income securities	**915**	**1,214**
Money market instruments	–	249
Medium- and long-term bonds	915	964
Loans and receivables	**284**	**304**
Repayable on demand and at short notice	1	1
Other fixed-term loans	283	303
Equity shares and other variable-income securities	**194**	**148**
Equities	0	0
Investment units	194	147
Shareholdings	**66**	**65**
Shares in unconsolidated affiliates	10	12
Shares in non-equity-accounted joint ventures	5	5
Shares in non-equity-accounted associates	4	4
Other equity investments	48	44
Receivables from the purchase of endowment insurance policies	**37**	**46**
Total	**6,298**	**8,206**

		in € m
	30.6.2021	31.12.2020
Negative fair values of non-trading derivatives	**5,767**	**7,322**
thereof: Traded OTC	5,766	7,321
thereof: Exchange-traded	1	1
Equity-/index-related transactions	1	1
Interest-rate-related transactions	5,281	6,738
Currency-related transactions	483	583
Credit derivatives	2	–
Total	**5,767**	**7,322**

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 non-derivative 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	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Bonds and other fixed-income securities	**86**	**408**	**454**	**505**	**375**	**301**	**915**	**1,214**
Central giro institutions	0	–	–	–	–	–	0	–
Other banks	8	8	53	50	22	13	84	71
Other financial corporations	19	18	166	200	124	88	308	306
Non-financial corporations	57	61	235	255	228	200	521	516
Government	1	321	1	1	–	–	2	321
Loans and receivables	**271**	**291**	**–**	**4**	**13**	**9**	**284**	**304**
Other financial corporations	1	1	–	0	9	9	10	10
Non-financial corporations	95	100	–	4	4	–	98	104
Government	175	190	–	–	–	–	175	190
Equity shares and other variable-income securities	**87**	**76**	**93**	**60**	**14**	**12**	**194**	**148**
Other financial corporations	87	75	93	60	14	12	194	147
Non-financial corporations	0	0	0	0	0	0	0	1
Shareholdings	**66**	**64**	**1**	**0**	**0**	**0**	**66**	**65**
Other banks	1	1	–	–	–	–	1	1
Other financial corporations	31	33	–	–	0	0	31	33
Non-financial corporations	34	30	1	0	0	–0	34	30
Receivables from the purchase of endowment insurance policies	**37**	**46**	**–**	**–**	**–**	**–**	**37**	**46**
Other financial corporations	37	46	–	–	–	–	37	46
Total	**547**	**884**	**548**	**569**	**402**	**322**	**1,496**	**1,775**

(22) Financial Instruments Designated Voluntarily at Fair Value

The following table shows the fair values of financial assets designated voluntarily at fair value and the changes in fair value attributable to a change in credit risk:

in € m

	Carrying amount (fair value)		Changes attributable to credit risk			
			Reporting period		Cumulative	
	30.6.2021	31.12.2020	1.1.–30.6.2021	1.1.–30.6.2020	30.6.2021	31.12.2020
Bonds and other fixed-income securities	135	139	0	2	4	4
Loans and receivables	3,613	3,816	2	–4	–2	–4
Total	**3,748**	**3,955**	**2**	**–2**	**2**	**–0**

The following table shows the fair values of financial liabilities designated voluntarily at fair value and the cumulative changes in fair value attributable to changes in the Helaba Group's own credit risk:

in € m

	Carrying amount (fair value)		Cumulative changes attributable to credit risk	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Securitised liabilities	6,082	6,094	15	–17
Deposits and loans	6,302	6,778	–25	–72
Total	**12,384**	**12,872**	**–10**	**–89**

For detailed disclosures on issuing activities, see Note (35).

The following table shows the assets and deposits and loans designated voluntarily at fair value by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Bonds and other fixed-income securities	**135**	**139**	**–**	**–**	**–**	**–**	**135**	**139**
Government	135	139	–	–	–	–	135	139
Loans and receivables	**3,613**	**3,816**	**–**	**–**	**–**	**–**	**3,613**	**3,816**
Other financial corporations	0	0	–	–	–	–	0	0
Non-financial corporations	51	58	–	–	–	–	51	58
Government	3,562	3,759	–	–	–	–	3,562	3,759
Financial assets	**3,748**	**3,955**	**–**	**–**	**–**	**–**	**3,748**	**3,955**
Deposits and loans	**6,239**	**6,712**	**53**	**55**	**10**	**10**	**6,302**	**6,778**
Sparkassen	607	636	–	–	–	–	607	636
Other banks	123	147	–	–	10	10	133	158
Other financial corporations	5,180	5,541	53	55	–	–	5,234	5,597
Non-financial corporations	194	198	–	–	–	–	194	198
Government	134	190	–	–	–	–	134	190
Financial liabilities	**6,239**	**6,712**	**53**	**55**	**10**	**10**	**6,302**	**6,778**

(23) Hedge Accounting

The following table shows the notional amounts and the positive and negative fair values of the hedging derivatives used in hedge accounting:

in € m

	Notional amount		Positive fair values		Negative fair values	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Fair value hedges – micro hedges	**53,044**	**53,319**	**584**	**942**	**1,309**	**1,522**
thereof: Traded OTC	53,044	53,319	584	942	1,309	1,522
Interest rate hedges	53,044	53,319	584	942	1,309	1,522
Interest rate swaps	52,889	53,264	583	942	1,309	1,521
Cross-currency swaps	155	55	1	–	–	1
Fair value hedges – group hedges	**15,831**	**16,233**	**58**	**316**	**305**	**149**
thereof: Traded OTC	15,831	16,233	58	316	305	149
Foreign currency hedges	15,831	16,233	58	316	305	149
Cross-currency swaps	15,831	16,233	58	316	305	149
Total	**68,875**	**69,552**	**642**	**1,258**	**1,615**	**1,671**

(24) Financial Assets Measured at Fair Value through Other Comprehensive Income

in € m

	30.6.2021	31.12.2020
Bonds and other fixed-income securities	**17,324**	**20,299**
Money market instruments	233	572
Medium- and long-term bonds	17,091	19,727
Loans and receivables	**578**	**683**
Other fixed-term loans	578	683
Shareholdings	**33**	**36**
Shares in unconsolidated affiliates	0	5
Other equity investments	33	31
Total	**17,935**	**21,018**

The financial assets reported in the shareholdings line item are equity instruments allocated to the measurement category "at 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	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Bonds and other fixed-income securities	**5,670**	**7,085**	**6,329**	**8,694**	**5,324**	**4,520**	**17,324**	**20,299**
Central giro institutions	629	682	–	–	–	–	629	682
Other banks	1,594	1,639	5,130	7,281	4,684	4,032	11,408	12,952
Other financial corporations	12	12	78	271	178	93	267	376
Non-financial corporations	51	57	82	70	84	22	217	149
Government	3,385	4,694	1,039	1,073	379	373	4,802	6,140
Loans and receivables	**419**	**431**	**115**	**203**	**44**	**49**	**578**	**683**
Other financial corporations	10	10	27	106	–	–	37	116
Non-financial corporations	407	419	88	97	44	49	539	564
Government	3	3	–	–	–	–	3	3
Shareholdings	**33**	**36**	**–**	**–**	**–**	**–**	**33**	**36**
Other banks	19	17	–	–	–	–	19	17
Other financial corporations	14	20	–	–	–	–	14	20
Total	**6,123**	**7,552**	**6,444**	**8,896**	**5,368**	**4,570**	**17,935**	**21,018**

Following the United Kingdom's withdrawal from the EU, transactions with counterparties in that country amounting to €1,079 m are now reported under the World region. As at 31 December 2020, these transactions had been included in the European Union (excluding Germany) region in an amount of €1,400 m.

No equity instruments measured at fair value through other comprehensive income were derecognised in the reporting period.

(25) Shares in Equity-Accounted Entities

In the reporting period, a total of 29 (31 December 2020: 28) joint ventures and 3 (31 December 2020: 2) associates were accounted for using the equity method.

