2016

Half-Yearly Financial Report

Helaba

Half-Yearly Financial Report 2016

The Helaba Group

Helaba ratings

(at 30.6.2016)

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Long-term rating	A+*	A1	A*
Deposits rating	–	Aa3	–
Short-term rating	F1+*	P–1	A–1*
Viability rating/BCA/SACP	a+*	baa3	a*
Public Pfandbriefe	AAA	Aaa	–
Mortgage Pfandbriefe	AAA	–	–

* Joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen.

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

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Long-term rating	AAA	Aa1	AA–

** The statutory guarantee applies to all liabilities in place on 18 July 2001.

The Helaba Group in figures

		1.1.–30.6.2016	1.1.–30.6.2015	Change	
Performance figures		**in € m**	**in € m**	**in € m**	**in %**
Net interest income before provisions for losses on loans and advances		611	668	−57	−8.5
Net fee and commission income		172	163	9	5.5
General and administrative expenses		−631	−610	−21	−3.4
Profit before taxes		279	362	−83	−22.9
Consolidated net profit		**184**	**237**	**−53**	**−22.4**
Return on equity before taxes	in %	**7.4**	**9.9**		
Cost-income ratio	in %	**64.0**	**58.8**		

	30.6.2016	31.12.2015	Change	
Figures in the statement of financial position	**in € m**	**in € m**	**in € m**	**in %**
Loans and advances to banks	17,165	17,144	21	0.1
Loans and advances to customers	94,121	93,194	927	1.0
Trading assets	27,048	26,078	970	3.7
Financial investments and shares in equity-accounted entities	26,520	26,609	−89	−0.3
Liabilities due to banks	32,179	35,976	−3,797	−10.6
Liabilities due to customers	49,463	47,727	1,736	3.6
Securitised liabilities	48,602	47,073	1,529	3.2
Trading liabilities	25,930	22,423	3,507	15.6
Equity	7,614	7,676	−62	−0.8
Total assets	**175,629**	**172,256**	**3,373**	**2.0**

	30.6.2016	31.12.2015
Key indicators for regulatory purposes	**in %**	**in %**
CET1 capital ratio	13.9	13.8
Tier 1 capital ratio	14.9	14.9
Total capital ratio	20.1	19.8

Contents

Ladies and gentlemen,
Dear customers, dear business partners,

The Helaba Group generated profit before taxes of € 279 m in the first half of 2016, almost 23 % down on the very strong prior-year figure of € 362 m. After income taxes, consolidated net profit amounted to € 184 m, a decline of 22 %.

Helaba's business performance in the first half of the year was marked once again by new business near the high level seen in previous years. At € 8.8 bn, the volume of medium- and long-term customer business written almost matched the prior-year figure.

As at 30 June 2016, the Group-wide Common Equity Tier 1 capital ratio (CET1, phased-in) was 13.9 %. The total capital ratio stood at 20.1 % and the regulatory leverage ratio at 4.1 %. As expected, Helaba once again proved to be a very solid institution with a comfortable level of capital backing in the EU-wide stress test conducted by the European Banking Authority (EBA) and the European Central Bank (ECB) in 2016.

New customer business is consolidating at the healthy level reached in previous years. Net fee and commission income shows encouraging growth. On the other hand, low or negative interest rates are depressing net interest income, although this is not down by quite as much as we forecast in our budget. The uncertainty surrounding Brexit had a negative impact on net trading income in the second quarter. At the end of the first six months, this puts us slightly ahead of our forecast. Given the difficult environment, we are therefore pleased with the result.

We live in a time of uncertainty and crises. Current geopolitical and economic developments are unsettling markets and fanning the flames of volatility. In addition, this period of persistently low or negative interest rates is leaving its mark on our results. It is becoming increasingly difficult, if not impossible, to offset these drags on earnings. We therefore see little scope for optimism and are retaining the full-year forecast we announced, which envisages an appreciable decline in consolidated net income.

On behalf of my colleagues on the Board of Managing Directors, I would like to thank our customers and business partners for their appreciation and trust in our institution, and our public owners and investors for their continued support. We do of course also owe a debt of gratitude to the employees whose wealth of expertise and considerable commitment contributed to the Bank's success.

Yours sincerely

Herbert Hans Grüntker
Chairman of the Board of Managing Directors

Interim Group Management Report

Interim Group Management Report

Basic Information About the Group

Business model of the Group

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

Helaba's strategic business model centres on the three business units: Wholesale Business; S-Group Business, Private Customers and SME Business; and Public Development and Infrastructure Business. The Bank's registered offices are situated in Frankfurt am Main and Erfurt, and it also has branches in Düsseldorf, Kassel, Paris, London and New York. These are joined by representative and sales offices, subsidiaries and affiliates. Helaba has opened a new representative office in Stockholm to provide support for its sales activities in Scandinavia. It plans to open a further two new representative offices in Istanbul and São Paulo. 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 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, selected international customers, plus German municipal corporations and central, regional and local public authorities. Among its target customers, Helaba aims for core bank status.

In the S-Group Business, Private Customers and SME Business unit, Helaba's strategic goal is to continue to strengthen its position as a leading S-Group bank for Germany. 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 segments.

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 Standard & Poor's (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 target is to achieve a cost-income ratio below 65 %. The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances analysed based on a management income statement produced in the Margin Accounting System at regular intervals in the course of the financial year. In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

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

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). The profitability targets are managed through the return on equity and regulatory capital. The target range for the return on equity is 6 to 8 % before taxes.

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. During the first half of 2016, the Single Resolution Board (SRB) collected the data required to determine the MREL for all groups of institutions which, like Helaba, are its direct responsibility. Helaba is already taking the aforementioned 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 and Frankfurter Sparkasse act on their shared 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 and Frankfurter Sparkasse are among the signatories to the Diversity Charter, a voluntary commitment by companies to promote a corporate culture that is without prejudice or discrimination. Helaba also engages, either directly or through Frankfurter Sparkasse, in many areas of public life by sponsoring numerous cultural, educational, environmental, sports and social organisations and projects.

Motivated and qualified employees are a key success factor for Helaba. A broad range of measures undertaken to develop employees contributes significantly to making Helaba an attractive employer. A suitable personnel management system helps to identify employees' potential and to encourage and develop this potential in line with specific needs. Individual further training ensures that employees are able to meet the changing challenges. Helaba has established a professional change management system to accompany employees through change processes. This system is designed to introduce and accompany changes and to develop the necessary transparency among all employees. The aim is to translate past success factors into continued future success. Applied in this way, change management is also a tool for managing demographic change and retaining high-performing and high-potential staff. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

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 and allocating the budgets 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.

Economic Report

Macroeconomic and sector-specific conditions in Germany

The German economy saw moderate growth in the first half of 2016, but momentum is weakening marginally as the year progresses. The British decision in favour of Brexit is a contributory factor here, as the anticipated slowdown in the United Kingdom and the weaker pound are curbing German exports. Overall, German foreign trade is making a slightly negative contribution to growth in 2016. Momentum in many eurozone countries is subdued and key emerging markets such as Russia are only very slowly emerging from severe recession. The stimulus in Germany is coming from domestic demand, with the country's economy continuing to be supported by private consumption. Consumer spending is expanding on the back of a favourable trend in the labour market and rising real incomes. Investment activity has recently picked up some speed. The question is whether this can be sustained given the heightened uncertainty following the vote for Brexit. Although capital expenditure is benefiting from higher capacity utilisation and low finance costs, falling producer prices and rising unit labour costs are depressing corporate earnings. Residential construction is experiencing an exceptional and increasing level of activity, responding to a combination of considerable pent-up demand and record low mortgage rates. Over 2016 as a whole, gross domestic product (GDP) will probably increase by 1.6 % on an inflation- and seasonally-adjusted basis.

More and more areas of economic activity are becoming digitised, driven by developments in information technology and the increasing availability of the Internet. For financial service providers, this is opening up new ways of accessing customers, exchanging data with them and offering products through online and mobile channels. In this way, direct banks, high street banks and increasingly non-bank internet businesses (termed FinTechs) too have developed new communication and sales channels in private customer business, in some cases in competition and in other cases in cooperation with one another. To an ever greater extent, attention is now focusing on business with corporate customers, real estate customers and institutional investors as well. Derivative platforms enable currency hedges to be effected in an auditable manner using standardised processes, lending portals arrange funding for small corporate customers through banks or directly through institutional investors and banks analyse their customer data in search of more effective ways of offering products. Worldwide, blockchain technology is being developed with a view to finding new, faster and cost-effective ways of exchanging data – applications range from special trading niches through to SEPA payment transactions. It is still unclear to what extent the new technology represents a threat or an opportunity. What is obvious, however, is that banks that are mobilising themselves and investing in digitalisation with a view to attaining new customer interfaces, more efficient processes and simpler regulatory compliance are actively shaping their future.

Regulatory framework

The regulatory framework is as follows:

- Prudential supervision by the ECB (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. One of the outcomes of the supervisory review and evaluation process (SREP) was that the ECB notified Helaba in a letter dated 20 November 2015 that, for 2016, it would be required to maintain a minimum Common Equity Tier 1 (CET1) capital ratio of 9.25 % on a consolidated basis (SREP ratio). Alongside this is the capital buffer for other systemically important institutions, which from 1 January 2017 will rise from 0.33 % initially to 1 % in 2019.
- EBA stress test
  The European Banking Authority (EBA) and the European Central Bank (ECB) followed up the last stress test performed as part of the comprehensive assessment in 2014 by conducting another EU-wide stress test, the results of which were published on 29 July 2016. The number of banks included fell from 123 in 2014 to 51. Helaba was again among the banks taking part in 2016. Ultimately, Helaba proved to be an institution with a comfortable level of capital backing. The outcome of the stress test was that the Group-wide Common Equity Tier 1 (CET1, phased in) capital ratio, which was reported to be 13.8 % at the end of 2015, declined by 3.7 percentage points to 10.1 % in the third stress year. Based on a stronger starting point as at 31 December 2015, the absolute CET1 ratio was above the values calculated in the 2014 stress test.

- Single Resolution Mechanism (SRM)
  A second cornerstone of the European banking union to accompany the Single Supervisory Mechanism is the Single Resolution Mechanism, which consists of the Single Resolution Fund (SRF) and the SRB. The resolution fund is funded by the European bank levy collected since 2015. Since January 2016, the SRB has held central decision-making powers and responsibilities in its capacity as the European banking union's resolution authority. As a "significant" institution, Helaba comes under the remit of the SRB. In the first half of 2016, a data collection exercise was conducted for the purposes of resolution planning and determining minimum requirements for own funds and eligible liabilities (MREL). The exercise applies to all groups of institutions under the direct supervision of the SRB and provides the basis for the SRB in determining the institution-specific MREL.

- Capital and liquidity requirements (Basel III/CRD IV/CRR)
  As at 30 June 2016, the CET1 capital ratio for the Helaba Group was 13.9 % (phased in, i.e. taking into account the transitional arrangements under the Capital Requirements Regulation (CRR)) or 13.3 % (fully loaded, i.e. disregarding the transitional arrangements) and the total capital ratio was 20.1 % (applying the CRR transitional arrangements). Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published.

  CRD IV/CRR 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. As stipulated by the supervisory authorities, leverage ratio data will continue to be reported on a quarterly basis in accordance with the requirements of the CRR up to 30 June 2016 prior to the entry into force of Delegated Regulation (EU) 2015/62. As at 30 June 2016, Helaba's regulatory leverage ratio was 4.1 % (applying the CRR transitional arrangements). Helaba's ratio under the Delegated Regulation as at 30 June 2016 was 4.3 %.

- Protection schemes
  Germany has transposed the requirements of the EU directive on deposit guarantee schemes into German law with the Deposit Guarantee Act (EinSiG), which came into force on 3 July 2015. Under this act, institutional protection schemes can be recognised as deposit guarantee schemes provided that the criteria specified in the act are satisfied. Accordingly, the institutional protection scheme operated by the Sparkassen-Finanzgruppe has been recognised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) as a deposit guarantee scheme within the meaning of EinSiG. Of the customer deposits held by the Helaba Group, a total of € 14.7 bn qualify as "covered deposits" within the meaning of EinSiG as at 30 June 2016.

Business performance

Key factors influencing Helaba's business performance and results of operations in the first half of 2016 were the moderate rate of economic growth in Germany, which in real terms was around 1.8 % higher year on year, and the persistently low level of interest rates, which reached new historic lows during the period.

In this environment, Helaba's total assets rose by € 3.3 bn in the first six months of 2016. Besides the market-driven rise in derivatives valuations, this was due to an increase in loans and advances to and liabilities due to customers.

Although the volume of new medium- and long-term business (excluding the WIBank development business, which does not form part of the competitive market) in the Group was down slightly on the prior-year period (€ 9.4 bn) to € 8.8 bn, maturities, special repayments and a currency-related decline were more than offset. Loans and advances to customers rose to € 94.1 bn (31 December 2015: € 93.2 bn). Added to this were loans and advances to affiliated Sparkassen in the amount of € 7.0 bn (31 December 2015: € 7.2 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 total consolidated assets accounted for by customer business, held steady at 58 % in the first half of 2016 (31 December 2015: 58 %) despite the rise in total assets.

In spite of some relatively sharp market fluctuations at the beginning of the year, the market environment for funding operations was generally positive for financial institutions in core eurozone countries during the first half of 2016. Helaba was able to obtain funding inexpensively and without difficulty from institutional and retail investors during the first half of the year. As in previous years, the Bank benefited here from its strategic business model and from its sound business and earnings performance.

As at 30 June 2016, the medium- and long-term funding obtained on capital markets amounted to approximately € 9.6 bn (H1 2015: € 7.7 bn), with unsecured funding amounting to approximately € 7.3 bn (H1 2015: € 4.1 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were on a par with the previous year at around € 1.3 bn. Pfandbrief issues amounted to almost € 2.3 bn in total in the first half of the year (H1 2015: € 3.0 bn), with mortgage Pfandbriefe accounting for about 57 % and public Pfandbriefe about 43 %. The customer deposits in the retail business within the Group, in particular through the subsidiary Frankfurter Sparkasse, bring further diversification to 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, Thuringia and North Rhine-Westphalia held steady in the first half of 2016.

The cost-income ratio as at 30 June 2016 was 64.0 % (31 December 2015: 58.8 %) and therefore within the target range (2016 target: < 65 %). Return on equity declined to 7.4 % (31 December 2015: 8.1 %), still within the target range of 6 to 8 %.

