Helaba

Annual Financial Report 2019

Annual Financial Statements of Helaba

Values with impact.

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Management Report

Business Model of the Bank

Basic Information about 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 as a competitor.

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

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

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

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

Frankfurter Sparkasse, a wholly owned subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region with around 820,000 customers. It also has a presence in the nationwide 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 complements its range of professional advisory services in connection with all asset-related matters.

The wholly owned subsidiary Helaba Invest is one of Germany's leading institutional asset management companies that administers and manages both securities and real estate. Its product range includes special funds for institutional investors and retail funds as a management and / or advisory portfolio, comprehensive fund management (including reporting and risk management), advice on strategy and support for indirect investments. 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, comprising around 49,000 managed residential units. The Group focuses on developing residential real estate projects and on managing and optimising residential property portfolios.

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 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.

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 total income (profit before taxes, net of general and administrative expenses and of loss allowances for loans and advances). The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances analysed based on a management income statement produced in the margin accounting system at regular intervals in the course of the financial year. In line with management reporting, segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

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

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). The minimum Common Equity Tier 1 (CET1) capital ratio required to be maintained by the Helaba Group (as defined by the German Banking Act (Kreditwesengesetz, KWG) and the Capital Requirements Regulation (CRR)) in 2019 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB was 9.85 %. 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. However, based on a new EU Regulation amending the CRR published at the beginning of June 2019, a binding minimum leverage ratio of 3.0 % will apply from mid-2021. 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 %. The amended CRR published in 2019 implements the NSFR in the EU and it will be mandatory to comply with the NSFR requirements from 2021. The NSFR is already being taken into account in Helaba's management systems. Both liquidity ratios are leading to an increase in liquidity management costs and therefore have a negative impact on profitability.

In July 2019, as part of the implementation of the Single Resolution Mechanism (SRM) in Europe, the competent resolution authority for the first time specified an institution-specific minimum requirement for own funds and eligible liabilities (MREL). The binding MREL for the Helaba Group – based on figures as at 31 December 2017 – is 8.46 % of total liabilities and own funds (TLOF). This equates to 24.8 % of risk-weighted assets (RWAs).

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 range for product utilisation rates is 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 is constantly upgrading its range of sustainability management tools with the aim of achieving 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), and continuing professional development (including the management of young talent and employees with high potential). Helaba focuses particularly on health management, the development of its corporate culture and diversity management.

  Various indicators, such as a low staff turnover rate, average length of service and low absenteeism, confirm that employees are satisfied and highly committed.

- Remuneration principles
  The business strategy and risk strategy specify the degree of flexibility available to employees. This then also forms the basis for the remuneration system. The Bank's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration strategy, taking account of the corporate culture. 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. All employees can access a needs-based range of internal seminars covering professional, personal, social and methodological development. This is supplemented by third-party training and, if suitable, opportunities in the form of work and study programmes or

courses leading to professional qualifications. In addition to the management of professional development, HR development services also include various aspects of performance and change management. The life-stage model introduced in 2019 provides a framework for employees at different stages in their professional careers and is intended to increase Helaba's appeal as an employer in the competition to attract highly skilled personnel and talent.

- Management of young talent and high-potential employees
  Demographic change and ongoing digitalisation will have an impact on Helaba's competitiveness in the long term. The recruitment, development and retention of young talent and high-potential employees is therefore correspondingly important. Based on vocational training and general trainee programmes, plus internships for students, Helaba offers those at the start of their careers the opportunity to become familiar with banking practice and acquire basic skills. To reach the young target group, Helaba is also changing its recruitment approach towards more direct, personal contact with candidates and greater use of digital media. In addition, Helaba is focusing on the development of existing employees with high potential, providing them with the foundations to succeed as technical specialists or executive managers. These individuals are provided with targeted development based on their strengths and areas of learning; since 2019, they have been able to receive systematic preparation for future tasks with increased responsibility as part of the "Nauta" programme for high-potential employees, which has been specially developed for Helaba.

- Health management
  Helaba operates an occupational health management system and a company sports programme, helping employees to maintain their physical and mental well-being and nurturing an awareness of the need for a healthy lifestyle. It also provides an employee assistance programme, which employees have been able to access since 2019 to obtain help in connection with professional, family, health or other personal issues.

- Corporate culture and diversity management
  The objective of the "Helaba in Bewegung" corporate culture transformation process launched in 2017 is to position Helaba in the market on a long-term viable basis. This initiative aims to move the corporate culture towards new approaches in terms of ways of working, processes and forms of collaboration. Helaba is currently setting out the framework for future mobile, agile working in a programme with the tagline "NewWork@Helaba", which will be implemented for half of the employees at Helaba Bank in 2020 when they move into a new, state-of-the-art office building at the Offenbach site. Since 2019, the HOPS job-shadowing scheme has also offered employees the opportunity to familiarise themselves with other units at the Bank and improve their internal professional networking.

  As part of the corporate culture, Helaba focuses, in addition, on work-life balance and the implementation of measures in the context of diversity management. Various initiatives took place in 2019, including the launch of professional development seminars and a mentoring programme specifically designed for women.

Economic Report

Macroeconomic and sector-specific conditions in Germany

In 2019, the German economy expanded at a rate of 0.6 % after adjusting for inflation, which was weaker than in the previous year (1.5 %). Recession in the industrial sector had a negative impact, although value creation rose in all other sectors. Growth was driven exclusively by domestic demand, with foreign trade acting as a drag. Consumer spending increased disproportionately by 1.6 %. Collectively agreed pay rises and a higher level of employment led to an increase in real incomes. Inflation was low at 1.4 %, which meant that consumers had more money in their pockets in real terms.

Because of the uncertainties surrounding trade policy, weak industrial growth and problems in the automotive industry, businesses only increased their investment in machinery and vehicles by 0.4 % in 2019. The expansion of residential construction continued on the back of strong demand for residential space (mainly in large cities), very low mortgage rates, the lack of investment alternatives and investment in existing property. Higher government spending on infrastructure also had a positive impact. In 2019, public-sector construction investment rose by well over 5 % in real terms, a rate higher than the 3.8 % growth in construction activity overall.

The German banking sector continued to benefit from the positive (albeit slowing) economic trend in 2019. The requirement for loss allowances still remained at a low level. At the same time, the further fall in interest rates in the euro zone had an adverse impact on the operating business. 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 affected 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.

On 31 January 2020, the United Kingdom (UK) left the EU. The withdrawal act provides for an eleven-month transition period (i.e. until the end of 2020) during which time the relationship between the EU and the UK will remain largely unchanged and the UK will remain a member of the EU single market and customs union. In anticipation of the UK's exit from the EU, the Bank has analysed all key scenarios and possible implications and has also submitted to the British supervisory authorities an application to establish a third-country branch for the Helaba branch in London. Overall, Helaba is therefore well prepared for the UK's withdrawal from the EU, even if this occurs without a deal between the UK and the other EU member states.

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 KWG and the CRR), together with its affiliated subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, is among the banks classified as "significant" and therefore subject to direct supervision by the ECB. The ECB sent the Helaba Group a letter dated 10 December 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 2020 is initially 9.85 %. This require-

ment comprises the Pillar 1 minimum capital requirement, the Pillar 2 capital requirement and the capital buffers. At the end of June 2019 and in accordance with the recommendation of the Financial Stability Committee, the German Federal Financial Supervisory Authority (BaFin) set the ratio for the domestic countercyclical capital buffer at 0.25 %, effective 1 July 2019. This ratio must therefore be applied from 1 July 2020 to calculate the bank-specific countercyclical capital buffer. As a result, the latest minimum required CET1 capital ratio in the Helaba Group has risen to 10.0 %.

- EU banking package (CRR II, CRD V, BRRD II and SRMR II)
  The final legal texts for the EU's package of banking reforms were published in the Official Journal of the European Union on 7 June 2019. CRR II must be applied from 28 June 2021, and SRMR II (Single Resolution Mechanism Regulation II) from 28 December 2020. Compliance with a small number of the provisions in CRR II is required at an earlier point. CRD V and BRRD II (Bank Recovery and Resolution Directive II) must be transposed into national law by 28 December 2020.

  Key changes introduced by the CRR II / CRD V package relate to interest rate risk in the banking book, large exposures, the Fundamental Review of the Trading Book (FRTB), the standardised approach for counterparty credit risk (SA-CCR), the leverage ratio, the NSFR, credit valuation adjustment (CVA) risk and the eligibility criteria for capital instruments and fund investments. The minimum requirement for own funds and eligible liabilities (MREL) to absorb losses set out in BRRD II has been revised in CRR II in terms of the eligibility criteria and reference basis for the MREL ratio. In addition to harmonising the MREL and total loss-absorbing capacity (TLAC), BRRD II lays down new rules on creditor protection, moratorium powers and distribution restrictions in the event of failure to comply with the MREL.

  The EU banking package provides the European Banking Authority (EBA) with a large number of new mandates to create regulatory standards, guidelines and reports. Helaba will closely monitor EBA activities and take any implications into account in the management of its banking business.

- Stress tests
  In the first half of 2019, Helaba underwent the ECB's sensitivity analysis of liquidity risk (LiST), which tests whether a bank has the ability to handle critical liquidity situations. This stress test is in addition to the two-yearly stress test cycle specified by the European Banking Authority (EBA), the next test in the cycle being planned for 2020. The liquidity stress test at Helaba calculated the impact from idiosyncratic shocks on cash inflows and cash outflows as well as on the liquidity position in different scenarios. Helaba was able to supply all the data required by the banking supervisor in an appropriate format and in a timely manner. The results were fed into this year's SREP decision.

- BaFin guidance notice on dealing with sustainability risks
  On 20 December 2019, BaFin published the final version of its guidance notice on dealing with sustainability risks. In this guidance notice, BaFin sets out the principles of good practice in relation to sustainability risks that it expects banks, insurance companies and asset management companies to incorporate into their activities. Helaba is analysing the need for action arising from this BaFin guidance notice and is holding discussions with other member institutions of banking associations about issues relating to the interpretation and implementation of the guidance.

Business performance

Key factors influencing Helaba's business performance and results of operations in financial year 2019 were weak economic growth in Germany, which was 0.6 %, and the persistently low and negative levels of interest rates.

The volume of new medium- and long-term business (excluding the WIBank development business, which does not form part of the competitive market) went up year on year to € 20.0 bn (2018: € 17.8 bn). Maturities and special repayments were more than offset. Loans and advances to customers rose to € 103.5 bn, which was also attributable to the inclusion of KOFIBA-Kommunalfinanzierungsbank (KOFIBA) (31 December 2018: € 86.4 bn). Added to these were loans and advances to Sparkassen in the amount of € 6.3 bn (31 December 2018: € 5.9 bn). The focus on lending in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba's business model.

The market environment for funding business for financial institutions turned out to be very mixed in 2019. Promising market phases for financial institutions alternated with phases of increased market volatility due to macro-economic and geopolitical events. Over the course of the year, the flagging economic momentum led to further significant falls in interest rates in the euro zone, caused by the loose monetary policy maintained by the central banks. The general level of interest rates in the euro zone hit new historic lows during the year. Nevertheless, in 2019, 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.

Against the backdrop of a significantly higher funding requirement compared with the previous year overall, Helaba raised medium- and long-term funding of around € 18.0 bn in 2019 (2018: € 13.1 bn), with unsecured funding amounting to approximately € 11.3 bn (2018: € 8.7 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were noticeably higher than in the previous year at around € 2.6 bn (2018: € 2.4 bn). Pfandbrief issues amounted to € 6.7 bn in total (2018: € 4.4 bn), with public Pfandbriefe accounting for approximately 65 % and mortgage Pfandbriefe around 35 % of this total. For example, it was once again possible to place US dollar mortgage Pfandbriefe. In addition, new medium- and long-term funding at WIBank amounted to just under €1.7 bn.

The cost-income ratio (after extraordinary result) was 72.3 % as at 31 December 2019 (31 December 2018: 77.7 %). Return on equity rose to 5.3 % (31 December 2018: 4.1 %).

Phased in, i.e. taking into account the CRR I transitional arrangements, as at 31 December 2019 Helaba's CET1 capital ratio was 11.8 % and its total capital ratio 17.8 %. There were no longer any differences between these figures and the equivalent CET1 capital ratio and total capital ratio on a fully loaded basis, i.e. with all CRR I requirements applied. 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.

As at 31 December 2019, Helaba's leverage ratio was 3.7 % taking into account the transitional provisions set out in the delegated act, or 3.6 % fully loaded, and therefore above the specified minimum ratio of 3.0 %.

The liquidity coverage ratio (LCR) for Helaba was 220 % as at 31 December 2019.

The NPL ratio for the Helaba Group (in accordance with EBA risk indicator code AQT_3.2) was 0.44 % as at 31 December 2019. As in the previous year, therefore, Helaba was below the German average published in the EBA Risk Dashboard, which at 1.3 % (as at 30 June 2019) was already very low by European standards.

As at 31 December 2018, the value of the Helaba Group's portfolio eligible for MREL purposes amounted to approximately € 36.8 bn. This equated to an MREL ratio of 67.8 % in relation to RWAs and 24.4 % in relation to TLOF. The portfolio was therefore well in excess of the MREL of 8.46 % of TLOF set by the competent resolution authority.

On 14 December 2018, Helaba entered into a purchase agreement with Dexia Crédit Local (Dexia) for all of the shares in Dexia Kommunalbank Deutschland (DKD) for a purchase price of € 352 m. Following receipt of all the regulatory consents, the sale was completed at the beginning of May as scheduled. After the completion, DKD was initially renamed KOFIBA-Kommunalfinanzierungsbank GmbH. This was a temporary measure before the legal integration of the entity into Helaba could be completed in September 2019 by way of a merger. At that point, a process was initiated to migrate all the assets and liabilities to Helaba's IT system landscape. The entire migration was completed in December 2019.

Also in December 2018, Helaba agreed to take over a customer credit portfolio and relevant staff from DVB Bank SE (DVB). The portfolio consisted of land transport finance with a value of more than € 1 bn. The deal was completed in May 2019 as planned when all the regulatory approvals had been received. As a consequence of this deal, Helaba's land transport portfolio expanded to a total volume of almost € 2 bn.

In December 2019, sustainability rating agency ISS ESG (formerly ISS oekom) confirmed the prime status of Helaba's corporate rating at a rating of C (on a scale from D– to A+). Helaba's rating from sustainability rating agency imug improved from B to BB. Helaba has thereby consolidated its competitive position from the perspective of sustainability and is continually and consistently improving its sustainability profile.

Since December 2019, Helaba Digital GmbH & Co. KG (an equity investment entity operated by Helaba) has held an equity investment in Arabesque S-Ray GmbH (“S-Ray”), a leading global provider of sustainability ratings headquartered in Frankfurt. S-Ray combines big data with tools based on artificial intelligence to assess the sustainability of more than 7,000 businesses around the globe. The stated common development objective is to help this company make new services ready for the market.

Helaba reviews its business model on a regular basis and continues to refine it. In this context, the Bank has drawn up a strategic agenda focusing on growth, long-term performance, responsible conduct and enhanced efficiency. The project “Scope – Growth through Efficiency”, which was launched at the end of April, analyses the potential for growth and efficiency, adding a fourth dimension to the strategic agenda by way of greater focus on the business model, state-of-the-art infrastructure and digitalisation, and responsibility and values.

Net Assets, Financial Position and Results of Operations

Key performance data for 2019

	2019	2018	Changes	
	in € m	in € m	in € m	in %
Business volume	201,799	170,695	31,104	18.2
Total assets	168,907	138,108	30,799	22.3
Operating result before loss allowances	343	280	63	22.5
Net additions to loss allowances and net remeasurement gains/losses	–46	–62	16	25.8
Net income for the year	**346**	**149**	**197**	**> 100.0**

The Bank does not include the cost of servicing the additional Tier 1 capital instruments in its presentation of the results of operations. By contrast, in a departure from the policy applied in previous years, the cost of servicing the silent participations was, for the first time, included in interest expense within the results of operations in the reporting year. 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 € 14 m (2018: € 39 m) higher than in the income statement prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB).

In December 2018, Helaba entered into an agreement with Dexia Crédit Local to acquire all of the shares in Dexia Kommunalbank Deutschland (DKD) for a purchase price of € 352 m. Following receipt of all the regulatory consents in the reporting year, the sale was completed at the beginning of May as scheduled. After completion of the deal, DKD was initially renamed KOFIBA-Kommunalfinanzierungsbank GmbH (KOFIBA). This was a temporary measure before the legal integration of the entity into Helaba could be completed in September 2019 by way of a merger based on carrying amounts. As a consequence of this deal, Helaba's assets increased by a total of € 18.3 bn in September 2019. The main components of this increase were as follows: loans and advances to banks of € 4.0 bn, loans and advances to customers of € 12.9 bn, and bonds and other fixed-income securities of € 1.6 bn. Helaba also added the following liabilities to its balance sheet as a result of the transaction: liabilities due to banks of € 4.2 bn, liabilities due to customers of € 11.2 bn, and securitised liabilities of € 1.5 bn.