The breakdown of equity-accounted investments is shown below:

in € m

	30.6.2021	31.12.2020
Investments in joint ventures	**21**	**46**
Non-financial corporations	21	46
Investments in associates	**6**	**3**
Other financial corporations	1	1
Non-financial corporations	5	3
Total	**27**	**49**

(26) Investment Property

in € m

	30.6.2021	31.12.2020
Land and buildings leased to third parties	**2,548**	**2,318**
thereof: Right-of-use assets under leases	51	52
Undeveloped land	**13**	**21**
Vacant buildings	**2**	**2**
Investment property under construction	**382**	**361**
Total	**2,945**	**2,702**

(27) Property and Equipment

in € m

	30.6.2021	31.12.2020
Owner-occupied land and buildings	**587**	**594**
thereof: Right-of-use assets under leases	126	141
Operating and office equipment	**57**	**61**
thereof: Right-of-use assets under leases	3	4
Machinery and technical equipment	**28**	**28**
thereof: Right-of-use assets under leases	0	0
Total	**672**	**682**

(28) Intangible Assets

in € m

	30.6.2021	31.12.2020
Goodwill	**13**	**13**
Concessions, industrial and similar rights	**1**	**1**
Software	**121**	**116**
thereof: Purchased	120	114
thereof: Internally generated	1	1
Other intangible assets	**4**	**4**
Total	**139**	**134**

(29) Other Assets and Liabilities

in € m

	30.6.2021	31.12.2020
Inventories	**626**	**591**
Property held for sale	623	588
Other inventories/work in progress	3	3
Advance payments and payments on account	**224**	**225**
Other taxes receivable	**2**	**1**
Sundry assets	**307**	**349**
Other assets	**1,159**	**1,166**

in € m

	30.6.2021	31.12.2020
Advance payments / payments on account	178	190
Tax liabilities, other taxes	27	29
Employee benefits due in short term	66	76
Sundry liabilities	143	103
Other liabilities	**414**	**399**

(30) Provisions

in € m

	30.6.2021	31.12.2020
Provisions for employee benefits	**2,090**	**2,204**
Pensions and similar defined benefit obligations	2,020	2,135
Other employee benefits due in the long term	69	68
Other provisions	**374**	**347**
Provisions for off-balance sheet liabilities	64	56
Provisions for loan commitments and financial guarantees	63	55
Provisions for other off-balance sheet obligations	0	1
Restructuring provisions	78	71
Provisions for litigation risks	16	17
Sundry provisions	216	204
Total	**2,464**	**2,551**

In the calculation of pension provisions, the main pension obligations in Germany were measured using a discount rate of 1.25 % (31 December 2020: 1.0 %).

(31) 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 30 June 2021, 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
Free 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 raised Additional Tier 1 (AT1) capital externally 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 reduced 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 reduced bond amounts may be increased again under specific conditions. According to the applicable resolution stipulations, the competent supervisory authority may exercise a series of rights; for instance, the supervisory authority may decide to wholly or partially mark down entitlements to repayment of capital and / or to convert such entitlements into CET1 instruments. As at 30 June 2021, the bond amounts recognised in the consolidated statement of financial position stood at € 354 m (31 December 2020: € 354 m).

The retained earnings amounting to € 5,052 m (31 December 2020: € 4,942 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 from other consolidation adjustments. Retained earnings include reserves provided for by the Charter of € 296 m (31 December 2020: € 296 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.

An amount of € 90 m was distributed from the consolidated net profit for 2020 to the owners based on their shareholdings and capital contributions. In the previous year, the original plan to distribute the same amount from the consolidated net profit for 2019 had been suspended in line with a recommendation by the ECB. This distribution has not been reinstated and the amount remains part of retained earnings.

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 consolidated income statement, net of tax			Items that will be subsequently reclassified to the consolidated income statement, net of tax					Accumulated other comprehensive income
	Remeasurements of the net liability under defined benefit plans	Changes 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	Share of other comprehensive income of equity-accounted entities	Change in fair value of debt instruments measured at fair value through other comprehensive income	Gains or losses from hedges of a net investment in a foreign operation	Gains or losses from currency translation of foreign operations	Gains or losses from fair value hedges of currency risk	
As at 1.1.2020	**–647**	**–8**	**38**	**–0**	**140**	**–17**	**37**	**–31**	**–488**
Other comprehensive income for the reporting period	117	–1	173	–0	–14	–	1	24	300
As at 30.6.2020	**–530**	**–9**	**211**	**–0**	**126**	**–17**	**38**	**–7**	**–188**
Other comprehensive income for the reporting period	–171	5	–150	0	37	–	–14	–29	–323
Reclassifications within equity	–	–	–1						–1
As at 31.12.2020	**–701**	**–4**	**61**	**–1**	**163**	**–17**	**25**	**–37**	**–511**
Other comprehensive income for the reporting period	85	2	–54	0	–50	–	2	–12	–28
As at 30.6.2021	**–616**	**–2**	**7**	**–1**	**113**	**–17**	**26**	**–49**	**–539**

Capital Management

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, 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 Tier 1 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 Regulatory Group as at 30 June 2021 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB was unchanged at 5.48 % (31 December 2020: 5.48 %) plus the applicable capital buffer requirements. The CET1 capital ratio requirement as at 30 June 2021 therefore came to 8.76 % (31 December 2020: 8.75 %).

Within the risk appetite framework, the Executive Board 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.

The following tables show the own funds (amounts after regulatory adjustments in each case), own funds requirements and capital ratios for the Helaba banking group:

in € m

	30.6.2021	31.12.2020
Tier 1 capital	**9,176**	**9,447**
Common Equity Tier 1 capital (CET1)	8,717	8,882
Additional Tier 1 capital	459	564
Tier 2 capital	**2,031**	**2,089**
Own funds, total	**11,207**	**11,536**

in € m

	30.6.2021	31.12.2020
Default risk (including equity investments and securitisations)	4,414	4,282
Market risk (including CVA risk)	316	287
Operational risk	268	274
Total own funds requirement	**4,998**	**4,843**
CET1 capital ratio	14.0 %	14.7 %
Tier 1 capital ratio	14.7 %	15.6 %
Total capital ratio	17.9 %	19.1 %

The Tier 1 and total capital ratios comply with the target ratios specified by Helaba in its capital management. The Helaba Group 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. The leverage ratio has for the first time become a mandatory capital requirement following the initial application of the CRR amendments from 28 June 2021. Under the CRR, banks generally have to comply with a leverage ratio of 3.0 %. However, the ECB has extended the temporary relief measure in connection with the calculation of the leverage ratio, which was due to expire on 28 June 2021, until 31 March 2022 because of the continued prevalence of the COVID-19 pandemic. The relief measure provides for a recalibration of the required minimum leverage ratio. Under these arrangements, the ratio is not fixed at 3.0 % but varies according to the reference date; as a result, it is slightly higher than 3.0 %. As at 30 June 2021, banks were required to comply with a leverage ratio of 3.2 %.

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 Regulatory Group's disclosure report in accordance with section 26a KWG (offenlegung.helaba.de).

Disclosures on Financial Instruments and Off-Balance Sheet Transactions

(32) 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.

The following table shows the loss allowances recognised for financial instruments:

in € m

	30.6.2021	31.12.2020
Cumulative loss allowances[1]	**689**	**557**
In respect of financial assets measured at amortised cost[1]	685	553
Demand deposits and overnight money balances at central banks and banks[1]	0	0
Bonds and other fixed-income securities[1]	0	–
Loans and receivables[1]	684	553
In respect of financial assets measured at fair value through other comprehensive income[1]	5	4
Bonds and other fixed-income securities[1]	2	2
Loans and receivables[1]	3	1
Loan loss provisions	**63**	**55**
For loan commitments	30	25
For financial guarantees	34	30
Total	**753**	**612**

[1] The presentation of loss allowances in this note has been adjusted; see Note (1).