Financial Position and Financial Performance

Financial performance of the Group

	1.1.–30.6.2016	1.1.–30.6.2015	Change	
	in € m	in € m	in € m	in %
Net interest income	611	668	–57	–8.5
Provisions for losses on loans and advances	–75	–66	–9	–13.6
Net interest income after provisions for losses on loans and advances	**536**	**602**	**–66**	**–11.0**
Net fee and commission income	172	163	9	5.5
Net trading income	–13	128	–141	>–100.0
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	107	–18	125	>100.0
Net income from hedge accounting	–1	–2	1	50.0
Net income or expense from financial investments and share of profit or loss of equity-accounted entities	10	–3	13	>100.0
Other net operating income	99	102	–3	–2.9
General and administrative expenses	–631	–610	–21	–3.4
Profit before taxes	**279**	**362**	**–83**	**–22.9**
Taxes on income	–95	–125	30	24.0
Consolidated net profit	**184**	**237**	**–53**	**–22.4**

The key factor influencing Helaba's financial performance in the first half of 2016 was a consolidation of its operating activities at the level seen in previous years, although this was severely impaired by volatile components of income determined by mark-to-market valuation. In particular, the heightened uncertainty in the second quarter precipitated by the EU referendum in the United Kingdom and doubts about the creditworthiness of some eurozone banks led to a widening of credit spreads on securities and credit derivatives in the finance sector, which had a severe adverse effect on net trading income. By contrast, there was an encouraging trend in net fee and commission income, which rose again, and in net interest income, which was down on the prior-year figure but above the budgeted amount despite the drag exerted by persistently low interest rates in Europe. While net interest income after provisions for losses on loans and advances and profit before taxes were well in excess of budget, net trading income was well below the budgeted amount. The changes in the individual items in the income statement were as described below.

Net interest income declined by € 57 m year on year to € 611 m. While portfolios held steady overall, margins on new business dropped due to the high level of market liquidity. Historically low interest rates were a drag on net income from liquidity building and resulted in negative margins on deposit business. Contributions to earnings from early termination fees also declined.

Provisions for losses on loans and advances amounted to € 75 m (H1 2015: € 66 m). Specific loan loss allowances and specific loan loss allowances evaluated on a group basis accounted for a net addition of € 127 m (H1 2015: € 68 m). The portfolio loan loss allowance for lending exposures not at serious risk of default was reversed by an amount of € 49 m (H1 2015: net addition of € 3 m). The balance of direct write-downs, net additions to provisions for lending business risks and recoveries on loans and advances previously written off amounted to net income of € 3 m (H1 2015: € 5 m).

Net interest income after provisions for losses on loans and advances declined from € 602 m in the first half of 2015 to € 536 m in the current reporting period.

Net fee and commission income increased by € 9 m to € 172 m. In particular, fees and commissions from Helaba's lending and guarantee business, payment transactions and international trade business were on an upward trajectory. Fees and commissions from Helaba Invest's asset management activities also rose.

Net trading income, which amounted to a net expense of € 13 m (H1 2015: net income of € 128 m), was impacted first and foremost by increased credit valuation adjustments on derivatives as a result of lower interest rates and a widening of credit spreads. This was due to the heightened market uncertainty precipitated by the EU referendum in the United Kingdom and doubts about the creditworthiness of some eurozone banks. Income from customer-driven capital market operations was satisfactory and almost on a par with the previous year. Trading activities centred mainly on interest rate-related business.

In the same way as net trading income, the gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied are to a significant extent impacted by mark-to-market valuation. This item amounted to a net gain of € 107 m in the reporting period compared with a net loss of € 18 m in the first half of 2015. One reason for the rise was the net gain of € 15 m attributable to financial instruments held by consolidated special funds, which includes both unrealised remeasurement gains or losses and realised sale proceeds (H1 2015: net loss of € 21 m). Another reason was the widening of credit spreads for eurozone banks, which resulted in significant remeasurement gains on financial instruments to which the fair value option is applied. The net loss on remeasurement of the banking book derivatives used to manage interest rates includes the liquidity component of foreign currencies (cross currency basis spread) in the measurement of derivatives and amounted to € 9 m compared with a net loss of € 4 m in the first half of 2015. Net income from hedge accounting, in which the ineffective portion of micro hedges is reported, amounted to a net expense of € 1 m (H1 2015: net expense of € 2 m).

Net income or expense from financial investments increased from a net expense of € 4 m to net income of € 9 m. In the prior-year period, this item was impacted primarily by the write-down of a HETA Asset Resolution AG bond by € 37 m. Realised gains and losses on the disposal of available-for-sale securities fell from € 33 m to € 11 m. As in the first half of 2015, the share of profit or loss of associates and joint ventures accounted for using the equity method amounted to income of € 1 m.

Other net operating income amounted to € 99 m (H1 2015: € 102 m) and was mainly impacted by one of its components, net income from investment property, which amounted to € 74 m (H1 2015: € 71 m) and is the balance of rental income, gains and losses on disposals, operating costs, depreciation and impairment losses.

General and administrative expenses comprised personnel expenses of € 302 m (H1 2015: € 308 m), other administrative expenses of € 310 m (H1 2015: € 282 m) and depreciation, amortisation and impairment losses of € 19 m (H1 2015: € 20 m). Other administrative expenses include the full recognition of the bank levy in the amount of € 37 m (H1 2015: € 53 m) and expenses for the Association overhead allocation and contributions to the DSGV Reserve Fund and the SGVHT deposit security reserve fund in the amount of € 52 m (H1 2015: € 28 m).

Profit before taxes amounted to € 279 m (H1 2015: € 362 m).

After deduction of the income tax expense of € 95 m (H1 2015: € 125 m), consolidated net profit was € 184 m (H1 2015: € 237 m), of which a loss of € 3 m was attributable to non-controlling interests in consolidated subsidiaries (H1 2015: loss of € 6 m).

Comprehensive income declined from € 215 m to € 38 m. This figure includes other comprehensive income in addition to the consolidated net profit for the period as reported in the income statement. Other comprehensive income amounted to a loss of € 146 m (H1 2015: loss of € 22 m). Due to the decrease in the discount rate, the remeasurement of the net defined benefit liability had a negative impact, reducing comprehensive income before tax by € 299 m (H1 2015: reduction of € 9 m). A discount rate of 1.65 % (31 December 2015: 2.50 %) was used to determine pension provisions for the main pension obligations in Germany. A net gain of € 89 m (H1 2015: net loss of € 50 m) before taxes was recognised in other comprehensive income under gains and losses on available-for-sale financial instruments.

Statement of financial position

Assets

	30.6.2016	31.12.2015	Change	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	19,500	19,053	447	2.3
Loans and advances to customers	94,121	93,194	927	1.0
Allowances for losses on loans and advances	–981	–986	5	0.5
Trading assets	27,048	26,078	970	3.7
Positive fair values of non-trading derivatives	5,228	4,376	852	19.5
Financial investments and shares in equity-accounted entities	26,520	26,609	–89	–0.3
Investment property, property and equipment and intangible assets	2,669	2,512	157	6.3
Income tax assets	563	495	68	13.7
Other assets	961	925	36	3.9
Total assets	**175,629**	**172,256**	**3,373**	**2.0**

Equity and liabilities

	30.6.2016	31.12.2015	Change	
	in € m	in € m	in € m	in %
Liabilities due to banks	32,179	35,976	−3,797	−10.6
Liabilities due to customers	49,463	47,727	1,736	3.6
Securitised liabilities	48,602	47,073	1,529	3.2
Trading liabilities	25,930	22,423	3,507	15.6
Negative fair values of non-trading derivatives	4,612	4,380	232	5.3
Provisions	2,364	2,089	275	13.2
Income tax liabilities	132	184	−52	−28.3
Other liabilities	655	642	13	2.0
Subordinated capital	4,078	4,086	−8	−0.2
Equity	7,614	7,676	−62	−0.8
Total equity and liabilities	**175,629**	**172,256**	**3,373**	**2.0**

Helaba's consolidated total assets rose from € 172.3 bn to € 175.6 bn in the first half of 2016. On the assets side of the statement of financial position, loans and advances to customers continue to dominate, accounting for a large proportion of total assets (53.6 %). They increased by € 0.9 bn to € 94.1 bn. Of this amount, commercial real estate loans accounted for € 32.3 bn (31 December 2015: € 31.9 bn) and infrastructure loans for € 14.9 bn (31 December 2015: € 15.3 bn).

The € 0.4 bn rise in loans and advances to banks including the cash reserve to € 19.5 bn was due in particular to the increase in cash collateral pledged. Trading assets recognised at fair value amounted to € 27.0 bn at the reporting date (31 December 2015: € 26.1 bn). While the portfolio of bonds and other fixed income securities declined by € 2.4 bn to € 10.0 bn, the positive fair values of derivatives climbed by € 3.4 bn to € 15.3 bn. Non-trading derivatives likewise increased by € 0.9 bn, meaning that the positive fair values of all derivatives rose by € 4.3 bn overall to € 20.5 bn. Financial investments, of which bonds constituted around 98 %, remained almost unchanged at € 26.5 bn.

On the liabilities side, liabilities due to banks declined by € 3.8 bn to € 32.2 bn. This was due to both a fall in liabilities from securities repurchase transactions and lower overnight, time and demand deposits from Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. Conversely, liabilities due to customers rose to the reported amount of € 49.5 bn (31 December 2015: € 47.7 bn), with balances on current accounts growing by € 0.4 bn to € 13.4 bn and overnight and time deposits by € 1.0 bn to € 15.7 bn. Securitised liabilities climbed by € 1.5 bn to € 48.6 bn due in particular to the increased volume of unsecured bonds. The € 3.5 bn increase in trading liabilities to € 25.9 bn is due to the rise in the negative fair values of derivatives. Taking into account the non-trading derivatives, the negative fair values of derivatives rose by a total of € 3.7 bn to € 18.5 bn.

Subordinated capital was unchanged year on year at € 4.1 bn.

Equity

The Helaba Group's equity amounted to € 7.6 bn as at 30 June 2016 (31 December 2015: € 7.7 bn). The reduction is due mainly to the remeasurement of pension obligations, which depressed retained earnings. The discount rate used in the process was reduced from 2.50 % to 1.65 %. The cumulative negative effect on equity of pension provisions after deferred taxes was € 622 m (31 December 2015: negative effect of € 413 m). Conversely, the revaluation reserve recognised in other comprehensive income rose, by € 63 m to € 265 m after deferred taxes. The rise in the revaluation reserve was driven in particular by remeasurement gains. Comprehensive income of € 38 m for the first half of 2016 also pushed up equity. Exchange rate factors resulted in a fall in the currency translation reserve to € 21 m. An amount of € 100 m was distributed to the owners from consolidated net profit for 2015 based on their shareholdings and capital contributions.

Please refer to the risk report and Note (42) in the Notes for information on the regulatory capital ratios.

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

The contributions of the individual segments to the profit before taxes of € 279 m for the first half of 2016 (H1 2015: € 362 m) were as follows:

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Real Estate	180	227
Corporate Finance	–3	69
Financial Markets	33	44
S-Group Business, Private Customers and SME Business	50	85
Public Development and Infrastructure Business	12	11
Other	–54	–117
Consolidation/reconciliation	61	43
Group	**279**	**362**

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

The Real Estate Lending business line made the largest contribution to earnings in the Real Estate segment. In the first half of 2016, the volume of new medium- and long-term business closed in real estate lending declined by 6 % year on year to € 4.9 bn (H1 2015: € 5.2 bn) and nevertheless exceeded the pro rata forecast by some way. The average volume of business fell slightly as a result of the high level of redemptions. Net interest income in the segment dropped to € 183 m (H1 2015: € 205 m) due to falling margins on new business.

At € 14 m, provisions for losses on loans and advances were up on the prior-year figure, but well below budget. The contributing factors in the first half of the year included reversals of specific loan loss allowances and the small amount of new additions.

The gain of € 3 m on non-trading derivatives and financial instruments to which the fair value option is applied was primarily the result of the real estate subsidiaries' interest rate hedging arrangements (H1 2015: gain of € 8 m).

Net income from equity investments in the real estate sector included within other net operating income decreased year on year as expected due to the deconsolidation of real estate companies and was therefore as forecast. Other net operating income was down on the previous year to a net expense of € 12 m (H1 2015: net income of € 124 m).

General and administrative expenses in the segment increased by € 5 m compared with the prior-year period to € 118 m (H1 2015: € 113 m). Of the total rise, € 3 m was attributable to higher cost allocations.

The segment's profit before taxes declined by 21 % compared with the prior-year period to € 180 m (H1 2015: € 227 m).

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

The volume of new medium- and long-term business in the Corporate Finance business line was down year on year to € 1.9 bn (H1 2015: € 2.2 bn). Although contributions from interest terms remained unchanged, net interest income in the segment dropped to € 162 m (H1 2015: 183 m) due to a decline in non-recurring income, falling just 3 % short of the pro rata forecast. Net fee and commission income was unchanged year on year.

Provisions for losses on loans and advances amounted to € 110 m, a significant increase on the low prior-year figure of € 63 m. This was almost exclusively the result of the additions to allowances in the shipping portfolio recognised in the first half of the year.

General and administrative expenses in the segment increased by € 4 m compared with the prior-year period to € 65 m (H1 2015: € 61 m). The increase was mainly attributable to higher cost allocations.

The segment's earnings before taxes were down significantly on the prior-year profit of € 69 m to a loss of € 3 m due in particular to provisions for losses on loans and advances.

Financial Markets segment
The Financial Markets segment includes the earnings of the Capital Markets, Asset/Liability Management, Sales Public Authorities, Financial Institutions and non-domestic territorial entities as well as Helaba Invest Kapitalanlagegesellschaft mbH.

The segment's net interest income resulted primarily from lending business with domestic and foreign local and regional authorities and money market trading with customers. In the first half of 2016, the volume of new medium- and long-term business closed with domestic and foreign local and regional authorities remained unchanged year on year at € 0.6 bn. The segment's net interest income was down slightly on the prior-year figure of € 26 m to € 23 m due to lower loan portfolios and lower margins on money market trading.

In asset management and capital market operations, fees and commissions increased slightly to € 40 m (H1 2015: € 38 m).

Net trading income for the first half of 2016 amounted to a net expense of € 17 m (H1 2015: net income of € 121 m) due to the negative trend in interest rates and heightened market volatility. The relatively high credit valuation adjustments (CVA) and funding valuation adjustments (FVA) were primarily the result of volatile markets at the reporting date.

The gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied improved by € 115 m to a net gain of € 96 m. This was mainly the result of the credit risk-related change in the value of liabilities to which the fair value option is applied, which was sharply higher at the reporting date. Net income from hedge accounting amounted to an expense of € 1 m in the first half of the year (H1 2015: expense of € 2 m).

General and administrative expenses in the segment declined by a marginal € 1 m compared with the prior-year period to € 110 m (H1 2015: € 111 m).

At € 33 m, the segment's profit before taxes was down significantly on the prior-year figure (H1 2015: € 44 m), but up slightly on the pro rata forecast.

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

Income before the S-Group Bank's provisions for losses on loans and advances declined by € 17 m to € 54 m (H1 2015: € 71 m) due in particular to a drop in income from the certificates business and also from deposit business as a result of the low level of interest rates. The S-Group Bank's general and administrative expenses increased by € 7 m due to the product units' higher allocations, as a result of which S-Group Bank earnings in the segment deteriorated significantly year on year.

In Frankfurter Sparkasse's business, the low level of interest rates was reflected in a year-on-year decline in net interest income and in lower net income from financial investments. Net fee and commission income and general and administrative expenses were unchanged year on year. Thanks to the solid contribution of € 11 m from financial instruments measured at fair value and held in special funds (H1 2015: expense of € 5 m), Frankfurter Sparkasse's profit before taxes in the segment was up slightly on the prior-year figure (€ 60 m) overall to € 63 m.

In the reporting period, LBS generated gross new business slightly short of the prior-year level and, as in the previous year, contributed € 4 m to segment earnings. Frankfurter Bankgesellschaft increased customer volumes under management slightly in the first half of the year, although these were inadequately reflected in the Group's slightly negative earnings.

Profit before taxes in the S-Group Business, Private Customers and SME Business segment was down significantly on the prior-year figure of € 85 m to € 50 m.

Public Development and Infrastructure Business segment
The Public Development and Infrastructure Business segment mainly comprises the business of WIBank.

The first half of the year was marked in particular by the expansion of the infrastructure development business in an environment of persistently low interest rates. Net interest income was down slightly on the prior-year figure (€ 25 m) to € 24 m due to lower interest margins on certain finance arrangements. Net fee and commission increased by a marginal € 1 m year on year to € 19 m due to service business and the implementation of new development programmes.

General and administrative expenses for the first half of 2016 were € 31 m. The decline compared with the previous year (€ 32 m) is due primarily to lower IT project expenses, although some of the decrease was offset by higher building costs.

Profit before taxes in the segment was up slightly on the prior-year figure (€ 11 m) to € 12 m.

Other segment
The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, this segment includes the net income from the transaction banking business as well as the costs of the central

units that cannot be allocated to the individual segments in line with the user-pays principle.

Specifically included are the Cash Management and Settlement/Custody Services business lines, the corporate centres and the net income or expense from own fund investing activities.

The segment’s net interest income, a negative amount of € 10 m (H1 2015: € –13 m), and the gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied were mainly influenced by own fund investing activities and the centrally recognised costs of capital. The contribution to interest from own fund investing activities increased by € 3 m compared with the prior-year period.

Net fee and commission income held steady year on year at € 15 m (H1 2015: € 14 m) and was largely generated by the Cash Management and Settlement/Custody Services business lines.

Provisions for losses on loans and advances amounted to € 46m in the first half of 2016 and were impacted mainly by reversals of the portfolio loan loss allowance recognised centrally to cover lending exposures not at serious risk of default (H1 2015: € 3m).

Net income from financial investments increased by € 7 m year on year due to the sale of the equity investment EURO Kartensysteme GmbH.

General and administrative expenses in the Other segment were down slightly on the prior-year period (H1 2015: € 118 m) to € 117 m in the first half of 2016. The bank levy and the contribution to the reserve funds are already fully included at the end of the first half of the year.

The segment’s loss before taxes amounted to € 54 m (H1 2015: loss of € 117 m).

Consolidation/reconciliation

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

The profit before taxes under consolidation/reconciliation amounted to € 61 m (H1 2015: € 43 m).

Report on Events After the Reporting Date

There were no significant events after 30 June 2016.

Risk Report

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

The business and risk strategy of the Helaba Group form an integral part of the business and risk strategy of the Sparkassen-Finanzgruppe Hessen-Thüringen.

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

Risk Types

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

- default risk,
- market price risk,
- liquidity risk,
- operational risk,
- business risk and
- real estate risk.

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 at the reporting date, the equity and the subordinated capital under IFRSs. 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 the second quarter of 2016, underlining Helaba's conservative risk profile. The same applies in respect of the calculation of risk-bearing capacity for Helaba Bank.

The base scenario of the going-concern approach for the Group shows a capital buffer of € 3.1 bn (31 December 2015: € 3.2 bn) with respect to the economic risk exposures taking account of an internal risk buffer. The capital buffer with respect to the economic risk exposures under the gone-concern approach for the Group amounts to € 6.2 bn (31 December 2015: € 6.6 bn).

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

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

Other deposit security mechanisms

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

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

The German Deposit Guarantee Act (Einlagensicherungsgesetz – EinSiG), which implements the requirements of the EU Directive on Deposit Guarantee Schemes, came into force on 3 July 2015. The Sparkassen-Finanzgruppe acted promptly to bring its deposit protection scheme into line with the amended legal provisions. The scheme now includes a deposit protection scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected at the Helaba Group amount to € 14.7 bn in total. The target total value of the protection scheme to be contributed by 2024 was also raised and an amended basis for assessment was adopted. The German Federal Financial Supervisory Authority (BaFin) has recognised the Sparkassen-Finanzgruppe's institutional protection scheme as a deposit guarantee scheme for the purposes of the German Deposit Guarantee Act.

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide Joint Liability Scheme 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.

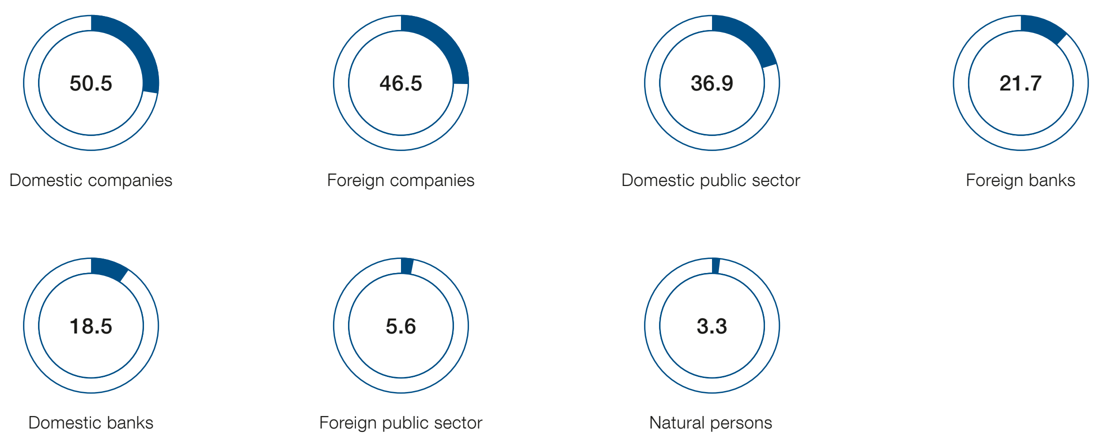
Development institution WIBank, which is organised as a dependent institution within Landesbank Hessen-Thüringen, enjoys the direct statutory guarantee of the State of Hesse as regulated by law and as permitted under EU law on state aid.

Default Risks

Chart 1 shows the total volume of lending in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 183.0 bn as at 30 June 2016 (31 December 2015: € 184.6 bn) broken down by customer group. The total volume of lending is the risk exposure value calculated in accordance with the legal provisions applicable to large exposures before applying the exemptions in relation to calculating utilisation of the large exposure limit and before applying credit mitigation techniques.

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

in € bn



In line with the business model, Helaba's lending activities as at 30 June 2016 focused on financial institutions (particularly in the banking sector), the public sector and the real estate and housing sector.

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

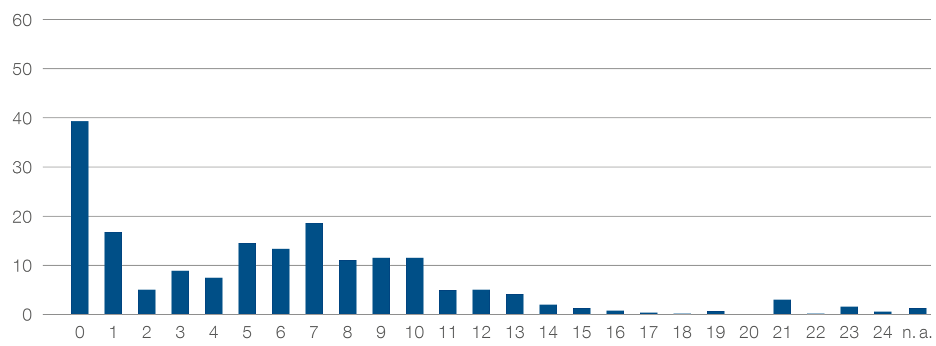
Region	Share 30.6.2016	Share 31.12.2015
Germany	59.51 %	60.49 %
Western Europe	19.17 %	18.88 %
North America	12.83 %	12.47 %
Rest of Europe	4.39 %	4.38 %
Scandinavia	2.69 %	2.37 %
Rest of the world	1.42 %	1.43 %

This shows that the largest risk exposures are still in selected countries of Western Europe, most notably Germany. The United Kingdom accounted for 4.5 % (31 December 2015: 4.3 %).

Creditworthiness/risk appraisal
The Bank employs 14 rating systems developed together with the German Savings Banks Association (Deutscher Sparkassen- und Giroverband –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 in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 183.0 bn (31 December 2015: € 184.6 bn) broken down by default rating category.

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



The base scenario of the risk-bearing capacity calculation shows an economic risk exposure of € 753 m (31 December 2015: € 824 m) for the Group from default risks. The decline in the first half of 2016 is due, among other factors, to the scaling-back of risk exposures in various portfolios and improved ratings.

Provisions 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.

Country risks

The transfer, conversion and event risks from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 49.8 bn (31 December 2015: € 49.2 bn), most of which was accounted for by borrowers in Europe (80.1 %) and North America (17.2 %). As at 30 June 2016, 91.6 % (31 December 2015: 91.9 %) of these risks were assigned to country rating classes 0 and 1 and a further 8.2 % (31 December 2015: 7.9 %) came from rating categories 2 – 13. Just 0.2 % (31 December 2015: 0.2 %) fell into rating class 14 or worse.

Exposure in selected countries

Helaba's net exposure to borrowers in the United Kingdom across the narrow Group companies amounted to € 8.5 bn as at 30 June 2016 (31 December 2015: € 8.1 bn). The United Kingdom's vote to leave the EU (Brexit) did not have a significant effect on default risk in the first half of the year.

In Italy, Helaba had net exposure of € 1.1 bn (31 December 2015: € 1.1 bn), primarily to financial institutions with a sound risk profile.

Market Price 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 30 June 2016 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market price risk types. Rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro exposures account for 86 % (31 December 2015: 84 %) of the linear interest rate risk in the overall portfolio of the narrow Group companies and US dollar exposures for 9 % (31 December 2015: 9 %). In equities trading, the focus is on securities listed on the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar, Swiss franc, Japanese yen and sterling positions. Residual risk amounted to € 14 m for the Group (31 December 2015: € 15 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 174 m (31 December 2015: € 201 m). The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 425 m (31 December 2015: € 433 m) for the Group from market price risks.

Group MaR by risk type
Chart 3

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Total	**87**	**89**	**70**	**69**	**1**	**1**	**16**	**19**
Trading book	23	29	22	27	0	0	1	2
Banking book	68	67	52	49	1	1	16	17

All risk measurement 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.

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 first half of 2016. In the first half of 2016, the average MaR was € 26 m (2015 as a whole: € 26 m), the maximum MaR was € 33 m (2015 as a whole: € 34 m) and the minimum MaR was € 21 m (2015 as a whole: € 11 m).

Daily MaR of the trading book in the first half of 2016
Chart 4

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 at 30 June 2016, such an interest rate shock would, in the unfavourable scenario, result in a negative change in value of € 251 m in the Helaba Group banking book (31 December 2015: € 285 m). Of this figure, € 234 m (31 December 2015: € 270 m) is attributable to local currency and € 17 m (31 December 2015: € 15 m) to foreign currencies. Helaba carries out an interest rate shock test at least once every quarter.

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

Liquidity and Funding 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 and funding risks. The processes, tools and responsibilities in place for managing liquidity and funding risks have clearly demonstrated their value over recent years in the face of the global crisis in the financial markets and the resultant turmoil in the money and capital markets. Helaba's liquidity was once again fully assured at all times in the first half of 2016. The processes of containing and monitoring liquidity and funding risks are combined in the Internal Liquidity Adequacy Assessment Process (ILAAP) and comprehensively validated on a regular basis.

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

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 at all times in the first half of 2016.

The short-term liquidity status concept has been selected to allow various stress scenarios to be mapped. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are five days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. The utilisation rate in the most relevant scenario (solvency) was 32 % as at 30 June 2016 (31 December 2015: 45 %). This increases to 33 % (31 December 2015: 46 %) if Frankfurter Sparkasse is included. The average utilisation rate in the first half of 2016 was 32 % (31 December 2015: 28 %). The Bank also meets the regulatory requirements regarding the liquidity coverage ratio (LCR) under the CRR. The LCR exceeded the minimum ratio of 70 % of relevance for regulatory purposes at all times in the first half of 2016.

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

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

Funding risk is managed on the basis of liquidity gap analyses where liquidity mismatches are limited. By diversifying its sources of funding, the Bank prevents concentrations of risk from arising when obtaining liquidity. Market liquidity risk is measured in the MaR model for market price risks.

