Helaba

Annual Financial Report 2018

Annual Financial Statements of Helaba

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Management Report

Foundations of the Bank

Business model of the Bank

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

Helaba serves its clients in three functions: as a commercial bank, as a Sparkasse central bank and as a development bank. As a commercial bank, Helaba operates in Germany and abroad. The Bank's hallmarks include stable, long-term customer relationships. It works with companies, institutional clients, the public sector and municipal corporations.

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

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

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

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

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

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

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

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

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

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

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

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

Management instruments and non-financial performance indicators

As part of managing the Bank as a whole, Helaba has integrated systems in place for business and productivity management. This is based on a multi-level Margin Accounting System. Controlling comprises both the management of absolute income and costs and the integrated management of contribution margins. The target is to achieve a cost-income ratio of less than 70 % at Helaba Group level. The cost-income ratio is the ratio of general and administrative expenses to profit before taxes net of general and administrative expenses and loss allowances for loans and advances. The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances analysed based on a management income statement produced in the Margin Accounting System at regular intervals in the course of the financial year. In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

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

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). The minimum Common Equity Tier 1 (CET1) capital ratio required to be maintained by the Helaba Group (as defined by the German Banking Act (Kreditwesengesetz, KWG) and the Capital Requirements Regulation (CRR)) in 2018 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB is 8.89 %. Profitability targets are managed on the basis of, for example, the economic return on equity (ratio of profit before taxes to average capital employed in the financial year determined in accordance with IFRS). The Helaba Group has set a target range of 5 % to 7 % for economic return on equity before tax.

The leverage ratio measures the ratio between regulatory capital and the unweighted total of all on-balance sheet and off-balance sheet asset items including derivatives. Currently, banks must disclose the leverage ratio and report it to the supervisory authorities as an indicator for monitoring purposes. A mandatory minimum ratio of 3.0 % is expected to apply when the leverage ratio migrates to Pillar 1 of the three-pillar model of prudential supervision. The European Commission has still to decide on the details. Helaba is already taking this ratio into account in its management systems.

The CRR specifies that banks must calculate a (short-term) liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The regulatory minimum LCR is 100 %. As regards the NSFR, Europe has still to implement the requirements for medium- and long-term liquidity. The NSFR is currently expected to be introduced in 2021 at the earliest. However, it is already being taken into account in Helaba's management systems on the basis of the guidance issued by the Basel Committee on Banking Supervision (BCBS). Both liquidity ratios are leading to an increase in liquidity management costs and therefore have a negative impact on profitability.

An institution-specific minimum requirement for own funds and eligible liabilities (MREL) will also be specified as part of the implementation of the Single Resolution Mechanism (SRM) in Europe. It was announced that Helaba would be receiving a mandatory MREL at the start of 2019.

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

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

As the leading S-Group bank in the Sparkassen-Finanzgruppe, Helaba is continuously expanding its business relationships with Sparkassen throughout Germany. In the regions of Hesse, Thuringia and North Rhine-Westphalia, where Helaba acts as the Sparkasse central bank, Helaba uses standard criteria to determine a product use ratio that expresses the volume of business conducted with Helaba and its subsidiaries as a percentage of the total purchases by each Sparkasse. The target is for product utilisation rates to be in the range of 60 % to 80 %.

As a public-law credit institution with a mandate to operate in the public interest, Helaba has laid down guiding sustainability principles in which it has pledged its commitment to environmental and social responsibility, both internally and in its dealings with the general public, and has established standards of conduct regarding business activities, business operations, staff and corporate social responsibility. Helaba has also translated its responsibility to the environment and society into binding requirements in its business strategy. Helaba's risk assessment and risk management processes thus incorporate the identification and assessment of environmental risks and of issues from a social and ethical perspective.

In lending operations, Helaba has defined mandatory Group-wide sustainability criteria that have been incorporated into the risk strategies. These ensure that human and workers' rights are respected, cultural assets are preserved and the environment is protected. Helaba will not knowingly finance projects that are likely to cause severe environmental damage or breach international social standards. For critical sectors of the economy, it has developed specific lending criteria that rule out controversial business practices in particular, and take into account sector-specific risk issues.

Helaba's sustainability performance is regularly rated by sustainability rating agencies. The ratings are a core component in the process of analysing and refining Helaba's sustainability profile. Helaba aims to achieve continuous improvement in these third-party ratings.

Employees

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

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

- Human resources development
  Despite a high level of cost-consciousness, Helaba continues to make a significant investment in developing the skills and qualifications of its employees. The needs-based range of seminars covering professional, personal, social and methodological development helps managers and employees fulfil their day-to-day responsibilities. This range of training seminars is complemented by foreign language training, topic-specific training provided by external providers and courses of study in business management. In addition to the aforementioned range of training options, the repertoire of human resources development also includes aspects of change, diversity and performance management, for example. The new life-stage model takes account of all the different stages of the employment relationship at Helaba during implementation of human resource management measures, thus increasing Helaba's appeal as an employer.

- Development of young talent
  Demographic change and ongoing digitalisation will have an impact on Helaba's competitiveness in the long term. In its efforts to develop HR management processes that take account of these changes in society, Helaba faces the challenge of bringing in new, high-potential recruits from outside the company, or identifying, training and retaining new talent from within. In addition, the advances in digitalisation are changing the requirements that companies need to meet to retain their appeal, particularly for a young employee target group. This is noticeable, for example, in changing recruitment processes, which are increasingly characterised by the use of social media for contact with applicants.

- Other key areas of focus
  Other key areas on which HR activities are currently focused include work-life balance and the implementation of measures in the context of diversity management. An Employee Assistance Programme introduced at the start of 2019 is a welcome addition to the established elements of health management. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

Economic Report

Macroeconomic and sector-specific conditions in Germany

The German economy expanded at a rate of 1.5 % in 2018 year on year, more or less in line with its growth potential, i.e. the growth that would be expected over the long term given a normal level of capacity utilisation. The pace of growth did, however, ease off in the course of the year. Growth was driven almost exclusively by domestic demand, with foreign trade contributing just 0.2 percentage points and acting as a drag. Although at 1.9 %, inflation was slightly up on the prior-year rate, collectively agreed pay rises and higher employment led to a rise in real incomes.

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

On the one hand, the German banking sector is benefiting from the positive economic trend in 2018. This is reflected in particular in the low level of allowances required to be recognised for losses on loans and advances. Conversely, though, banks' operating business continues to be impacted by the current level of interest rates. On top of this, institutional investors (insurance companies, pension funds) are making inroads into the market in response to their own investment pressures and are becoming competitors of the banks. Cut-throat competition continues to put pressure on margins.

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

In this way, online banks, high street banks and increasingly non-bank web-based businesses (termed fintech companies or fintechs) too have developed new communication and sales channels in private customer business, in some cases in competition and in other cases in co-operation with one another. To an ever greater extent, attention is now focusing on business with corporate clients, real estate customers and institutional investors as well. Derivative platforms enable currency hedges to be effected using standardised processes, lending portals arrange funding for small corporate customers through banks or directly through institutional investors and banks analyse their customer data in search of more effective ways of offering products. Around the globe, blockchain technology is being refined to find new, faster and more cost-effective methods of exchanging data; besides the handling of promissory note loans, foreign trade finance has also become a focus of attention.

Following the referendum on Brexit in June 2016, the specific terms of the exit have still not been definitively negotiated between the EU and the United Kingdom. Despite EU heads of government agreeing on a withdrawal agreement for the UK to leave the EU, it is still unclear whether the British parliament will agree to the deal, and a hard Brexit cannot be ruled out at this moment in time.

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

Key developments in the regulatory framework were as follows:

- Prudential supervision by the ECB (Single Supervisory Mechanism, SSM)
  The Helaba Group (within the meaning of the German Banking Act (Kreditwesengesetz – KWG)) together with its affiliated subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, is among the banks classified as "significant" and therefore subject to direct supervision by the ECB. The ECB sent the Helaba Group a letter dated 14 February 2019 notifying it of the findings of the Supervisory Review and Evaluation Process (SREP). The ECB has specified that the minimum Common Equity Tier 1 (CET1) capital ratio to be maintained by the Helaba Group in 2019 is

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

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

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

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

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

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

Business performance

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

The volume of new medium- and long-term business in the group (excluding the WIBank development business, which does not form part of the competitive market) was positive year on year at € 17.8 bn (2017: € 17.3 bn). Maturities and special repayments were more than offset. Loans and advances to customers rose to € 86.4 bn (31 December 2017: € 80.1 bn). Added to these were loans and advances to affiliated Sparkassen in the amount of € 5.9 bn (31 December 2017: € 6.0 bn). The focus on lending in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba’s business model. The degree of interconnectedness with the real economy, i.e. the percentage of the total consolidated assets accounted for by customer transactions, rose to 67 % (31 December 2017: 65 %) as a consequence of the increase in loans and advances to customers.

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

As planned, medium- and long-term funding of around € 13.1 bn (2017: € 17.5 bn) was raised during 2018, with unsecured funding amounting to approximately € 8.7 bn (2017: € 12.8 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were lower than in previous years at around € 2.4 bn (2017: € 2.9 bn). Pfandbrief issues amounted to € 4.4 bn in total (2017: € 4.7 bn), with mortgage Pfandbriefe accounting for a little over 70 % and public Pfandbriefe for around 30 %. Placements once again included US dollar mortgage Pfandbriefe.

Furthermore, new AT1 liable capital of almost € 0.4 billion was raised in exchange for silent participations with the aim of bolstering the bank's capital base. In addition, WIBank placed capital of around € 3.7 billion, largely for the purpose of funding the State of Hesse's "Hessenkasse" project.

The cost-income ratio was 77.7 % as at 31 December 2018 (31 December 2017: 69.4 %). Return on equity declined to 3.9 % (31 December 2017: 5.9 %).

Phased in, i.e. taking into account the CRR transitional arrangements, as at 31 December 2018, Helaba's CET1 capital ratio was 12.8 % and its total capital ratio 19.5 %. Fully loaded, i.e. disregarding the transitional arrangements, the CET1 capital ratio was 12.8 % and the total capital ratio 19.5 %. Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published.

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

As at 31 December 2018, Helaba's leverage ratio was 4.4 % taking into account the transitional provisions set out in the delegated act, or 4.2 % fully loaded, and therefore above the specified minimum ratio of 3.0 %.

The liquidity coverage ratio (LCR) for the Helaba Group was 119 % as at 31 December 2018. The uniform Europe-wide liquidity coverage requirement (LCR) is 100 %.

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

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

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

On 14 December 2018, Helaba concluded an agreement with Dexia Crédit Local to purchase 100 % of the shares in Dexia Kommunalbank Deutschland (DKD) for € 352 m. Subject to regulatory approval, the transaction is currently set for completion in the second quarter of 2019. It is planned to merge DKD with total assets of around € 19 bn (30 June 2018) fully with Helaba. On the day on which the transaction is finalised, Dexia will end its support of DKD (letters of support). Helaba will then issue a declaration of indemnity in favour of the BDB deposit guarantee fund which will absolve the latter from losses arising from DKD's membership of the BDB deposit guarantee fund.

Also in December, Helaba agreed to take over both a Land Transport Finance customer credit portfolio with a volume of more than € 1bn and the staff of DVB Bank SE (DVB). Both parties agreed to refrain from disclosing details on the purchase price. The transaction, which is still subject to regulatory approval, is currently set for completion during the first half of 2019.

In March 2018, Helaba was re-rated by the sustainability rating agency oekom research. In terms of the corporate rating, the rating of C (on a scale from D- to A+) meant that Helaba achieved prime status for the first time, consolidating its position as one of the leading financial institutions from the perspective of sustainability. Sustainalytics also managed to improve its rating from 61 to 73 points. The significant improvement in ratings is a visible sign that Helaba is successfully developing its sustainability profile and thus strengthening its own position among competitors.

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

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

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

Net Assets, Financial Position and Results of Operations

Key Performance Data for 2018

	2018	2017	Changes	
	in € m	in € m	in € m	in %
Business volume	170,695	161,604	9,091	5.6
Total assets	138,108	133,253	4,855	3.6
Operating result before allowance for losses on loans and advances	280	411	–131	–31.9
Net additions to allowance for losses on loans and advances/ net remeasurement gains/losses	–62	47	–109	>–100.0
Net income for the year	**149**	**262**	**–113**	**–43.1**

The Bank does not include the cost of servicing its silent participations in its presentation of the results of operations. For this reason, net interest income and therefore also the operating result and net income for the year reported under the results of operations are € 39 m (2017: € 45 m) higher than in the income statement prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB).

Results of operations

	2018	2017	Changes	
	in € m	in € m	in € m	in %
Net interest income	1,133	1,044	89	8.5
Net fee and commission income	165	165	–	–
Net income of the trading portfolio	45	222	–177	–79.7
Other net operating income	–77	–91	14	15.4
Net operating income	**1,266**	**1,340**	**–74**	**–5.5**
General and administrative expenses	–984	–930	–54	–5.8
Operating result before allowance for losses on loans and advances	**282**	**410**	**–128**	**–31.2**
Net additions to allowance for losses on loans and advances/ net remeasurement gains/losses	–62	47	–109	>–100.0
Additions to/reversals of contingency reserves (Section 340f HGB)	60	–60	120	>100.0
Extraordinary result	–	–	–	–
Operating result before taxes	**280**	**397**	**–117**	**–29.5**
Taxes on income	–131	–135	4	3.0
Additions to the fund for general banking risks (Section 340g HGB)	–	–	–	–
Net income for the year	**149**	**262**	**–113**	**–43.1**

In 2018, the Bank's operating income fell to € 74 m below the prior-year figure. Despite a rise in net interest income and other net operating income, the marked drop in net income from the trading portfolio coupled with a rise in general and administrative expenses resulted in a fall in the operating result before allowance for losses on loans and advances to € 282 m.

Taking into account a significantly higher expense under net additions to allowance for losses on loans and advances/net remeasurement gains/losses and a compensatory reversal in the contingency reserves in accordance with Section 340f of the HGB, the operating result before taxes reported by the Bank was down by € 117 m year on year. Taxes on income fell slightly compared with the previous year. Net income for the year was therefore € 113 m down on the prior-year figure to € 149 m.

Net interest income, a key component of Helaba's income, was € 1,133 m compared with € 1,044 m in the previous year. Higher prepayment penalties and income from equity investments, together with a rise in interest income from both on-balance-sheet and derivatives business, contributed to this increase.

Net fee and commission income was unchanged at € 165 m and was derived largely from fee and commission income on payment transactions (€ 67 m) and in the lending and guarantee business (€ 53 m).

All realised and unrealised contributions to income from trading transactions are reported under net income of the trading portfolio. Once again, the net income of € 45 m (2017: € 222 m) resulted mainly from interest rate-related business, the focus of the customer-driven capital market activities. The contraction on the previous year must be seen in the context of the very strong prior-year figure, which was caused by income from lower credit value adjustments from counterparty credit risk in derivatives business.

Other net operating income amounted to a net expense of € 77 m (2017: net expense of € 91 m). The difference compared with the previous year was largely due to partial reversals of provisions.

General and administrative expenses rose by € 54 m to € 984 m. These expenses comprised personnel expenses of € 384 m (2017: € 368 m), non-personnel operating expenses of € 581 m (2017: € 516 m) as well as depreciation and impairment losses on property and equipment plus amortisation and impairment losses on intangible assets totalling € 19 m (2017: € 46 m). Factors behind the significant increase in general and administrative expenses included a rise in personnel expenses on the back of higher wages and salaries (collectively agreed), and a further increase in consulting and IT costs for domain-specific and IT projects. At € 19 m, depreciation and impairment losses on property and equipment and amortisation and impairment losses on intangible assets were € 27 m lower year on year due to a prior-year write-down of capitalised project costs. The bank levy showed only a slight increase to an expense of € 39 m in the year under review (2017: € 37 m). At the end of the year, Helaba had 3,413 employees (2017: 3,408). The average number of employees rose from 3,404 to 3,419.

The net operating income of € 1,266 m and general and administrative expenses of € 984 m combined to give an operating result before allowance for losses on loans and advances of € 282 m, a decrease on the previous year of € 128 m or 31.2 %. The cost-income ratio, which is the ratio of general and administrative expenses to net operating income, was 77.7 % as at 31 December 2018.

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

	2018	2017	Changes	
	in € m	in € m	in € m	in %
Result of lending operations	– 10	23	– 33	>– 100.0
Result of investment operations	17	14	3	21.4
Result of securities allocated to the liquidity reserve, fixed assets and banking book derivatives	– 69	10	– 79	>– 100.0
Net additions to allowance for losses on loans and advances/ net remeasurement gains/losses	**– 62**	**47**	**– 109**	**>– 100.0**

The rise in the allowance for losses on loans and advances impacted on the operating result to the tune of € 10 m in the year under review. Aside from net additions to the specific loan loss allowance, the change in the method used to calculate portfolio loan loss allowances to the IFRS system (resulting in a loss of € 41 m), this being offset by the partial reversal of corresponding, existing portfolio loan loss allowances, was the principal contributing factor in this negative trend.

The result of investment operations amounted to income of € 17 m compared with an income of € 14 m in the previous year and was influenced by income from the sale of equity investments.

The result of securities allocated to the liquidity reserve is the net amount of write-downs strictly to the lower of cost or market value, disposal gains and losses and reversals of write-downs required under Section 253 (5) of the HGB. Together with the net redemption gain/loss on long-term securities and the net remeasurement gain/loss on banking book derivatives, this resulted in a contribution to the operating result of € – 69 m (2017: € 10 m). This substantial fall resulted from depreciation, amortisation and write-downs of special funds.

The contingency reserves under section 340f of the HGB were reduced by € 60 m, taking the operating result before taxes to a total of € 280 m compared with € 397 m in the previous year.

Tax expense amounted to € 131 m (2017: € 135 m).

Overall, these figures resulted in net income of € 149 m for the year, allowing Helaba to service all subordinated debt and silent participations, make appropriations to its revenue reserves to strengthen Tier 1 capital and report net retained profits.

Changes in assets

	31.12.2018	31.12.2017	Changes	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	16,183	18,802	−2,619	−13.9
Loans and advances to customers	86,368	80,056	6,312	7.9
Bonds and equities	17,663	17,716	−53	−0.3
Trading portfolio (assets)	13,538	12,307	1,231	10.0
Equity investments and shares in affiliated companies	2,040	1,837	203	11.1
Other assets	2,316	2,535	−219	−8.6
Total assets	**138,108**	**133,253**	**4,855**	**3.6**
Business volume	170,695	161,604	9,091	5.6

Helaba's total assets rose from € 133.3 bn to € 138.1 bn in financial year 2018. This increase was largely a consequence of a rise in loans and advances to customers to € 86.4 bn, around € 4 bn of which was attributable to the replacement of short-term municipal authority loans in the "Hessenkasse" development programme. A further rise of around € 0.5 bn was caused by higher USD exchange rates in the context of foreign-currency loans, although this effect was offset somewhat by the € 3.1 bn decline in the cash reserve compared with the previous year.

The volume of bonds and equities allocated to the investment and liquidity portfolio in 2018 was on a par with the previous year at € 17.7 bn. The main investments were bonds and other fixed-income securities totalling € 16.7 bn (31 December 2017: € 16.7 bn). Equity shares and other variable-income securities were unchanged at € 1.0 bn.

Trading assets rose by around € 1.2 bn year on year as a consequence of an expanded bond portfolio in the light of enhanced earnings opportunities projected for that market.

The business volume, which includes off-balance sheet business in addition to total assets, rose by € 9.1 bn to € 170.7 bn. Total assets rose by € 4.8 bn to € 138.1 bn, largely as a consequence of the increase in loans and advances to customers. The higher increase in business volume compared with that in total assets was attributable to the € 3.7 bn increase in irrevocable loan commitments to € 23.2 bn in the reporting period. The rise in loan commitments was principally due to the "Hessenkasse".

Changes in equity and liabilities

	31.12.2018	31.12.2017	Changes	
	in € m	in € m	in € m	in %
Liabilities due to banks	35,197	34,027	1,170	3.4
Liabilities due to customers	30,816	30,614	202	0.7
Securitised liabilities	50,714	47,661	3,053	6.4
Trading portfolio (liabilities)	7,616	6,830	786	11.5
Own funds	9,901	10,125	–224	–2.2
Other liabilities	3,864	3,996	–132	–3.3
Total assets	**138,108**	**133,253**	**4,855**	**3.6**

Liabilities due to banks climbed to € 35.2 bn (31 December 2017: € 34.0 bn). The rise was largely attributable to promissory note loans (€ 0.6 bn).

At € 30.8 bn, liabilities due to customers were more or less the same as in the previous year. Liabilities due to customers included home savings deposits of € 4.9 bn (31 December 2017: € 4.7 bn).

Securitised liabilities issued rose by € 3.1 bn. The portfolio of bonds issued amounted to € 47.4 bn (31 December 2017: € 43.2 bn). Within securitised liabilities, the issuance programmes comprising short-term money market instruments amounted to € 3.3 bn (31 December 2017: € 4.5 bn).

The trading portfolio (liabilities) declined by € 0.8 bn to € 7.6 bn. Trading liabilities amounted to € 4.4 bn (31 December 2017: € 4.4 bn) and trading derivatives (liabilities) to € 2.3 bn (31 December 2017: € 2.4 bn).

Own funds

The own funds of the Bank reported in the balance sheet (equity excluding net retained profits, including the fund for general banking risks, profit participation rights, subordinated liabilities, and additional Tier 1 instruments) totalled € 9.9 bn as at 31 December 2018 (31 December 2017: € 10.1 bn).

The Bank's regulatory own funds as at 31 December 2018 – i.e. before the annual financial statements were adopted and thus before appropriations to revenue reserves were taken into consideration and including an allowance surplus of € 222.8 m resulting from the comparison of expected losses against allowances at the end of 2017 – amounted to € 9.7 bn. This included Tier 1 capital of € 7.2 bn. The capital contributions classified as CET1 capital amounted to € 1.9 bn; a contribution of € 775.1 m was classified as Additional Tier 1 capital.

The Bank's own funds requirements under the CRR amounted to € 4.0 bn as at 31 December 2018. This resulted in a total capital ratio of 19.5 % for Helaba; the Tier 1 capital ratio was 14.4 % and the CET 1 capital ratio 12.8 %.

The own funds requirements specified by the CRR for the exposures for which capital charges are required were met at all times in 2018.

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

Comparison with prior-year forecasts

The following table shows a comparison between the actual values achieved in the year under review for the key performance indicators used by Helaba and the original forecasts:

	2017 forecast for 2018	2018 actual
Net interest income	Down by approx. 5 % year on year	+8.5 %
Net fee and commission income	Slight increase	+–0 %
Net income of the trading portfolio	Substantial decrease of around 40 %	–79.7 %
Other net operating income	Around one-third higher	+15.4 %
Personnel expenses	Up by 7 %	+4.3 %
Non-personnel operating expenses (including depreciation, amortisation and write-downs)	Up by approx. 4 %	+6.8 %
Allowance for losses on loans and advances	Significantly higher level	€ –10 m
Profit before taxes	**Down by approx. 1/3 on prior-year profit**	**–29.5 %**
Cost-income ratio	Approximately 70 %	77.7 %
Volume of new medium- and long-term business	€ 16.6 bn	€ 17.7 bn

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

One-off interest income amounts coupled with unscheduled dividend income meant that the rise in net interest income was greater than expected.

The projected increase in net fee and commission income in capital markets and loans business failed to materialise fully in the actual figure realised.

Widening credit spreads meant that the projected fall in net income from the trading portfolio compared with the very good prior-year figure was even more marked in the actual figure reported.

The interest costs on pension provisions carried in other net operating income were higher than budgeted due to the persistent low-interest environment.

In addition to rising personnel costs, a marked increase in additions of provisions to occupational pension tools were expected to impact on total personnel expenditure in the year under review. However, as there was another above-average pension adjustment in 2018, the expected increase in overall expenses did not actually materialise.

The 12.6 % rise in non-personnel operating expenses was higher than budgeted on account of an increase in project activity and a general rise in IT outlay. 2018 also saw an increase in the deployment of temporary external capacity. Largely as a result of the Alpha program for addressing regulatory findings, Helaba's IT project portfolio has grown, and this has served to increase expenses for ongoing IT operations. Unscheduled strategic acquisition projects gave rise to further adverse effects.

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

Due in particular to trends in net income from the trading portfolio and in general and administrative expenses, profit before taxes was slightly below budget.

Divergent trends in income and in general and administrative expenses meant that the targeted CIR of around 70 % was not reached, the actual figure reported being 77.7 %.

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

Results of operations by business area

In real estate lending, the volume of new medium- and long-term business increased by around 13 % year on year to € 9.8 bn and therefore exceeded the budgeted level by some way. Margins on new business were more or less maintained compared with the previous year. 2018 also saw a high level of early redemptions, as a result of which the average customer volume declined slightly. Although income was on a par with the previous year, the ultimate figure was lower than expected.

In Corporate Finance, the volume of new medium- and long-term business stood at € 6.1 bn, slightly above the previous year's level but well in excess of the budgeted figure. A rise in average loans and advances to customers for the year, coupled with one-off effects from equity investments, meant that income was above the level of the previous year and, thus, well above budget.

Income from business with insurance companies and clearing houses was slightly lower than projected.

The volume of new medium- and long-term lending in the municipal lending business in Germany was around € 0.9 bn in 2018, significantly below the prior-year figure and also below budget. This was a reflection both of the comparatively healthy budgetary situation in which the municipal authorities now find themselves, and of the nationwide programme to provide indebted municipal authorities with access to public-sector loans. With margins on a stable footing, the income generated was above the previous year but slightly short of the budgeted figure.

In the capital markets business, income from customer-driven capital market operations was above the previous year's level and, thus, in line with projections. However, remeasurement losses arising from the widening of credit spreads in the second half of 2018 did have an adverse effect.

In cash management business, fee and commission income in 2018 once again surpassed the previous year's level (6 %). The adverse impact on net interest income of negative short-term interest rates was offset by charging custodian fees. Adjusted for a one-off amount received in the previous year, income climbed overall significantly year on year, and was also therefore above budget.

In the Sparkasse lending business, income was marginally higher year on year, in line with the budgeted figure.

In the year under review, gross new business at LBS grew significantly year on year, posting an 8.8 % rise. After the negative prior-year result caused by restructuring expenditures, LBS managed to hit its positive earnings target for the reporting year despite the persistently adverse effect on income of low interest rates.

Helaba performs public development functions for the State of Hesse through WIBank. An increase in development business and the ongoing low interest-rate environment were key features of the year under review. The significant rise in new business resulted mainly from a new development product to replace or take over approximately € 4 bn in short-term public sector loans of municipal authorities in Hesse as part of the "Hessenkasse". With net fee and commission income on a stable footing, net interest income was above the prior-year level thanks to the expansion of business volume in certain fields.

Risk Report

The Board of Managing Directors is responsible for all of the risks to which Helaba is exposed and for defining a risk strategy consistent with the business strategy. The risk strategy lays down, in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities, the principal elements of the approach adopted to dealing with risk, the risk appetite, the objectives of risk containment and the measures employed to achieve these objectives at the Helaba Group. The risk strategy encompasses all the main business units in the Helaba Group and therefore also the Helaba Group itself within the meaning of the German Banking Act (KWG) and the Capital Requirements Regulation (CRR). Once adopted by the Board of Managing Directors, the risk strategy is presented to and discussed with the Supervisory Board and the Board of Public Owners.

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

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

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

Principles

Responsibility of the Board of Managing Directors

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

Protection of assets

Risks may be assumed only as permitted under the general risk strategy and the specific risk strategies and only in pursuit of the strategic objectives of Helaba on the basis of the risk appetite framework (RAF), in particular in order to maintain Helaba's long-term earnings power while protecting its assets as effectively as possible and accomplishing its mission.

Protection of the Bank's reputation

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

Clearly defined responsibilities

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

Segregation of functions ("three lines of defence", 3 LoD)

The independence of risk controlling and risk containment must be assured in order to maintain objectivity and transparency. Independent control processes are implemented wherever the type and degree of risk so require. The responsibilities of the organisational units for risk identification and containment, risk quantification, risk monitoring/controlling and risk reporting follow a "three lines of defence" policy. In terms of governance, this policy sets out roles and responsibilities to ensure there is independent monitoring and internal auditing of the effectiveness of the risk containment and monitoring functions that have been implemented. At Helaba Bank, including LBS and WIBank, and in the Group companies, the containment of risks in the first line of defence is separated in terms of disciplinary and organisational reporting lines from the independent monitoring of risks in the second line of defence.

Transparency

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

Cost efficiency

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

Risk appetite framework

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

Risk-bearing capacity/ICAAP

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

Compliance with regulatory standards

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

Risk culture

The risk culture at Helaba consists of the attitudes and conduct of Helaba's employees in relation to risk awareness, risk appetite and risk management. The risk culture at Helaba fosters an environment in which risks are identified and consciously handled to ensure that decision-making processes lead to results that comply with the approved risk strategy requirements and reflect Helaba's risk appetite. Helaba's risk culture therefore extends beyond the governance framework and the established controls. The refinement of the risk culture is an ongoing task for all employees and managers at Helaba. The elements of the risk culture include the corporate values adopted by the Board of Managing Directors, which set out Helaba's basic values and guiding principles, the need-based management development programme, the remuneration system, with its focus on risk awareness, and the open communications policy, all of which have been developed to help ensure relevant national and international standards are respected.

