Management Report and Annual Accounts of Landesbank Hessen-Thüringen Girozentrale 2015

Management Report of Landesbank Hessen-Thüringen

Management Report

Foundations of the Bank

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

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

Helaba's strategic business model centres on the three business units: Wholesale Business; S-Group Business, Private Customers and SME Business; and Public Development and Infrastructure Business. The Bank's registered offices are situated in Frankfurt am Main and Erfurt, and it also has branches in Düsseldorf, Kassel, Paris, London and New York. These are joined by representative and sales offices, subsidiaries and affiliates. Helaba will be opening three new representative offices in Stockholm, Istanbul and São Paulo in 2016 to provide support for its sales activities. The whole of the Helaba Group is organised into discrete divisions for operational and business control purposes, meaning that all product, customer and service units are managed on a standardised basis throughout the Group.

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

In the S-Group Business, Private Customers and SME Business unit, Helaba's strategic goal is to continue to strengthen its position as a leading S-Group bank for Germany. In Hesse and Thuringia, the S-Group Sparkassen and Helaba make up the Sparkassen-Finanzgruppe Hessen-Thüringen, based on the business model of economic unity, the preparation of consolidated financial statements and a joint S-Group rating. Comprehensive co-operation agreements have been entered into with the Sparkassen and their associations in North Rhine-Westphalia. In addition, there are sales co-operation agreements with the Sparkassen in Brandenburg. The agreements with the Sparkassen in North Rhine-Westphalia and Brandenburg complement the S-Group Concept of the Sparkassen-Finanzgruppe Hessen-Thüringen, which continues in its current form. Helaba is one of the market leaders in the home loans and savings business in both Hesse and Thuringia through the legally dependent Landesbausparkasse Hessen-Thüringen (LBS). Frankfurter Sparkasse, a wholly owned and fully consolidated subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region with over 800,000 customers; it also has a presence in the nationwide direct banking market through 1822direkt. Frankfurter Bankgesellschaft (Schweiz) AG and its wholly owned subsidiary Frankfurter Bankgesellschaft (Deutschland) AG provide Helaba's products and services for Sparkassen in the private banking and wealth and asset management segment.

In the Public Development and Infrastructure Business unit, Helaba has been entrusted with administering public-sector development programmes of the Federal State of Hesse via "WIBank", a legally dependent entity within Helaba. WIBank enjoys a direct statutory guarantee from the State of Hesse as permitted under EU law. As a consequence, WIBank has an "AA" rating from S&P for long-term unsecured liabilities. Helaba also has stakes in other development institutions in Hesse and Thuringia.

Management instruments and non-financial performance indicators
As part of managing the Bank as a whole, Helaba has integrated systems in place for business and productivity management. This is based on a multi-level Margin Accounting System and comprises both the management of absolute income and costs and the integrated management of contribution margins. The aim is to achieve a cost-income ratio below 60 %. The annual planning process, from which a budgeted balance sheet and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances

analysed based on a management income statement produced in the Margin Accounting System at regular intervals in the course of the financial year. In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

One key indicator used to manage portfolios is the volume of new medium- and long-term business (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 for the Group by the European Central Bank (ECB). The profitability targets are managed through the return on equity and regulatory capital.

The Capital Requirements Regulation (CRR) specifies that banks must calculate a leverage ratio, a (short-term) liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). An institution-specific minimum requirement for eligible liabilities (MREL) will also be specified as part of the implementation of the Single Resolution Mechanism (SRM) in Europe. The MREL is to be determined during the course of 2016 for all groups of institutions that, like Helaba, are the responsibility of the Single Resolution Board (SRB). Helaba is already taking these ratios and requirements into account in its liquidity management and when fine-tuning its business portfolio.

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

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

As the leading S-Group bank in the Sparkassen-Finanzgruppe, Helaba is continuously expanding its business relationships with Sparkassen throughout Germany. In the regions of Hesse, Thuringia and North Rhine-Westphalia, where Helaba acts as the Sparkasse central bank, the aim is to achieve an S-Group ratio in the target range of 60 % to 80 %. The S-Group ratio here is the volume of business conducted with Helaba and its subsidiaries as a percentage of the total products and services purchased by the Sparkassen in question. The S-Group ratio is calculated uniformly for the three aforementioned regions by a clearing house.

As a public-law credit institution with a mandate to operate in the public interest, Helaba also assumes a degree of social and environmental responsibility – over and above its banking functions and objectives. Helaba has laid down guiding sustainability principles in which it has pledged its commitment to environmental and social responsibility. The guiding sustainability principles include core statements and standards of conduct relating to business activities, business operations (operational environmental protection, corporate governance and compliance), employees and corporate social responsibility. Helaba has also translated its responsibility to the environment and society into binding requirements in its business strategy. Helaba's risk assessment and risk management processes thus incorporate the identification and assessment of environmental risks and of issues from a social and ethical perspective. The Bank is looking into the possibility of creating and installing a standard process for the appropriate incorporation of environmental risks and of social and ethical perspectives into relevant lending decisions. Helaba does not finance the manufacture or trading of controversial types of weapon. It also undertakes not to enter into speculative transactions with agricultural commodities or develop investment products related to such commodities. Helaba contributes to climate protection by implementing energy-saving measures in its operations. Frankfurter Sparkasse has a certified environmental management system in accordance with Regulation (EC) No. 76/2001 (EMAS II) as well as DIN EN ISO 14001. Helaba acts on its commitment to sustainability by buying power generated from renewable sources. Helaba makes key elements of its environmental profile transparent and creates incentives to further reduce consumption and emissions by calculating environmental indicators and publishing them on the Internet on an annual basis. Helaba's company car policy also incorporates climate protection objectives in the form of requirements to reduce emissions. As part of its operating activities, Helaba supports the financing of plant using energy-efficient technologies and fosters the use of renewable energies.

Helaba is among the signatories to the Diversity Charter, a voluntary commitment by companies to promote a corporate culture that is without prejudice or discrimination. Helaba also engages in many areas of public life by sponsoring numerous cultural, educational, environmental, sports and social organisations and projects.

Employees

- Business and HR strategy

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

- Remuneration principles

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

- Professional development

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

- Development of young talent

  The social changes resulting from demographic trends and the ongoing process of digitisation will have an impact on Helaba's competitiveness over the long term. This has implications for the design of processes in HR management. Demographic change is presenting a particular challenge in terms of talent management and employer branding, in that Helaba must be able to attract and retain young talent with a high degree of potential. In addition, the advances in digitisation are changing the requirements that companies need to meet to retain their appeal, particularly for a young employee target group. This is noticeable, for example, in changing recruitment processes, which are increasingly characterised by the use of social media for contact with applicants. With these changes in mind, Helaba has been exploring new avenues over the past year. For example, individual appointment processes have been structured for the first time using an active sourcing strategy in response to the new requirements.

- Other key areas of focus

  Other key areas in which HR activities are currently focused include work-life balance, health management, change management and managerial training. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed. An employee survey will be carried out throughout the Bank during the course of 2016. The findings will be used to extend the work on corporate and management culture already described above in line with identified requirements and could also be used to draw up recommendations for further strategic action.

Report on Economic Position

Macroeconomic and sector-specific conditions in Germany
In 2015, the German economy expanded at a rate of 1.7 % (1.5 % seasonally adjusted), the second year in succession that it has exceeded its growth potential, i.e. the growth that would be anticipated over the long term with a normal level of capacity utilisation. This economic growth was primarily driven by consumer spending, with household consumption expenditure accounting for one percentage point of the growth. If government consumption expenditure is then included, the total of 1.5 percentage points accounts for almost the entire growth in gross domestic product (GDP). Substantial collectively agreed pay rises in combination with largely stable prices and increasing employment boosted consumer incomes in real terms. Significant migration into Germany also gave a stimulus to both household and public-sector expenditures.

This contrasted with a disappointing level of capital investment by businesses, reflecting the uncertainties surrounding exports, even though the low interest rates in capital markets and slightly above-average capacity utilisation ought to have generated more capital spending. Residential construction expanded on the back of strong demand for residential space (mainly in large towns and cities), very low mortgage rates, the lack of investment alternatives and more investment in the stock of housing. However, activity in the non-residential construction segment contracted sharply. Businesses also remained reticent to commit to commercial construction and public-sector capital investment projects already announced had not yet reached the construction stage in 2015.

Competitive conditions in the German banking industry are being influenced by sustained historically low interest rates and the action taken to implement the European banking union. Alongside the historically low key interest rates, the ECB's asset purchase programmes are flooding the markets with liquidity. At the same time, institutional investors (insurance companies, pension funds) are increasingly looking for alternative investment opportunities and are opting to invest in new asset classes (infrastructure, commercial real estate, renewable energies). They are thus becoming competitors of the banks and are ratcheting up the pressure on margins in long-term new business. Nevertheless, opportunities are arising for credit institutions with stable funding structures and a focus on selected core business areas to strengthen and expand their market positions.

More and more areas of economic activity are becoming digitised, driven by developments in information technology and the increasing availability of the Internet. This process is offering financial service providers new ways of accessing customers and sharing data with them. From a product perspective, digitisation is opening up the possibility of more flexible product structures based on IT. The digitisation megatrend is creating an environment in which an increasing number of companies that are not themselves banks are able to offer financial services. This applies particularly to payments business and business with retail customers.

Key changes in the regulatory framework were as follows:

- Prudential supervision by the ECB (Single Supervisory Mechanism, SSM)
  Since November 2014, the ECB has held responsibility for the direct supervision of 123 "significant" banking groups in the euro zone, including 21 German banks, as part of the changes under the Single Supervisory Mechanism (SSM). The Helaba Group, together with its affiliated subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, is among the banks classified as "significant" and therefore subject to direct supervision by the ECB. During the course of 2015, Helaba held numerous discussions with the Joint Supervisory Team (JST), a team on which the ECB and the national supervisory authorities are jointly represented. One of the outcomes of the supervisory review and evaluation process (SREP) was that the ECB notified Helaba in February 2015 of the minimum Common Equity Tier 1 (CET 1) capital ratio (on a consolidated basis) that it required Helaba to maintain (SREP ratio). The Bank must comply with this ratio at all times and indeed did so throughout 2015. The Bank was notified of a capital requirement of 9.25 % for 2016 in a letter dated 20 November 2015.

- Capital and liquidity requirements (Basel III/CRD IV/CRR)
  As a result of the CRD IV/CRR, the capital requirements for credit institutions are becoming significantly tighter in terms of both quality and quantity. The new capital ratios will be phased in over the period up to 2019. At the end of 2015, the CET 1 capital ratio for Helaba was 12.3 % (phased in, i.e. taking into account the CRR transitional arrangements) or 12.2 % (fully loaded, i.e. disregarding the transitional arrangements) and the total capital ratio was 19.8 % (with the application of the CRR transitional arrangements). Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published. CRD IV provides for a transitional phase until the end of 2021 for capital instruments that are currently recognised as regulatory Tier 1 capital, but will not meet the future requirements for such capital. At Helaba, this affects silent participations with a nominal amount of € 953 m.

  Uniform liquidity requirements to be applied throughout Europe and measured using the liquidity coverage ratio (LCR) became mandatory from October 2015. The minimum LCR requirement will be gradually raised, progressing from 60 % in 2015 to 70 % in 2016 and then to 100 % in 2018. On 31 October 2014, the Basel Committee submitted revised requirements for the second liquidity ratio, the net stable funding ratio (NSFR).It can be assumed that these revised requirements from the Basel Committee will be implemented in European law and this ratio requirement will come into force in 2018. Both liquidity ratios will generally lead to an increase in liquidity management costs and therefore have a negative impact on profitability. Helaba started to adapt at an early stage to the new liquidity management requirements and believes it is in a good position to meet the regulatory requirements accordingly.

The leverage ratio measures the ratio between regulatory capital and the unweighted total of all on-balance sheet and off-balance sheet asset items (including derivatives). Currently, the leverage ratio has to be reported to the supervisory authorities as an indicator for monitoring purposes. The ratio must be publicly disclosed by banks. A mandatory minimum ratio is expected to be specified with effect from 1 January 2018. The European Commission is likely to decide on the details during 2016/2017. As of 31 December 2015, Helaba's leverage ratio was 3.9 % (with the application of the CRR transitional arrangements).

- Protection schemes
  Germany has transposed the requirements of the EU directive on deposit guarantee schemes into German law with the Deposit Guarantee Act (EinSiG), which came into force on 3 July 2015. Under this act, institutional protection schemes can be recognised as deposit guarantee schemes provided that the criteria specified in the act are satisfied. Accordingly, the institutional protection scheme operated by the Sparkassen-Finanzgruppe has been recognised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) as a deposit guarantee scheme within the meaning of EinSiG. Of the customer deposits held by Landesbank Hessen-Thüringen (individual bank), total deposits of € 4.0 bn qualify as "covered deposits" within the meaning of EinSiG.

Business performance
Key factors influencing the business performance and results of operations at Helaba in the 2015 financial year were the modest rate of economic growth in Germany, which amounted to 1.7 % in real terms, and the persistently low level of interest rates, which were reduced to new historic lows during the year.

Helaba's operating business continued to perform well in this economic environment. The volume of new medium- and long-term lending business (more than one year) Helaba entered into with customers (excluding the WIBank development business, which does not form part of the competitive market) increased again by almost € 1 bn (4 %) to € 18.2 bn (2014: € 17.4 bn). The high volume of new business enabled maturities and special repayments to be offset. Loans and advances to customers amounted to € 82.2 bn (2014: € 80.8 bn). Added to this were loans and advances to affiliated Sparkassen in the amount of € 7.9 bn (2014: € 10.1 bn). The focus on lending in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba's business model. The degree of interconnectedness with the real economy, i.e. the percentage of the total consolidated assets accounted for by customer transactions, rose to 62 % (2014: 60 %) as a consequence of the contraction in total assets in 2015.

Over the whole of 2015, the market environment for funding operations was generally positive for financial institutions in the euro zone. As at 31 December 2015, the volume of medium- and long-term funding obtained on capital markets amounted to approximately € 17.3 bn (31 December 2014: € 15.2 bn). Helaba was able to obtain funding inexpensively and without difficulty from institutional and retail investors during the whole of 2015. It benefited here from its strategic business model and from its sound business and earnings performance. Unsecured funding amounted to approximately € 11.4 bn (31 December 2014: € 8.4 bn). Due to the low interest rate environment, sales of retail issues placed through the Sparkasse network declined to around € 2.7 bn (2014: € 3.4 bn). Pfandbrief issues amounted to almost € 4.8 bn in total (2014: € 6.3 bn), with mortgage Pfandbriefe accounting for about two-thirds and public Pfandbriefe about one third. In 2015, subordinated debt amounting to some € 1.0 bn also helped to strengthen the funding base.

Helaba is the S-Group bank for 162 Sparkassen in four German states, or around 40 % of all Sparkassen in Germany. Collaboration with the affiliated Sparkassen in Hesse and Thuringia was maintained in 2015 at the high level attained in the previous year. The use of a joint clearing house ensures the capture of S-Group ratios calculated uniformly for all regions in which Helaba acts as the Sparkasse central bank.

In financial year 2015, Helaba again generated a net profit that allowed it to service all subordinated debt, profit participation rights and silent participations, pay a dividend to shareholders and make appropriations to its revenue reserves to strengthen Tier 1 capital.

The cost-income ratio for 2015 was 57.6 % (2014: 63.7 %) and therefore well within the target range (2015 target: < 60 %). Return on equity rose to 6.7 % (2014: 5.3 %). This ratio expresses the relationship between operating result before taxes (after taking into account interest on silent participations) and the average capital employed in the financial year. In this calculation, equity is adjusted for as yet unpaid dividends in respect of subscribed capital.

Net Assets, Financial Position and Results of Operations

Key performance data for 2015

	2015	2014	Changes	
	in € m	in € m	in € m	%
Business volume	172,331	175,521	–3,190	–1.8
Total assets	145,023	150,973	–5,950	–3.9
Operating result before allowance for losses on loans and advances	592	484	108	22.3
Net additions to allowance for losses on loans and advances/net remeasurement gains/losses	–44	–98	54	55.1
Net income for the year	163	240	–77	–33.2

As in previous years, the Bank has not included the cost of servicing its silent participations in its presentation of the results of operations. For this reason, net interest income and also the operating result reported under the results of operations are € 45 m (2014: € 65 m) higher than in the income statement. The year-on-year decline in the cost of servicing the silent participations arose because some participations reached maturity and new, lower interest rates were also agreed.

Results of operations

In 2015, the Bank generated a further increase in operating income, which was € 63 m higher than the operating income achieved in 2014. The decline in general and administrative expenses helped to push up the operating result before allowance for losses on loans and advances to € 592 m. Based on a significant improvement in net additions to allowance for losses on loans and advances/net remeasurement gains/losses, and despite a sharp rise in the negative extraordinary result figure, the Bank managed to generate a year-on-year increase of € 56 m in the operating result before taxes. On the other hand, taxes on income were at twice the level reported in 2014 with the overall impact that net income for the year was down by € 77 m year on year to € 163 m.

Results of operations

	2015	2014	Changes	
	in € m	in € m	in € m	%
Net interest income	1,155	1,134	21	1.9
Net fee and commission income	168	166	2	1.2
Net income of the trading portfolio	185	161	24	14.9
Other net operating income	–111	–127	16	12.6
Net operating income	1,397	1,334	63	4.7
General and administrative expenses	–805	–850	45	5.3
Operating result before allowance for losses on loans and advances	592	484	108	22.3
Net additions to allowance for losses on loans and advances/net remeasurement gains/losses	–44	–98	54	55.1
Additions to/reversals of contingency reserves (section 340f HGB)	0	0	0	0
Extraordinary result	–119	–13	–106	> 100.0
Operating result before taxes	429	373	56	15.0
Taxes on income	–266	–132	–134	> 100.0
Net income for the year	163	240	–77	–32.1

Net interest income, a key component of Helaba's income, was € 1,155 m compared with € 1,134 m in the previous year. One of the factors driving this increase was higher interest income from on-balance sheet transactions. Distributions from funds and equity investments fell slightly; derivative-related closeout payments remained at the prior-year level.

Net fee and commission income was only up slightly by € 2 m or 1.2 % year on year to € 168 m.