In December 2018, Helaba also agreed to take over a customer credit portfolio from DVB Bank SE (DVB). The portfolio consisted of land transport finance with a value of more than € 1 bn. The deal was completed in May 2019 as planned when all the regulatory approvals had been received. One of the notable changes as a result of this transaction, which took the form of an asset deal, was that the loans and advances to customers rose by € 1.2 bn in May 2019.

Results of operations

	2019	2018	Changes	
	in € m	in € m	in € m	in %
Net interest income	984	1,133	–149	–13.2
Net fee and commission income	191	165	26	15.8
Net income of the trading portfolio	77	45	32	71.1
Other net operating income	–66	–77	11	14.3
Net operating income	**1,186**	**1,266**	**–80**	**–6.3**
General and administrative expenses	–1,040	–984	–56	–5.7
Operating result before loss allowances	**146**	**282**	**–136**	**–48.2**
Net additions to loss allowances and net remeasurement gains/losses	–46	–62	16	25.8
Additions to/reversals of contingency reserves (section 340f HGB)	–9	60	–69	>–100.0
Extraordinary result	252	–	252	–
Operating result before taxes	**343**	**280**	**63**	**22.5**
Taxes on income	3	–131	134	>100.0
Additions to the fund for general banking risks (section 340g HGB)	–	–	–	–
Net income for the year	**346**	**149**	**197**	**>100.0**

In 2019, the Bank's operating income fell to € 80 m below the prior-year figure. Despite a rise in net fee and commission income and in net income of the trading portfolio, the drop in net interest income coupled with a rise in general and administrative expenses resulted in a fall in the operating result before loss allowances to € 146 m.

With the benefit of a year-on-year decrease in the expense under net additions to loss allowances/net remeasurement gains/losses and an extraordinary result of € 252 m in the reporting year, the Bank was able to increase its operating result before taxes by € 63 m to € 343 m. The net income for the year amounted to € 346 m, which equated to a year-on-year increase of €197 m after taking into account a small tax income.

Net interest income, a key component of Helaba's income, was € 984 m compared with € 1,133 m in the previous year. The year-on-year decline in net interest income was caused largely by proactive adjustments aimed at compensating for negative effects on net interest income in subsequent years arising from the takeover of DKD (renamed KOFIBA-Kommunalfinanzierungsbank GmbH). If this and other one-off items from the KOFIBA transaction are disregarded, then net interest income rose slightly. These preventive adjustments were offset by a gain from the KOFIBA takeover amounting to € 333 m, which was reported under extraordinary result.

Net fee and commission income rose by € 26 m year on year to € 191 m and was derived largely from fee and commission income on payment transactions (€ 73 m) and in the lending and guarantee business (€ 60 m). The increase in this figure stemmed largely from higher fees and commissions in the capital markets business.

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 € 77 m (2018: € 45 m) resulted mainly from interest rate-related business, the focus of the customer-driven capital market activities. The higher net income was caused by lower credit value adjustments from counterparty credit risk in derivatives business.

Other net operating income amounted to a net expense of € 66 m (2018: net expense of € 77 m). The difference compared with the previous year was primarily due to partial reversals of provisions.

General and administrative expenses rose by € 56 m to € 1,040 m. These expenses comprised personnel expenses of € 408 m (2018: € 384 m), non-personnel operating expenses of € 609 m (2018: € 581 m) as well as depreciation and write-downs on property and equipment plus amortisation and write-downs on intangible assets totalling € 24 m (2018: € 19 m). Factors contributing to the significant rise in general and administrative expenses included the increase in personnel expenses (resulting mainly from collectively agreed pay increases and a greater number of employees), higher contributions to the reserve fund and increased project expenses. At € 24 m, depreciation and write-downs on property and equipment and amortisation and write-downs on intangible assets were € 5 m higher year on year due to a greater level of capitalised project costs.

The bank levy showed only a slight increase to an expense of € 41 m in the year under review (2018: € 39 m). At the end of the year, Helaba had 3,500 employees (2018: 3,413). The average number of employees rose from 3,419 to 3,442.

The net operating income of € 1,186 m and general and administrative expenses of € 1,040 m combined to give an operating result before loss allowances of € 146 m, equating to a decrease compared with the previous year of € 136 m or 48.2 %. The cost-income ratio (CIR), which is the ratio of general and administrative expenses to net operating income, was 72.3 % (after the extraordinary result) as at 31 December 2019 (31 December 2018: 77.7 %).

The breakdown of net additions to loss allowances and net remeasurement gains / losses was as follows:

	2019	2018	Changes	
	in € m	in € m	in € m	in %
Result of lending operations	–111	–10	–101	>–100.0
Result of investment operations	–1	17	–18	>–100.0
Result of securities allocated to the liquidity reserve, fixed assets and banking book derivatives	66	–69	135	>100.0
Net additions to loss allowances and net remeasurement gains / losses	**–46**	**–62**	**16**	**25.8**

The rise in loss allowances for loans and advances resulted in a net addition to loss allowances of € 111 m in the reporting year. This negative trend was caused by various factors, including net additions to the specific loss allowances and general loss allowances at stages 1 and 2.

The result of investment operations amounted to a loss of € 1 m compared with a gain of € 17 m in the previous year and reflected the impact from write-downs on equity investments and positive one-off items in the previous year.

The result of securities allocated to the liquidity reserve is the net amount of write-downs strictly to the lower of cost or market value, disposal gains and losses and reversals of write-downs required under section 253 (5) of the HGB. Together with the net redemption gain / loss on long-term securities and the net remeasurement gain / loss on banking book derivatives, this item resulted in the contribution of a gain of € 66 m to the net remeasurement gains / losses (2018: loss of € 69 m). This substantial improvement resulted from the reversal of write-downs of special funds.

The contingency reserves under section 340f of the HGB were raised by € 9 m, which meant that the operating result before taxes totalled € 343 m compared with € 280 m in 2018.

The takeover of DKD (which was then renamed KOFIBA-Kommunalfinanzierungsbank GmbH) in the reporting year led to a gain on the merger of € 333 m. A sum of € 81 m was also recognised as a restructuring provision in the reporting year. The combination of both one-off items led to the recognition of an extraordinary result of € 252 m.

The tax income resulting from tax refunds relating to prior years amounted to € 3 m (2018: tax expense of € 131 m).

Overall, these figures resulted in net income of € 347 m for the year, allowing Helaba to service all subordinated debt, additional Tier 1 capital instruments and silent participations, as well as make appropriations to its revenue reserves to strengthen Tier 1 capital and report net retained profits.

Changes in assets

	31.12.2019	31.12.2018	Changes	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	26,635	16,183	10,452	64.6
Loans and advances to customers	103,513	86,368	17,145	19.9
Bonds and equities	18,922	17,663	1,259	7.1
Trading portfolio (assets)	14,604	13,538	1,066	7.9
Equity investments and shares in affiliated companies	2,051	2,040	11	0.5
Other assets	3,182	2,316	866	37.4
Total assets	**168,907**	**138,108**	**30,799**	**22.3**
Business volume	201,799	170,695	31,104	18.2

Helaba's total assets rose from € 138.1 bn to € 168.9 bn in financial year 2019. Of the rise in loans and advances to banks to € 26.6 bn and loans and advances to customers to € 103.5 bn, a total of € 18 bn was attributable to the merger of KOFIBA on the basis of carrying amounts, and € 1.2 bn to the takeover of the land transport portfolio from DVB Bank SE. In addition, the cash reserve amounted to € 12.2 bn, which was approximately € 6 bn higher than the prior-year level.

The volume of bonds and equities allocated to the investment and liquidity portfolio amounted to € 18.9 bn as at 31 December 2019, exceeding the level at the end of the previous year. The main investments were bonds and other fixed-income securities totalling € 17.9 bn (31 December 2018: € 16.7 bn). Equity shares and other variable-income securities were unchanged at € 1.0 bn.

Trading assets rose by around € 1.0 bn year on year as a consequence of increased, positive fair values of derivatives caused by changes in the level of interest rates.

The business volume, which includes off-balance sheet business in addition to total assets, rose by € 31.1 bn to € 201.8 bn. Total assets swelled by € 30.8 bn to € 168.9 bn. Other than the increase in the cash reserve, the main reason was the expansion in loans and advances to banks and loans and advances to customers resulting from the merger of the KOFIBA assets.

Changes in equity and liabilities

	31.12.2019	31.12.2018	Changes	
	in € m	in € m	in € m	in %
Liabilities due to banks	37,986	35,197	2,789	7.9
Liabilities due to customers	41,091	30,816	10,275	33.3
Securitised liabilities	63,564	50,714	12,850	25.3
Trading portfolio (liabilities)	11,376	7,616	3,760	49.4
Own funds	10,128	9,901	227	2.3
Other liabilities	4,762	3,864	898	23.2
Total equity and liabilities	**168,907**	**138,108**	**30,799**	**22.3**

Liabilities due to banks went up to € 37.9 bn (31 December 2018: € 35.2 bn). The rise was largely attributable to other liabilities (€ 2.7 bn).

Liabilities due to customers amounted to € 41.1 bn, which equated to a year-on-year increase of € 10.3 bn, largely caused by the takeover of KOFIBA, which led to a rise of € 9.6 bn in registered public Pfandbriefe issued.

Liabilities due to customers included home savings deposits of € 5.0 bn (31 December 2018: € 4.9 bn).

Securitised liabilities rose by € 12.9 bn, likewise the result of the merger of KOFIBA based on carrying amounts. The portfolio of bonds issued amounted to € 50.9 bn (31 December 2018: € 47.4 bn). Within securitised liabilities, the issuance programmes comprising short-term money market instruments amounted to € 12.6 bn (31 December 2018: € 3.3 bn).

The trading portfolio (liabilities) grew by € 3.8 bn to € 11.4 bn. Trading liabilities amounted to € 7.1 bn (31 December 2018: € 4.4 bn) and trading derivatives (liabilities) to € 3.0 bn (31 December 2018: € 2.3 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 € 10.1 bn as at 31 December 2019 (31 December 2018: € 9.9 bn).

The Bank's regulatory own funds as at 31 December 2019 – 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 € 198 m resulting from the comparison of expected losses against loss allowances at the end of 2018 – amounted to € 9.4 bn. This included Tier 1 capital of € 6.9 bn. The capital contributions classified as CET1 capital amounted to € 1.9 bn; contributions of € 670 m were classified as additional Tier 1 capital.

The Bank's own funds requirements under the CRR amounted to € 4.2 bn as at 31 December 2019. This resulted in a total capital ratio of 17.8 % for Helaba; the Tier 1 capital ratio was 13.1 % and the CET1 capital ratio 11.8 %.

The own funds requirements specified by the CRR for the exposures for which capital charges are required were met at all times in 2019.

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

Results of operations by business area

In 2019, the volume of new medium- and long-term business in Real Estate Finance increased by approximately 2 % year on year to € 10.0 bn. Margins on new business were nearly constant compared with the previous year. The average volume of business was lifted slightly in 2019, resulting in a marginal increase in income overall compared with the previous year.

In Corporate Finance, the volume of new medium- and long-term business was well up on the previous year at € 8.2 bn, an increase of 34 %. This item also includes new business with a volume of € 1 bn linked to the takeover of a customer credit portfolio of land transport finance from DVB Bank SE (DVB). Higher margins in new business and expansion in business volume led to a marked rise in income.

In the capital markets business, there was a notable significant gain in customer income compared with the previous year. Despite the adverse impact from the rise in the credit value adjustment (CVA), net trading income (which is generated mainly from the capital markets business) was also much higher than in the previous year.

In Asset/Liability Management, income from the certificates business and from treasury activities rose very sharply in 2019. In the municipal lending business, new business amounted to € 0.7 bn, notably much more subdued than in the previous year. Disregarding the effects from the integration of KOFIBA, income from this business remained steady in 2019.

The value of transactions in Cash Management grew to more than € 7 bn in 2019. Consequently, net fee and commission income rose markedly. However, some of the benefit was offset by a significantly higher adverse impact from net interest income as a result of the persistently low interest rates.

In the Sparkasse lending business, the volume of business and income remained at the prior-year level in 2019.

In the year under review, gross new business at LBS declined by 16.4 %. With the benefit of income-boosting measures implemented through short-term planning, LBS successfully attained 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.

Helaba performs public development functions for the State of Hesse through Wirtschafts- und Infrastrukturbank Hessen (WIBank). Business volume in 2019 remained at the prior-year level. The sharp rise in income was attributable to one-off items in the development business and an optimised funding structure.

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:

	2018 forecast for 2019	2019 actual
Net interest income	– 4 %	– 13 %[1]
Net fee and commission income	Slight increase	Significant increase
Net income of the trading portfolio	Significant increase	Very significant increase
Other net operating income	Significant improvement	Marked improvement
Personnel expenses	+ 8 %	+ 6 %
Non-personnel operating expenses (including depreciation, amortisation and write-downs)	– 2 %	+ 4 %
Loss allowances	Significantly higher level	Very significantly higher level
Operating result before taxes	– 8 %	+ 22.5 %
Cost-income ratio	Approximately 74 %	72 %
Volume of new medium- and long-term business	€ 19.6 bn	€ 19.8 bn

[1] see explanatory notes below.

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

The purchase agreement entered into with Dexia Crédit Local (Dexia) at the end of 2018 for all of the shares in DKD was implemented in 2019 with the merger of KOFIBA. As the implications from the transaction were not included in the planning for 2019, the transaction has led to variances between actual performance and forecast, the details of which are noted separately below.

The substantial year-on-year decline in net interest income was caused by proactive adjustments aimed at compensating for negative effects on net interest income in subsequent years arising from the takeover of KOFIBA. If this one-off item is disregarded, then net interest income increased by 3 %.

The actual rise in net fee and commission income was higher than the expected increase as a result of brisk new lending business and the growth in the transaction banking business.

The level of interest rates in 2019 was lower than anticipated. This led to a higher interest cost from the unwinding of discount on pension provisions, which in turn meant that the improvement in other net operating income turned out to be lower than projected.

In addition to rising personnel costs, a marked increase in additions to pension provisions was expected to impact personnel expenses in the year under review. However, contrary to projections, there was once again a disproportionately high pension adjustment in 2019, which meant that the increase in personnel expenses in the reporting year was lower than anticipated.

Non-personnel operating expenses (including depreciation, amortisation and write-downs) were above the forecast level because of the unbudgeted support measures for NordLB, higher banking supervisory costs and IT operating costs in excess of the budget. The integration of KOFIBA also gave rise to additional costs.

The inclusion of KOFIBA had a positive impact on the operating result before taxes, which saw a very substantial rise, contrary to expectations. As this effect on the operating result before taxes was reported under extraordinary result, but the related adjustment measures referred to above were recognised within net interest income (thereby having a detrimental effect on this item), the cost-income ratio (CIR) determined without any changes to the calculation method (but after the extraordinary result) was 72.3 %.

Risk Report

The Board of Managing Directors is responsible for all of the risks to which the Helaba Group is exposed and for defining a risk strategy consistent with the business strategy. Drafted in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities and with the Rules of Procedure for the Board of Managing Directors, the risk strategy lays down the principal elements of the approach adopted to dealing with risk, the objectives of risk containment and the measures employed to achieve these objectives within the Helaba Group (hereinafter: Helaba). The risk strategy covers all of the main Helaba Group business units (which includes the Helaba group of companies as defined by the 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.

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

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

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

Principles

Responsibility of executive management

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

Protection of assets

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

Protection of the Bank's reputation

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

Clearly defined responsibilities

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

Segregation of functions ("three lines of defence")

The independence of risk controlling and risk containment must be assured in order to maintain objectivity and transparency. Independent control processes are implemented wherever the type and degree of risk so require. The responsibilities of the organisational units for risk identification and containment, risk quantification, risk monitoring and risk reporting follow a "three lines of defence" (3-LoD) policy. This governance policy sets out roles and responsibilities to ensure there is independent monitoring and internal auditing of the effectiveness of the risk containment and monitoring functions that have been implemented. At Helaba Bank, including LBS and WIBank, and in the

Group companies, the containment of risks in the first line of defence is separated in terms of disciplinary and organisational reporting lines from the independent monitoring of risks in the second line of defence.