Auditing

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

Risk Classification

Risk types

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

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

- Market risk is the potential economic loss as a result of disadvantageous movements in the market value of exposures due to changes in interest rates, exchange rates, share prices and commodity prices and their volatility. In this context changes in interest rate levels in one market segment lead to general interest rate risks, specific interest rate changes (for example on the part of an issuer) lead to residual risks and changes in the price of securities subject to a credit rating as a result of rating changes (including default) lead to incremental risks.
- Liquidity and funding risk is broken down into three categories. The short-term liquidity risk is the risk of not being able to meet payment obligations as they fall due. Structural liquidity risks result from imbalances in the medium- and long-term liquidity structure and a negative change in the organisation's own funding curve. Market liquidity risks result from the insufficient liquidity of assets, with the consequence that positions can be closed out only, if at all, at a disproportionately high cost. The liquidity risks associated with off-balance sheet transactions lead to short-term and/or structural liquidity risks depending on their precise nature.
- Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Compliance, business continuity management (BCM), human resources and tax matters that are of relevance to operational risk are considered under this risk type as well.

Operational risk also includes the following risks:

- Legal risk is defined as the risk of loss for the Bank resulting from infringements of legal provisions that have the potential to result in (i) legal proceedings or (ii) internal actions to avert such losses. Breaches of contract relating to matters of creditworthiness (for example in the case of loan contracts) do not fall within this definition.
- Conduct risk is defined as the current or potential risk of loss for an institution as a result of an inappropriate offer of financial (banking) services, including cases of intentional or negligent misconduct.
- There are two distinct aspects to model risk:
  I. One involves the risk of loss associated with the development, implementation or inappropriate use of a different model (a model of a type other than that referred to in II.) by Helaba for the purposes of decision making. This aspect of model risk is factored into operational risk.
  II. The other aspect of model risk involves the risk of own funds requirements being underestimated as a result of the use of models to quantify risks. This is in part a reflection of the fact that a model can never entirely capture reality. This aspect of model risk is mapped in the Helaba Group by means of a risk exposure surcharge for the primary risk types in economic risk containment.
- Information technology risk (IT risk) is defined as the risk of loss resulting from the operation and development of IT systems (for example technical implementation of functional requirements and technical design activities for the provision, support and development of software and hardware).

  - Information security risk relates to the risk of loss caused by the impairment of Helaba's information assets at a technical, process, organisational or personnel level both internally and externally (cyber crime, for example).
  - The risk of loss in the case of both the IT risk and the information security risk relates to situations in which the availability, confidentiality or integrity of data is compromised or in which unforeseen additional expenditure is incurred for data processing.
  - Outsourcing risk is defined as the risk of loss resulting from contract, supplier and performance risks and risks associated with a failure to comply with regulatory requirements that can arise when procuring services externally.
  - Project risk involves the risk of negative consequences for project objectives in the context of scheduling, financial and human resources matters.

- 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 reputation in respect of its competence, integrity and trustworthiness as a result of perceptions of the individuals having a business or other relationship with the Bank. As the material consequences of reputation risk impact on business and liquidity risk, it is classified accordingly under these risk categories. Reputation risk encompasses reputation loss caused by direct actions as well as by the effects of operational losses. The reputation risk profile is mapped entirely under operational risk.
- Real estate risk comprises the real estate portfolio risk – the potential economic loss from fluctuations in the value of an entity's own real estate – and the real estate project management risk associated with project development business. Risks associated with the provision of equity and loan capital for a project are excluded from this risk type, as are risks associated with real estate finance.

Risk Concentrations

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

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

Risk Management Process

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

1. Risk identification

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

2. Risk quantification

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

3. Risk containment

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

4. Risk monitoring/controlling and reporting

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

Risk Management Structure

Entities involved

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

The Risk Committee is complemented by the Asset/Liability Management Committee and the Credit Committee of the Board of Managing Directors (VS-KA). The Asset/Liability Management Committee has responsibility for monitoring market risks, including the associated limit utilisation, and containing the strategic market risk portfolio and the portfolio of non-interest-bearing liabilities. The Credit Committee of the Board of Managing Directors is responsible for credit and settlement risks associated with counterparties as well as syndication risks, placement risks and country risks.

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

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

Risk management at companies belonging to the Group

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

The outcome of the materiality assessment conducted as part of the risk inventory process is used to determine which Group companies are included in risk management at Group level with which risk types and which Group companies are considered only through the mechanism of the residual equity risk. Helaba (with WIBank and LBS) and Frankfurter Sparkasse were included in their entirety in risk management at the level of individual risks in 2018. Other companies belonging to the Group are included in risk management at the level of individual risks in line with their primary risk types.

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

Principal risk monitoring areas

The responsibilities of the organisational units follow a "three lines of defence" policy. In terms of governance, this policy sets out roles and responsibilities to ensure there is independent monitoring and internal auditing of the effectiveness of the risk containment and monitoring functions that have been implemented. At Helaba Bank, including LBS and WIBank, and in the Group companies, the containment of risks in the first line of defence is separated in terms of disciplinary and organisational reporting lines from the independent monitoring of risks in the second line of defence. The 3 LoD policy is implemented at Helaba Bank as follows:

First line of defence (LoD 1)

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

Second line of defence (LoD 2)

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

Third line of defence (LoD 3)

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

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

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

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

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

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

Internal Audit

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

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

Compliance

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

The Compliance Capital Markets department advises the operating units and monitors and evaluates the principles, processes and practices applied against various criteria including, in particular, the requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), German Investment Services Conduct of Business and Organisation Regulation (Wertpapierdienstleistungs-Verhaltens- und Organisationsverordnung – WpDVerOV) and German WpHG Employee Notification

Regulation (WpHG-Mitarbeiteranzeigeverordnung – WpHG-MaAnzV), statements of the German Federal Financial Supervisory Authority (BaFin) and pertinent statements of the European Securities and Markets Authority (ESMA). It also evaluates inherent risks and checks compliance with the relevant regulatory requirements and performs regular risk-oriented monitoring activities using a monitoring plan based on a prior risk analysis, paying particular attention in this regard to the rules prohibiting insider dealing and market manipulation, and identifies and regulates conflicts of interest throughout the Group that pose a potential risk.

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

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

Information security management

The Information Security Management function is responsible for ensuring the proper control, coordination and development of information security management in line with the Bank's business strategy, IT strategy and risk management strategy. It identifies and analyses the information security risks to this end using an information security management system (ISMS) and develops relevant measures and checks for sustainable risk reduction and risk monitoring. The Information Security Management function also continuously refines the processes for ensuring that any necessary security requirements arising in connection with relevant laws and regulations (data protection legislation (German Federal Data Protection Act – BDSG, EU General Data Protection Regulation – GDPR), German IT Security Act, German Minimum Requirements for the Security of Internet Payments – MaSI, MaRisk, German Supervisory Requirements for IT in Financial Institutions – BAIT, etc.) are determined and specified, that information protection classifications and infrastructures are analysed regularly and that technical and organisational measures appropriate for this purpose are coordinated to make certain that a proper level of security is maintained at the Bank.

The Data Protection Officer reports to and advises the Board of Managing Directors and all organisational units and employees with regard to data protection requirements. He or she is responsible for monitoring the implementation of and compliance with the requirements of data protection laws, and for relevant employee training and measures to raise awareness of data protection issues among employees. Helaba maintains a record of processing activities (Art. 30 GDPR) covering procedures that involve the processing of personal data. This record provides the basis for ensuring that the processing of personal data complies with the data protection regulations. Helaba has developed an information security management system (ISMS) aligned with the ISO 27001 standard to ensure the availability, confidentiality and integrity of data (Art. 5 and Art. 32 GDPR) and to assess the resilience (maintenance of operability) of data processing systems.

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

Risk-Bearing Capacity/ICAAP

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

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

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

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

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

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

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

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

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

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

Helaba additionally conducts three inverse stress tests to investigate what nature of event could jeopardise its continued existence. The associated scenarios, "minimum capital requirements not met" and "illiquid", examine the implications of a variety of economic developments that could result in Helaba being unable to comply with the minimum capital requirements specified by the regulator or consuming its liquidity reserves. A reverse stress scenario is used in the internal economic perspective to analyse what events beyond the extreme market dislocation scenario would need to materialise to place the risk-bearing capacity of the Helaba Group in jeopardy. There is currently no indication of any of the scenarios described above becoming a reality.

Other deposit security mechanisms

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

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

The Sparkassen-Finanzgruppe scheme includes a deposit guarantee scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected at the Helaba Group amount to € 16.0 bn in total (31 December 2017: € 15.6 bn). The German Federal Financial Supervisory Authority (BaFin) has recognised the Sparkassen-Finanzgruppe's institutional protection scheme as a deposit guarantee scheme for the purposes of the German Deposit Guarantee Act.

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide Joint Liability Scheme. It covers the liabilities of Helaba and Frankfurter Sparkasse to customers, including banks, insurance companies and other institutional investors, and their securitised liabilities. Liabilities that serve or have served at the institutions as components of own funds pursuant to Section 10 KWG, such as asset contributions of dormant shareholders, liabilities under profit participation rights and subordinated liabilities, are not covered irrespective of their remaining term. The total volume of the fund is equal to 0.5 % of the affiliated institutions' total risk exposure amount as defined by article 92(3) CRR and stood at € 555 m at the end of 2018 (31 December 2017: € 518 m). The total contributions paid in cash as at the same date amounted to € 475 m (31 December 2017: € 442 m).

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

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

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

Default Risk

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

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

Basel III/CRR

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

Risk monitoring using the global limit system

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

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

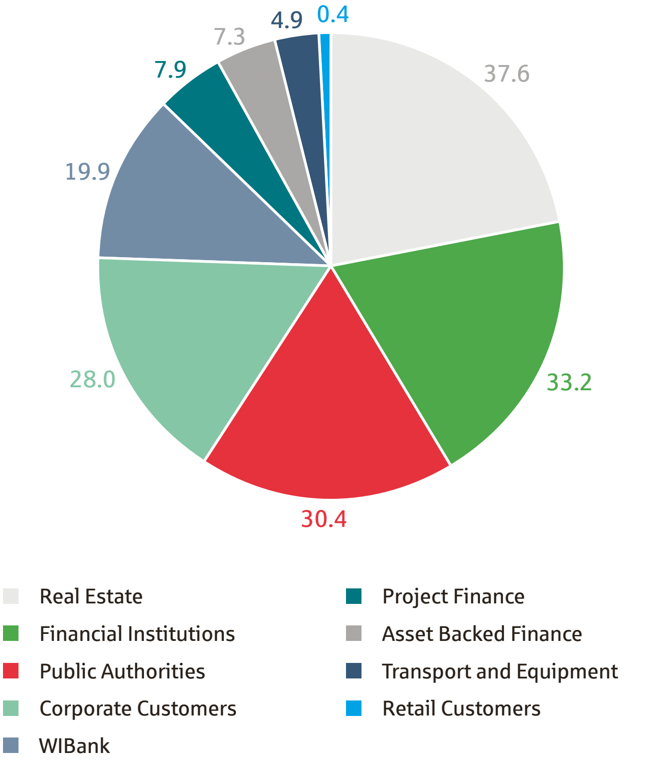
The approved total limits are allocated to individual borrowers, product categories and the operating divisions concerned in accordance with the application for approval. The utilisation of the individual limits is monitored on a daily basis and appropriate measures are initiated immediately if any limit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

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

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

Chart 1 shows the total volume of lending as at 31 December 2018 comprising drawings and unutilised committed credit lines of Helaba Bank totalling € 169.6 bn (31 December 2017: € 163.3 bn), broken down by portfolio. The total volume of lending is the risk exposure value calculated in accordance with the legal provisions applicable to large exposures before applying the exemptions in relation to calculating utilisation of the large exposure limit and before applying credit mitigation techniques.

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



Helaba's lending activities as at 31 December 2018 focused on the following portfolios: real estate, financial institutions (especially in the banking sector), and public sector.

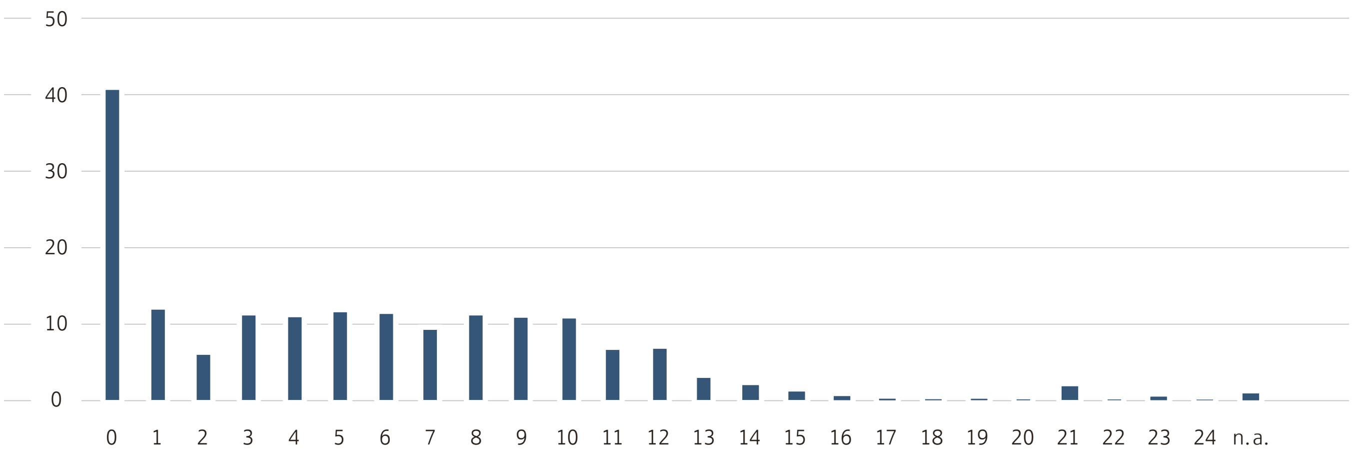
Creditworthiness/risk appraisal

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

Chart 2 shows the total volume of lending in Helaba Bank of €169.6 bn (31 December 2017: €163.3 bn) broken down by default rating category.

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

Chart 2 in € bn



Collateral

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

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

Country risks

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

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

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

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

The internal rating method for country and transfer risks provides 25 different country rating categories based on the uniform master scale used throughout the Bank. All classifications are established at least annually by the Economics and Research department and ultimately defined by the Credit Risk Management unit. The Banks and International Business unit, which performs the central coordination function for country limit requests, presents a country limit proposal on this basis factoring in bank-specific considerations and relevant factors relating to business policy and risk methodology and the Credit Committee of the Board of Managing Directors then sets the limits for the individual countries based on this proposal.

The Bank has no defined country limits for countries falling into the weakest rating categories (22-24).

The transfer, conversion and sovereign default risks arising from loans issued by Helaba Bank to borrowers based outside Germany amounting to € 64.4 bn (31 December 2017: € 43.6 bn excluding local transactions) are mainly accounted for by Europe (66.0 %) and North America (32.0 %). As at 31 December 2018, 80.1 % (31 December 2017: 75.0 % excluding local transactions) of these risks were assigned to country rating classes 0 and 1 and a further 19.8 % (31 December 2017: 25.0 % excluding local transactions) to rating classes 2-13. Just 0.1 % (31 December 2017: 0.1 % excluding local transactions) fell into rating class 14 or worse.

Exposures in the UK

Helaba's net exposure to borrowers in the United Kingdom across the narrow Group companies amounted to € 7.9 bn as at 31 December 2018 (31 December 2017: € 7.3 bn). This increase reflects a year-on-year reduction in the value of collateral provided. The United Kingdom's vote to leave the EU (Brexit) otherwise had no significant effect on the level of default risk.

Credit risk processes and organisation

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

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

Approval procedure

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

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

Quantifying default risks

For regulatory purposes, expected and unexpected default risks are quantified using the regulatory calculation module. Expected default risks are treated for calculation purposes on a transaction-by-transaction basis in the form of the expected loss. The calculation for regulatory purposes is carried out using the internal rating methods and regulatory loss given default (LGD). The equity to be held available in accordance with the

CRR to cover unexpected losses is also calculated on a transaction-by-transaction basis and is used for containment purposes for both the specific transaction and the risk capital.

Default risks are determined for the purposes of internal containment using a value-at-risk approach with a CreditMetrics-based simulation method (Monte Carlo simulation) factoring in migration and LGD risks. The value-at-risk calculated corresponds to what is deemed, with a certain confidence level, to be the upper threshold of the potential loss of a portfolio or position within a period of one year.

The risk parameters applied include internally generated LGD estimates and empirically measured correlation values as well as the internal rating method. The overall risk assumes that the various different losses occur simultaneously. The value-at-risk (VaR) calculated using the risk model provides a measure of the maximum loss (expected and unexpected) that will not be exceeded, with a probability of 99.9 % (internal economic perspective), on the basis of the underlying historical observation period of one year. Factoring in empirical correlations provides a way to map the simultaneous occurrence of discrete credit events (systematic risk).

The expected and unexpected losses quantified in this way are assessed against various scenarios to determine the impact of corresponding stress situations. The risk parameters are modelled scenario by scenario for this purpose.

The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 1,421 m (31 December 2017: € 1,423 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018) for the Group from default risk. Risk exposures remained essentially unchanged in 2018. The change in total exposure and the changes in ratings remained in balance overall.

Allowance for losses on loans and advances

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

Equity Risk

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

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

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

Market Risk

Risk containment

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

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

Limitation of market risks

Helaba employs a uniform limit structure to limit market risks. The process through which limits are allocated involves the Bank's internal corporate bodies and, in the context of limit definition for the risk-bearing capacity, the Risk and Credit Committee of the Supervisory Board.

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

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

Risk monitoring

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

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

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

Quantification of market risks

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

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

The summary below presents a reporting date assessment of the market price risks (including correlation effects between the portfolios) taken on as at the end of 2018 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market risk types. The rise in the linear interest rate risk was primarily attributable to greater market volatility in the bond markets resulting from political uncertainty and to a normal level of reallocated exposures. Various country- and rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 87 % (31 December 2017: 86 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions for 8 % (31 December 2017: 8 %). In the field of equities, the focus is on securities listed in the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar, Canadian dollar and sterling positions. Residual risk amounted to € 14 m for the Group (31 December 2017: € 10 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 205 m (31 December 2017: € 166 m). The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 601 m (31 December 2017: € 412 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018) for the Group from market risk. The increase was due mainly to the rise in linear interest rate risk and elevated incremental risk.

Group MaR by risk type at year-end — in € m

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

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

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

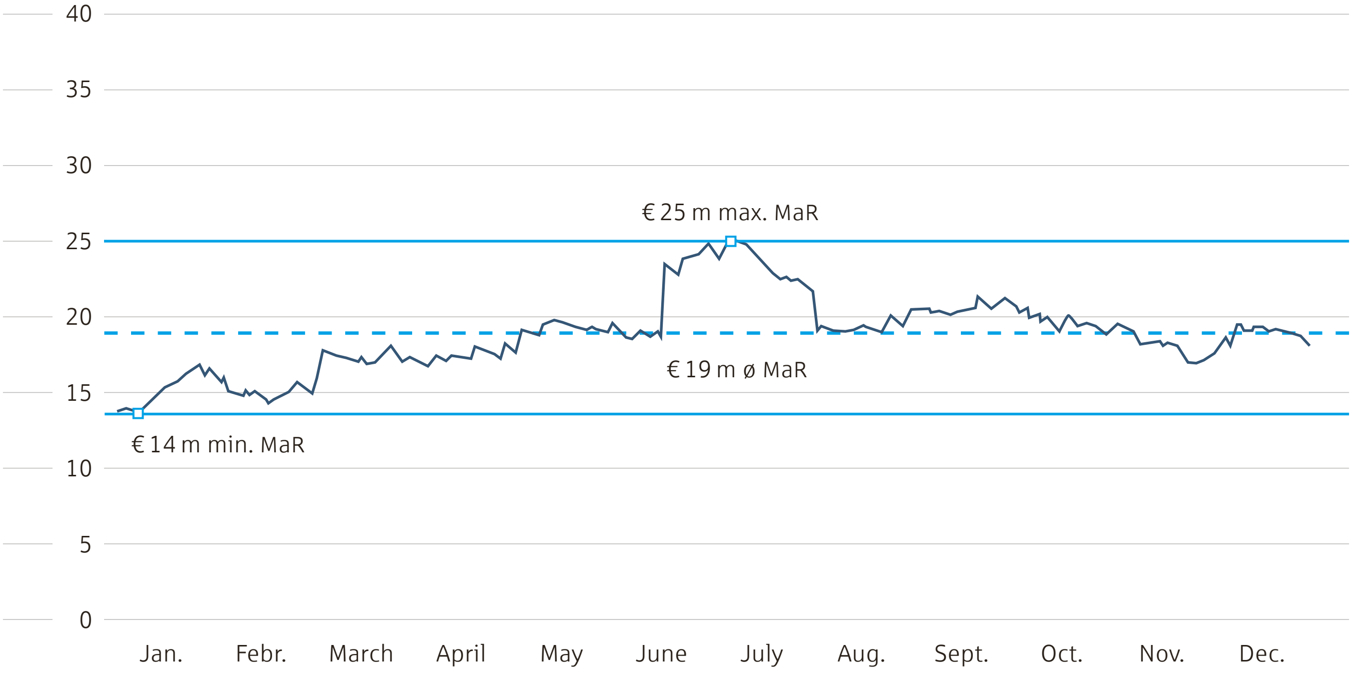
Helaba calculates the regulatory capital required for the general interest rate risk using an internal model in accordance with the CRR. This model, which consists of the risk measurement systems MaRC² (linear interest rate risk) and ELLI (interest option risk), has been approved by the banking regulator.

Market risk in the trading book

All market risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba also uses the parameters prescribed by the regulatory authorities for internal risk management. Chart 3 shows the MaR for the trading book (Helaba Bank) for the 2018 financial year. The average MaR for 2018 as a whole was € 19 m (2017 as a whole: € 19 m), the maximum MaR was € 25 m (2017 as a whole: € 32 m) and the minimum MaR was € 14 m (2017 as a whole: € 14 m). The increase in risk in 2018 resulted primarily from linear interest rate risk but was also attributable to heightened volatility in the bond markets at the end of May/beginning of June 2018 caused by the formation of the new government in Italy as well as a normal level of reallocated exposures.

Daily MaR of the trading book in financial year 2018

Chart 3 in € m



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

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

Average MaR for the trading book in financial year 2018 Ø MaR in € m

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

Number of trading days: 250 (2017: 250)

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

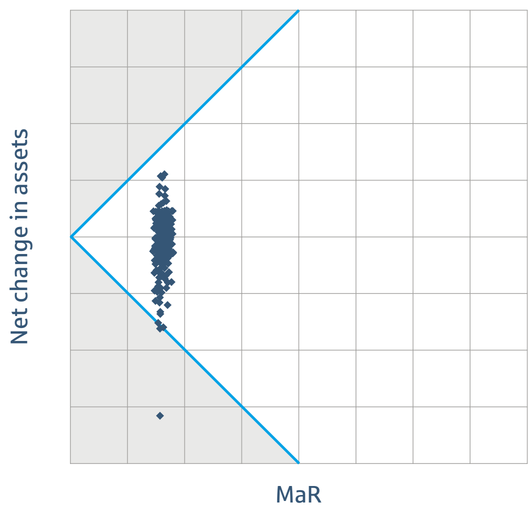
Back-testing

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

Chart 4 shows the back-testing results of the Helaba risk models for the trading book across all types of market price risk in financial year 2018. Two negative outliers occurred (2017: no negative outliers). One was due to the uncertainty in the bond markets associated with the process to form a new government in Italy, which caused spreads to widen. The other resulted from increases in spreads as a consequence of sharp price falls for financials.

Back-testing for the trading book in financial year 2018

Chart 4



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

Stress test programme

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

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

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

Helaba employs the MaR approach used for the trading book to map the market risks in the banking book. The risk figures calculated using this approach are supplemented with maturity gap analyses calculated daily, from which the maturity structure of the positions taken out can be ascertained. Regular stress tests with holding periods of between ten days and twelve months back up the daily risk measurement routine for the banking book.

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest shocks. The computation examines the effects of a rise and fall of 200 basis points in interest rates in line with the requirements of the banking regulator. As of the end of 2018, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 501 m in the value of the Helaba Group banking book (31 December 2017: € 277 m). Of this figure, € 480 m (31 December 2017: € 258 m) is attributable to local currency and € 21 m (31 December 2017: € 19 m) to foreign currencies. The change compared with the position at the end of 2017 arose mainly because of the implementation of modified requirements imposed by the banking supervisory authorities in relation to interest rate risk in the banking book. Helaba carries out an interest rate shock test at least once every quarter.

Performance measurement

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

Liquidity and Funding Risk

Ensuring liquidity so as to safeguard its short-term solvency and avoid cost risks in procuring medium-term and long-term funding is a top priority at Helaba, which accordingly employs a comprehensive set of constantly evolving tools to record, quantify, contain and monitor liquidity and funding risks. The processes, tools and responsibilities in place for managing liquidity and funding risks have clearly demonstrated their value over recent years in the face of the global crisis in the financial markets and the resultant turmoil in the money and capital markets. Helaba's liquidity was once again fully assured at all times in 2018.

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

Containment and monitoring

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

The Bank draws a distinction in liquidity risk management between short-term and structural liquidity management. Overall responsibility for short-term solvency and for structural liquidity management with regard to the funding of new lending business (maintaining the balanced medium- and long-term liquidity structure) rests with Asset/Liability Management. The same unit is also tasked with the central management of the liquidity buffer for both regulatory purposes (to maintain the LCR) and for collateral management.

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

Short-term liquidity risk

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

The short-term liquidity status concept has been chosen to allow various stress scenarios to be mapped. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are five days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. The utilisation rate in the most relevant scenario (solvency) was 30 % as at the reporting date (31 December 2017: 11 %) as a result of the excellent level of liquidity adequacy. This increases to 32 % (31 December 2017: 16 %) if Frankfurter Sparkasse is included. The average utilisation rate in 2018 was 3 % (2017: 9 %), reflecting the excellent liquidity situation.

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

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

Off-balance sheet loan and liquidity commitments are regularly reviewed with regard to their drawing potential and features of relevance to liquidity and are integrated into liquidity management. Guarantees and warranties are similarly reviewed. Helaba determines and plans the liquidity to be held available using a scenario calculation that includes a market disturbance. A total of € 1.6 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents an increase of € 0.1 bn as compared with the previous year. No liquidity had been drawn down from stand-by lines in US public finance business as of the reporting date (as was the case at the end of 2017).

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

Structural liquidity risk and market liquidity risk

The Asset/Liability Management unit manages the liquidity risks in Helaba's commercial banking activities, which consist essentially of lending transactions including floating-interest roll-over transactions, securities held for the purpose of safeguarding liquidity and medium- and long-term financing, via the central asset/liability management system (ZDS). Funding risk is managed on the basis of liquidity gap analyses where liquidity mismatches are limited. The Bank prevents concentrations of risk from arising when obtaining liquidity by diversifying its sources of funding. Market liquidity risk is quantified in the MaR model for market risks. A scenario calculation using a variety of holding periods is carried out. The scaled MaR suggested no significant market liquidity risk as at 31 December 2018, as was also the case at 31 December 2017. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

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

Operational Risk

Principles of risk containment

Helaba identifies, contains and monitors operational risks using an integrated management approach introduced for this purpose in line with the regulatory requirements. The approach taken by Helaba provides for the disciplinary and organisational segregation of operational risk containment and monitoring. Risk management is accordingly a local responsibility discharged by Helaba's individual units, which are supported in this task by central containment units. Central responsibility for operational risk monitoring rests with the Risk Controlling unit.

Tools

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

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

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

Technical assistance to help facilitate the management of operational risks is provided in the form of a web-based application that supports local data access and a central database along with a central application for risk reporting. Operational risks are avoided or limited using insurance arrangements that cover specific losses up to agreed maximum limits and also by means of established measures in internal processes and other workflows.

Ongoing development of the tool kit

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

Risk monitoring

The risk reporting system keeps the bodies responsible, the Risk Committee, the management group created for nonfinancial risk and the units responsible for risk management at the local level informed of the risk situation, of any losses incurred and of containment actions derived as a result. The Bank's risk profile is updated as part of an annual review.

The risk profiles of the subsidiaries are added to create the Group risk profile.