All realised and unrealised contributions to income from trading transactions are reported under net income of the trading portfolio. Most of the net income of € 185 m resulted from interest-rate-related business, the focus of the customer-driven capital market activities. Over the course of the year, the policy of the ECB resulted in marked movements in interest rates with a corresponding impact on derivatives write-downs. Credit spreads were bolstered by the low interest rate policy and the bond-buying programmes and therefore only had a minor impact on the net income. In the year under review, the Bank did not carry out a possible partial reversal of the special reserve under section 340e HGB.

Net other operating expenses and income amounted to an expense of € 111 m (2014: expense of € 127 m). One of the main factors affecting other operating expenses was the unwinding of the discount on pension provisions and the adjustment of the rate used in the unwinding calculation from 4.53 % to 3.89 %. The decline in the net other operating expense was attributable to the significant year-on-year fall in the requirement for other provisions.

General and administrative expenses fell by € 45 m to € 805 m. These expenses comprised personnel expenses of € 372 m (2014: € 367 m), non-personnel operating expenses of € 416 m (2014: € 464 m) as well as depreciation and impairment losses on property and equipment plus amortisation and impairment losses on intangible assets totalling € 17 m (2014: € 19 m). Personnel expenses were largely held at the 2014 level. The drop in non-personnel operating expenses resulted from lower consulting costs and the elimination of the servicing fee that had still been levied in the first half of 2014 for the operation of S-Group bank business on Portigon AG's IT platform (2014: € 34 m). The bank levy was also lower in the year under review at € 26 m (2014: € 36 m). The expenses for the Association overhead allocation and the reserve rose slightly. At the end of the year, Helaba had 3,435 employees (31 December 2014: 3,525). The average number of employees declined from 3,519 to 3,476.

The net operating income of € 1,397 m and general and administrative expenses of € 805 m combined to give an operating result before allowance for losses on loans and advances of € 592 m, an increase on the previous year of € 108 m or 22.3 %. The cost-income ratio, which is the ratio of general and administrative expenses to net operating income, was 57.6 % as at 31 December 2015.

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

	2015	2014	Changes	
	in € m	in € m	in € m	%
Result of lending operations	–29	–167	138	82.6
Result of investment operations	–23	–2	–21	> 100.0
Result of securities allocated to the liquidity reserve, fixed assets and banking book derivatives	8	71	–63	–88.7
Net additions to allowance for losses on loans and advances/net remeasurement gains/losses	–44	–98	54	55.1

The expense for the allowance for losses on loans and advances fell substantially in 2015. The net figure amounted to an expense of € 29 m, down significantly on the previous year. The changeover in the methodology for determining portfolio allowances for losses on loans and advances to a prospective estimate of latent credit risk contributed to the decline in this expense. From the year under review, the Bank applied the IFRS accounting treatment and calculation method for portfolio loan loss allowances additionally to HGB global allowances. In this process, HGB carrying amounts were recognised in place of country-specific global allowances during the course of 2015. The changeover resulted in a reversal of portfolio loan loss allowances of € 102 m. Lower additions to specific loan loss allowances (net addition of € 132 m compared with a net addition of € 159 m in 2014) also contributed to the reduction.

The result of investment operations was an expense of € 23 m compared with an expense of € 2 m in the previous year.

The result of securities allocated to the liquidity reserve is the net amount of write-downs strictly to the lower of cost or market value, disposal gains and losses and reversals of write-downs required under section 253 (5) of the HGB. Together with the net redemption gain/loss on long-term securities and the net remeasurement gain/loss on banking book derivatives, this resulted in a contribution to the operating result of € 8 m.

The extraordinary result amounting to an expense of € 119 m (2014: expense of € 13 m) included the necessary annual addition to pension provisions equating to 1/15 of the retrospective addition arising from the changes to the measurement method specified under the German Accounting Law Modernisation Act (BilMoG). In this regard, the Bank also made use of the option to recognise a further addition to the provisions of € 106 m.

The contingency reserves under section 340f of the HGB remained unchanged, taking the operating result before taxes to a total of € 429 m compared with € 373 m in 2014.

The higher tax expense of € 266 m (2014: € 132 m) resulted from the now much lower level of tax-deductible global allowances and from the effects of differences between the financial statements in accordance with HGB and the tax base in relation to the carrying amounts of pension provisions.

Overall, these figures resulted in net income of € 163 m for the year, allowing Helaba to service all subordinated debt and silent participations, to make appropriations to its revenue reserves to strengthen Tier 1 capital and to report net retained profits.

Changes in assets

	2015	2014	Changes	
	in € m	in € m	in € m	%
Loans and advances to banks	16,440	17,070	−630	−3.7
Loans and advances to customers	82,162	80,802	1,360	1.7
Bonds and equities	19,578	19,575	3	0.0
Trading portfolio (assets)	22,095	28,320	−6,225	−22.0
Equity investments/shares in affiliated companies	1,878	1,880	−2	−0.1
Other assets	2,870	3,326	−456	−13.7
Total assets	145,023	150,973	−5,950	−3.9
Business volume	172,331	175,521	−3,190	−1.8

Helaba's total assets fell significantly from € 151 bn to € 145 bn in financial year 2015.

Loans and advances to banks, including the cash reserve, declined by € 0.6 bn to € 16.4 bn. This decrease included a substantial fall in loans to the Sparkassen in Hesse and Thuringia, North Rhine-Westphalia and Brandenburg.

Loans and advances to customers rose by almost 2 % to € 82.2 bn (31 December 2014: € 80.8 bn). While mortgage loans grew by € 3.6 bn and municipal loans by € 0.6 bn, other loans and advances contracted by € 2.9 bn. The increase also included effects from changes in the exchange rate between the euro and US dollar. Bausparkasse building loans remained almost unchanged.

The volume of bonds and equities allocated to the investment and liquidity portfolio remained almost unchanged in the last financial year at € 19.6 bn. The main investments were bonds and other fixed-income securities totalling € 17.3 bn (31 December 2014: € 17.1 bn). Equity shares and other variable-income securities amounted to € 2.3 bn (31 December 2014: € 2.4 bn).

The trading portfolio (assets) declined by € 6.2 bn to € 22.1 bn in the reporting period. Derivatives in the trading portfolio (assets) amounted to € 7.6 bn (31 December 2014: € 9.2 bn). The decrease was attributable for the most part to a fall in the volume of short-term, exchange-traded interest-rate futures and interest-rate option contracts. Helaba continued to cut the volume of bonds and other fixed-income securities during the course of the year, the balance as at 31 December 2015 amounting to € 13.0 bn compared with € 17.0 bn on the 2014 reporting date. Equity shares and other variable-income securities included in the portfolio amounted to just € 0.2 bn (31 December 2014: € 0.1 bn). Trading receivables were down year on year at € 1.3 bn (31 December 2014: € 2.0 bn).

The business volume, which includes off-balance sheet business in addition to total assets, declined by € 3.2 bn to € 172.3 bn. Total assets contracted by € 6.0 bn to € 145.0 bn, largely as a consequence of the fall in the volume of the trading portfolio (assets). The lower decrease in business volume compared with that in total assets was attributable to the increase in contingent liabilities from sureties, indemnities and guarantees from € 5.7 bn to € 5.9 bn in the reporting period. This included € 0.7 bn (2014: € 0.6 bn) in credit default swaps treated as guarantees and not allocated to the trading portfolio. In particular, placement and underwriting obligations and irrevocable loan commitments rose significantly in the reporting period by € 2.5 bn to € 21.4 bn.

Changes in equity and liabilities

	2015	2014	Changes	
	in € m	in € m	in € m	%
Liabilities due to banks	38,006	37,585	421	1.1
Liabilities due to customers	30,077	28,493	1,584	5.6
Securitised liabilities	46,335	47,830	−1,495	−3.1
Trading portfolio (liabilities)	14,854	20,241	−5,387	−26.6
Own funds	10,350	11,588	−1,238	−10.7
Other liabilities	5,401	5,236	165	3.2
Total equity and liabilities	**145,023**	**150,973**	**−5,950**	**−3.9**

Liabilities due to banks were up year on year to € 38.0 bn (31 December 2014: € 37.6 bn). The increase in liabilities to banks (€ 1.2 bn) was partly offset by a decrease of € 0.9 bn in the liabilities to central giro institutions.

Liabilities due to customers rose by € 1.6 bn to € 30.1 bn. Higher current account deposits (up by € 2.2 bn) and overnight and time deposits (up by € 1.4 bn) contributed to this increase.

Liabilities due to customers included home savings deposits of € 4.2 bn (31 December 2014: € 4.1 bn).

Securitised liabilities issued fell by € 1.5 bn. The portfolio of bonds issued amounted to € 40.1 bn (31 December 2014: € 45.6 bn). Within securitised liabilities, the issuance programmes comprising short-term money market instruments amounted to € 6.2 bn (31 December 2014: € 2.3 bn).

The trading portfolio (liabilities) fell by € 5.4 bn to € 14.9 bn. Trading liabilities amounted to € 12.1 bn (31 December 2014: € 16.5 bn) and trading derivatives (liabilities) to € 2.8 bn (31 December 2014: € 3.7 bn). The contraction in the portfolio of trading liabilities in the year under review was attributable to the diminished funding requirement as a consequence of the reduced volume of the securities portfolios. In addition, the Bank was able to use liquidity surpluses to fund trading assets and avoid lengthening its balance sheet.

Own funds

The own funds of the Bank reported in the balance sheet (equity excluding net retained profits, including the fund for general banking risks, profit participation rights and subordinated liabilities) amounted to a total of € 10.3 bn as at 31 December 2015 (31 December 2014: € 11.6 bn). The contraction was mainly the result of maturing subordinated liabilities.

The Bank's regulatory own funds as at 31 December 2015 – i.e. before the annual financial statements were adopted and thus before appropriations to revenue reserves were taken into consideration and including an allowance surplus of € 149 m resulting from the comparison of expected losses against allowances at the end of 2014 – amounted to € 9.9 bn. This included Tier 1 capital of € 7.0 bn. The capital contributions classified as CET 1 capital amounted to € 1.9 bn; silent participations of € 737.3 m were classified as Additional Tier 1 capital.

The Bank's own funds requirements under the CRR amounted to € 4.1 bn as at 31 December 2015. This resulted in a total capital ratio of 19.5 % for Helaba; the Tier 1 capital ratio was 13.7 % and the CET 1 capital ratio 12.3 %.

The own funds requirements specified by the CRR for the exposures for which capital charges are required were met at all times in 2015.

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

Comparison with prior-year forecasts
The following table shows a comparison between the actual values achieved in 2015 for the key performance indicators used by Helaba and the original forecasts:

	2014 forecast for 2015	2015 actual
Net interest income	Slight increase	+1.9 %
Net fee and commission income	Up by 15 % year on year	+1.2 %
Net income of the trading portfolio	Up by 8 % year on year	+14.9 %
Other net operating income	Significantly negative	+11.8 %
Personnel expenses	Up by 2 %	+1.4 %
Non-personnel operating expenses	Decrease of € 44 m (down by 9 %)	-10.3 %
Allowance for losses on loans and advances	Unchanged on 2014	+82.6 %
Operating result before taxes	**Significant year-on-year increase**	**+15.0 %**
Cost-income ratio	< 60.0 %	57.6 %
Volume of new medium- and long-term business	**€ 16.7 bn**	**€ 20.1 bn**

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

Net fee and commission income fell short of forecasts because of muted demand in the capital markets business and the S-Group business. Some of this net income was also recognized under other items in the income statement. The net fee and commission income generated from the payments business remained below the budgeted figure because of the fierce competition in the sector.

The adverse impact on net other operating income in 2015 was even greater than anticipated as a result of the very low interest rates and the fall in the discount rate applied to pension provisions.

The actual allowance for losses on loans and advances applied in the operating business in 2015 was at the forecast level. The variance was attributable to the unscheduled reversal of portfolio loan loss allowances.

In the year under review, the Bank also made use of the option – available up to 31 December 2024 – to add to the provisions for current pensions or pension entitlements more than the annual minimum amount of 1/15 of the difference arising from the changes to the measurement of provisions specified under BilMoG. This led to an additional expense of € 106 m recognised within the extraordinary result.

The main factor contributing to the volume of new medium- and long-term business in excess of the budget was the excellent performance in real estate lending and corporate finance.

Results of operations by business area
In real estate lending, the volume of new medium- and long-term business increased by around 3 % year on year to € 9.8 bn and therefore exceeded the budgeted level by some way. The interest margin on the portfolio remained more or less steady compared with the previous year, although margins on new business declined. Income rose year on year by around 5 % on the back of high transaction-related income. Real estate lending operations therefore exceeded expectations in 2015.

In corporate finance, the volume of new medium- and long-term business was aided by a high number of early refinancing arrangements and ended the year around 20 % up on the previous year at € 5.5 bn and therefore well in excess of budget. Loans and advances to customers saw a slight year-on-year rise with the result that income also increased by 5 % compared with 2014, as forecast.

In 2015, the volume of new medium- and long-term lending in the municipal lending business in Germany fell by approximately 20 % compared with the previous year, although the budgeted figure of € 1.0 bn was achieved. The Bank only entered into selective new business with foreign financial and public-sector institutions in 2015, the value of this new business amounting to € 0.4 bn.

In the capital markets business, the low interest rates in 2015 meant that customer demand was subdued. Income from customer business therefore remained slightly below forecasts. Positive effects from mark-to-market valuation lifted net trading income by 15 % year on year.

In the cash management business, the eroded interest income could not be offset by fee and commission income in 2015. As a consequence, the business experienced a fall in net income of 2 % rather than the budgeted rise in income.

In S-Group business, income increased by around 3 % compared with the previous year. However, it remained below forecasts, adversely impacted by low interest rates in the payments business and in the capital markets business with the Sparkassen and by a weak level of business with the Sparkassen in North Rhine-Westphalia.

In the year under review, gross new business at LBS was slightly higher than in the previous year even though the bonus tariff was discontinued. Despite the persistently low interest rates and the associated low level of demand for home savings loans, income was improved as a result of a one-off positive effect from the liquidation of special funds.

Helaba performs public development functions for the State of Hesse through WIBank. One of the main features of 2015 was the expansion of infrastructure development activities as part of the municipal finance programme and Hesse's Municipal Protection Shield. Volume in the municipal finance programme rose by € 0.5 bn and in the Municipal Protection Shield by € 0.2 bn. Income increased by 6 % year on year, as forecast, as a result of a slight rise in total assets and the commencement of new activities in the service business.

Report on Post-Balance Sheet Date Events

There were no significant events after the end of the financial year on 31 December 2015.

Risk Report

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

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

The principal objective of the Helaba Group's risk strategy is to maintain the organisation's conservative risk profile and constant solvency, ensuring that risk-bearing capacity is always maintained and that all regulatory requirements are met. The risk management system accordingly plays a central role in the management of the company.

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

Principles

Responsibility of executive management

The Board of Managing Directors bears responsibility for all of the risks to which Helaba is exposed, irrespective of how individual responsibilities are assigned, as part of its overall executive management responsibility. The Board of Managing Directors is also responsible for the implementation of the risk policy throughout the Group. It defines the risk strategy and risk appetite simultaneously, with reference to Helaba's risk-bearing capacity as determined in an analysis of the initial business policy position and an assessment of the associated primary risks defined in the risk inventory process, and is responsible for ensuring compliance with the risk strategy defined by means of the establishment of an efficient risk management process. The risk strategy covers all material business activities of the Helaba Group. The strategies, processes and procedures are implemented at the subsidiary companies in accordance with their legal and actual scope of influence. The Group companies are also included in the scope of the controlling tools for the various risk types in line with their relative significance and as permitted under company law. Effective risk controlling throughout the Group is thus assured.

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

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

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

Segregation of functions
The independence of risk controlling and risk containment must be assured in order to maintain objectivity and transparency. Independent control processes are implemented wherever the type and degree of risk so require.

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

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

Risk-bearing capacity
Helaba's procedures for measuring and containing risks ensure that the primary risks always fall within the risk-taking potential and that its risk-bearing capacity is thus assured. Helaba's risk-bearing capacity is one of the factors considered in defining its risk strategy.

Compliance with regulatory standards
The implementation of regulatory requirements, which proceeds in close consultation with the banking regulator, also has a decisive influence on the risk strategy. Helaba's regulatory capital backing and the determination of the regulatory capital have been based on the provisions of the Capital Requirements Regulation (CRR) since 2014 and take account of the stipulations of the Supervisory Review and Evaluation Process (SREP).

Risk-awareness
Helaba's achievement of its objectives and application of the applicable legal standards depend on the discipline of all those involved with regard to strategy, processes, controls and compliance. Helaba helps to ensure this discipline is maintained by involving all of the people with relevant responsibilities in the main risk-related decision making processes, applying appropriate remuneration structures and facilitating regular independent audits.

Auditing
The Internal Audit function in principle audits all operating and business procedures in line with the scale and risk content of each operation and business. This helps to promote compliance with the procedures defined. Assessments of the efficacy and adequacy of the internal control system facilitate the ongoing development and improvement of the risk management processes.

Risk Classification

Risk types
The risk types of relevance to Helaba result directly from its business activities. The structured risk inventory process examines, at regular intervals and – where necessary – in response to relevant developments, which risks have the potential to cause material damage to the net assets (including capital resources), results of operations or liquidity position of the Helaba Group and Helaba Bank. The following primary risk types have been identified for the Helaba Group and Helaba Bank (real estate risk excepted).

- The default risk or credit risk is the potential economic loss as a result of non-payment by or a deterioration in the creditworthiness of borrowers, issuers, counterparties or equity investments and as a result of restrictions on cross-border payment transactions or performance (country risk). The potential economic loss is determined using internal or external credit assessments and risk parameters assessed by Helaba itself or set out in regulatory specifications. The default risk does not include credit standing risks, which are mapped in the market price risk under the residual risk and the incremental risk.

- The equity risk – the potential economic loss as a result of non-payment by or a deterioration in the creditworthiness of an equity investment – that is not managed at the level of the individual risk types also forms part of the default risk. Such developments can lead to a decline in the value of the holding, to the reduction or cancellation of dividend payments, to loss transfers and to contribution, margin call and liability obligations.