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

Operational Risks

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

Quantification
Operational risks are quantified for Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model based on a loss distribution approach, which considers risk scenarios and internal and external losses to calculate unexpected losses (economic risk exposure). This also includes internal loss events and risk scenarios arising from operational risks that are attributable to model risk and legal, information security and IT risks. Chart 5 below shows the risk profile for Helaba, Frankfurter Sparkasse, Helaba Invest and the other Helaba Group companies in the first half of 2016:

Operational risks – risk profile

Economic risk exposure – base scenario
Chart 5

in € m

	Reporting date 30.6.2016	Reporting date 31.12.2015
Helaba Bank	36	37
Frankfurter Sparkasse, Helaba Invest and other companies	33	34
Narrow Group companies	**69**	**71**

The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an unexpected loss (economic risk exposure) of € 69 m (31 December 2015: € 71 m) for the Group from operational risks. The slight decrease is the result of changes on the loss side.

Other Risk Types

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.

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

Business risks
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.

Reputation risk involves the possibility of a deterioration in Helaba's public image 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. 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 fell by € 6 m compared with year-end 2015 to € 158 m as at 30 June 2016 (31 December 2015: € 164 m).

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.

Due to methodology-related effects, risks from real estate projects and real estate portfolios increased to € 29 m in the first half of 2016 (31 December 2015: € 21 m). These risks continue to be fully covered by the expected income from the associated transactions.

Outlook and Opportunities

Global economic conditions

The global economy remains on a flat growth trajectory. Key emerging markets such as China are shifting to a lower growth trend over the medium term. Others such as Russia and Brazil are only slowly emerging from a period of pronounced economic weakness. The US economy continues to expand at a moderate pace, but has recently been held in check by anaemic demand for exports and the correction in the mining and energy sector. It is being supported by an easing in the financial policy headwind, a solid labour market and still very loose monetary policy. Despite the acceleration in the course of the year, though, the US economy is only likely to achieve average growth of around 1.5 % in 2016. Full unemployment has almost been reached. The eurozone is maintaining a moderate pace in 2016, with economic growth set to be 1.6 %. Almost all member states are expanding. The pace of expansion in previously crisis-hit Spain is particularly strong. The outlook for France and Italy remains subdued. Private consumption is also the driving force in the single currency area. This is being boosted by low inflation averaging an annual 0.4 %, which is a boon to private households. In addition, employment in many countries is rising. Monetary policy remains extremely expansionary, making it easier to finance investment, and fiscal policy is not exerting any drags. The ECB is holding key interest rates at record lows and continuing its bond-buying programme. Although the US Federal Reserve tried to end its zero interest rates policy at the end of 2015, gyrations in the financial markets then prevented it from pursuing this course of action. It will be a long while yet before the benchmark rate in the USA reaches a level where it puts a brake on the economy. Global economic growth is likely to be just over 3 % in 2017, only a little higher than in the previous year.

Opportunities

Helaba has long had a stable and viable strategic business model in place. The key factors behind Helaba's success remain its conservative risk profile, backed up by effective risk management, and the strategic business model for the Group as a whole based on the concept of a full-service bank with its own retail business, a strong base in the region, a very close relationship with the Sparkassen and robust capital and liquidity adequacy. Helaba is valued by its customers as a reliable partner because of its sound business model. This is reflected particularly in the long-term financing operations in real estate lending and corporate finance, in which the Bank is one of the leading providers in Germany.

Rating agencies Fitch Ratings (Fitch), S&P and Moody's Investors Service (Moody's) have awarded Helaba ratings of A+, A and A1 for long-term senior unsecured liabilities and F1+, A–1 and P–1 for short-term liabilities. 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 Sparkassen organisation by virtue of its ownership structure (88 % of its shares are held by members of the Sparkassen organisation) and its central bank function for 40 % of Sparkassen in Germany. 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 has been opened in Stockholm to help Helaba continue the process of tapping into the potential offered by the Scandinavian real estate markets. Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to 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 expand further the syndication offering it extends to customers and investors and thus fine-tune the management of its own assets and liabilities. Syndication arrangements also allow Sparkassen to participate in lending transactions set up by Helaba experts and thus diversify their risk.

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 planned for 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. At the same time, competition is increasing due to the arrival of new market participants from the digital arena. To protect its anchor product – the current account – and fend off competitors from outside the industry, the banking sector has therefore 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; paydirekt was launched on 27 April 2016. 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).

The advance of digitisation will be a key issue in future-proofing banks over the coming years. It 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. The main challenge in the coming years will be to ready payment transactions for the requirements of the digital age, thereby boosting competitiveness and capacity for innovation.

To take wholesale advantage of the opportunities offered by the trend towards digitisation, Helaba has established a new unit called the Digitisation Strategy Project. A systematic analysis of the options in all divisions culminated in five digitisation initiatives. Teams combining staff from department and IT units will use an agile development method to devise prototypes for various customer portals and two payment applications. A decision on whether to implement them in the Helaba infrastructure will be taken following discrete customer tests in autumn 2016. From this starting point, Helaba will launch further initiatives with the aim of using digital solutions to enhance both the interfaces with the customer and the efficiency of downstream processes.

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

Probable development of the Group

In light of the volume of new medium- and long-term business already achieved in the first half of the year, Helaba expects to exceed the budgeted volume of new business.

Despite falling margins on new business, partly as a result of the ECB's bond-buying programme, net interest income for 2016 as a whole is expected to come in as forecast.

Based on the economic situation, the Bank believes that additions to provisions for losses on loans and advances will be in line with the pro rata forecast in the second half of the year, as a result of which the full-year figure will be below budget.

Fee and commission income is predicted to maintain a continuous trend and rise year on year. Net fee and commission income will probably be slightly lower than budgeted, however.

Net trading income has been impacted by high volatility during the year to date. Market gyrations fuelled by uncertainty are also expected to depress net trading income in the further course of the year, as a result of which the full-year figure is anticipated to be well below budget. The remeasurement gain on liabilities measured at fair value that was contained within the gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied at the end of the first half will decline in the second half of the year.

Within other net operating income, net income from equity investments in the real estate sector is expected to be as budgeted. Overall, Helaba expects to repeat first-half income. Despite a year-on-year improvement, this would mean undershooting the budget.

As the cost of the bank levy is recognised in full in the first half of the year, general and administrative expenses will fall in the second half and over the year as a whole are expected to be slightly below budget.

There are risks to Helaba's earnings performance in the second half of the year from an economic slowdown in the eurozone. In particular, the uncertainty surrounding the United Kingdom's exit negotiations poses a risk to economic performance. In addition, there is still the potential for escalation due to the political instability in Turkey and the Middle East. The Bank assumes that interest rates will remain low in the second half of 2016. Risks then arise if interest rates move even further into negative territory and weigh on money and capital markets as well as customer business.

Alongside the opportunities and risks in business operations, there is the eclipsing effect of the mark-to-market valuation of trading and banking book portfolios, which have been highly volatile so far this year. Despite the uncertainty associated with this, we still believe that the full-year earnings forecast can be met and are therefore retaining our overall guidance.

The anticipated performance will enable all silent participations, profit participation rights and subordinated debt to be serviced in full in financial year 2016. The CET1 capital ratio and the total capital ratio are expected to be marginally lower than the levels achieved at the midpoint in the year.

Overall assessment

The key factor influencing Helaba's business and earnings performance in the first half of 2016 was a consolidation of the components of operating income at the level seen in previous years, although this was eclipsed by market-related measurement effects. While sharply lower year on year, consolidated net profit before tax is nevertheless clearly in excess of the pro rata forecast. This is due to a combination of the encouraging trend in net interest income, the requirement for a smaller amount of provisions for losses on loans and advances than budgeted due to economic conditions and general and administrative expenses also being less than forecast. From a current perspective, Helaba is still able to achieve the target set out in the annual budget. It sees the greatest uncertainties with an impact on full-year business performance in potential turbulence on the capital market, which may be triggered by political developments in Europe and central bank actions.

Frankfurt am Main/Erfurt, 16 August 2016

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Fenk
Dr. Hosemann	Mulfinger	Dr. Schraad

Consolidated Interim Financial Statements

Income Statement

for the period 1 January to 30 June 2016

	Notes	1.1.–30.6.2016	1.1.–30.6.2015	Change	
		in € m	in € m	in € m	in %
Interest income		2,024	2,248	–224	–10.0
Interest expense		–1,413	–1,580	167	10.6
Net interest income	(3)	**611**	**668**	**–57**	**–8.5**
Provisions for losses on loans and advances	(4)	–75	–66	–9	–13.6
Net interest income after provisions for losses on loans and advances		**536**	**602**	**–66**	**–11.0**
Fee and commission income		282	270	12	4.4
Fee and commission expenses		–110	–107	–3	–2.8
Net fee and commission income	(5)	**172**	**163**	**9**	**5.5**
Net trading income	(6)	–13	128	–141	>–100.0
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	(7)	107	–18	125	>100.0
Net income from hedge accounting	(8)	–1	–2	1	50.0
Net income from financial investments	(9)	9	–4	13	>100.0
Share of profit or loss of equity-accounted entities	(10)	1	1	–	–
Other net operating income	(11)	99	102	–3	–2.9
General and administrative expenses	(12)	–631	–610	–21	–3.4
Profit before taxes		**279**	**362**	**–83**	**–22.9**
Taxes on income		–95	–125	30	24.0
Consolidated net profit		**184**	**237**	**–53**	**–22.4**
thereof: Attributable to non-controlling interests		–3	–6	3	50
thereof: Attributable to shareholders of the parent company		187	243	–56	–23.0

Statement of Comprehensive Income

for the period 1 January to 30 June 2016

	1.1.–30.6.2016	1.1.–30.6.2015	Change	
	in € m	in € m	in € m	in %
Consolidated net profit according to the income statement	**184**	**237**	**–53**	**–22.4**
Items that will not be reclassified to profit or loss:				
Remeasurement of net defined benefit liability	–299	–9	–290	>–100.0
Taxes on income on items that will not be reclassified to profit or loss	90	3	87	>100.0
Subtotal	**–209**	**–6**	**–203**	**>–100.0**
Items that will be subsequently reclassified to profit or loss:				
Gains or losses on available-for-sale financial assets				
Measurement gains (+) or losses (–) on available-for-sale financial assets	97	–56	153	>100.0
Gains (-) or losses (+) reclassified to profit or loss upon disposal or impairment of the assets	–8	6	–14	>–100.0
Changes due to currency translation				
Gains (+) or losses (–) on currency translation of foreign operations	–2	8	–10	>–100.0
Taxes on income on items that will be reclassified to profit or loss	–24	26	–50	>–100.0
Subtotal	**63**	**–16**	**79**	**>100.0**
Other comprehensive income after taxes	**–146**	**–22**	**–124**	**>–100.0**
Comprehensive income for the reporting period	**38**	**215**	**–177**	**–82.3**
thereof: Attributable to non-controlling interests	–1	–4	3	75.0
thereof: Attributable to shareholders of the parent company	39	219	–180	–82.2

Statement of Financial Position

as at 30 June 2016

Assets

	Notes	30.6.2016 in € m	31.12.2015 in € m	Change in € m	Change in %
Cash reserve	(14)	2,335	1,909	426	22.3
Loans and advances to banks	(15)	17,165	17,144	21	0.1
Loans and advances to customers	(16)	94,121	93,194	927	1.0
Allowances for losses on loans and advances	(17)	–981	–986	5	0.5
Trading assets	(18)	27,048	26,078	970	3.7
Positive fair values of non-trading derivatives	(19)	5,228	4,376	852	19.5
Financial investments	(20)	26,483	26,575	–92	–0.3
Shares in equity-accounted entities	(21)	37	34	3	8.8
Investment property	(22)	2,111	1,946	165	8.5
Property and equipment	(23)	417	425	–8	–1.9
Intangible assets	(24)	141	141	–	–
Income tax assets		563	495	68	13.7
Other assets	(25)	961	925	36	3.9
Total assets		**175,629**	**172,256**	**3,373**	**2.0**

Equity and liabilities

		30.6.2016	31.12.2015	Change	
	Notes	in € m	in € m	in € m	in %
Liabilities due to banks	(26)	32,179	35,976	–3,797	–10.6
Liabilities due to customers	(27)	49,463	47,727	1,736	3.6
Securitised liabilities	(28)	48,602	47,073	1,529	3.2
Trading liabilities	(29)	25,930	22,423	3,507	15.6
Negative fair values of non-trading derivatives	(30)	4,612	4,380	232	5.3
Provisions	(31)	2,364	2,089	275	13.2
Income tax liabilities		132	184	–52	–28.3
Other liabilities	(32)	655	642	13	2.0
Subordinated capital	(33)	4,078	4,086	–8	–0.2
Equity	(34)	7,614	7,676	–62	–0.8
Subscribed capital		2,509	2,509	–	–
Capital reserves		1,546	1,546	–	–
Retained earnings		3,276	3,398	–122	–3.6
Revaluation reserve		265	202	63	31.2
Currency translation reserve		21	23	–2	–8.7
Non-controlling interests		–3	–2	–1	–50.0
Total equity and liabilities		**175,629**	**172,256**	**3,373**	**2.0**

Statement of Changes in Equity

for the period 1 January to 30 June 2016

in € m

	Equity attributable to shareholders of the parent company						Non-controlling interests	Total equity
	Subscribed capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Subtotal		
Equity at 1.1.2015	**2,509**	**1,546**	**3,030**	**249**	**14**	**7,348**	**2**	**7,350**
Dividend payment			–110			–110		–110
Comprehensive income for the reporting period			237	–26	8	219	–4	215
Equity at 30.6.2015	**2,509**	**1,546**	**3,157**	**223**	**22**	**7,457**	**–2**	**7,455**
Dividend payment			–3			–3		–3
Comprehensive income for the reporting period			244	–21	1	224	–	224
Equity at 31.12.2015	**2,509**	**1,546**	**3,398**	**202**	**23**	**7,678**	**–2**	**7,676**
Dividend payment			–100			–100		–100
Comprehensive income for the reporting period			–22	63	–2	39	–1	38
Equity at 30.6.2016	**2,509**	**1,546**	**3,276**	**265**	**21**	**7,617**	**–3**	**7,614**

Cash Flow Statement

for the period 1 January to 30 June 2016 – condensed

in € m

	2016	2015
Cash and cash equivalents at 1.1.	**1,909**	**1,033**
Cash flow from operating activities	451	3,512
Cash flow from investing activities	42	–922
Cash flow from financing activities	–114	25
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	47	–38
Cash and cash equivalents at 30.6.	**2,335**	**3,610**
thereof:		
Cash on hand	80	67
Balances with central banks	2,255	3,543

The cash flow statement shows the composition of and the changes in cash and cash equivalents in the first half of the financial year. Cash and cash equivalents correspond to the cash reserve, which comprises cash on hand and balances with central banks. The changes in cash and cash equivalents are attributable to operating activities, investing activities and financing activities.