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

Quantification

Operational risks are quantified for Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model based on a loss distribution approach, which considers risk scenarios and internal and external losses to calculate economic risk exposure. This also includes internal loss events and risk scenarios arising from operational risks that originate from risk sub-categories (including legal, outsourcing, information security, IT and project risks). The summary below shows the risk profile as at the end of 2018 for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Group that are included in risk management at the level of individual risks:

Operational risks – risk profile

Economic risk exposure in € m

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

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

The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 323 m (31 December 2017: € 306 m) for the Group from operational risks. The increase in this figure can be traced essentially to the updating of the risk scenarios.

Documentation system

The documentation system lays down details of the internal control procedures and the due and proper organisation of business. The defined framework for action is marked out in the documentation system in the form of regulations governing activities and processes.

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

Legal risk

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

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

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

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

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

Outsourcing risk

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

Information security and IT risk

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

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

Business continuity management

Helaba's units and branch offices have drawn up business continuity plans for the critical business processes as part of business continuity management activities. These business continuity plans are subject to tests and exercises to verify their effectiveness and are updated and enhanced on a regular basis to ensure that emergency operation and the restoration of normal operation both proceed properly.

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

Accounting process

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

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

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

- Control environment
- Risk assessment
- Controls and reconciliations
- Monitoring of the controls and reconciliations
- Process documentation
- Communication of results

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

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

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

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

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

Tax risks

The Bank operates a tax compliance management system (TCMS) to ensure that it always complies properly with its tax obligations. The TCMS came into force on 1 January 2018. The TCMS has been designed to take into account legal and business management principles, and focuses on complying with tax regulations and avoiding tax risks. Key components of the TCMS are processes for identifying, monitoring and containing tax risks. Risk-related tasks, processes and control requirements are integrated into the Bank's business operating processes. The TCMS also includes the foreign branches with effect from 1 January 2019.

The overarching parameters are set out in Helaba's tax strategy, which forms an integral part of the business strategy. All units are under an obligation to comply with the tax strategy requirements in their operating activities.

The 'Taxes' department is responsible for monitoring the tax risks in Helaba's business operations. The monitoring activities are carried out by a central tax risk manager in conjunction with tax compliance coordinators in the individual departments.

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

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

Other Risk Types

Business risk

Risk containment in respect of business risks encompasses all of the measures implemented in order to reduce, limit and avoid risks and to keep intentional risk exposure compliant with the risk strategy and the specified limits adopted by the Board of Managing Directors. Operational and strategic risk containment is the responsibility of the Bank's front office units and the management of the respective equity investments. The Risk Controlling unit quantifies the business risks for the purposes of the calculation of risk-bearing capacity and analyses their development.

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

Real estate risk

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

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

Summary

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

Non-Financial Statement

Under Section 340a (1a) of the German Commercial Code (HGB), Landesbank Hessen-Thüringen (Helaba) is under an obligation to prepare a non-financial statement in which it describes the main effects of its business activities in certain non-financial areas.

As Helaba's equity investments also have a material effect on non-financial aspects of its business and the Bank adopts a Group-wide approach to sustainability management, the following passages refer to the Group as a whole, with Frankfurter Sparkasse and GWH Immobilien Holding receiving particular attention. Unless otherwise stated, the figures presented always refer to Helaba Bank. Helaba also prepares a non-financial statement and this is contained in the group management report.

In a structured analysis process, the subjects credit finance, provision of financial services, residential management, anti-corruption, together with employer branding and employee retention were identified as being material to Helaba's business activity. The concepts described here generally apply to the Group. If there is any variation from basic principle, this is indicated separately in the text. In preparing the non-financial statement, Helaba used the German Sustainability Code (DNK) as orientation, and also put together a "DNK Declaration of Conformity" featuring the Global Reporting Initiative (GRI) indicators used in the code.

Helaba provides comprehensive reports online on its sustainability activities (nachhaltigkeit.helaba.de). The declaration of conformity in accordance with the DNK can also be accessed on this website. In the year under review and on the date of the report, and taking into account the risk management process at Helaba (net method), no material risks have been identifiable that have had or are very likely to have a serious negative impact on the areas specified above.

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

Business Model and Sustainable Business Policies

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

With a view to minimising negative effects on the environment and society and preventing reputational risk, Helaba drew up guiding sustainability guidelines applicable for the Group. These guidelines include standards of conduct approved by the Board of Managing Directors for business activities, business operations, employees and corporate social responsibility. The corporate values adopted by Helaba in 2018 under the "Values with impact" slogan underline its aspirations to make a positive contribution to society and to reinforce Germany as an enduring business location.

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

Helaba Invest, which is responsible for managing the assets of institutional investors in the Helaba Group, signed the international Principles for Responsible Investment (PRI) in 2018. In doing so, Helaba Invest reaffirmed its sustainability strategy of incorporating environmental, social and governance-related criteria (ESG) explicitly into its investment processes and products. In a first step beginning in 2019, Helaba Invest will be introducing an ESG screening process for its equity-based retail funds and will be assessing all securities for compliance with international sustainability standards and conventions, such as the principles of the UN Global Compact.

Responsible Business Practices and Social Value Proposition

There is an impact on environmental, social and human rights issues from Helaba's business activities as a bank, from the housing portfolios of the GWH subsidiary in the real estate business, and from the private customer business operated by the subsidiary Frankfurter Sparkasse.

Helaba does not believe it has any material impact on the environment from its business operations in office buildings or its operational ecology. Nevertheless, Helaba is committed to reducing its ecological footprint on a continuous basis. For example, Helaba's main office building (MAIN TOWER) is officially designated as a sustainable and energy-efficient building, having received platinum certification – the highest category available – in accordance with Leadership in Energy and Environmental Design (LEED) standards. More than 90 % of the energy used in the Helaba Group's offices comes from renewable energy sources. Helaba regularly monitors environmental indicators in relation to its operations and publishes the results transparently on its website.

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

Credit finance

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

Helaba has developed sustainability and exclusion criteria for lending with the aim of minimising negative effects from financing operations. These criteria have been integrated into the existing risk process and risk containment activities and apply throughout the Group. Accordingly, it has been set out in the specific risk strategy for default risk that it is prohibited to consciously finance projects that could have a serious detrimental environmental or social impact. This includes, but is not limited to, violations of human rights, the destruction of cultural assets, infringements of employee rights, and environmental damage such as the destruction of the natural habitats of threatened species.

These overarching principles in lending policies are complemented by sector-specific guidelines applicable to sectors exposed to heightened risk. Specific criteria have been adopted for the following sectors: energy, coal-fired power plants, dams and hydroelectric power plants, nuclear power plants, mining, oil and gas, agriculture and forestry, paper and pulp, and armaments. This ensures that the funding of controversial, high-risk activities such as fracking or the extraction of oil from tar sands is ruled out. Helaba is gradually scaling back its current exposures in relation to coal-fired power plants and power station coal. What is more, it is stepping up its positive involvement in projects relating to climate change by financing energy-efficient and environmentally friendly technologies as well as renewable energy sources. The sector-specific guidelines are published on Helaba's website and are therefore also visible to the market players.

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

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

Provision of financial services

Within the Helaba Group, private customer business is primarily conducted by Frankfurter Sparkasse. Frankfurter Sparkasse's Charter specifies that its mission is to promote saving and other forms of wealth accumulation and to satisfy the demand for credit at local level. As the regional market leader in private customer business with the biggest branch network in Frankfurt am Main, Frankfurter Sparkasse has significant influence over the provision of financial services in its territory. It discharges its responsibility for the provision of access to financial services and meets its mandate to operate in the public interest by ensuring it has a broadly based presence in the territory, comprising 75 branches and advice centres, 20 self-service banking centres and around 120 automated teller machines (ATMs).

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

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

Residential management

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

From an environmental perspective, GWH has established processes aimed at continuously optimising the energy and carbon footprint of its residential buildings. For example, it invests on an ongoing basis in improved insulation and more energy-efficient windows in its housing portfolio and uses its own energy service provider (Systeno GmbH) to ensure that an increasing proportion of its homes are supplied with heating energy from energy-efficient combined heat and power (CHP) generation and renewable energy sources. It regularly checks that these activities have been successful by measuring the savings achieved in CO_2 emissions. According to the latest evaluations, the total energy consumption in 2017 of 409,886 MWh was reduced by approximately 1.54 % as a result of heat insulation improvements and modernisation of heating systems, saving 1,272 tonnes of CO_2 (2016: 1,374 tonnes of CO_2). The slight fall in CO_2 savings compared with 2016 was mainly due to efficiency gains in the context of modernising heating systems having already been exhausted for the most part. In 2018, 88 % of the buildings received new energy certificates. At around 124 kWh/m²/a, the average energy consumption of GWH's residential properties is below the German average of around 169 kWh/m²/a (last available value for 2015) as published by the nation's energy agency.

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

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

Combating Bribery and Corruption

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

In view of the nature of banking business, the prevention of criminal economic activity by means of a compliance management system with a preventive focus is of key importance at Helaba in this context. One of the measures taken by Helaba has been to set up the functions of the Money Laundering and Fraud Prevention Compliance Office. Acting in its capacity as the central authority for the purposes of Section 25h KWG, the office develops internal principles and appropriate transaction- and customer-related safeguards and checks to prevent money laundering, the funding of terrorism and other criminal acts such as fraud and bribery.

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

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

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

As part of the preventive approach, an annual Group risk analysis report is prepared and submitted to the competent department, the Board of Managing Directors and the Supervisory Board. And each year, Internal Audit independently assesses the risk management system and the controls before preparing a report for the Board detailing the efficacy of and compliance with the relevant instruments. In 2018, no corruption proceedings were instigated against Helaba.

Appreciative Corporate Culture and Sustainable HR Activities

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

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

Helaba's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration. The remuneration for around 55 % of employees is set under the collective agreement for public-sector banks. Remuneration for the remaining 45 % is not subject to a collective salary agreement. The remuneration systems for the employees and the Board of Managing Directors satisfy the requirements specified in the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (IVV) and are published annually in the form of a separate report (remuneration report pursuant to section 16 IVV).

Employer brand and employee retention

Helaba is a provider of, notably, specialist financial services and has therefore set itself the enduring objective of attracting suitable, highly qualified employees and retaining these employees over the long term. Demographic change is presenting a particular challenge in that Helaba must be able to attract and retain young talent with a high degree of potential. Constant developments in banking regulation and the ongoing digitalisation of business are also presenting Helaba with changes to the requirements it must meet to maintain its appeal, primarily for a younger target group, and to respond to shifting and/or new demands in terms of skill sets.

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

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

A range of training and professional development offerings ensures that staff remain employable until they reach retirement age and enhances Helaba’s appeal as an employer. Helaba thus invested € 2.2 m in developing employee skills and qualifications in 2018. The needs-based range of seminars covering professional, personal, social and methodological development helps managers and employees fulfil their day-to-day responsibilities. This range of seminars is complemented by foreign language training, topic-specific training provided by external providers and courses of study in business management. A separate trainee programme aims to attract young talent. An 18-month programme lays the foundations for the subsequent professional development of trainees as specialists or managers within a development path defined in advance.

Helaba attaches particular importance to the greater advancement of women and to the development of HR tools that are differentiated by age in order to make the most of the potential presented by all employees and exploit the long-term prospects available in the Group. To this end, a diversity management scheme was set up to develop concepts on issues such as gender, age and integration. As part of a lifecycle-oriented HR model, appropriate measures are being implemented to recruit staff, identify potential early on and develop current employees, and to attract and retain employees.

Diversity in the Helaba workforce, key figures

	31.12.2018	31.12.2017	31.12.2016
Proportion of women	46.3 %	45.7 %	45.6 %
Proportion of female managers	20.9 %	20.6 %	18.3 %
Proportion of women on the Board of Managing Directors	0.0 %	0.0 %	0.0 %
Proportion of women on the Supervisory Board	23.3 %	22.2 %	22.2 %
Proportion aged > 50	46.5 %	43.9 %	40.4 %
Proportion aged 30 – 50	50.0 %	52.9 %	55.9 %
Proportion aged < 30	3.6 %	3.2 %	3.7 %
Proportion of employees with disabilities (as defined by § 2 SGB IX)	5.2 %	4.9 %	4.6 %

Occupational health management at Helaba focuses on promoting the health of employees in addition to complying with statutory health and safety requirements. Employees can obtain information on a regular basis and make use of offerings at events, presentations and seminars covering topics such as nutrition, movement, mental balance/relaxation and risk prevention. A company sports programme with a wide range of options is provided to promote physical fitness. Great importance is attached to mental as well as physical health. An employee welfare service offers skilled counselling to any employees with problems in their professional or personal lives. From 2019 on, a counselling service for employees and managers and a work-life service will be added.

Overall, a low employee turnover rate of 2 % (departure initiated by the employee), an average period of service of 13.5 years and a low absenteeism rate of 4.8 % (absence caused by sickness evidenced by doctor’s certificate) are testimony to a high degree of satisfaction and significant employee commitment.

Outlook and Opportunities

Economic conditions

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

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

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

Slowly but surely, the ECB is starting to turn. The first step towards a less expansionary monetary policy came at the end of 2018, when the ECB wound down its bond-buying programme. The next step in the second half of 2019 is likely to be a cautious adjustment of the key interest rates in response to the, by then, improved economic backdrop, with the deposit rate likely to rise from –0.4 % to –0.2 %. Although money market rates and short-dated German government bonds are, for the most part, still in negative territory, yields on medium and long maturities are set to attain higher levels in positive territory. The yield curve will steepen overall in the course of the year.

Opportunities

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

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

In 2018, Helaba conducted a major customer survey in which 90 % of the participants stated that they were extremely satisfied with the bank. This shows that Helaba's values-based banking business is meeting with a positive response from customers and that the institution can bank on stable, enduring client relations going forward. The survey addressed virtually all the Bank's client groups: target customers, real estate customers, product customers of the Cash Management and Capital Markets units, and the Sparkassen. All in all, 500 telephone interviews were carried out. Long-term customer relationships combined with a sustainable business policy in the carefully selected domestic and international target markets have formed the basis for the growth in new business in real estate lending over the last few years.

Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to assert and continue to consolidate its market position in real estate lending based on its product expertise and on its well-established presence in the markets over many years. In real estate lending, Helaba will continue to expand the syndication offering it extends to customers and investors. Syndication arrangements also allow Sparkassen to participate in lending transactions set up by Helaba experts and thus diversify their risk.

In Corporate Finance, Helaba is broadening its offering through targeted product initiatives, for example in structured sales finance business, and expanding its supply chain finance activities. In sales financing operations with consumers, Helaba is strengthening and extending its role as a source of funding. In taking over DVB's rolling-stock portfolio, Helaba has the opportunity to improve its positioning in the Land Transport financing market in the long term, while expanding its business volume generally and augmenting the volume of new business.

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

Export-oriented corporate customers expect their partner bank to offer a range of products that will help them with their international activities. The Bank's institutional roots in the Sparkassen-Finanzgruppe and its extended customer base are enabling Helaba to establish itself as a leading provider of international trade finance and payment transactions in the Sparkassen-Finanzgruppe and lift business volumes and income in this segment.

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

Helaba identified the fundamental processes of transformation in the payments market at an early stage and in the last few years has already developed various initiatives to take into account the technical advances in digitalisation. In this context, the Bank has made significant progress in implementing an instant payments system, as required under regulatory requirements. Helaba launched the system in the Sparkassen-Finanzgruppe in July 2018, thereby ensuring that this forward-looking technology also forms part of a consistent approach in which Helaba aims to maintain its strong position in the Sparkassen-Finanzgruppe.

Further business potential can be leveraged with the subsidiary Helaba Invest through the even tighter integration within the Helaba Group. Opportunities will be generated, for example, from the real estate loan fund launched in cooperation with Helaba that aims to provide Sparkassen with access to Helaba's diversified loans portfolio.

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

The purchase of Dexia Kommunalbank Deutschland (DKD) will enable Helaba to strengthen its market position as a leading issuer of Pfandbriefe and strong competitor in the field of municipal finance. With a joint volume of public Pfandbriefe of some € 29 bn in circulation, Helaba will become Germany's biggest issuer of public Pfandbriefe when the transaction goes through.

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

In 2017, Helaba developed a future-focused digital agenda. The core component is the strategic digitalisation project, involving digitalisation initiatives in a number of waves, in which mixed teams comprising IT and other relevant specialists used agile development methodology to produce prototypes for applications at the customer interface and improvements to internal processes. The key development at the customer interface is Helaba's customer portal, now in its third release, which has met with lively interest from both corporate and real estate customers. The portal offers customers significant value added with the individual customer dashboard and support functions such as the secure data room and the transparent new-loans process in real estate lending business that can be tracked by both sides. These functions will be developed further in 2019 on the basis of customer feedback. Process optimisation projects are also progressing as planned; in November 2018, the online portal for meta loans business with Sparkassen went live as part of the OSPlus release change. Following initial successful tests with Robotic Process Automation (RPA), further use cases have now been identified and these will be implemented in the course of 2019. Helaba's collaboration with the vc trade platform for promissory notes is producing gratifying results. In 2018, Helaba and other players succeeded in placing several billion euros worth of business via the platform. The komuno digital municipal finance platform – the first investment of equity investment entity Helaba Digital – has been online since September 2018. The platform has been open to all interested financers since the start of 2019 following successful tests and initial transactions between municipal authorities and institutions of the Sparkassen-Finanzgruppe. Helaba Digital is preparing further equity investments.

Rating agencies Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and Standard & Poor's (S&P) have awarded Helaba issuer ratings of Aa3, A+ and A. The ratings for short-term liabilities are P-1, F-1+ and A-1.

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

Helaba is firmly and permanently established as part of the German Sparkassen-Finanzgruppe by virtue of its ownership structure (88 % of its shares are held by members of the Sparkassen organisation) and its central bank function for 40 % of Sparkassen in Germany. Further enhancing its position as a leading S-Group bank for the German Sparkassen and permanently integrating with the Sparkassen are among Helaba's strategic objectives. The pressure on profitability created by the level of competition in retail banking and exacerbated by the current period of low interest rates will lead to greater task sharing within the S-Group. In this environment, opportunities may arise for Helaba to strengthen and extend its position as a product and service provider to the Sparkassen and a platform for combining tasks. Possible springboards include the joint lending operations with Sparkassen for larger mid-sized clients, for example, the international business, or high-end private banking through Frankfurter Bankgesellschaft.

Due to the challenging nature of the prevailing economic conditions, the banking sector finds itself in a continuous process of adjustment, with increasing pressure to consolidate. Because of this situation, portfolios occasionally come up for sale on the market. Helaba analyses such opportunities for acquisition in order to expand its business in line with its business model.

Overall, Helaba finds itself well placed to meet the challenges of the future over the long term with its established strategic business model and sees additional development opportunities in the expansion of business with established target customers and of regional private customers and SME business, S-Group business, public development and infrastructure business, and in the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. The Helaba Group's objective in its profitability strategy is to further stabilise its sustainable earning power to strengthen its capital base while observing risk strategy requirements and taking account of changes in the regulatory environment.

Probable development of the Bank

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

In the Real Estate segment, 2019 will again see real estate lending – both in Germany and abroad – subject to intense competition and downward pressure on margins. Nonetheless, Helaba intends to use its robust market position to augment business volumes in this segment in 2019. The volume of new medium- and long-term real estate lending business in 2019 is budgeted to be around 4 % up on 2018 at € 10.2 bn. Syndication is to be temporarily reduced in order to aid portfolio growth. Income in 2019 is therefore expected to be higher than in 2018.

In Corporate Finance, the volume of new medium- and long-term lending business is budgeted to be € 6.7 bn in 2019. This corresponds to a further rise of around 9 % compared with the already high prior-year figure, albeit with the scheduled acquisition of the DVB portfolio already taken into consideration. Due to the elimination of certain one-off effects, income in 2019 is expected to fall short of the previous year's level despite the portfolio acquisition.

Assuming otherwise unchanged general conditions, the volume of new medium- and long-term lending in the municipal lending business in Germany is budgeted to reach € 1.3 bn in 2019, which is above the previous year's level. Income from municipal lending business is projected to fall slightly in 2019.

Customer business with capital market products will face challenging conditions again in 2019 on account of the low interest rates and the relatively low credit spread level. With the ECB gradually scaling back its policy of quantitative easing, credit spreads are expected to widen and become more volatile. That said, this trend will give rise to opportunities in the market and be accompanied by an expansion in business volume. An increase in customer business and a slight rise in resulting earnings is expected in 2019.

The volume of new medium- and long-term Sparkasse lending business in 2019 is budgeted to be around 40 % up on 2018 at € 1.0 bn. Growth in business volume is expected to come from both adjustments to processes in meta loans business and from the MetaPlus products. A slight rise in income is predicted for Sparkasse lending business in 2019.

Low interest rates are forecast to impair LBS's business in 2019, too. With lower returns on invested assets, and lending business in the collective being subdued, growth in income is likely to be flat in 2019. The LBS-EVOLution project, which is aimed at optimising costs and services, will see some costs being re-allocated from personnel to operating expenses (due to the outsourcing of services).

In the cash management business, Helaba is one of Germany's leading payment transaction clearing houses and the leading light in the Sparkassen-Finanzgruppe. The number of transactions settled will rise to more than seven billion in 2019. The structural shift to digital coupled with increasingly cut-throat competition are giving rise to concentration processes, particularly for network operators, and this may well result in a decline in mandates for Helaba's account. Thanks to the positive trend in transaction volumes, Cash Management believes that it will be able to maintain commissions – the most important source of income – at the prior-year level.

Following the significant rise in the previous year due to the "Hessenkasse" project, WIBank's public development business is expected to stabilise at current levels in 2019, with growth in income set to match that in 2018.

The total volume of new medium- and long-term lending business (excluding WIBank's development business, which does not form part of the competitive market) is budgeted to be around 10 % up on the previous year at € 19.6 bn in 2019. When anticipated maturities (both scheduled and early) are taken into account, loans and advances to customers are expected to rise in 2019. The changes in total assets depend to a great extent on the balances as at the reporting date. Overall, total assets are expected to rise continuously in 2019.

Net interest income in 2019, including income from equity investments and dividends, is expected to be around 4 % down on the previous year. The growth initiatives are expected to generate a rise in net interest income in the medium term. During the set-up phase, only a proportion of portfolio growth is recognisable in income and, as such, will not be able to compensate fully for the fall in one-off income amounts from interest and equity investments, and for the adverse effects of the low interest rate environment.

A slight increase in fee and commission business is budgeted for 2019, largely on the basis of buoyant capital markets business.

Net trading income is derived from trading book transactions in capital markets business and remeasurement gains and losses on derivatives. Since the remeasurement losses included in prior-year net income are not budgeted for 2019, this will produce a sharp rise in net trading income compared with the previous year.

Budgeted other net operating income mainly includes operating buildings income and expenses, the addition to provisions, and interest cost on pension provisions, and is expected to be significantly better in 2019 than a year earlier.

Personnel expenses are budgeted to rise by around 8 % in 2019, with changes in employee levels partially offsetting anticipated increases in collective pay and the cost of filling new positions.

Once again, the main reason for the budgeted rise in personnel expenses is the expectation that the relief attributable to pension provisions resulting from above-average pension adjustments will not be repeated on a similar scale in 2019.

Non-personnel operating expenses (including depreciation, amortisation and impairment losses) are projected to fall by around 2 % in 2019 compared with the previous year, which was shaped by one-off costs for strategic initiatives and high IT expenses.

The cost-income ratio for 2019 is forecast at approximately 74 %.

Provisions for losses on loans and advances in 2019 are budgeted at a value much higher than the very low level in 2018. They have been budgeted conservatively on the assumption that allowances for losses on loans and advances are likely to rise over the medium term despite the stable state of the economy.

Overall, the Bank estimates that profit before taxes for 2019 will be around 8 % lower than the prior-year figure due to the budgeted rise in loss allowances for loans and advances.

The Bank's aim for 2020 is once again to launch strategic initiatives to continue developing its business divisions while increasing income from customer business. The adverse effects associated with the low interest rates should continue to dissipate with the expected return of interest rates to normal levels over the medium term. Supported by the growth initiatives that have been put in place, Helaba plans to lift earnings significantly over the medium term.

Risks to the Bank's earnings performance stem from political and macroeconomic trends. The ongoing negotiations on the form and date of the UK's withdrawal from the EU are causing uncertainty in the markets. Although Helaba's business model is not directly affected by this, repercussions are possible for the real economy and the financial markets.

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

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

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

What is more, membership of the reserve fund of the Landesbanken in Germany, and the European bank levy could require Helaba to make special payments in the case of compensation and assistance measures, which, in turn, could have an unexpected impact on Helaba's financial position, financial performance and liquidity situation.

Overall assessment

Helaba generated profit before taxes of € 280 m in financial year 2018, Net operating income fell by around 6 %, largely on the back of a fall in net income from the trading portfolio that had benefited from remeasurement gains in the previous year. The other components of operating income either increased or remained at the previous year's level in 2018. The rise in general and administrative expenses to € 984 m (5.8 %) is attributable to costs for domain-specific and IT projects. With the macroeconomic situation remaining positive, the overall risk situation was comfortable. Even a negative effect resulting from a change in the method of calculating loss allowances for loans and advances failed to produce any significant new loss allowance requirement. The net profit generated in financial year 2018 allows Helaba to service all subordinated debt, profit participation rights and silent participations, pay a dividend to shareholders and make appropriations to reserves.

Despite the increasing competitive pressure and the multitude of regulatory requirements, Helaba is well placed to meet the challenges of the future over the long term with its strategic business model focused on the needs of the real economy and the Sparkassen-Finanzgruppe. It sees additional development opportunities in the expansion of regional private customers and SME business, S-Group business, public development and infrastructure business, and in the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. The Helaba Group's long-term objective in its profitability strategy is to further stabilise its sustainable earning power to strengthen its capital base while observing risk strategy requirements and taking account of changes in the regulatory environment.