Transparency

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

Cost efficiency

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

Risk appetitite framework (RAF)

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. The RAF indicators comprise indicators that apply across all risk types and others that are specific to particular risk types; they focus on regulatory and economic capital adequacy, the appropriateness of liquidity coverage and on the sustainability of earnings 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 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. Helaba's risk culture has the following components:

- A set of corporate values adopted by the Board of Managing Directors that set out Helaba's basic values and guiding principles.
- Responsibilities: every employee knows, understands and complies with Helaba's corporate values, with the risk appetite and risk tolerance relevant to their organisational unit and with the system set down in writing.
- Communication and critical dialogue: Helaba's working environment is characterised by respect, tolerance and trust. Everyone has the right to mutual respect, free from any kind of discrimination. Helaba seeks to promote an open working climate.
- Incentives: the remuneration system reflects Helaba's business priorities and aims to ensure that employees are properly rewarded for their efforts and achievements without being encouraged to take inappropriate risks in any way.

Auditing

The Internal Audit function audits all of the Bank's activities and processes in line with their risk content. This helps to safeguard transactions and financial assets. 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 primary risk types for the purposes of containment at 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 net assets (including capital resources), results of operations or liquidity position to a material degree. The following primary risk types have been identified.

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

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

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

- The term "non-financial risk" (NFR) has been introduced in the regulatory framework and in German/European supervisory law as a structure attribute separate and distinct from financial risk (such as market risk and default risk), although a final, binding definition has yet to be set. It is up to the banks to shape its meaning according to their risk profile.

  Non-financial risk at Helaba includes reputation risk as well as operational risk. Operational risk comprises the non-NFR sub-risk categories of operational risk in the narrow sense (includes aspects of reputation risk and matters relating to compliance, business continuity management (BCM), human resources and taxes), legal risk, conduct risk, model risk, information risk, third-party risk and project risk.

  Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

  Operational risk also includes the following NFRs:
  - 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 underestimating the regulatory or economic capital requirement as a result of using 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 taken into account at Helaba
     a) as part of determining the own capital requirement for internal Pillar 1 models using the model premiums / safety margins demanded by regulatory requirements and
     b) in economic risk management via a risk potential premium for the primary risk types.
  II. The other aspect of model risk involves the risk of losses associated with the development, implementation or inappropriate use of models by Helaba for the purposes of decision-making. This aspect is factored into operational risk. The analysis of operational risk does not include the models covered under I. a) and model risks already covered by the risk potential premiums in accordance with I. b).
- Information risk, which is a component of operational risk, comprises the risk of losses resulting from a failure to provide the specified protection, in terms of availability, integrity, confidentiality and (as part of integrity) authenticity, for Helaba's information values on a technical, procedural, organisational or human resources level, both internally and externally (including cyber risks), irrespective of form (digital, physical or verbal).
  I. IT risks are information risks resulting from the use of IT systems and associated processes (own processes and those operated by third parties) for which the bank is responsible that threaten to compromise the protection of information.
  II. Cyber risks are information risks resulting from attacks on IT systems from outside the IT systems (own systems and those operated by third parties) for which the bank is not responsible that threaten to compromise the protection of information.
  III. Non-IT risks are information risks other than IT or cyber risks. These arise in connection with paper-based documents or the spoken word and threaten the protection of information.
- Third-party risk entails matters related to non-financial risk in outsourcing and other external procurement activities. Outsourcing risk and the risk from other outsourcing transactions are defined as the risk of loss / damage to Helaba due to defective performance or loss of performance by the service provider. Risks in relation to the service provider may in principle arise from
  I. underlying conditions at the service provider (creditworthiness, foreign legal risk, political stability),
  II. performance (personnel, equipment and IT resources, reputation) and
  III. dependence and concentration (concentration risk, market position).
- Project risk involves the risk of an event occurring that could give rise to negative consequences for project objectives or imposes scheduling, financial, human resources and / other constraints.

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

- Reputation risk involves the possibility of a deterioration in Helaba's public image (its reputation for competence, integrity and trustworthiness) in the form of the perceptions of the individuals having a business or other relationship with the Bank. Most of the material impact of reputation risk finds expression in the business and liquidity risk. Reputation risk is consequently assigned to these risk types in the risk type system. Reputation risks include original reputation losses as well as those that arise as a result of an operational loss event. The reputation risk profile is mapped entirely under operational risk.

- Regulatory risk is the potential economic loss resulting from business constraints caused by new, unexpected (bank-specific) regulations, amendments to existing regulations or the unclear interpretation of regulations. The material consequences of regulatory risk impact on business risk and regulatory risk is consequently assigned to business risk in the breakdown of risk types.

- 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

Risks affecting Helaba 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 Helaba 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 assessment

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 independent 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 aimed at incurring, reducing, limiting, avoiding or transferring risks within the Board of Managing Directors' defined limits and RAF thresholds plus additional management variables for default risk.

4. Risk monitoring and reporting

The Risk Controlling unit provides independent central risk monitoring of the following risk types: default risk (including equity risk), market risk, liquidity risk, non-financial / operational risk, real estate risk and business risk. 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. An integral component of these monitoring activities is the submission of reports to the relevant authority holders and committees covering the main risk types, risk-bearing capacity, the status of the RAF indicators and the status of the relevant indicators from the recovery plan (MaSan). The internal models used in Risk Controlling to assess risk in accordance with Pillars 1 and 2 are in addition recorded in a model inventory and validated regularly. The Risk Controlling unit (Independent Validation Group) is responsible for model governance, including maintaining the model inventory and ensuring that independent validation is carried out.

Risk Management Structure

Entities involved

The Helaba Board of Managing Directors is responsible for all of the risks to which Helaba is exposed and for implementing the risk strategy policy throughout the regulatory consolidation group. The Board of Managing Directors has established a Risk Committee in accordance with the applicable banking regulatory requirements 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, liquidity and funding risk, non-financial / operational risks, business risks and real estate risks – assumed across Helaba and evaluate their combined implications. The Risk Committee is charged with identifying risks at Helaba at the earliest possible stage, designing and monitoring the RAF and the calculation of risk-bearing capacity and determining measures aimed at avoiding risk and generating containment mechanisms for risk management. It also approves the containment and quantification methods employed by the various units and assesses the appropriateness of the tools applied in light of the extent of the risk.

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

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

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

Risk management at Group companies

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

The outcome of the materiality assessment conducted as part of the risk inventory process is used to determine which Group companies are included in risk management at Group level with which risk types and which Group companies are considered only through the mechanism of the residual equity risk. Companies belonging to the regulatory consolidation group are included in risk management at the level of individual risks in line with their primary risk types.

These companies 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" (3-LoD) policy. 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 three lines of defence policy is implemented at Helaba Bank as follows:

First line of defence (LoD 1)

The first line of defence assumes risks in the course of its (business) activities, bears these risks and has responsibility for the results. In particular, it is responsible for controlling its risks and designing controls, with due regard for the methods specified by LoD 2.

Second line of defence (LoD 2)

A second line of defence to provide independent monitoring of LoD 1 has been established for all primary risk types (in particular the Risk Controlling, Credit Risk Management, Compliance and Process Management and Information Security units). The main task is a holistic global assessment of all risks on an individual basis and at portfolio level – both at Helaba Bank and across Helaba as a whole.

Third line of defence (LoD 3)

Internal Audit conducts risk-based and general audits, in particular of the appropriateness and effectiveness of the activities of the first two lines of defence.

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	
Non-financial risk (NFR)/ operational risk	All units	Risk Controlling, together with specialist functions[1] in the following units: Process Management and Information Security including Information Security Management, Legal Services, Compliance, Human Resources, Accounting and Taxes and Administration	
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] In addition to the Risk Controlling unit, the specialist functions are responsible for relevant risks (as set out in the risk type breakdown) that are subsumed under non-financial risk/operational risk and described in detail in the specific risk strategy for non-financial risk.

In terms of the three lines of defence principle, the independent risk management system within LBS, WIBank and the Group companies is generally structured in the same way as that at Helaba Bank. 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 to and is directly subordinate to the Board of Managing Directors, performs its tasks independently and without external direction. It examines and assesses all of the Bank's activities and processes, including activities and processes that have been outsourced, on the basis of risk considerations. It conducts audits at subsidiaries both in its role as the internal auditor and when specifically asked to do so. The annual audit plan drawn up in accordance with the risk-oriented multi-year plan and approved by the Board of Managing Directors forms the basis of all auditing activities.

Internal Audit focuses in particular on assessing the efficacy and adequacy of the Internal Control System and of risk management, thereby helping to safeguard financial assets. Internal Audit also supports major projects.

The scope and findings of audits are documented in accordance with uniform standards. Written audit reports are supplied promptly to the Board of Managing Directors and the people responsible for the units audited. The timely resolution of deficiencies identified is monitored and matters are escalated if necessary. Internal Audit reports significant audit findings, the actions adopted and the implementation status of these actions to the Board of Managing Directors and Supervisory Board every quarter. The Board of Managing Directors, Supervisory Board and Audit Committee are also presented with a summary annual report on auditing activities.

Compliance

The Bank has now brought the functions of the Compliance Capital Markets department, the Compliance Money Laundering and Fraud Prevention department and the Compliance MaRisk (in accordance with the German Minimum Requirements for Risk Management (AT 4.4.2 MaRisk)) department together under the Compliance division.

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 – WpHGMaAnzV), statements issued by BaFin and pertinent statements issued by 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 relevant legal and 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 manages the identified and analysed 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. The function involves responsibility for monitoring the implementation of and compliance with the requirements of data protection law and for relevant employee training and measures to raise awareness of data protection issues among employees. Helaba maintains a record of processing activities (Art. 30 GDPR) covering procedures that involve the processing of personal data. This record provides the basis for ensuring that the processing of personal data complies with the data protection regulations. Helaba has developed an information security management system (ISMS) aligned with the ISO 27001 standard to ensure the availability, confidentiality and integrity of data (Art. 5 and Art. 32 GDPR) and to assess the resilience (maintenance of operability) of data-processing systems.

These functions report directly to the Board of Managing Directors.

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 the risk cover pools and that its risk-bearing capacity is thus assured.

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

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

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

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

The risk-bearing capacity assessment covering all risk types reveals that the existing risk cover pools at the end of 2019 once again exceeded the quantified risk exposures by a substantial margin, underlining Helaba's conservative risk profile. Helaba had a capital buffer of € 4.3 bn in respect of its economic risk exposures as at the reporting date (31 December 2018: € 4.6 bn).

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

To complement the economic internal perspective as the lead approach for ensuring risk-bearing capacity in Pillar II, an analysis using the normative internal perspective is conducted quarterly. The normative internal perspective examines how the primary Pillar II risks affect the regulatory ratios in accounting terms and the internal objectives for capital ratios in the context of the RAF for the institution as a going concern. This analysis is conducted using various macroeconomic scenarios. Pillar II risks affect regulatory capital, both through profit and loss and through other comprehensive income, whereas Pillar I risk quantification is reflected in a change in risk-weighted assets (RWAs).

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

Helaba additionally conducts a number of reverse stress tests to investigate what nature of idiosyncratic or market-wide events could jeopardise its continued existence as a going concern. The analyses focus on the regulatory minimum capital requirements, the available liquidity reserves and economic risk-bearing capacity in the economic internal perspective. There is currently no indication of any of the scenarios described above becoming a reality.

Other protective mechanisms

There are other protective 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 protection 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 € 16.4 bn in total (31 December 2018: € 16.0 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 (EinSiG).

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide joint liability scheme. It covers the liabilities of Helaba and Frankfurter Sparkasse to customers, including banks, insurance companies and other institutional investors, and their securitised liabilities. Liabilities that serve or have served at the institutions as components of own funds pursuant to section 10 KWG, such as asset contributions of dormant shareholders, liabilities under profit participation rights and subordinated liabilities, are not covered irrespective of their remaining term. The total volume of the fund is equal to 0.5 % of the affiliated institutions' total risk exposure amount as defined by article 92(3) CRR and stood at € 606 m at the end of 2019 (31 December 2018: € 555 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 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.

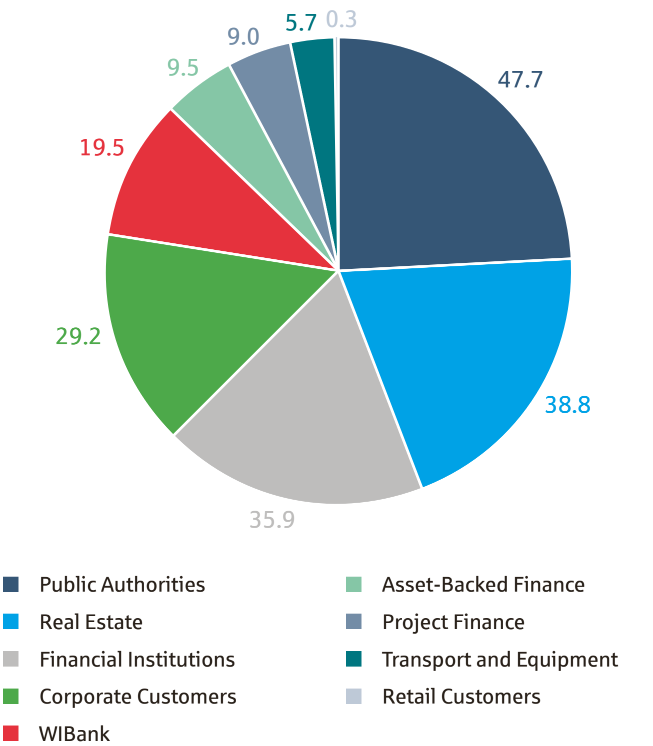
The approved total limits are allocated to individual borrowers, product categories and the operating divisions concerned in accordance with the application for approval. The utilisation of the individual limits is monitored on a daily basis and appropriate measures are initiated immediately if any limit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

Chart 1 shows the total volume of lending (comprising drawdowns and unutilised lending commitments) in the Helaba Bank of € 195.6 bn as at 31 December 2019 (31 December 2018: € 169.6 bn) broken down by portfolios. The total volume of lending is the risk exposure value calculated in accordance with the legal provisions applicable to large exposures before applying the exemptions in relation to calculating utilisation of the large exposure limit and before applying credit mitigation techniques. The exposure relating to KOFIBA is integrated in full.

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

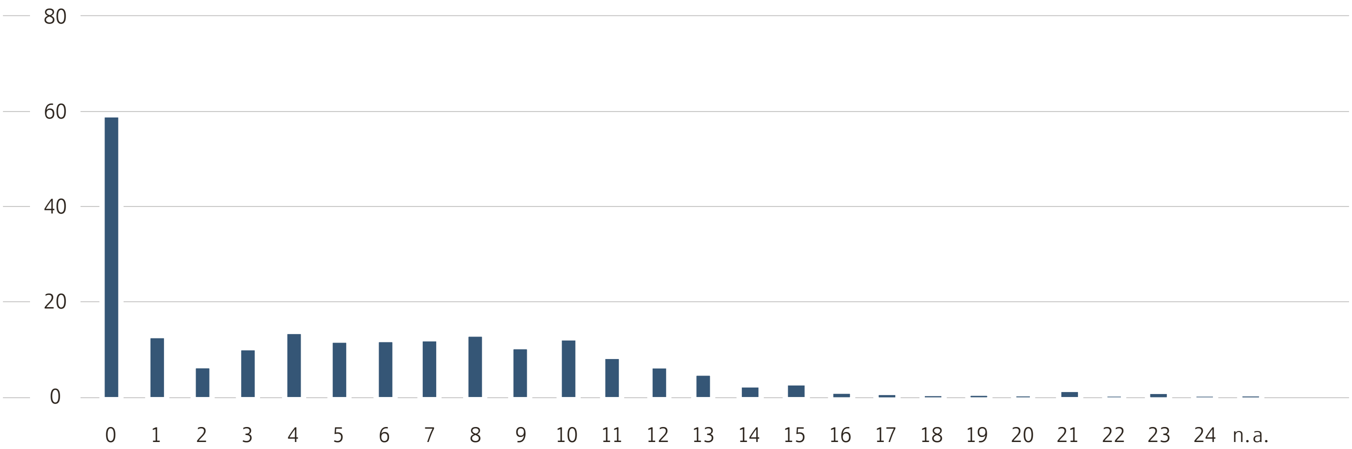


Creditworthiness / risk appraisal

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 asset group, by the fixed probability of default (PD) using a 25-point cardinal default rating scale.

Chart 2 shows the total volume of lending in Helaba Bank of € 195.6 bn (31 December 2018: € 169.6 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's definition of country risk encompasses the risk of sovereign default as well as transfer and conversion risk, which means that country risk exposure 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 2019, 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).

Country risk (transfer, conversion and sovereign default risks) from Helaba loans issued by Helaba Bank to borrowers based outside Germany amounted to € 67.1 bn (31 December 2018: € 64.4 bn), most of which was accounted for by borrowers in Europe (66.4 %) and North America (31.9 %). As at 31 December 2019, 79.1 % (31 December 2018: 80.1 %) of these risks were assigned to country rating classes 0 and 1 and a further 20.8 % (31 December 2018: 19.8 %) came from rating categories 2 – 13. Just 0.1 % (31 December 2018: 0.1 %) fell into rating class 14 or worse.