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

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

- The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk type also includes the following risks:

  - Legal risk is defined as the risk of loss for the Bank resulting from infringements of legal provisions that have the potential to result in (i) legal proceedings or (ii) internal actions to avert such losses. Breaches of contract relating to matters of creditworthiness (for example in the case of loan contracts) do not fall within this definition.
  - Misconduct risk is defined as the risk to the institution's results of operations and capital as a result of an inappropriate offer or intentional misconduct in connection with the provision of financial (banking) services.
  - IT risk is defined as the risk of loss resulting from the operation and development of IT systems.
    The operation and development of IT systems involves the technical implementation of functional requirements and technical design activities for the provision, support and development of software and hardware.
    The risk of loss relates to situations in which the availability, confidentiality or integrity of data is impaired and in which unforeseen additional expenditure is incurred for data processing.
  - Information security risk as a component of operational risk encompasses the risk of loss as a result of the security of information being compromised by the exploitation of technical, process or organisational weaknesses.

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

- The reputation risk involves the possibility of a deterioration in Helaba's public reputation in respect of its competence, integrity and trustworthiness as a result of perceptions of the individuals having a business or other relationship with the Bank. The material consequences of reputation risks impact on the business and liquidity risk and are accordingly considered under these two risk types.

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

Risk Concentrations

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

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

Risk Management Process

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

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

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

3. Risk containment
The information obtained in the risk identification and quantification phases provides the basis for risk containment by the local management units. Risk containment encompasses all of the measures implemented in order to reduce, limit, avoid and transfer risks and keep risk exposure within the limits defined by the Board of Managing Directors.

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

Risk Management Structure

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

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

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

The organisational guidelines specify that the approval of the entire Board of Managing Directors or of the Supervisory Board or one of its committees must be obtained for decisions on matters of particular significance such as acquiring, changing or disposing of equity investments, granting loans above a certain threshold and defining the cumulative limit for market price risks. The Bank's Charter, moreover, requires that any decision to take on or make changes to strategic equity investments involving a stake in excess of 25 % also be approved by the Board of Public Owners.

Risk management and Helaba Group companies

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

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

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

Principal risk monitoring areas

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

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

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

Risk types	Responsible for risk containment	Responsible for risk monitoring
Default risk including equity risk	Front office units, Capital Markets, Asset/Liability Management (municipal loans)	Risk Controlling (portfolio level), Credit Risk Management (individual exposure level), Group Strategy and Central Staff Division (equity risk)
Market price risk	Capital Markets, Asset/Liability Management	Risk Controlling
Liquidity risk	Capital Markets (money market trading), Asset/Liability Management	Risk Controlling
Operational risk	All units	Risk Controlling, Legal Services (legal risk)
Business risk	Front office units	Risk Controlling
Real estate risk	Operationally independent subsidiaries ▪ Operational – discharged by management at the equity investment concerned ▪ Strategic – discharged by the supervisory bodies of the companies and the Real Estate Management unit	Risk Controlling, Real Estate Management

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

Internal Audit

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

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

Capital Market Compliance Office, Money Laundering and Fraud Prevention Compliance Office, MaRisk Compliance function and Information Security Management function

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

The Capital Market Compliance Office advises the operating units and monitors and evaluates the principles, processes and practices applied against various criteria including, in particular, the requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), German Investment Services Conduct of Business and Organisation Regulation (Wertpapierdienstleistungs-Verhaltens- und Organisationsverordnung – WpDVerOV) and German WpHG Employee Notification Regulation (WpHG-Mitarbeiteranzeigeverordnung – WpHGMaAnzV), statements of the German Federal Financial Supervisory Authority (BaFin) and pertinent statements of the European Securities and Markets Authority (ESMA). The Capital Market Compliance Office evaluates inherent risks and checks compliance with the relevant regulatory requirements. It also performs regular risk-oriented monitoring activities using a monitoring plan based on a prior risk analysis, paying particular attention in this regard to the rules prohibiting insider dealing and market manipulation, and identifies and regulates conflicts of interest throughout the Group that pose a potential risk.

The Money Laundering and Fraud Prevention Compliance Office, acting in its capacity as the central authority for the purposes of Section 25h KWG, develops internal principles and adequate transaction- and customer-related safeguards and checks to prevent money laundering, the funding of terrorism and other criminal acts. The precautionary organisational measures to be implemented are based in part on the Group risk analysis (money laundering, terrorism financing and fraud prevention) and also in part on the Group Policy. This Group Policy sets out the Group's general ground rules, which reflect the pertinent national and international regulatory requirements. Monitoring and research software keeps business relationships under constant surveillance. The Money Laundering and Fraud Prevention Compliance Office is also responsible for the implementation of the legal requirements created by the Agreement Between the United States of America and the Federal Republic of Germany to Improve International Tax Compliance (FATCA) and the international Automatic Exchange of Information (AEOI) process.

The MaRisk Compliance function promotes the adoption of effective procedures to implement and ensure compliance with the principal legal rules and stipulations identified in the context of risk and conducts related checks. It also conducts regular checks and analyses in this connection of the adequacy and efficacy of the business processes and practices associated with the implementation of and compliance with the principal legal rules and stipulations in the Bank.

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

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

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

Risk-Bearing Capacity

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

The calculation of risk-bearing capacity across risk types takes into account risk exposures in relation to default risks, market price risks, operational risks, business risks and real estate risks. Risk exposures are quantified as part of an economic assessment and the regulatory expected loss (EL) and regulatory capital requirement are calculated using the regulatory measurement specifications. A capital deduction from the regulatory EL/impairment comparison is taken into account when quantifying the regulatory capital.

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

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

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

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

The going-concern approach aims to verify that the minimum capital requirements specified by the regulator can be satisfied even if expected and unexpected losses are incurred. Risk exposures are quantified with a 95.0 % confidence level for this purpose. The calculation of risk-bearing capacity under the gone-concern approach is intended to demonstrate that the Helaba Group's capital is sufficient to satisfy all creditors in full even in the event of exceptional and heavy losses being incurred (expected and unexpected losses at a confidence level of 99.9 %).

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

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

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

The risk-bearing capacity assessment for the Group covering all risk types reveals that the existing risk cover pools once again exceeded the quantified risk exposures by a substantial margin at the end of 2015, underlining Helaba's consistently conservative approach to risk. The same applies in respect of the calculation of risk-bearing capacity for Helaba Bank.

The base scenario of the going-concern approach for the Group shows a capital buffer of € 3.2 bn (2014: € 3.3 bn) with respect to the economic risk exposures taking account of an internal risk buffer. The capital buffer with respect to the economic risk exposures under the gone-concern approach for the Group amounts to € 6.6 bn (2014: € 6.1 bn).

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

Helaba additionally conducts two inverse stress tests to investigate what nature of event could jeopardise its continued existence. The associated scenarios, "minimum capital requirements not met" and "illiquid", examine the implications of a variety of economic developments that could result in Helaba being unable to comply with the minimum capital requirements specified by the regulator or consuming its liquidity reserves. There is currently no indication of these scenarios becoming a reality.

Other deposit security mechanisms

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

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

The German Deposit Guarantee Act (Einlagensicherungsgesetz – EinSiG), which implements the requirements of the EU Directive on Deposit Guarantee Schemes, came into force on 3 July 2015. The Sparkassen-Finanzgruppe acted promptly to bring its deposit protection scheme into line with the amended legal provisions. The scheme now includes a deposit protection scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected at Landesbank Hessen-Thüringen (Helaba Bank) amount in total to € 4.0 bn. The target total value of the protection scheme to be contributed by 2024 was also raised and an amended basis for assessment was adopted. The German Federal Financial Supervisory Authority (BaFin) has recognised the Sparkassen-Finanzgruppe's institutional protection scheme as a deposit guarantee scheme for the purposes of the German Deposit Guarantee Act.

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide Joint Liability Scheme and provides creditors of the affiliated institutions (Helaba, Sparkassen) with a direct and uncapped entitlement. The total volume of the fund is equal to 0.5 % of the affiliated institutions' total risk exposure amount and stood at € 521 m at the end of 2015 (2014: € 508 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 Landesbank Hessen-Thüringen, enjoys the direct statutory guarantee of the State of Hesse as regulated by law and as permitted under EU law on state aid.

Default Risks

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

Guiding these steps is a comprehensive and universal risk strategy derived from the business strategy. This risk strategy was drawn up with reference to the German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk). The specific risk strategy for default risks defines the risk propensity, differentiated by product, customer segment and risk type, for every business segment. It is reviewed annually and is developed gradually in step with the continuing extension of active lending portfolio management.

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

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

Risk monitoring using the global limit system
Helaba employs a global limit system that records counterparty-specific default risks promptly in a structured and transparent manner. The system uses counterparty limits based on a combination of the creditworthiness (rating) of counterparties and the Bank's risk-bearing capacity.

Cumulative limits for each borrower are recorded in the global limit system at Group level to help monitor, limit and contain default risks. All types of loans in accordance with Article 389 et seq. of the CRR made to borrowers in both trading and banking book activities are counted against these cumulative limits. Advance payment and settlement risks attributable to foreign currency and securities transactions, current account intraday risks and what are referred to as "items representing securitization positions" are approved as commercial risks and counted against separate limits.

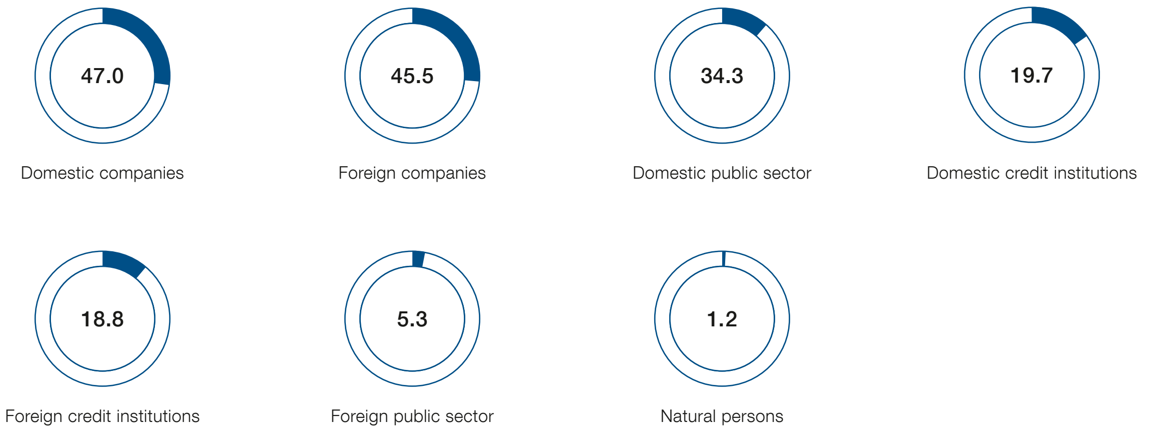
The approved total limits are allocated to individual borrowers, product categories and the operating divisions concerned in accordance with the application for approval. The utilisation of the individual limits is monitored on a daily basis and appropriate measures are initiated immediately if any limit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

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

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

Chart 1 shows the total volume of lending as at 31 December 2015 comprising drawings and unutilised committed credit lines of Helaba Bank totalling € 171.8 bn (2014: € 174.8 bn), broken down by customer group.

Total volume of lending by customer group (Helaba Bank)
Chart 1 in € bn

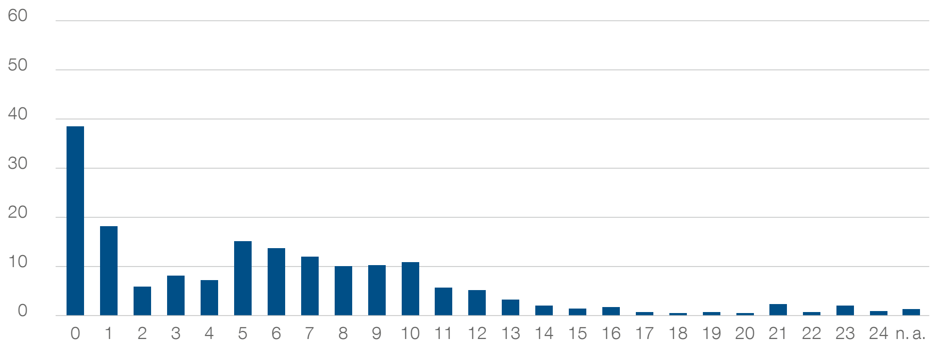


Just as in the previous year, Helaba's lending activities as of 31 December 2015 focused – as provided for in the business model – on the banking sector, the public sector and the real estate and housing sector.

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

Chart 2 shows the total volume of lending of Helaba Bank of € 171.8 bn (2014: € 174.8 bn) broken down by default rating.

Total volume of lending by risk rating category
Chart 2 in € bn



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

Helaba's Collateral Management System meets the necessary conditions to allow full advantage to be taken of the comprehensive opportunities for recognising credit risk reduction techniques that enhance shareholders' equity in accordance with the CRR. The Collateral Management System provides its data resources to the central risk data pool, which in turn verifies and distributes the assets eligible as collateral to the risk positions secured.

Country risks

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

The country risk system is the central tool for the comprehensive, timely and transparent risk-oriented recording, monitoring and containment of country risks. All of Helaba's lending and trading units, including subsidiaries Helaba Asset Services, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG, are involved in country risk containment. The total country risk, excluding the countries of the euro zone, may not exceed six times the liable capital of the Helaba group of institutions. As of 31 December 2015, utilisation was less than three times the liable capital.

Country limits are defined for all countries apart from a handful of euro zone countries and certain other countries considered to be first-class borrowers in respect, in particular, of transfer risks (currently Switzerland, the UK, the USA, Denmark, Sweden and Norway). The overall limit assigned to a country is subdivided into a lending limit and a trading limit. The country risks for long-term transactions are also subject to additional sub-limits.

The internal rating method for country and transfer risks provides 25 different country rating categories based on the uniform master scale used throughout the Bank. All classifications are established at least annually by the Economics and Research department and ultimately defined by the Credit Risk Management unit. A country's rating will also be reviewed on an ad-hoc basis before the end of the year in the event of changes to its political or economic situation. The business units responsible for international transactions submit applications for the establishment or adjustment of country limits on the basis of these country ratings. The Economics and Research department prepares an economic analysis for each application and Credit Risk Management gives its opinion on each application. A new procedure introduced in 2016 provides for the Credit Management Committee to combine these inputs with business policy and risk methodology considerations specific to the Bank to produce an overall assessment, on the basis of which the entire Board of Managing Directors defines the limits for individual countries.

The Bank has no defined country limits for countries falling into the weakest rating categories.

The transfer, conversion and event risks of Helaba Bank from loans issued to borrowers based outside Germany amounted to € 47.0 bn (2014: € 41.1 bn), most of which was accounted for by borrowers in Europe (80.5 %) and North America (16.9%). As at 31 December 2015, 91.8 % (2014: 91.0 %) of these risks were assigned to country rating classes 0 and 1 and a further 7.3 % (2014: 7.9 %) came from rating categories 2-9. Just 0.2 % (2014: 0.2 %) fell into rating categories of 14 or poorer.

Credit risk processes and organisation

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

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

Approval procedure

The approval procedure followed by the Bank ensures that no credit risks are entered into without prior approval. The rules of procedure for the Board of Managing Directors state that loans above a certain value require the approval of the Supervisory Board or of one of its committees. Commitments in amounts below this value are approved at different authorising levels (Board of Managing Directors, Credit Committee of the Board of Managing Directors, member of the Board of Managing Directors, staff members) depending on the amounts involved. Loans are approved on the basis of detailed risk assessments. In accordance with the MaRisk, the loan documents in what is designated risk-relevant business always comprise two independent opinions, one from the relevant front office unit and one from the relevant Credit Risk Management unit. The representative of the relevant back office unit also always has a right of veto in this connection as part of an escalation process. The ultimate decision rests with the entire Board of Managing Directors.

The procedure also takes account of the concentration limits derived from the Bank's risk-bearing capacity, which place an additional limit on exposures in line with the default rating category of the economic group of connected clients. All loans also have to be reviewed at least once every twelve months. Mechanisms for ensuring on a daily basis that limits are not exceeded include the use of the global limit system, which aggregates all loans (credit lines and utilisations) extended by the narrow Group companies for each group of connected clients.

Quantifying default risks

Expected and unexpected default risks are quantified using the regulatory calculation module. Expected default risks are treated for calculation purposes on a transaction-by-transaction basis in the form of the expected loss. The calculation for regulatory purposes is carried out using the internal rating methods and regulatory loss given default (LGDs). The equity to be held available in accordance with the CRR to cover unexpected losses is also calculated on a transaction-by-transaction basis and is used for containment purposes for both the specific transaction and the risk capital. Internal containment additionally involves differentiated quantification of unexpected losses from default risks with reference to LGD parameters estimated internally. The expected and unexpected losses quantified in this way are assessed against various scenarios to determine the impact of corresponding stress situations.

The base scenario of the risk-bearing capacity calculation shows an economic risk exposure from default risks of € 824 m (2014: € 750 m) for the Group. The change in this figure stems from both business-driven and methodological amendments in relation to specific portfolios.

Allowance for losses on loans and advances
An appropriate allowance for losses on loans and advances is created for default risks. The adequacy of the allowance is reviewed regularly and adjustments are made where necessary.

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

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

The composition of the equity investments portfolio is virtually unchanged from year-end 2014. The base scenario of the going-concern approach for the risk-bearing capacity calculation indicates that the economic risk exposure for the Group from equity risks is virtually unchanged from year-end 2014 at € 10 m (2014: € 11 m).

Market Price Risks

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

Trading activities focus for strategic purposes on customer-driven business, which is supported by a demand-led product range. Responsibility for containing trading book exposures rests with the Capital Markets unit, while the Asset/Liability Management unit has responsibility for funding and for the management of the interest rate and liquidity risks in the banking book. The own issues repurchase portfolio belonging to the trading book also falls under the jurisdiction of the Asset/Liability Management unit.

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

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

Compliance with the cumulative market price risk limit was maintained at all times in the year under review and there were no limit violations at the main trading book and banking book aggregation stages (both Bank and Group) or for the individual market price risk types.

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

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

A comprehensive reporting regime ensures that the relevant members of the Board of Managing Directors and the position-keeping units are notified daily of the risk figures calculated and the economic profit and loss generated on the basis of current market prices. Information about the current risk and earnings situation is in addition provided weekly to the entire Board of Managing Directors and the Asset/Liability Management committee and monthly to the Risk Committee. Any breach of a defined limit triggers the escalation process to limit and reduce the associated risks.