Frankfurt am Main/Erfurt, 25 February 2019

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Schmid	Dr. Schraad

Annual Financial Statements of Landesbank Hessen-Thüringen Girozentrale

Balance Sheet of Landesbank Hessen-Thüringen Girozentrale

as at 31 December 2018

Assets in € thousands

	Note no.				31.12.2018	31.12.2017
Cash reserve						
a) Cash in hand				11,362		5,644
b) Balances with central banks				6,217,796		9,323,197
					6,229,158	**9,328,841**
thereof: With Deutsche Bundesbank		5,687,837				(8,898,743)
Loans and advances to banks	(2), (48)					
a) Mortgage loans				–		–
b) Municipal loans				6,897,554		7,228,101
c) Other loans and advances				3,055,794		2,245,176
					9,953,348	**9,473,277**
thereof:						
Payable on demand		1,956,807				(347,573)
Against securities pledged as collateral		–				
thereof: Bausparkasse building loans						
Home savings loans		–				(0)
Loans and advances to customers	(3), (48)				**86,367,608**	**80,055,543**
a) Mortgage loans				24,668,582		20,679,228
b) Municipal loans				25,200,935		23,668,576
c) Other loans and advances				35,605,400		34,838,733
thereof: Against securities pledged as collateral		–				
d) Bausparkasse building loans						
da) From allocations (home savings loans)			144,738			162,911
db) For interim and bridge-over financing			744,054			701,849
dc) Other			3,899			4,246
				892,691		869,006
thereof: Secured by mortgage charges		678,872				(552,301)
Bonds and other fixed-income securities	(4)					
a) Money market instruments						
aa) Public-sector issuers			–			–
thereof:						
Eligible as collateral with Deutsche Bundesbank		–				–
ab) Other issuers			474,329			(567,443)
thereof:						
Eligible as collateral with Deutsche Bundesbank		–				–
				474,329		567,443
b) Bonds and notes						
ba) Public-sector issuers			3,728,507			(5,039,360)
thereof:						
Eligible as collateral with Deutsche Bundesbank		3,728,507				(4,978,916)
bb) Other issuers			12,483,756			(11,095,141)
thereof:						
Eligible as collateral with Deutsche Bundesbank		12,483,757				(9,724,750)
				16,212,263		16,134,501
c) Own bonds and notes				–		–
					16,686,592	**16,701,944**
Nominal amount		–				–
Carried forward:					**119,236,706**	**115,559,605**

Equity and liabilities

in € thousands

	Note no.				31.12.2018	31.12.2017
Liabilities due to banks	(15), (18), (48)					
a) Registered mortgage Pfandbriefe issued				209,152		203,917
b) Registered public Pfandbriefe issued				909,251		878,397
c) Other liabilities				34,037,083		32,908,622
thereof: Payable on demand		7,119,626				(7,143,430)
Provided to lenders as collateral for loans raised:						
Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
d) Home savings deposits				41,521		36,465
					35,197,007	**34,027,401**
thereof: On allocated contracts		–				(37)
Liabilities due to customers	(19), (48)					
a) Registered mortgage Pfandbriefe issued				1,119,149		1,538,447
b) Registered public Pfandbriefe issued				3,765,669		4,137,967
c) Deposits from home savings business and savings deposits			–			
ca) Home savings deposits			4,890,753			4,655,685
thereof:						
On terminated contracts		40,735				(35,154)
On allocated contracts		89,390				(83,615)
cb) Savings deposits with an agreed period of notice						
of three months			–			–
cc) Savings deposits with an agreed period of notice						
of more than three months			–			–
				4,890,753		4,655,685
d) Other liabilities				21,040,453		20,281,459
					30,816,024	**30,613,558**
thereof: Payable on demand		12,131,528				(11,879,026)
Provided to lenders as collateral for loans raised:						
Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
Securitised liabilities	(20)					
a) Bonds issued						
aa) Mortgage Pfandbriefe			10,318,184			8,169,855
ab) Public Pfandbriefe			10,597,888			11,440,916
ac) Other debt instruments			26,435,309			23,547,205
				47,351,381		43,157,976
b) Other securitised liabilities				3,363,096		4,503,485
					50,714,477	**47,661,461**
thereof: Money market instruments		3,363,097				(4,503,485)
Trading portfolio	(21), (36), (37), (48)				**7,615,626**	**6,829,704**
Carried forward:					**124,343,134**	**119,132,124**

Assets in € thousands

	Note no.				31.12.2018	31.12.2017
Carried forward:					**119,236,706**	**115,559,605**
Equity shares and other variable-income securities	(5)				**976,172**	**1,013,898**
Trading portfolio	(6), (14), (36), (37), (48)				**13,538,198**	**12,307,039**
Equity investments	(7), (17), (48)				**35,440**	**57,814**
thereof:						
In banks		17,991				(44,391)
In financial services institutions		–				(0)
Shares in affiliated companies	(8), (17), (48)				**2,004,543**	**1,778,752**
thereof:						
In banks		855,580				(855,580)
In financial services institutions		13,074				–
Trust assets	(9)				**921,480**	**1,043,545**
thereof: Trustee loans		655,004				(778,020)
Intangible assets	(10), (17)					
a) Internally generated industrial rights and similar rights and assets				–		–
b) Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets				68,910		55,627
c) Goodwill				–		–
d) Prepayments				–		–
					68,910	**55,627**
Property and equipment	(11), (17)				**92,351**	**76,623**
Other assets	(12)				**716,240**	**799,347**
Prepaid expenses	(13)					
a) From issuing and lending operations				308,937		535,971
b) Other				208,655		25,178
					517,592	**561,149**
Total assets					**138,107,632**	**133,253,399**

Equity and liabilities

in € thousands

	Note no.				31.12.2018	31.12.2017
Carried forward:					**124,343,134**	**119,132,124**
Trust liabilities	(22)				**921,835**	**1,043,545**
thereof: Trustee loans		655,359				(778,020)
Other liabilities	(23)				**606,607**	**463,254**
Deferred income	(24)					
a) From issuing and lending operations				306,846		638,803
b) Other				412,804		185,197
					719,650	**824,000**
Provisions	(25)					
a) Provisions for pensions and similar obligations				1,074,007		998,179
b) Provisions for taxes				67,853		203,743
c) Other provisions				383,753		362,833
					1,525,613	**1,564,755**
Home savings protection fund					**11,200**	**11,200**
Subordinated liabilities	(26)				**2,236,711**	**2,311,215**
Profit participation rights	(28), (30)				**81,000**	**216,000**
thereof: Due within two years		–				(135,000)
Additional Tier 1 capital instruments	(27)				**374,314**	–
Fund for general banking risks	(30)				**598,623**	(598,623)
thereof: Special reserve under Section 340e (4) of the HGB		123,367				(123,367)
Equity	(30)					
a) Subscribed capital						
aa) Share capital			588,889			588,889
ab) Capital contribution			1,920,000			1,920,000
ac) Silent partner contributions			533,339			953,338
				3,042,228		3,462,227
b) Capital reserves				1,546,412		1,546,412
c) Revenue reserves						
cc) Reserves in accordance with the Charter			294,444			294,444
cd) Other reserves			1,715,861			1,695,600
				2,010,305		1,990,044
d) Net retained profits				90,000		90,000
					6,688,945	**7,088,683**
Total equity and liabilities					**138,107,632**	**133,253,399**
Contingent liabilities	(31)					
Liabilities from guarantees and indemnity agreements					**6,805,470**	**6,229,489**
Other obligations	(32)					
a) Placement and underwriting obligations				2,586,534		2,575,015
b) Irrevocable loan commitments				23,195,736		19,546,151
					25,782,270	**22,121,166**

Income Statement of Landesbank Hessen-Thüringen Girozentrale

for the period 1 January to 31 December 2018

in € thousands

	Note no.				2018	2017
Interest income from	(39), (40)					
a) Lending and money market transactions			3,426,943			2,395,826
thereof: Bausparkasse interest income:						
aa) From home savings loans		5,595				(6,790)
ab) From interim and bridge-over loans		17,710				(17,874)
ac) From other loans		69				(77)
b) Fixed-income securities and registered government debt			115,022			161,165
				3,541,965		2,556,991
Interest expense				2,592,938		1,686,514
thereof: On home savings deposits		74,536				(76,985)
					949,027	870,477
Current income from	(39)					
a) Equity shares and other variable-income securities				25,791		23,806
b) Equity investments				3,688		3,938
c) Shares in affiliated companies				24,056		6,154
					53,535	33,898
Income from profit pooling, profit transfer or partial profit transfer agreements					**91,605**	95,360
Fee and commission income	(39), (41)			254,303		240,308
thereof: Bausparkasse fee and commission income:						
a) On contracts signed and arranged		21,282				(19,756)
b) From loans granted after allocation of home savings contract		22				(56)
c) From the commitment and administration of interim and bridge-over loans		4				(9)
Fee and commission expenses				89,750		75,432
thereof: On Bausparkasse contracts signed and arranged		35,239				(27,889)
					164,553	164,876
Net income of the trading portfolio	(39)				**45,243**	221,556
Other operating income	(39), (42)				**76,074**	71,192
General and administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			317,140			311,373
ab) Social security, post-employment and other benefit expenses			67,093			56,513
				384,233		367,886
thereof: Post-employment benefit expenses		6,467				(14,468)
b) Other administrative expenses				580,616		515,810
					964,849	883,696
Carried forward:					**415,188**	**573,663**

in € thousands

	Note no.				2018	2017
Carried forward:					**415,188**	**573,663**
Amortisation and write-downs of intangible assets and depreciation and write-downs of property and equipment					**19,262**	46,550
Other operating expenses	(42)				**153,356**	159,803
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions	(43)				**312,235**	264,659
Income from the reversal of write-downs of and allowances on loans and advances and certain securities and from the reversal of loan loss provisions					**293,116**	234,191
Write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					**–**	13,070
Income from the reversal of write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					**17,808**	30,113
Cost of loss absorption					**168**	108
Additions to the fund for general banking risks					**–**	–
Result from ordinary activities					**241,091**	353,777
Extraordinary income				–		–
Extraordinary expenses				–		–
Extraordinary result	(44)				**–**	–
Taxes on income	(45)			129,796		134,813
Other taxes not included in item Other operating expenses				1,034		1,895
					130,830	136,708
Net income for the year					**110,261**	217,069
Retained profits brought forward from previous year					**–**	–
Allocations to revenue reserves					**20,261**	127,069
Net retained profits					**90,000**	90,000

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

as at 31 December 2018

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

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

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

(1) Accounting Policies

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

As a rule, the same accounting policies have been applied in the annual financial statements for the period ended 31 December 2018 as were applied in the prior-year annual financial statements. Any deviations from such accounting policies are described in the following section.

Receivables and liabilities

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

Specific allowances or provisions have been recognised to take account of all identifiable credit risks. For the purpose of presenting latent credit risks in the financial accounting and reporting in accordance with the HGB, the Bank continues to pursue an accounting approach appropriate to the risk. During the year under review, the Bank further developed its method of calculating global allowances. Helaba now possesses more precise information as well as calculation parameters and methods usually applied for risk provisioning purposes under international reporting principles. Regarding the recognition of global allowances, Helaba pursues the Expected Credit Loss approach. This means that in general, 12-month expected credit losses are recognised. However, in case of significantly increased default risks, lifetime expected credit losses are recognised. Given the further development of the Bank's calculation methods, Helaba disclosed income of € 41.1 m, which was recognised in the income statement under the item "write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions". Global allowances include a further provisioning component to cover additional risks in individual lending sub-portfolios not yet identified by statistical analysis.

The recognition of specific allowances is based on the difference between (a) the recoverable amount from expected future redemptions, interest payments and income from collateral realisations, and (b) the carrying amount of the receivable. Interest payments on impaired loans and advances are recognised as interest income by writing-up the carrying amount to the respective present value.

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

With the amendment of Section 46f of the KWG, effective 21 July 2018, German banks may designate senior unsecured debt (unsecured bearer bonds, unsecured registered bonds, and promissory note loans) as senior non-preferred debt issues (in accordance with Section 46f (5) in conjunction with (6) and (9) of the KWG), which means that these items are subordinated to senior preferred debt (in accordance with Section 46f (5) in conjunction with (7) and (9) of the KWG).

Since 21 July 2018, Helaba designated the vast majority of its senior unsecured debt issues (unsecured bearer bonds, unsecured registered bonds, and promissory note loans) as senior preferred debt.

Securities

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

They also include shares in domestic closed-end investment limited partnerships and similar foreign structures in accordance with Section 17 of the RechKredV in conjunction with the definition of an investment fund as set out in Section 1 of the German Investment Code (Kapitalanlagegesetzbuch, KAGB).

Equity investments and shares in affiliated companies

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

Trading portfolio

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

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

Changes in value, realised gains and losses, commissions and current income from financial instruments held for trading as well as interest expense for funding trading activities are reported under “Net income of the trading portfolio” or “Net expense of the trading portfolio”. In accordance with Section 340e (4) of the HGB, an amount equivalent to at least 10 % of net trading income is allocated to the separate account in the special reserve for general banking risks as at the reporting date. Such additions are made until the account reaches 50 % of the average annual net trading income generated over the last five years before the date of the calculation, or until an amount is reversed in order to absorb net trading expense. Additions are charged to net trading income. The Bank did not make any additions to this reserve in the year under review.

The Bank has offset trading assets and liabilities in the form of derivatives that were entered into with each counterparty under a master agreement with a Credit Support Annex and for which collateral is calculated daily. The carrying amounts of the derivatives and the collateral per counterparty were taken into account in doing so. Derivatives and collateral entered into with a central counterparty are also included in offsetting. Since the financial year 2018, the Bank also offsets the carrying amounts of exchange-traded derivatives and the corresponding variation margins in line with IDW RS BFA 5. Figures from prior years have not been adjusted due to materiality reasons.

During the year under review, Helaba did not reclassify any financial instruments held for trading within the meaning of Section 35 (1) no. 6b of the RechKredV.

Fixed assets and intangible assets

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

Provisions

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

Pension obligations are determined annually by external actuarial experts. They are measured using the projected unit credit method, based on biometric assumptions (31 December 2018: 2018G mortality tables of Professor Dr. Heubeck; 31 December 2017: 2005G mortality tables of Professor Dr. Heubeck), salary and pension increases expected in the future as well as the average market rate published by the Bundesbank for an assumed remaining maturity of 15 years. According to Section 253 (2) sentence 1 of the HGB, pension obligations are measured using the average market interest rate for the last ten years. The resulting difference of € 171 m according to Section 253 (6) of the HGB is subject to a distribution restriction. The application of the new mortality tables of Prof. Dr. Heubeck to the material pension obligations led to expenses of € 7 m.

The measurement parameters applied are shown in the table below:

in %

	31.12.2018	31.12.2017
Discount rate	3.21	3.68
Salary trend	2.00	2.00
Pension trend	1.00–2.00	1.00–2.00
Employee turnover rate	3.00	3.00

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

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

Fair value measurement

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

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

Currency translation

Foreign currency assets and liabilities included in the annual financial statements and currency spot transactions not settled at the balance sheet date are translated at the middle spot exchange rate in accordance with the principles set out in Section 256a of the HGB and Section 340h of the HGB. In the case of foreign currency futures in the trading portfolio, swap spreads are accrued and the residual spreads recognised in net trading income. In the case of non-trading foreign currency swaps, residual spreads are recognised in interest income or expenses.

The Bank applies the principle of special cover in accordance with Section 340h of the HGB. For every currency, the Bank enters into foreign currency transactions in order to avoid uncovered FX exposures. All foreign currency results are recognised through profit or loss in net trading income.

Derivatives

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

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

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

Given further development of the Bank's valuation methods during the year under review, net interest income from interest rate swaps is now calculated more precisely on a single transaction basis. Before Helaba applied this improvement, interest income and expenses from interest rate swaps were recognised in the income statement, under interest income for simplification reasons, using the swap leg as interest income or expense item. Compared to the previous approach, the adjusted accounting method leads to a balanced increase in interest income and interest expenses, recognised in the income statement, while the net interest income remains stable as at the conversion date.

Given that the new accounting method was introduced during the period under review, no comparable figures for the previous year are available.

Valuation units

In its banking book, Helaba has created valuation units in accordance with Section 340a in conjunction with Section 254 of the HGB, comprising securities held in the liquidity reserve and the corresponding interest rate swaps entered into for hedging purposes. The valuation units consist of asset-swap combinations in the form of micro valuation units (micro hedges). The hedges relate exclusively to interest rate risks. The net hedge presentation method is used to present changes in value that offset each other between the hedged item and the hedging instrument. The hedged items are always hedged at 100 % of the nominal volume for the entire remaining maturity. The fact that key factors affecting value match ensures the prospective effectiveness of the valuation units. Prospective effectiveness is determined using regression analysis. The offsetting changes in value and cash flows cancelled each other out to a large extent at the balance sheet date and are expected to continue to do so in future. The changes in value arising from the hedged risks will cancel each other out almost entirely by the envisaged end of the valuation units (the time at which the hedged item and the hedging instrument mature). For net losses on the ineffective portion of the hedging relationship, the Bank recognises a provision for expected losses. In the year under review, this resulted in an addition of € 0.2 m being expensed (2017: net reversal of € 1.2 m).

Deferred taxes

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

(2) Loans and Advances to Banks

in € m

	31.12.2018	31.12.2017
This item includes:		
Loans and advances to affiliated Sparkassen	5,898	5,982
Loans and advances to affiliated companies	976	1,019
Loans and advances to other long-term investees and investors	28	28
The sub-item – other loans and advances – comprises:		
Subordinated loans and advances	8	35
thereof: To other long-term investees and investors	–	–
Payable on demand	1,471	348
Remaining maturities:		
Up to three months	2,067	3,172
More than three months and up to one year	2,046	941
More than one year and up to five years	3,731	2,182
More than five years	638	2,832

(3) Loans and Advances to Customers

in € m

	31.12.2018	31.12.2017
This item includes:		
Loans and advances to affiliated companies	763	1,071
Loans and advances to other long-term investees and investors	349	9
Subordinated loans and advances	43	46
thereof: To other long-term investees and investors	0	2
Remaining maturities:		
Up to three months	8,305	4,705
More than three months and up to one year	24,923	7,948
More than one year and up to five years	34,532	34,623
More than five years	15,119	29,980
With an indefinite term	3,489	2,800

(4) Bonds and Other Fixed-Income Securities

in € m

	31.12.2018	31.12.2017
Securitised receivables:		
From affiliated companies	–	–
From other long-term investees and investors	–	–
The marketable securities comprise:		
Listed securities	15,882	15,350
Unlisted securities	805	590
Remaining maturities:		
Amounts due in the following year	3,260	3,676
Subordinated assets	–	–
Deposited as collateral in open market transactions	1,489	1,500
Carrying amount of investment securities	–	17
Fair value of investment securities	–	17
Temporary impairment of investment securities	–	–

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

(5) Equity Shares and Other Variable-Income Securities

in € m

	31.12.2018	31.12.2017
The marketable securities comprise:		
Listed securities	16	16
Unlisted securities	16	17

This item comprises units in two (31 December 2017: two) securities investment funds held exclusively by Helaba (mixed funds or pure fixed-income funds) with a total carrying amount of € 1 bn (31 December 2017: € 1 bn). In line with Helaba's long-term investment intentions, these investment funds mainly invest in interest-bearing securities.

As at the balance sheet date, all units were measured at the lower fair value, if applicable. There were no price reserves at the balance sheet date. In the year under review, there was no income from dividend payments received (2017: € 8.0 m).

In accordance with Section 17 of the RechKredV in conjunction with the definition of an investment fund as set out in Section 1 of the KAGB, this item also includes shares in domestic closed-end investment limited partnerships and similar foreign structures, in the amount of € 23 m. In the previous year, an amount of € 19 m was attributable to such investment funds.

(6) Trading Portfolio (Assets)

in € m

	31.12.2018	31.12.2017
Derivative financial instruments	5,181	5,189
Loans and advances	1,093	1,213
Bonds and other fixed-income securities	7,234	5,792
Equity shares and other variable-income securities	30	113
Subordinated assets	–	–
Other assets	–	–

The decline in the trading portfolio (assets) is mainly the result of scaling back the portfolio of bonds and other fixed-income securities, as planned. It also reflects the offsetting of trading derivatives (liabilities) and related collateral, which resulted in an amount of € 5.3 bn (31 December 2017: € 5.4 bn) being set off.

(7) Equity Investments

in € m

	31.12.2018	31.12.2017
The securities comprise:		
Marketable securities	18	18
Listed securities	–	–

(8) Shares in Affiliated Companies

in € m

	31.12.2018	31.12.2017
The securities comprise:		
Marketable securities	104	104
Listed securities	–	–

(9) Trust Assets

in € m

	31.12.2018	31.12.2017
This item includes:		
Loans and advances to banks	342	268
Loans and advances to customers	313	510
Equity investments	3	3
Shares in affiliated companies	53	52
Equity shares and other variable-income securities	197	197
Other assets	14	14

(10) Intangible Assets

in € m

	31.12.2018	31.12.2017
Purchased standardised software	69	56

(11) Property and Equipment

in € m

	31.12.2018	31.12.2017
This item includes:		
Land and buildings used for own operations	59	38
Operating and office equipment	32	32

(12) Other Assets

in € m

	31.12.2018	31.12.2017
Significant items are:		
Interest receivables under swap agreements	420	398
Other	255	401

(13) Prepaid Expenses

in € m

	31.12.2018	31.12.2017
From issuing and lending operations, this item includes:		
Premiums on loans and advances	161	198
Upfront payments	176	234
Discounts on liabilities and bonds issued	148	104

(14) Repurchase Agreements

in € m

	31.12.2018	31.12.2017
Trading assets sold under repo agreements	–	–
Assets in the liquidity reserve sold under repo agreements	–	–

(15) Assets Pledged as Collateral

in € m

	31.12.2018	31.12.2017
Assets of the following amounts were transferred for the following liabilities:		
Liabilities due to banks	2,602	3,307
Trading liabilities	3,434	3,379

This includes borrowed securities in the amount of € 63.2 m (31 December 2017: € 0 m) that had been transferred on to credit institutions in connection with repurchase agreements.

(16) Assets Denominated in Foreign Currency

in € m

	31.12.2018	31.12.2017
Assets denominated in foreign currency	24,079	22,363

(17) Statement of Changes in Fixed Assets

in € m

	Intangible assets	Property and equip-ment	Long-term securities	Equity invest-ments	Shares in affiliated companies	Fixed assets Total
Cost						
As at 1.1.2018	**198**	**221**	**40**	**81**	**1,860**	**2,400**
Additions	26	23	12	4	220	285
Exchange rate changes		1			–4	–3
Reclassifications						–
Disposals	3	8	25	27	13	76
As at 31.12.2018	**221**	**237**	**27**	**58**	**2,063**	**2,606**
Depreciation, amortisation and write-downs and reversals of write-downs						
As at 1.1.2018	**142**	**144**	**4**	**23**	**81**	**394**
Reversals of write-downs					3	3
Depreciation and amortisation	13	7				20
Write-downs						
Exchange rate changes		1				1
Reclassifications					–10	–10
Disposals	3	7			10	20
As at 31.12.2018	**152**	**145**	**4**	**23**	**58**	**382**
Carrying amounts						
As at 1.1.2018	56	77	36	58	1,779	2,006
As at 31.12.2018	69	92	23	35	2,005	2,224

(18) Liabilities Due to Banks

in € m

	31.12.2018	31.12.2017
This item includes:		
Liabilities due to affiliated Sparkassen	7,980	10,936
Liabilities due to affiliated companies	5,235	724
Liabilities due to other long-term investees and investors	17	18
Payable on demand	7,218	7,143
Remaining maturities:		
Up to three months	1,304	2,043
More than three months and up to one year	2,289	2,566
More than one year and up to five years	11,718	10,679
More than five years	12,668	11,560

(19) Liabilities Due to Customers

in € m

	31.12.2018	31.12.2017
This item includes:		
Liabilities due to affiliated companies	692	315
Liabilities due to other long-term investees and investors	73	25
Payable on demand	11,460	11,896
Remaining maturities:		
Up to three months	2,546	2,746
More than three months and up to one year	6,183	1,005
More than one year and up to five years	2,026	3,042
More than five years	8,602	7,285

(20) Securitised Liabilities

in € m

	31.12.2018	31.12.2017
This item includes:		
Liabilities due to affiliated companies	–	–
Liabilities due to other long-term investees and investors	–	–
Remaining maturities of the sub-item – bonds issued:		
Amounts due in the following year	6,589	5,049
Remaining maturities of the sub-item – other securitised liabilities:		
Up to three months	2,850	3,894
More than three months and up to one year	513	610
More than one year and up to five years	–	–
More than five years	–	–

(21) Trading Portfolio (Liabilities)

in € m

	31.12.2018	31.12.2017
Derivative financial instruments	2,319	2,441
Liabilities	4,405	4,374
Risk premium	18	15

As at 31 December 2018 the offsetting of trading derivatives (assets) and related collateral resulted in an amount of € 6.9 bn (31 December 2017: € 7.0 bn) being set off.

(22) Trust Liabilities

in € m

	31.12.2018	31.12.2017
Liabilities due to banks	125	126
Liabilities due to customers	530	647
Other liabilities	266	271

(23) Other Liabilities

in € m

	31.12.2018	31.12.2017
Significant items are:		
Interest obligations arising from swap agreements in the non-trading portfolio	238	246
Currency translation differences	200	56
Interest on profit participation rights and silent participations	41	59
Taxes to be paid	13	13
Option premiums received for the non-trading portfolio	3	7

(24) Deferred Income

in € m

	31.12.2018	31.12.2017
From issuing and lending operations, this item includes:		
Premiums on liabilities and bonds issued	270	337
Upfront-payments	237	257
Discounts on lending operations	29	45

(25) Provisions

The difference between the carrying amount of the pension provisions measured using the average market rate for the past ten financial years (3.21 %) and the carrying amount of the provisions measured using the appropriate average market rate for the past seven financial years (2.32 %) was € 171 m as at the balance sheet date. This amount is subject to a distribution restriction.

The cost of the assets offset against provisions in accordance with Section 246 (2) sentence 2 of the HGB amounted to € 32 m (31 December 2017: € 32 m) and the fair value to € 36 m (31 December 2017: € 38 m). The settlement amount of the offset liabilities amounted to € 40 m (31 December 2017: € 39 m). In the income statement, expenses associated with these assets amounting to € 2.9 m (2017: income of € 2.2 m) were offset against income from the corresponding liabilities amounting to € 0.7 m (2017: expenses of € 2.8 m).

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

(26) Subordinated Liabilities

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

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

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

The reported figure includes pro-rata interest of € 29 m (31 December 2017: € 30 m). Interest expense on subordinated borrowings amounted to € 88 m in the year under review (2017: € 79 m).

As in the previous year, the Bank did not have any subordinated liabilities due to affiliated companies.

(27) Additional Tier 1 Capital Instruments

In the year under review, the Bank issued additional Tier 1 capital (AT1) registered bonds in the amount of € 373.8 m. AT1 bonds represent unsecured and subordinated bonds of the Bank. The repayment as well as the nominal amount of the AT1 bonds may be impaired if a triggering event occurs. This applies if the Common Equity Tier 1 (CET1) capital ratio of the Bank declines to under 5.125 % on a consolidated basis. After the occurrence of a triggering event, any impaired bond amounts may be recovered under specific conditions. Helaba may terminate the bonds at an early maturity date, and has additional termination options every ten years; if specific conditions are met, and after approval of the competent supervisory authority, bonds may be terminated early. Bonds are subject to the terms and conditions as provided in the respective bond terms, which stipulate, among other things, that the Bank may terminate bonds only entirely, but not partially, provided that specific supervisory or tax conditions are met.

Bond interest payments are based on their nominal amount, and have been fixed for the period between the issue date and the first possible early repayment date. Subsequently, the applicable interest rate for the following ten years will be established. According to the bond terms, Helaba is obliged to and/or has extensive rights to take the sole decision to suspend interest payments at any time. Interest payments in subsequent years will not be increased to compensate suspended interest payments from previous years on a cumulative basis.

As at 31 December 2018, the bond amounts recognised in the balance sheet stood at € 373.8 m. Accrued interest expenses from issued bonds amounted to € 0.5 m in 2018.

(28) Profit Participation Rights

in € m

	31.12.2018	31.12.2017
This item includes:		
Registered profit participation rights	61	196
Securitised profit participation rights	20	20

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

(29) Liabilities Denominated in Foreign Currency

in € m

	31.12.2018	31.12.2017
Liabilities denominated in foreign currency	10,651	11,456

(30) Own Funds

in € m

	31.12.2018	31.12.2017
Subscribed capital	3,042	3,462
a) Share capital	589	589
b) Capital contribution	1,920	1,920
c) Silent partner contributions	533	953
Capital reserves	**1,546**	**1,546**
Revenue reserves	**2,010**	**1,990**
Including additional Tier 1 capital instruments,	374	–
profit participation rights,	81	216
fund for general banking risks,	599	599
home savings protection fund	11	11
and subordinated liabilities,	2,237	2,311
the liable capital reported in the balance sheet amounted to	9,901	10,124

A distribution of € 90 m and an appropriation to revenue reserves of € 20 m are proposed for the appropriation of net profit.

(31) Contingent Liabilities

in € m

	31.12.2018	31.12.2017
This item includes:		
Credit guarantees	3,853	2,203
Other guarantees and sureties	2,953	4,027

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

Contingent liabilities include the used payment undertaking arising from the share of the bank levy in the amount of € 31 m.