United Kingdom exposures

Helaba's net exposure to borrowers in the United Kingdom across the narrow Group companies amounted to € 8.2 bn as at 31 December 2019 (31 December 2018: € 7.9 bn). Project finance accounts for most of this increase.

Although the future relationship between the United Kingdom and the European Union remains uncertain following the adoption of the Withdrawal Agreement, Helaba continues to believe that its portfolio of loans to UK borrowers will not suffer substantial impairment in the short term, even in the case of a no-deal Brexit.

Credit risk processes and organisation

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

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

Approval procedure

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

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

Quantifying default risks

For regulatory purposes, expected and unexpected default risks are quantified using the regulatory calculation module. Expected default risks are treated for calculation purposes on a transaction-by-transaction basis in the form of the expected loss. The calculation for regulatory purposes is carried out using the internal rating methods and regulatory loss given default (LGDs). The equity to be held available in accordance with the CRR to cover unexpected losses is also calculated on a transaction-by-transaction basis and is used for containment purposes for both the specific transaction and the risk capital.

Default risks are determined for the purposes of internal containment using a value-at-risk approach. Risks are quantified using a Credit Metrics-based credit risk model (Monte Carlo simulation) developed in house taking account of risk concentrations and additional migration and stochastic LGD risks. The value-at-risk (VaR) calculated from the simulated probability distribution provides a measure – with a probability (confidence level) of 99.9 % (economic internal perspective) – of the upper limit of the potential loss of a portfolio within a period of one year.

The risk parameters applied additionally include migration matrices and LGD parameters estimated internally and empirically measured correlation values as well as the internal rating methods. The overall risk assumes a simultaneous, correlated onset of losses (systematic risk).

The quantification of default risk is additionally 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 economic internal perspective for the calculation of risk-bearing capacity indicates that the economic risk exposure for the Group from default risk, calculated on the basis of the VaR, has increased significantly to € 1,636 m (31 December 2018: € 1,421 m). The main reason for this increase in the economic risk exposure is the opening at year-end – on a temporary basis and without any increase in total assets and liabilities – of a short-term position with a multinational company in the Corporate Finance division. A rating downgrade affecting one multinational company and the integration of KOFIBA also made a moderate contribution to the increase in risk. A slight fall in unsecured positions and various rating improvements offset some of the increase in risk in the real estate area.

The updated correlation parameters and enhancements to the scenario risk models that became operational in the year under review had the effect of increasing risk slightly.

Loss allowances

Appropriate loss allowances are recognised to cover default risk. The adequacy of the loss allowances is reviewed regularly and adjustments are made where necessary.

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 has changed markedly since year-end 2018. The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 103 m (31 December 2018: € 70 m) 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 the Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG subsidiaries. Market risks are quantified using Helaba's own methods.

For strategic purposes, trading activities focus 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 risk

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

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

The summary below presents a reporting date assessment of the market risks (including correlation effects between the portfolios) taken on as at the end of 2019 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 in the banking book is primarily attributable to the integration of KOFIBA into Helaba Bank. 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 83 % (31 December 2018: 87 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions 10 % (31 December 2018: 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 € 13 m for the Group (31 December 2018: € 14 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 180 m (31 December 2018: € 205 m). The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 664 m (31 December 2018: € 601 m) for the Group from market risk. The increase was due mainly to the rise in linear interest rate risk.

Group MaR by risk type

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Total	**75**	**64**	**68**	**58**	**1**	**0**	**6**	**6**
Trading book	22	18	20	17	0	0	2	1
Banking book	59	51	53	45	1	0	5	6

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

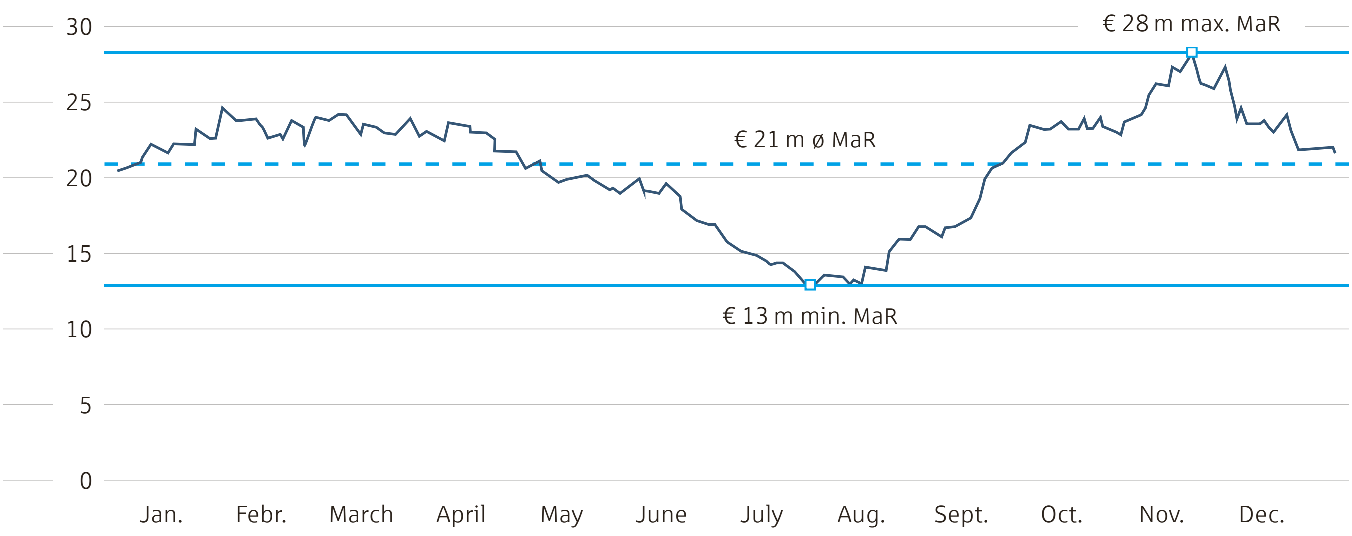
Internal model in accordance with the CRR

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

Market risk in the trading book

All market risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba 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 2019 financial year. The average MaR for 2019 as a whole was € 21 m (2018 as a whole: € 19 m), the maximum MaR was € 28 m (2018 as a whole: € 25 m) and the minimum MaR was € 13 m (2018 as a whole: € 14 m). The changes in risk in financial year 2019 stem primarily from linear interest rate risk and are attributable to a normal level of reallocated exposures and regular updating of parameters (volatility, correlations).

Daily MaR of the trading book in financial year 2019
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 2019 Ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Interest rate risk	21	13	19	18	14	20	23	17	19	17
Currency risk	0	0	0	0	1	0	0	0	0	0
Equities risk	1	2	1	2	1	1	1	1	1	2
Total risk	**23**	**16**	**20**	**19**	**16**	**21**	**24**	**19**	**21**	**19**

Number of trading days: 250 (2018: 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.

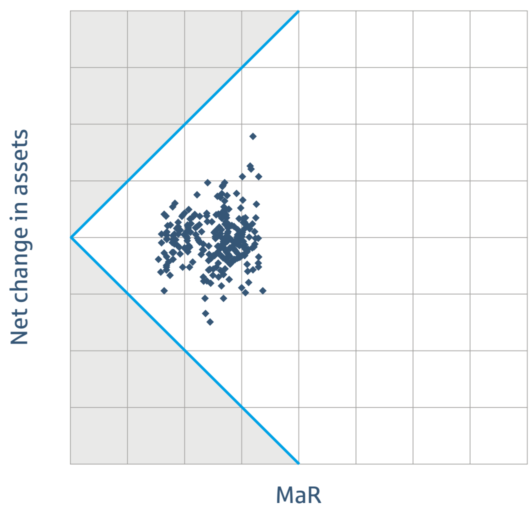
Back-testing

Helaba carries out clean mark-to-market 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 risk in financial year 2019. No negative outliers occurred (2018: two negative outliers).

Back-testing for the trading book in financial year 2019

Chart 4



The internal model for the general interest rate risk produced no negative outliers in 2019 in regulatory mark-to-market back-testing (2018: two negative outliers).

Stress test programme

A proper analysis of the effects of extraordinary but not unrealistic market situations requires the use of stress tests in addition to the daily risk 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 reverse 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 risk in the banking book. The risk figures calculated using this approach are supplemented with daily reports from which the maturity structure of the positions taken out can be ascertained. Regular stress tests with holding periods of between ten days and twelve months back up the daily risk measurement routine for the banking book.

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest rate shocks. The computation examines the effects of a rise and fall of 200 basis points in interest rates in line with the requirements of the banking regulator. As of the end of 2019, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 180 m in the value of the Helaba Group banking book (31 December 2018: € 501 m). Of this figure, € 182 m (31 December 2018: € 480 m) is attributable to local currency and € –2 m (31 December 2018: € 21 m) to foreign currencies. The change compared with the position at the end of 2018 arose mainly because of the implementation of modified requirements imposed by the banking supervisory authorities (including EBA Guidelines on interest rate risk in the banking book) in relation to interest rate risk in the banking book in conjunction with lower interest rates. Helaba carries out an interest rate shock test at least once every quarter.

Performance measurement

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

Liquidity and Funding Risk

Ensuring liquidity so as to safeguard its short-term solvency and avoid cost risks in procuring medium-term and long-term funding is a top priority at Helaba, which accordingly employs a comprehensive set of constantly evolving tools to record, quantify, contain and monitor liquidity and funding risks in the internal liquidity adequacy assessment process (ILAAP). The processes, tools and responsibilities in place for managing liquidity and funding risks have clearly demonstrated their value 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 2019.

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

Containment and monitoring

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

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. Reverse 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. The model compares expected liquidity requirements for the next 250 trading days against the available liquidity from the liquid securities portfolio. The calculation of the available liquidity includes markdowns to take into account unexpected market developments affecting individual securities. Securities that are used for collateral purposes (for example repos and pledges) and are thus earmarked for a specific purpose are deducted from the free liquid securities portfolio. The same applies in respect of securities maintained as a liquidity buffer for intra-day liquidity management. The main currency for short-term liquidity at Helaba is the euro, with the US dollar also significant.

The short-term liquidity status concept has been chosen to allow various stress scenarios to be incorporated. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are five days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. The utilisation rate in the most relevant scenario (solvency) was 0 % as at the reporting date (31 December 2018: 30 %) as a result of the excellent level of liquidity adequacy. The figure remained at 0 % (31 December 2018: 32 %) when Frankfurter Sparkasse was included. The average utilisation rate in 2019 was unchanged from the previous year at 3 % (2018: 3 %), reflecting the excellent liquidity situation over the course of the year.

Helaba manages short-term liquidity in accordance with the regulatory LCR requirements in parallel with the economic model. The two perspectives are integrated through the ILAAP. The ratio stood at 225 % on 31 December 2019 (31 December 2018: 126 %).

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 potential drawdowns and features of relevance to liquidity and are integrated into liquidity management. Guarantees and warranties are similarly reviewed. Helaba determines and plans the liquidity to be held available using a scenario calculation that includes a market disturbance.

A total of € 1.8 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 € 0.2 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 2018).

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 NSFR introduced by the regulator through CRR II is used for management. 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 risk. 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 2019, as was also the case at 31 December 2018. 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.

Non-Financial Risk/Operational Risk

Work on refinement and standardisation in relation to non-financial risk began in 2018 in recognition of the increasing prominence of NFR in risk management. The aim of this work was to combine operational risk and its existing NFR sub-risk categories from 2019 in a complete framework for the containment and monitoring of non-financial risk centred on a comprehensive 3-LoD model with minimum overlap.

Principles of risk containment

Helaba identifies, assesses, monitors, controls and reports non-financial risk using an integrated management approach in accordance with the regulatory requirements.

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

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

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

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

Quantification

Risks are quantified for Helaba Bank, Frankfurter Sparkasse and Helaba Invest using an internal model for operational risk based on a loss distribution approach, which takes into account risk scenarios and internal and external losses to calculate economic risk exposure. This also includes internal losses and risk scenarios that relate to sub-categories of non-financial risk and form part of operational risk. Such risks include legal risk, third-party risk, information risk and project risk. The summary below shows the risk profile as at the end of 2019 for Helaba Bank, 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 31.12.2019	Reporting date 31.12.2018
	VaR 99.9 %	VaR 99.9 %
Helaba Bank	217	229
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	88	94
Total	**305**	**323**

The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 305 m (31 December 2018: € 323 m) for the Group from operational risk. The fall 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.

The Legal Services unit monitors current developments in case law for the Bank and analyses potential impacts on 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.

Third-party risk – outsourcing

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

Information risk

Helaba's defined information security strategies and regulations provide the foundation for an appropriate level of security 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 refined continuously through the information security management system (ISMS).

The identification and reporting of information risks can be triggered by various upstream processes. These processes are intended to ensure that discrepancies in relation to the requirements are identified (allowing risks to be detected at an early stage) and that appropriate actions to minimise these risks are defined and implemented. Associated documents are updated and refined on a regular basis.

Helaba also actively manages information risk (IT, non-IT and cyber risk). Information risk and the associated security measures and checks are reviewed, periodically and on an ad hoc basis, monitored, and contained to this end. 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.

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 policies 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. Accounting policies and procedures are accessible to employees at all times 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 checks of 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-related risk

Errors in operating procedures and processes that impact on legally required financial accounting and reporting can also have a bearing on tax matters in certain circumstances. The general requirements for the design of risk-related operational processes at the Bank and the special requirements from the internal control and risk management system for the accounting process apply in respect of activities involving procedures and processes with particular risk potential and to reduce the risk of errors. Banking business can also give rise to tax-related risk if the applicable tax laws are not properly observed in proprietary and customer business. The Bank additionally operates a tax compliance management system (TCMS) to ensure that Helaba always complies properly with its tax obligations and that reputation risks are avoided as far as possible in this connection. The TCMS, which has been designed to take into account legal and business management principles, focuses on compliance with tax regulations and the avoidance of tax-related risk. The identification, containment and monitoring of tax-related risk based on a 3-LoD model are a cornerstone of the TCMS. Risk-focused tasks, procedures and control requirements form an integral part of the Bank's operating business processes along with continuous monitoring. The TCMS also extends to the foreign branches.

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

The Taxes department is responsible for the system of tax-related instructions (process cluster tax processes), which also regulates the over-arching tax-related control requirements. Central monitoring in the TCMS is performed by the Taxes department in conjunction with tax compliance coordinators in the individual departments.

A reporting system covering the regular submission of information on tax-related risk has been established as part of the TCMS.

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 business risks for the purposes of calculating risk-bearing capacity and analyses any changes.

The analysis as at the 31 December 2019 reporting date under the economic internal perspective for the calculation of risk-bearing capacity indicates that business risks increased slightly to € 160 m in the year to 31 December 2019 (31 December 2018: € 156 m).

Real estate risk

The Portfolio and Real Estate Management division 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 economic internal perspective shows a risk of € 159 m (31 December 2018: € 112 m) from real estate projects and real estate portfolios. This increase in the risk figure stems primarily from model adjustments. These risks continue to be fully covered by the expected income from associated transactions.

Summary

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

Non-Financial Statement

Under section 340i (5) of the German Commercial Code (Handelsgesetzbuch – 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 (environmental, social and employee concerns, respect for human rights and the prevention and combating of bribery and corruption).

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

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

In the year under review and on the date of the report, and taking into account the risk management process at Helaba (net method), no material risks have been identifiable that have had or are very likely to have a serious negative impact on the areas specified above.

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

Business Model and Sustainable Business Orientation

Helaba is a public-law credit institution with a mandate to operate in the public interest and has always embraced environmental and social responsibility, 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 mainly in Germany, but also has a presence in selected international markets. Key features of Helaba's strategy are a conservative risk profile, close interconnection with the real economy and integration into the S-Group. Helaba's business model is described in detail in the section "Basic Information About the Bank".

With a view to minimising negative effects on the environment and society and preventing reputational risk, Helaba has drawn up guiding sustainability principles applicable to the Group. These principles include standards of conduct approved by the Board of Managing Directors for business activities, business operations, employees and corporate social responsibility. Helaba's corporate values under the tagline "Values with impact" underline its aspirations to make a positive contribution to society and to strengthen Germany as a business location over the long term.