Notes

Accounting Policies

(1) Basis of Presentation

Basis of accounting
The consolidated interim financial statements of the Helaba Group for the period ended 30 June 2016 have been prepared pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). They also take into consideration the requirements of IAS 34 Interim Financial Reporting. The cash flow statement is presented in a condensed version; only selected information is disclosed in the notes.

Generally, the accounting policies applied in the preparation of these interim financial statements are the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2015.

IFRSs applied for the first time
The 2016 interim financial statements were the first financial statements in which application of the following IFRSs and International Financial Reporting Standards Interpretations (IFRICs) adopted by the EU and of possible relevance for Helaba was mandatory:

- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative
  The amendments to IAS 1 are the result of an initiative to improve the presentation of and disclosures in financial statements. They clarify that the concept of materiality applies to the whole of financial statements, that professional judgement should be applied in determining what information to disclose and that the inclusion of immaterial information can inhibit the clarity of financial disclosures. The amendments are not required to be applied retrospectively.

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

- Amendments to IFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
  This clarifies that acquisitions and additional acquisitions of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, must be recognised in accordance with the principles governing business combinations accounting in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments do not apply when the reporting entity and the parties sharing joint control are under the common control of the same ultimate controlling party. The new requirements apply prospectively to acquisitions of interests in reporting periods beginning on or after 1 January 2016.

- Annual Improvements to IFRSs – 2010 – 2012 Cycle
  The annual improvements include changes to IFRSs (with an impact on recognition, measurement and reporting of transactions) and also terminology and editorial adjustments. Under IASB requirements, they ought to have been applicable for the first time in financial year 2015. However, when adopting the standards, the EU postponed mandatory initial application until annual reporting periods beginning on or after 1 February 2015. Helaba had not yet applied this standard in the 2015 annual financial statements. Depending on the amendment in question, the new requirements are required to be applied prospectively or retrospectively. The following standards were affected by the improvements in this cycle:
  - IFRS 2 Share-based Payment
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IAS 16 Property, Plant and Equipment
  - IAS 24 Related Party Disclosures
  - IAS 38 Intangible Assets

- Annual Improvements to IFRSs – 2012 – 2014 Cycle
  The annual improvements include changes to IFRSs (with an impact on recognition, measurement and reporting of transactions) and also terminology and editorial adjustments. Depending on the amendment in question, the new require-

ments are required to be applied prospectively or retrospectively. The following standards were affected by the improvements in this cycle:

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

All IFRSs and IFRICs for which application was mandatory in the EU as at 30 June 2016 have been applied in full. The adoption of the new or amended standards had little or no impact on the consolidated financial statements.

New financial reporting standards for future financial years

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

  - Classification and measurement of financial instruments
    Compared with IAS 39, the provisions governing the classification and measurement of financial instruments, particularly those covering financial assets, have been fundamentally recast. In the future, the classification and measurement of these instruments will be based on the business model concerned and the characteristics of the contractual cash flows:
    – IFRS 9 provides for three basic models for the purposes of allocating financial assets to a specific business model: hold to collect the contractual cash flows, hold to collect and sell, and hold for trading.
    – With regard to the characteristics of cash flows, financial assets will be classified on the basis of a cash flow characteristics test to establish whether the contractual cash flows at specific points in time are (other than minimal exceptions) solely payments of principal and interest on the principal amount outstanding. Given the structure of the cash flow test, only debt instruments such as bonds (from the bondholder perspective) can satisfy these requirements.
    – Depending on how the above criteria are satisfied, the financial asset concerned is classified as “at amortised cost”, “at fair value through other comprehensive income” or “at fair value through profit or loss”.
    In contrast, there are hardly any changes in IFRS 9 relating to the classification and measurement provisions governing financial liabilities. The only change affects liabilities designated at fair value. In the future, changes in this fair value attributable to changes in own credit risk will have to be presented in other comprehensive income (OCI) rather than in profit or loss.
    As the classification requirements differ from the existing assessments under IAS 39, it is likely that the new standard will give rise to differences in the classification and measurement of financial assets. The changes are not expected to have a material impact on the statement of financial position. The income statement may be more significantly affected by volatile credit spreads on financial instruments measured at fair value through profit or loss, as opposite effects arising from Helaba’s own liabilities have to be recognised in other comprehensive income in future.

  - Accounting treatment of the impairment of financial assets
    As a consequence of the new regulations governing the accounting treatment of impairment there will be a fundamental change in the way that impairment is recognised. This is because the new model requires the recognition not only of incurred losses (as previously) but also expected losses. In addition, there will have to be a differentiation in the recognition of expected losses depending on whether the credit risk relating to financial assets has materially deteriorated or not since initial recognition. The provisions for losses on loans and advances on initial recognition will be based on the first 12-month expected credit losses (12-month ECL). If the credit risk has deteriorated significantly and this risk is not classified as low on the reporting date, all expected losses over the entire lifetime must be recognised from this date onwards (lifetime expected credit losses, lifetime ECL).

    It is anticipated that IFRS 9 will lead to a significant increase in the level of the provisions for losses on loans and advances. This expectation is supported by a simulation carried out in 2015 as part of a preliminary investigation. Highly simplified assumptions had to be used in this simulation because the new calculation model and transfer logic have not yet been implemented. Further refinement work will be carried out on the simulation during the course of the implementation project.

  - Hedge accounting
    IFRS 9 also involved the extensive revision of general hedge accounting provisions. The objective of the new rules is primarily to align hedge accounting more closely with economic risk management in an entity.

    As in the current requirements, entities must document the risk management strategy and risk management objectives at the beginning of a hedging relationship. In the future however, the ratio between the hedged item and the hedging instrument (hedge ratio) will generally have to match the specifications in the risk management strategy. If this hedge ratio changes during the course of the hedging relationship but the risk management objective remains the same, the quantity of the hedged item and the quantity of the hedging instrument in the hedging relationship will have to be adjusted without the need to end the hedging relationship (rebalancing).

Some of the restrictions in the current provisions have also been eliminated under IFRS 9, which means that it will be possible to use hedge accounting for a greater selection of hedging instruments and hedged items.

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

Helaba plans to take up this option.

Subject to the necessary adoption by the EU, IFRS 9 will have to be applied for the first time in annual reporting periods beginning on or after 1 January 2018. Generally speaking, first-time application must be retrospective, but various simplification options are available. Voluntary application in earlier years is permitted, but Helaba has no plans to take up this option.

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

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

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

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

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

The new provisions must be applied in annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided that IFRS 15 is also applied. IFRS 16 replaces the currently applicable provisions under IAS 17 governing the accounting treatment of leases and also supersedes the IFRIC 4, SIC-15 and SIC-27 interpretations. Helaba is currently reviewing the implications of IFRS 16. The new standard on leasing will have a particular effect on the accounting treatment of the leased commercial real estate but Helaba anticipates little impact on financial position or financial performance. No early application is planned. This standard still has to be adopted by the EU.

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

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

Reclassifications or adjustments have been applied to prior-year figures within the disclosures in Notes (39) and (41). Please refer to the relevant notes for details.

The method of discounting OTC derivatives was refined during the first half of 2016 as part of an ongoing project. This change will make it possible to use different discount curves depending on the type of collateral involved. Funding costs for unsecured derivatives were previously calculated as the difference in measurement between discounting based on the three-month interbank swap curve and the applicable OIS curve. Refining the measurement had a positive impact on net trading income (fair value adjustment) of € 17 m. The project is ongoing, and the changeover will be completed in several stages. Further effects of the adjustment are expected in the second half of 2016.

The method by which subsidiaries are taken into account in the assignment of allocated capital has been adjusted in the segment reporting. Instead of the indirect allocation via risk-weighted assets that was previously used, the entities' equity is now applied. The adjustment had an effect on the return on allocated capital.

(2) Basis of Consolidation

In addition to the parent company Helaba, a total of 109 entities are consolidated in the Helaba Group (31 December 2015: 110 entities). Of this total, 82 (31 December 2015: 83) entities are fully consolidated and 27 entities are included using the equity method (as was the case at 31 December 2015). The fully consolidated companies are subsidiaries and special purpose entities, including collective investment undertakings.

The consolidated financial statements do not include 39 subsidiaries, 18 joint ventures and 20 associates that are of minor significance for the presentation of the financial position and financial performance of the Helaba Group. The shares in these companies are reported under financial investments.

The changes in the basis of consolidation during the financial year are attributable to deconsolidations at Helaba and in the OFB Group.

Changes in the group of fully consolidated entities

Additions

Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	This entity established in the previous year ceased to be immaterial following commencement of business operations in March 2016.

Disposals

Altherz Stuttgart 1 GmbH, Frankfurt am Main	Helaba lost control following the sale of the business properties in January 2016.
Altherz Stuttgart 2 GmbH, Frankfurt am Main	Helaba lost control following the sale of the business properties in January 2016.

Deconsolidation expenses amounted to € 3 m in the case of Altherz Stuttgart 1 GmbH and € 1 m in the case of Altherz Stuttgart 2 GmbH. They are reported under other net operating income.

Changes in the group of equity-accounted entities

Additions

GOB Projektentwicklung Fünfte GmbH & Co. KG, Frankfurt am Main	Entity established in June 2016

Disposals

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

Income Statement Disclosures

(3) Net Interest Income

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Interest income from		
Lending and money market transactions	1,270	1,412
Fixed-income securities	129	134
Hedging derivatives under hedge accounting	118	163
Derivatives not held for trading	453	471
Financial instruments to which the fair value option is applied	31	46
Financial liabilities (negative interest)	5	2
Current income from		
Equity shares and other variable-income securities	12	15
Shares in affiliates	1	–
Equity investments	5	5
Interest income	**2,024**	**2,248**
Interest expense on		
Liabilities due to banks and customers	–525	–610
Securitised liabilities	–158	–189
Subordinated capital	–75	–75
Hedging derivatives under hedge accounting	–117	–152
Derivatives not held for trading	–406	–392
Financial instruments to which the fair value option is applied	–102	–140
Financial assets (negative interest)	–8	–1
Provisions	–22	–21
Interest expense	**–1,413**	**–1,580**
Total	**611**	**668**

(4) Provisions for Losses on Loans and Advances

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Additions	**–173**	**–124**
Allowances for losses on loans and advances	–162	–121
Provisions for lending business risks	–11	–3
Reversals	**95**	**58**
Allowances for losses on loans and advances	84	50
Provisions for lending business risks	11	8
Loans and advances directly written off	**–2**	**–4**
Recoveries on loans and advances previously written off	**5**	**4**
Total	**–75**	**–66**

(5) Net Fee and Commission Income

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Lending and guarantee business	18	16
Payment transactions and foreign trade business	51	49
Asset management and fund design	42	40
Securities and securities deposit business	28	27
Placement and underwriting obligations	11	11
Management of public-sector subsidy and development programmes	18	17
Home savings business	–5	–6
Trustee business	1	1
Other	8	8
Total	**172**	**163**

(6) Net Trading Income

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Share-price-related business	**2**	**1**
Equities	–25	31
Equity derivatives	14	–16
Issued equity/index certificates	13	–14
Interest-rate-related business	**–52**	**140**
Primary interest-rate-related business	149	13
Interest-rate derivatives	–201	127
Currency-related business	**39**	**–3**
Foreign exchange	103	–141
FX derivatives	–64	138
Net income or expense from credit derivatives	**4**	**–**
Commodity-related business	**3**	**3**
Net fee and commission income or expense	**–9**	**–13**
Total	**–13**	**128**

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

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

The net income from currency-related business includes foreign currency translation differences, among other items.

The net income from commodity-related business relates to hedging transactions recognised by the Bank for precious metals inventory.

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

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Gains or losses on non-trading derivatives	129	–148
Gains or losses on financial instruments to which the fair value option is applied	–22	130
Total	**107**	**–18**

This item includes the net gain or loss from economic hedges (hedged items and derivatives). It also includes the realised and unrealised gains or losses on other financial instruments designated voluntarily at fair value. Interest and dividend income from financial instruments to which the fair value option is applied is recognised in net interest income. Of the net gain on non-trading derivatives, credit derivatives accounted for a gain of € 1 m (H1 2015: gain of € 1 m). Within the gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied, the amount attributable to such instruments held by consolidated special and retail funds was a net gain of € 15 m (H1 2015: net loss of € 21 m).

(8) Net Income from Hedge Accounting

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

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Remeasurement gains (losses) on hedging instruments	35	–65
Remeasurement gains (losses) on hedged items	–36	63
Total	**–1**	**–2**

(9) Net Income from Financial Investments

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

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Net disposal gains (losses) on available-for-sale financial investments	**11**	**33**
Equity investments	9	–
Bonds and other fixed-income securities	2	32
Equity shares and other variable-income securities	–	1
Remeasurement gains (losses) on available-for-sale financial investments	**–2**	**–37**
Impairment losses	–2	–37
Total	**9**	**–4**

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

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

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Share of profit or loss of equity-accounted joint ventures	–1	–
Share of profit or loss of equity-accounted associates	2	1
Total	**1**	**1**

(11) Other Net Operating Income

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Other operating income	**218**	**221**
Rental and lease income (operating leases)	163	164
Income from the disposal of non-financial assets	24	15
Income from the reversal of provisions	3	4
Income from non-banking services	13	14
Income from the deconsolidation of subsidiaries	–	14
Miscellaneous other operating income	15	10
Other operating expenses	**–119**	**–119**
Operating costs of property not used for owner occupancy	–79	–74
Depreciation, amortisation and impairment losses on non-financial assets	–18	–17
Expenses from the deconsolidation of subsidiaries	–4	–
Profit transfer expenses	–2	–
Miscellaneous other operating expenses	–16	–28
Total	**99**	**102**

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

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

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Income from investment property	**168**	**161**
Rental income	153	149
Income from disposals	15	12
Expenses from investment property	**–94**	**–90**
Operating expenses from investment property	–77	–74
thereof: From property leased to third parties	–77	–74
Depreciation and impairment losses	–17	–16
Total	**74**	**71**

(12) General and Administrative Expenses

in € m

	1.1.–30.6.2016	1.1.–30.6.2015
Personnel expenses	**–302**	**–308**
Wages and salaries	–247	–247
Social security	–36	–37
Expenses for pensions and other benefits	–19	–24
Other administrative expenses	**–310**	**–282**
Buildings and premises	–28	–26
IT costs	–82	–76
Mandatory contributions, audit and consultancy fees	–138	–122
Cost of advertising, public relations and representation	–17	–16
Business operating costs	–45	–42
Depreciation, amortisation and impairment losses	**–19**	**–20**
Depreciation of and impairment losses on property and equipment	–12	–11
Amortisation of and impairment losses on software and other intangible assets	–7	–9
Total	**–631**	**–610**

The mandatory contributions included the portion of contributions to the European Single Resolution Fund subject to recognition in profit or loss amounting to € 37 m (H1 2015: € 53 m).