(32) Other Obligations

in € m

	31.12.2018	31.12.2017
This item includes:		
Placement and underwriting obligations	2,587	2,575
Irrevocable loan commitments for open-account loans	23,196	19,546

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

(33) Statement of Cover Assets for the Mortgage and Municipal Authorities Business

in € m

	31.12.2018	31.12.2017
Issued public Pfandbriefe	**10,598**	**11,441**
Assets held as collateral		
Loans and advances to banks	179	269
Loans and advances to customers	18,855	19,758
Bonds and other fixed-income securities	330	518
Trust assets	471	26
Surplus cover	**9,237**	**9,130**
Issued mortgage Pfandbriefe	**10,318**	**8,170**
Assets held as collateral		
Loans and advances to banks	–	–
Loans and advances to customers	13,234	12,765
Bonds and other fixed-income securities	533	345
Trust assets	385	157
Surplus cover	3,834	5,097

(34) Pfandbriefe and Statement of Cover Assets

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

in € m

	Nominal amount		Net present value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Mortgage Pfandbriefe:				
Cover pool	14,151	13,267	14,844	14,002
Pfandbriefe in circulation	11,588	9,851	11,772	10,065
Surplus cover	2,563	3,416	3,073	3,937
Net present value at risk under internal model	–	–	2,796	3,568
Public Pfandbriefe:				
Cover pool	19,835	20,571	21,765	22,603
Pfandbriefe in circulation	15,122	16,256	16,244	17,539
Surplus cover	4,713	4,315	5,521	5,064
Net present value at risk under internal model	–	–	5,306	4,741

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

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

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

in € m

	Cover pool		Pfandbrief	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Mortgage Pfandbriefe:				
Up to six months	1,220	843	1,201	224
More than six months and up to one year	713	541	1,520	1,257
More than one year and up to eighteen months	451	1,097	737	1,251
More than eighteen months and up to two years	841	978	2,014	1,499
More than two years and up to three years	1,831	1,278	522	2,519
More than three years and up to four years	2,908	1,660	2,148	516
More than four years and up to five years	1,410	2,726	1,088	2,148
More than five years and up to ten years	4,675	4,078	2,140	221
More than ten years	103	65	217	217
Public Pfandbriefe:				
Up to six months	1,053	1,044	2,682	1,524
More than six months and up to one year	1,015	1,703	604	550
More than one year and up to 18 months	1,406	985	1,238	2,684
More than 18 months and up to two years	1,075	987	422	592
More than two years and up to three years	1,862	2,566	1,417	1,650
More than three years and up to four years	1,804	1,930	1,798	1,439
More than four years and up to five years	2,814	1,826	1,367	1,783
More than five years and up to ten years	5,291	5,949	3,234	4,013
More than ten years	3,517	3,581	2,362	2,021

Additional disclosures according to Section 28 (1) nos. 4, 7, 8, 9, 10 and 11, as well as (2) no. 3 of the PfandBG

in € m

	31.12.2018	31.12.2017
Mortgage Pfandbriefe:		
Pfandbriefe in circulation	11,588	9,851
thereof: Share of fixed-income Pfandbriefe (in %)	89.9	90.6
Cover pool	14,151	13,267
thereof: Further cover	533	345
thereof: Total claims exceeding the limits of section 13 (1)	0	0
thereof: Total claims exceeding the limits of section 19 (1) no. 2	0	0
thereof: Total claims exceeding the limits of section 19 (1) no. 3	0	0
thereof: Share of fixed-income cover pool (in %)	58.8	51.2
Total of net present values	2,932	3,694
Net present value per section 6 of Present Value Regulation for Pfandbriefe, by currency:		
Euro	1,458	2,509
US dollar	664	497
British pound	678	488
Swiss franc	58	62
Swedish kronor	75	137
Average elapsed term of loans and advances since granting (in years)	4.4	4.3
Weighted average loan-to-value ratio (in %)	58.7	58.7
Public Pfandbriefe:		
Pfandbriefe in circulation	15,122	16,256
thereof: Share of fixed-income Pfandbriefe (in %)	95.8	95.4
Cover pool	19,835	20,571
thereof: Further cover	44	71
thereof: Total claims exceeding the limits of section 20, sub-section 2	–	–
thereof: Share of fixed-income cover pool (in %)	90.5	90.9
Total of net present values	5,347	4,779
Net present value per section 6 of Present Value Regulation for Pfandbriefe, by currency:		
Euro	5,397	4,741
US dollar	–223	–165
British pound	0	0
Swiss franc	170	200
Japanese yen	2	4

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

Residential breakdown:

in € m

Country	Homes for owner occupation 2018	Homes for owner occupation 2017	Single-family and two-family homes 2018	Single-family and two-family homes 2017	Multiple-family homes 2018	Multiple-family homes 2017	Incomplete and not-yet-profitable new buildings 2018	Incomplete and not-yet-profitable new buildings 2017	Building sites 2018	Building sites 2017	Total 2018	Total 2017
Germany	94	60	185	94	2,062	2,059	–	–	1	0	2,342	2,213

Commercial breakdown:

in € m

Country	Office buildings 2018	Office buildings 2017	Retail buildings 2018	Retail buildings 2017	Industrial buildings 2018	Industrial buildings 2017	Other commercially used buildings 2018	Other commercially used buildings 2017	Incomplete and not-yet-profitable new buildings 2018	Incomplete and not-yet-profitable new buildings 2017	Building sites 2018	Building sites 2017	Total 2018	Total 2017
Germany	2,190	2,227	2,373	2,641	132	168	745	273	–	–	1	24	5,441	5,332
Belgium	87	43	–	–	–	–	–	–	–	–	–	–	87	43
Finland	–	–	34	–	–	–	47	–	–	–	–	–	81	–
France	803	1,118	183	206	–	–	55	–	–	–	–	–	1,041	1,324
Luxembourg	70	70	–	–	–	–	–	–	–	–	–	–	70	70
Sweden	116	107	66	74	–	0	35	0	–	–	–	–	217	181
The Netherlands	143	158	176	6	–	–	6	–	–	–	–	–	325	163
Austria	–	24	107	68	–	–	–	–	–	–	–	–	107	92
Poland	443	389	398	499	–	–	–	–	–	–	–	–	840	888
Czech Republic	8	35	–	184	–	–	82	–	–	–	4	5	94	223
UK	425	362	100	100	–	7	147	1	–	–	–	–	672	470
USA	1,387	1,280	105	114	–	–	–	–	–	–	–	–	1,492	1,394
Total	**5,673**	**5,812**	**3,541**	**3,891**	**132**	**175**	**1,117**	**274**	**–**	**–**	**6**	**29**	**10,468**	**10,180**

Breakdown of the cover pool by size

in € m

	31.12.2018	31.12.2017
Mortgage Pfandbriefe		
Up to € 0.3 m	327	182
More than € 0.3 m and up to € 1 m	128	109
More than € 1 m and up to € 10 m	1,085	1,116
More than € 10 m	12,079	11,515
Further cover	533	345
Public Pfandbriefe		
Up to € 10 m	4,110	3,859
More than € 10 m and up to € 100 m	8,432	8,271
More than € 100 m	7,249	8,370
Further cover	44	71

As in the previous year, there were no payments at least 90 days past due at the reporting date. There were no instances of receivership or forced sales in the year under review, nor was it necessary to take charge of any land in order to avoid losses.

Interest arrears from mortgage operations

in € m

	31.12.2018	31.12.2017
Commercial	0	0
Residential	–	0
Total	**0**	**0**

Breakdown of the cover pool for public Pfandbriefe by issuer

in € m

	Central government		Regional authorities		Municipal authorities		Public-law credit institutions/ Other		Total guarantees included for promoting exports		Total	
Country	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Germany	678	601	3,801	3,575	10,453	11,188	3,912	4,026	676	598	18,844	19,389
France incl. Monaco	–	–	452	492	–	–	33	35	–	–	485	527
UK incl. Northern Ireland	271	306	–	–	–	–	–	–	271	306	271	306
Luxembourg	4	5	–	–	–	–	–	–	4	5	4	5
Spain	–	–	141	184	–	–	–	–	–	–	141	184
Austria	–	–	2	5	–	–	–	–	–	–	2	5
Switzerland	–	–	44	43	–	–	–	43	–	–	44	85
Total	**952**	**911**	**4,440**	**4,298**	**10,453**	**11,188**	**3,945**	**4,103**	**950**	**909**	**19,791**	**20,500**

In the case of public Pfandbriefe, payments at least 90 days past due totalled € 0 thousand (31 December 2017: € 0 thousand).

(35) Non-Trading Derivative Financial Instruments

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

Transactions in non-trading derivative products are presented in accordance with the disclosure requirements under Section 285 nos. 19 and 20 of the HGB in conjunction with Section 36 of the RechKredV. Non-trading derivative financial instruments are entered into to hedge or manage risks attributable to banking book transactions (asset/liability management).

The nominal volume of derivative transactions in the non-trading portfolio decreased by 3.0 % year on year.

Disclosure of volumes

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2018	31.12.2017	31.12.2018	31.12.2018
Interest rate risk	**153,767**	**153,486**	**3,739**	**2,559**
Interest rate swaps	138,420	134,448	3,642	1,434
Forward rate agreements	–	–	–	–
Interest rate options	9,464	10,259	12	1,114
Calls	443	1,027	12	–
Puts	9,021	9,232	–	1,114
Caps, floors	4,040	3,015	85	11
Market contracts	1,843	5,764	–	–
Other interest rate futures	–	–	–	–
Currency risk	**22,846**	**17,961**	**204**	**475**
Currency futures	5,510	4,532	19	28
Currency swaps/cross-currency swaps	17,336	13,429	185	447
Currency options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Equity and other price risks	**–**	**–**	**–**	**–**
Equity options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Market contracts	–	–	–	–
Credit derivatives	**150**	**150**	**–**	**–**
Calls	150	150	–	–
Puts	–	–		–
Commodity risk	**–**	**–**	**–**	**–**
Commodity swaps	–	–	–	–
Commodity options	–	–	–	–
Total	**176,763**	**171,597**	**3,943**	**3,034**

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

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

The fair values are in some cases offset by unrealised premium and special cash flows and interest accrued on derivatives, which are shown in the balance sheet under other assets or liabilities and under prepaid expenses or deferred income. The total amount of assets related to derivatives is € 618 m (31 December 2017: € 669 m), while liabilities related to derivatives amount to € 682 m (31 December 2017: € 555 m).

Breakdown of nominal amounts by maturity

in € m

	Interest rate risk		Currency risk		Equity and other price risks	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Up to three months	9,078	13,168	5,192	4,406	–	–
More than three months and up to one year	18,048	17,266	2,607	2,389	–	–
More than one year and up to five years	71,573	73,588	10,613	8,507	–	–
More than five years	55,068	49,464	4,434	2,659	–	–
Total	**153,767**	**153,486**	**22,846**	**17,961**	**–**	**–**

in € m

	Credit derivatives		Commodity derivatives		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Up to three months	–	–	–	–	14,270	17,574
More than three months and up to one year	150	150	–	–	20,805	19,805
More than one year and up to five years	–	–	–	–	82,186	82,095
More than five years	–	–	–	–	59,502	52,123
Total	**150**	**150**	**–**	**–**	**176,763**	**171,597**

The volume of short-term interest rate transactions declined. Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 17.6 % of total business in this risk category (31 December 2017: 19.8 %).

The majority of transactions in “valuation units” in accordance with Section 254 of the HGB was entered into for mid-term maturities, i.e. between one and five years. The nominal volume of all mid-term transactions amounted to € 10,133 m at the reporting date (31 December 2017: € 9,234 m).

Breakdown by counterparty

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2018	31.12.2017	31.12.2018	31.12.2018
Banks in OECD countries	64,493	60,232	2,298	2,530
Banks outside OECD countries	5	8	–	–
Public institutions in OECD countries	4,010	4,931	438	520
Other counterparties	108,255	106,426	1,207	982
Total	**176,763**	**171,597**	**3,943**	**4,032**

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

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 99.1 % of the nominal volume (31 December 2017: 96.6 %).

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

(36) Derivative Financial Instruments Held For Trading

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

The nominal volume of derivative trades increased by 4.8 % year on year. The increase was due in particular to the higher volume of interest rate swaps.

Disclosure of volumes

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2018	31.12.2017	31.12.2018	31.12.2018
Interest rate risk	**295,769**	**279,279**	**9,066**	**7,976**
Interest rate swaps	244,759	230,192	8,276	6,654
Forward rate agreements	–	25	–	–
Interest rate options	24,222	25,518	726	1,273
Calls	9,492	10,237	631	46
Puts	14,730	15,281	95	1,227
Caps, floors	16,873	16,675	61	43
Market contracts	9,415	6,716	3	4
Other interest rate futures	500	153	–	2
Currency risk	**39,809**	**42,858**	**909**	**839**
Currency futures	32,632	34,513	389	471
Currency swaps/cross-currency swaps	6,704	7,803	515	362
Currency options	473	542	5	6
Calls	234	268	5	–
Puts	239	274	–	6
Equity and other price risks	**5,349**	**4,497**	**429**	**418**
Equity options	4,764	3,605	419	367
Calls	2,562	2,039	419	–
Puts	2,202	1,566	–	367
Market contracts	585	892	10	51
Credit derivatives	**6,659**	**5,056**	**30**	**27**
Calls	3,462	2,628	5	24
Puts	3,197	2,428	25	3
Commodity risk	**58**	**121**	**–**	**1**
Commodity swaps	2	48	–	–
Commodity options	56	73	–	1
Total	**347,644**	**331,811**	**10,434**	**9,261**

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

Breakdown of nominal amounts by maturity

in € m

	Interest rate risk		Currency risk		Equity and other price risks	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Up to three months	11,350	13,384	16,250	18,853	257	295
More than three months and up to one year	26,972	26,544	13,498	12,743	736	770
More than one year and up to five years	136,728	125,570	8,432	8,903	4,015	3,193
More than five years	120,719	113,781	1,629	2,359	341	239
Total	**295,769**	**279,279**	**39,809**	**42,858**	**5,349**	**4,497**

in € m

	Credit derivatives		Commodity derivatives		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Up to three months	50	295	33	43	27,940	32,695
More than three months and up to one year	695	770	25	42	41,926	40,469
More than one year and up to five years	5,777	3,193	–	36	154,952	142,150
More than five years	137	239	–	–	122,826	116,497
Total	**6,659**	**4,497**	**58**	**121**	**347,644**	**331,811**

Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 13.0 % of total business in this risk category (31 December 2017: 14.3 %).

Breakdown by counterparty

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2018	31.12.2017	31.12.2018	31.12.2018
Banks in OECD countries	132,651	136,118	3,977	5,848
Banks outside OECD countries	–	23	–	–
Public institutions in OECD countries	22,881	24,283	3,076	784
Other counterparties	192,112	171,387	3,381	2,629
Total	**347,644**	**331,811**	**10,434**	**9,261**

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

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 69.9 % of the nominal volume (31 December 2017: 68.5 %).

The percentage of the total volume of derivatives accounted for by trading derivatives remained almost stable year on year at 66.3 % (31 December 2017: 65.9 %).

As in previous years, interest rate contracts accounted for most of the trading activities. In this case, 72.0 % (31 December 2017: 64.5 %) of the total portfolio is attributable to trading derivatives. 63.5 % (31 December 2017: 70.5 %) of the currency risk contracts and 97.8 % (31 December 2017: 97.1 %) of the credit derivatives relate to the trading portfolio.

(37) Trading Products

in € m

	Assets		Liabilities		Net income of the trading portfolio	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Derivative financial instruments	**5,181**	**5,189**	**2,319**	**2,441**	**68**	**177**
Interest rate trading	4,251	4,434	1,499	1,590	15	156
Equity trading	325	108	190	104	19	5
Currency trading	601	640	618	729	23	20
Credit derivatives	4	6	12	16	4	–10
Commodities	–	1	–	2	7	6
Receivables/liabilities	**1,093**	**1,213**	**5,245**	**4,368**	**28**	**–2**
Promissory note loans	907	981	–	–	18	–8
Overnight and time deposits	36	12	4,288	3,623	3	8
Repos/reverse repos/securities lending	134	22	–	–	–	–
Issued money market instruments/ securitised liabilities	–	–	822	613	–2	–2
Issued equity/index certificates	–	–	52	61	9	–13
Other	16	198	83	71	–	13
Bonds and other fixed-income securities	7,234	5,792	52	21	–8	54
Equity shares and other variable-income securities	30	113	–	–	–25	11
Other					**–18**	**–19**
Commissions					–18	–19
Fund for general banking risks per Section 340e of the HGB						
Total	**13,538**	**12,307**	**7,616**	**6,830**	**45**	**221**

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

A total of € 5.3 bn (31 December 2017: € 5.4 bn) was set off in the case of trading assets and € 6.9 bn (31 December 2017: € 7.0 bn) in the case of trading liabilities.

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

As at 31 December 2018, the carrying amount of the securities included in valuation units was € 12,917 m (31 December 2017: € 12,504 m).

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

in € m

	31.12.2018	31.12.2017
Credit risk-related reversals of write-downs of securities	–17	–3
Change in provision for expected losses for interest rate-related measurement effects that were not fully offset	0	1

(39) Breakdown by Geographical Market

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

in € m

	31.12.2018	31.12.2017
Germany	3,253	2,457
European Union, excl. Germany	322	412
Other	403	283

(40) Net Interest Income

In the year under review, interest income from lending and money market transactions included negative interest in the amount of € 76.2 m (31 December 2017: € 56.1 m), while interest expenses included income of € 79.7 m (31 December 2017: € 41.6 m).

(41) Fee and Commission Income

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

(42) Other Operating Income and Expenses

Under other operating income for the year under review, the Bank reports, among other things, income from the reversal of provisions in the amount of € 13 m (2017: € 17 m), rental and leasing income of € 22 m (2017: € 21 m) and cost reimbursements on commissioned work undertaken for third parties of € 16 m (2017: € 18 m).

The interest cost on provisions amounted to € 99 m (2017: € 94 m). Expenses for buildings not occupied by the Group amounted to € 10 m in the year under review (2017: € 10 m).

The item includes prior-period income of € 7 m and prior-period expenses of € 10 m.

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

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

(44) Extraordinary Result

As in the previous year, Helaba did not disclose any extraordinary result as at 31 December 2018.

(45) Taxes on Income

Taxes on income mainly comprise taxes on taxable results in Germany and in the USA (New York branch). Tax expenses of €95 m were due to prior-year taxes. These expenses were mainly due to the fact that the Bank was obliged to pay tax on interest income due to the discounting for tax purposes of non-interest-bearing liabilities according to Section 6 (1) no. 3 s. 1 of the EStG.

(46) Other Financial Obligations

At the balance sheet date, the Bank had obligations to make contributions to the subscribed capital of 20 companies totalling €113 m, of which €33 m was attributable to affiliated companies.

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

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

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

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

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

Securities worth € 8,557 m have been pledged for settling clearing transactions and for off-balance sheet draw-down risks. The market value of secured money trading securities was € 1,489 m. In accordance with international requirements, securities with an equivalent market value of € 2,459 m had been pledged as collateral.

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

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

Further obligations in accordance with Section 285 no. 3 of the HGB are attributable in particular to long-term property rental and lease agreements for properties used for banking operations. Rental and lease payment obligations of € 40.6 m are expected for 2019 for the properties used by Helaba with contract terms and notice periods of 0.5 to 12.5 years. Other financial obligations arise from various rental, usage and service agreements as well as consultancy agreements to the extent customary in business.

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

The line of liquidity provided for the OPUSALPHA programme as a whole amounted to € 2,371 m (31 December 2017: € 2,109 m), of which € 1,542 m had been drawn down as at 31 December 2018 (31 December 2017: € 1,467 m).

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

As at 31 December 2018, liquidity lines for third-party securitisation platforms amounted to € 55.6 m (31 December 2017: € 65 m).

Possible obligations in connection with litigation risks amounted to € 1 m as at 31 December 2018. On the basis of indemnity agreements, the Bank has undertaken vis-à-vis individual subsidiaries to exempt them from risks arising from certain transactions.

Under local measurement procedures, a foreign pension fund for a foreign subsidiary's pension commitments has a deficit for which appropriate provisions have been recognised. This deficit must be eliminated by making payments into the corresponding plan assets starting in 2015. In the process, regular comparisons will be made between the value of the plan assets after payments and the effects arising from changes in local measurement parameters. Under international accounting requirements, the indirect pension obligation (before the existing plan assets are taken into account) amounts to € 61 m (31 December 2017: € 76 m).

Helaba acquires receivables eligible for inclusion in the cover assets pool from S-Group as part of its Pfandbrief business; these items may be used to cover public Pfandbriefe or mortgage Pfandbriefe, including any collateral ("cover pooling"). According to the transfer agreements, the beneficial ownership of these items remains with the transferring bank, which continues to carry them on its balance sheet, although they have been entered into Helaba's cover register. At present, Helaba does not recognise the obligations arising from the transfer agreements (amounting to the total nominal value of the receivables transferred to Helaba). At 31 December 2018, the total nominal value of all transferred receivables included in Helaba's cover register amounted to € 856 m (public Pfandbriefe of € 471 m and mortgage Pfandbriefe of € 385 m).

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

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

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

(47) Auditors' Fees

Please refer to the consolidated financial statements for further information on auditors' fees according to Section 285 no. 17 of the HGB.

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

Fees for other attestation services comprise audit and attestation services required by law or contractual stipulations, or delivered in line with voluntary assignments; these include in particular attestation services in relation to protection schemes and statutory notifications, project-related audits, audits of the service-based internal control system as well as audits of the custody and investment services business.

(48) Related Party Disclosures

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

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 31 December 2018:

in € m

	Affiliated companies	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Assets	**4,724**	**196**	**8,441**	**–**	**13,361**
Loans and advances to banks	976	1	–	–	**977**
Loans and advances to customers	769	173	8,107	–	**9,049**
Bonds and other fixed-income securities	–	–	110	–	**110**
Equity shares and other variable-income securities	953	–	–	–	**953**
Trading assets	–	–	222	–	**222**
Equity investments	–	22	–	–	**22**
Shares in affiliated companies	2,005	–	–	–	**2,005**
Other assets	21	–	2	–	**23**
Liabilities	**6,463**	**53**	**1,710**	**–**	**8,226**
Liabilities due to banks	5,235	–	171	–	**5,406**
Liabilities due to customers	692	53	1,529	–	**2,274**
Trading liabilities	–	–	2	–	**2**
Other liabilities	536	–	8	–	**544**
Contingent liabilities	**11**	**112**	**7**	**–**	**130**

The equivalent amounts as at 31 December 2017 were as follows:

in € m

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

Allowances of € 35.4 m (31 December 2017: € 40 m) were recognised on receivables from subsidiaries and joint ventures.

Receivables from other related parties comprise loans of € 0 m to members of the Board of Managing Directors (31 December 2017: € 0 m) and loans of € 0.4 m to members of the Supervisory Board (31 December 2017: € 0.4 m).

The total remuneration paid by the Bank to the Board of Managing Directors amounted to € 6.5 m (2017: € 6.6 m). A total of € 0.9 m (2017: € 0.9 m) was paid to the Supervisory Board and, as in the previous year, € 0.1 m was paid to the members of the Advisory Board. In addition, a total of € 2.3 m (2017: € 2.4 m) was paid to the members of the Supervisory Board as employees. An amount of € 3.5 m was paid to former members of the Board of Managing Directors and their surviving dependants (2017: € 3.4 m). Provisions of € 58.1 m were recognised for pension obligations for this group of persons (2017: € 52.9 m).

(49) Average Number of Employees During the Year

	Female		Male		Total	
	2018	2017	2018	2017	2018	2017
Bank	1,171	1,162	1,585	1,576	2,756	2,738
WIBank – Wirtschafts- und Infrastrukturbank Hessen	250	242	174	172	424	414
Landesbausparkasse	141	149	99	104	240	253
Bank as a whole	**1,562**	**1,553**	**1,858**	**1,852**	**3,419**	**3,405**

(50) Executive Bodies of the Bank

Supervisory Board

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

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

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

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

Dr. Karl-Peter Schackmann-Fallis
Executive Member of the Board
Deutscher Sparkassen-
und Giroverband e.V.
Berlin
– since 5 April 2018 –
– Fifth Vice-Chairman since
22 June 2018 –

Andreas Bausewein
Mayor
City of Erfurt
Erfurt

Dr. Annette Beller
Member of the Management Board
B. Braun Melsungen AG
Melsungen

Christian Blechschmidt
Chairman of the Board of
Managing Directors
Sparkasse Unstrut-Hainich
Mühlhausen
– since 28 March 2018 –

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

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

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

Manfred Michel
Chief Administrative Officer
Country District of Limburg-Weilburg
Limburg an der Lahn
– until 31 December 2018 –

Frank Nickel
Chairman of the Board of
Managing Directors
Sparkasse Werra-Meißner
Eschwege
– until 10 December 2018 –

Clemens Reif
Member of the State Parliament
of Hesse
Wiesbaden

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

Helmut Schmidt
Chairman of the Board of
Managing Directors
Kreissparkasse Saale-Orla
Schleiz

Uwe Schmidt
Chief Administrative Officer
County District of Kassel
Kassel

Dr. Hartmut Schubert
Secretary of State
Ministry of Finance of the
State of Thuringia
Erfurt

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

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

Dr. Heiko Wingenfeld
Mayor
City of Fulda
Fulda
– since 21 June 2018 –

Arnd Zinnhardt
Member of the Group
Executive Board
Software AG
Darmstadt

Employee representatives

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

Frank Beck
Deputy head of department
Frankfurt am Main

Dr. Robert Becker
Senior Vice President
New York
– since 1 May 2018 –

Gabriele Fuchs
Bank employee
Frankfurt am Main
– until 30 April 2018 –

Anke Glombik-Batschkus
Vice President
Erfurt

Thorsten Kiwitz
Vice President
Frankfurt am Main

Christiane Kutil-Bleibaum
Vice President
Düsseldorf

Annette Langner
Vice President
Frankfurt am Main

Susanne Noll
Bank employee
Frankfurt am Main

Jürgen Pilgenröther
Bank employee
Frankfurt am Main

Birgit Sahliger-Rasper
Bank employee
Frankfurt am Main

Susanne Schmiedebach
Vice President
Düsseldorf

Thomas Sittner
Bank employee
Frankfurt am Main

Members of the Board of Managing Directors

Herbert Hans Grüntker – Chairman –	Central Staff and Group Strategy, Internal Audit, Economics/Research, Human Resources, Legal Services, Process Management and Information Security, WIBank
Thomas Groß – Deputy Chief Executive Officer –	Risk Controlling, Credit Risk Management Corporates/Markets, Credit Risk Management Real Estate, Credit Risk Management Restructuring/Workout, Cash Management, Strategy Project Digitalization, Frankfurter Sparkasse, Frankfurter Bankgesellschaft
Dr. Detlef Hosemann	Accounting and Taxes, Group Controlling, Information Technology, Compliance-Functions, Settlements/Custody Services
Hans-Dieter Kemler	Capital Markets, Asset and Liability Management, Sales Public Authorities, Customer Relationship Management Institutional Investors, Helaba Invest, Banks and International Business, Lending to Savings Banks and S-Group Services, Savings Banks Services North, Savings Banks Services South, Landesbausparkasse Hesse-Thuringia (LBS)
Klaus-Jörg Mulfinger – until 31 December 2018 –	Banks and International Business, Lending to Savings Banks and S-Group Services, Savings Banks Services North and South, Landesbausparkasse Hesse-Thuringia (LBS)
Christian Schmid – since 20 December 2018 –	Real Estate Lending, Debt Capital Markets and Sales Management RE, Real Estate Management, Administration, GWH, OFB
Dr. Norbert Schraad	Corporate Finance, Customer Relationship Management Corporate Clients, Customer Relationship Management Midcaps, General Manager Sales NRW/Düsseldorf Branch, Customer Relationship Management Public Authorities/Municipal Corporations, Customer Relationship Management Multinational Corporations, Sales Services

(51) List of Shareholdings

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

		Holding in % as per Section 16 (4) AktG						
No.	Name and location of the entity	Total	Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thousands	Original currency	
1	"Dia" Productions GmbH & Co. KG, Pullach	0.27				n.a.		
2	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7.1	0	€	1)
3	ABE CLEARING S.A.S à capital variable, Paris, France	1.85	1.85		24.7	4,321	€	
4	Advent International GPE V-B Limited Partnership, George Town, Cayman Islands	1.99	1.99	0.30	24.9	8,224	€	
5	Advent International GPE VI Limited Partnership, George Town, Cayman Islands	0.24	0.24		1,851.4	–104,944	€	
6	Airport Office One GmbH & Co. KG, Schönefeld	100.00	0.00		0.0	–481	€	
7	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	1.14	1.14		238.7	11,080	€	
8	Almack Mezzanine I LP, London, United Kingdom	3.93	3.93		0.2	8,025	€	
9	Almack Mezzanine II Unleveraged LP, London, United Kingdom	5.83	5.83		18.0	8,971	€	
10	AlphaHaus GmbH & Co. KG i.L., Erzhausen	5.50			1.1	9	€	
11	Antenne Thüringen GmbH & Co. KG, Weimar	3.50	3.50		2.0	1,265	€	
12	ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	100.00	100.00		–23.0	–1,918	€	
13	ASTARTE Verwaltungsgesellschaft mbH, Pullach	100.00	100.00		0.0	0	€	
14	AVW Assekuranzvermittlung der Wohnungswirtschaft GmbH & Co. KG, Bosau	11.76			0.2	17,408	€	
15	Bauverein für Höchst a. M. und Umgebung eG, Frankfurt am Main	0.03			28.6	762	€	
16	BC European Capital VIII-8, St. Peter Port, Guernsey	1.83	1.83	0.17	390.8	44,228	€	
17	BCEC X Luxembourg 1 SCSp, Luxembourg, Luxembourg	7.37	7.37		n.a.	n.a.		
18	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	€	1)
19	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00			0.0	0	€	1)

		Holding in % as per Section 16 (4) AktG					
No.	**Name and location of the entity**	**Total**	**Thereof directly**	**Voting rights if different from holding Total in %**	**Equity in € m**	**Net profit in € thous-ands**	**Original currency**
20	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		3.4	782	€
21	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00	50.00	1.6	140	€
22	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG i.L., Frankfurt am Main	100.00	100.00	50.00	2.3	187	€
23	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt TFK II Tiefgarage Kassel 2. BA KG, Kassel	33.33	33.33		2.4	238	€
24	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG i.L., Munich	100.00			0.0	–26	€
25	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Wiesbaden	100.00	100.00		1.5	617	€
26	BOF III CV Investors LP, Wilmington, USA	4.16	4.16		22.0	3,860	€
27	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.03	21.03		20.0	827	€
28	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		25.9	642	€
29	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.3	0	€
30	Campus Kronberg GmbH & Co. KG, Hamburg	6.00			63.6	5,293	€
31	Capnamic Ventures Fund II GmbH & Co. KG, Cologne	4.27	4.27	4.35	11.3	–204	€
32	CapVest Equity Partners II, L.P., Hamilton, Bermuda	3.48	3.48		160.5	49,652	€
33	CapVest Equity Partners IV (Feeder) SCSp, Findel, Luxembourg	2.66	2.66		n.a.	n.a.	
34	Castra Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	2.85			–20.3	–786	€
35	Clareant Mezzanine Fund II (No. 1 Limited Partnership), St. Helier, Jersey	4.07	4.07		17.4	14,072	€
36	Clareant Mezzanine No. 1 Fund Limited Partnership, St. Helier, Jersey	3.40	3.40		19.4	758	€
37	CP Campus Projekte GmbH, Frankfurt am Main	50.00			1.1	–414	€