As part of Helaba's strategic agenda, the objective of the "Helaba in Bewegung" corporate culture transformation process launched in 2017 is to position Helaba in the market on a long-term viable basis and, to this end, to achieve targeted growth, establish future-proof processes and generate enhanced efficiency. As part of the project "Scope – Growth through Efficiency", which was launched at the end of April, Helaba is creating a new organisational structure at the end of the first quarter of 2020 in order to slim down the management levels, reduce interfaces and optimise processes. The basis for the success of this transformation is the refinement of the corporate culture, key features of which are mutual trust and more individual responsibility. Against this backdrop, particular importance is being attached to employee concerns and human resouce development.

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

Responsible 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 management of the assets of institutional investors at the Helaba Invest subsidiary, 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 and its ecological footprint. Nevertheless, Helaba is committed to reducing this 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. The Helaba Group relies on electricity generated from renewable sources for over 90 % of its electricity needs in office buildings. Helaba regularly monitors environmental key performance 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. In a further measure to ensure this is actually the case, Helaba requires all of its suppliers to accept its code of conduct as part of which it is mandatory for suppliers to document that they respect human rights.

Credit finance

Lending business is Helaba's core activity. There is a risk that businesses or projects financed by Helaba could have negative effects on the environment or society. At the same time, Helaba is making best efforts, as part of its risk management system, to minimise environmental, social and governance (ESG) risks, including the transitional and physical risks caused by climate change, that may arise from its financing activities.

In 2017, Helaba therefore developed sustainability and exclusion criteria for lending. 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 are complemented by sector-specific requirements applicable to sectors exposed to heightened ESG 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 activities with heightened ESG risk, such as fracking or the extraction of oil from tar sands, is ruled out. In 2020, Helaba will increase its efforts to withdraw from involvement with fossil fuels and will not enter into any new exposures directly connected with the value chain for power station coal (coal mining and coal-based power generation). In addition, Helaba 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 sustainability criteria for lending are published on Helaba's website and are therefore also visible to market players.

Helaba reviews its risk strategies annually and will adjust or expand sustainability criteria as required. For example, it was decided in the 2019 updating process to include gambling and pornography as new review criteria from 2020 and to specify compliance with the OECD recommendations on environmental and social due diligence (the OECD Common Approaches) as a mandatory requirement for all export finance.

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

Institutional asset management

As an asset manager for institutional investors, Helaba Invest manages sustainability-related portfolios and offers customised solutions for investors. As at 31 December 2019, Helaba Invest had assets under management of €124.6 bn in special funds for institutional investors and retail funds. This figure included assets of € 11.3 bn specifically relating to sustainability criteria, equating to a ratio of 9.1 %.

Helaba Invest is a member of the German Investment Funds Association (BVI) and recognises this association's code of conduct. The code of conduct, which was extended in 2016 to include guidelines on socially responsible investing, reinforces the acceptance of corporate social responsibility by fund managers on the basis of ESG criteria. It therefore takes into account investor interests faced with practices amounting to market abuse, fair investor treatment with clear and understandable information, and rules for improving corporate governance. Helaba Invest has also pledged to uphold the BVI code of conduct for sustainable real estate portfolio management.

Helaba Invest is a signatory to the UN Principles for Responsible Investment and to the Carbon Disclosure Project (CDP). The company includes environmental, social and governance factors in its investment approaches and products. In an initial step, Helaba Invest rolled out ESG screening in 2019 for its retail equity funds. As part of the screening, it examines all investment securities to determine the extent to which they comply with international sustainability standards and conventions, such as the principles of the UN Global Compact. Since 2019, Helaba Invest has also been offering a number of fund products that encompass various aspects of sustainability in the form of ethical standards, risk management and climate-related issues.

In addition, Helaba Invest offers its customers separate sustainability reports. The main components of these reports are screening and an analysis of funds according to ESG criteria. Investors can also take ESG criteria into account in the investment process as part of investment compliance monitoring.

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 73 branches and advice centres, more than 20 self-service banking centres and around 200 automated teller machines (ATMs).

Frankfurter Sparkasse recognises financial inclusion as a key component of its mandate to operate in the public interest. To ensure that access to banking services is available to all sectors of the population, particularly economically and socially disadvantaged customers, Frankfurter Sparkasse offers various types of basic account. As at 31 December 2019, customers held 1,461 basic accounts (31 December 2018: 1,328). Frankfurter Sparkasse makes it easier for the blind and visually impaired to access its services by ensuring that each of its physical branches has at least one ATM with a headphone socket. The online branch of the Frankfurter Sparkasse offers completely barrier-free access to its media operations, too.

Frankfurter Sparkasse pursues a business policy that is consistently focused on customer needs. Regular sales staff training sessions are held, covering the sales philosophy of the Sparkassen-Finanzgruppe and the implementation of guidelines and laws with a consumer focus. Frankfurter Sparkasse believes that it is of fundamental importance to ensure that the advice provided for customers is of high quality. For this reason, for example, quality targets are used as the basis for up to 40 % of the measurement of customer advisor performance; these targets include customer satisfaction requirements. In the case of both retail and corporate customers, regular surveys and annual meetings are used to measure customer satisfaction; the results are used to specify targets. In addition, within the framework of the S-Group Concept in Hesse and Thuringia, reports on customer satisfaction are submitted to the S-Group bodies and the S-Group strategy is used to determine action plans and targets.

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. GWH is investing on a targeted basis in its existing housing stock and new construction projects to meet the rising demand for housing, particularly in urban centres such as the Rhine-Main and Rhine-Neckar regions. For example, 280 homes for rent were completed in 2019. GWH also provides local help and advice offices to maintain a trusting relationship with its tenants.

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 more than one third 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 2018 of 412,141 MWh was reduced by approximately 1.21 % as a result of heat insulation improvements and the modernisation of heating systems, saving 1,008 tonnes of CO_2 (previous year: 1,272 tonnes of CO_2). The slight fall in CO_2 savings compared with the previous year was mainly due to the fact that efficiency gains had already largely been exhausted. In the last two years, around 90 % of the residential units have received new energy certificates. At 123 kWh/m²/a (previous year: 124), the average energy consumption of GWH's residential properties is well below the German average of around 169 kWh/m²/a (last available value for 2015) as published by the nation's energy agency. Around 26 % of living space falls under energy efficiency classes A+ to C, 61 % under classes D to E and approximately 13 % under classes F to H.

In addition to environmental effects, social issues are also of significance for tenants. Among other things, GWH is involved in major housing schemes with wide-ranging sociocultural profiles. Around 20 % of the homes provided by GWH are rent-controlled (subsidised); around 30 % of the homes are located in areas subject to special neighbourhood management from a social perspective. The objective of the neighbourhood management scheme is to implement a range of measures aimed at improving the residents' quality of life and quality of living, as well as bringing about a degree of social equality. For instance, GWH makes premises available for 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.

Combating Bribery and Corruption

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

In view of the nature of banking business, the prevention of criminal economic activity through a compliance management system with a preventive focus is of key importance at Helaba in this context. One of the measures taken by Helaba is to set up the independent functions of the Money Laundering and Fraud Prevention Compliance unit, which acts as the central authority within the meaning of section 25h KWG; these functions are being constantly updated with the involvement of the branches and the relevant subsidiaries. The tasks of this office include the development and implementation of internal principles and adequate transaction- and customer-related safeguards and checks to prevent money laundering, the funding of terrorism, and other criminal acts such as fraud and bribery.

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. Procedures and the company regulations set out binding rules and regulations and offer support for a wide variety of activities, including the handling of inducements and action to be taken if criminal economic activity is suspected, to ensure that business decisions are taken objectively and transparently on the basis of a clear fact-based rationale. 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 in the Group can contact an external ombudsperson via a range of communications channels (web portal, postal mail, telephone), either anonymously or safe in the knowledge that their identities will not be disclosed.

As part of the preventive approach, an annual Group risk analysis report is prepared and submitted to the Board member responsible for these activities, the Board of Managing Directors as a whole and the Supervisory Board. In addition, Internal Audit conducts an independent assessment of risk management and the checks every year; it reports to the Board of Managing Directors on the efficiency of tools and compliance with them. In 2019, no corruption proceedings were notified to 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 provider of specialised financial services in a dynamic and complex market environment. The ability to adapt rapidly to changing market circumstances and customer requirements combined with innovative strength is becoming increasingly important in finding a competitive edge. The challenge for Helaba is mainly to present itself as an attractive employer for those who want to be actively involved in shaping this change process.

Attractive employer and employee professional development

Helaba is endeavouring to attract, develop and retain over the long term highly-qualified and motivated specialists, managers and high-potential trainees so that it can continue to address the ongoing regulatory changes, the advances in digitalisation in the financial sector and the issues presented by demographic change. To safeguard the availability of employee skills over the long term, Helaba is focusing on dialogue and feedback in addition to formal job descriptions. For example, managers make use of the annual appraisal meetings to make sure there is clarity about tasks and performance expectations, set targets, assess performance, and identify and discuss development potential or personal need for change.

Helaba provides a range of in-house services aimed at training and professional development to ensure that employee skills and qualifications are maintained and expanded. For example, it invested € 2.3 m in 2019 in employee skills development. All employees can access a needs-based range of internal seminars covering professional, personal, social and methodological development. Employees can also make use of external training services; sponsored opportunities in the form of work and study programmes or courses leading to professional qualifications are also available.

Helaba focuses particularly on young talent. It offers training courses and trainee programmes, thereby fulfilling its socially responsible role of enabling school-leavers and university graduates to start their careers. Helaba provides training at the Frankfurt, Erfurt and Kassel sites. After a few years of vocational experience, high-potential individuals have the opportunity to undertake professional development at Helaba based on their strengths and areas of learning; since 2019, they have been able to receive systematic preparation for future tasks with increased responsibility as part of the “Nauta” programme for high-potential employees, which has been specially developed for Helaba.

Occupational health management at Helaba is designed to maintain the physical and mental well-being of employees by focusing on preventive measures, nurture an awareness of the need for a healthy lifestyle and improve quality of life. Events, presentations and seminars provide regular information for employees on health issues such as healthy eating, physical activity in day-to-day office work and avoiding workplace stress. A comprehensive company sports programme is provided to help employees maintain their physical fitness. Since 2019, an employee assistance programme including a qualified counselling service has been available for employees facing challenging personal or professional circumstances. Employees can make use of this service if they have professional, family, health or other personal issues, for example in connection with arranging child care, help at home or care for relatives requiring support and assistance.

Corporate culture and new work

Demographic change and the associated processes of social change are presenting new challenges for the world of work and require new strategies for the workplace. Helaba is opening up opportunities for mobile, agile working in a programme with the tagline “NewWork@Helaba”, which involves the planned relocation of approximately half of the employees of Helaba Bank in 2020 to a new, state-of-the-art office building at the Offenbach site.

As part of the “Helaba in Bewegung” transformation process, the working environment at Helaba going forward will be characterised by faster decision-making processes, individual responsibility, self-organisation and proactive learning. The transition from traditional to forward-looking office landscapes represents a comprehensive change for employees. New space concepts require different types of leadership, management and collaboration. The objective is therefore to create a sound understanding of the new office and working environment and eliminate uncertainties about the new approach. The plan is to ensure that the process is supported by employees specially trained as change agents.

Life-stage model and diversity management

Employees have differing requirements as far as their working arrangements are concerned, depending on their personal situation and stage of life. The life-stage model introduced in 2019 provides a framework for employees at different stages in their professional careers and is thus intended to increase Helaba's appeal as an employer. The model sets out the types of support available to employees at different stages in their lives and shows how employees can plan their own development in co-operation with their managers. The initial range of services is already in place with plans for further expansion. New additions in 2019 were the "Nauta" programme for high-potential employees, the "HOPS" job-shadowing scheme to promote networking and information-sharing between employees throughout the process chains and the "Helaba Connect" mentoring programme, which encourages the sharing of knowledge and experience across generations and corporate units and which will be extended to all employees from 2020.

Helaba has signed both the Diversity Charter and the UN Global Compact and established key principles in its code of conduct, underlining its commitment to a working environment without discrimination in which the diverse skills and capabilities of employees are properly valued. With a view to becoming more successful in providing equality of opportunity in HR development, selection and appointments, Helaba attaches particular importance to the greater advancement of women and to the development of HR tools that are differentiated by age in order to make the most of the potential presented by all employees and exploit the long-term prospects available in the Group. To this end, a diversity management programme has been set up; it offers an open platform for discussion and information-sharing on the topics of gender, age and integration in the Bank. The activities included in the life-stage model are intended to eliminate potential structural constraints and equally help both women and men in their efforts to achieve their professional goals. Newly introduced HR tools in 2019 also included professional development seminars and a mentoring programme specifically designed for women.

Diversity in the Helaba workforce, key figures

	31.12.2019	31.12.2018	31.12.2017
Proportion of women	45.6 %	46.3 %	45.7 %
Proportion of female managers	20.5 %	20.9 %	20.6 %
Proportion of women on the Board of Managing Directors (Helaba Bank)	0.0 %	0.0 %	0.0 %
Proportion of women on the Supervisory Board (Helaba Bank)	29.4 %	23.3 %	22.2 %
Proportion aged > 50	49.3 %	46.5 %	43.9 %
Proportion aged 30 – 50	47.6 %	50.0 %	52.9 %
Proportion aged < 30	3.1 %	3.6 %	3.2 %
Proportion of employees with disabilities (as defined by s. 2 SGB IX)	5.1 %	5.2 %	4.9 %

Basic principles under employment law and remuneration policy

Around 95 % of Helaba employees work in Germany. Relevant employment law and health & safety provisions are a fixed integral component of the internal rules, regulations and processes. Some 95 % of employees have a permanent employment contract. As provided for in the Hessian Act concerning Personnel Representation (HPVG), the Human Resources Council (HRC) represents the interests of the employees and monitors compliance with the regulations intended to protect these interests. As the representative body, the Human Resources Council is the first point of contact for senior management in all matters concerning employees. The General Human Resources Council at Helaba is supported by personnel representative bodies at individual sites and 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 52 % of employees is set under the collective agreement for public-sector banks. Remuneration for the remaining 48 % or so is not subject to a collective salary agreement. The remuneration systems for the employees and the Board of Managing Directors of Helaba and Frankfurter Sparkasse satisfy the requirements specified in the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (IVV) and are published annually in the form of a separate report (remuneration report pursuant to section 16 IVV) on Helaba's website (www.helaba.com).

Overall, a low employee turnover rate of 2.4 % (departure initiated by the employee), an average period of service of 13.6 years and a low absenteeism rate of 4.6 % (absence caused by illness as evidenced by a doctor's certificate) are testimony to a high degree of satisfaction and significant employee commitment.

Outlook and Opportunities

Economic conditions

The trade dispute is subsiding and there is therefore likely to be less of an adverse impact on the global economy in 2020. In the US, the tailwind from fiscal policy is dropping off but the about-turn by the Federal Reserve in 2019 is increasingly providing a boost for the economy. China's growth trend continues to flatten out, although the short-term economic risks are abating. Other regions of the world are exerting a stabilising effect with the result that global growth will be at a level similar to the previous year.

Germany is expected to see stronger growth than in the previous year, with expansion projected at a rate of 1.0 % (seasonally adjusted) in 2020. There will probably be less uncertainty caused by Brexit and trade disputes in 2020. The uptrend in employment figures and real incomes is once again expected to have a positive impact, above all on domestic demand. Private investment will continue to recover, especially as the conditions for capital accumulation remain favourable. The pace of construction activity is likely to slacken, however; further increases will be difficult to realise given the very high level of capacity utilisation. As in the previous year, imports are anticipated to grow at a stronger rate than exports in 2020 and consequently foreign trade is likely to make a negative contribution to growth. Public finances are likely to show a smaller surplus in 2020 following the surplus of 1.5 % of GDP in 2019. Tax receipts will grow at a lower rate, and higher government capital spending and greater public-sector consumption will restrict the surpluses.

Growth in the euro zone is forecast to be at a rate of 1.3 % in 2020 and therefore higher than in Germany. Despite the protests across the country, France is likely to achieve an above-average growth rate. This also applies to Spain, whereas expansion in Italy will be below average because the new government is failing to address the problem of competitiveness in the country.

The ECB is likely to maintain its accommodating monetary policy. No departure from the policy is anticipated in the near future, despite the economic recovery. Capital market returns in Germany are therefore likely to remain predominantly in negative territory in 2020. Yields on ten-year German government bonds are likely to hover around the zero mark at the end of the year with a steeper maturity curve overall. The US bond market is expected to provide relatively little stimulus. In this case, if key interest rates remain unchanged, yields on ten-year government bonds will probably be around 2 %.

Opportunities

Helaba has long had a stable and viable strategic business model in place. Over the last few years, the Bank has therefore been able not only 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 comprehensive customer survey in which 90 % of the participants stated that they were extremely satisfied with the Bank. In this context, Helaba received the "Top Ergebnis" award following the voting in the F.A.Z.-Institut's 2019 "Deutschlands Kundenchampions" competition for businesses. This shows that Helaba's values-based banking business is being met with positive response from customers and that the institution can bank on stable, enduring client relations going forward.