(13) Segment Reporting

in € m

	Real Estate		Corporate Finance		Financial Markets		S-Group Business, Private Customers and SME Business	
	30.6. 2016	30.6. 2015	30.6. 2016	30.6. 2015	30.6. 2016	30.6. 2015	30.6. 2016	30.6. 2015
Net interest income	183	205	162	183	23	26	183	208
Provisions for losses on loans and advances	–14	–10	–110	–63	–	–	1	4
Net interest income after provisions for losses on loans and advances	**169**	**195**	**52**	**120**	**23**	**26**	**184**	**212**
Net fee and commission income	11	12	9	9	40	38	77	75
Net trading income	–	–	–	–	–17	121	10	14
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	3	8	–	–	96	–19	6	1
Net income from hedge accounting	–	–	–	–	–1	–2	–	–
Net income from financial investments	1	–	–1	2	–	–11	2	–
Share of profit or loss of equity-accounted entities	2	1	–	–	–	–	–	–
Other net operating income	112	124	2	–1	2	2	3	6
Total income	**298**	**340**	**62**	**130**	**143**	**155**	**282**	**308**
General and administrative expenses	–118	–113	–65	–61	–110	–111	–232	–223
Profit before taxes	**180**	**227**	**–3**	**69**	**33**	**44**	**50**	**85**
Assets (€ bn)	34.2	35.5	28.0	25.6	59.4	66.5	35.7	36.4
Liabilities (€ bn)	3.4	3.5	4.6	3.1	65.7	76.0	57.5	63.7
Risk-weighted assets (€ bn)	15.7	16.6	13.5	13.6	9.9	10.9	5.9	5.8
Allocated capital (€ m)	2,731	2,222	1,670	1,821	1,182	1,433	1,126	761
Return on allocated capital (%)	13.2	20.4	–	7.5	5.6	6.2	8.9	22.5
Cost-income ratio before provisions for losses on loans and advances (%)	37.8	32.4	37.7	31.7	77.1	71.5	82.5	73.3

in € m

	Public Development and Infrastructure Business		Other		Consolidation/ reconciliation		Group	
	30.6. 2016	30.6. 2015	30.6. 2016	30.6. 2015	30.6. 2016	30.6. 2015	30.6. 2016	30.6. 2015
Net interest income	24	25	–10	–13	46	34	611	668
Provisions for losses on loans and advances	–	–	46	3	2	–	–75	–66
Net interest income after provisions for losses on loans and advances	**24**	**25**	**36**	**–10**	**48**	**34**	**536**	**602**
Net fee and commission income	19	18	15	14	1	–3	172	163
Net trading income	–	–	–	–	–6	–7	–13	128
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–	–	2	–7	–	–1	107	–18
Net income from hedge accounting	–	–	–	–	–	–	–1	–2
Net income from financial investments	–	–	7	–	–	5	9	–4
Share of profit or loss of equity-accounted entities	–	–	–1	–	–	–	1	1
Other net operating income	–	–	4	4	–24	–33	99	102
Total income	**43**	**43**	**63**	**1**	**19**	**–5**	**910**	**972**
General and administrative expenses	–31	–32	–117	–118	42	48	–631	–610
Profit before taxes	**12**	**11**	**–54**	**–117**	**61**	**43**	**279**	**362**
Assets (€ bn)	16.4	15.7	6.2	8.3	–4.3	–7.5	175.6	180.5
Liabilities (€ bn)	16.4	15.7	10.6	11.4	17.4	7.1	175.6	180.5
Risk-weighted assets (€ bn)	1.1	1.1	6.5	7.3	–	–	52.6	55.3
Allocated capital (€ m)	127	151	767	943	–	–	7,603	7,331
Return on allocated capital (%)	18.3	15.0	–	–	–	–	7.4	9.9
Cost-income ratio before provisions for losses on loans and advances (%)	72.7	73.0	–	–	–	–	64.0	58.8

IFRS 8 is the basis for preparing the segment report. The segment definition is based on the internal divisional structure of the Bank and follows the management approach. Equity investments are assigned to the segments on the basis of their specific focus.

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

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

- The Corporate Finance segment comprises the Corporate Finance business line. Financing solutions tailored specifically to meet the needs of corporate customers are pooled in this segment. These include structured finance, investment finance, asset-backed securities, lease finance as well as the structuring and distribution of fund concepts. The share of profit or loss of the HANNOVER LEASING Group is allocated to this segment as an equity-accounted investment. Certain property companies of HANNOVER LEASING continue to be fully consolidated as special purpose entities of Helaba and are also reported in the Corporate Finance segment.

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

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

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

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

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

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

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

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

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

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

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

Statement of Financial Position Disclosures

(14) Cash Reserve

in € m

	30.6.2016	31.12.2015
Cash on hand	80	77
Balances with central banks	2,255	1,832
Total	**2,335**	**1,909**

(15) Loans and Advances to Banks

in € m

	30.6.2016	31.12.2015
Affiliated Sparkassen	7,013	7,195
Central giro institutions	362	382
Banks	9,790	9,567
Total	**17,165**	**17,144**
thereof:		
Domestic banks	10,695	12,105
Foreign banks	6,470	5,039

in € m

	30.6.2016	31.12.2015
Loans and advances repayable on demand	8,298	6,318
Other loans and advances	8,867	10,826
Total	**17,165**	**17,144**
thereof:		
Demand deposits	513	409
Overnight and time deposits	3,108	4,687
Cash collateral provided	6,341	4,407
Forwarding loans	5,018	5,076
Registered bonds	726	887
Promissory note loans	648	776

(16) Loans and Advances to Customers

in € m

	30.6.2016	31.12.2015
Corporate customers	66,986	67,090
Retail customers	5,535	5,586
Public sector	21,600	20,518
Total	**94,121**	**93,194**
thereof:		
Domestic customers	60,398	59,537
Foreign customers	33,723	33,657

in € m

	30.6.2016	31.12.2015
Loans and advances repayable on demand	4,377	3,610
Other loans and advances	89,744	89,584
Total	**94,121**	**93,194**
thereof:		
Commercial real estate loans	32,274	31,907
Residential building loans	4,201	4,190
Forwarding loans	1,799	1,929
Infrastructure loans	14,857	15,258
Consumer loans	105	99
Promissory note loans	3,688	3,570
Financial assets from credit substitute business	101	114
Current account overdrafts	1,274	1,111
Cash collateral provided	939	759
Overnight and time deposits	4,726	3,235
Receivables from finance leases	4	5

(17) Provisions for Losses on Loans and Advances

in € m

	30.6.2016	31.12.2015
Allowances on loans and advances to banks	**1**	**2**
Specific loan loss allowances	–	1
Portfolio loan loss allowances	1	1
Allowances on loans and advances to customers	**980**	**984**
Specific loan loss allowances	626	576
Specific loan loss allowances evaluated on a group basis	57	61
Portfolio loan loss allowances	297	347
Provisions for lending business risks	**42**	**44**
Total	**1,023**	**1,030**

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

in € m

	Specific allowances		Specific allowances on a group basis		Portfolio allowances		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
As at 1.1.	**577**	**670**	**61**	**82**	**348**	**255**	**986**	**1,007**
Changes in basis of consolidation	12	–	–	–	–	–	**12**	**–**
Changes due to currency translation	–4	4	–	–	–	–	**–4**	**4**
Use	–83	–47	–1	–8	–	–	**–84**	**–55**
Reversals	–25	–41	–10	–9	–49	–	**–84**	**–50**
Reclassifications	4	5	–	–	–1	–	**3**	**5**
Unwinding	–10	–17	–	–			**–10**	**–17**
Additions	155	111	7	7	–	3	**162**	**121**
As at 30.6.	**626**	**685**	**57**	**72**	**298**	**258**	**981**	**1,015**

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

in € m

	30.6.2016	31.12.2015
Government	2	2
Agriculture, forestry and fishing	1	1
Mining and quarrying	1	9
Manufacturing	69	67
Electricity, gas, steam and air-conditioning supply	23	36
Construction	8	8
Wholesale and retail trade; repair of motor vehicles and motorcycles	15	15
Transportation and storage	386	337
Accommodation and food service activities	2	2
Information and communication	23	24
Real estate activities	161	138
Professional, scientific and technical activities	25	25
Administrative and support service activities	15	44
Human health and social work activities	7	8
Arts, entertainment and recreation	1	1
Other service activities	113	113
Other financial activities	80	104
Households	48	50
Total	**980**	**984**

(18) Trading Assets

in € m

	30.6.2016	31.12.2015
Bonds and other fixed-income securities	**10,023**	**12,428**
Money market instruments	–	2
Public-sector issuers	–	2
Bonds and notes	10,023	12,426
Public-sector issuers	3,400	4,753
Other issuers	6,623	7,673
Equity shares and other variable-income securities	**95**	**192**
Positive fair values of derivatives	**15,304**	**11,934**
Share-price derivatives	249	167
Interest-rate derivatives	13,768	10,417
Currency derivatives	1,257	1,311
Credit derivatives	24	31
Commodity derivatives	6	8
Loans held for trading	**1,626**	**1,524**
Total	**27,048**	**26,078**

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

(19) Positive Fair Values of Non-Trading Derivatives

in € m

	30.6.2016	31.12.2015
Hedging derivatives under hedge accounting	845	926
Other non-trading derivatives	4,383	3,450
Total	**5,228**	**4,376**

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

(20) Financial Investments

in € m

	30.6.2016	31.12.2015
Bonds and other fixed-income securities	**25,981**	**26,065**
Public-sector issuers	8,986	9,543
Other issuers	16,995	16,522
Equity shares and other variable-income securities	**236**	**249**
Equities	97	92
Other variable-income securities	139	157
Shares in unconsolidated affiliates	**25**	**25**
Measured at fair value	18	18
Measured at cost	7	7
Equity investments	**90**	**82**
Measured at fair value	66	59
Measured at cost	24	23
Purchase of receivables from endowment insurance policies	**151**	**154**
Measured at fair value	151	154
Total	**26,483**	**26,575**

The other variable-income securities mainly comprise shares in collective investment undertakings.

(21) Shares in Equity-Accounted Entities

in € m

	30.6.2016	31.12.2015
Investments in joint ventures	31	30
Investments in associates	6	4
Total	**37**	**34**

(22) Investment Property

in € m

	30.6.2016	31.12.2015
Land and buildings leased to third parties	1,969	1,826
Undeveloped land	55	55
Vacant buildings	3	3
Property under construction	84	62
Total	**2,111**	**1,946**

Residential property held by the GWH Group accounted for € 2,006 m (31 December 2015: € 1,841 m) of the total investment property. The increase is mainly the result of the addition to the portfolio of a total of 1,501 homes in the Rhine-Main, Hanover and Neuss areas.

(23) Property and Equipment

in € m

	30.6.2016	31.12.2015
Owner-occupied land and buildings	363	368
Operating and office equipment	54	57
Total	**417**	**425**

(24) Intangible Assets

in € m

	30.6.2016	31.12.2015
Goodwill	99	99
Purchased software	42	42
Total	**141**	**141**

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

(25) Other Assets

in € m

	30.6.2016	31.12.2015
Property held for sale	**317**	**278**
Completed property	28	18
Property under construction	289	260
Advance payments and payments on account	**83**	**69**
Trade accounts receivable	**39**	**51**
Other taxes receivable (excl. income taxes)	**3**	**3**
Other assets	**519**	**524**
Total	**961**	**925**

(26) Liabilities Due to Banks

in € m

	30.6.2016	31.12.2015
Central banks	328	2,450
Affiliated Sparkassen	4,918	6,626
Central giro institutions	1,189	718
Banks	25,744	26,182
Total	**32,179**	**35,976**
thereof:		
Domestic banks	28,614	32,610
Foreign banks	3,565	3,366

in € m

	30.6.2016	31.12.2015
Amounts payable on demand	6,180	6,715
Amounts due with an agreed maturity or period of notice	25,999	29,261
Total	**32,179**	**35,976**
thereof:		
Promissory note loans raised	4,261	4,405
Forwarding loans	7,190	7,410
Issued registered bonds	2,436	2,555
Liabilities from securities repurchase transactions (repos)	2,363	3,602
Overnight and time deposits	3,260	4,666
Demand deposits	3,965	5,783

(27) Liabilities Due to Customers

in € m

	30.6.2016	31.12.2015
Corporate customers	27,436	27,419
Retail customers	16,884	16,616
Public sector	5,143	3,692
Total	**49,463**	**47,727**
thereof:		
Domestic customers	45,571	44,304
Foreign customers	3,892	3,423

in € m

	30.6.2016	31.12.2015
Amounts payable on demand	24,775	23,682
Amounts due with an agreed maturity or period of notice	24,688	24,045
Total	**49,463**	**47,727**
thereof:		
Demand deposits	13,446	13,044
Overnight and time deposits	15,687	14,729
Savings deposits	1,758	1,870
Home savings deposits	4,297	4,230
Issued registered bonds	10,244	10,452
Promissory note loans raised	2,036	2,211

(28) Securitised Liabilities

in € m

	30.6.2016	31.12.2015
Bonds issued	**41,605**	**39,992**
Mortgage Pfandbriefe	7,586	6,964
Public Pfandbriefe	12,439	14,443
Other debt instruments	21,580	18,585
Issued money market instruments	**6,997**	**7,081**
Commercial paper	2,592	2,162
Certificates of deposit	3,504	3,840
Asset-backed commercial paper	701	879
Other money market instruments	200	200
Total	**48,602**	**47,073**

(29) Trading Liabilities

in € m

	30.6.2016	31.12.2015
Negative fair values of derivatives	**13,911**	**10,390**
Share-price derivatives	207	165
Interest-rate derivatives	12,597	9,172
Currency derivatives	1,081	1,016
Credit derivatives	20	29
Commodity derivatives	6	8
Issued money market instruments	**4,743**	**4,535**
Issued equity/index certificates	**108**	**129**
Liabilities held for trading	**7,168**	**7,369**
Total	**25,930**	**22,423**

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

(30) Negative Fair Values of Non-Trading Derivatives

in € m

	30.6.2016	31.12.2015
Hedging derivatives under hedge accounting	238	369
Other non-trading derivatives	4,374	4,011
Total	**4,612**	**4,380**

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

(31) Provisions

in € m

	30.6.2016	31.12.2015
Provisions for pensions and similar obligations	**1,958**	**1,657**
Other provisions	**406**	**432**
Personnel provisions	108	127
Provisions for lending business risks	42	44
Restructuring provisions	14	23
Provisions for litigation risks	50	57
Sundry provisions	192	181
Total	**2,364**	**2,089**

In calculating the pension provisions, the main pension obligations in Germany were measured using a discount rate of 1.65 % (31 December 2015: 2.5 %).