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

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

Chart 3 contains a reporting date assessment of the market price risks (including correlation effects between the portfolios) taken on as at the end of 2015 plus a breakdown by trading book and banking book. The linear interest rate risk is once again the most significant of the market price risk types. Rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 84 % (2014: 70 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions for 9 % (2014: 22 %). In the field of equities, the focus is on securities listed in the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar, Swiss franc, Japanese yen and sterling positions. The residual risk for the Group amounts to € 15 m (2014: € 23 m). The incremental risk in the trading book amounts, with a time horizon of one year and a confidence level of 99.9 %, to € 201 m (2014: € 192 m). The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 433 m (2014: € 273 m) for the Group from market price risks. The increase in this figure and in the linear interest rate risk stems essentially from more volatile interest rates in the first half of the year. The markets calmed down somewhat in the second half of the year.

Group MaR by risk type
Chart 3

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Total	**89**	**45**	**69**	**30**	**1**	**1**	**19**	**14**
Trading book	29	11	27	10	0	0	2	1
Banking book	67	36	49	22	1	1	17	13

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

Internal model in accordance with the Capital Requirements Regulation (CRR)

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

Market price risks in the trading book

All market price risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba also uses the parameters prescribed by the regulatory authorities for internal risk management. Chart 4 shows the MaR for the trading book (Helaba Bank) for the 2015 financial year. The average MaR for 2015 as a whole amounted to € 26 m (2014: € 18 m), the maximum MaR was € 34 m (2014: € 32 m) and the minimum MaR was € 11 m (2014: € 11 m). The increase in risk as compared with 2014 stems essentially from greater volatility associated with the pronounced market fluctuations experienced in 2015.

Daily MaR of the trading book in financial year 2015
Chart 4

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

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

Average MaR for the trading book in financial year 2015
Chart 5

ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Interest rate risk	16	25	26	17	29	13	25	12	24	17
Currency risk	0	0	0	0	0	0	0	0	0	0
Equities risk	1	1	2	1	2	1	2	1	2	1
Total risk	**17**	**26**	**28**	**18**	**31**	**15**	**27**	**13**	**26**	**18**

Number of trading days: 251 (2014: 249)

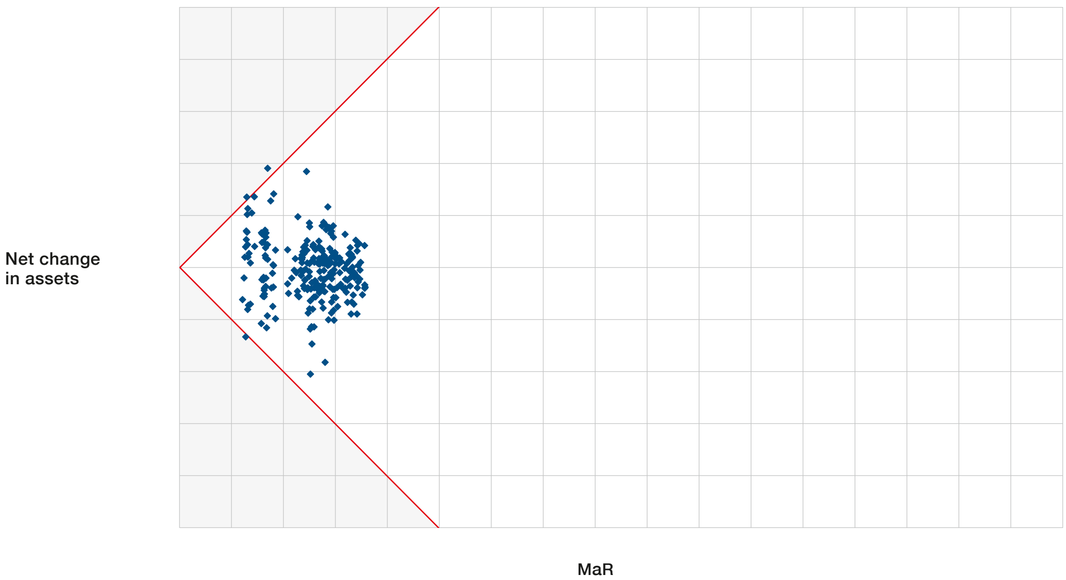
The annual average MaR for the trading book for Frankfurter Sparkasse amounts to € 0 m (2014: € 0 m). The average MaR for the trading book for Frankfurter Bankgesellschaft (Schweiz) AG is € 0 m (2014: € 0 m).

Back-testing

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

Chart 6 shows the back-testing results of the Helaba risk models for the trading book across all types of market price risk in financial year 2015. One negative outlier occurred (2014: no negative outliers). This outlier was caused by the Swiss National Bank ending its policy of pegging the Swiss franc to the euro in January 2015.

Back-testing for the trading book in financial year 2015
Chart 6



The internal model for the general interest rate risk produced no negative outliers in 2015 in regulatory back-testing (2014: no negative outliers).

Stress test programme

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

Methods available for use in stress testing include historical simulation, Monte Carlo simulation, a modified variance-covariance approach and a variety of scenario calculations – including those based on the main components of the correlation matrix. Helaba also performs stress tests to simulate extreme spread changes. The stress tests for market price risks are supplemented by inverse stress tests and stress tests across risk types conducted in the course of Helaba's calculation of risk-bearing capacity.

Market price risks in the banking book

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

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

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest shocks. The computation examines the effects of a rise and fall of 200 basis points in interest rates in line with the requirements of the banking regulator. As of the end of 2015, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 285 m in the value of the Helaba Group banking book (2014: € 234 m). Of this figure, € 270 m (2014: € 215 m) is attributable to local currency and € 15 m (2014: € 19 m) to foreign currencies. Helaba carries out an interest rate shock test at least once every quarter.

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

Liquidity Risks

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, contain and monitor liquidity risks. The processes, tools and responsibilities in place for managing liquidity risks have clearly demonstrated their value over recent years in the face of the global crisis in the financial markets and the resultant turmoil in the money and capital markets. Helaba's liquidity was once again fully assured at all times in 2015.

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

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

The Risk Controlling unit reports daily on the short-term liquidity situation to the relevant managers and reports monthly in the Risk Committee on the overall liquidity risks assumed. Reporting also includes various stress scenarios such as increased drawings on liquidity lines, no availability of interbank liquidity in the financial markets and the possible impact on Helaba of a significant rating downgrade. The stress scenarios encompass both factors specific to Helaba and broader market influences. Inverse stress tests are also conducted. Additional ad-hoc reporting and decision-making processes for extreme market situations are in place.

Short-term liquidity risk
Helaba maintains a highly liquid portfolio of securities that can be used to generate liquidity as required in order to assure its short-term liquidity. The current liquidity situation is managed with reference to a short-term liquidity status indicator, determined daily, which compares expected liquidity requirements for the next 250 trading days against the available liquidity from the liquid securities portfolio. The available liquidity is established taking account of markdowns so that unexpected market developments affecting individual securities can also be considered. Securities that are used for collateral purposes in collateral management and are thus earmarked for a specific purpose are not considered to be part of the liquid securities portfolio. The main currency for short-term liquidity at Helaba is the euro, with the US dollar also significant.

Helaba has been authorised by BaFin to use its own liquidity risk measurement and management procedure in accordance with Section 10 of the German Regulation on the Liquidity of Institutions (Liquiditätsverordnung – LiqV). This enables it to use its own method for establishing its short-term liquidity status for regulatory reporting rather than the monthly notification required under the LiqV standard method. Helaba complied in full with the liquidity requirements imposed by the banking regulator based on the internal model at all times in financial year 2015. The model and the parallel calculation and management of the LCR together provide an important basis for the supervisory Internal Liquidity Adequacy Assessment Process (ILAAP).

The short-term liquidity status concept has been selected to allow various stress scenarios to be mapped. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are 30 days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. The utilisation rate in the most relevant scenario (solvency) amounted on the reporting date to 45 % (2014: 22 %). This increases to 46 % (2014: 29 %) if Frankfurter Sparkasse is included. The average utilisation rate in 2015 was 28 % (2014: 34 %). The LCR exceeded the minimum limit of 60 % of relevance for regulatory purposes at all times from 1 October 2015 onwards.

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

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

A total of € 1.5 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents an increase of € 0.3 bn as compared with the previous year. No liquidity had been drawn down from stand-by lines in US public finance business as of the reporting date (as was the case at the end of 2014).

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

Structural liquidity risk

The Asset/Liability Management unit manages the liquidity risks in Helaba's commercial banking activities, which consist essentially of lending transactions including floating-interest roll-over transactions, securities held for the purpose of safeguarding liquidity and medium- and long-term financing, via the central asset/liability management system. This aspect is managed on the basis of cash-flow-oriented liquidity outflow schedules, with limited matching liquidity. Responsibility for monitoring rests with the Risk Controlling unit. The funding matrix at year-end shows an aggregate funding requirement across all currencies and locations of € 8.2 bn set against a limit of € 12.5 bn (2014: € 6.6 bn). The main objective of liquidity management is to ensure that the transactions concluded deliver the anticipated return.

The major aim of funding management (procurement of funds) is to avoid cost risks in connection with the procurement of medium- and long-term borrowed funds and to limit dependence on short-term funding capital. Structural liquidity shortages are avoided by pursuing funding arrangements that offer matching maturities as far as possible and by diversifying the sources of funding (in terms of products, markets and investors). The Asset/Liability Management unit's funding activities aim to ensure uninterrupted market access to investors by providing a wide range of products and taking care to look after investor relations. Any liquidity shortfalls or surpluses arising are funded or invested temporarily on a short-term basis.

Market liquidity risk

The market liquidity risk is assessed in the MaR model for market price risks. The very model itself is conservative in its approach to the liquidity risk with its assumption of a holding period of ten days. Monthly scenario calculations using a variety of holding periods are also carried out to track the risk of inadequate market liquidity. The scaled MaR suggests no significant market liquidity risk as at 31 December 2015. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

Definition of risk tolerance

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

Operational Risks

Principles of risk containment
Helaba identifies, measures and contains operational risks using an integrated management approach introduced for this purpose in line with the regulatory requirements.

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

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

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

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

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

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

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

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

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

Quantification
Operational risks are quantified for Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model based on a loss distribution approach, which considers risk scenarios and internal and external losses to calculate unexpected losses (economic risk exposure). Chart 7 below shows the risk profile for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Group:

Operational risks – risk profile

Economic risk exposure – base scenario
Chart 7

in € m

	Reporting date 31.12.2015	Reporting date 31.12.2014
	VaR 95.0 %	VaR 95.0 %
Helaba Bank	37	35
Frankfurter Sparkasse, Helaba Invest and other companies	34	62
Narrow Group companies	71	97

The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an unexpected loss (economic risk exposure) of € 71 m (2014: € 97 m) for the Group from operational risks. The reduction in this figure stems essentially from a change to the quantification method for the other companies.

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

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

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

The legal aspects of major undertakings are coordinated with the Legal Services unit. Legal Services provides specimen texts and explanations for contracts and other declarations with particular legal relevance where expedient as a contribution to preventive risk management. The lawyers of the Legal Services unit have to be involved in the event of any deviations or new rulings. If the services of external legal experts are sought either in Germany or elsewhere, their involvement in principle proceeds under the management of Legal Services.

The Legal Services unit drafts agreements, general business conditions and other relevant legal declarations as part of its legal counselling support services in co-operation with the other units of the Bank. The Legal Services unit is involved in the examination and negotiation of any legal texts submitted by third parties.

If any mistakes or unexpected developments detrimental to the Bank are encountered, the lawyers help to identify and remedy the problems and avoid any recurrence in future. They assume responsibility for examining and evaluating events for factors of particular legal significance and conduct any proceedings launched. This applies in particular in respect of countering any claims asserted against the Bank.

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

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

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

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

Mandatory information security (IS) guidelines and security policies for application development and IT operation aim to ensure that risks are detected at an early stage and that appropriate measures to minimise these risks are defined and implemented. These documents are the subject of continuous ongoing development. Helaba also actively manages IT risks (as a component of the operational risk). IT risks and the associated security measures and checks are reviewed, periodically and on an ad-hoc basis, monitored, contained and reported. The Bank thus takes proper account of all three aspects of information security – availability, integrity and confidentiality – in order to avoid any detrimental impact on its ability to operate. The Operational Risk management group also receives regular reports concerning IS and IT risks.

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

Where IT services are outsourced to external service providers, the related contractual documents contain provisions relating to preventive measures and measures to limit risks. The documented procedures for safeguarding operation and the technical restoration of data processing are tested regularly together with specialist units of Helaba.

Accounting process

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

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

The components of the internal control and risk management system for the purposes of the accounting process are as follows:

- control environment,
- risk assessment,
- controls and reconciliations,
- monitoring of controls and reconciliations,
- process documentation and
- communication of results.

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

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

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

The procedure to be followed in accounting is set out in a number of different complementary forms of documentation. Accounting manuals for HGB and IFRS define stipulations for the accounting methods to be used and also contain provisions on group accounting. The latter relate in particular to the parent company of the Group and the sub-groups included. Rules concerning organisational factors and the preparation process are included in addition to the stipulations on approach, measurement, reporting and disclosure requirements that apply throughout the Group. The individual reporting units have direct responsibility for incorporating stipulations in varying degrees of detail concerning the procedure to be applied in the various processes and subprocesses followed in the preparation of the financial statements. Employees are able to access accounting manuals and work instructions at any time via the Bank's intranet.

Accounting and Taxes performs analytical audit steps on the results of financial reporting (the closing figures determined). This entails plausibility checking the development of the figures over the course of the year. The closing figures are also cross-checked against planning outputs, expectations and extrapolations based on business progress. Finally, the figures are checked for consistency with analyses prepared independently elsewhere within Helaba. Primary and deputy responsibilities are assigned for this purpose at Group level for each reporting unit and each entry in the Notes. The figures are discussed regularly with the Board of Managing Directors following this preliminary analysis and validation.

Taxes

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

Business Risk

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

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

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

Business risks increased by € 8 m to € 164 m in the year to 31 December 2015 (31 December 2014: € 156 m) due to the inclusion of GWH and Frankfurter Bankgesellschaft on 31 March 2015.

Real Estate Risks

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

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

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

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

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

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

The Risk Controlling unit analyses the development of risks arising from portfolio properties and from real estate project management business and is responsible for quarterly risk reporting to the Risk Committee of the Board of Managing Directors. The risk situation is also presented as part of operational management in the meetings of the supervisory body of each Group company. The risks associated with real estate projects and real estate portfolios decreased to € 21 m in 2015 as a result of progress in various projects (2014: € 31 m). These risks continue to be fully covered by the expected income from the associated transactions.

Summary

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

Report on Expected Developments and Opportunities

Global economic conditions
In 2016, the main stimulus for the global economy will come from the industrialised nations, as was the case in 2015. The US economy will continue to set the pace. The euro zone is forecast to grow at 1.6 %, once again exceeding its potential. China's growth trend will continue to slacken off and the situation in Russia and other oil-exporting countries will remain challenging. Global economic growth is expected to be similar to the previous year at around 3 %.

In 2016, Germany will grow at a rate of 1.7 % (seasonally adjusted), just a little faster than the euro zone as a whole. Domestic demand should again be the main driver: real incomes and employment will continue to rise. Significant migration into Germany is another reason why consumption in the country is likely to give a substantial boost to growth. Capital investment will only gradually gain momentum although there will be growing activity in the construction industry. The outlook for both residential construction and public-sector activity is more favourable. Foreign trade will benefit from the weaker euro. Government finances are likely to show a negligible surplus at best in 2016 following the surplus of 0.5 % of GDP in 2015. Although tax receipts will continue to grow, the expenditure required to integrate migrants and the necessary capital investment will limit the budget surplus. The differences in growth rates among the countries of the euro zone will remain significant. Economic growth will probably be above average again in Ireland and Spain, where a successful structural policy has been implemented. On the other hand, France and Italy were slow to initiate reforms and the pace has been slow. Growth in both of these countries will be sluggish again in 2016.

As the modest growth continues, accompanied by low inflation, many central banks will be able to continue their extremely expansionary monetary policies. Whereas the US Federal Reserve (Fed) has now changed direction and raised interest rates, the ECB has extended its bond-buying programme into 2017. Although long-term interest rates in Germany will therefore remain low, the influence of the US bond market is likely to result in a slight rise by the end of the year.

Opportunities
Helaba has long had a stable and viable strategic business model in place. In the last few years, the Bank has therefore not only been able to consolidate its market position in its core areas of business, but it has also been able to continuously improve its operating results. The good operating results generated by Helaba have enabled it to service all subordinated liabilities, profit participation rights and silent participations in full at all times and pay regular dividends. The key factors behind Helaba's success remain its conservative risk profile, backed up by effective risk management, and the strategic business model for the Group as a whole based on the concept of a full-service bank with its own retail business, a strong base in the region, a very close relationship with the Sparkassen and robust capital and liquidity adequacy. Helaba is valued by its customers as a reliable partner because of its sound business model. This is reflected particularly in the long-term financing operations in real estate lending and corporate finance, in which the Bank is one of the leading providers in Germany. Helaba was able to maintain the significant operating result before taxes achieved in 2014 despite the persistently low level of interest

rates and a sharp increase in the structural costs of banking due to changes in the national and international regulatory environment.

Rating agencies Fitch Ratings (Fitch), Standard & Poor's (S&P) and Moody's Investors Service have awarded Helaba ratings of A+, A and A1 for long-term senior unsecured liabilities and F–1+, A–1 and P–1 for short-term liabilities. The agencies have reviewed the ratings and confirmed them in full, taking into account the new European resolution arrangements. The Bank's deposit rating has even been upgraded from A1 to Aa3 as part of the new rating methodology in January 2016.

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

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

The real estate business is one of Helaba's strategic core business areas. It offers almost all products and services along the value chain, including structuring, financing and portfolio management. Long-term customer relationships combined with a sustainable business policy in the carefully selected domestic and international target markets have formed the basis for the growth in new business over the last few years. A representative office will be opened in Stockholm in 2016 to help Helaba continue the process of tapping into the potential offered by the Scandinavian real estate markets. Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to continue to consolidate its market position in real estate lending based on its product expertise and on its well-established presence in the markets over many years.