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 the risk. Helaba has had a representative office in

Spain for the past 25 years and is now also making use of this market access to expand its real estate finance business locally as part of its growth strategy.

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 2019, Helaba was also able to demonstrate the strength of its positioning in the corporate promissory notes market. It is one of the leading arrangers in this segment.

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

Helaba recognised the underlying change processes in the payment transactions market at an early stage and has already developed a number of different initiatives over the last few years in response to the new technical possibilities and evolving customer requirements typical of the digital age. Helaba has assumed a leading role in the Sparkassen-Finanzgruppe in connection with the introduction of instant payments. Helaba is thus ensuring that this forward-looking technology also forms part of a consistent approach in which it aims to maintain its strong position in the Sparkassen-Finanzgruppe.

Opportunities are available to the development business from the digitalisation of development products and of the processing of applications as well as from the expansion of development programmes operated by the State of Hesse, for example in connection with the construction of social and high quality, energy-efficient housing.

Helaba is pressing ahead with its digitalisation initiatives under the umbrella of a strategic digitalisation project. These initiatives include applications at the customer interface and improvements to internal processes. The key development at the customer interface is Helaba's customer portal, which provides transparency for current products and offers support functions, such as a secure data room and a transparent process for new and existing real estate loans that is trackable for both parties. In connection with the process optimisation activities developed as part of the "Scope" project, customer portal development going forward has been focused on the aim of opening a channel for incoming documents and data to support a digital lending process. In addition, the positive experience from implementing initial robotic process automation (RPA) applications is to be added to the equation so that Helaba can press ahead with further aspects of automation. Other opportunities are also emerging in the area of blockchain applications. In 2019, Helaba selected the "Marco Polo" blockchain platform in co-operation with other partners to develop new foreign trade financing processes, for example in connection with the purchase of receivables, and plans to implement the first customer applications in the Sparkassen-Finanzgruppe in 2020. In another joint project with partners, Helaba has developed a blockchain-based, fully digital process using the "finledger" platform to process borrower's note (Schuldschein) activities. This is also expected to start generating business in 2020. In both cases, the Bank anticipates considerable efficiency gains for both the finance provider and the customer. Finally, the Bank carried out detailed work in 2019 on the possibilities offered by artificial intelligence technologies and will deploy these technologies in 2020 in live applications to enhance efficiency in an initial selection of areas of the business. Preparation work is being carried out to use the technologies in other areas.

Products related to sustainability are a growing market segment in which financial services providers are becoming increasingly established so that they can make a contribution to environmental and climate protection and assume an appropriate level of responsibility. Helaba also intends to position itself in this market to make the most of the opportunity to access new groups of investors and to sharpen the Group's sustainability profile.

In addition, Helaba aims to support its customers in the transformation of the economy to sustainable growth, in connection with which the EU has a declared political goal of becoming carbon-neutral by 2050. Helaba is paying very close attention to the emergence of sustainability-linked financing options (ESG-linked loans) in the market and will expand its range of services accordingly.

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, F1+ 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 around 40 % of Sparkassen in Germany. Further enhancing its position as a leading S-Group bank for the German Sparkassen and permanently integrating with the Sparkassen are among Helaba's strategic objectives. 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, the international business, or high-end private banking through Frankfurter Bankgesellschaft.

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

Potential for growth and efficiency identified as part of the "Scope" project launched at the end of April 2019 could give rise to further opportunities for Helaba to enhance its performance. At the end of the first quarter of 2020, the Bank will have a new organisational structure, which is expected to provide stimulus for further growth.

The Board of Public Owners and the Supervisory Board have instructed the Board of Managing Directors of Helaba to hold discussions with representatives of DekaBank Deutsche Girozentrale about how the strengths of the two banks can be combined into a highly efficient central institution for the Sparkassen-Finanzgruppe with an integrated business model. Currently, the discussions have not yet been completed.

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. Helaba's objective in its profitability strategy is to further stabilise its sustainable earnings 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 2020. The economic forecasts for 2020 predict that the growth trend will continue. However, earnings growth is expected to be restricted in 2020 because interest rates will probably remain low and the Bank is undertaking a large number of project activities. The details of the forecast for 2020 are presented below.

The total volume of new medium- and long-term lending business (excluding the WIBank development business, which does not form part of the competitive market) is budgeted to be around 10 % down on the previous year at € 17.6 bn in 2020. Even after anticipated maturities (both scheduled and early) are taken into account, loans and advances to customers are expected to rise and total assets are projected to increase modestly in 2020.

Net interest income in 2020, including income from equity investments and dividends, is expected to be well up compared with the previous year. The substantial rise will be the result of the starting level in 2019 (which was influenced by one-off items) and also of the growth in loans and advances to customers.

The growth in fee and commission income will be steadily advanced in a number of areas in 2020, as a consequence of which a marked increase in net fee and commission income is forecast.

With regard to net trading income, it is anticipated that customer income in 2020 will remain at the level of the previous year. However, the adverse impact from the credit value adjustment (CVA) is projected to be lower in 2020, leading to a very substantial rise in net trading income overall.

Other budgeted net operating income mainly comprises operating income and expenses relating to buildings, the addition to provisions and the interest cost from unwinding the discount on pension provisions. This figure is predicted to improve very significantly in 2020 compared with the previous year.

In 2019, the Bank launched the “Scope” project to counter the uptrend in costs within general and administrative expenses resulting from individual effects and inflation. As a result of the measures planned to be implemented as early as 2020 as part of the project, general and administrative expenses are projected to remain virtually unchanged compared with the previous year.

The marginal level of economic growth means the Bank is not anticipating any significant deterioration in credit risk. However, the process of normalisation is continuing and this primarily leads to negative rating migrations before a default. Loss allowances are therefore expected to be appreciably higher in 2020.

Overall, the Bank estimates that the operating result before taxes for 2020 will be at the level of the previous year. The cost-income ratio for 2020 is forecast at approximately 68 %.

The Bank’s aim for 2021 is once again to use strategic initiatives to maintain steady growth in its lines of business, generating increasing income from customers. The purpose of the “Scope” programme is to safeguard the benefit from this income growth and limit the upward trend in costs.

Political and macroeconomic trends are the source of some risks to the Bank’s performance. The main risk stems from market uncertainty as a consequence of trade disputes, which could lead to weaker economic growth. From the perspective of the macroeconomic assumptions, there is a risk that the economic parameters could vary significantly from Helaba’s assumptions, triggered for example by the review of monetary policy measures announced by the ECB.

Probable development of the business lines

In Real Estate Finance, an expansion in volume and a slight increase in income is once again expected in 2020, based on Helaba’s favourable market positioning. The volume of new medium- and long-term real estate lending business in 2020 is budgeted at the prior-year level.

In Corporate Finance, the volume of new medium- and long-term lending business in asset finance in 2020 is predicted to be at the level of the previous year, after adjusting for the portfolio purchase included in 2019. Income will probably rise slightly on the back of the higher average portfolio levels compared with the prior year. In Corporate Banking, the volume of new business is budgeted at a more cautious level compared with the very high volume achieved in the previous year. Income from corporate client business is projected at the prior-year level.

The high level of customer business involving capital market products achieved in 2019 is expected to remain virtually unchanged in 2020. Total Capital Markets income is predicted to be markedly higher as a consequence of greater money market activity compared with 2019.

Assuming there is no change in economic conditions, it is anticipated that income from the municipal lending business in Germany will remain steady in 2020.

The volume of new medium- and long-term Sparkasse lending business in the Sparkassen and SME segment is budgeted to exceed the prior-year level by some way in 2020. The total income from Sparkassen-related lending business will probably be much higher than the prior-year level because of the expansion of the special jointly extended (meta) loans business. Net fee and commission income in the payments business is predicted to remain stable in 2020. As the cut in the ECB deposit rate to minus 0.50 % will have an impact on deposits over the whole of the year, this will lead to a fall in net interest income, as a result of which total income in the cash management business is likely to be noticeably lower in 2020.

LBS anticipates that its gross new business in 2020 will be well above the 2019 level, mainly because it has introduced a new generation of rates designed to appeal to customers. It will also counter the expected continuation of low interest rates by maintaining its strict approach to cost management, implementing measures in the home savings collective to stabilise earnings by further lowering the average rates of interest paid on home savings deposits, and by improving efficiency through a restructuring project.

Income generated by the WIBank public development business in 2020 will probably be at the prior-year level.

Overall assessment

Helaba generated an operating result before taxes of € 343 m in financial year 2019, compared with € 280 m in the previous year. The takeover of DKD (renamed KOFIBA – Kommunalfinanzierungsbank GmbH) had a substantial impact on the HGB earnings figure in 2019. The year-on-year decline in net interest income was caused by proactive adjustments aimed at compensating for negative effects on net interest income in subsequent years arising from the takeover of DKD. If this one-off item is disregarded, then net interest income rose slightly. These preventive adjustments were offset by a gain from the KOFIBA merger amounting to € 333 m, which was reported under extraordinary result. The business-driven components of the operating result increased disproportionately, with net fee and commission income rising by 15.8 % and net trading income by 71.1 %. The 4.9 % increase in general and administrative expenses was attributable to higher personnel expenses and, in particular, to a rise in project costs. The risk situation remained comfortable overall. The increase in loss allowances reflects the general economic slowdown and is restoring these allowances to something closer to a normal level. A further one-off item within the extraordinary result was the recognition of a restructuring provision of € 81 m related to the “Scope” efficiency programme. The “Scope” project is a response by Helaba to the ongoing structural transformation of the financial industry. The objective of the project is to counter the anticipated increase in costs and downward pressure on income, thereby creating the necessary flexibility for investment in further growth.

Despite the increasing competitive pressure and the multitude of regulatory requirements, Helaba believes it 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 in wholesale business. The Helaba Group’s long-term objective is to permanently stabilise its earning power and strengthen its capital base while observing risk strategy requirements and taking account of changes in the regulatory environment. The net income generated in financial year 2019 allows Helaba to service all subordinated debt, profit participation rights and silent participations, pay a dividend to shareholders and make appropriations to reserves.

Frankfurt am Main / Erfurt, 25 February 2020

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 2019

Assets in € thousands

	Note no.				31.12.2019	31.12.2018
Cash reserve						
a) Cash in hand				6,265		11,362
b) Balances with central banks				12,255,575		6,217,796
					12,261,840	**6,229,158**
thereof: With Deutsche Bundesbank		11,856,906				(5,687,837)
Loans and advances to banks	(2), (48)					
a) Mortgage loans				–		–
b) Municipal loans				8,057,635		6,897,554
c) Other loans and advances				6,315,037		3,055,794
thereof:					**14,372,672**	**9,953,348**
Payable on demand		1,956,807				(1,956,807)
Against securities pledged as collateral		–				
thereof: Bausparkasse building loans						
Home savings loans		–				–
Loans and advances to customers	(3), (48)					
a) Mortgage loans				23,936,687		24,668,582
b) Municipal loans				34,959,189		25,200,935
c) Other loans and advances				43,698,521		35,605,400
thereof: Against securities pledged as collateral		–				
d) Bausparkasse building loans						
da) From allocations (home savings loans)			130,559			144,738
db) For interim and bridge-over financing			784,123			744,054
dc) Other			3,938			3,899
				918,620		892,691
thereof: Secured by mortgage charges		609,065				(678,872)
					103,513,017	**86,367,608**
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			989,856			474,329
thereof:						
Eligible as collateral with Deutsche Bundesbank		–				–
				989,856		474,329
b) Bonds and notes						
ba) Public-sector issuers			4,295,500			3,728,507
thereof:						
Eligible as collateral with Deutsche Bundesbank		4,295,500				(3,728,507)
bb) Other issuers			12,603,819			12,483,756
thereof:						
Eligible as collateral with Deutsche Bundesbank		12,603,820				(12,483,757)
				16,899,319		16,212,263
c) Own bonds and notes				–		–
					17,889,175	**16,686,592**
Nominal amount		–				–
Carried forward:					**148,036,704**	**119,236,706**

Equity and liabilities

in € thousands

	Note no.				31.12.2019	31.12.2018
Liabilities due to banks	(15), (18), (48)					
a) Registered mortgage Pfandbriefe issued				56,071		209,152
b) Registered public Pfandbriefe issued				1,106,395		909,251
c) Other liabilities				36,772,071		34,037,083
thereof: Payable on demand		6,736,499				(7,119,626)
Provided to lenders as collateral for loans raised:						
Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
d) Home savings deposits				50,931		41,521
					37,985,468	**35,197,007**
thereof: On allocated contracts		–				–
Liabilities due to customers	(19), (48)					
a) Registered mortgage Pfandbriefe issued				216,020		1,119,149
b) Registered public Pfandbriefe issued				13,446,704		3,765,669
c) Deposits from home savings business and savings deposits			–			
ca) Home savings deposits			5,039,933			4,890,753
thereof:						
On terminated contracts		38,372				(40,735)
On allocated contracts		90,775				(89,390)
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			–			–
				5,039,933		4,890,753
d) Other liabilities				22,387,993		21,040,453
					41,090,650	**30,816,024**
thereof: Payable on demand		12,054,966				(12,131,528)
Provided to lenders as collateral for loans raised:						
Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
Securitised liabilities	(20)					
a) Bonds issued						
aa) Mortgage Pfandbriefe			10,707,616			10,318,184
ab) Public Pfandbriefe			13,208,575			10,597,888
ac) Other debt instruments			27,057,200			26,435,309
				50,973,391		47,351,381
b) Other securitised liabilities				12,590,730		3,363,096
					63,564,121	**50,714,477**
thereof: Money market instruments		12,590,731				(3,363,097)
Trading portfolio	(21), (36), (37), (48)				**11,376,456**	**7,615,626**
Carried forward:					**154,016,695**	**124,343,134**

Assets in € thousands

	Note no.				31.12.2019	31.12.2018
Carried forward:					**148,036,704**	**119,236,706**
Equity shares and other variable-income securities	(5)				**1,032,613**	**976,172**
Trading portfolio	(6), (14), (36), (37), (48)				**14,604,217**	**13,538,198**
Equity investments	(7), (17), (48)				**31,033**	**35,440**
thereof:						
In banks		14,151				(17,991)
In financial services institutions		–				–
Shares in affiliated companies	(8), (17), (48)				**2,021,394**	**2,004,543**
thereof:						
In banks		874,780				(855,580)
In financial services institutions		13,074				(13,074)
Trust assets	(9)				**914,273**	**921,480**
thereof: Trustee loans		738,702				(655,004)
Intangible assets	(10), (17)					
a) Internally generated industrial rights and similar rights and assets				–		–
b) Purchased concessions, industrial property rights and similar rights and assets, and licences in such rights and assets				82,533		68,910
c) Goodwill				6,593		–
d) Prepayments				–		–
					89,126	**68,910**
Property and equipment	(11), (17)				**140,434**	**92,351**
Other assets	(12)				**1,231,965**	**716,240**
Prepaid expenses	(13)					
a) From issuing and lending operations				516,467		308,937
b) Other				289,109		208,655
					805,576	**517,592**
Total assets					**168,907,335**	**138,107,632**

Equity and liabilities — in € thousands

	Note no.				31.12.2019	31.12.2018
Carried forward:					**154,016,695**	**124,343,134**
Trust liabilities	(22)				**914,273**	**921,835**
thereof: Trustee loans		738,702				(655,359)
Other liabilities	(23)				**1,054,197**	**606,607**
Deferred income	(24)					
a) From issuing and lending operations				303,813		306,846
b) Other				604,364		412,804
					908,177	**719,650**
Provisions	(25)					
a) Provisions for pensions and similar obligations				1,187,638		1,074,007
b) Provisions for taxes				110,768		67,853
c) Other provisions				498,000		383,753
					1,796,406	**1,525,613**
Home savings protection fund					**11,200**	**11,200**
Subordinated liabilities	(26)				**2,236,516**	**2,236,711**
Profit participation rights	(27), (30)				**81,000**	**81,000**
thereof: Due within two years		61,009				–
Additional Tier 1 capital instruments	(28)				**374,310**	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			518,000			533,339
				3,026,889		3,042,228
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			1,958,193			1,715,861
				2,252,637		2,010,305
d) Net retained profits				90,000		90,000
					6,915,938	**6,688,945**
Total equity and liabilities					**168,907,335**	**138,107,632**
Contingent liabilities	(31)					
Liabilities from guarantees and indemnity agreements					**7,597,973**	**6,805,470**
Other obligations	(32)					
a) Placement and underwriting obligations				2,071,931		2,586,534
b) Irrevocable loan commitments				23,222,476		23,195,736
					25,294,407	**25,782,270**