All parameters used to determine the expected credit loss (ECL) are subject to estimation uncertainty, meaning that the actual losses incurred at Helaba may be different from the expected losses reflected in loss allowances. The wider the time frame used for ECL projection purposes, the higher the estimation uncertainty. The list of factors that influence loss allowances and that are subject to uncertainty includes, for instance, the expected change in the credit quality of the borrower, economic conditions and changes in the fair value of the collateral held by the Helaba Group. All factors used to determine the ECL are subject to regular validation processes.

Impact of the COVID-19 pandemic

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

The pandemic is giving rise to frequent signs of risk that need to be evaluated as part of the system for the early identification of risk in the lending process. Examples of these signs are corporate announcements about a slump in sales revenue and/or a squeeze on liquidity as well as requests for covenant waivers or payment deferrals. All borrowers who demonstrate evidence of heightened credit risk as a result of the effects of the COVID-19 pandemic are very closely monitored as part of the normal credit process. To supplement existing monitoring mechanisms, critical sectors particularly affected by the COVID-19 pandemic are identified and analysed.

EU member states have agreed a comprehensive range of support measures to minimise the economic impact of the efforts to contain the COVID-19 pandemic. These measures include moratoriums on the settlement of loan obligations that apply for a broadly based group of borrowers and provide for standardised conditions relating to changes to payment schedules. The aim is to reduce short-term liquidity problems for borrowers. The Helaba Group was subject to the statutory moratorium for consumer loans, effective up to 30 June 2020, pursuant to article 240 section 3 of the Introductory Act to the German Civil Code (Einführungsgesetz zum Bürgerlichen Gesetzbuch, EGBGB) and in July 2020 opted into a non-legislative repayment moratorium applicable to commercial real estate finance under the auspices of the Association of German Pfandbrief Banks (vdp). The vdp repayment moratorium granted deferrals only in the form of a suspension of repayments. The suspended repayments must be repaid on the scheduled maturity date of the loan agreement concerned. Both moratoriums were believed to be in compliance with EBA requirements and did not therefore lead to classification of the action as a forbearance measure during the period in which the moratoriums applied. As at 30 June 2021, the gross carrying amount of loans that were or are subject to an approved EBA-compliant moratorium amounted to € 293 m (31 December 2020: € 254 m).

Since the outbreak of the COVID-19 pandemic, governments and institutions have been providing support with liquidity assistance, subsidies and aid programmes. New loans with a government guarantee in the COVID-19 context (KfW development bank programmes, federal state guarantees) stood at € 679 m as at 30 June 2021 (31 December 2020: € 490 m). The exemption from liability in the KfW programmes is 80 %, 90 % or 100 %, depending on the programme. Programmes with full exemption from liability are recognised off the statement of financial position as fiduciary activities (see Note (37)).

In addition, as at 30 June 2021 there were exposures with a gross carrying amount of € 1,653 m (31 December 2020: € 1,108) m for which COVID-19-related forbearance measures, in particular covenant waivers and individual deferral agreements, had been approved. For every forbearance action, the Helaba Group verifies whether this triggers a default event regarding the debt instrument concerned. If the forbearance action leads to a default event, the instrument is transferred to stage 3; otherwise it is transferred to stage 2.

Any contractual changes, including those in the COVID-19 context, are reviewed to establish whether they constitute a modification. 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.

Despite government assistance and individual concessions to borrowers to cushion the adverse effects of COVID-19, it is probable that there will be a substantial rise in loan defaults. Forward-looking information is taken into account in the calculation of the lifetime ECL by generally including such information in the probability of default (PD) and loss given default (LGD) input parameters and by reviewing specific scenarios. Specific scenarios are circumstances in which an adjustment of the risk parameters is required, for example because of exceptional macroeconomic circumstances. Quarterly reviews are carried out on the basis of economic forecasts made by the Helaba Group to establish whether there is a need to analyse specific scenarios. Various macroeconomic parameters are analysed according to scenario to identify a specific scenario. These parameters include gross domestic product, unemployment rate, oil price, consumer price index and share price index, together with trends in interest rates and exchange rates. If a specific scenario is identified for one or more risk parameters and an adjustment of the parameters agreed, this is carried out by taking into account three internal macroeconomic scenarios at Helaba, as well as the probability that they may materialise (negative with a probability of 15 %, positive with a probability of 15 % and a base scenario with a probability of 70 %). The specific scenario is identified largely by means of a comparison between the current portfolio probability of default and the default rate forecast in the scenarios.

The macroeconomic conditions accompanying the pandemic were analysed as a specific group of scenarios.

The core assumption in the various scenarios relates to how the COVID-19 pandemic is likely to progress and the resulting economic consequences. The negative scenario assumes a more hesitant economic recovery compared with the baseline scenario. For the primary market of Germany, the negative scenario assumes an unemployment rate of 6.9 % (31 December 2020: 7.2 %) and a fall in gross domestic product of 1.7 % (31 December 2020: 1.4 %) over a full year.

in %

	Positive		Base		Negative	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Gross domestic product (Germany)	8.0	6.2	4.6	4.2	–1.7	–1.4
Unemployment rate (Germany)	5.1	5.8	5.6	6.2	6.9	7.2

The additional loss allowances at stages 1 and 2 in an amount of € 85 m recognised as at 31 December 2020 on the basis of the special scenario analysis have been reduced by € 21 m because of the improved economic outlook. A further analysis was carried out to establish the impact of focusing on the negative scenario. These changes would lead to an increase in the loss allowance requirement amounting to a charge of € 17 m (31 December 2020: € 14 m). A focus on the positive scenario would lead to a positive impact on the loss allowance of € 11 m (31 December 2020: € 11 m).

In the first half of 2021, only a proportion of the heightened risk was reflected in the individual calculations of loss allowances as a result of rating deteriorations and default events. For example, at € 9,237 m, the share of financial assets and off-balance sheet commitments at stage 2 equated to 4.2 % of the total volume (31 December 2020: € 8,931 m or 4.2 %). The volume of transactions at stage 3 amounted to € 1,142 m, equating to 0.5 % of the total volume, compared with € 894 m or 0.4 % as at 31 December 2020. The resurgence in the incidence of COVID-19 in Europe and the emerging tendency of vaccination ratios to stall below the level necessary for herd immunity mean there is still uncertainty about the evolution of the pandemic going forward. As a consequence, a significant level of defaults and therefore an associated requirement for loss allowances must be anticipated. Actual rating deteriorations or default events remained well below the rise in default risk anticipated by management in response to the pandemic, as a result of which the stage 2 portfolio-based loss allowance of € 171 m recognised as at 31 December 2020 because of the COVID-19 pandemic has been increased by € 79 m. This additional requirement was estimated using a scenario analysis based on COVID-19-critical exposures and critical sub-portfolios in which assumptions were made about rating deteriorations, collateral value markdowns and lifetime ECLs. COVID-19-critical exposures relate to borrowers whose income statements and statements of financial position are being significantly impacted by the pandemic or are likely to be so in the near future. Critical sub-portfolios are identified on the basis of a criterion in which critical exposures account for more than 20 % of the total lending volume in the sub-portfolio.

As was also the case at 31 December 2020, the portfolio-based loss allowance for stage 2 includes an adjustment of € 12 m for the expected effects from the recalibration of the Domestic Real Estate rating module. The recalibration is scheduled to go live at the end of 2021.