(32) Other Liabilities

in € m

	30.6.2016	31.12.2015
Trade accounts payable	108	129
Liabilities to employees	32	23
Advance payments and payments on account	297	272
Other taxes payable (excl. income taxes)	37	34
Other liabilities	181	184
Total	**655**	**642**

(33) Subordinated Capital

in € m

	30.6.2016	31.12.2015
Subordinated liabilities	2,384	2,366
thereof: Accrued interest	51	33
Profit participation rights	717	721
thereof: Accrued interest	32	34
Silent participations	977	999
thereof: Accrued interest	8	30
Total	**4,078**	**4,086**
thereof: Securitised subordinated debt	1,849	1,852

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

(34) Equity

in € m

	30.6.2016	31.12.2015
Subscribed capital	2,509	2,509
Capital reserves	1,546	1,546
Retained earnings	3,276	3,398
Revaluation reserve	265	202
Currency translation reserve	21	23
Non-controlling interests	−3	−2
Total	**7,614**	**7,676**

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

As at 30 June 2016, the share capital was attributable to the owners as follows:

	Capital in € m	Share in %
Sparkassen- und Giroverband Hessen-Thüringen	405	68.85
State of Hesse	48	8.10
Rheinischer Sparkassen- und Giroverband	28	4.75
Sparkassenverband Westfalen-Lippe	28	4.75
Fides Alpha GmbH[1]	28	4.75
Fides Beta GmbH[1]	28	4.75
State of Thuringia	24	4.05
Total	**589**	**100.00**

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

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

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

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

Further Disclosures About Financial Instruments

(35) Derivatives

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

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

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

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

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Equity-/index-related transactions	**3,774**	**3,464**	**252**	**168**	**211**	**167**
OTC products	**2,611**	**2,339**	**205**	**149**	**169**	**121**
Equity options	2,605	2,339	203	149	169	121
Calls	1,497	1,355	203	149	–	–
Puts	1,108	984	–	–	169	121
Other transactions	6	–	2	–	–	–
Exchange-traded products	**1,163**	**1,125**	**47**	**19**	**42**	**46**
Equity/index futures	314	364	33	4	1	11
Equity/index options	849	761	14	15	41	35
Interest-rate-related transactions	**463,233**	**474,730**	**18,679**	**14,610**	**16,322**	**12,199**
OTC products	**445,722**	**462,650**	**18,670**	**14,603**	**16,288**	**12,194**
Forward rate agreements	9,975	18,269	–	–	–	–
Interest-rate swaps	378,570	389,324	14,945	12,515	11,502	9,367
Interest rate options	55,348	55,047	3,724	2,088	4,785	2,827
Calls	22,854	22,906	3,626	2,017	48	22
Puts	32,494	32,142	98	71	4,737	2,806
Other interest rate contracts	1,829	10	1	–	1	–
Exchange-traded products	**17,511**	**12,080**	**9**	**7**	**34**	**5**
Interest rate futures	17,504	12,080	9	7	34	5
Interest rate options	7	–	–	–	–	–
Currency-related transactions	**65,120**	**67,652**	**1,571**	**1,493**	**1,960**	**2,364**
OTC products	**65,120**	**67,652**	**1,571**	**1,493**	**1,960**	**2,364**
Currency spot and futures contracts	40,233	41,314	722	813	714	638
Cross-currency swaps	24,082	25,582	840	666	1,236	1,710
Currency options	805	756	9	14	10	16
Calls	400	377	9	14	–	–
Puts	405	379	–	–	11	16
Credit derivatives	**6,066**	**5,135**	**24**	**31**	**24**	**32**
OTC products	**6,066**	**5,135**	**24**	**31**	**24**	**32**
Commodity-related transactions	**164**	**141**	**6**	**8**	**6**	**8**
OTC products	**164**	**141**	**6**	**8**	**6**	**8**
Commodity swaps	54	40	6	8	5	8
Commodity options	110	101	–	–	1	–
Total	**538,357**	**551,122**	**20,532**	**16,310**	**18,523**	**14,770**

Nominal amounts broken down by term to maturity:

in € m

	Equity-/index-related transactions		Interest-rate-related transactions		Currency-related transactions	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Up to three months	765	672	37,627	34,053	21,420	24,960
More than three months and up to one year	693	890	74,449	87,297	18,001	14,901
More than one year and up to five years	2,236	1,826	180,760	186,850	20,205	22,056
More than five years	80	76	170,397	166,530	5,494	5,735
Total	**3,774**	**3,464**	**463,233**	**474,730**	**65,120**	**67,652**

in € m

	Credit derivatives		Commodity-related transactions		Total	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Up to three months	437	87	57	50	60,306	59,822
More than three months and up to one year	1,001	608	39	46	94,183	103,742
More than one year and up to five years	4,495	4,356	68	45	207,764	215,133
More than five years	133	84	–	–	176,104	172,425
Total	**6,066**	**5,135**	**164**	**141**	**538,357**	**551,122**

Derivatives have been entered into with the following counterparties:

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Banks in OECD countries	211,220	219,785	10,702	8,944	15,068	11,759
Banks outside OECD countries	12	13	–	–	1	1
Other counterparties (including exchanges)	285,756	283,465	3,604	3,180	1,240	1,033
Public institutions in OECD countries	41,369	47,859	6,226	4,186	2,214	1,977
Total	**538,357**	**551,122**	**20,532**	**16,310**	**18,523**	**14,770**

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

The following table sets out the carrying amounts of financial assets and liabilities as at 30 June 2016 in accordance with the measurement categories of IAS 39. It also shows the figures reported in the statement of financial position.

in € m

	LaR/OL	AfS	HfT	FVO	Total
Assets					
Cash reserve	2,335				2,335
Loans and advances to banks	17,165			–	17,165
Loans and advances to customers	93,508			613	94,121
Trading assets			27,048		27,048
Positive fair values of non-trading derivatives			5,228		5,228
Financial investments		23,316		3,167	26,483
Total	**113,008**	**23,316**	**32,276**	**3,780**	**172,380**
Liabilities					
Liabilities due to banks	31,842			337	32,179
Liabilities due to customers	46,011			3,452	49,463
Securitised liabilities	42,433			6,169	48,602
Trading liabilities			25,930		25,930
Negative fair values of non-trading derivatives			4,612		4,612
Subordinated capital	3,979			99	4,078
Total	**124,265**		**30,542**	**10,057**	**164,864**

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

in € m

	LaR/OL	AfS	HfT	FVO	Total
Assets					
Cash reserve	1,909				1,909
Loans and advances to banks	17,144			–	17,144
Loans and advances to customers	92,587			607	93,194
Trading assets			26,078		26,078
Positive fair values of non-trading derivatives			4,376		4,376
Financial investments		23,521		3,054	26,575
Total	**111,640**	**23,521**	**30,454**	**3,661**	**169,276**
Liabilities					
Liabilities due to banks	35,735			241	35,976
Liabilities due to customers	44,346			3,381	47,727
Securitised liabilities	40,926			6,147	47,073
Trading liabilities			22,423		22,423
Negative fair values of non-trading derivatives			4,380		4,380
Subordinated capital	3,986			100	4,086
Total	**124,993**		**26,803**	**9,869**	**161,665**

The following table shows the contributions to earnings from financial instruments in each measurement category for the period 1 January to 30 June 2016:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	1,262	–753	144		–68	48	633
Provisions for losses on loans and advances	–75						–75
Net trading income				–13			–13
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied					–22	129	107
Net income from hedge accounting	–6	–30				35	–1
Net income from financial investments			9				9
Contributions to earnings recognised under other comprehensive income			89				89
Total	**1,181**	**–783**	**242**	**–13**	**–90**	**212**	**749**

The equivalent amounts for the first six months of 2015 were as follows:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	1,411	–872	151		–91	90	689
Provisions for losses on loans and advances	–66						–66
Net trading income				128			128
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied					130	–148	–18
Net income from hedge accounting	11	52				–65	–2
Net income from financial investments			–4				–4
Contributions to earnings recognised under other comprehensive income			–50				–50
Total	**1,356**	**–820**	**97**	**128**	**39**	**–123**	**677**

Net interest income as per the income statement includes not only interest from financial instruments but also net interest attributable to pension obligations and other non-current provisions. Net interest income includes interest income and interest expense from financial instruments not measured at fair value through profit or loss amounting to € 1,419 m (2015: € 1,565 m) and € 766 m (2015: € 875 m) respectively.

(37) Fair Values of Financial Instruments

The following overview compares the fair values of financial assets and liabilities with their corresponding carrying amounts.

in € m

	Fair value		Carrying amount		Difference	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Assets						
Cash reserve	2,335	1,909	2,335	1,909	–	–
Loans and advances to banks[1]	17,317	17,281	17,164	17,142	153	139
Loans and advances to customers[1]	99,570	97,474	93,141	92,210	6,429	5,264
Trading assets	27,048	26,078	27,048	26,078	–	–
Positive fair values of non-trading derivatives	5,228	4,376	5,228	4,376	–	–
Financial investments	26,483	26,575	26,483	26,575	–	–
Total	**177,981**	**173,693**	**171,399**	**168,290**	**6,582**	**5,403**
Liabilities						
Liabilities due to banks	33,366	37,074	32,179	35,976	1,187	1,098
Liabilities due to customers	50,747	48,983	49,463	47,727	1,284	1,256
Securitised liabilities	49,213	47,511	48,602	47,073	611	438
Trading liabilities	25,930	22,423	25,930	22,423	–	–
Negative fair values of non-trading derivatives	4,612	4,380	4,612	4,380	–	–
Subordinated capital	4,592	4,497	4,078	4,086	514	411
Total	**168,460**	**164,868**	**164,864**	**161,665**	**3,596**	**3,203**

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

The breakdown of financial instruments on the assets side measured at fair value according to the hierarchy of the inputs used was as follows:

in € m

	Level 1		Level 2		Level 3		Total	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Non-derivative financial instruments	**34,210**	**36,246**	**4,113**	**4,320**	**485**	**729**	**38,808**	**41,295**
Loans and advances to customers			508	504	105	103	613	607
Trading assets	9,352	11,532	2,346	2,504	46	108	11,744	14,144
Financial investments	24,858	24,714	1,259	1,312	334	518	26,451	26,544
Derivatives	**56**	**26**	**20,317**	**16,164**	**159**	**120**	**20,532**	**16,310**
Trading assets	48	21	15,125	11,816	131	97	15,304	11,934
Positive fair values of non-trading derivatives	8	5	5,192	4,348	28	23	5,228	4,376
Total	**34,266**	**36,272**	**24,430**	**20,484**	**644**	**849**	**59,340**	**57,605**

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

in € m

	Level 1		Level 2		Level 3		Total	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Non-derivative financial instruments	**178**	**347**	**21,411**	**21,095**	**487**	**460**	**22,076**	**21,902**
Liabilities due to banks			327	231	10	10	337	241
Liabilities due to customers			3,415	3,344	37	37	3,452	3,381
Securitised liabilities	–	–	5,729	5,734	440	413	6,169	6,147
Trading liabilities	178	347	11,841	11,686	–	–	12,019	12,033
Subordinated capital	–	–	99	100	–	–	99	100
Derivatives	**76**	**51**	**18,310**	**14,612**	**137**	**107**	**18,523**	**14,770**
Trading liabilities	47	47	13,733	10,244	131	99	13,911	10,390
Negative fair values of non-trading derivatives	29	4	4,577	4,368	6	8	4,612	4,380
Total	**254**	**398**	**39,721**	**35,707**	**624**	**567**	**40,599**	**36,672**

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

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

in € m

	30.6.2016	31.12.2015
Loans and advances to customers	**105**	**103**
Bonds and other fixed-income securities	**51**	**268**
Bonds	–	161
Promissory notes	46	107
Asset-backed securities	5	–
Unlisted equity investments	**84**	**77**
Investment units	**93**	**127**
Purchase of receivables from endowment insurance policies	**152**	**154**
Total	**485**	**729**

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

in € m

	30.6.2016	31.12.2015
AAA	39	38
AA	5	214
A	–	15
BBB and below	7	1
Bonds and other fixed-income securities	**51**	**268**

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

For loans and advances to customers, bonds and other fixed-income securities, this is particularly true of the inputs used in estimating and determining credit spreads. The process uses scenario values on the basis of determined historical standard deviations in the sectors concerned. As was the case at 31 December 2015, the deviations calculated in this way were negligible.

Simulations were carried out for unlisted equity investments and investment units for which a discounted earnings approach is used to determine fair value. The main variations in the simulations were to increase or reduce the cash flows by 10 % before discounting. The enterprise values calculated in this way were used as the basis for determining alternative values, which were then found to be up to € 19 m (31 December 2015: € 21 m) higher or lower.