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thousands	Original currency
38	DBAG Fund IV GmbH & Co. KG i.L., Frankfurt am Main	6.13	6.13		3.2	−329	€
39	DBAG Fund V GmbH & Co. KG, Frankfurt am Main	7.59	7.59	15.11	14.6	125,121	€
40	Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v.d.Höhe	1.71			637.0	45,286	€
41	Deutsche WertpapierService Bank AG, Frankfurt am Main	3.74	3.74		193.7	22,115	€
42	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		174.5	17,791	€
43	DIV Grundbesitzanlage Nr. 30 Frankfurt-Deutschherrnufer GmbH & Co. KG i.L., Frankfurt am Main	0.06	0.06		13.8	42,812	€
44	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36.7	2,395	€
45	Doughty Hanson & Co. V LP No. 1, London, United Kingdom	1.60	1.60		311.1	8,219	€
46	Dritte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00			−0.1	−88	€
47	Dritte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			0.0	−43	€
48	Dritte Projektentwicklungs-GmbH & Co. Schulen Landkreis Kassel KG, Kassel	6.00			12.6	1,945	€
49	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			−0.6	78	€
50	EQT Expansion Capital II (No. 1) Limited Partnership, St. Peter Port, Guernsey	4.57	4.57		128.8	−49,103	€
51	EQT V (No. 1) Limited Partnership, St. Peter Port, Guernsey	0.28	0.28		695.2	180,568	€
52	Erste OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00			0.0	−40	€
53	Erste Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00			0.1	5	€
54	Erste ST Berlin Projekt GmbH & Co KG, Berlin	0.50			2.5	−413	€
55	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00	94.90		70.4	0	€
56	Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, Neuhardenberg	1.76			3,380.4	211,872	€
57	EUFISERV Payments s.c.r.l., Brussels, Belgium	11.37	11.37		0.3	24	€

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thousands	Original currency
58	Fachmarktzentrum Fulda GmbH & Co. KG, Munich	5.10			43.5	1,584	€
59	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	1	€
60	Family Office der Frankfurter Bankgesellschaft AG, Frankfurt am Main	100.00			3.6	–1,405	€
61	FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	75.00			–0.1	–105	€
62	FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	75.00			–0.1	–84	€
63	FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	75.00			–0.1	–117	€
64	FHP Friedenauer Höhe Projekt GmbH, Berlin	75.00			0.0	7	€
65	FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin	75.00			–0.1	–171	€
66	FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	75.00			–0.1	–126	€
67	FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	75.00			–0.1	–108	€
68	Fiducia & GAD IT AG, Karlsruhe	0.02			447.2	20,644	€
69	FIDUCIA Mailing Services eG, Karlsruhe	0.13	0.07		0.1	0	€
70	FinTech Community Frankfurt GmbH, Frankfurt am Main	25.00	25.00		0.0	–110	€
71	FMZ Fulda Verwaltung GmbH, Frankfurt am Main	100.00			0.0	–2	€
72	Fourth Cinven Fund (No. 1) Limited Partnership, St. Peter Port, Guernsey	1.42	1.42		69.7	1,145,743	€
73	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			11.4	1,036	€
74	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		112.3	3,139	CHF
75	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		864.7	45,000	€
76	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00			0.7	3,206	€
77	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00			0.3	433	€
78	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	6	€

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Holding in % as per Section 16 (4) AktG: Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thousands	Original currency	
79	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00			0.1	−9	€	
80	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00			0.2	148	€	
81	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00			1.1	723	€	
82	G & O MK 14.3 GmbH & Co. KG, Frankfurt am Main	50.00			n.a.	n.a.		
83	G & O MK 17.7 Nord GmbH & Co. KG, Frankfurt am Main	50.00			n.a.	n.a.		
84	G & O MK 17.7 Süd GmbH & Co. KG, Frankfurt am Main	50.00			n.a.	n.a.		
85	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.0	1	€	
86	G&O MK 15 Bauherren GmbH & Co. KG, Frankfurt am Main	50.00			−0.1	−75	€	
87	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00			23.4	0	€	1)
88	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	94.90			−6.9	−7,552	€	
89	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00			−1.0	−75	€	
90	gatelands Verwaltungs GmbH, Schönefeld	75.00			0.0	1	€	
91	GbR Datenkonsortium OpRisk, Bonn	0.00	0.00	10.00	n.a.	n.a.		
92	GbR Legicheck, Bonn	0.00	0.00	11.11	n.a.	n.a.		
93	GbR VÖB-ImmobilienAnalyse, Bonn	0.00	0.00		n.a.	n.a.		
94	GeckoGroup AG (insolvent), Wetzlar	5.02			n.a.	n.a.		
95	GELIMER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	8.93	8.93		−1.9	167	€	
96	GGM Gesellschaft für Gebäude-Management mbH, Frankfurt am Main	100.00			0.3	0	€	1)
97	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			0.3	0	€	1)
98	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00			0.1	4	€	
99	GIZS GmbH & Co. KG, Frankfurt am Main	33.33	33.33		14.9	−12,039	€	
100	GIZS Verwaltungs-GmbH, Frankfurt am Main	33.33	33.33		0.0	7	€	
101	GLB GmbH & Co. OHG, Frankfurt am Main	11.20	11.20		5.7	453	€	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thous-ands	Original currency	
102	GLB-Verwaltungs-GmbH, Frankfurt am Main	11.20	11.20		0.1	2	€	
103	GLD Verwaltungsgesellschaft GmbH, Frankfurt am Main	100.00			0.0	1	€	
104	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	50.00			–3.7	–247	€	
105	GOB Projektentwicklung Fünfte GmbH & Co. KG, Frankfurt am Main	8.84			0.0	–46	€	
106	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00			0.0	3	€	
107	Gründerfonds Ruhr GmbH & Co. KG, Essen	8.70	8.70	8.96	–0.2	–540	€	
108	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33			6.9	2,657	€	
109	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00			0.2	44	€	
110	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			0.8	–1,553	€	
111	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00			0.0	10	€	
112	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		82.2	5,743	€	
113	GWH Bauprojekte GmbH, Frankfurt am Main	100.00			13.6	0	€	1)
114	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	€	1)
115	GWH WertInvest GmbH, Frankfurt am Main	100.00			n.a.	n.a.		1)
116	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00			372.9	63,564	€	
117	HaemoSys GmbH, Jena	38.33			–4.8	–524	€	
118	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		21.4	–307	€	
119	HANNOVER LEASING GmbH & Co. KG, Pullach	5.10	5.10		–4.1	–11,636	€	
120	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	48.27			13.8	875	€	
121	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	63.10			14.1	653	€	
122	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	54.51			10.6	3,237	€	
123	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–100	€	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thous-ands	Original currency	
124	Helaba Asset Services Unlimited Company, Dublin, Ireland	100.00	100.00		53.6	−1,243	€	
125	Helaba Digital GmbH & Co. KG, Frankfurt am Main	100.00	100.00		n.a.	n.a.		
126	Helaba Digital Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00		100.00	n.a.	n.a.		
127	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0	€	
128	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	€	1)
129	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		5.9	1,440	€	
130	Helaba Representação Ltda., São Paulo, Brazil	100.00	99.00		0.1	−3	BRL	
131	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.7	344	€	
132	Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	5.92			−128.2	5,762	€	
133	Hello Darmstadt Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			−0.1	54	€	
134	Herkules Grundbesitz GmbH & Co. Frankfurt KG, Berlin	5.10	5.10		0.2	n.a.	€	
135	Hessen Kapital I GmbH, Wiesbaden	100.00	100.00		35.2	−1,197	€	
136	Hessen Kapital II GmbH, Wiesbaden	100.00	100.00		7.0	169	€	
137	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		77.1	6,991	€	
138	Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH, Frankfurt am Main	15.49			1.8	549	€	
139	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2.6	33	€	
140	Horus AWG GmbH, Pöcking	50.00			−0.2	7	€	
141	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	83	€	
142	Hutton Collins Capital Partners III L.P., London, United Kingdom	1.45	1.45		139.0	−37,930	€	
143	ICG Europe Fund VII Feeder SCSp, Luxembourg, Luxembourg	0.64	0.64		n.a.	n.a.		
144	Icon Brickell LLC, Miami, USA	14.94	14.94		0.0	−135	USD	

		Holding in % as per Section 16 (4) AktG					
No.	**Name and location of the entity**	**Total**	**Thereof directly**	**Voting rights if different from holding Total in %**	**Equity in € m**	**Net profit in € thousands**	**Original currency**
145	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH i. L., Frankfurt am Main	100.00	100.00		0.1	0	€
146	Interessengemeinschaft Frankfurter Kreditinstitute GmbH, Frankfurt am Main	16.90	4.21		24.6	8,937	€
147	Investcorp Private Equity 2007 Fund, L.P., George Town, Cayman Islands	2.01	2.01		90.7	26,980	USD
148	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00			–0.3	–299	€
149	Komplementarselskabet Logistica CPH ApS, Kastrup, Denmark	52.00	52.00		0.0	16	DKK
150	Komuno GmbH, Frankfurt am Main	51.00			n.a.	n.a.	
151	Königstor Verwaltungs-GmbH, Kassel	100.00			0.0	0	€
152	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	5.10			–0.2	–71	€
153	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	5.10			–3.5	–701	€
154	Kornmarkt Arkaden Verwaltung GmbH, Frankfurt am Main	100.00			0.0	2	€
155	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	5.10			–0.2	–61	€
156	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	5.10			–1.1	–286	€
157	LBS IT Informations-Technologie GmbH & Co KG, Berlin	7.30	7.30		0.0	39	€
158	LHT MSIP, LLC, Wilmington, USA	100.00			6.6	0	USD
159	LHT Power Three LLC, Wilmington, USA	100.00	100.00		34.6	687	USD
160	LHT TCW, LLC, Wilmington, USA	100.00			22.9	706	USD
161	LHT TPF II, LLC, Wilmington, USA	100.00			6.2	159	USD
162	Logistica CPH K/S, Kastrup, Denmark	53.33	53.33		0.0	–721	DKK
163	Magical Produktions GmbH & Co. KG, Pullach	2.05			–6.4	8,809	€
164	Magnolia GmbH & Co. KG, Nonnweiler	6.00			–0.1	20	€
165	Main Funding GmbH, Frankfurt am Main	0.00	0.00		0.3	5	€
166	Main Funding II GmbH, Frankfurt am Main	0.00	0.00		0.1	3	€
167	Marienbader Platz Projektentwicklungsgesellschaft mbH & Co. Bad Homburg v.d.H. KG, Frankfurt am Main	50.00			0.4	–19	€
168	Marienbader Platz Projektentwicklungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	2	€

		Holding in % as per Section 16 (4) AktG					
No.	**Name and location of the entity**	**Total**	**Thereof directly**	**Voting rights if different from holding Total in %**	**Equity in € m**	**Net profit in € thousands**	**Original currency**
169	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00			0.0	0	€
170	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99			9.3	1,160	€
171	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Wiesbaden	32.52	32.52		10.9	444	€
172	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90			24.3	1,198	€
173	MESTO Grundstücksgesellschaft mbH & Co. KG, Grünwald	1.00	1.00	0.78	–3.5	346	€
174	Mezzanine Management Fund IV 'A' L.P., Hamilton, Bermuda	7.46	7.46		3.5	9,463	€
175	MezzVest II, L.P., St. Helier, Jersey	3.50	3.50		0.2	55	€
176	Mittelhessenfonds GmbH, Wiesbaden	100.00	100.00		–3.5	–946	€
177	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		24.9	1,214	€
178	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		15.3	223	€
179	Multi Park Mönchhof Dritte GmbH & Co. KG, Langen (Hesse)	50.00			0.3	68	€
180	Multi Park Mönchhof GmbH & Co. KG, Langen (Hesse)	50.00			0.0	–5	€
181	Multi Park Mönchhof Main GmbH & Co. KG, Neu-Isenburg	50.00			0.4	1,759	€
182	Multi Park Verwaltungs GmbH, Langen (Hesse)	50.00			0.0	0	€
183	NAsP III/V GmbH, Marburg	14.92			2.3	–463	€
184	Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH, Frankfurt am Main	0.89			635.0	43,510	€
185	neue leben Pensionsverwaltung AG, Hamburg	3.20			2.2	–126	€
186	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00			0.0	–36	€
187	Objekt Limes Haus GmbH & Co. KG, Hamburg	5.10			14.2	–8,938	€
188	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00			0.4	7	€
189	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00			–0.1	–7	€
190	OFB Berlin Projekt GmbH, Berlin	100.00			0.0	–1	€
191	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			5.2	–696	€

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thousands	Original currency	
192	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	€	1)
193	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00			0.0	0	€	
194	Office One Verwaltung GmbH, Schönefeld	100.00			0.0	2	€	
195	PALMYRA Verwaltungsgesellschaft mbH & Co. Vermietungs KG S.e.n.c., Luxembourg, Luxembourg	5.20			32.4	–1,315	€	
196	Pan-European Infrastructure Fund LP, St. Helier, Jersey	0.73	0.73		2,767.6	69,212	€	
197	PATRIZIA Hessen Zehn GmbH & Co. KG, Hamburg	5.20			17.2	870	€	
198	PineBridge PEP IV Co-Investment L.P., Wilmington, USA	9.51			10.5	339	USD	
199	PineBridge PEP IV Non-U.S. L.P., Wilmington, USA	17.00			7.8	1,517	USD	
200	PineBridge PEP IV Secondary L.P., Wilmington, USA	16.10			8.8	50	USD	
201	PineBridge PEP IV U.S. Buyout L.P., Wilmington, USA	17.21			16.0	1,813	USD	
202	PineBridge PEP IV U.S. Venture L.P., Wilmington, USA	17.51			14.7	–894	USD	
203	Private Equity Thüringen GmbH & Co. KG i.L., Erfurt	14.11	14.11		2.0	9,200	€	
204	Procom & OFB Projektentwicklung GmbH, Hamburg	50.00			0.0	–1	€	
205	Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	100.00			–0.6	–380	€	
206	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00			0.0	1	€	
207	Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	100.00			–3.2	–2,225	€	
208	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	30.00			0.8	–353	€	
209	Projekt Wilhelmstraße Wiesbaden Verwaltung GmbH, Frankfurt am Main	30.00			0.0	0	€	
210	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00			0.3	1,214	€	
211	Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–1	€	

		Holding in % as per Section 16 (4) AktG						
No.	Name and location of the entity	Total	Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thous-ands	Original currency	
212	Projektentwicklungs-GmbH & Co. Landratsamt KG, Wolfhagen	6.00			4.1	564	€	
213	Projektentwicklungs-GmbH & Co. Schule an der Wascherde KG, Lauterbach	6.00			0.2	–39	€	
214	Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG, Frankfurt am Main	100.00			–0.3	–287	€	
215	PVG GmbH, Frankfurt am Main	100.00	100.00		0.4	5	€	1)
216	Rebstöcker Straße UG (haftungsbeschränkt) & Co. KG, Hamburg	5.10			–18.7	–405	€	
217	Rotunde - Besitz- und Betriebsgesellschaft der S-Finanzgruppe mbH & Co. KG, Erfurt	60.00	60.00	33.33	4.1	37	€	
218	Rotunde Verwaltungsgesellschaft mbH, Erfurt	60.00	60.00	33.33	0.0	–1	€	
219	RSU Rating Service Unit GmbH & Co. KG, Munich	9.60	9.60		14.0	909	€	
220	S CountryDesk GmbH, Cologne	5.13	2.57		0.4	44	€	
221	S.W.I.F.T. Society for Worldwide Interbank Financial Telecommunication SCRL, La Hulpe, Belgium	0.00	0.00	0.20	325.2	20,722	€	
222	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.2	–22	€	
223	SCHUFA Holding AG, Wiesbaden	0.28			88.6	29,348	€	
224	SIX Group AG, Zurich, Switzerland	0.00	0.00		2,675.9	207,200	€	
225	SIZ GmbH, Bonn	5.32	5.32		5.4	356	€	
226	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			0.0	0	€	
227	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00			13.4	–98	€	
228	Sparkassen-Immobilien-Vermittlungs-GmbH, Frankfurt am Main	100.00	100.00		1.2	494	€	
229	Sparkassen-Marktservice Beteiligungs GmbH & Co. KG, Frankfurt am Main	50.00	40.00		8.0	1,714	€	
230	Sparkassen-Marktservice Verwaltungs GmbH, Frankfurt am Main	50.00	40.00		0.0	0	€	
231	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00			–0.6	–397	€	
232	Stresemannquartier GmbH & Co. KG, Berlin	50.00			0.2	1,162	€	
233	Systeno GmbH, Frankfurt am Main	100.00			5.4	260	€	
234	TCW/Crescent Mezzanine Partners IVB, L.P., Los Angeles, USA	2.08	2.08		7.4	397	USD	

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thousands	Original currency	
235	TdW südwest Treuhandgesellschaft für die Südwestdeutsche Wohnungswirtschaft mbH, Frankfurt am Main	3.25			1.9	37	€	
236	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.4	94	€	
237	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.1	8	€	
238	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		0.6	375	€	
239	TF H III Technologiefonds Hessen Gesellschaft mit beschränkter Haftung, Wiesbaden	25.00	25.00		5.6	–87	€	
240	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH) i.L., Wiesbaden	66.67	66.67		0.6	–2	€	
241	THE TRITON FUND II L.P. i.L., St. Helier, Jersey	0.77	0.77		166.6	22,987	€	
242	Triton Fund III L.P., St. Helier, Jersey	0.71	0.71		1,827.1	646,799	€	
243	Triton Fund V SCSp, Luxembourg, Luxembourg	0.41	0.41		n.a.	n.a.		
244	True Sale International GmbH, Frankfurt am Main	8.33	8.33		4.9	119	€	
245	unIQus Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			11.0	11,102	€	
246	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0	€	
247	VCM Golding Mezzanine GmbH & Co. KG, Munich	6.48	6.48		5.0	936	€	
248	VCM Golding Mezzanine SICAV II, Luxembourg, Luxembourg	4.20	4.20		43.9	–1,100	€	
249	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			0.3	0	€	[1)]
250	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			–0.1	47	€	
251	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			1.7	–80	ETB	
252	Vierte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–24	€	
253	Vierte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–4	€	
254	Volks- Bau- und Sparverein Frankfurt am Main eG, Frankfurt am Main	0.01			10.6	3,557	€	
255	wall park GmbH & Co. KG, Frankfurt am Main	100.00	100.00		n.a.	n.a.		
256	wall park Grundstücksgesellschaft mbH, Frankfurt am Main	100.00	100.00		n.a.	n.a.		

No.	Name and location of the entity	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding Total in %	Equity in € m	Net profit in € thous-ands	Original currency
257	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00			–0.1	104	€
258	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00	0.00		0.1	81	€
259	WoWi Media GmbH & Co. KG, Hamburg	23.72			2.8	–3	€
260	Zweite OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00			0.1	57	€
261	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			0.3	85	€
262	Zweite Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00			0.1	3	€
263	Zweite ST Berlin Projekt GmbH & Co. KG, Berlin	0.50			7.0	–88	€

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

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

Positions held by the members of the Board of Managing Directors

Office holder	Corporation	Function
Herbert Hans Grüntker	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice-Chairman
Hans-Dieter Kemler	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Chairman
Thomas Groß	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	DSGF Deutsche Servicegesellschaft für Finanzdienstleister mbH	Member
Dr. Detlef Hosemann	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
	Frankfurter Sparkasse, Frankfurt am Main	Member
	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice-Chairman
Klaus-Jörg Mulfinger	Frankfurter Sparkasse, Frankfurt am Main	Member
	Thüringer Aufbaubank, Erfurt	Member
Christian Schmid	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman

Positions held by other employees

Office holder	Corporation	Function
Dirk Mewesen	Helaba Asset Services, Dublin, Ireland	Member
Dr. Ulrich Pähler	Helaba Asset Services, Dublin, Ireland	Vice-Chairman
Dr. Michael Reckhard	Bürgschaftsbank Hessen GmbH, Wiesbaden	Member
Klaus Georg Schmidbauer	Bürgschaftsbank Thüringen GmbH, Erfurt	Member
André Stolz	Nassauische Sparkasse, Wiesbaden	Member
Peter Marc Stober	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member

(53) Report on Events After the Reporting Date

There were no significant events after the end of the financial year on 31 December 2018.

Frankfurt am Main/Erfurt, 25 February 2019

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Schmid	Dr. Schraad

Responsibility Statement

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

Frankfurt am Main/Erfurt, 25 February 2019

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Schmid	Dr. Schraad

Independent Auditor's Report

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

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, which comprise the balance sheet as at 31 December 2018, and the income statement for the financial year from 1 January 2018 to 31 December 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, for the financial year from 1 January 2018 to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the non-financial statement included in the "non-financial statement" section of the management report.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2018 and of its financial performance for the financial year from 1 January 2018 to 31 December 2018 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the non-financial statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

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

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Calculation of the global allowance in the lending business (change of method)

Reasons why the matter was determined to be a key audit matter

In the Institution's financial statements, global allowances are deducted from the assets-side balance sheet items loans and advances to customers and loans and advances to banks in order to reflect credit risks and are presented on the equity and liabilities side in the balance sheet item provisions. The method used to calculate the global allowance was changed in the financial year. In addition to recognizing a 12-month expected credit loss, a lifetime expected credit loss is now calculated in the event that a significant increase in the credit risk of the lending business has occurred since the date of initial recognition.

In this context, in particular the specification of the criteria set by the executive directors for determining a significant increase in credit risk is subject to judgment.

In light of the change in methods made by the executive directors, the related scope for judgment and the underlying loan volume for which a global allowance is recognized, we consider the calculation of global allowances to be a key audit matter.

Auditor's response

Using a sample of loans and a data analysis, we verified the criteria specified and key assumptions made by the executive directors concerning the point at which an increase in credit risk in the lending business is concerned to be significant.

We assessed the design and operating effectiveness of the internal control system as it relates to the significance of the increase in credit risk. In doing so, we focused particularly on the procedures and controls in place for loan origination (determination of the original credit risk) and for loan monitoring (determination of the current credit risk).

We performed substantive analytical procedures on loans subject to a significant increase in credit risk based on a data export for significant sub-portfolios, selected on a risk basis, covered by the global allowance. In this context, the original credit risk was assessed in terms of significant anomalies. Furthermore, we obtained an understanding of the allocation of loans subject to a significant increase in credit risk based on quantitative and qualitative criteria (for example, changes in the rating, consideration of the loan management class). In risk-based samples, we assessed significant anomalies, in particular in view of the significant increase in credit risk.

Our procedures did not lead to any reservations relating to the calculation of the global allowance in the lending business (change of method).

Reference to related disclosures

Disclosures concerning the calculation of the global allowance are provided in note no. (1) of the notes to the financial statements.

Calculation of the provisions for losses on commercial real estate financing in the event of objective evidence of impairment

Reasons why the matter was determined to be a key audit matter

The valuation of the commercial real estate financing portfolios in the event of objective evidence of impairment and the estimate of the amount of any necessary provisions for losses on such loans is a key area in which the executive directors use judgment. The identification of impaired loans and determination of an appropriate impairment loss entail uncertainties and involve various assumptions and factors, in particular the financial situation of the counterparty, expectations of future cash flows, observable market prices and expectations of net sales prices and from the realization of collateral. Minimal changes in the assumptions can lead to significantly differing valuations and thus to higher impairment losses.

As part of the audit, the calculation of the provisions for losses on commercial real estate financing in the event of objective evidence of impairment was a key audit matter as this portfolio comprises a considerable portion of the entire customer loan volume in the face of concurrent uncertainty concerning future market developments given the long loan terms. In light of these uncertainties, the use of judgment in estimating cash flows in various scenarios and probabilities of occurrence pertaining to the valuation of portfolios can significantly affect the amount of the provisions for loan losses.

Auditor’s response

As part of our audit, we assessed the processes aimed at monitoring the credit risk and the impairment calculation and used samples to test the operating effectiveness of the controls implemented in the processes.

We also performed substantive procedures on a sample basis, assessing specific loan loss provisions in terms of necessity and adequacy in a test of details. We selected the sample with a view to risk, applying in particular criteria such as inclusion in watch-lists for elevated risks of default, rating categories or specific loan loss allowances already in place.

We used risk-based samples to obtain an understanding of the significant assumptions used for risk provisioning. This included reviewing the estimates of the expected future cash flows from borrowers, including the potential cash flows from the realization of collateral, and estimates of the recoverability of payments in the event of default. We obtained an understanding of the methods used in terms of methodology and arithmetic. Since the Institution’s default-prone commercial real estate financing relates almost exclusively to asset finance, we paid particular attention to the impairment of collateral. For our evaluation of the collateral, we relied in particular on external appraisals and used these in our audit. This also included assessing the independence and the methodology of the external experts used by the executive directors to value the collateral or to estimate future cash flows.

We consulted real estate valuation specialists during our audit.

Our procedures did not lead to any reservations relating to the calculation of the provisions for losses on commercial real estate financing in the event of objective evidence of impairment

Reference to related disclosures

Commercial real estate financing is included in the balance sheet item loans and advances to customers. Information about loan loss provisions are provided in note no. (1) of the notes to the financial statements and in Default risk in the risk report section of the management report.

Other information

The executive directors are responsible for the other information. The other information comprises the non-financial statement pursuant to Sec. 289b (1) HGB included in section ABC of the management report. In addition, the other information comprises the other sections of the annual financial report that we expect to be provided to us after we have issued our auditor’s report:

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

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

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

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

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

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

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

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

Auditor's responsibilities for the audit of the annual financial statements and of the management report

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

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

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

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

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Board of Public Owners on 1 December 2017. We were engaged by the Board of Managing Directors on 23 January 2018. We have been the auditor of Landesbank Hessen-Thüringen Girozentrale Frankfurt am Main/Erfurt without interruption since financial year 2018.

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Christoph Hultsch.

Eschborn/Frankfurt am Main, 26 February 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Müller-Tronnier	Hultsch
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Independent Auditor's Limited Assurance Report

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

We have performed a limited assurance engagement on the Non-financial Statement of Landesbank Hessen-Thüringen Girozentrale according to §§ 340a in conjunction with 289b HGB ("Handelsgesetzbuch": German Commercial Code) including the section "Foundations of the Bank" in the Management Report being incorporated by reference for the reporting period from 1 January 2018 to 31 December 2018 (hereafter non-financial statement). Our engagement did not include any disclosures for prior years.

A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial statement in accordance with §§ 340a in conjunction with 289b HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial statement that is free from material misstatement, whether due to fraud or error.

B. Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial statement of the Company has been prepared, in all material respects, in accordance with §§ 340a in conjunction with 289b HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2018 and February 2019, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial statement, the risk assessment and the concepts of Landesbank Hessen-Thüringen Girozentrale for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial statement,
- Identification of likely risks of material misstatement in the non-financial statement

- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas e.g. compliance and employees in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial statement,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial statement.

D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial statement of Landesbank Hessen-Thüringen Girozentrale for the period from 1 January 2018 to 31 December 2018 has not been prepared, in all material respects, in accordance with §§ 340a in conjunction with 289b HGB.

E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with Landesbank Hessen-Thüringen Girozentrale. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 26 February 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter ppa. Dr. Patrick Albrecht
Wirtschaftsprüferin
(German Public Auditor)

Management Report and Annual Financial Statements of Landesbausparkasse Hessen-Thüringen 2018

Management Report of Landesbausparkasse Hessen-Thüringen

Management Report of Landesbausparkasse Hessen-Thüringen

I. Basic Information

Legal and Organisational Structure

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

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

Business Model

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

Objectives and Strategies

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

The strategy applied by LBS has at its heart a consistent focus – across all activities – on stabilising earning power sustainably while maintaining the conservative risk profile so that it can continue to strengthen its competitive edge and thereby reach a position, in the medium term, in which it can achieve its commercial objectives without need of income-boosting measures implemented through short-term planning. Risks are assumed with the objective of generating a reasonable and sustainable return bearing in mind the risk-bearing capacity.

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

Management System

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

II. Report on Economic Position

Economic Development

The German economy continued to grow in 2018. The real-terms increase in economic output of 1.5 % in the year under review marks a slight slowdown relative to the previous two years, which both saw growth of 2.2 %. The population of Germany increased by around 200,000 people to 83 million despite immigration declining and the death rate exceeding the birth rate.

Economic growth was driven exclusively by domestic demand, with the effect of foreign trade actually slightly negative. Although the savings rate increased significantly in 2018, private spending did contribute to the positive development of the German economy. Public-sector consumption and investment also provided forward momentum.

The number of people in employment in Germany, which hit a new record high in 2017, increased significantly again in 2018. Initial calculations indicate that the country had 1.3 % more people in employment in 2018 than in the previous year.

The more expansionary approach to monetary policy and the historically low level of interest rates remained the most influential factors for the German financial system. The Governing Council of the European Central Bank (ECB) announced halfway through the year that it expected key interest rates to remain at their present level at least for the summer of 2019 and in any case for as long as necessary.

Developments in the real estate market in Germany were once again shaped by strong demand for residential space and rapidly increasing real estate prices. The highly favourable conditions for financing, the generally positive economic situation (with correspondingly good prospects for employment and the labour market) and the increasing concentration of the population in the major metropolitan areas – a trend that has been apparent for some years now – are fuelling strong demand for residential property in Germany. Real estate also remains as popular as ever as a target for investment. Larger-scale investors too recognise the appeal of real estate, especially assets in the Rhine-Main region.