Disclosures for 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 30 June 2021:

Financial assets measured at amortised cost in € m

	Gross carrying amount					Cumulative loss allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Demand deposits and overnight money balances at central banks and banks	37,028	–	–	–	37,028	0	–	–	–	0
Bonds and other fixed-income securities	115	0	–	–	115	0	–	–	–	0
Loans and receivables	120,836	7,557	971	6	129,370	38	449	197	1	684
Total	**157,980**	**7,557**	**971**	**6**	**166,513**	**38**	**449**	**197**	**1**	**685**

The following table shows the figures as at 31 December 2020:

Financial assets measured at amortised cost in € m

	Gross carrying amount					Cumulative loss allowances[1]				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Demand deposits and overnight money balances at central banks and banks	26,038	–	–	–	26,038	0	–	–	–	0
Loans and receivables	124,386	7,280	732	2	132,400	43	355	155	–0	553
Total	**150,424**	**7,280**	**732**	**2**	**158,437**	**43**	**355**	**155**	**–0**	**553**

[1] The presentation of loss allowances in this note has been adjusted; see Note (1).

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:

Financial assets measured at amortised cost — in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and receivables					
As at 1.1.2021	**43**	**355**	**155**	**–0**	**553**
Total change in loss allowances due to transfers between stages	2	–13	10	–	–
Transfer to stage 1	5	–5	–0	–	–
Transfer to stage 2	–3	3	–0	–	–
Transfer to stage 3	–0	–10	11	–	–
Additions	25	181	59	2	266
Newly originated / acquired financial assets	7	7	0	–	15
Other additions	18	173	58	2	251
Interest effects in stage 3 from updates of gross carrying amount	–	–	3	0	3
Reversals	–32	–74	–26	–1	–134
Reversals from redemptions (derecognition)	–2	–11	–1	–	–14
Other reversals	–30	–64	–25	–1	–120
Utilisations	–	–	–5	–0	–5
Changes due to currency translation and other adjustments	0	1	1	0	2
As at 30.6.2021	**38**	**449**	**197**	**1**	**684**

The following table shows the changes during the prior-year period:

Financial assets measured at amortised cost — in € m

	Stage 1[1]	Stage 2[1]	Stage 3[1]	POCI[1]	Total[1]
Loans and receivables					
As at 1.1.2020	**39**	**121**	**126**	**0**	**286**
Total change in loss allowances due to transfers between stages	2	−4	2	–	–
Transfer to stage 1	4	−4	–	–	–
Transfer to stage 2	−2	2	−0	–	–
Transfer to stage 3	−0	−2	2	–	–
Additions	46	177	29	0	252
Newly originated / acquired financial assets	11	4	0	–	15
Other additions	35	173	29	0	237
Interest effects in stage 3 from updates of gross carrying amount	–	–	1	–	1
Reversals	−35	−43	−28	−0	−106
Reversals from redemptions (derecognition)	−2	−1	−5	–	−8
Other reversals	−33	−42	−23	−0	−98
Utilisations	–	–	−20	–	−20
Changes due to currency translation and other adjustments	−0	−0	2	−0	2
As at 30.6.2020	**52**	**251**	**112**	**0**	**415**

[1] The presentation of loss allowances in this note has been adjusted; see Note (1).

Disclosures for 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 as at 30 June 2021:

Financial assets measured at fair value through other comprehensive income in € m

	Carrying amount (fair value)					Cumulative loss allowances (recognised in OCI)				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Bonds and other fixed-income securities	17,324	–	–	–	17,324	2	–	–	–	2
Loans and receivables	523	55	–	–	578	1	2	–	–	3
Total	**17,847**	**55**	**–**	**–**	**17,902**	**3**	**2**	**–**	**–**	**5**

The following table shows the figures as at 31 December 2020:

Financial assets measured at fair value through other comprehensive income in € m

	Carrying amount (fair value)					Cumulative loss allowances (recognised in OCI)[1]				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Bonds and other fixed-income securities	20,299	–	–	–	20,299	2	–	–	–	2
Loans and receivables	677	7	–	–	683	1	0	–	–	1
Total	**20,976**	**7**	**–**	**–**	**20,982**	**3**	**0**	**–**	**–**	**4**

[1] The presentation of loss allowances in this note has been adjusted; see Note (1).

Cumulative loss allowances on financial assets measured at fair value through other comprehensive income increased by € 1 m compared with the position as at 31 December 2020. There were no material changes in the corresponding prior-year period.

Disclosures for off-balance sheet commitments

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 30 June 2021:

Off-balance sheet liabilities in € m

	Nominal amount					Provisions				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments	26,796	1,094	89	2	27,982	8	13	9	0	30
Financial guarantees	7,680	531	65	10	8,286	4	15	15	–	34
Total	**34,477**	**1,625**	**154**	**12**	**36,267**	**12**	**28**	**24**	**0**	**63**

The following table shows the figures as at 31 December 2020:

Off-balance sheet liabilities in € m

	Nominal amount					Provisions				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments	26,567	1,065	110	0	27,741	8	13	4	0	25
Financial guarantees	7,242	579	41	10	7,872	3	14	13	–	30
Total	**33,809**	**1,644**	**150**	**10**	**35,613**	**11**	**27**	**17**	**0**	**55**

The following table shows the change in provisions for loan commitments and financial guarantees during the reporting period:

Off-balance sheet liabilities in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments					
As at 1.1.2021	**8**	**13**	**4**	**0**	**25**
Total change in provision due to transfers between stages	2	–3	2	–	–
Transfer to stage 1	2	–2	–0	–	–
Transfer to stage 2	–0	0	–0	–	–
Transfer to stage 3	–0	–2	2	–	–
Additions	8	15	9	1	33
New loan commitments originated	6	1	–	0	6
Other additions	2	15	9	1	26
Reversals	–10	–12	–6	–0	–28
Utilisations (drawdown under loan commitment)	–6	–6	–0	–0	–12
Other reversals	–4	–6	–6	–0	–16
Changes due to currency translation and other adjustments	0	0	–	–	0
As at 30.6.2021	**8**	**13**	**9**	**0**	**30**
Financial guarantees					
As at 1.1.2021	**3**	**14**	**13**	**–**	**30**
Total change in provision due to transfers between stages	1	–2	2	–	–
Transfer to stage 1	1	–1	–	–	–
Transfer to stage 2	–0	0	–	–	–
Transfer to stage 3	–	–2	2	–	–
Additions	2	7	3	–	12
New financial guarantees originated	1	–	–	–	1
Other additions	1	7	3	–	11
Reversals	–2	–4	–3	–	–9
Changes due to currency translation and other adjustments	0	0	–0	–	0
As at 30.6.2021	**4**	**15**	**15**	**–**	**34**

The following table shows the changes during the prior-year period:

Off-balance sheet liabilities in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments					
As at 1.1.2020	**10**	**8**	**3**	**0**	**21**
Total change in provision due to transfers between stages	1	–1	–0	–	–
Transfer to stage 1	2	–2	–	–	–
Transfer to stage 2	–1	1	–0	–	–
Additions	10	9	9	0	28
New loan commitments originated	4	–	–	–	4
Other additions	6	9	9	0	24
Reversals	–12	–7	–3	–0	–22
Utilisations (drawdown under loan commitment)	–5	–4	–1	–0	–10
Other reversals	–7	–3	–2	–0	–12
As at 30.6.2020	**9**	**9**	**9**	**0**	**27**
Financial guarantees					
As at 1.1.2020	**3**	**11**	**9**	**3**	**26**
Total change in provision due to transfers between stages	0	–2	2	–	–
Transfer to stage 1	1	–1	–	–	–
Transfer to stage 2	–1	1	–	–	–
Transfer to stage 3	–	–2	2	–	–
Additions	2	5	6	–	13
Other additions	2	5	6	–	13
Reversals	–1	–3	–6	–3	–13
As at 30.6.2020	**4**	**11**	**11**	**–**	**26**

(33) 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 the Helaba Group 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 the Helaba Group 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 model, Hull-White/hybrid Hull-White model	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[1]	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	Net asset values of the funds
Shareholdings	Dividend discount method, net asset value method	Discount rate, expected cash flows

[1] Precious metal options are measured in the same way as currency options. They are reported under commodity options.