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

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

in € m

	Loans and advances to customers		Trading assets		Financial investments	
Assets	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Carrying amounts as at 1.1.	**103**	**110**	**108**	**143**	**518**	**667**
Gains or losses recognised in profit or loss						
Net interest income	–	–1			–	–6
Net trading income			1	–2		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	4	–12			–	–
Net income from financial investments					–1	1
Gains or losses recognised in other comprehensive income					2	27
Additions	–	–	–	55	2	31
Disposals/liquidations	–2	–2	–10	–72	–186	–87
Changes due to currency translation	–	–	–	–	–1	7
Transfers from Level 2	–	–	–	–	5	–
Transfers to Level 2	–	–	–53	–	–5	–
Carrying amounts as at 30.6.	**105**	**95**	**46**	**124**	**334**	**640**
Gains or losses on financial assets in the portfolio recognised in profit or loss	6	–12	1	–4	–3	–1

in € m

Assets	Positive fair values of the trading portfolio 2016	Positive fair values of the trading portfolio 2015	Positive fair values of non-trading derivatives 2016	Positive fair values of non-trading derivatives 2015
Carrying amounts as at 1.1.	**97**	**66**	**23**	**41**
Gains or losses recognised in profit or loss				
Net interest income			–5	–2
Net trading income	52	17		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied			11	–15
Additions	3	3	–	–
Disposals/liquidations	–6	–5	–1	–
Changes due to currency translation	–	–	–	–
Transfers from Level 2	–	–	–	–
Transfers to Level 2	–15	–7	–	–
Carrying amounts as at 30.6.	**131**	**74**	**28**	**24**
Gains or losses on financial assets in the portfolio recognised in profit or loss	51	27	12	–10

in € m

Liabilities	Liabilities due to banks 2016	Liabilities due to banks 2015	Liabilities due to customers 2016	Liabilities due to customers 2015	Securitised liabilities 2016	Securitised liabilities 2015
Carrying amounts as at 1.1	**10**	**36**	**37**	**45**	**413**	**456**
Gains or losses recognised in profit or loss						
Net interest income	–	–	1	1	–	–2
Net trading income						
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–	–1	1	–1	3	–16
Additions	–	–	10	–	42	14
Disposals/liquidations	–	–12	–12	–	–18	–31
Transfers to Level 2	–	–	–	–	–	–
Carrying amounts as at 30.6.	**10**	**23**	**37**	**45**	**440**	**421**
Gains or losses on liabilities in the portfolio recognised in profit or loss	–	1	–	1	1	16

in € m

Liabilities	Negative fair values of the trading portfolio 2016	Negative fair values of the trading portfolio 2015	Negative fair values of non-trading derivatives 2016	Negative fair values of non-trading derivatives 2015
Carrying amounts as at 1.1.	**99**	**66**	**8**	**3**
Gains or losses recognised in profit or loss				
Net interest income			–1	–
Net trading income	50	18		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied			–2	4
Additions	3	3	1	–
Disposals/liquidations	–6	–5	–	–
Transfers to Level 2	–15	–6	–	–
Carrying amounts as at 30.6.	**131**	**76**	**6**	**7**
Gains or losses on liabilities in the portfolio recognised in profit or loss	–49	–29	–1	–8

Fair values were determined for financial instruments not measured at fair value. According to the hierarchy of the inputs used, the breakdown as at 30 June 2016 was as follows:

in € m

	Level 1		Level 2		Level 3		Total	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Assets								
Cash reserve	2,335	1,909					2,335	1,909
Loans and advances to banks			12,574	12,515	4,743	4,766	17,317	17,281
Loans and advances to customers			89,761	87,581	9,196	9,286	98,957	96,867
Financial investments	–	–	–	–	32	31	32	31
Total	**2,335**	**1,909**	**102,335**	**100,096**	**13,971**	**14,083**	**118,641**	**116,088**
Liabilities								
Liabilities due to banks			27,974	31,625	5,055	5,208	33,029	36,833
Liabilities due to customers			42,603	41,028	4,692	4,574	47,295	45,602
Securitised liabilities	2,092	2,015	40,952	39,349	–	–	43,044	41,364
Subordinated capital	524	524	3,969	3,873	–	–	4,493	4,397
Total	**2,616**	**2,539**	**115,498**	**115,875**	**9,747**	**9,782**	**127,861**	**128,196**

The portfolios reported under Level 3 involve types of business for which observable measurement parameters are not generally available for all the key inputs. The development and retail businesses are the main types of business involved in this case.

(38) Reclassification of Financial Assets

The following table shows the carrying amounts and the fair values of the reclassified assets.

in € m

	30.6.2016 Carrying amount	30.6.2016 Fair value	31.12.2015 Carrying amount	31.12.2015 Fair value	1.7.2008 Carrying amount
Trading assets reclassified to loans and advances to customers	69	67	73	71	437
Financial investments reclassified to loans and advances to customers	32	31	41	40	1,722
Total	**101**	**98**	**114**	**111**	**2,159**

If the reclassifications had not been carried out, no additional unrealised remeasurement losses would have arisen for trading assets in profit or loss or for financial investments in other comprehensive income in the first half of 2016 (H1 2015: losses of € 1 m for trading assets; € 0 m for financial investments).

As in the previous year, no impairment losses were recognised on the reclassified financial assets.

(39) Disclosures Relating to Issuing Activities

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

in € m

	Securitised trading liabilities		Securitised liabilities		Securitised subordinated capital		Total	
	2016	2015	2016	2015[1]	2016	2015[1]	2016	2015
As at 1.1.	**4,664**	**2,019**	**47,073**	**48,320**	**1,852**	**3,388**	**53,589**	**53,727**
Changes due to currency translation	–41	137	–163	293	–	3	–204	433
Additions from issues	3,819	8,440	20,113	19,543	–	69	23,932	28,052
Additions from reissue of previously repurchased instruments	–	–	768	782	–	1	768	783
Redemptions	–3,579	–9,377	–18,298	–16,324	–	–	–21,877	–25,701
Repurchases	–2	–8	–867	–602	–	–	–869	–610
Changes in accrued interest	–	1	–113	–160	–	7	–113	–152
Changes in value recognised through profit or loss	–10	15	89	–182	–3	–23	76	–190
As at 30.6.	**4,851**	**1,227**	**48,602**	**51,670**	**1,849**	**3,445**	**55,302**	**56,342**

[1] Prior-year figures restated: in 2015, the additions from the reissue of previously repurchased instruments had been reported under additions from issues.

As part of its issuing activities, the Helaba Group places short-term commercial paper as well as medium- and long-term bonds and subordinated sources of funding on the money and capital markets.

Additions from issues and redemptions also include the placement volume of short-term commercial paper that could be repaid by as early as the end of the reporting period. The changes in value recognised through profit or loss result from remeasurement gains or losses on financial liabilities held as at the reporting date that were either accounted for as hedged items or to which the fair value option was applied.

Off-Balance Sheet Transactions and Obligations

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

in € m

	30.6.2016	31.12.2015
Irrevocable loan commitments	**18,176**	**19,248**
Financial guarantees	**4,426**	**4,053**
Other obligations	**4,512**	**4,334**
Liabilities from guarantees and warranty agreements	1,359	1,302
Placement and underwriting obligations	2,820	2,795
Contribution obligations	42	54
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	128	41
Contractual obligations in connection with investment property	115	118
Litigation risk obligations	2	3
Sundry obligations	46	21
Total	**27,114**	**27,635**

(41) Fiduciary Transactions

in € m

	30.6.2016	31.12.2015[1]
Trust assets	**1,000**	**918**
Loans and advances to banks	198	192
Loans and advances to customers	526	451
Equity shares and other variable-income securities	202	202
Equity investments	61	60
Other assets	13	13
Trust liabilities	**1,000**	**918**
Liabilities due to banks	125	1
Liabilities due to customers	562	606
Other liabilities	313	311

[1] Prior-year figures restated: the equity shares and other variable-income securities held in trust that were reported under other assets in the previous year have been presented separately.

Other Disclosures

(42) Capital Management and Regulatory Ratio Disclosures

Capital management in the Helaba Group comprises planning regulatory own funds as part of the planning process, allocating own funds, monitoring changes in risk exposures and complying with capital limits, monitoring and determining the plausibility of the remaining capital buffer as well as recognising a projected cost of capital as part of contribution margin accounting. The aim of capital management is to allocate capital over the various divisions of the Group, with due consideration being given to risk and return aspects, and also in line with the need to comply with regulatory requirements concerning capital adequacy.

The regulatory own funds of the Helaba banking group are determined in accordance with Regulation (EU) No. 575/2013 (CRR) and the complementary provisions in sections 10 and 10a of the German Banking Act (KWG). In accordance with the classification specified in the CRR, own funds comprise Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital.

The regulatory own funds requirements and the capital ratios are also determined in accordance with the provisions of the CRR.

As at 30 June 2016, the breakdown of the own funds of the Helaba banking group was as follows (each amount shown after regulatory adjustments):

in € m

	30.6.2016	31.12.2015
Tier 1 capital	**7,841**	**8,171**
Common Equity Tier 1 capital (CET1)	7,298	7,564
Additional Tier 1 capital	543	607
Tier 2 capital	**2,750**	**2,708**
Own funds, total	**10,591**	**10,879**

The capital requirements and capital ratios as at the reporting date were as follows:

in € m

	30.6.2016	31.12.2015
Default risk (including equity investments and securitisations)	3,601	3,725
Market risk (including CVA risk)	311	367
Operational risk	295	296
Total own funds requirement	**4,207**	**4,388**
CET1 capital ratio	13.9 %	13.8 %
Tier 1 capital ratio	14.9 %	14.9 %
Total capital ratio	20.1 %	19.8 %

Helaba complies with the regulatory capital requirements.

(43) Related Party Disclosures

In the course of the ordinary activities of Helaba, transactions with parties deemed to be related in accordance with IAS 24 are conducted on an arm's-length basis. The following disclosures relate mainly to transactions with unconsolidated affiliated companies, associates and joint ventures of the Helaba Group, the Sparkassen- und Giroverband Hessen-Thüringen, the Federal State of Hesse and the Free State of Thuringia in their role as shareholders, including subsidiaries. The disclosures relating to persons in key positions of the Helaba Group and the Sparkassen- und Giroverband Hessen-Thüringen as defined in IAS 24, including their close family relations and companies controlled by those persons, are also included in the following table.

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 30 June 2016:

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Assets	**108**	**1,059**	**4,081**	**1**	**5,249**
Loans and advances to banks	–	3	–	–	3
Loans and advances to customers	84	1,011	2,137	1	3,233
Allowances for losses on loans and advances	–	–15	–	–	–15
Trading assets	–	10	1,475	–	1,485
Financial investments	24	49	353	–	426
Other assets	–	1	116	–	117
Liabilities	**8**	**396**	**1,981**	**49**	**2,434**
Liabilities due to banks	–	–	208	–	208
Liabilities due to customers	8	395	1,524	40	1,967
Trading liabilities	–	–	126	–	126
Subordinated capital	–	–	100	–	100
Other liabilities	–	1	23	9	33
Off-balance sheet activities	**48**	**121**	**124**	**–**	**293**

The equivalent amounts as at 31 December 2015 were as follows:

in € m

	Un-consolidated subsidiaries	Equity invest-ments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Assets	**62**	**1,157**	**2,987**	**1**	**4,207**
Loans and advances to banks	–	3	–	–	3
Loans and advances to customers	38	1,111	1,209	1	2,359
Allowances for losses on loans and advances	–	–16	–	–	–16
Trading assets	–	9	1,065	–	1,074
Financial investments	24	49	597	–	670
Other assets	–	1	116	–	117
Liabilities	**5**	**344**	**875**	**63**	**1,287**
Liabilities due to banks	–	–	189	–	189
Liabilities due to customers	5	342	449	37	833
Trading liabilities	–	–	125	–	125
Subordinated capital	–	–	100	–	100
Other liabilities	–	2	12	26	40
Off-balance sheet activities	**3**	**142**	**68**	**–**	**213**

The following contributions to income and expense from related party transactions were recognised in the income statement in the period 1 January to 30 June 2016:

in € m

	Un-consolidated subsidiaries	Equity invest-ments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Interest income	1	19	11	–	31
Interest expense	–	–7	–10	–	–17
Net interest income	**1**	**12**	**1**	**–**	**14**
Provisions for losses on loans and advances	–	1	–	–	1
Net interest income after provisions for losses on loans and advances	**1**	**13**	**1**	**–**	**15**
Fee and commission income	–	–	21	–	21
Net fee and commission income	**–**	**–**	**21**	**–**	**21**
Net trading income	–	1	540	–	541
Net income from hedge accounting	–	–	–3	–	–3
Net income from financial investments	–	2	–	–	2
Other net operating income	–	1	–	–	1
General and administrative expenses	–	–	–5	–	–5
Profit before taxes	**1**	**17**	**554**	**–**	**572**

The equivalent amounts for the first six months of 2015 were as follows:

in € m

	Un-consolidated subsidiaries	Equity invest-ments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Interest income	5	21	15	–	41
Interest expense	–2	–7	–10	–	–19
Net interest income	**3**	**14**	**5**	**–**	**22**
Provisions for losses on loans and advances	6	9	–	–	15
Net interest income after provisions for losses on loans and advances	**9**	**23**	**5**	**–**	**37**
Fee and commission income	–	–	18	–	18
Net fee and commission income	**–**	**–**	**18**	**–**	**18**
Net trading income	–	17	–108	–	–91
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–	–	–1	–	–1
Net income from hedge accounting	–	–	3	–	3
Net income from financial investments	–5	1	–	–	–4
Other net operating income	–	2	–	–	2
General and administrative expenses	–	–3	–3	–	–6
Profit before taxes	**4**	**40**	**–86**	**–**	**–42**

The income and expenses from transactions with related parties arise predominantly from standard banking activities in the lending, investment and derivatives businesses. Exposures resulting from market risk assumed by the Bank, for example in connection with interest rate derivatives, are matched by corresponding countervailing transactions with other customers as part of overall bank management. An analysis in isolation, for example of the net trading income from transactions with related parties, does not therefore present the actual net income achieved by the Bank from such transactions.

(44) Members of the Board of Managing Directors

Herbert Hans Grüntker
Chairman

Thomas Groß
Vice-Chairman

Jürgen Fenk

Dr. Detlef Hosemann

Rainer Krick
– until 31 July 2016 –

Klaus-Jörg Mulfinger

Dr. Norbert Schraad

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group in the remaining months of the financial year."

Frankfurt am Main/Erfurt, 16 August 2016

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Fenk
Dr. Hosemann	Mulfinger	Dr. Schraad

Copy of the Auditor's Report

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

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and the statement of comprehensive income, the condensed cash flow statement, the statement of changes in equity and selected explanatory notes – and the interim Group management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt for the period from 1 January to 30 June 2016, which are part of the half-yearly financial report pursuant to § 37w German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG"). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting, as adopted by the EU, and of the interim Group management report in accordance with the provisions of the WpHG applicable to interim Group management reports is the responsibility of the Bank's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting, as adopted by the EU, and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports. A review is limited primarily to inquiries of Bank personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting, as adopted by the EU, nor that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim Group management reports."

Frankfurt am Main, 16 August 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

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