Income Statement of Landesbank Hessen-Thüringen Girozentrale

for the period 1 January to 31 December 2019

in € thousands

	Note no.				2019	2018
Interest income from	(39), (40)					
a) Lending and money market transactions			4,103,991			3,426,943
thereof: Bausparkasse interest income:						
aa) From home savings loans		4,818				(5,595)
ab) From interim and bridge-over loans		18,069				(17,710)
ac) From other loans		62				(69)
b) Fixed-income securities and registered government debt			113,325			115,022
thereof: Negative interest income		69,064				(76,185)
				4,217,316		3,541,965
Interest expense				3,414,460		2,592,938
thereof: On home savings deposits		70,422				(74,536)
thereof: Positive interest expense		98,894				(79,658)
					802,856	949,027
Current income from	(39)					
a) Equity shares and other variable-income securities				27,875		25,791
b) Equity investments				1,147		3,688
c) Shares in affiliated companies				11,237		24,056
					40,259	53,535
Income from profit pooling, profit transfer or partial profit transfer agreements					**126,566**	91,605
Fee and commission income	(39), (41)			282,435		254,303
thereof: Bausparkasse fee and commission income:						
a) On contracts signed and arranged		18,592				(21,282)
b) From loans granted after allocation of home savings contract		16				(22)
c) From the commitment and administration of interim and bridge-over loans		7				(4)
Fee and commission expenses				91,228		89,750
thereof: On Bausparkasse contracts signed and arranged		32,575				(35,239)
					191,207	164,553
Net income of the trading portfolio	(39)				**76,717**	45,243
Other operating income	(39), (42)				**100,961**	76,074
General and administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			323,359			317,140
ab) Social security, post-employment and other benefit expenses			83,870			67,093
				407,229		384,233
thereof: Post-employment benefit expenses		5,991				(6,467)
b) Other administrative expenses				608,562		580,616
					1,015,791	964,849
Carried forward:					**322,775**	**415,188**

in € thousands

	Note no.				2019	2018
Carried forward:					**322,775**	**415,188**
Amortisation and write-downs of intangible assets and depreciation and write-downs of property and equipment					**23,983**	19,262
Other operating expenses	(42)				**166,988**	153,356
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions	(43)				**464,862**	312,235
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					**411,091**	293,116
Write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					**5,568**	–
Income from the reversal of write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					**4,665**	17,808
Cost of loss absorption					**403**	168
Additions to the fund for general banking risks					**–**	–
Result from ordinary activities					**76,727**	241,091
Extraordinary income				333,063		–
Extraordinary expenses				81,000		–
Extraordinary result	(44)				**252,063**	–
Taxes on income	(45)			−4,803		129,796
Other taxes not included in item Other operating expenses				1,259		1,034
					−3,544	130,830
Net income for the year					**332,334**	110,261
Retained profits brought forward from previous year					**–**	–
Allocations to revenue reserves					**242,334**	20,261
Net retained profits					**90,000**	**90,000**

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

as at 31 December 2019

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.

In December 2018, Helaba entered into an agreement with Dexia Crédit Local to acquire all of the shares in Dexia Kommunalbank Deutschland (DKD) for a purchase price of € 352 m. Following receipt of all the regulatory consents in the reporting year, the sale was completed at the beginning of May as scheduled. After completion of the deal, DKD was initially renamed KOFIBA-Kommunalfinanzierungsbank GmbH (KOFIBA). This was a temporary measure before the legal integration of the entity into Helaba could be completed in September 2019 by way of a merger based on carrying amounts. As a consequence of this deal, Helaba's assets increased by a total of € 18.3 bn in September 2019. The main components of this increase were as follows: loans and advances to banks of € 4.0 bn, loans and advances to customers of € 12.0 bn, and bonds and other fixed-income securities of € 1.6 bn. Helaba also added the following liabilities to its balance sheet as a result of the transaction: liabilities due to banks of € 4.2 bn, liabilities due to customers of € 11.2 bn, and securitised liabilities of € 1.5 bn.

Also in December 2018, Helaba agreed to take over a customer credit portfolio from DVB Bank SE (DVB). The portfolio consisted of land transport finance with a value of € 1.2 bn. The deal was completed in May 2019 as planned when all the regulatory approvals had been received. One of the notable changes as a result of this transaction, which took the form of an asset deal, was that the loans and advances to customers rose by approximately € 1.2 bn in May 2019.

(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 2019 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. In accordance with HGB, Helaba uses the expected credit loss approach – the approach specified in the International Financial Reporting Standards for determining loss allowances – to recognise global allowances. This means that 12-month expected credit losses are normally recognised, but lifetime expected credit losses are recognised if there is a significant increase in default risk. 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).

In 2019 Helaba again 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. The Bank also offsets the carrying amounts of exchange-traded derivatives and the corresponding variation margins in line with IDW RS BFA 5.

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. Goodwill is regarded as an asset with a finite useful life. If the finite useful life cannot be estimated reliably, the Bank applies an amortisation period of 10 years for goodwill in accordance with section 253 (3) sentence 4 HGB.

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 (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. 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 € 161 m according to section 253 (6) of the HGB is subject to a distribution restriction.

The measurement parameters applied are shown in the table below:

in %

	31.12.2019	31.12.2018
Discount rate	2.71	3.21
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 reported 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). These valuation techniques are normally used for OTC derivatives (including credit derivatives) and for financial instruments that are recognised at fair value and not traded on an active market. In those cases in which not all inputs are directly observable on 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.

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 € 1.0 m being expensed (2018: net addition of € 0.2 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

	31.12.2019	31.12.2018
This item includes:		
Loans and advances to affiliated Sparkassen	6,259	5,898
Loans and advances to affiliated companies	1,043	976
Loans and advances to other long-term investees and investors	31	28
The sub-item – other loans and advances – comprises:		
Subordinated loans and advances	8	8
thereof: To other long-term investees and investors	–	–
Payable on demand	5,716	1,471
Remaining maturities:		
Up to three months	1,806	2,067
More than three months and up to one year	609	2,046
More than one year and up to five years	1,427	3,731
More than five years	4,815	638

(3) Loans and Advances to Customers

in € m

	31.12.2019	31.12.2018
This item includes:		
Loans and advances to affiliated companies	687	763
Loans and advances to other long-term investees and investors	235	349
Subordinated loans and advances	15	43
thereof: To other long-term investees and investors	–	–
Remaining maturities:		
Up to three months	7,073	4,577
More than three months and up to one year	7,366	8,165
More than one year and up to five years	39,324	38,927
More than five years	45,604	32,737
With an indefinite term	4,146	1,961

(4) Bonds and Other Fixed-Income Securities

in € m

	31.12.2019	31.12.2018
Securitised receivables:		
From affiliated companies	–	–
From other long-term investees and investors	–	–
The marketable securities comprise:		
Listed securities	17,109	15,882
Unlisted securities	770	805
Remaining maturities:		
Amounts due in the following year	3,520	3,260
Subordinated assets	–	–
Deposited as collateral in open market transactions	1,483	1,489
Carrying amount of investment securities	–	–
Fair value of investment securities	–	–
Temporary impairment of investment securities	–	–

(5) Equity Shares and Other Variable-Income Securities

in € m

	31.12.2019	31.12.2018
The marketable securities comprise:		
Listed securities	27	16
Unlisted securities	–	16

This item comprises units in two (31 December 2018: 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 2018: € 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, income totalling € 21 m was received from dividend payments (2018: € 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 € 42.9 m. In the previous year, an amount of € 23 m was attributable to such investment funds.

(6) Trading Portfolio (Assets)

in € m

	31.12.2019	31.12.2018
Derivative financial instruments	7,228	5,181
Loans and advances	851	1,093
Bonds and other fixed-income securities	6,499	7,234
Equity shares and other variable-income securities	27	30
Subordinated assets	–	–
Other assets	–	–

The increase in the trading portfolio (assets) is mainly a result of higher positive fair values of derivatives. This effect is only slightly offset by the decline in bonds and other fixed-income securities. It also reflects the offsetting of trading derivatives (liabilities) and related collateral, which resulted in an amount of € 7.7 bn (31 December 2018: € 5.3 bn) being set off.

(7) Equity Investments

in € m

	31.12.2019	31.12.2018
The securities comprise:		
Marketable securities	14	18
Listed securities	–	–

(8) Shares in Affiliated Companies

in € m

	31.12.2019	31.12.2018
The securities comprise:		
Marketable securities	104	104
Listed securities	–	–

(9) Trust Assets

in € m

	31.12.2019	31.12.2018
This item includes:		
Loans and advances to banks	430	342
Loans and advances to customers	309	313
Equity investments	5	3
Shares in affiliated companies	62	53
Equity shares and other variable-income securities	95	197
Other assets	13	14

(10) Intangible Assets

in € m

	31.12.2019	31.12.2018
Purchased standardised software	81	69
Goodwill	7	–

(11) Property and Equipment

in € m

	31.12.2019	31.12.2018
This item includes:		
Land and buildings used for own operations	97	59
Operating and office equipment	30	32

(12) Other Assets

in € m

	31.12.2019	31.12.2018
Significant items are:		
Interest receivables under swap agreements	595	420
Other	466	255

(13) Prepaid Expenses

in € m

	31.12.2019	31.12.2018
From issuing and lending operations, this item includes:		
Premiums on loans and advances	383	161
Upfront payments	256	176
Discounts on liabilities and bonds issued	133	148

(14) Repurchase Agreements

The Bank did not sell either trading assets or assets in the liquidity reserve under repo agreements during either the reporting year or previous year.

(15) Assets Pledged as Collateral

in € m

	31.12.2019	31.12.2018
Assets of the following amounts were transferred for the following liabilities:		
Liabilities due to banks	2,391	2,602
Trading liabilities	9,762	3,434

This includes borrowed securities in the amount of € 56.3 m (31 December 2018: € 63.2 m) that had been transferred on to credit institutions in connection with repurchase agreements.

(16) Assets Denominated in Foreign Currency

in € m

	31.12.2019	31.12.2018
Assets denominated in foreign currency	26,171	24,079

(17) Statement of Changes in Fixed Assets

in € m

	Intangible assets	Property and equipment	Long-term securities	Equity investments	Shares in affiliated companies	Fixed assets total
Cost						
As at 1.1.2019	**221**	**237**	**27**	**58**	**2,063**	**2,606**
Additions	39	53	23	1	31	147
Exchange rate changes	–	–1	–	–	–	–1
Reclassifications	–	–	–	–	–	–
Disposals	32	–	3	–	12	47
As at 31.12.2019	**228**	**289**	**47**	**59**	**2,082**	**2,705**
Depreciation, amortisation and write-downs and reversals of write-downs						
As at 1.1.2019	**152**	**145**	**4**	**23**	**58**	**382**
Reversals of write-downs	–	–	–	–	–	–
Depreciation and amortisation	19	5	–	–	–	24
Write-downs	–	–	–	5	–	5
Exchange rate changes	–	–1	–	–	–	–1
Reclassifications	–	–	–	–	3	3
Disposals	32	–	–	–	–	32
As at 31.12.2019	**139**	**149**	**4**	**28**	**61**	**381**
Carrying amounts						
As at 1.1.2019	69	92	23	35	2,005	2,224
As at 31.12.2019	89	140	43	31	2,021	2,324

(18) Liabilities Due to Banks

in € m

	31.12.2019	31.12.2018
This item includes:		
Liabilities due to affiliated Sparkassen	6,324	7,980
Liabilities due to affiliated companies	5,261	5,235
Liabilities due to other long-term investees and investors	22	24
Payable on demand	6,891	7,218
Remaining maturities:		
Up to three months	1,690	1,304
More than three months and up to one year	3,934	2,289
More than one year and up to five years	10,357	11,718

(19) Liabilities Due to Customers

in € m

	31.12.2019	31.12.2018
This item includes:		
Liabilities due to affiliated companies	402	692
Liabilities due to other long-term investees and investors	63	73
Payable on demand	12,164	11,460
Remaining maturities:		
Up to three months	1,687	2,546
More than three months and up to one year	7,560	6,183
More than one year and up to five years	5,645	2,026
More than five years	14,035	8,602

(20) Securitised Liabilities

in € m

	31.12.2019	31.12.2018
This item includes:		
Liabilities due to affiliated companies	–	–
Liabilities due to other long-term investees and investors	–	–
Remaining maturities of the sub-item – bonds issued:		
Amounts due in the following year	7,624	6,589
Remaining maturities of the sub-item – other securitised liabilities:		
Payable on demand	–	–
Up to three months	10,670	2,850
More than three months and up to one year	1,921	513
More than one year and up to five years	–	–
More than five years	–	–

(21) Trading Portfolio (Liabilities)

in € m

	31.12.2019	31.12.2018
Derivative financial instruments	3,021	2,319
Liabilities	8,334	5,279
thereof: Other securitised liabilities	1,178	874
Risk premium	22	18

As at 31 December 2019 the offsetting of trading derivatives (assets) and related collateral resulted in an amount of € 10.9 bn (31 December 2018: € 6.9 bn) being set off. The rise in trading liabilities was a result of factors that included increased deposits from institutional customers and Sparkassen.

(22) Trust Liabilities

in € m

	31.12.2019	31.12.2018
Liabilities due to banks	255	125
Liabilities due to customers	484	530
Other liabilities	176	266

(23) Other Liabilities

in € m

	31.12.2019	31.12.2018
Significant items are:		
Interest obligations arising from swap agreements in the non-trading portfolio	510	238
Currency translation differences	417	200
Interest on profit participation rights and silent participations	34	41
Taxes to be paid	11	13
Option premiums received for the non-trading portfolio	4	3

The increase in the currency translation differences item is a result of derivatives recognised for the first time in connection with the merger of KOFIBA, as well as exchange rate changes.

(24) Deferred Income

in € m

	31.12.2019	31.12.2018
From issuing and lending operations, this item includes:		
Premiums on liabilities and bonds issued	248	270
Upfront payments	417	237
Discounts on lending operations	49	29

(25) Provisions

The difference between the carrying amount of the pension provisions measured using the average market rate for the past ten financial years (2.71 %) and the carrying amount of the provisions measured using the appropriate average market rate for the past seven financial years (1.97 %) was € 161 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 € 39 m (31 December 2018: € 32 m) and the fair value to € 40 m (31 December 2018: € 36 m). The settlement amount of the offset liabilities amounted to € 42 m (31 December 2018: € 40 m). In the income statement, income associated with these assets amounting to € 4.4 m (2018: expenses of € 2.9 m) were offset against expenses from the corresponding liabilities amounting to € 2.2 m (2018: expenses of € 0.7 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. Helaba recognised restructuring provisions amounting to € 81 m during the year under review; these additions to provisions are shown under the extraordinary result.

(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 2018: € 29 m). Interest expense on subordinated borrowings amounted to € 93 m in the year under review (2018: € 88 m).

As in the previous year, the Bank did not have any subordinated liabilities due to affiliated companies or other long-term investees and investors.

(27) Profit Participation Rights

in € m

	31.12.2019	31.12.2018
This item includes:		
Registered profit participation rights	61	61

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.

(28) Additional Tier 1 Capital Instruments

AT1 bonds represent unsecured and subordinated bonds of the Bank. The repayment as well as the nominal amount of the AT1 bonds may be reduced if a triggering event occurs. The decline of the Bank's Tier 1 capital ratio to under 5.125 % on a consolidated basis would be a triggering event. After the occurrence of a triggering event, any reduced bond amounts may be increased 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 may be obliged (but also 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 2019, the carrying amount of issued bonds excluding pro-rata interest stood at € 373.8 m (31 December 2018: € 373.8 m). Accrued interest expenses from issued bonds amounted to € 0.5 m in 2019 (2018: € 0.5 m).

(29) Liabilities Denominated in Foreign Currency

in € m

	31.12.2019	31.12.2018
Liabilities denominated in foreign currency	9,544	10,651

(30) Own Funds

in € m

	31.12.2019	31.12.2018
Subscribed capital	**3,027**	**3,042**
a) Share capital	589	589
b) Capital contribution	1,920	1,920
c) Silent partner contributions	518	533
Capital reserves	**1,546**	**1,546**
Revenue reserves	**2,253**	**2,010**
Including Additional Tier 1 capital instruments,	374	374
profit participation rights,	81	81
fund for general banking risks,	599	599
home savings protection fund	11	11
and subordinated liabilities	2,237	2,237

A distribution of € 90 m and an appropriation to revenue reserves of € 242 m are proposed for the appropriation of net profit.

(31) Contingent Liabilities

in € m

	31.12.2019	31.12.2018
This item includes:		
Credit guarantees	4,418	3,853
Other guarantees and sureties	3,180	2,953

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 loss allowances. Helaba has recognised appropriate provisions in individual cases where a loss from the likely use of a facility is probable.