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

Export-oriented corporate customers expect their partner bank to offer a range of products that will help them with their international activities. The Bank's institutional roots in the Sparkassen-Finanzgruppe and its extended customer base are enabling Helaba to establish itself as a leading provider of international trade finance and payment transactions in the Sparkassen-Finanzgruppe and lift business volumes and income in this segment. In this regard, the Bank has specified various regions in which it intends to focus. To support the development of business in these regions, further representative offices are to be opened in São Paulo and Istanbul.

In the payments business, Helaba continues to be Germany's second-largest payment transaction clearing house and leading Landesbank in a market shaped by increasing competitive pressure and further regulatory requirements. The associated opportunities, particularly in the clearing and card processing business, are being systematically exploited with the aim of generating fees and commissions to counter the prolonged negative impact from the low interest rates and further increases in the downward pressure on margins.

The structural shift to digital is leading to an ongoing change in customer behaviour and impacting on trading and payment methods in e-commerce and m-commerce. To protect its anchor product – the current account – and fend off competitors from outside the industry, the banking sector has developed a joint standard payments system known as "paydirekt" that will ensure the retention of as wide a range of buyers and merchants as possible. The involvement of the Sparkassen-Finanzgruppe in the paydirekt system was established when GIZS GmbH & Co. KG , the representative entity for the Sparkassen-Finanzgruppe, formally joined the system on 28 January 2016; the full market launch is currently planned for the end of April 2016 when a testing and piloting phase has been completed. The equity investment in GIZS GmbH & Co. KG is also helping Helaba to reinforce its innovative capability and position as one of the most important payment services providers in the sector, in Germany and in the Single Euro Payments Area (SEPA).

Digitisation will be a key issue for banks over the next few years. Digitisation will open up opportunities to optimise business and IT processes. The interfaces with the customer are being redefined, creating other options for developing new products. At Helaba, digitisation is one of the core areas of activity for the future.

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

Probable development of the Bank

Landesbank Hessen-Thüringen Girozentrale (Helaba) is a credit institution organised under public law; its business model is based on a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkasse organisation. The economic forecasts for 2016 predict stable economic trends with moderate growth.

However, the persistently low interest rates and the large number of regulatory requirements will have an adverse impact on expected performance in 2016.

Real estate lending, both in Germany and abroad, is increasingly subject to downward pressure on prices with financing competitors showing a greater appetite for risk – a trend that is also being reinforced by the liquidity pumped into the system by central banks. Against this background, in 2016, Helaba will continue to stand by its adopted approach, in which medium- and long-term new business is selected on the basis of a balance of risk and reward. The volume of new medium- and long-term lending business in 2016 is therefore budgeted to be around 20 % down on 2015 at € 7.8 bn. The overall volume of business will increase only slightly. Income growth will be flat but will still be at the high level achieved in 2015.

In the corporate finance business, new financing provided for large and medium-sized corporate customers in the core area of business will be subject to fierce competition and downward pressure on margins. The other corporate finance segments will also be affected by the high level of liquidity, leading to early restructuring of a large number of existing financing arrangements. The total volume of new medium- and long-term lending business is budgeted at the high level of € 4.8 bn for 2016. However, this represents a contraction of around 13 % compared with the very high figure achieved in 2015.

Loans and advances to customers will only increase slightly in 2016, with the result that income is expected to flatline at the prior-year level.

In 2016, new medium-/long-term municipal lending in Germany is budgeted at € 0.7 bn. Business with foreign financial and public-sector institutions will continue to be conducted only on a selective basis in 2016. The volume of new medium-/long-term lending business entered into with this customer group is budgeted at € 0.3 bn for the coming year. Income from these institutions in 2016 is predicted to be at the prior-year level.

Customer capital market business will continue to be adversely impacted by the low interest rates in 2016. Lower credit spreads will also have a negative effect on customer business and warehousing. However, the growth in cross-selling in connection with Helaba's real estate and project finance operations and the further expansion of primary market activities will provide a positive stimulus. Overall, income is expected to decline in the capital markets business.

In the S-Group business within the Private Customers and SME Business unit, the strategy of expanding Helaba's S-Group bank function in the German Sparkasse organisation will be continued in 2016 with ambitious targets. The aim is to achieve a significant year-on-year increase in income of around 20 %. The focus in corporate customer business will be to expand specialised finance activities and products for the international business. In private customer business, Helaba is planning to significantly increase market penetration with the Sparkassen, especially in North Rhine-Westphalia. In proprietary business with the Sparkassen, further variants based on the key Asset Allocation Plus product will be introduced. Sales activities are being undertaken with the involvement of the subsidiaries Helaba Invest Kapitalanlagegesellschaft mbH and Frankfurter Bankgesellschaft (Schweiz) AG.

In the cash management business, Helaba is Germany's second-largest payment transaction clearing house and the leading Landesbank in this sector. The paydirekt system will be expanded in the coming year. The Cash Management unit is projecting a rise in fee and commission income in 2016 despite the fiercely competitive terms offered by rivals. This will offset the further fall in interest income, with the result that income is expected to be slightly above the prior-year level.

Helaba's Public Development and Infrastructure Business unit performs public development functions for the State of Hesse, most notably in the areas of residential construction and urban development, infrastructure, industry and commerce, agriculture and the environment, through WIBank. Particular features of the public development business in 2016 will be the administration of the Hesse municipal capital investment programme and the implementation of development programmes in the new EU funding period. New business in 2016 is likely to comprise loans of around € 1.3 bn and trust grants of € 0.8 bn. Income will probably decline in the coming year, accompanied by flat growth in business volume and the loss of some of the long-standing high-margin business.

The total volume of new medium-/long-term lending business (excluding the WIBank development business, which does not form part of the competitive market) is budgeted to be around 15 % down on the previous year at € 15.4 bn in 2016. When anticipated maturities (both scheduled and early) and flat growth in new short-term-maturity business are taken into account, loans and advances to customers are only likely to rise marginally in 2016, the projected increase being 3 %. Net interest income is predicted to remain at the prior-year level as a result of the pressure on margins in new business and the negative impact from the low level of interest rates. In particular, the low interest rates will adversely affect LBS, the cash management business, liquidity requirements and the investment of own funds.

The low interest rates will also cause a fall in customer demand, leading to a loss of income in the capital markets business of the commercial bank and S-Group bank with the result that net trading income is projected to be down by around 20 % year on year.

Net fee and commission income is budgeted to increase by 4 %, based on continuous expansion of customer business in the S-Group bank business and in cash management.

Within other net operating income/expense, the operating buildings income and expenses have been budgeted at the level of 2015. Net other operating expenses and income are therefore expected to amount to a significant net expense in 2016.

The ongoing implementation of a programme to improve efficiency and fine-tune resources will result in transformations within the workforce that will be reflected in a gradual decline in headcount, leading to savings in personnel expenses by 2017. Some of the reductions will be offset by a selective increase in employee numbers to implement strategic initiatives and to cover regulatory requirements. Personnel expenses will rise by 4.6 % in 2016. Contributing factors will include collective pay increases, together with higher pension payments and pension provisions.

A high level of project costs related to ensuring compliance with regulatory requirements and the structural costs of banking will be reflected in the non-personnel operating expenses in 2016. The costs for deposit guarantee schemes and banking supervision will also rise year on year. Project costs will go up by around € 17 m, specifically as a consequence of projects necessary in connection with regulatory requirements. Significant projects include the conversion of the accounting system architecture, the implementation of BCBS 239 and the implementation of reporting requirements. Non-personnel operating expenses (including depreciation, amortisation and write-downs) will rise by 9 % compared with 2015.

On a conservative basis, allowances for losses on loans and advances in the operating business are expected to be higher than the 2015 level, assuming economic stability and very low interest rates. As the prior-year figures included one-off reversals of portfolio allowances for losses on loans and advances as a result of changes to the calculation methodologies, a significant rise in the net allowances is likely compared with 2015. In 2016, the disposal proceeds from the normal turnover of securities allocated to the liquidity reserve are expected to amount to € 20 m.

Overall, the Bank estimates that the operating result before taxes for 2016 will be significantly lower than the figure achieved in 2015.

The Bank’s aim for 2017 is to continue developing its business divisions while systematically increasing income from customer business. The adverse effects associated with the low interest rates should dissipate with the expected return of interest rates to normal levels, with the result that Helaba is anticipating an increase in its operating result before taxes over the medium term.

Risks to the Bank’s earnings performance stem from political and macroeconomic trends. These include the United Kingdom’s potential exit from the EU, a further escalation of the conflicts in the Middle East and further dampening of the growth stimulus from China. In the financial sector, unexpected outcomes from the stress tests planned by the EBA/ECB could lead to a slowdown in activity. There is a particular risk to the Bank if the requirements and costs related to regulatory initiatives turn out to be greater than expected. The Bank is assuming that the low interest rates will continue. Risks then arise if interest rates become even lower.

Overall assessment

In the 2015 financial year, Helaba managed to generate a significant increase of € 57 m in its operating result before taxes to € 429 m, equating to a rise of 15 %. A key factor in this success was the further expansion of the operating business in the core areas of business. While net operating income went up by almost 5 %, general and administrative expenses fell by around 5 %, largely as a consequence of the elimination of factors that had adversely impacted these expenses in the previous year. The net additions to allowance for losses on loans and advances/net remeasurement gains/losses improved to an expense of € 44 m (2014: expense of € 98 m). The reason for this change was the combination of a lower requirement for specific loan loss allowances and a change in the method used for recognising provisions for latent credit risks. These effects were partially offset by a fall in the result of securities allocated to the liquidity reserve.

Despite the increasing competitive pressure and the multitude of regulatory requirements, Helaba is well placed to meet the challenges of the future over the long term with its strategic business model focused on the needs of the real economy and the S-Group. Helaba sees opportunities for further growth in the expansion of S-Group and customer business, public development and infrastructure business and in the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. Helaba's strategy for profitability aims to bring about further improvements in its sustainable earning power to strengthen its capital base and enhance its enterprise value while maintaining its risk-bearing capacity and taking account of the increase in banking structural costs as a result of regulatory requirements.

Frankfurt am Main/Erfurt, 1 March 2016

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Fenk	Groß
Dr. Hosemann	Krick	Mulfinger
Dr. Schraad		

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Annual Accounts of Landesbank Hessen-Thüringen

Balance Sheet of Landesbank Hessen-Thüringen Girozentrale,

Frankfurt am Main/Erfurt, as at 31 December 2015

Assets in € thousands

	See note no.				2015	2014
Cash reserve						
a) Cash in hand				5,899		6,935
b) Balances with central banks				1,459,927		699,093
					1,465,826	**706,028**
thereof: With Deutsche Bundesbank		381,950				(196,198)
Loans and advances to banks	(2), (32), (43)					
a) Mortgage loans				83		–
b) Municipal loans				10,742,684		12,080,513
c) Other loans and advances				4,231,392		4,283,604
					14,974,159	**16,364,117**
thereof: Payable on demand		1,158,433				1,170,835
Against securities pledged as collateral		–				
thereof: Bausparkasse home savings loans		–				–
Loans and advances to customers	(3), (32), (43)				**82,162,433**	**80,801,893**
a) Mortgage loans				20,528,608		16,885,466
b) Municipal loans				24,761,543		24,149,672
c) Other loans and advances				36,032,107		38,917,677
thereof: Against securities pledged as collateral		–				
d) Bausparkasse building loans						
da) From allocations (home savings loans)			242,818			306,388
db) For interim and bridge-over financing			592,863			537,977
dc) Other			4,494			4,713
				840,175		849,078
thereof: Secured by mortgage charges		525,671				(530,250)
Bonds and other fixed-income securities	(4)					
a) Money market instruments						
aa) Public-sector issuers			–			–
thereof: Eligible as collateral with Deutsche Bundesbank		–				–
ab) Other issuers			773,836	773,836		691,204
thereof: Eligible as collateral with Deutsche Bundesbank		–				–
b) Bonds and notes						
ba) Public-sector issuers			5,459,865			5,723,435
thereof: Eligible as collateral with Deutsche Bundesbank		5,268,622				(5,557,246)
bb) Other issuers			11,042,199			10,728,800
				16,502,064		16,452,235
thereof: Eligible as collateral with Deutsche Bundesbank		8,186,902				(8,856,517)
c) Own bonds and notes				–		–
					17,275,900	**17,143,439**
Nominal amount		–				–
Carried forward:					**115,878,318**	**115,015,477**

Equity and liabilities

in € thousands

See note no.					2015	2014
Liabilities due to banks	(15), (18), (43)					
a) Registered mortgage Pfandbriefe issued				138,436		10,775
b) Registered public Pfandbriefe issued				904,522		1,156,539
c) Other liabilities				36,935,423		36,389,724
thereof: Payable on demand		6,810,239				(6,181,832)
Provided to lenders as collateral for loans raised: Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
d) Home savings deposits				28,066		28,078
					38,006,447	**37,585,116**
thereof: On allocated contracts		5,277				(5,172)
Liabilities due to customers	(19), (43)					
a) Registered mortgage Pfandbriefe issued				1,859,677		2,051,360
b) Registered public Pfandbriefe issued				4,760,576		5,135,399
c) Deposits from home savings business and savings deposits						
ca) Home savings deposits			4,230,271			4,098,182
thereof: On terminated contracts		47,612				(38,090)
On allocated contracts		81,320				(78,674)
cb) Savings deposits with an agreed period of notice of three months			–			–
cc) Savings deposits with an agreed period of notice of more than three months			0			0
				4,230,271		4,098,182
d) Other liabilities				19,226,423		17,208,224
					30,076,947	**28,493,165**
thereof: Payable on demand		9,425,923				7,518,209
Provided to lenders as collateral for loans raised: Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
Securitised liabilities	(20), (31)					
a) Bonds issued						
aa) Mortgage Pfandbriefe			6,948,919			4,110,577
ab) Public Pfandbriefe			14,259,090			14,578,500
ac) Other debt instruments			18,924,403			26,885,051
				40,132,412		45,574,127
b) Other securitised liabilities				6,202,746		2,255,508
					46,335,158	**47,829,635**
thereof: Money market instruments		6,202,746				(2,255,508)
Trading portfolio	(21), (34), (43)				**14,853,651**	**20,240,860**
Trust liabilities	(22)				**877,144**	**877,475**
thereof: Trustee loans		601,772				(602,290)
Other liabilities	(23)				**1,831,715**	**1,718,656**
Carried forward:					**131,981,062**	**136,744,907**

Assets in € thousands

	See note no.				2015	2014
Carried forward:					**115,878,318**	**115,015,477**
Equity shares and other variable-income securities	(5)				**2,301,822**	**2,432,014**
Trading portfolio	(6), (14), (34), (43)				**22,094,984**	**28,319,624**
Equity investments	(7), (17), (43)				**96,531**	**92,485**
thereof: In banks		48,469				(49,967)
In financial services institutions		16,067				(16,215)
Shares in affiliated companies	(8), (17), (43)				**1,780,977**	**1,788,291**
thereof: In banks		855,626				(855,465)
In financial services institutions		–				–
Trust assets	(9)				**877,144**	**877,475**
thereof: Trustee loans		601,772				(602,290)
Intangible assets	(10), (17)					
a) Internally generated industrial rights and similar rights and assets				–		
b) Purchased concessions, industrial property rights and similar rights and licences in such rights and assets				25,081		26,365
c) Goodwill				–		–
d) Prepayments				7,728		3,436
					32,809	**29,801**
Property and equipment	(11), (17)				**52,478**	**55,233**
Other assets	(12)				**1,077,062**	**1,324,582**
Prepaid expenses	(13)					
a) From issuing and lending operations				804,781		1,010,097
b) Other				26,300		28,191
					831,081	**1,038,288**
Total assets					**145,023,206**	**150,973,270**

Equity and liabilities

in € thousands

	See note no.				2015	2014
Carried forward:					**131,981,062**	**136,744,907**
Deferred income	(24)					
a) From issuing and lending operations				862,280		1,071,657
b) Other				200,499		189,400
					1,062,779	**1,261,056**
Provisions	(25)					
a) Provisions for pensions and similar obligations				990,563		780,589
b) Provisions for taxes				150,740		103,435
c) Other provisions				379,052		376,012
					1,520,355	**1,260,036**
Home savings protection fund					**9,020**	**9,020**
Subordinated liabilities	(26)				**2,362,035**	**3,618,829**
Profit participation rights	(28)				**678,000**	**678,000**
thereof: Due within two years		–				
Fund for general banking risks	(28)				**593,925**	**593,925**
thereof: Special reserve under section 340e (4) of the HGB		119,000				(119,000)
Equity	(28)					
a) Subscribed capital						
aa) Share capital			588,889			588,889
ab) Capital contribution			1,920,000			1,920,000
ac) Silent partner contributions			953,338			953,337
				3,462,227		3,462,226
b) Capital reserves				1,546,412		1,546,412
c) Revenue reserves				1,707,391		1,688,859
d) Net retained profits				100,000		110,000
					6,816,030	**6,807,497**
Total equity and liabilities					**145,023,206**	**150,973,270**
Contingent liabilities	(29)					
Liabilities from guarantees and indemnity agreements					**5,891,808**	**5,656,220**
Other obligations	(30)					
a) Placement and underwriting obligations				2,795,289		2,102,871
b) Irrevocable loan commitments				18,620,657		16,789,051
					21,415,946	**18,891,922**

Income Statement of Landesbank Hessen-Thüringen Girozentrale,

Frankfurt am Main/Erfurt, for the period 1 January to 31 December 2015

in € thousands

See note no.					2015	2014
Interest income from	(36)					
a) Lending and money market transactions			2,897,994			3,176,273
thereof: Bausparkasse interest income:						
aa) From home savings loans		11,180				(14,326)
ab) From interim and bridge-over loans		18,720				(19,403)
ac) From other loans		133				(176)
b) Fixed-income securities and registered government debt			205,076			234,176
				3,103,070		3,410,449
Interest expense				2,123,752		2,530,251
thereof: On home savings deposits		77,552				(76,802)
					979,318	880,198
Current income from	(36)					
a) Equity shares and other variable-income securities				22,317		52,945
b) Equity investments				2,794		2,938
c) Shares in affiliated companies				42,558		50,345
					67,669	106,228
Income from profit pooling, profit transfer or partial profit transfer agreements					**63,189**	82,594
Fee and commission income	(36), (37)			243,195		230,741
thereof: Bausparkasse fee and commission income:						
a) On contracts signed and arranged		23,565				(23,592)
b) From loans granted after allocation of home savings contract		235				(384)
c) From the commitment and administration of interim and bridge-over loans		0				(8)
Fee and commission expense				75,022		64,666
thereof: On Bausparkasse contracts signed and arranged		33,602				(32,829)
					168,173	166,075
Net income of the trading portfolio	(36)				**185,229**	161,133
Other operating income	(36), (38)				**75,774**	85,293
General and administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			309,984			303,778
ab) Social security, post-employment and other benefit expenses			61,908			63,786
				371,892		367,564
thereof: Post-employment benefit expenses		12,624				(17,796)
b) Other administrative expenses				415,865		464,424
					787,757	831,988
Carried forward:					**2,327,109**	2,313,509

in € thousands

	See note no.				2015	2014
Carried forward:					2,327,109	2,313,509
Amortisation and write-downs of intangible assets and depreciation and write-downs of property and equipment					16,598	18,627
Other operating expenses	(38)				186,630	210,662
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions	(39)				44,682	101,455
Income from the reversal of write-downs of and allowances on loans and advances and certain securities and from the reversal of loan loss provisions					21,143	–
Write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					13,303	–
Income from the reversal of write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					–	3,277
Cost of loss absorption					7,124	4
Additions to the fund for general banking risks					–	–
Result from ordinary activities					504,401	322,062
Extraordinary income				–		–
Extraordinary expenses				118,643		13,236
Extraordinary result	(40)				118,643	13,236
Taxes on income	(41)			265,758		131,838
Other taxes not included in item Other operating expenses				1,468		1,416
					267,226	133,254
Net income for the year					118,532	175,572
Retained profits brought forward from previous year					–	–
Allocations to revenue reserves					18,532	65,572
Net retained profits					100,000	110,000

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

Frankfurt am Main/Erfurt, as at 31 December 2015

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

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

(1) Accounting Policies

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

As a rule, the same accounting policies have been applied in the annual financial statements for the period ended 31 December 2015 as were applied in the prior-year annual financial statements. Any changes are explained below.