The cost of building new conventionally constructed residential buildings was 4.8 % higher than in the previous year. According to the German Federal Statistical Office, this is the sharpest year-on-year increase in construction costs for more than ten years. As anticipated, the number of building permits issued increased only slightly (0.5 %). The number of homes approved in newly constructed residential buildings between January and November 2018 was up 1.3 % on the same period in the previous year at 274,600. This increase stems entirely from a rise in the number of building permits issued for homes in apartment houses (+ 4.5 %). The number of building permits issued fell by 0.5 % for single-family homes and by 5.2 % for two-family homes.

The outlook for the construction industry remains positive, with new orders in the structural and civil engineering sector up 4.3 % over the first eleven months of 2018 as compared with the same period in the previous year according to figures from the German Federal Statistical Office.

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

Contract Development

LBS concluded a total of 61,446 (previous year: 60,629) new home savings contracts with a total net value of € 2,786 m (previous year: € 2,562 m) in the year under review, which represents a year-on-year increase of 8.8 % in volume terms. Gross new business turned out slightly better than the forecast for 2018. The average value of each home savings contract concluded rose by 7.3 %, reflecting LBS's continuing efforts to promote financing business.

LBS arranged 46,213 home savings contracts (previous year: 44,988) with a total net value of € 2,249 m (previous year: € 2,052 m) in Hesse and 15,233 home savings contracts (previous year: 15,641) with a total net value of € 537 m (previous year: € 510 m) in Thuringia.

New business adjusted for the amounts actually paid in was down slightly year-on-year in terms of the number of contracts at 57,082 home savings contracts (previous year: 57,543), but up slightly year-on-year in volume terms with a total net value of € 2,450 m (previous year: € 2,361 m). There were 42,526 new contracts (previous year: 42,651) in an amount of € 1,952 m (previous year: € 1,894 m) paid in in Hesse and 14,556 new contracts (previous year: 14,892) in an amount of € 498 m (previous year: € 467 m) paid in in Thuringia, which represents a year-on-year increase of 3.1 % in Hesse and 6.5 % in Thuringia in terms of total net value. Home savings customers under the age of 25 accounted for 40.9 % of the first-time contracts concluded in the year under review.

S-Group Activities Successful

The Sparkassen in Hesse and Thuringia have traditionally been the main sales partners for new contracts and the proportion of business arranged by the Sparkassen (including joint business) remained high in the year under review at 88.1 % (previous year: 87.5 %), which corresponds to home savings contracts with a value of € 2.5 bn.

Contract Portfolio

LBS serviced a home loan and savings volume of € 21,079 m (previous year: € 20,519 m) in the year under review representing 772,582 home savings contracts (previous year: 781,910). The year-on-year change in volume terms amounts to a 2.7 % increase.

Development of Allocations

The target valuation index that has to be reached in order for allocation by LBS has been constant at 224, which is the minimum valuation index specified in the general terms and conditions, for more than 20 years. Some 45,718 contracts representing a home loan and savings volume of € 1,024.6 m were allocated in the year under review.

Of the inflows to the allocation fund, € 785.3 m (– 1.1 %) was attributable to savings deposits, including employer contributions to employee capital formation schemes, the “Wohnungsbauprämie” (a government subsidy paid on savings to be used for the construction, purchase or improvement of residential real estate) and interest credits, while € 64.5 m (– 15.2 %) was attributable to redemption payments. In total, an amount of € 849.8 m (– 2.3 %) was added to the allocation fund. These inflows were offset by withdrawals in the amount of € 591.4 m (– 6.9 %), meaning that the allocation fund had increased by € 258.3 m at the end of the year.

Lending Business

Disbursements of loans outside the home savings collective decreased by € 1.6 m (– 1.4 %) year on year to € 120.3 m. The value of home savings loans disbursed rose by € 0.5 m to € 17.3 m, an increase of 0.3 % (previous year: – 11.0 %), as interest rates remained low.

Results of Operations

Having posted a net loss in the previous year, which was heavily impacted by restructuring costs, LBS successfully achieved its positive earnings target in the year under review despite the ongoing negative effect on earnings of the current sustained period of low interest rates. Income-boosting measures implemented through short-term planning were used in the year under review to support earnings.

Interest income

Interest income was reduced by a decrease in the annual average portfolio of home savings loans, which shrank by € 26.5 m (– 14.3 %). The average interest rate for home savings loans also declined in 2018, dropping 14 basis points to 3.51 % (previous year: 3.65 %). These falls in volume and interest rates reduced interest income from home savings loans. Interest income in lending business outside the home savings collective also decreased by a scant € 0.2 m to € 17.8 m. The average portfolio subject to interest increased by € 44.5 m (+ 6.3 %) year on year, but the average interest earned on loans outside the home savings collective dropped to 2.39 % (previous year: 2.56 %).

The increased capital market investment requirement due to the € 219.7 m (+ 4.8 %) increase in home savings deposits and the contraction in lending operations impacted positively on interest received. The sustained period of historically weak returns in the money and capital markets, in contrast, had a negative impact. LBS generated interest from early repayment charges (settlement payments) due to the early repayment of time deposits amounting to € 17.6 m (previous year: €– 6.4 m) in anticipation of continued low interest rates. Interest received from financial investments, including measures implemented through short-term planning, rose by € 23.7 m overall (+ 23.9 %). Overall interest income rose by € 22.3 m to € 146.2 m.

Interest expense

The introduction of new home loan and savings tariffs over recent years has had a positive impact on interest expenses. The inflow of home savings deposits pushed annual average holdings of home savings deposits up by € 219.7 m year on year to € 4.8 bn.This volume effect was, however, partially offset by the lower average interest rate for home savings deposits: the average interest rate for 2018 was down 13 basis points year on year to 1.56 %. The contradictory volume and interest rate effects reduced the interest expense for home savings deposits by € 2.5 m to € 74.5 m.

The home savings collective interest margin, which is calculated as the difference between the average interest rates for home savings loans and home savings deposits, amounted in 2018 to 1.95 %.

Net fee and commission income/expense

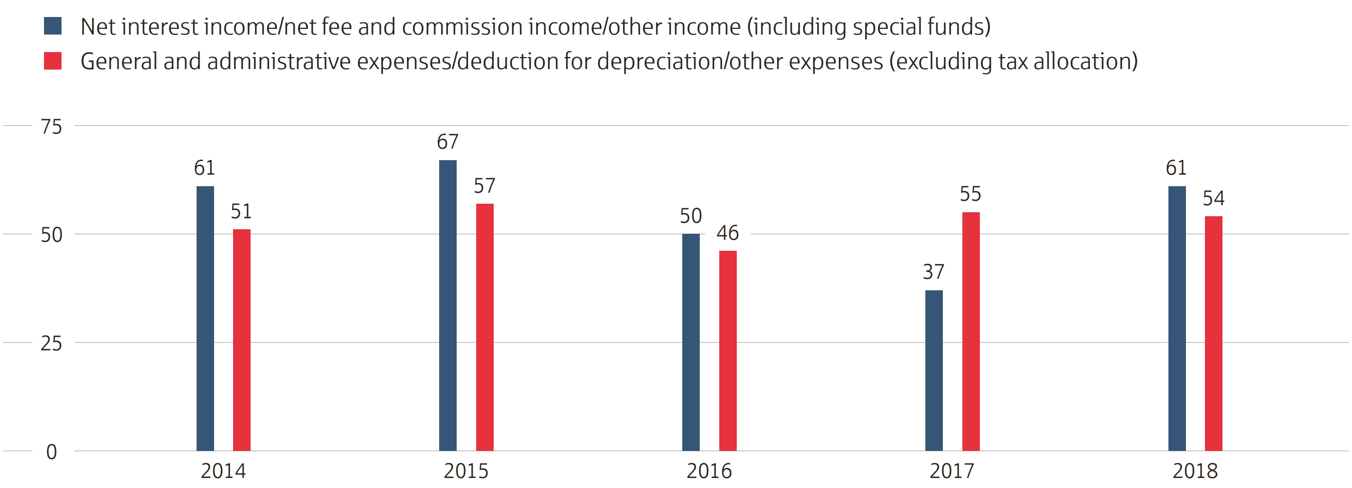
The net fee and commission income/expense variable fell by € 1.6 m to € –7.5 m. Commissions paid rose by € 3.0 m (+ 9.5 %) due to the increase in gross new business. Fee and commission income also increased, in this case by € 1.4 m (+ 5.2 %) to € 27.7 m.

General and administrative expenses

Net interest income, net fee and commission income/expense and other income together totalled € 61.1 m (+ 63.1 %), which figure was offset by € 54.5 m (– 0.8 %) for general and administrative expenses including depreciation, amortisation and write-downs of property and equipment. Interest received from financial investments rose by € 1.0 m overall (81.4 %). Personnel expenses fell by € 0.8 m to € 20.0 m. Other operating expenses fell by € 2.9 m to € 13.3 m. Depreciation and write-downs of fixed assets remained unchanged at € 1.0 m. This means that general and administrative expenses progressed as forecast in the previous year.

Significant income statement components

in € m



Pre-tax earnings were up € 4.8 m year on year at € 23.4 m, falling just short of the figure anticipated in the previous year's Report on Expected Developments.

The cost-income ratio fell by 96.3 percentage points to 86.2 % (previous year: 182.5 %).

Financial Position

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

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

LBS calculates capital requirements using an internal ratings-based approach (IRBA). The total capital ratio in accordance with article 92 CRR fell in 2018, but is still high at 53.7 % (previous year: 54.5 %). The Tier 1 ratio likewise fell, dropping by 0.8 percentage points to 53.3 %.

The liquidity ratio in accordance with the German Liquidity Regulation (Liquiditätsverordnung – LiqV) ceased to apply from 1 January 2018. The liquidity coverage ratio (LCR) indicator introduced in 2015 was well above both the level required by the regulator (100 %) and the previous year's forecast as at 31.12.2018. It was not possible to calculate a precise figure for the LCR for technical reasons following the removal of the cap because there were no eligible cash flows. LBS was in a position to meet its payment obligations at all times.

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

Net Assets

Total assets rose by € 0.35 bn year on year to € 6.03 bn. Home savings deposits increased to € 4,932 m. Home finance loans rose by € 23.7 m to € 892.7 m, financial investments by € 319 m to € 5,112 m. The proportion of total assets accounted for by home finance loans fell to 14.8 %. Interim and bridge-over loans increased by 6.0 % to € 744 m in the financial year and are largely funded with matching maturities. The net assets position of LBS is sound. The volume of business is virtually unchanged and overall there have been no notable changes in the asset structure.

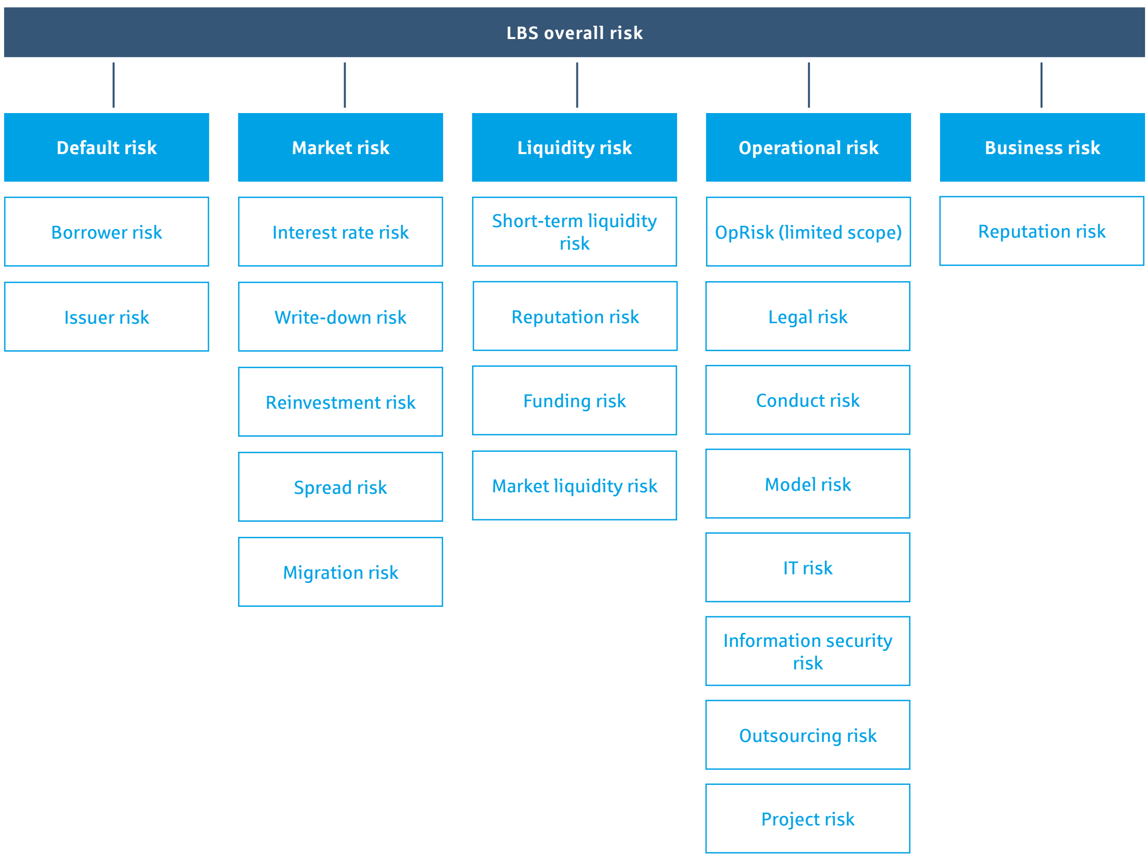
III. Report on Opportunities, Risks and Expected Developments

Risk Management

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

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

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



Risk Strategy

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

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

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

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

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

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

Default Risk

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

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

Default Risk in Lending Business

The main focus of business at LBS is private home finance, which is pursued as standardised customer business. The total lending portfolio, including trading business and irrevocable loan commitments, amounts to € 6,076.0 m. Home savings loans make up € 150.8 m of this figure and loans concluded outside of the home savings collective make up € 768.0 m, meaning that traditional lending business accounts for € 918.8 m, or 15.2 %, of total assets (€ 6,026.7 m). A total of 92.0 % of home finance loans were extended to private persons who were not self-employed and the proportion of home finance loans secured by mortgage charges amounted to 64.4 %.

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

Specific loan loss allowances for home finance loans decreased by € 1.4 m to € 2.7 m in the year under review. The default ratio, which equals the sum of direct write-offs and utilisation of allowances for losses on loans and advances expressed in relation to the lending volume, amounted to 0.15 %. The largest new specific allowance recognised for a single exposure in 2018 was € 83,000. There were no defaults within the framework of trading transactions.

Issuer Risk

Trading transactions within the meaning of MaRisk amounted to € 4,989.5 m (nominal amount) and thus accounted for 82.8 % of total assets as at 31.12.2018. Of that figure, 98.3 % was invested as overnight money and in time deposits at Helaba with original terms to maturity of up to 15 years.

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

Market Risk

Market risk at LBS is limited specifically to risks attributable to the change in the position and structure of the yield curve (interest rate risk). Other relevant components of this item include spread and migration risks – where corresponding exposures exist – and the reinvestment and write-down risk. LBS does not expose itself to share price risks and is prohibited by the BSpKG from allowing any exposure to currency risks.

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

Interest Rate Risk/Spread Risk

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

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

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

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

Write-Down Risk

The write-down risk is the risk of having to write down the institution's own fixed-interest security holdings to the lower of cost or market value pursuant to commercial law provisions at the end of the year as a result of a hike in interest rates and the resultant share price losses. Models are used as the basis for performing simulations of the probable write-down requirement, with due consideration being given to the current level of interest rates and the various interest rate scenarios. LBS holds no fixed-interest securities as of 31.12.2018. Migration risks too are thus of no relevance.

Interest Rate Risk (Business Administration)

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

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

The interest rate risk lay in positive territory as of 31.12.2018, with the interest rate risk coefficient (the ad-hoc interest rate risk in relation to own funds) standing at 8.02.

Operational Risk

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

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

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

Liquidity and Funding Risk

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

The short-term liquidity risk designates the risk of LBS being unable, or partially unable, to meet its payment obligations (obligation to disburse loans, make interest payments, repay funding) as a result of a shortage of liquid funds, or falling into non-compliance with the regulatory liquidity coverage ratio.

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

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

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

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

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

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

Business Risk

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

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

Reputation Risk

Reputation risk is similarly not classified as being of primary importance at LBS because its material consequences (the termination of existing contracts and, in particular, a slump in new business) largely fall under the business risk heading and likewise directly affect the collective risk and market sales risk elements of market risk, a risk type that is defined as being of primary importance, and the liquidity risk. Reputation risk is consequently assigned to these risk types in the risk type system. Reputation risk encompasses reputation loss caused by direct actions as well as by the effects of operational losses. The reputation risk profile is mapped entirely under operational risk.

Risk-Bearing Capacity

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

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

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

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

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

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

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

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

Summary of the Risk Situation

LBS prepares quarterly collective forecasts and an annual ongoing collective monitoring report in order to ensure that the home savings contracts concluded can always be fulfilled. The ongoing collective monitoring report and the corresponding collective management report, which contain a description of the initial position and scenarios with presentations of results and related analysis as well as an overall assessment, are transmitted to BaFin. According to the collective management report for 2017, funds sufficient for the allocation of home savings contracts were available at all times.

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

Utilisation of the overall institution limit

Reporting date	Going-concern approach, position on 31.12.2018	Going-concern approach, twelve-month rolling view
31.3.2018	36 %	43 %
30.6.2018	31 %	40 %
30.9.2018	28 %	44 %
31.12.2018	44 %	44 %

The LCR stipulates that a liquidity buffer be held that covers at least the net cash outflows due within 30 days under market-wide and institution-specific stress conditions. This indicator remains well above the early warning level due to the removal of the cap. The capital available for covering risks was adequate at all times.

Outlook for 2019

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

The ECB's current stance on monetary policy and its announcement of its intention to keep interest rates at a low level indicate to LBS that a future increase in interest rates is actually further away than might previously have been expected. The resulting combination of low interest rates and housing shortages in and around the major economic centres will keep demand for residential space running high. Real estate prices will continue to rise at the same time, so affordable solutions with corresponding financing options will also be very much in demand. Home savings contracts offer people in pursuit of home finance or follow-up financing a readily calculable way to fund real estate investments and lock in the current low interest rates long-term to protect against future rate rises. Home loan and savings products accordingly remain an attractive option for much of the population, which regards a debt-free residential property to be the best form of provision for retirement.

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

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

The possibility still remains, however, that consumers will find alternative affordable ways to finance their real estate ambitions and that the loans in the old tariff generations will not be taken up. Other factors that can potentially impact negatively on results include new and more onerous regulatory requirements and the associated cost of digitising processes as well as low returns in the capital market.

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

LBS expects gross new business to be stronger in financial year 2019 than in the previous year (+ 2.0 %). The combined effects of a further reduction in average interest rates for home savings loans, continued favourable funding costs, the ongoing income-boosting measures implemented through short-term planning and a continuation of the minimal interest rates policy at the ECB lead LBS to anticipate net interest income of between € 60 m and € 70 m. The forecast figures reflect the home savings collective simulation, which usually covers a period of 20 years. The home savings collective simulation is based on the full contract portfolio, with changes in the behaviour patterns of home savings customers being considered over time. The forecast for future interest rate developments is prepared using Helaba's scenario requirements and the forward interest rates derived from the applicable interest rate structure as of the key date for forecasting. LBS expects the interest rate risk to remain in positive territory in financial year 2019 taking account of the planned new investments. It is assumed that the LCR will remain in excess of 120 % (against a minimum requirement of 100 %).

LBS anticipates that net fee and commission income will be essentially unchanged from the previous year. Forecasting suggests that general and administrative expenses will be affected by a slight increase in costs from allocations to pension provisions including interest expense. The cost-income ratio will accordingly remain in the 85 % to 90 % range.

In summary, LBS expects net profit before taxes in 2019 to be essentially unchanged from the previous year at approximately € 5 m.

Frankfurt am Main/Erfurt, 26 February 2019

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Schmid	Dr. Schraad

Annual Financial Statements of Landesbausparkasse Hessen-Thüringen

Balance Sheet of Landesbausparkasse Hessen-Thüringen

as at 31 December 2018
– included in the Consolidated Balance Sheet of the Bank –

Assets — in € thousands

				2018	2017
Cash reserve					
b) Balances with central banks			5		6
thereof: With Deutsche Bundesbank	5				(6)
				5	6
Loans and advances to banks					
a) Home savings loans			0		0
b) Other loans and advances			5,101,383		4,782,029
thereof: Payable on demand	199,266				(324,348)
				5,101,383	4,782,029
Loans and advances to customers					
a) Home finance loans					
aa) From allocations (home savings loans)		144,738			162,911
ab) For interim and bridge-over financing		744,054			701,849
ac) Other		3,900			4,246
thereof: Secured by mortgage charges	589,333				(552,301)
			892,692		869,006
b) Other loans and advances			22,079		21,678
				914,771	890,684
Intangible assets					
b) Purchased concessions, industrial property rights and similar rights and licences in such rights and assets			7,716		8,671
				7,716	8,671
Property and equipment				**213**	252
Other assets				**2,618**	1,890
Prepaid expenses				**17**	118
Total assets				**6,026,723**	**5,683,650**

Equity and liabilities

in € thousands

				2018	2017
Liabilities due to banks					
a) Home savings deposits			41,521		36,465
thereof: On allocated contracts	–				(37)
b) Other liabilities			718,870		624,942
thereof: Payable on demand	11,108				(9,812)
				760,391	661,407
Liabilities due to customers					
a) Deposits from home savings business					
aa) Home savings deposits		4,890,753			4,655,685
thereof:					
On terminated contracts	40,735				(35,154)
On allocated contracts	89,390				(83,615)
			4,890,753		4,655,685
b) Other liabilities					
ba) Payable on demand		5,587			5,014
			5,587		5,014
				4,896,340	4,660,699
Other liabilities				**8,426**	7,208
Deferred income				**1,538**	1,658
Provisions					
a) Provisions for pensions and similar obligations			110,687		106,500
c) Other provisions			18,703		16,729
				129,390	123,229
Home savings protection fund				**11,200**	11,200
Fund for general banking risks				**25,000**	25,000
Equity					
c) Revenue reserves			193,249		193,249
d) Net retained profits			1,189		0
				194,438	193,249
Total equity and liabilities				**6,026,723**	**5,683,650**
Contingent liabilities					
b) Liabilities from guarantees and indemnity agreements				43	13
Other obligations					
c) Irrevocable loan commitments				30,738	26,665

Income Statement of Landesbausparkasse Hessen-Thüringen

for the period 1 January to 31 December 2018 – included in the Consolidated Income Statement of the Bank –

in € thousands

				2018	2017
Interest income from					
a) Lending and money market transactions					
aa) From home savings loans	5,595				6,789
ab) From interim and bridge-over loans	17,710				17,874
ac) From other home finance loans	69				77
ad) From other lending and money market transactions	122,866				99,164
		146,240			123,904
b) Fixed-income securities and registered government debt		0			21
			146,240		123,925
Interest expense					
a) On home savings deposits		74,536			76,985
b) Other interest expenses		5,237			4,815
			79,773		81,800
				66,467	42,125
Fee and commission income					
a) On contracts signed and arranged		21,282			19,756
b) From loans granted after allocation		22			56
c) From the commitment and administration of interim and bridge-over loans		4			8
d) Other fee and commission income		6,397			6,515
			27,705		26,335
Fee and commission expenses					
a) On contracts signed and arranged		30,511			27,889
b) Other fee and commission expense		4,732			4,309
			35,243		32,198
				–7,538	–5,862
Other operating income				**2,135**	5,142
Carried forward:				**61,064**	41,405

in € thousands

				2018	**2017**
Brought forward				**61,064**	41,405
General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		16,879			17,256
ab) Social security, post-employment and other benefit expenses		3,170			3,610
			20,049		20,866
thereof: Post-employment benefit expenses	428				803
b) Other administrative expenses			20,113		16,871
				40,162	37,737
Amortisation and write-downs of property and equipment and intangible assets				**1,038**	1,030
Other operating expenses				**16,915**	16,157
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions				**1,760**	1,132
Result from ordinary activities				**1,189**	−14,651
Net income/net loss for the year				**1,189**	−14,651
Withdrawals from revenue reserves				**0**	14,651
Net retained profits				**1,189**	0

Notes to the Financial Statements of Landesbausparkasse Hessen-Thüringen

as at 31 December 2018

Basis of Preparation and Accounting Policies

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

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

Receivables are reported at their nominal amount and liabilities at their settlement amount.

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

Intangible assets and property and equipment are stated at purchase or production cost, less scheduled straight-line amortisation and depreciation. Activities performed in connection with the internal generation of an intangible asset have been capitalised. Depreciation and amortisation are charged over the useful life of the asset. LBS makes use of the option provided in Section 6 2a. first sentence of the German Income Tax Act (Einkommensteuergesetz – EStG) and capitalises assets worth more than € 250 and less than € 1,000. Other assets are recognised at their nominal value.

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

One security with a nominal value of € 15 m provided as a loan and serving as a highly liquid asset (security loaned in unsecured form) is not reported on the balance sheet.

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

Pension obligations are determined on the reporting date by external actuarial experts. They are measured using the projected unit credit method, based on biometric assumptions (2018G mortality tables of Professor Dr. Heubeck), salary and pension increases expected in the future as well as the average market rate published by the Bundesbank for an assumed remaining maturity of 15 years.

The measurement parameters applied are shown in the table below:

	31.12.2018
Interest rate	3.21 %
Salary trend	2.00 %
Pension trend	1.60 % – 2.00 %
Employee turnover rate	3.00 %

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

The application of Section 253 (6) HGB yielded a difference in the recognised pension obligations resulting from discounting using the average market rate for ten financial years instead of seven of € 15.0 m as at 31 December 2018.

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

Negative interest for financial assets in other lending and money market transactions is reported under interest received because negative interest reduces income from financial investment. LBS paid a sum of € 64,000 (previous year: € 158,000). Interest income is also increased by early termination fees paid to LBS in the amount of € 17.6 m (previous year: € –6.4 m) for positions under these transactions that were ended early. Negative interest for other liabilities due to banks is reported under interest expense. LBS received € 37,000 (previous year: € 123,000).

The receivables not yet due from arrangement fees arising from “LBS-Wohn-Riester” agreements (tariff Classic Riester, type FR and SR) were discounted in line with matching maturities. The cash value of the fees is recognised in full in the year of contract conclusion. As of 31 December 2018, receivables not yet due from Riester arrangement fees were capitalised in the amount of € 4.5 m (previous year € 5.2 m).

To ensure measurement of interest-based banking book transactions at the lower of cost or net realisable value, a calculation based on the present value method is used to review whether it is necessary to recognise a provision for expected losses in accordance with BFA 3. The calculation indicated that it was not necessary to recognise a provision for expected losses.

The figure for net remeasurement gains/losses includes a sum of € 0.6 m (previous year: € 0.5 m) representing expenses for insurance cover against loan defaults.

Disclosures and Comments Concerning the Balance Sheet and Income Statement

Receivables from Helaba amounted to € 5,014.5 m (previous year: € 4,674.5 m) and liabilities due to Helaba were € 707.8 m (previous year: € 615.1 m).

Classification by remaining maturity in € m

	31.12.2018	31.12.2017
Other loans and advances to banks		
Payable on demand	199.3	324.3
Up to three months	182.6	99.7
More than three months and up to one year	156.0	231.0
More than one year and up to five years	1.301.0	1.209.0
More than five years	3.262.5	2.918.0
Loans and advances to customers		
Up to three months	32.0	36.2
More than three months and up to one year	69.7	68.5
More than one year and up to five years	351.0	342.3
More than five years	462.1	443.6

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

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

Interest and principal payments that were past due by more than three monthly instalments, including payments to alternative repayment vehicles, amounted to € 0.2 m (previous year: € 2.6 m) with respect to home finance loans, including terminated exposures.

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

The development of the acquisition or production cost (AK/HK) for intangible assets and property and equipment in financial year 2018 (FY) is shown below (in € thousands):

	Intangible assets	Property and equipment
	Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	
AK/HK at start of FY (total)	9,974	3,335
Additions, total AK/HK (FY)	29	23
Disposals, total AK/HK (FY)	0	63
Reclassifications, total AK/HK (FY)	0	0
AK/HK at end of FY (total)	10,003	3,295
Amortisation and depreciation at start of FY (total)	1,303	3,083
Amortisation and depreciation (FY)	985	53
Changes in total amortisation and depreciation in connection with disposals (total)	0	55
Amortisation and depreciation at end of FY (total)	2,287	3,081
As at 31.12.2018 (carrying amount)	**7,716**	**214**
As at 31.12.2017 (carrying amount)	8,671	252

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

Other liabilities due to banks, excluding home savings deposits — in € m

	31.12.2018	31.12.2017
Payable on demand	11.1	9.8
Up to three months	6.8	10.6
More than three months and up to one year	63.0	71.4
More than one year and up to five years	315.4	288.3
More than five years	322.6	244.8

Borrowings in the amount of € 707.8 m (previous year: € 615.1 m) serve exclusively to fund business outside the home loan and savings collective.