Fund units/shares in the equity shares and other variable-income securities measurement category are measured on the basis of net asset values, which are mainly determined by the fund management companies and made available to the unitholders/shareholders. These values can be considered as representative of the fair value. If the latest fair value was determined as at a date other than the reporting date, such value is extrapolated to the reporting date, factoring in current information from the fund management company that has an impact on fair value.

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. Such 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. Credit risk is taken into account in the form of a measurement adjustment. The measurement adjustment is calculated on the basis of the net exposure and the exposure over time is estimated using a Monte Carlo simulation. 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 the Helaba Group'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). 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, sector rating credit curves are used to determine the credit spreads; alternatively, if this is not possible, 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.

At Helaba, transactions are generally allocated to Level 3 if no inputs observable in the market are used in the measurement. If the sole non-observable input is the internal credit rating for the customer and this has only an immaterial effect on fair value, the transaction is allocated to Level 2.

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.

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

	30.6.2021				31.12.2020			
	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	**–**	**238**	**–**	**238**	**–**	**320**	**–**	**320**
Demand deposits and overnight money balances at banks	–	238	–	238	–	320	–	320
Trading assets	**3,514**	**13,084**	**151**	**16,750**	**4,424**	**16,406**	**344**	**21,173**
Positive fair values of derivatives	5	11,857	121	11,983	3	15,586	140	15,730
Bonds and other fixed-income securities	3,492	90	15	3,597	4,398	15	–	4,413
Loans and receivables	–	1,137	15	1,152	–	804	203	1,008
Equity shares and other variable-income securities	18	–	–	18	23	–	–	23
Other financial assets mandatorily measured at fair value through profit or loss	**879**	**4,817**	**602**	**6,298**	**1,178**	**6,409**	**619**	**8,206**
Positive fair values of derivatives	0	4,671	130	4,801	–	6,274	157	6,430
Bonds and other fixed-income securities	858	50	7	915	1,167	41	7	1,214
Loans and receivables	–	39	245	284	–	40	264	304
Equity shares and other variable-income securities	21	57	117	194	11	55	82	148
Shareholdings	–	–	66	66	–	–	65	65
Receivables from the purchase of endowment insurance policies	–	–	37	37	–	–	46	46
Financial assets designated voluntarily at fair value	**135**	**3,294**	**319**	**3,748**	**139**	**3,476**	**340**	**3,955**
Bonds and other fixed-income securities	135	–	–	135	139	–	–	139
Loans and receivables	–	3,294	319	3,613	–	3,476	340	3,816
Negative fair values of hedging derivatives under hedge accounting	**–**	**642**	**–**	**642**	**–**	**1,258**	**–**	**1,258**
Financial assets measured at fair value through other comprehensive income	**15,891**	**1,510**	**534**	**17,935**	**18,670**	**1,773**	**576**	**21,018**
Bonds and other fixed-income securities	15,891	1,392	40	17,324	18,670	1,629	–	20,299
Loans and receivables	–	118	460	578	–	144	539	683
Shareholdings	–	–	33	33	–	–	36	36
Financial assets	**20,419**	**23,585**	**1,607**	**45,611**	**24,410**	**29,643**	**1,879**	**55,931**

On the liabilities side, the breakdown of financial liabilities measured at fair value was as follows:

in € m

	30.6.2021				31.12.2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading liabilities	**210**	**12,470**	**121**	**12,802**	**126**	**17,526**	**141**	**17,793**
Negative fair values of derivatives	7	9,117	121	9,245	10	12,351	141	12,502
Securitised liabilities	33	525	–	558	31	481	–	512
Deposits and loans	–	2,828	–	2,828	–	4,695	–	4,695
Liabilities arising from short-selling	170	–	–	170	85	–	–	85
Other financial liabilities	–	–	–	–	–	0	–	0
Negative fair values of non-trading derivatives	**1**	**5,734**	**32**	**5,767**	**1**	**7,287**	**34**	**7,322**
Financial liabilities designated voluntarily at fair value	**–**	**10,961**	**1,423**	**12,384**	**–**	**11,416**	**1,456**	**12,872**
Securitised liabilities	–	5,073	1,009	6,082	–	5,066	1,028	6,094
Deposits and loans	–	5,889	413	6,302	–	6,350	428	6,778
Negative fair values of hedging derivatives under hedge accounting	**–**	**1,615**	**–**	**1,615**	**–**	**1,671**	**–**	**1,671**
Financial liabilities	**211**	**30,781**	**1,576**	**32,568**	**126**	**37,900**	**1,631**	**39,658**

The following tables show transfers from Level 1 and Level 2 to other levels as a result of a change in fair value quality for financial instruments that were held in the portfolio of the Helaba Group as at the reporting date. Other changes in the portfolios at Levels 1 and 2 were attributable to additions, derecognition or measurement changes.

in € m

	30.6.2021				31.12.2020			
	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	**1**	**–**	**0**	**0**	**0**	**–**	**5**	**–**
Positive fair values of derivatives	–	–	–	0	–	–	–	–
Bonds and other fixed-income securities	1	–	0	–	0	–	5	–
Other financial assets mandatorily measured at fair value through profit or loss	**3**	**–**	**0**	**1**	**13**	**–**	**1**	**1**
Bonds and other fixed-income securities	3	–	0	–	13	–	1	–
Loans and receivables	–	–	–	1	–	–	–	1
Financial assets designated voluntarily at fair value	**–**	**–**	**–**	**–**	**–**	**–**	**139**	**–**
Bonds and other fixed-income securities	–	–	–	–	–	–	139	–
Financial assets measured at fair value through other comprehensive income	**–**	**–**	**40**	**4**	**98**	**–**	**86**	**–**
Bonds and other fixed-income securities	–	–	40	–	98	–	86	–
Loans and receivables	–	–	–	4	–	–	–	–
Financial assets	**4**	**–**	**41**	**5**	**112**	**–**	**230**	**1**

in € m

	30.6.2021				31.12.2020			
	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 liabilities	**–**	**–**	**–**	**0**	**–**	**–**	**–**	**–**
Negative fair values of derivatives	–	–	–	0	–	–	–	–
Financial liabilities designated voluntarily at fair value	**–**	**–**	**–**	**14**	**–**	**–**	**–**	**–**
Deposits and loans	–	–	–	14	–	–	–	–
Financial liabilities	**–**	**–**	**–**	**14**	**–**	**–**	**–**	**–**

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 the reporting date:

in € m

	Positive fair values of derivatives	Bonds and other fixed-income securities	Loans and receivables	Equity shares and other variable-income securities	Shareholdings	Receivables from endowment insurance policies
As at 1.1.2021	**297**	**7**	**1,346**	**82**	**101**	**46**
Gains or losses recognised in the consolidated income statement	–28	0	–18	11	–1	–4
Loss allowances	–	–0	–	–	–	–
Net trading income	–10	0	1	–	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	–18	0	–19	11	–1	–4
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	–	0	–	–	–	–
Gains or losses recognised in other comprehensive income	–	0	–4	–	2	–
Additions	9	87	63	26	5	–
Disposals/liquidations	–13	–32	–359	–2	–7	–5
Changes in basis of consolidation	–	–	–	–	–0	–
Changes due to currency translation	–	–	–0	–0	–0	–
Changes in accrued interest	–1	0	–1	–	–	–
Amortisation of premiums/discounts	–7	0	–4	–	–	–
Transfers from Level 2	0	–	18	–	–	–
Transfers to Level 2	–7	–	–0	–	–	–
As at 30.6.2021	**251**	**62**	**1,040**	**117**	**100**	**37**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	–15	0	–8	11	–1	1