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

Negative interest (interest income from liabilities or interest expenses on loans and receivables) is presented as interest expense or interest income, as negative interest reduces the borrowing costs and the investment income. Netting resulted in an expense of approximately € 1 m.

Specific allowances or provisions have been recognised to take account of all identifiable credit risks. For the purpose of presenting latent credit risks in the financial accounting and reporting in accordance with the HGB, the Bank switched to a prospective risk analysis in the year under review and continues to pursue an accounting approach appropriate to the risk. In doing so, the Bank also uses the method of calculating and accounting for portfolio-based loan loss allowances under IFRSs for global allowances under the HGB. With HGB carrying amounts taken into account and a country-specific global allowance replaced, the resulting effect of the switch recognised in the income statement contributed significantly to the reversal of approximately € 102 m of portfolio loan loss allowances in the year under review.

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

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

Fixed assets comprise residual holdings of securities reclassified in 2008, which were acquired from the subsidiary Helaba Dublin in 2010, and securities added as a result of the acquisition of the S-Group bank of the former WestLB in 2013. They also include shares in domestic closed-end investment limited partnerships and similar foreign structures in accordance with section 17 of the RechKredV in conjunction with the definition of an investment fund as set out in section 1 of the German Investment Code (Kapitalanlagegesetzbuch, KAGB).

Equity investments and shares in affiliated companies
Equity investments and shares in affiliated companies are shown at cost. If impairment is expected to be permanent, they are written down to their lower fair value. If the reasons for an impairment write-down recognised in previous years no longer apply, the write-down is reversed and the asset is recognised at fair value, but without exceeding amortised cost. No write-down was recognised in the year under review, as an equity investment was expected to be only temporarily impaired. The carrying amount was € 16 m and the fair value € 13 m. Based on its amended corporate planning, the Bank expects earnings to improve over the medium term.

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

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

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

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

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

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

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

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

The measurement parameters applied are shown in the table below:

	31.12.2015	31.12.2014
Interest rate	3.89 %	4.54 %
Salary trend	2.25 %	2.25 %
Pension trend	1.0 – 2.25 %	1.0 – 2.25 %
Employee turnover rate	3.0 %	3.0 %

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

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

Fair value measurement

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

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

Currency translation

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

Derivatives

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

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

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

Valuation units

In its banking book, Helaba has created valuation units in accordance with section 340a in conjunction with section 254 of the HGB, comprising securities held in the liquidity reserve and the corresponding interest rate swaps entered into for hedging purposes (asset swaps). The valuation units consist of asset-swap combinations in the form of micro valuation units (micro hedges). The hedges relate exclusively to interest rate risks. The net hedge presentation method is used to present changes in value that offset each other between the hedged item and the hedging instrument. The hedged items are always hedged at 100 % of the nominal volume for the entire remaining maturity. The fact that key factors affecting value match ensures the prospective effectiveness of the valuation units. Prospective effectiveness is determined using regression analysis. The offsetting changes in value and cash flows cancelled each other out to a large extent at the balance sheet date and are expected to continue to do so in future. The changes in value arising from the hedged risks will cancel each other out almost entirely by the envisaged end of the valuation units (the time at which the hedged item and the hedging instrument mature). For net losses on the ineffective portion of the hedging relationship, the Bank recognises a provision for expected losses. The calculation method used for this was further developed in the year under review; this resulted in a reversal of € 11.1 m being recognised in the income statement.

Deferred taxes

Deferred taxes are not recognised because the existing asset surplus is not recognised in the balance sheet as a result of using the option provided for in section 274 of the HGB. Deferred tax assets are based on differences between the carrying amount of loans and advances to customers, bonds and other fixed-income securities, equity investments, deferred income, provisions for pensions and similar obligations, and other provisions in the financial statements and their tax base. The company-specific tax rates were used to measure the deferred taxes. In Germany, the Bank has a combined income tax rate of 31.7 % with an average municipality trade tax multiplier of 452 %. Deferred taxes in the international reporting units are measured using the statutory tax rates applicable in those jurisdictions.

(2) Loans and Advances to Banks

in € m

	31.12.2015	31.12.2014
This item includes:		
Loans and advances to affiliated Sparkassen	7,891	10,077
Loans and advances to affiliated companies	6,723	6,174
Loans and advances to other long-term investees and investors	42	23
The sub-item – other loans and advances – comprises:		
Subordinated loans and advances	11	50
thereof: To other long-term investees and investors	0	0
Payable on demand	1,158	1,171
Remaining maturities:		
Up to three months	9,263	9,205
More than three months and up to one year	1,448	1,868
More than one year and up to five years	2,240	2,904
More than five years	865	1,217
Cover funds	707	2,453

(3) Loans and Advances to Customers

in € m

	31.12.2015	31.12.2014
This item includes:		
Loans and advances to affiliated companies	651	784
Loans and advances to other long-term investees and investors	571	1,233
Subordinated loans and advances	517	647
thereof: To other long-term investees and investors	12	17
Remaining maturities:		
Up to three months	4,843	4,584
More than three months and up to one year	8,402	9,428
More than one year and up to five years	37,712	36,404
More than five years	27,359	26,838
With an indefinite term	3,846	3,547
Cover funds	19,080	19,002

(4) Bonds and Other Fixed-Income Securities

in € m

	31.12.2015	31.12.2014
Securitised receivables:		
From affiliated companies	–	–
From other long-term investees and investors	–	683
The marketable securities comprise:		
Listed securities	14,333	14,900
Unlisted securities	870	839
Remaining maturities:		
Amounts due in the following year	2,570	3,653
Subordinated assets	3	27
Sold under repo agreements in open market transactions	2,254	2,250
Carrying amount of investment securities	80	148
Fair value of investment securities	79	151
Temporary impairment of investment securities	2	1

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

(5) Equity Shares and Other Variable-Income Securities

in € m

	31.12.2015	31.12.2014
The marketable securities comprise:		
Listed securities	0	0
Unlisted securities	7	25

This item comprises units in three securities investment funds held exclusively by Helaba (mixed funds or pure fixed-income funds) with a total carrying amount of € 2.3 bn. In line with Helaba's long-term investment intentions, these investment funds mainly invest in interest-bearing securities.

As at the balance sheet date, all units were measured at the lower fair value, if applicable. There were no material price reserves at the balance sheet date. Income from dividend payments received in 2015 amounted to a total of € 5.3 m.

In accordance with section 17 of the RechKredV in conjunction with the definition of an investment fund as set out in section 1 of the KAGB, this item also includes shares in domestic closed-end investment limited partnerships and similar foreign structures in the amount of € 46 m. In the previous year, an amount of €104 m was attributable to such investment funds and reported within equity investments.

(6) Trading Portfolio (Assets)

in € m

	31.12.2015	31.12.2014
Derivative financial instruments	7,571	9,248
Loans and advances	1,290	1,964
Bonds and other fixed-income securities	13,042	16,968
Equity shares and other variable-income securities	192	140
Subordinated assets	–	–
Other assets	–	–

The decline in the trading portfolio (assets) is mainly the result of scaling back the portfolio of bonds and other fixed-income securities as planned. It also reflects the offsetting of trading derivatives (liabilities) and related collateral, which resulted in an amount of € 5.6 bn (31 December 2014: € 4.7 bn) being set off.

(7) Equity Investments

in € m

	31.12.2015	31.12.2014
The securities comprise:		
Marketable securities	18	19
Listed securities	–	–

(8) Shares in Affiliated Companies

in € m

	31.12.2015	31.12.2014
The securities comprise:		
Marketable securities	104	104
Listed securities	–	–

(9) Trust Assets

in € m

	31.12.2015	31.12.2014
This item includes:		
Loans and advances to banks	151	136
Loans and advances to customers	451	466
Equity investments	60	61
Shares in affiliated companies	–	–
Equity shares and other variable-income securities	202	203
Other assets	13	11

(10) Intangible Assets

in € m

	31.12.2015	31.12.2014
Purchased standardised software	25	26

(11) Property and Equipment

in € m

	31.12.2015	31.12.2014
This item includes:		
Land and buildings used for own operations	12	13
Operating and office equipment	33	35

(12) Other Assets

in € m

	31.12.2015	31.12.2014
Significant items are:		
Interest receivables under swap agreements	633	744
Other	444	581

(13) Prepaid Expenses

in € m

From issuing and lending operations	31.12.2015	31.12.2014
This item includes:		
Premiums on loans and advances	323	334
Discounts on liabilities and bonds issued	482	676

(14) Repurchase Agreements

in € m

	31.12.2015	31.12.2014
Trading assets sold under repo agreements	2,090	945
Assets in the liquidity reserve sold under repo agreements	736	503

(15) Assets Pledged as Collateral

in € m

	31.12.2015	31.12.2014
Assets of the following amounts were transferred for the following liabilities:		
Liabilities due to banks	4,934[1)]	4,333[1)]
Trading liabilities	5,199[1)]	7,676[1)]

[1)] Includes € 891 m (31 December 2014: € 1,479 m) in borrowed securities transferred on to credit institutions in connection with repurchase agreements.

(16) Assets Denominated in Foreign Currency

in € m

	31.12.2015	31.12.2014
	29,407	27,245

(17) Statement of Changes in Fixed Assets

in € m

Fixed assets	Intangible assets	Property and equipment	Long-term securities	Equity investments	Shares in affiliated companies	Total
Cost at 1.1.2015	136	144	252	123	1,866	2,521
Additions	12	4	17	12	–	45
Disposals	–	–	132	23	16	171
Exchange rate changes	2	2	1	1	11	17
Accumulated depreciation, amortisation and write-downs	117	98	12	16	80	323
Carrying amount at 31.12.2015	**33**	**52**	**126**	**97**	**1,781**	**2,089**
Carrying amount in previous year	**29**	**56**	**252**	**93**	**1,788**	**2,218**
Depreciation, amortisation and write-downs in 2015	9	8	1	–	15	33

(18) Liabilities Due to Banks

in € m

	31.12.2015	31.12.2014
This item includes:		
Liabilities due to affiliated Sparkassen	10,848	10,741
Liabilities due to affiliated companies	4,503	4,600
Liabilities due to other long-term investees and investors	25	2
Payable on demand	6,810	6,182
Remaining maturities:		
Up to three months	5,444	3,185
More than three months and up to one year	5,345	4,693
More than one year and up to five years	11,150	13,144
More than five years	9,229	10,354

(19) Liabilities Due to Customers

in € m

	31.12.2015	31.12.2014
This item includes:		
Liabilities due to affiliated companies	661	365
Liabilities due to other long-term investees and investors	62	48
Payable on demand	9,426	7,518
Remaining maturities:		
Up to three months	1,932	1,713
More than three months and up to one year	2,239	1,909
More than one year and up to five years	3,568	4,392
More than five years	8,682	8,863

(20) Securitised Liabilities

in € m

	31.12.2015	31.12.2014
This item includes:		
Liabilities due to affiliated companies	–	–
Liabilities due to other long-term investees and investors	–	–
Remaining maturities of the sub-item – bonds issued:		
Amounts due in the following year	7,214	14,290
Remaining maturities of the sub-item – other securitised liabilities:		
Up to three months	4,165	1,592
More than three months and up to one year	1,837	663
More than one year and up to five years	–	–
More than five years	–	–

(21) Trading Portfolio (Liabilities)

in € m

	31.12.2015	31.12.2014
Derivative financial instruments	2,775	3,728
Liabilities	12,049	16,501
Risk premium	29	12

The effect of offsetting trading derivatives (assets) against trading derivatives (liabilities) and pledged collateral amounted to a total of € 9.0 bn in the year under review (31 December 2014: € 10.2 bn).

(22) Trust Liabilities

in € m

	31.12.2015	31.12.2014
Trust liabilities are broken down as follows:		
Liabilities due to banks	1	2
Liabilities due to customers	803	803
Other liabilities	73	72

(23) Other Liabilities

in € m

	31.12.2015	31.12.2014
Significant items are:		
Interest obligations arising from swap agreements in the non-trading portfolio	374	378
Interest on profit participation rights and silent participations	79	101
Currency translation differences	1,260	1,163
Option premiums received for the non-trading portfolio	4	6

(24) Deferred Income

in € m

From issuing and lending operations	31.12.2015	31.12.2014
This item mainly comprises:		
Discounts on lending operations	403	507
Premiums on liabilities	460	565

(25) Provisions

Due to the application of section 67 (1) sentence 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB), there was a shortfall of € 13 m in the pension provisions reported as at the balance sheet date (31 December 2014: € 132 m).

The cost of the assets offset against provisions in accordance with section 246 (2) sentence 2 of the HGB amounted to € 27 m (31 December 2014: € 25 m) and the fair value to € 31 m (31 December 2014: € 28 m). The settlement amount of the offset liabilities amounted to € 33 m (31 December 2014: € 31 m).

In the income statement, income from these assets amounting to € 0.8 m (31 December 2014: € 2.4 m) was offset against expenses from the corresponding liabilities amounting to € 1.7 m (31 December 2014: € 3.1 m).

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

(26) Subordinated Liabilities

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

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

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

The reported figure includes pro-rata interest of € 31 m (31 December 2014: € 27 m). Interest expense on subordinated borrowings amounted to € 128 m in the year under review (31 December 2014: € 121 m).

(27) Liabilities Denominated in Foreign Currency

in € m

	31.12.2015	31.12.2014
	12,436	14,868

(28) Own Funds

in € m

	31.12.2015	31.12.2014
Subscribed capital	3,462	3,462
a) Share capital	589	589
b) Capital contribution	1,920	1,920
c) Silent partner contributions	953	953
Capital reserves	1,546	1,546
Revenue reserves	1,707	1,689
Including profit participation rights,	678	678
fund for general banking risks	594	594
and subordinated liabilities,	2,362	3,619
the liable capital reported in the balance sheet amounted to	10,349	11,588

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

(29) Contingent Liabilities

in € m

	31.12.2015	31.12.2014
This item includes:		
Credit guarantees	2,584	2,389
Other guarantees and sureties	3,308	3,267

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

Contingent liabilities include the used payment undertaking arising from the 30 % share of the bank levy in the amount of € 11 m.
Contingent liabilities arising from obligations in connection with litigation risks amounted to € 3 m.

(30) Other Obligations

in € m

	31.12.2015	31.12.2014
This item includes:		
Placement and underwriting obligations	2,795	2,103
Irrevocable loan commitments for open-account loans	18,621	16,789

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

(31) Pfandbriefe and Statement of Cover Assets

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

in € m

	Nominal amount		Net present value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Mortgage Pfandbriefe:				
Cover pool	12,003	9,874	12,882	10,572
Pfandbriefe in circulation	8,614	5,867	8,976	6,309
Surplus cover	3,389	4,007	3,905	4,263
Net present value at risk under internal model	–	–	3,577	4,183
Public Pfandbriefe:				
Cover pool	22,228	24,568	24,609	27,332
Pfandbriefe in circulation	20,364	21,365	22,284	23,747
Surplus cover	1,864	3,202	2,325	3,585
Net present value at risk under internal model	–	–	1,771	3,497

There were no derivatives held to cover issued Pfandbriefe at the end of the year. The net present value at risk according to the German Present Value Regulation indicates the present value of the net cover after stress testing. The internal MaRC² model was used to simulate interest rate risks; the dynamic procedure was used to simulate currency risks.