Commission liabilities due to the field service in the amount of € 8.3 m account for most of the other liabilities figure of € 8.4 m.

Deferred income (€ 1.5 m) includes a discount from receivables of € 1.5 m (previous year: € 1.6 m).

The purchase cost of assets offset against provisions pursuant to Section 246 (2) sentence 2 HGB amounted to € 1.8 m (previous year: € 1.7 m), and their fair value was € 2.1 m (previous year: € 2.2 m). The settlement amount of the offset liabilities amounted to € 2.2 m (previous year: € 2.3 m). Expenses of € 195,600 (previous year: € 173,400) were offset in the income statement against income of € 39,100 (previous year: € 122,000) from these assets and liabilities from salary conversion. The largest single item under other provisions (€ 18.7 m) is the € 6.2 m provision for organisational changes under the LBS-EVOLution restructuring project. Other significant items under this heading include provisions for sales bonuses and provisions for the year-end bonus (€ 3.6 m).

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

Legally binding payment obligations are broken down as follows

in € m

	31.12.2018	31.12.2017
From allocations	0.7	0.8
For interim and bridge-over financing	29.9	25.8
From other home finance loans	0.1	0.1
Total	**30.7**	**26.7**

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

LBS has an obligation to pay a lifelong monthly pension to three home loan and savings customers under a retirement pension home savings contract. The claim amounts to € 43,000 and LBS has concluded three pension insurance agreements for a corresponding insured sum with Provinzial NordWest Lebensversicherung AG to cover it.

Other operating income mainly comprises income from the reversal of provisions in the amount of € 0.6 m (previous year: € 0.6 m) and income of € 0.3 m (previous year: € 0.4 m) from the magazine “Das Haus”.

Other operating expenses mainly comprise the expense of € 10.5 m (previous year: € 8.7 m) from interest on pension provisions, a charge of € 1.2 m (previous year: € 7.2 m) to create a provision for the reorganisation process and compensation payments of € 0.6 m (previous year: € 0.1 m) to the field service.

The € 3.6 m tax expense (previous year: tax income of € 4.0 m) settled by way of allocation with Helaba is charged in full against the result from ordinary activities.

Acting in accordance with Section 18 (2) and (3) of the German Deposit Guarantee Act (Einlagensicherungsgesetz – EinSiG) and on the basis of the resolution of the Landesbausparkassen protection scheme, LBS made use of the option to provide 30 % of the funds to be paid in the form of payment obligations once again in 2018. This reduced non-personnel operating expenses by € 0.7 m (previous year: € 0.6 m).

Other Disclosures

The Supervisory Board is to decide on the appropriation of profit at its meeting on 25 March 2019.

For financial year 2018, € 178,000 (previous year: € 233,000) was invoiced for the audit, € 5,000 (previous year € 30,000) was invoiced for other attestation services and € 0 (previous year: € 0) was invoiced for other services, all of which were performed by companies of the Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft group. As in the previous year, no tax advice services were provided.

The remuneration for the members of the executive bodies of Helaba who are also responsible for LBS was paid by the Bank. The members of the executive bodies and the remuneration paid to them are listed in the notes to Helaba's financial statements. Home finance loans to members of the Supervisory Board (persons within the meaning of Section 34 (2) sentence 1 alternative 2 RechKredV) amount to € 42,000 (previous year: € 47,000).

Remuneration paid to LBS Advisory Board members totalled € 24,000 (previous year: € 26,000).

LBS employed 240 people on average in 2018, 99 of them female and 141 male.

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

Frankfurt am Main/Erfurt, 26 February 2019

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Schmid	Dr. Schraad

Independent Auditor's Report

To Landesbausparkasse Hessen-Thüringen,
Frankfurt am Main/Erfurt

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

Audit Opinions

We have audited the annual financial statements of Landesbausparkasse Hessen-Thüringen, Frankfurt am Main/Erfurt, which comprise the balance sheet as at 31 December 2018, and the statement of profit and loss for the financial year from 1 January to 31 December 2018, and the notes to the financial statements, including the accounting policies presented therein. In addition, we have audited the management report of Landesbausparkasse Hessen-Thüringen for the financial year from 1 January to 31 December 2018.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German generally accepted accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

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

Responsibilities of the Legal Representatives for the Annual Financial Statements and the Management Report

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

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting insofar as there are no obstacles to this arising from actual or legal circumstances.

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

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

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

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

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company;
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures;
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German generally accepted accounting principles;

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides;
- Perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Stuttgart, 26 February 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frey	Brixner
Wirtschaftsprüfer	Wirtschaftsprüferin

Advisory Board of Landesbausparkasse Hessen-Thüringen

for financial year 2018

Chairman

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

Vice Chairman

Bernd Woide
Chief Administrative Officer
County District of Fulda

Members

Wolfgang Asche
Chairman of the Board of Managing Directors,
Kreissparkasse Nordhausen

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

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

Erhard Bückemeier
Chairman of the Board of Managing Directors,
Sparkasse Jena-Saale-Holzland, Jena – until 30 June 2018 –

Thomas Fügmann
Chief Administrative Officer
Saale-Orla-Kreis

Manfred Görig
Chief Administrative Officer
Vogelsbergkreis

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

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

Stephan Hofmann
Member of the Board of Managing Directors,
Sparkasse Wetzlar

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

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

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

Statistical Information on the Home Savings Business

Changes in the allocation fund during 2018

Allocations	€ thousands
I. Amount carried forward from the previous year (surplus): amounts not yet disbursed	4,535,717
II. Allocations in the financial year	
1. Savings amounts (including offset homeowner allowances)	708,854
2. Repayment amounts[1] (including offset homeowner allowances)	64,503
3. Interest on home savings deposits	76,397
4. Home savings protection fund	0
5. Other	
a) Borrowings and own funds	0
Total	**5,385,471**

Withdrawals	€ thousands
I. Withdrawals in the financial year	
1. Sums allocated, to the extent disbursed	
a) Home savings deposits	258,839
b) Home loans	46,289
2. Repayment of home savings deposits made on home savings contracts not yet allocated	286,290
3. Home savings protection fund	0
4. Other	
a) Borrowings and own funds	0
II. Allocation surplus (amounts not yet disbursed) at the end of the financial year[2]	4,794,053
Total	**5,385,471**

Remarks:
[1] Repayment amounts only represent the portion of the repayment sum attributable to the principal.
[2] The allocation surplus includes, among other things:
a) the home savings deposits relating to allocated contracts that have not yet been disbursed in € thousands: 89.390
b) the home loans attributable to allocations that have not yet been disbursed in € thousands: 727

Movements in the Portfolio in 2018

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

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Not allocated** Number of contracts	**Not allocated** Total net value in € thousands	**Allocated** Number of contracts	**Allocated** Total net value in € thousands	**Total** Number of contracts	**Total** Total net value in € thousands
A. Portfolio at the end of the previous year	1,672	48,578	180	5,329	1,852	53,907
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	2	60	–	–	2	60
2. Transfer	10	388	0	0	10	388
3. Waiver of allocation and revocation of allocation	31	1,090	–	–	31	1,090
4. Partition	0	–	0	–	0	–
5. Allocation	–	–	35	1,217	35	1,217
6. Other	1	15	0	1	1	16
Total	44	1,553	35	1,218	79	2,771
C. Disposals in the financial year due to						
1. Allocation	35	1,217	–	–	35	1,217
2. Reduction	–	0	–	0	–	0
3. Cancellation	176	3,448	10	175	186	3,623
4. Transfer	10	388	0	0	10	388
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	64	1,919	64	1,919
7. Waiver of allocation and revocation of allocation	–	–	31	1,090	31	1,090
8. Other	1	17	0	0	1	17
Total	222	5,071	105	3,184	327	8,254
D. Net addition/disposal	–178	–3,518	–70	–1,966	–248	–5,483
E. Portfolio at the end of the financial year	1,494	45,060	110	3,363	1,604	48,424
thereof: Attributable to home savings customers outside of Germany	28	558	2	41	30	599
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			–			–
b) Contracts concluded in financial year 2018			–			–
III. Size classification of unallocated contracts						
up to € 10,000			294			1,640
more than 10,000 up to € 25,000			521			7,577
more than 25,000 up to € 50,000			375			12,244
more than 50,000 up to € 150,000			286			20,239
more than 150,000 up to € 250,000			16			2,650
more than 250,000 up to € 500,000			2			712
more than € 500,000			–			–
Total			1,494			45,060

IV. The average total net value at the end of the financial year was € 30,189

Movements in the Portfolio in 2018

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

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	12,024	285,096	2,010	65,052	14,034	350,148
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	1	12	–	–	1	12
2. Transfer	29	998	1	5	30	1,003
3. Waiver of allocation and revocation of allocation	226	5,366	–	–	226	5,366
4. Partition	9	–	–	–	9	–
5. Allocation	–	–	345	8,238	345	8,238
6. Other	24	455	6	94	30	549
Total	289	6,831	352	8,337	641	15,168
C. Disposals in the financial year due to						
1. Allocation	345	8,238	–	–	345	8,238
2. Reduction	–	252	–	0	–	252
3. Cancellation	1,128	21,370	148	3,255	1,276	24,625
4. Transfer	29	998	1	5	30	1,003
5. Combination	2	–	0	–	2	–
6. Expiry of contract	–	–	787	23,546	787	23,546
7. Waiver of allocation and revocation of allocation	–	–	226	5,366	226	5,366
8. Other	24	456	6	93	30	549
Total	1,528	31,314	1,168	32,265	2,696	63,579
D. Net addition/disposal	–1,239	–24,483	–816	–23,928	–2,055	–48,411
E. Portfolio at the end of the financial year	10,785	260,613	1,194	41,124	11,979	301,737
thereof: Attributable to home savings customers outside of Germany	106	2,481	4	164	110	2,645
II. Portfolio of contracts not yet cashed in			–			–
a) Contracts concluded prior to 1.1.2018 (financial year)			–			–
b) Contracts concluded in financial year 2018						
III. Size classification of unallocated contracts						
up to € 10,000			1,571			10,152
more than 10,000 up to € 25,000			5,455			81,764
more than 25,000 up to € 50,000			2,504			80,901
more than 50,000 up to € 150,000			1,229			82,252
more than 150,000 up to € 250,000			22			3,872
more than 250,000 up to € 500,000			3			1,160
more than € 500,000			1			511
Total			10,785			260,613

IV. The average total net value at the end of the financial year was € 25,189

Movements in the Portfolio in 2018

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

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	Not allocated: Number of contracts	Not allocated: Total net value in € thousands	Allocated: Number of contracts	Allocated: Total net value in € thousands	Total: Number of contracts	Total: Total net value in € thousands
A. Portfolio at the end of the previous year	36,730	656,177	5,788	140,085	42,518	796,262
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	1	32	–	–	1	32
2. Transfer	105	2,055	3	205	108	2,260
3. Waiver of allocation and revocation of allocation	806	14,540	–	–	806	14,540
4. Partition	4	–	–	–	4	–
5. Allocation	–	–	1,224	23,207	1,224	23,207
6. Other	38	641	3	46	41	687
Total	954	17,268	1,230	23,458	2,184	40,726
C. Disposals in the financial year due to						
1. Allocation	1,224	23,207	–	–	1,224	23,207
2. Reduction	–	451	–	0	–	451
3. Cancellation	3,261	53,963	469	8,398	3,730	62,361
4. Transfer	105	2,055	3	205	108	2,260
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	1,712	44,088	1,712	44,088
7. Waiver of allocation and revocation of allocation	–	–	806	14,540	806	14,540
8. Other	38	642	3	45	41	687
Total	4,628	80,318	2,993	67,276	7,621	147,594
D. Net addition/disposal	−3,674	−63,050	−1,763	−43,818	−5,437	−106,868
E. Portfolio at the end of the financial year	33,056	593,128	4,025	96,267	37,081	689,394
thereof: Attributable to home savings customers outside of Germany	147	2,731	8	213	155	2,944
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			–			–
b) Contracts concluded in financial year 2018			–			–
III. Size classification of unallocated contracts						
up to € 10,000			10,685			87,838
more than 10,000 up to € 25,000			17,365			278,393
more than 25,000 up to € 50,000			3,645			124,158
more than 50,000 up to € 150,000			1,328			94,244
more than 150,000 up to € 250,000			26			4,864
more than 250,000 up to € 500,000			6			2,098
more than € 500,000			1			1,534
Total			33,056			593,128

IV. The average total net value at the end of the financial year was € 18,592

Movements in the Portfolio in 2018

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

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	83,877	1,638,378	10,388	232,094	94,265	1,870,472
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	14	575	–	–	14	575
2. Transfer	200	4,376	13	242	213	4,618
3. Waiver of allocation and revocation of allocation	2,963	51,894	–	–	2,963	51,894
4. Partition	22	–	2	–	24	–
5. Allocation	–	–	4,568	87,457	4,568	87,457
6. Other	106	4,080	18	376	124	4,456
Total	3,305	60,925	4,601	88,075	7,906	149,000
C. Disposals in the financial year due to						
1. Allocation	4,568	87,457	–	–	4,568	87,457
2. Reduction	–	7,310	–	69	–	7,379
3. Cancellation	5,651	105,870	1,800	38,499	7,451	144,369
4. Transfer	200	4,376	13	242	213	4,618
5. Combination	2	–	0	–	2	–
6. Expiry of contract	–	–	2,096	49,598	2,096	49,598
7. Waiver of allocation and revocation of allocation	–	–	2,963	51,894	2,963	51,894
8. Other	125	4,896	15	307	140	5,203
Total	10,546	209,909	6,887	140,609	17,433	350,518
D. Net addition/disposal	−7,241	−148,984	−2,286	−52,534	−9,527	−201,518
E. Portfolio at the end of the financial year	76,636	1,489,394	8,102	179,560	84,738	1,668,954
thereof: Attributable to home savings customers outside of Germany	302	7,649	20	665	322	8,314
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			7			605
b) Contracts concluded in financial year 2018			–			–
III. Size classification of unallocated contracts						
up to € 10,000			33,071			284,240
more than 10,000 up to € 25,000			31,907			565,636
more than 25,000 up to € 50,000			8,546			347,808
more than 50,000 up to € 150,000			2,895			242,303
more than 150,000 up to € 250,000			173			32,856
more than 250,000 up to € 500,000			41			13,642
more than € 500,000			3			2,910
Total			76,636			1,489,394

IV. The average total net value at the end of the financial year was € 19,695

Movements in the Portfolio in 2018

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

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	260,388	5,761,275	13,937	325,003	274,325	6,086,278
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	857	55,204	–	–	857	55,204
2. Transfer	540	14,152	32	545	572	14,697
3. Waiver of allocation and revocation of allocation	15,931	285,460	–	–	15,931	285,460
4. Partition	76	–	2	–	78	–
5. Allocation	–	–	27,368	589,647	27,368	589,647
6. Other	577	39,352	56	1,439	633	40,791
Total	17,981	394,168	27,458	591,631	45,439	985,799
C. Disposals in the financial year due to						
1. Allocation	27,368	589,647	–	–	27,368	589,647
2. Reduction	–	100,283	–	54	–	100,337
3. Cancellation	14,792	379,434	9,827	259,702	24,619	639,136
4. Transfer	540	14,152	32	545	572	14,697
5. Combination	1	–	0	–	1	–
6. Expiry of contract	–	–	1,901	49,656	1,901	49,656
7. Waiver of allocation and revocation of allocation	–	–	15,931	285,460	15,931	285,460
8. Other	788	50,952	23	583	811	51,535
Total	43,489	1,134,470	27,714	596,000	71,203	1,730,470
D. Net addition/disposal	–25,508	–740,302	–256	–4,369	–25,764	–744,672
E. Portfolio at the end of the financial year	234,880	5,020,971	13,681	320,633	248,561	5,341,606
thereof: Attributable to home savings customers outside of Germany	543	14,260	19	719	562	14,979
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			50			3,754
b) Contracts concluded in financial year 2018			–			–
III. Size classification of unallocated contracts						
up to € 10,000			126,596			1,264,716
more than 10,000 up to € 25,000			68,831			1,270,768
more than 25,000 up to € 50,000			26,080			1,050,548
more than 50,000 up to € 150,000			11,761			1,024,671
more than 150,000 up to € 250,000			1,254			239,604
more than 250,000 up to € 500,000			305			100,340
more than € 500,000			53			70,323
Total			234,880			5,020,971

IV. The average total net value at the end of the financial year was € 21,490

Movements in the Portfolio in 2018

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

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	81,461	2,059,146	1,483	36,350	82,944	2,095,496
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	37	2,191	–	–	37	2,191
2. Transfer	155	4,312	12	248	167	4,560
3. Waiver of allocation and revocation of allocation	6,317	158,165	–	–	6,317	158,165
4. Partition	24	–	1	–	25	–
5. Allocation	–	–	8,896	223,816	8,896	223,816
6. Other	148	7,266	11	264	159	7,530
Total	6,681	171,934	8,920	224,328	15,601	396,262
C. Disposals in the financial year due to						
1. Allocation	8,896	223,816	–	–	8,896	223,816
2. Reduction	–	17,310	–	29	–	17,339
3. Cancellation	4,015	101,152	1,460	37,427	5,475	138,579
4. Transfer	155	4,312	12	248	167	4,560
5. Combination	3	–	0	–	3	–
6. Expiry of contract	–	–	236	6,674	236	6,674
7. Waiver of allocation and revocation of allocation	–	–	6,317	158,165	6,317	158,165
8. Other	238	12,317	4	93	242	12,410
Total	13,307	358,907	8,029	202,636	21,336	561,543
D. Net addition/disposal	–6,626	–186,973	891	21,692	–5,735	–165,281
E. Portfolio at the end of the financial year	74,835	1,872,173	2,374	58,042	77,209	1,930,215
thereof: Attributable to home savings customers outside of Germany	170	6,292	4	146	174	6,438
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			47			2,704
b) Contracts concluded in financial year 2018			–			–
III. Size classification of unallocated contracts						
up to € 10,000			38,845			388,227
more than 10,000 up to € 25,000			19,487			364,421
more than 25,000 up to € 50,000			9,771			387,909
more than 50,000 up to € 150,000			5,951			512,501
more than 150,000 up to € 250,000			576			109,814
more than 250,000 up to € 500,000			159			54,522
more than € 500,000			46			54,779
Total			74,835			1,872,173

IV. The average total net value at the end of the financial year was € 25,000

Movements in the Portfolio in 2018

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

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	125,317	3,577,692	968	20,863	126,285	3,598,555
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	197	10,652	–	–	197	10,652
2. Transfer	195	7,674	2	60	197	7,734
3. Waiver of allocation and revocation of allocation	281	8,112	–	–	281	8,112
4. Partition	25	–	0	–	25	–
5. Allocation	–	–	1,534	43,316	1,534	43,316
6. Other	108	5,083	2	64	110	5,147
Total	806	31,521	1,538	43,440	2,344	74,961
C. Disposals in the financial year due to						
1. Allocation	1,534	43,316	–	–	1,534	43,316
2. Reduction	–	32,495	–	31	–	32,526
3. Cancellation	6,169	156,291	534	17,241	6,703	173,532
4. Transfer	195	7,674	2	60	197	7,734
5. Combination	1	–	0	–	1	–
6. Expiry of contract	–	–	161	3,600	161	3,600
7. Waiver of allocation and revocation of allocation	–	–	281	8,112	281	8,112
8. Other	253	12,742	–	–	253	12,742
Total	8,152	252,518	978	29,044	9,130	281,562
D. Net addition/disposal	−7,346	−220,997	560	14,396	−6,786	−206,601
E. Portfolio at the end of the financial year	117,971	3,356,695	1,528	35,259	119,499	3,391,954
thereof: Attributable to home savings customers outside of Germany	213	8,104	1	87	214	8,191
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			219			12,663
b) Contracts concluded in financial year 2018			–			–
III. Size classification of unallocated contracts						
up to € 10,000			58,171			581,518
more than 10,000 up to € 25,000			28,760			537,856
more than 25,000 up to € 50,000			17,583			706,667
more than 50,000 up to € 150,000			11,735			1,029,858
more than 150,000 up to € 250,000			1,208			233,081
more than 250,000 up to € 500,000			406			136,256
more than € 500,000			108			131,459
Total			117,971			3,356,695

IV. The average total net value at the end of the financial year was € 28,385

Movements in the Portfolio in 2018

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

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	97,533	3,813,965	52	1,090	97,585	3,815,055
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	43,714	1,882,571	–	–	43,714	1,882,571
2. Transfer	152	7,986	0	0	152	7,986
3. Waiver of allocation and revocation of allocation	43	1,582	–	–	43	1,582
4. Partition	23	–	0	–	23	–
5. Allocation	–	–	283	6,580	283	6,580
6. Other	476	28,876	1	20	477	28,896
Total	44,408	1,921,015	284	6,600	44,692	1,927,615
C. Disposals in the financial year due to						
1. Allocation	283	6,580	–	–	283	6,580
2. Reduction	–	41,908	–	0	–	41,908
3. Cancellation	6,204	191,653	71	1,714	6,275	193,367
4. Transfer	152	7,986	0	0	152	7,986
5. Combination	507	–	0	–	507	–
6. Expiry of contract	–	–	29	255	29	255
7. Waiver of allocation and revocation of allocation	–	–	43	1,582	43	1,582
8. Other	200	27,576	0	–2	200	27,574
Total	7,346	275,701	143	3,549	7,489	279,250
D. Net addition/disposal	37,062	1,645,314	141	3,051	37,203	1,648,366
E. Portfolio at the end of the financial year	134,595	5,459,281	193	4,142	134,788	5,463,421
thereof: Attributable to home savings customers outside of Germany	166	12,211	–	–	166	12,211
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			2,297			154,032
b) Contracts concluded in financial year 2018			6,042			361,567
III. Size classification of unallocated contracts						
up to € 10,000			44,763			447,339
more than 10,000 up to € 25,000			34,725			670,964
more than 25,000 up to € 50,000			29,555			1,214,267
more than 50,000 up to € 150,000			21,671			1,934,207
more than 150,000 up to € 250,000			2,585			503,343
more than 250,000 up to € 500,000			1,038			351,342
more than € 500,000			258			337,819
Total			134,595			5,459,281

IV. The average total net value at the end of the financial year was € 40,533

Movements in the Portfolio in 2018

Tariff group IX (Xtra Young, Home M, L, XL, Comfort S, N and Flex tariffs)

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	0	0	0	0	0	0
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	7,623	287,521	–	–	7,623	287,521
2. Transfer	0	0	0	0	0	0
3. Waiver of allocation and revocation of allocation	0	0	–	–	0	0
4. Partition	2	–	0	–	2	–
5. Allocation	–	–	1	50	1	50
6. Other	197	24,045	0	0	197	24,045
Total	7,822	311,566	1	50	7,823	311,616
C. Disposals in the financial year due to						
1. Allocation	1	50	–	–	1	50
2. Reduction	–	1,400	–	0	–	1,400
3. Cancellation	71	2,961	0	0	71	2,961
4. Transfer	0	0	0	0	0	0
5. Combination	95	–	0	–	95	–
6. Expiry of contract	–	–	0	0	0	0
7. Waiver of allocation and revocation of allocation	–	–	0	0	0	0
8. Other	8	699	0	0	8	699
Total	175	5,111	0	0	175	5,111
D. Net addition/disposal	7,647	306,455	1	50	7,648	306,505
E. Portfolio at the end of the financial year	7,647	306,455	1	50	7,648	306,505
thereof: Attributable to home savings customers outside of Germany	2	160	–	–	2	160
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			1			65
b) Contracts concluded in financial year 2018			7,217			392,919
III. Size classification of unallocated contracts						
up to € 10,000			3,344			33,395
more than 10,000 up to € 25,000			1,749			32,878
more than 25,000 up to € 50,000			1,492			62,037
more than 50,000 up to € 150,000			825			77,692
more than 150,000 up to € 250,000			142			27,706
more than 250,000 up to € 500,000			76			26,812
more than € 500,000			19			45,936
Total			7,647			306,455

IV. The average total net value at the end of the financial year was € 40,077

Movements in the Portfolio in 2018

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

	Not allocated		Allocated		Total	
I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**	**Number of contracts**	**Total net value in € thousands**
A. Portfolio at the end of the previous year	47,761	1,843,400	341	9,746	48,102	1,853,146
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	4,636	211,088	–	–	4,636	211,088
2. Transfer	2	102	1	37	3	139
3. Waiver of allocation and revocation of allocation	892	22,903	–	–	892	22,903
4. Partition	0	–	0	–	0	–
5. Allocation	–	–	1,464	41,085	1,464	41,085
6. Other	163	7,658	9	271	172	7,929
Total	5,693	241,751	1,474	41,393	7,167	283,144
C. Disposals in the financial year due to						
1. Allocation	1,464	41,085	–	–	1,464	41,085
2. Reduction	–	6,887	–	0	–	6,887
3. Cancellation	2,909	111,356	262	7,417	3,171	118,773
4. Transfer	2	102	1	37	3	139
5. Combination	53	–	0	–	53	–
6. Expiry of contract	–	–	46	1,843	46	1,843
7. Waiver of allocation and revocation of allocation	–	–	892	22,903	892	22,903
8. Other	163	7,756	2	85	165	7,841
Total	4,591	167,186	1,203	32,285	5,794	199,471
D. Net addition/disposal	1,102	74,565	271	9,108	1,373	83,673
E. Portfolio at the end of the financial year	48,863	1,917,965	612	18,854	49,475	1,936,819
thereof: Attributable to home savings customers outside of Germany	47	2,080	1	30	48	2,110
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			2,754			118,185
b) Contracts concluded in financial year 2018			2,341			110,122
III. Size classification of unallocated contracts						
up to € 10,000			4,334			43,020
more than 10,000 up to € 25,000			12,213			244,081
more than 25,000 up to € 50,000			21,252			849,121
more than 50,000 up to € 150,000			10,980			766,504
more than 150,000 up to € 250,000			82			14,689
more than 250,000 up to € 500,000			2			550
more than € 500,000			–			–
Total			48,863			1,917,965

IV. The average total net value at the end of the financial year was € 39,147

Movements in the Portfolio in 2018

All tariffs

I. Overview of movements in the portfolio of unallocated and allocated home savings contracts and contractual total net values	Not allocated: Number of contracts	Not allocated: Total net value in € thousands	Allocated: Number of contracts	Allocated: Total net value in € thousands	Total: Number of contracts	Total: Total net value in € thousands
A. Portfolio at the end of the previous year	746,763	19,683,707	35,147	835,612	781,910	20,519,319
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	57,082	2,449,906	–	–	57,082	2,449,906
2. Transfer	1,388	42,043	64	1,342	1,452	43,385
3. Waiver of allocation and revocation of allocation	27,490	549,112	–	–	27,490	549,112
4. Partition	185	–	5	–	190	–
5. Allocation	–	–	45,718	1,024,613	45,718	1,024,613
6. Other	1,838	117,471	106	2,575	1,944	120,046
Total	87,983	3,158,532	45,893	1,028,530	133,876	4,187,062
C. Disposals in the financial year due to						
1. Allocation	45,718	1,024,613	–	–	45,718	1,024,613
2. Reduction	–	208,296	–	183	–	208,479
3. Cancellation	44,376	1,127,498	14,581	373,828	58,957	1,501,326
4. Transfer	1,388	42,043	64	1,342	1,452	43,385
5. Combination	664	–	0	–	664	–
6. Expiry of contract	–	–	7,032	181,179	7,032	181,179
7. Waiver of allocation and revocation of allocation	–	–	27,490	549,113	27,490	549,113
8. Other	1,838	118,053	53	1,204	1,891	119,257
Total	93,984	2,520,504	49,220	1,106,848	143,204	3,627,352
D. Net addition/disposal	−6,001	638,028	−3,327	−78,318	−9,328	559,710
E. Portfolio at the end of the financial year	740,762	20,321,735	31,820	757,294	772,582	21,079,029
thereof: Attributable to home savings customers outside of Germany	1,724	56,526	59	2,065	1,783	58,590
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2018 (financial year)			5,375			292,008
b) Contracts concluded in financial year 2018			15,600			864,608
III. Size classification of unallocated contracts						
up to € 10,000			321,674			3,142,084
more than 10,000 up to € 25,000			221,013			4,054,337
more than 25,000 up to € 50,000			120,803			4,835,658
more than 50,000 up to € 150,000			68,661			5,784,471
more than 150,000 up to € 250,000			6,084			1,172,478
more than 250,000 up to € 500,000			2,038			687,434
more than € 500,000			489			645,271
Total			740,762			20,321,735

IV. The average total net value at the end of the financial year was € 27,284

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