The following table show the changes in the assets at Level 3 in the prior-year period:

in € m

	Positive fair values of derivatives	Bonds and other fixed-income securities	Loans and receivables	Equity shares and other variable-income securities	Shareholdings	Receivables from endowment insurance policies
As at 1.1.2020	**329**	**60**	**1,456**	**53**	**97**	**71**
Gains or losses recognised in the consolidated income statement	128	0	28	−9	−1	2
Net trading income	112	0	4	–	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	16	–	24	−9	−1	2
Gains or losses recognised in other comprehensive income	–	–	−2	–	−1	–
Additions	5	–	185	17	1	–
Disposals/liquidations	−21	−65	−295	−1	−3	−13
Changes in accrued interest	−3	–	−0	–	–	–
Amortisation of premiums/discounts	−9	–	−5	–	–	–
Transfers from Level 2	–	5	–	–	–	–
Transfers to Level 2	−49	–	−74	–	–	–
As at 30.6.2020	**380**	**–**	**1,293**	**60**	**93**	**60**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	107	–	10	−9	1	1

The following table shows the changes in the liabilities at Level 3 in the reporting period:

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
As at 1.1.2021	**176**	**1,028**	**428**
Gains or losses recognised in the consolidated income statement	–11	–22	1
Net trading income	–9	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	–2	–22	1
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	–	0	–
Gains or losses recognised in other comprehensive income	–	6	2
Additions	9	62	–
Disposals/liquidations	–12	–64	–26
Changes in accrued interest	–0	0	–1
Amortisation of premiums/discounts	–1	–1	–5
Transfers from Level 2	0	–	14
Transfers to Level 2	–8	–	–
As at 30.6.2021	**153**	**1,009**	**413**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	–1	22	–2

The following table show the changes in the liabilities at Level 3 in the prior-year period:

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
As at 1.1.2020	**214**	**1,050**	**556**
Gains or losses recognised in the consolidated income statement	107	19	−2
Net trading income	111	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	−4	19	−2
Gains or losses recognised in other comprehensive income	–	−31	−5
Additions	8	19	10
Disposals / liquidations	−24	−49	–
Changes in accrued interest	−1	1	−2
Amortisation of premiums / discounts	−1	−1	−8
Transfers to Level 2	−47	−14	–
As at 30.6.2020	**256**	**994**	**549**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	−86	−19	1

As in the prior year, the transfers to or from Level 3 were attributable to changes in the quality of the individual inputs used.

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 as at 30 June 2021:

in € m

	Assets at Level 3	Liabilities at Level 3	Valuation technique	Key inputs not observable in a market	Range
Derivatives	**251**	**153**			
Equity-/index-related derivatives	69	43	Option pricing model	Dividend estimate with remaining term > 3 years	0.0 – 106.9
	44	69	Option pricing model	Equity shares correlation	– 12.1 % – 89.1 %
Interest-rate derivatives	139	40	Option pricing model	Interest correlation	– 31.2 % – 100.0 %
Equity shares and other variable-income securities	**117**				
Private equity funds	117		Fund valuation	Net asset values	n.a.
Bonds and other fixed-income securities	**62**		DCF approach	Credit spread	0.0 – 3.3
Securitised liabilities		**1,009**			
Interest certificates		1,009	Option pricing model	Interest correlation	– 31.2 % – 100.0 %
Loans and receivables	**1,040**				
Promissory note loans	545		DCF approach	Credit spread	0.0 – 3.3
	389		Option pricing model	Credit spread	0.0 – 3.3
	96		Option pricing model	Interest correlation	– 31.2 % – 100.0 %
				Credit spread	0.0 – 3.3
Mezzanine receivables	1		Fund valuation	Fair value	n.a.
Other	9		Various	n.a.	n.a.
Deposits and loans		**413**	Option pricing model	Interest correlation	– 31.2 % – 100.0 %
Shareholdings	**100**				
	52		Income capitalisation approach	Discount rate	5.8 % – 8.0 %
				Expected cash flows	n.a.
	48		Various	Fair value and other	n.a.
Receivables from the purchase of endowment insurance policies	**37**		Insurance valuation model	Surrender values	n.a.
Total	**1,607**	**1,576**			

The following table shows the figures as at 31 December 2020:

in € m

	Assets at Level 3	Liabilities at Level 3	Valuation technique	Key inputs not observable in a market	Range
Derivatives	**297**	**176**			
Equity-/index-related derivatives	77	78	Option pricing model	Dividend estimate with remaining term > 3 years	0.0 – 96.7
	56	55	Option pricing model	Equity shares correlation	29.9 % – 88.2 %
Interest-rate derivatives	164	42	Option pricing model	Interest correlation	– 36.5 % – 100.0 %
Equity shares and other variable-income securities	**82**				
Private equity funds	82		Fund valuation	Net asset values	n.a.
Bonds and other fixed-income securities	**7**		DCF approach	Credit spread	0.0 % – 3.0 %
Securitised liabilities		**1,028**			
Interest certificates		1,028	Option pricing model	Interest correlation	– 36.5 % – 100.0 %
Loans and receivables	**1,346**				
Promissory note loans	816		DCF approach	Credit spread	0.0 % – 3.0 %
	418		Option pricing model	Credit spread	0.0 % – 0.3 %
	103		Option pricing model	Interest correlation	– 36.5 % – 100.0 %
				Credit spread	0.0 % – 0.3 %
Mezzanine receivables	2		Fund valuation	Fair value	n.a.
Other	8		Various	n.a.	n.a.
Deposits and loans		**428**	Option pricing model	Interest correlation	– 36.5 % – 100.0 %
Shareholdings	**101**				
	51		Income capitalisation approach	Discount rate	5.9 % – 7.5 %
				Expected cash flows	n.a.
	50		Net asset value method	Fair value and other	n.a.
Receivables from the purchase of endowment insurance policies	**46**		Insurance valuation model	Surrender values	n.a.
Total	**1,879**	**1,631**			

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 could apply to identify more advantageous or more disadvantageous prices. The following section describes how fluctuations in unobservable inputs may impact fair values of financial instruments. The calculations are based on either sensitivity analyses or recalculations of fair values.

The Helaba Group uses correlations to measure derivatives, issued certificates, deposits, and loans. Correlations are unobservable market parameters used in model calculations of fair value for financial instruments with more than one reference value. Correlations describe the relationship between these reference values. A high degree of correlation means that there is a strong relationship between 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. Furthermore, structured equity 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 changes in the fair values of the hedging instrument and the hedged item that 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 determine the impact on fair values of dividend projections for items with a remaining term of more than three years, a premium or discount of 50 % was applied to the dividend estimates used. This only resulted in immaterial differences, as was also the case at 31 December 2020.

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 an examination 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 is the fair value adjustment for the relevant security exposure if the valuation spread increases or declines by the 1-year standard deviation. This led to an increase of € 7 m (31 December 2020: € 10 m) or a decline of € 7 m (31 December 2020: € 10 m) in the fair values of the relevant exposures.

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 %, this gives rise to alternative fair values that could be used. These alternative fair values could be up to € 10 m (31 December 2020: € 8 m) higher or lower.