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

in € m

	Cover pool		Pfandbrief	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fixed-interest periods/remaining maturities				
Mortgage Pfandbriefe:				
Up to one year	1,751	2,585	370	111
More than one year to two years	2,040	1,210	2,627	365
More than two years to three years	1,630	1,706	1,496	2,222
More than three years to four years	2,092	1,499	2,014	1,396
More than four years to five years	1,067	1,056	185	1,014
More than five years to ten years	3,375	1,753	1,520	339
More than ten years	48	66	403	421
Public Pfandbriefe:				
Up to one year	3,318	6,085	4,123	2,375
More than one year to two years	2,611	2,996	2,926	4,130
More than two years to three years	2,739	2,114	2,079	2,985
More than three years to four years	1,765	2,469	3,209	2,077
More than four years to five years	2,447	1,647	1,493	3,181
More than five years to ten years	5,791	5,952	4,032	3,777
More than ten years	3,558	3,306	2,500	2,841

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

in € m

	Further cover	
	31.12.2015	31.12.2014
Mortgage Pfandbriefe		
Cover pool	12,003	9,874
thereof: Further cover	233	190
Public Pfandbriefe		
Cover pool	22,228	24,568
thereof: Further cover	298	174

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

in € m

	31.12.2015	31.12.2014
Commercial	9,550	8,120
Residential	2,219	1,564
Further cover	233	190

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

Residential breakdown:

	Flats		Single-family houses		Multi-family houses		Building land and building shells		Total	
Country	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Germany	44	45	56	57	2,119	1,462	0	0	2,219	1,564

Commercial breakdown:

	Office buildings		Retail buildings		Industrial buildings		Other buildings		Building land and building shells		Total	
Country	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Germany	2.963	3.022	2.865	2.858	221	195	302	255	7	7	6.358	6.337
Belgium	14	14	–	–	–	–	–	–	–	–	14	14
France	618	452	130	108	–	–	–	0	–	–	748	560
Luxembourg	71	71	–	–	–	–	–	–	–	–	71	71
Sweden	31	30	158	155	–	–	–	–	–	–	189	185
The Netherlands	112	205	59	–	–	–	–	–	–	–	171	205
Austria	–	–	115	72	–	–	4	–	–	–	119	72
Poland	178	135	183	100	54	54	–	–	–	–	415	289
Czech Republic	112	–	265	51	–	–	–	–	–	–	377	51
UK	256	129	–	–	–	–	–	–	–	–	256	129
USA	804	208	28	–	–	–	–	–	–	–	832	208
Total	**5.159**	**4.266**	**3.803**	**3.344**	**275**	**249**	**306**	**255**	**7**	**7**	**9.550**	**8.121**

Breakdown of the cover pool for mortgage Pfandbriefe by size

in € m

	31.12.2015	31.12.2014
Up to € 0.3 m	198	220
More than € 0.3 m to € 1 m	157	188
More than € 1 m to € 10 m	1,450	1,629
More than € 10 m	9,964	7,648
Further cover	233	190

The total amount of payments at least 90 days past due was € 45 thousand (31 December 2014: € 21 thousand) and related to domestic debtors. There were no instances of receivership or forced sales in the year under review, nor was it necessary to take charge of any land in order to avoid losses.

Interest arrears from mortgage operations

in € m

	31.12.2015	31.12.2014
Commercial	0	0
Residential	0	0
Total	**0**	**0**

Breakdown of the cover pool for public Pfandbriefe by issuer

	Central government		Regional authorities		Municipal authorities		Public-law credit institutions/other		Total	
Country	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Germany	573	682	3,054	2,576	12,525	12,341	4,235	7,489	20,387	23,088
Denmark	–	–	–	–	–	–	–	42	–	42
France incl. Monaco	–	–	414	230	–	22	–	–	414	252
UK incl. Northern Ireland	400	309	–	–	–	–	–	–	400	309
Luxembourg	7	8	–	–	–	–	–	–	7	8
Spain	–	–	464	595	–	–	–	–	464	595
Austria	–	–	12	31	–	–	–	–	12	31
Switzerland	–	–	–	–	–	–	246	242	246	242
Total	**980**	**999**	**3,944**	**3,432**	**12,525**	**12,363**	**4,481**	**7,773**	**21,930**	**24,567**

In the case of public Pfandbriefe, payments at least 90 days past due totalled € 500 thousand (31 December 2014: € 0 thousand).

(32) Non-Trading Derivative Financial Instruments

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

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

The nominal volume of derivative transactions in the non-trading portfolio increased by 7.3 % year on year.

Non-trading derivative transactions – disclosure of volumes: in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2015	31.12.2014	31.12.2015	31.12.2015
Interest rate risk				
Interest rate swaps	126,577	108,098	5,096	2,415
Forward rate agreements	–	–	–	–
Interest rate options	7,424	7,684	13	1,275
Calls	393	440	13	0
Puts	7,031	7,244	0	1,275
Caps, floors	5,721	10,478	105	3
Market contracts	1,788	8,084	3	0
Other interest rate futures	–	–	–	–
Interest rate risk – total –	**141,510**	**134,344**	**5,217**	**3,693**
Currency risk				
Currency futures	7,525	6,487	31	43
Currency swaps/cross-currency swaps	17,195	14,182	144	1,300
Currency options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Currency risk – total –	**24,720**	**20,669**	**175**	**1,343**
Equity and other price risks				
Equity options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Market contracts	–	–	–	–
Equity and other price risks – total –	**–**	**–**	**–**	**–**
Credit derivatives				
Calls	35	22	0	0
Puts	667	599	0	3
Credit derivatives – total –	**702**	**621**	**0**	**3**
Commodity risk				
Commodity swaps	–	–	–	–
Commodity risk – total –	**–**	**–**	**–**	**–**
Grand total	**166,932**	**155,634**	**5,392**	**5,039**

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

Positive fair values/present values that can be used as an indication of the potential default risks associated with these transactions amount to 3.2 % of the nominal amount (31 December 2014: 4.4 %). Since these transactions form part of hedging transactions, the fair values always have to be analysed in connection with the hedged items.

The fair values are in some cases offset by unrealised premium and special cash flows and interest accrued on derivatives, which are shown in the balance sheet under other assets/liabilities and prepaid expenses/deferred income. The total amount of assets related to derivatives is € 1,020 m (31 December 2014: € 1,339 m), while liabilities related to derivatives amount to € 1,962 m (31 December 2014: € 1,987 m).

Non-trading derivative transactions – breakdown by maturity: in € m

	Interest rate risk		Currency risk		Equity and other price risks	
Nominal amounts	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Remaining maturities:						
Up to three months	5,849	14,626	7,613	6,440	–	–
Up to one year	17,041	13,709	2,630	952	–	–
Up to five years	71,993	63,532	11,178	10,033	–	–
More than five years	46,627	42,477	3,299	3,244	–	–
Total	**141,510**	**134,344**	**24,720**	**20,669**	**–**	**–**

Non-trading derivative transactions – breakdown by maturity: in € m

	Credit derivatives		Commodity derivatives	
Nominal amounts	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Remaining maturities:				
Up to three months	–	–	–	–
Up to one year	57	12	–	–
Up to five years	645	609	–	–
More than five years	–	–	–	–
Total	**702**	**621**	**–**	**–**

Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 16.2 % of total business in this risk category (31 December 2014: 21.1 %).

Non-trading derivative transactions – breakdown by counterparty: in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2015**
Banks in OECD countries	80,261	84,255	3,739	4,030
Banks outside OECD countries	13	17	0	1
Public institutions in OECD countries	15,763	26,761	862	381
Other counterparties	70,895	44,601	791	627
Total	**166,932**	**155,634**	**5,392**	**5,039**

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

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

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 98.8 % of the nominal volume (31 December 2014: 97.5 %).

(33) Derivative Financial Instruments Held For Trading

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

The nominal volume of derivative trades declined by 3.8 % year on year. The decline was due mainly to short-term exchange-traded interest rate futures and options contracts.

Derivative trades – disclosure of volumes: in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2015	31.12.2014	31.12.2015	31.12.2015
Interest rate risk				
Interest rate swaps	269,309	260,385	9,677	8,957
Forward rate agreements	18,268	20,274	5	14
Interest rate options	29,203	25,688	1,867	1,468
Calls	13,482	11,750	1,796	22
Puts	15,721	13,938	71	1,446
Caps, floors	13,009	12,648	105	82
Market contracts	9,312	41,543	3	3
Other interest rate futures	10	58	0	2
Interest rate risk – total –	**339,111**	**360,596**	**11,657**	**10,526**
Currency risk				
Currency futures	34,047	27,870	787	594
Currency swaps/cross-currency swaps	8,387	9,480	522	410
Currency options	753	803	14	16
Calls	374	399	14	0
Puts	379	404	0	16
Currency risk – total –	**43,187**	**38,153**	**1,323**	**1,020**
Equity and other price risks				
Equity options	2,339	2,200	147	120
Calls	1,354	1,289	147	0
Puts	984	911	0	120
Market contracts	1,008	798	18	45
Equity and other price risks – total –	**3,347**	**2,998**	**165**	**165**
Credit derivatives				
Calls	2,192	1,653	2	28
Puts	2,291	1,605	29	2
Credit derivatives – total –	**4,483**	**3,258**	**31**	**30**
Commodity risk				
Commodity swaps	40	44	8	8
Commodity options	101	112	0	0
Commodity risk – total –	**141**	**156**	**8**	**8**
Grand total	**390,269**	**405,161**	**13,184**	**11,749**

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

Positive fair values/present values that can be used as an indication of the potential default risks associated with these transactions amount to 3.4 % of the nominal amount (31 December 2014: 3.4 %).

Derivative trades – breakdown by maturity: in € m

	Interest rate risk		Currency risk		Equity and other price risks	
Nominal amounts	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Remaining maturities:						
Up to three months	27,499	60,677	17,703	13,514	584	416
Up to one year	71,250	73,555	12,168	12,065	861	819
Up to five years	117,512	117,212	10,880	9,480	1,826	1,698
More than five years	122,850	109,152	2,436	3,094	76	65
Total	**339,111**	**360,596**	**43,187**	**38,153**	**3,347**	**2,998**

Derivative trades – breakdown by maturity: in € m

	Credit derivatives		Commodity derivatives	
Nominal amounts	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Remaining maturities:				
Up to three months	87	182	50	50
Up to one year	551	431	46	15
Up to five years	3,761	2,640	45	91
More than five years	84	5	0	0
Total	**4,483**	**3,258**	**141**	**156**

Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 29.1 % of total business in this risk category (31 December 2014: 37.2 %). The volume of short-term currency-related transactions increased slightly.

Derivative trades – breakdown by counterparty: in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2015**
Banks in OECD countries	145,913	151,373	5,516	7,782
Public institutions in OECD countries	32,096	34,174	3,324	1,596
Other counterparties	212,260	219,614	4,344	2,371
Total	**390,269**	**405,161**	**13,184**	**11,749**

The purpose of the counterparty breakdown is to present the default risks associated with derivative transactions. A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 73.5 % of the nominal volume (31 December 2014: 75.6 %).

The percentage of the total volume of derivatives accounted for by trading derivatives declined slightly year on year to 70.0 % (31 December 2014: 72.2 %).

As in previous years, interest rate contracts accounted for most of the trading activities. In this case, 70.6 % of the total portfolio is attributable to trading derivatives (31 December 2014: 72.9 %). 63.6 % (31 December 2014: 64.9 %) of the currency risk contracts and 86.5 % (31 December 2014: 84.0 %) of the credit derivatives relate to the trading portfolio.

(34) Trading Products

in € m

	Assets		Liabilities		Net income of the trading portfolio	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Derivative financial instruments						
Interest rate trading	6,455	7,950	2,103	2,584	122	–484
Equity trading	105	127	109	117	–8	19
Currency trading	1,001	1,138	550	994	–7	9
Credit derivatives	3	26	12	26	0	–6
Commodities	8	7	1	7	6	4
Receivables/liabilities						
Promissory note loans	907	1,610	–	–	19	151
Overnight and time deposits	90	39	7,189	12,315	–22	–55
Repos/reverse repos/securities lending	30	124	25	1,879	0	1
Issued money market instruments/ securitised liabilities	–	–	4,535	1,889	–12	–5
Issued equity/index certificates	–		149	139	–10	–5
Other	262	191	151	168	–17	16
Bonds and other fixed-income securities	13,042	16,968	30	123	123	557
Equity shares and other variable-income securities	192	140	–	–	19	–12
Other						
Commissions					–28	–29
Fund for general banking risks in accordance with section 340e of the HGB					–	–
Total	**22,095**	**28,320**	**14,854**	**20,241**	**185**	**161**

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

A total of € 5.6 bn (31 December 2014: € 4.7 bn) was set off in the case of trading assets and € 9.0 bn (31 December 2014: € 10.2 bn) in the case of trading liabilities.

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

As at 31 December 2015, the carrying amount of the securities included in valuation units was € 10,640 m (31 December 2014: € 8,839 m).

A provision for expected losses is recognised for measurement effects from the hedged risk that are not fully offset. In the year under review, a write-down was recognised for credit risk-related impairment of the hedged items.

in € m

	31.12.2015	31.12.2014
Credit risk-related write-downs of securities	–11	–1
Change in provision for expected losses for interest rate-related measurement effects that were not fully offset	11	–3

(36) Breakdown by Geographical Market

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

in € m

	31.12.2015	31.12.2014
Germany	3,380	3,827
European Union, excl. Germany	192	147
Other	212	173

(37) Fee and Commission Income

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

(38) Other Operating Income and Expenses

Under other operating income for the year under review, the Bank reports, among other things, rental and leasing income of € 26 m (2014: € 27 m) and cost reimbursements on commissioned work undertaken for third parties of € 18 m (2014: € 20 m).

The interest cost on provisions amounted to € 142 m (2014: € 94 m). Expenses for buildings not occupied by the Group amounted to € 10 m in the year under review (2014: € 16 m).

The item includes prior-period income and income from the reversal of provisions of € 18 m and prior-period expenses of € 10 m.

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

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

(40) Extraordinary Result

The extraordinary result of € 119 m (2014: € 13 m) includes the necessary annual addition to pension provisions in the amount of € 13 m and an additional allocation for a further eight years of € 106 m. The Bank makes use of the option – available up to 31 December 2024 – to annually add to the provisions for current pensions and future pension claims more than the annual minimum amount of 1/15 of the difference arising from the change to the measurement of provisions due to the initial application of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG).

(41) Taxes on Income

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

(42) Other Financial Obligations

At the balance sheet date, the Bank had obligations to make contributions to the subscribed capital of 20 companies totalling € 41 m, of which € 12 m was attributable to affiliated companies.

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

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

The Bank is also jointly liable for ensuring that other shareholders belonging to the Deutscher Sparkassen- und Giroverband e.V. (DSGV) meet their obligations to make additional contributions. If a claim were made against a former guarantor of DekaBank under the grandfathering provisions applicable to the guarantor liability in accordance with the Brussels Accord I, Helaba is obliged to pay pro-rata internal liability compensation. The owners of DekaBank on 18 July 2005 are liable for the fulfilment of all liabilities of DekaBank existing at that point of time. For such liabilities entered into on or before 18 July 2001, the owners are liable without time limitation; with regard to liabilities entered into after this date and on or before 18 July 2005, they are liable only for liabilities whose term to maturity does not extend beyond 31 December 2015.

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

In addition, Helaba is a member of the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen (SGVHT). This fund provides additional protection on top of the existing protection schemes; it provides protection not only to institutions but also to creditors. Helaba and the Sparkassen make successive contributions to the fund until 0.5 % of the assessment base (eligible positions under the German Solvency Regulation) has been reached. An institution's obligation to pay contributions is established on the basis of risk, taking into account bonus and penalty factors. Sparkassen- und Giroverband Hessen-Thüringen will be liable to make up any shortfall should a claim be made against the fund before the full amount has been contributed in cash.

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

Securities with a value of € 6,153 m have been pledged for settling clearing transactions and for off-balance sheet drawdown risks. The market value of secured money trading securities was € 5,799 m. In accordance with international requirements, securities with an equivalent market value of € 1,474 m had been pledged as collateral.

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

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

Further obligations in accordance with section 285 no. 3 of the HGB are attributable in particular to long-term property rental and lease agreements for properties used for banking operations. Rental and lease payment obligations of € 42.3 m are expected for 2016 for the properties used by Helaba with contract terms and notice periods of 0.5 to 11.5 years. Other financial obligations arise from various rental, usage and service agreements as well as consultancy agreements to the extent customary in business.

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

The line of liquidity provided for the OPUSALPHA programme as a whole amounted to € 2,426 m (31 December 2014: € 1,998 m), of which € 1,453 m had been drawn down as at 31 December 2015 (31 December 2014: € 1,156 m).

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

As at 31 December 2015, liquidity lines for third-party securitisation platforms amounted to € 65 m (31 December 2014: € 65 m).

On the basis of indemnity agreements, the Bank has undertaken vis-à-vis several subsidiaries to exempt them from risks arising from certain transactions.

Under local measurement procedures, a foreign pension fund for a foreign subsidiary's pension commitments has a deficit for which appropriate provisions have been recognised. This deficit must be eliminated by making payments into the corresponding plan assets starting in 2015. In the process, regular comparisons will be made between the value of the plan assets after payments and the effects arising from changes in local measurement parameters. Under international accounting requirements, the indirect pension obligation (before the existing plan assets are taken into account) amounts to € 59 m.

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

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

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

(43) Related Party Disclosures

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

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 31 December 2015:

in € m

	31.12.2015	31.12.2014
Loans and advances to banks	**1,609**	**1,390**
Affiliated companies	1,606	1,390
Investments in joint ventures and associates	3	0
Shareholders of Helaba	0	0
Other related parties	–	–
Loans and advances to customers	**2,740**	**2,703**
Affiliated companies	803	1,000
Investments in joint ventures and associates	852	1,176
Shareholders of Helaba	1,085	465
Other related parties	0	62
Equity shares and other variable-income securities	**1,352**	**1,432**
Affiliated companies	1,302	1,150
Investments in joint ventures and associates	–	–
Shareholders of Helaba	50	282
Other related parties	–	–
Trading assets	**30**	**704**
Affiliated companies	4	–
Investments in joint ventures and associates	9	–
Shareholders of Helaba	17	704
Other related parties	–	–
Equity investments	**68**	**36**
Affiliated companies	–	–
Investments in joint ventures and associates	68	36
Shareholders of Helaba	–	–
Other related parties	–	–
Shares in affiliated companies	**1,749**	**1,739**
Affiliated companies	1,749	1,739
Investments in joint ventures and associates	–	–
Shareholders of Helaba	–	–
Other related parties	–	–
Other assets	**245**	**0**
Affiliated companies	245	0
Investments in joint ventures and associates	0	0
Shareholders of Helaba	–	–
Other related parties	–	–
Liabilities due to banks	**4,765**	**4,778**
Affiliated companies	4,575	4,581
Investments in joint ventures and associates	–	–
Shareholders of Helaba	190	197
Other related parties	–	–
Liabilities due to customers	**1,677**	**1,620**
Affiliated companies	798	660
Investments in joint ventures and associates	62	56
Shareholders of Helaba	813	900
Other related parties	4	4

in € m

	31.12.2015	31.12.2014
Trading liabilities	**11**	**1**
Affiliated companies	2	0
Investments in joint ventures and associates	0	1
Shareholders of Helaba	9	0
Other related parties	–	–
Other liabilities	**27**	**0**
Affiliated companies	1	0
Investments in joint ventures and associates	26	0
Shareholders of Helaba	–	–
Other related parties	–	–
Contingent liabilities	**45**	**212**
Affiliated companies	19	120
Investments in joint ventures and associates	4	89
Shareholders of Helaba	22	–
Other related parties	0	3

Allowances of € 12 m (31 December 2014: € 69 m) were recognised on receivables from subsidiaries and joint ventures.

Receivables from other related parties comprise loans of € 0.1 m to members of the Board of Managing Directors (31 December 2014: € 0.1 m) and loans of € 0.3 m to members of the Supervisory Board (31 December 2014: € 0.5 m).

The total remuneration paid by the Bank to the Board of Managing Directors amounted to € 4.9 m (2014: € 4.6 m). A total of € 0.9 m (2014: € 0.9 m) was paid to the Supervisory Board and, as in the previous year, € 0.1 m was paid to the members of the Advisory Board. In addition, a total of € 2.5 m (2014: € 2.7 m) was paid to the members of the Supervisory Board as employees. An amount of € 3.0 m was paid to former members of the Board of Managing Directors and their surviving dependants (2014: € 3.0 m). Provisions of € 55.5 m were recognised for pension obligations for this group of persons (2014: € 49.2 m).

(44) Average Number of Employees During the Year

	Female	Male	Total
Bank	1,175	1,604	2,779
Landesbausparkasse	168	119	287
WIBank – Wirtschafts- und Infrastrukturbank Hessen	237	174	411
Bank as a whole	1,580	1,897	3,477

(45) Executive Bodies of the Bank

Supervisory Board

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

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

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

Hans Martz
Chairman of the Board of
Managing Directors
Sparkasse Essen
Essen
– Third Vice-Chairman –
– until 31 December 2015 –

Dr. Alfons Lauer
President
Sparkassenverband Saar
Saarbrücken
– Fifth Vice-Chairman –
– until 21 January 2015 –

Andreas Bausewein
Mayor
City of Erfurt
Erfurt
– since 13 May 2015 –

Dr. Annette Beller
Member of the Management Board
B. Braun Melsungen AG
Melsungen
– since 1 July 2015 –

Prof. Dr. h.c. Ludwig G. Braun
Chairman of the Supervisory Board
B. Braun Melsungen AG
Melsungen
– until 24 April 2015 –

Ingo Buchholz
Chairman of the Board of
Managing Directors
Kasseler Sparkasse
Kassel

Patrick Burghardt
Mayor
City of Rüsselsheim
Rüsselsheim
– since 15 August 2015 –

Dirk Diedrichs
Secretary of State (ret.)
Erfurt
– until 5 February 2015 –

Georg Fahrenschon
President
Deutscher Sparkassen- und
Giroverband e. V.
Berlin

Peter Feldmann
Mayor
City of Frankfurt am Main
Frankfurt am Main
– until 30 June 2015 –

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

Bertram Hilgen
Mayor
City of Kassel
Kassel

Dr. Christoph Krämer
Chairman of the Board of
Managing Directors
Sparkasse Iserlohn
Iserlohn

Stefan Lauer
Idstein
– until 30 June 2015 –

Christoph Matschie
Member of the State Parliament
of Thuringia
Erfurt
– until 30 June 2015 –

Manfred Michel
Chief Administrative Officer
Country District of Limburg-Weilburg
Limburg an der Lahn

Gerhard Möller
Mayor
City of Fulda
Fulda
– until 14 August 2015 –

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

Clemens Reif
Member of the State Parliament
of Hesse
Wiesbaden

Stefan Reuß
Chief Administrative Officer
County District of Werra-Meissner
Eschwege
– until 3 May 2015 –

Thorsten Schäfer-Gümbel
Member of the State Parliament
of Hesse
Wiesbaden

Uwe Schmidt
Chief Administrative Officer
County District of Kassel
Kassel
– since 13 May 2015 –

Dr. Hartmut Schubert
Secretary of State
Ministry of Finance of the State
of Thuringia
Erfurt
– since 24 March 2015 –

Wolfgang Schuster
Chief Administrative Officer
County District of Lahn-Dill
Wetzlar

Dr. Eric Tjarks
Chairman of the Board of
Managing Directors
Sparkasse Bensheim
Bensheim

Alfred Weber
Chairman of the Board of
Managing Directors
Kreissparkasse Saalfeld-
Rudolstadt
Saalfeld
– until 31 December 2015 –

Stephan Ziegler
Chairman of the Board of
Managing Directors
Nassauische Sparkasse
Wiesbaden
– until 30 September 2015 –

Ulrich Zinn
Chairman of the Board of
Managing Directors
Sparkasse Grünberg
Grünberg

Arnd Zinnhardt
Member of the Group Executive
Board
Software AG
Darmstadt

Employee Representatives

Thorsten Derlitzki
Bank employee
Frankfurt am Main
– Fourth Vice-Chairman –

Frank Beck
Vice President
Frankfurt am Main

Brigitte Berle
Bank employee
Frankfurt am Main

Isolde Burhenne
Vice President
Frankfurt am Main
– until 30 June 2015 –

Werner Dölitzscher
Vice President
Frankfurt am Main
– since 1 July 2015 –

Gabriele Fuchs
Bank employee
Frankfurt am Main

Thorsten Kiwitz
Vice President
Frankfurt am Main

Christiane Kutil-Bleibaum
Vice President
Düsseldorf

Annette Langner
Vice President
Frankfurt am Main

Susanne Noll
Bank employee
Frankfurt am Main

Hans Peschka
Vice President
Frankfurt am Main

Erich Roth
Bank employee
Frankfurt am Main
– until 30 June 2015 –

Birgit Sahliger-Rasper
Bank employee
Frankfurt am Main

Susanne Schmiedebach
Vice President
Düsseldorf

Wolf-Dieter Tesch
Senior Vice President
Frankfurt am Main
– until 30 June 2015 –

Board of Managing Directors

Herbert Hans Grüntker
– since 1 August 2015 –
– Chairman since 1 October 2015 –
(previously Vice-Chairman)

Hans-Dieter Brenner
Chairman
– until 30 September 2015 –

Thomas Groß
Vice-Chairman
– since 1 October 2015 –

Jürgen Fenk

Dr. Detlef Hosemann

Rainer Krick

Klaus-Jörg Mulfinger
– since 1 January 2015 –

Dr. Norbert Schraad

(46) List of Shareholdings

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

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7.1	0	1)
2	AARON Grundstücksverwaltungsgesellschaft mbH i. L., Oberursel	50.00	50.00		−2.3	2	
3	Airport Office One GmbH & Co. KG, Schönefeld	100.00			0.0	−5	
4	Arealogics GmbH, Frankfurt am Main	100.00			0.0	1	
5	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	1)
6	BHT Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	66.67	0.8	90	
7	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00			0.0	0	1)
8	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		3.9	789	
9	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		1.1	146	
10	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt MGK Marstall-Gebäude Kassel KG, Kassel	50.00	50.00	66.67	0.4	54	
11	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00		1.7	199	
12	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt TFK II Tiefgarage Kassel 2. BA KG, Kassel	33.33	33.33	66.67	1.7	244	
13	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG, München	100.00		0.21	−0.6	3	
14	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Frankfurt am Main	100.00	100.00		1.3	608	
15	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.25	21.25		17.2	1,038	
16	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		23.4	910	
17	Bürogebäude Darmstädter Landstraße GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.2	18	
18	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.2	9	
19	CP Campus Projekte GmbH, Frankfurt am Main	50.00			0.2	−138	
20	Div Deutsche Immobilienfonds Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.1	0	1)
21	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36.7	2,137	

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands	
22	Dritte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.	
23	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			–0.7	295	
24	Erste ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	100.00			–0.1	–40	
25	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00			70.4	–2	
26	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	6	
27	FMZ Fulda Verwaltung GmbH, Frankfurt am Main	100.00			0.1	21	
28	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			10.2	309	
29	Frankfurter Bankgesellschaft (Schweiz) AG, Zürich, Schweiz	100.00	100.00		116.7	3,545	
30	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		820.7	70,000	
31	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	100.00			0.2	0	1)
32	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00			0.1	–192	
33	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00			0.2	1,297	
34	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	5	
35	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00			0.2	9,152	
36	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00			0.0	–2	
37	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00			0.7	–249	
38	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.0	0	
39	G & O MK 15 Bauherren GmbH & Co. KG, Frankfurt am Main	50.00			n. a.	n. a.	
40	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00			23.4	0	1)
41	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	78.00			0.6	–130	
42	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00			–0.8	–82	
43	gatelands Verwaltungs GmbH, Schönefeld	75.00			0.0	2	
44	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00			0.3	0	1)
45	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			0.3	0	1)
46	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00			0.2	3	
47	GIZS GmbH & Co. KG, Stuttgart	33.33	33.33		n. a.	n. a.	
48	GIZS Verwaltungs-GmbH, Stuttgart	33.33	33.33		n. a.	n. a.	
49	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	47.00			–2.9	–293	
50	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00			0.0	1	
51	GOB Werfthaus GmbH & Co. KG, Frankfurt am Main	50.00			0.1	0	
52	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00			0.0	–382	
53	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00			0.0	–19	

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in € m	Net profit in € thousands	
54	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			–0.2	–460	
55	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		66.3	3,822	
56	GWH Bauprojekte GmbH, Frankfurt am Main	100.00			13.6	0	1)
57	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	1)
58	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00			363.9	53,045	
59	HaemoSys GmbH, Jena	38.33			–4.8	–524	
60	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		1.6	–237	
61	HANNOVER LEASING Verwaltungsgesellschaft mbH, Pullach	49.34	49.34		0.1	3	
62	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–107	
63	Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	100.00	100.00		6.3	441	
64	Helaba Asset Services, Dublin, Irland	100.00	100.00		58.0	2,360	
65	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0	
66	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	1)
67	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		3.0	–8	
68	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.7	371	
69	Hello Darmstadt Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–1	
70	HELY Immobilien GmbH, Frankfurt am Main	50.00	50.00		0.0	0	
71	HELY Immobilien GmbH & Co. Grundstücksgesellschaft KG, Frankfurt am Main	50.00	50.00		4.3	539	
72	Hessen Kapital I GmbH, Frankfurt am Main	100.00	100.00		34.6	–935	
73	Hessen Kapital II GmbH, Frankfurt am Main	100.00	100.00		6.2	172	
74	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		61.5	3,494	
75	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2.5	17	
76	Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz	95.00	95.00	24.00	–7.7	1,653	
77	Horus AWG GmbH, Pöcking	50.00			0.0	–3	
78	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	9	
79	IHB Investitions- und Handels-Aktiengesellschaft, Frankfurt am Main	100.00	100.00		0.9	38	
80	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH i. L., Frankfurt am Main	100.00	100.00		0.1	–7	
81	Intelligent Crop Forecasting GmbH in Insolvenz, Darmstadt	27.67			n. a.	n. a.	
82	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–14	
83	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50.00	50.00	66.67	2.7	432	
84	Komplementarselskabet Logistica CPH ApS, Kastrup, Dänemark	52.00	52.00		0.0	–1	

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands	
85	Königstor Verwaltungs-GmbH, Kassel	100.00			0.0	0	
86	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–11	
87	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	100.00			–2.0	2,181	
88	Kornmarkt Arkaden Verwaltung GmbH, Frankfurt am Main	100.00			0.0	0	
89	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–34	
90	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	100.00			–0.2	–198	
91	LB(Swiss) Investment AG, Zürich, Schweiz	100.00			10.5	1,586	
92	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		1.3	21	
93	LHT MSIP, LLC, Wilmington, USA	100.00			6.0	370	
94	LHT Power Three LLC, Wilmington, USA	100.00	100.00		49.1	702	
95	LHT TCW, LLC, Wilmington, USA	100.00			23.3	1,414	
96	LHT TPF II, LLC, Wilmington, USA	100.00			21.5	527	
97	Liparit Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Benary Vermietungs KG, Mainz	21.62			4.0	1,483	
98	Logistica CPH K/S, Kastrup, Dänemark	53.33	53.33		–0.1	–151	
99	Logistikzentrum Rodgau GmbH, Schönefeld	25.00			–0.8	–150	
100	Marienbader Platz Projektentwicklungs-gesellschaft mbH, Frankfurt am Main	50.00			0.1	4	
101	Marienbader Platz Projektentwicklungs-gesellschaft mbH & Co. Bad Homburg v. d. H. KG, Frankfurt am Main	50.00			0.4	–19	
102	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00			0.0	0	1)
103	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99			5.7	907	
104	MBG H Mittelständische Beteiligungs-gesellschaft Hessen mbH, Frankfurt am Main	32.52	32.52		9.9	468	
105	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90			20.7	1,049	
106	Mittelhessenfonds GmbH, Frankfurt am Main	100.00	100.00		–2.6	41	
107	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		21.5	841	
108	Montindu S.A./N.V., Brüssel, Belgien	100.00	99.97		14.7	99	
109	Multi Park Mönchhof Dritte GmbH & Co. KG, Langen (Hessen)	50.00			0.4	1,217	
110	Multi Park Mönchhof GmbH & Co. KG, Langen (Hessen)	50.00			0.0	–33	
111	Multi Park Mönchhof Main GmbH & Co. KG, Frankfurt am Main	50.00			0.4	1,217	
112	Multi Park Verwaltungs GmbH, Langen (Hessen)	50.00			0.0	–1	
113	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00			0.0	–57	
114	Nötzli, Mai & Partner Family Office AG, Zürich, Schweiz	100.00			0.3	32	
115	OFB & Procom Einzelhandelsentwicklung GmbH, Frankfurt am Main	50.00			0.0	0	
116	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00			–2.4	–1,647	
117	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00			0.0	–6	

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in € m	Net profit in € thousands	
118	OFB Berlin Projekt GmbH, Berlin	100.00			0.0	–1	
119	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			5.6	209	
120	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	1)
121	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00			0.0	1	
122	Office One Verwaltung GmbH, Schönefeld	100.00			0.0	2	
123	Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.	
124	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00			0.0	0	
125	Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	100.00			–0.2	–176	
126	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	100.00			–1.0	–1,104	
127	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00			0.0	159	
128	Projektentwicklung Lutherplatz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–152	
129	Projektgesellschaft Eichplatz Jena mbH & Co. KG, Frankfurt am Main	100.00			0.0	–2	
130	PVG GmbH, Frankfurt am Main	100.00	100.00		0.2	152	1)
131	Riedemannweg 59–60 GbR, Berlin	32.00	32.00		–4.0	198	
132	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe bR, Erfurt	60.00	60.00	33.00	0.5	68	
133	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.1	–42	
134	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			0.0	–1	
135	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00			9.7	–546	
136	Sparkassen-Marktservice Beteiligungs GmbH & Co. KG, Frankfurt am Main	50.00	40.00		n. a.	n. a.	
137	Sparkassen-Marktservice Verwaltungs GmbH, Frankfurt am Main	50.00	40.00		n. a.	n. a.	
138	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–59	
139	Stresemannquartier GmbH & Co. KG, Berlin	50.00			5.1	–129	
140	Systeno GmbH, Frankfurt am Main	100.00			0.9	–93	
141	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.3	94	
142	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.0	7	
143	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		3.0	3,144	
144	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH), Frankfurt am Main	66.67	66.67	66.66	0.6	0	
145	TFK Hessengrund-Gesellschaft für Bauland-beschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG i. L., Kassel	33.33	33.33	66.67	1.6	27	
146	uniQus Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–17	
147	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0	
148	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			0.3	0	1)
149	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.1	–46	

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in € m	in € thousands
150	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.0	0
151	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		–3.2	–33
152	Westhafen Haus GmbH & Co. Projekt-entwicklungs-KG, Frankfurt am Main	50.00			–0.2	8
153	Zweite ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–11
154	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–1

Interests in large corporations larger than a 5 % holding

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profi,t
No.	Name and location of the company	Total	Thereof directly	Total	in € m	in € thousands
155	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		141.2	23,383

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

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

Positions held by the members of the Board of Managing Directors

Office holder	Corporation	Function
Herbert Hans Grüntker	Frankfurter Bankgesellschaft (Schweiz) AG, Zürich, Schweiz	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Chairman
Jürgen Fenk	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Member
Thomas Groß	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member
	Frankfurter Sparkasse, Frankfurt am Main	Member
Dr. Detlef Hosemann	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice-Chairman
Rainer Krick	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Vice-Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zürich, Schweiz	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice-Chairman
Klaus-Jörg Mulfinger	Frankfurter Sparkasse, Frankfurt am Main	Member
	Thüringer Aufbaubank, Erfurt	Member

Positions held by other employees

Office holder	Corporation	Function
Jörg Hartmann	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Holger Mai	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Chairman
Dirk Mewesen	Helaba Asset Services, Dublin, Irland	Member
Dr. Ulrich Pähler	Helaba Asset Services, Dublin, Irland	Vice-Chairman
Dr. Michael Reckhard	Bürgschaftsbank Hessen GmbH, Wiesbaden	Member
Dr. Alois Rhiel	Helmholtz Zentrum München Deutsches Forschungszentrum für Gesundheit und Umwelt (GmbH), München	Member
Klaus Georg Schmidbauer	Bürgschaftsbank Thüringen GmbH, Erfurt	Member
Erich Vettiger	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Member

Frankfurt am Main/Erfurt, 1 March 2016

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker Fenk Groß

Dr. Hosemann Krick Mulfinger

Dr. Schraad

Responsibility Statement

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

Frankfurt am Main/Erfurt, 1 March 2016

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Fenk	Groß
Dr. Hosemann	Krick	Mulfinger
Dr. Schraad		

Auditor's Report

"We have audited the annual financial statements, consisting of the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of Landesbank Hessen-Thüringen, Girozentrale, Frankfurt am Main/Erfurt, for the financial year from 1 January to 31 December 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the Articles of Association are the responsibility of the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in conformity with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of Landesbank Hessen-Thüringen Girozentrale and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Frankfurt am Main, 1 March 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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