In the case of investments in unlisted companies for which 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, in fair values of € 5 m (31 December 2020: € 5 m). If the discount rate were to be increased by one percentage point, the calculated fair values would fall by € 7 m (31 December 2020: € 8 m); if the discount rate were lowered by one percentage point, the fair values would rise by € 10 m (31 December 2020: € 11 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 could be up to € 5 m (31 December 2020: € 5 m) above or 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 as at 30 June 2021.

in € m

	Fair value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
Demand deposits and overnight money balances at central banks and banks	–	37,028	–	37,028	37,028	0
Bonds and other fixed-income securities	–	116	–	116	115	1
Loans and receivables	–	82,824	50,673	133,496	128,685	4,811
Financial assets measured at amortised cost	**–**	**119,968**	**50,673**	**170,641**	**165,829**	**4,812**
Securitised liabilities	4,777	42,770	–	47,547	47,159	387
Deposits and loans	–	75,903	50,372	126,274	124,815	1,459
Other financial liabilities	–	163	495	658	658	0
Financial liabilities measured at amortised cost	**4,777**	**118,835**	**50,867**	**174,479**	**172,632**	**1,847**

The following table shows the figures as at 31 December 2020:

in € m

	Fair value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
Demand deposits and overnight money balances at central banks and banks	–	26,038	–	26,038	26,038	–0
Loans and receivables	–	88,850	48,104	136,953	131,847	5,106
Financial assets measured at amortised cost	**–**	**114,887**	**48,104**	**162,991**	**157,884**	**5,106**
Securitised liabilities	4,712	45,646	–	50,359	49,869	489
Deposits and loans	–	75,332	43,228	118,561	117,453	1,108
Other financial liabilities	–	233	199	432	409	23
Financial liabilities measured at amortised cost	**4,712**	**121,212**	**43,427**	**169,351**	**167,731**	**1,620**

The portfolios reported under Level 3 mainly consist of development and retail business as well as loans to and receivables from customers who do not have an impeccable credit standing. The deposits and loans include the Helaba Group's balances under the ECB's TLTRO III programme. The fair values determined for these transactions are allocated to Level 3.

(34) 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. These figures are 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 amounts and fair values of derivatives as at 30 June 2021 were as follows:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Equity-/index-related transactions	**4,399**	**4,897**	**214**	**290**	**212**	**290**
OTC products	4,020	4,681	209	286	204	279
Equity options	4,018	4,681	206	286	204	279
Purchases	2,079	2,417	206	286	–	–
Sales	1,939	2,265	0	–	204	279
Other transactions	2	–	2	–	0	–
Exchange-traded products	378	216	5	3	8	11
Equity/index futures	95	29	–	–	–	–
Equity/index options	283	186	5	3	8	11
Interest-rate-related transactions	**530,654**	**496,907**	**16,485**	**21,931**	**15,137**	**19,773**
OTC products	524,911	488,405	16,485	21,931	15,137	19,773
Forward rate agreements	1,500	2,000	–	–	–	–
Interest rate swaps	470,437	432,932	14,967	19,928	11,234	14,236
Interest rate options	52,869	53,290	1,518	2,003	3,903	5,535
Purchases	20,120	21,297	1,353	1,807	47	60
Sales	32,750	31,993	165	196	3,856	5,475
Other interest rate contracts	105	183	0	0	–	3
Exchange-traded products	5,742	8,502	–	0	–	–
Interest rate futures	5,733	8,425	–	0	–	–
Interest rate options	9	77	–	–	–	–
Currency-related transactions	**57,373**	**63,368**	**710**	**1,178**	**1,260**	**1,415**
OTC products	57,373	63,368	710	1,178	1,260	1,415
Currency spot and futures contracts	31,809	38,389	351	486	345	594
Cross-currency swaps	24,874	24,313	352	683	909	812
Currency options	691	667	8	9	7	9
Purchases	349	336	8	9	–	–
Sales	342	331	–	–	7	9
Credit derivatives	**4,835**	**5,337**	**16**	**17**	**17**	**17**
OTC products	4,835	5,337	16	17	17	17
Commodity-related transactions	**95**	**93**	**2**	**2**	**0**	**0**
OTC products	95	93	2	2	0	0
Commodity options	95	93	2	2	0	0
Total	**597,356**	**570,602**	**17,427**	**23,419**	**16,627**	**21,495**

Derivatives have been entered into with the following counterparties:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Central banks and banks in Germany	160,710	132,586	5,580	7,258	4,958	5,763
Central banks and banks in the EU (excluding Germany)	65,353	102,347	2,158	4,980	4,590	13,087
Central banks and banks in the rest of the world (excluding EU)	35,760	1,928	1,751	32	5,633	240
Governments, Germany	16,186	21,475	5,642	8,142	509	1,117
Governments, EU (excluding Germany)	–	–	–	0	–	–
Other counterparties in Germany	25,678	29,029	1,255	1,621	372	551
Other counterparties in the EU (excluding Germany)	14,408	269,519	263	1,088	107	712
Other counterparties (rest of world, excluding EU)	273,139	4,999	773	294	450	13
Exchange-traded derivatives	6,121	8,718	5	3	8	11
Total	**597,356**	**570,602**	**17,427**	**23,419**	**16,627**	**21,495**

Notional amounts broken down by term to maturity as at 30 June 2021:

in € m

	Up to three months	Three months to one year	One year to five years	More than five years	Total
Equity-/index-related transactions	361	646	3,379	13	4,399
Interest-rate-related transactions	20,503	42,327	206,223	261,601	530,654
Currency-related transactions	19,806	11,678	20,681	5,208	57,373
Credit derivatives	–	284	4,500	51	4,835
Commodity-related transactions	95	–	–	–	95
Total	**40,764**	**54,935**	**234,783**	**266,874**	**597,356**

The following table shows the notional amounts broken down by term to maturity as at 31 December 2020:

in € m

	Up to three months	Three months to one year	One year to five years	More than five years	Total
Equity-/index-related transactions	162	668	4,053	13	4,897
Interest-rate-related transactions	24,150	43,266	195,329	234,161	496,907
Currency-related transactions	23,941	13,543	20,258	5,625	63,368
Credit derivatives	–	230	5,047	61	5,337
Commodity-related transactions	93	–	–	–	93
Total	**48,346**	**57,708**	**224,687**	**239,861**	**570,602**

(35) Issuing Activities

The following table provides an overview of changes in the Helaba Group's securitised funding during the reporting period:

in € m

	Measured at amortised cost		Mandatorily measured at fair value through profit or loss		Voluntarily designated at fair value		Total	
	2021	2020[1]	2021	2020	2021	2020	2021	2020[1]
Balance as at 1.1.	**49,869**	**59,715**	**512**	**1,137**	**6,094**	**6,024**	**56,475**	**66,876**
Additions from issues	65,586	48,408	654	1,298	845	755	67,085	50,461
Additions from reissue of previously repurchased instruments	276	1,401	–	–	34	39	310	1,440
Redemptions	–64,943	–46,007	–617	–870	–759	–987	–66,318	–47,864
Repurchases	–3,394	–5,350	–2	–93	–48	–47	–3,445	–5,491
Changes in accrued interest	–51	–50	–	–	–1	–5	–52	–55
Changes in value recognised through profit or loss	–307	260	3	–2	–123	75	–428	333
Credit-risk-related changes in fair value recognised in OCI	–	–	–	–	30	–129	30	–129
Changes due to currency translation and other adjustments	124	12	8	–2	10	15	142	25
Balance as at 30.6.	**47,159**	**58,389**	**558**	**1,468**	**6,082**	**5,740**	**53,799**	**65,597**

[1] Prior-year figures adjusted: In the previous year, redemptions of € 6,000 m had been reported as repurchases.

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 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.

(36) Contingent Liabilities and Other Off-Balance Sheet Obligations

in € m

	30.6.2021	31.12.2020
Loan commitments	**27,982**	**27,741**
Financial guarantees	**8,286**	**7,872**
Other obligations	**2,769**	**2,462**
Liabilities from guarantees and warranty agreements (excluding financial guarantees)	293	162
Placement and underwriting obligations	1,195	1,110
Obligations to make further retrospective payments	0	–
Contribution obligations	158	158
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	165	78
Contractual obligations in connection with investment property	607	566
Litigation risk obligations	1	0
Sundry obligations	349	387
Total	**39,037**	**38,075**

(37) Fiduciary Transactions

in € m

	30.6.2021	31.12.2020
Loans and advances to banks	734	710
Loans and advances to customers	607	562
Equity shares and other variable-income securities	92	92
Shareholdings	71	71
Sundry assets	15	15
Trust assets	**1,518**	**1,450**
Deposits and loans from banks	529	465
Deposits and loans from customers	764	761
Other financial liabilities	225	224
Trust liabilities	**1,518**	**1,450**

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. The trustee loans also include KfW development loans forwarded to Sparkassen and customers to mitigate the effects of the COVID-19 pandemic (KfW-Schnellkredit 2020).

Other Disclosures

(38) 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.

As at 30 June 2021, Helaba held the following assets in respect of related parties:

in € m

	Unconsolidated subsidiaries	Investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Cash on hand, demand deposits and overnight money balances with central banks and banks	**0**	**–**	**–**	**–**	**0**
Financial assets measured at amortised cost	**2**	**214**	**8,397**	**15**	**8,628**
Loans and receivables	2	214	8,397	15	8,628
Trading assets	**–**	**–**	**1,263**	**–**	**1,263**
Positive fair values of derivatives held for trading	–	–	1,253	–	1,253
Bonds and other fixed-income securities	–	–	10	–	10
Other financial assets mandatorily measured at fair value through profit or loss	**10**	**8**	**1**	**–**	**19**
Shareholdings	10	8	1	–	19
Financial assets designated voluntarily at fair value	**–**	**–**	**729**	**–**	**729**
Loans and receivables	–	–	729	–	729
Financial assets measured at fair value through other comprehensive income	**0**	**–**	**379**	**–**	**379**
Bonds and other fixed-income securities	–	–	335	–	335
Loans and receivables	–	–	44	–	44
Shareholdings	0	–	–	–	0
Shares in equity-accounted entities	**–**	**11**	**–**	**–**	**11**
Sundry assets	**–**	**0**	**115**	**–**	**115**
Total assets	**12**	**233**	**10,884**	**15**	**11,144**

The following table shows the figures as at 31 December 2020:

in € m

	Unconsolidated subsidiaries	Investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Cash on hand, demand deposits and overnight money balances with central banks and banks	**0**	**–**	**–**	**–**	**0**
Financial assets measured at amortised cost	**1**	**203**	**8,904**	**14**	**9,123**
Loans and receivables	1	203	8,904	14	9,123
Trading assets	**–**	**–**	**1,718**	**–**	**1,718**
Positive fair values of derivatives held for trading	–	–	1,718	–	1,718
Bonds and other fixed-income securities	–	–	0	–	0
Other financial assets mandatorily measured at fair value through profit or loss	**12**	**8**	**1**	**–**	**21**
Shareholdings	12	8	1	–	21
Financial assets designated voluntarily at fair value	**–**	**–**	**761**	**–**	**761**
Loans and receivables	–	–	761	–	761
Financial assets measured at fair value through other comprehensive income	5	–	396	–	401
Bonds and other fixed-income securities	–	–	352	–	352
Loans and receivables	–	–	44	–	44
Shareholdings	5	–	–	–	5
Shares in equity-accounted entities	**–**	**9**	**–**	**–**	**9**
Sundry assets	**–**	**–**	**115**	**–**	**115**
Total assets	**17**	**220**	**11,895**	**14**	**12,147**

The liabilities and off-balance sheet commitments to related parties as at 30 June 2021 were as follows:

in € m

	Unconsolidated subsidiaries	Investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Financial liabilities measured at amortised cost	**49**	**54**	**3,848**	**6**	**3,957**
Deposits and loans	49	54	3,848	6	3,957
Other financial liabilities	0	–	0	–	0
Trading liabilities	**–**	**–**	**51**	**–**	**51**
Negative fair values of derivatives held for trading	–	–	51	–	51
Negative fair values of non-trading derivatives	**–**	**–**	**–**	**0**	**0**
Financial liabilities designated voluntarily at fair value	**–**	**–**	**78**	**–**	**78**
Deposits and loans	–	–	78	–	78
Provisions	**0**	**0**	**5**	**1**	**6**
Total liabilities	**49**	**54**	**3,982**	**7**	**4,092**
Loan commitments	2	122	1,293	5	1,422
Financial guarantees	0	0	5	5	10
Total off-balance sheet commitments	**2**	**122**	**1,298**	**10**	**1,432**

The following table shows the figures as at 31 December 2020:

in € m

	Unconsolidated subsidiaries	Investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Financial liabilities measured at amortised cost	**51**	**51**	**4,397**	**4**	**4,504**
Deposits and loans	51	51	4,397	4	4,504
Other financial liabilities	0	–	0	–	0
Trading liabilities	**–**	**–**	**70**	**–**	**70**
Negative fair values of derivatives held for trading	–	–	70	–	70
Negative fair values of non-trading derivatives	**–**	**–**	**–**	**0**	**0**
Financial liabilities designated voluntarily at fair value	**–**	**–**	**78**	**–**	**78**
Deposits and loans	–	–	78	–	78
Provisions	**0**	**0**	**1**	**18**	**20**
Total liabilities	**51**	**51**	**4,547**	**23**	**4,672**
Loan commitments	2	120	1,432	5	1,559
Financial guarantees	0	0	1	–	1
Total off-balance sheet commitments	**2**	**120**	**1,434**	**5**	**1,561**

Standard banking transactions with related parties gave rise to income and expenses in the lending, deposits, investment and derivatives businesses. In the reporting period, the Helaba Group generated total net interest income of € 44 m from related parties (H1 2020: € 44 m). Standard banking services produced net fee and commission income of € 25 m (H1 2020: € 22 m). In addition, derivative transactions are entered into with related parties, mainly to hedge interest rate risk. Interest income of € 22 m (H1 2020: € 18 m) was generated from interest rate derivatives. This item was reported under net trading income. In accordance with IFRS, derivatives are measured at fair value through profit or loss; unrealised effects from changes in fair value reported in net trading income are matched by corresponding countervailing transactions with other customers as part of overall bank management.

(39) Members of the Executive Board

Thomas Groß – CEO –	Dezernent (Board member) with responsibility for Group Steering, Human Resources and Legal Services, Accounting and Taxes, Group Audit, Frankfurter Sparkasse and Frankfurter Bankgesellschaft
Dr. Detlef Hosemann	Dezernent (Board member) with responsibility for Risk Control, Credit Risk Management, Restructuring/Workout, Compliance
Hans-Dieter Kemler	Dezernent (Board member) with responsibility for Corporate Banking, Capital Markets, Treasury, Sales Controlling Corporates & Markets, and Helaba Invest
Frank Nickel	Dezernent (Board member) with responsibility for Savings Banks and SME, Public Sector, WIBank, LBS, and Sales Controlling S-Group
Christian Rhino – since 1 February 2021 –	Helaba Chief Information Officer and Chief Operating Officer (CIO and COO) and Dezernent (Board member) with responsibility for Information Technology, Operations and Organisation
Christian Schmid	Dezernent (Board member) with responsibility for Real Estate Finance, Asset Finance, Portfolio and Real Estate Management, GWH Wohnungsgesellschaft mbH Hessen, OFB Projektentwicklung GmbH, and Branch Management London and New York

(40) Report on Events After the Reporting Date

In a memorandum of understanding dated 5 August 2021, Helaba and Landesbank Baden-Württemberg (LBBW) stated their intention to combine the interest rate, currency and commodities management business with Sparkassen and the entire depositary business for special funds for institutional investors and for retail funds under the umbrella of LBBW, while Helaba will take over LBBW's documentary trade business, foreign payments processing for Sparkassen and precious metals and foreign notes business. The agreement is subject to approval from the competition authorities under anti-trust law and other reviews.

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, 10 August 2021

Landesbank Hessen-Thüringen Girozentrale

The Executive Board

Groß	Dr. Hosemann	Kemler
Nickel	Rhino	Schmid

Review Report

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

We have reviewed the interim condensed consolidated financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main / Erfurt, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, condensed consolidated cash flow statement and selected explanatory notes, and the interim group management report for the period from 1st January 2021 to 30th June 2021, which are part of the half-year financial report pursuant to Sec. 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The executive directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company's employees and analytical assessments and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot issue an auditor's report.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Eschborn / Frankfurt am Main, 11 August 2021
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Hultsch	Alt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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Helaba Addresses

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