(32) Other Obligations

in € m

	31.12.2019	31.12.2018
This item includes:		
Placement and underwriting obligations	2,072	2,587
Irrevocable loan commitments for open-account loans	23,222	23,196

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

	31.12.2019	31.12.2018
Issued public Pfandbriefe	**27,449**	**15,122**
Assets held as collateral		
Loans and advances to banks	256	179
Loans and advances to customers	32,748	18,855
Bonds and other fixed-income securities	935	330
Trust assets	710	471
Surplus cover	**7,200**	**4,713**
Issued mortgage Pfandbriefe	**10,958**	**11,588**
Assets held as collateral		
Loans and advances to banks		–
Loans and advances to customers	13,844	13,234
Bonds and other fixed-income securities	803	533
Trust assets	724	385
Surplus cover	**4,413**	**2,563**

(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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Mortgage Pfandbriefe:				
Cover pool	15,371	14,151	16,396	14,844
Pfandbriefe in circulation	10,958	11,588	11,133	11,772
Surplus cover	4,413	2,563	5,263	3,073
Net present value at risk under internal model	–	–	4,702	2,796
Public Pfandbriefe:				
Cover pool	34,648	19,835	40,991	21,765
Pfandbriefe in circulation	27,449	15,122	31,898	16,244
Surplus cover	7,200	4,713	9,094	5,521
Net present value at risk under internal model	–	–	8,045	5,306

As at 31 December 2019, the following amounts in the municipal register business portfolios were attributable to the KOFIBA takeover: municipal cover of € 11.2 bn and public Pfandbriefe in circulation of € 11.4 bn.

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Mortgage Pfandbriefe:				
Up to six months	631	1,220	739	1,201
More than six months and up to one year	827	713	2,028	1,520
More than one year and up to eighteen months	1,140	451	747	737
More than eighteen months and up to two years	671	841	1,232	2,014
More than two years and up to three years	2,626	1,831	2,148	522
More than three years and up to four years	2,242	2,908	1,089	2,148
More than four years and up to five years	1,958	1,410	1,798	1,088
More than five years and up to ten years	5,008	4,675	1,077	2,140
More than ten years	269	103	100	217
Public Pfandbriefe:				
Up to six months	2,512	1,053	1,758	2,682
More than six months and up to one year	1,599	1,015	1,203	604
More than one year and up to eighteen months	1,393	1,406	1,842	1,238
More than eighteen months and up to two years	1,280	1,075	1,075	422
More than two years and up to three years	2,851	1,862	4,862	1,417
More than three years and up to four years	3,474	1,804	2,155	1,798
More than four years and up to five years	2,224	2,814	1,169	1,367
More than five years and up to ten years	10,000	5,291	8,358	3,234
More than ten years	9,316	3,517	5,028	2,362

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

	31.12.2019	31.12.2018
Mortgage Pfandbriefe:		
Pfandbriefe in circulation	10,958	11,588
thereof: Fixed-income Pfandbriefe (in %)	90,6	89,9
Cover pool	15,371	14,151
thereof: Further cover	803	533
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: Fixed-income cover pool (in %)	58,8	58,8
Total of net present values	4,903	2,932
Net present value per section 6 of Present Value Regulation for Pfandbriefe, by currency:		
Euro	2,599	1,458
US dollar	998	664
Pound sterling	957	678
Swiss franc	56	58
Swedish krona	226	75
Average elapsed term of loans and advances since granting (in years)	4,1	4,4
Weighted average loan-to-value ratio (in %)	58,8	58,7
Public Pfandbriefe:		
Pfandbriefe in circulation	27,449	15,122
thereof: Fixed-income Pfandbriefe (in %)	97,7	95,8
Cover pool	34,648	19,835
thereof: Further cover	44	44
thereof: Total claims exceeding the limits of section 20, sub-section		–
thereof: Fixed-income cover pool (in %)	94,3	90,5
Total of net present values	8,056	5,347
Net present value per section 6 of Present Value Regulation for Pfandbriefe, by currency:		
Euro	7,882	5,397
US dollar	28	–223
Pound sterling	0	0
Swiss franc	145	170
Japanese yen	2	2

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

Residential breakdown:

in € m

Country	Homes for owner occupation 2019	Homes for owner occupation 2018	Single-family and two-family homes 2019	Single-family and two-family homes 2018	Multiple-family homes 2019	Multiple-family homes 2018	Incomplete and not-yet-profitable new buildings 2019	Incomplete and not-yet-profitable new buildings 2018	Building sites 2019	Building sites 2018	Total 2019	Total 2018
Germany	130	94	285	185	3,404	2,062	–	–	–	1	3,819	2,342

Commercial breakdown:

in € m

Country	Office buildings 2019	Office buildings 2018	Retail buildings 2019	Retail buildings 2018	Industrial buildings 2019	Industrial buildings 2018	Other commercially used buildings 2019	Other commercially used buildings 2018	Incomplete and not-yet-profitable new buildings 2019	Incomplete and not-yet-profitable new buildings 2018	Building sites 2019	Building sites 2018	Total 2019	Total 2018
Germany	2,332	2,190	1,791	2,373	240	132	766	745	–	–	61	1	5,190	5,441
Belgium	108	87	–	–	–	–	–	–	–	–	–	–	108	87
Finland	59	–	66	34	–	–	47	47	–	–	–	–	172	81
France	596	803	148	183	–	–	36	55	–	–	–	–	780	1,041
Luxembourg	158	70	–	–	–	–	–	–	–	–	–	–	158	70
Sweden	87	116	106	66	–	–	33	35	–	–	–	–	226	217
The Netherlands	182	143	176	176	–	–	–	6	–	–	16	–	374	325
Norway	65	–	–	–		–		–		–		–	65	–
Austria	58	–	107	107	–	–	–	–	–	–	–	–	165	107
Poland	502	443	547	398	–	–	–	–	–	–	–	–	1,049	840
Czech Republic	17	8	52	–	–	–	–	82	–	–	–	4	69	94
UK	603	425	196	100	–	–	139	147	–	–	–	–	938	672
USA	1,367	1,387	87	105	–	–	–	–	–	–	–	–	1,454	1,492
Total	**6,133**	**5,673**	**3,276**	**3,541**	**240**	**132**	**1,021**	**1,117**	**–**	**–**	**77**	**6**	**10,748**	**10,468**

Breakdown of the cover pool by size

in € m

	31.12.2019	31.12.2018
Mortgage Pfandbriefe		
Up to € 0.3 m	478	327
More than € 0.3 m and up to € 1 m	142	128
More than € 1 m and up to € 10 m	1,047	1,085
More than € 10 m	12,901	12,079
Further cover	803	533
Public Pfandbriefe		
Up to € 10 m	4,918	4,110
More than € 10 m and up to € 100 m	10,913	8,432
More than € 100 m	18,714	7,249
Further cover	103	44

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

	31.12.2019	31.12.2018
Commercial	–	–
Residential	–	–
Total	**–**	**–**

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	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Germany		678	12,894	3,801	13,354	10,453	4,840	3,912	763	676	31,902	18,844
Belgium			918								918	–
Finland			21						–	–	21	–
France incl. Monaco	16	–	390	452	–	–	31	33	16	–	437	485
UK incl. Northern Ireland	152	271	–	–	–	–	–	–	152	271	152	271
Luxembourg	3	4	–	–	–	–	–	–	3	4	3	4
Spain	–	–	84	141	–	–	–	–	–	–	84	141
Austria	62	–	820	2	–	–	–	–	3	–	882	2
Portugal			100								100	
Switzerland	–	–	46	44	–	–	–	–	–	–	46	44
Total	**1,047**	**952**	**15,273**	**4,440**	**13,354**	**10,453**	**4,871**	**3,945**	**937**	**950**	**34,545**	**19,791**

In the case of public Pfandbriefe, payments at least 90 days past due totalled € 0 thousand (31 December 2018: € 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 hedge or manage risks attributable to banking book transactions (asset/liability management).

The nominal volume of derivative transactions in the non-trading portfolio increased by 29.6 % year on year. This rise was primarily attributable to the migration of derivatives in connection with the KOFIBA takeover. This included the initial recognition of interest rate swaps and cross-currency swaps with a notional amount of € 29 bn. The € 6 bn increase in currency futures is attributable to short-term measures to manage liquidity.

Disclosure of volumes

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2019	31.12.2018	31.12.2019	31.12.2019
Interest rate risk	**197,950**	**153,767**	**9,656**	**3,739**
Interest rate swaps	178,828	138,420	9,511	3,642
Forward rate agreements	–	–	–	–
Interest rate options	9,511	9,464	14	12
Calls	519	443	14	12
Puts	8,992	9,021	–	–
Caps, floors	5,260	4,040	130	85
Market contracts	4,351	1,843	1	–
Other interest rate futures	–	–	–	–
Currency risk	**31,203**	**22,846**	**259**	**204**
Currency futures	11,381	5,510	80	19
Currency swaps / cross-currency swaps	19,818	17,336	179	185
Currency options	4	–	–	–
Calls	4	–	–	–
Puts	–	–	–	–
Equity and other price risks	**–**	**–**	**–**	**–**
Equity options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Market contracts	–	–	–	–
Credit derivatives	**–**	**150**	**–**	**–**
Calls	–	150	–	–
Puts	–	–		
Commodity risk	**–**	**–**	**–**	**–**
Commodity swaps	–	–	–	–
Commodity options	–	–	–	–
Total	**229,153**	**176,763**	**9,915**	**3,943**

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 € 915 m (31 December 2018: € 618 m), while liabilities related to derivatives amount to € 1,349 m (31 December 2018: € 682 m).

Breakdown of nominal amounts by maturity

in € m

	Interest rate risk		Currency risk		Equity and other price risks	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Up to three months	8,174	9,078	9,919	5,192	–	–
More than three months and up to one year	23,713	18,048	3,939	2,607	–	–
More than one year and up to five years	85,037	71,573	12,188	10,613	–	–
More than five years	81,026	55,068	5,157	4,434	–	–
Total	**197,950**	**153,767**	**31,203**	**22,846**	**–**	**–**

in € m

	Credit derivatives		Commodity derivatives		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Up to three months	–	–	–	–	18,093	14,270
More than three months and up to one year	–	150	–	–	27,652	20,805
More than one year and up to five years	–	–	–	–	97,225	82,186
More than five years	–	–	–	–	86,183	59,502
Total	**–**	**150**	**–**	**–**	**229,153**	**176,763**

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 16.1 % of total business in this risk category (31 December 2018: 17.6 %).

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 € 11,222 m at the reporting date (31 December 2018: € 10,133 m).

Breakdown by counterparty

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2019	31.12.2018	31.12.2019	31.12.2019
Banks in OECD countries	96,017	64,493	6,636	8,286
Banks outside OECD countries	–	5	–	–
Public institutions in OECD countries	4,092	4,010	668	226
Other counterparties	129,044	108,255	2,611	2,038
Total	**229,153**	**176,763**	**9,915**	**10,550**

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 97.9 % of the nominal volume (31 December 2018: 99.1 %).

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 1.4 % 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
	31.12.2019	31.12.2018	31.12.2019	31.12.2019
Interest rate risk	**298,514**	**295,769**	**6,422**	**2,302**
Interest rate swaps	244,813	244,759	6,152	2,126
Forward rate agreements	–	–	–	–
Interest rate options	26,041	24,222	257	142
Calls	11,480	9,492	257	6
Puts	14,561	14,730	–	136
Caps, floors	17,994	16,873	13	34
Market contracts	9,091	9,415	–	–
Other interest rate futures	575	500	–	–
Currency risk	**45,397**	**39,809**	**622**	**582**
Currency futures	38,732	32,632	239	311
Currency swaps / cross-currency swaps	5,919	6,704	378	267
Currency options	746	473	5	4
Calls	374	234	5	–
Puts	372	239	–	4
Equity and other price risks	**5,223**	**5,349**	**184**	**125**
Equity options	4,860	4,764	178	111
Calls	2,542	2,562	178	–
Puts	2,318	2,202	–	111
Market contracts	363	585	6	14
Credit derivatives	**3,196**	**6,659**	**–**	**12**
Calls	1,683	3,462	–	12
Puts	1,513	3,197	–	–
Commodity risk	**43**	**58**	**–**	**–**
Commodity swaps	–	2	–	–
Commodity options	43	56	–	–
Total	**352,373**	**347,644**	**7,228**	**10,434**

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Up to three months	13,185	11,350	19,627	16,250	269	257
More than three months and up to one year	35,418	26,972	14,064	13,498	558	736
More than one year and up to five years	120,804	136,728	10,101	8,432	4,066	4,015
More than five years	129,107	120,719	1,605	1,629	330	341
Total	**298,514**	**295,769**	**45,397**	**39,809**	**5,223**	**5,349**

in € m

	Credit derivatives		Commodity derivatives		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Up to three months	32	50	43	33	33,156	27,940
More than three months and up to one year	391	695	–	25	50,431	41,926
More than one year and up to five years	2,618	5,777	–	–	137,589	154,952
More than five years	155	137	–	–	131,197	122,826
Total	**3,196**	**6,659**	**43**	**58**	**352,373**	**347,644**

Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 16.3 % of total business in this risk category (31 December 2018: 13.0 %).

Breakdown by counterparty

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2019	31.12.2018	31.12.2019	31.12.2019
Banks in OECD countries	144,361	132,651	1,727	3,977
Banks outside OECD countries	3	–	–	–
Public institutions in OECD countries	21,062	22,881	3,033	3,076
Other counterparties	186,947	192,112	2,468	3,381
Total	**352,373**	**347,644**	**7,228**	**10,434**

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 65.1 % of the nominal volume (31 December 2018: 69.9 %).

The percentage of the total volume of derivatives accounted for by trading derivatives remained almost stable year on year at 60.6 % (31 December 2018: 66.3 %).

As in previous years, interest rate contracts accounted for most of the trading activities. In this case, 60.1 % (31 December 2018: 72.0 %) of the total portfolio is attributable to trading derivatives. 59.3 % (31 December 2018: 63.5 %) of the currency risk contracts and 100 % (31 December 2018: 97.8 %) of the credit derivatives relate to the trading portfolio.

(37) Trading Products

in € m

	Assets		Liabilities		Net income of the trading portfolio	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Derivative financial instruments	**7,228**	**5,181**	**3,020**	**2,319**	**–36**	**68**
Interest rate trading	6,422	4,251	2,302	1,499	–80	15
Equity trading	184	325	124	190	–7	19
Currency trading	622	601	582	618	52	23
Credit derivatives	–	4	12	12	–11	4
Commodities	–	–	–	–	10	7
Receivables / liabilities	**851**	**1,093**	**8,345**	**5,245**	**12**	**28**
Promissory note loans	807	907	–	–	29	18
Overnight and time deposits	16	36	7,105	4,288	6	3
Repos / reverse repos / securities lending	16	134	–	–	–	–
Issued money market instruments / securitised liabilities	–	–	1,112	822	–11	–2
Issued equity / index certificates	–	–	66	52	–13	9
Other	12	16	62	83	1	–
Bonds and other fixed-income securities	6,498	7,234	11	52	113	–8
Equity shares and other variable-income securities	27	30	–	–	15	–25
Other					**–27**	**–18**
Commissions					–27	–18
Fund for general banking risks in accordance with section 340e of the HGB					–	–
Total	**14,604**	**13,538**	**11,376**	**7,616**	**77**	**45**

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 € 7.7 bn (31 December 2018: € 5.3 bn) was set off in the case of trading assets and € 10.9 bn (31 December 2018: € 6.9 bn) in the case of trading liabilities.

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

As at 31 December 2019, the carrying amount of the securities included in valuation units was € 12,580 m (31 December 2018: € 12,917 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

	31.12.2019	31.12.2018
Credit risk-related reversals of write-downs of securities	–16	–17
Change in provision for expected losses for interest rate-related measurement effects that were not fully offset	–	–

(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

	31.12.2019	31.12.2018
Germany	3,704	3,253
European Union, excl. Germany	656	322
Other	455	403

(40) Net Interest Income

In the year under review, interest income from lending and money market transactions included negative interest in the amount of € 69.1 m (31 December 2018: € 76.2 m), while interest expenses included income of € 98.9 m (31 December 2018: € 79.7 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 € 15 m (2018: € 13 m), rental and leasing income of € 23 m (2018: € 22 m) and cost reimbursements on commissioned work undertaken for third parties of € 26 m (2018: € 16 m).

The interest cost on provisions amounted to € 134 m (2018: € 99 m). Expenses for buildings not occupied by the Group amounted to € 10 m in the year under review (2018: € 10 m).

The item includes prior-period income of € 0 m and prior-period expenses of € 1 m.

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

This line item is used to report provisions on losses of loans. For reporting write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions, the Bank did not use the option of cross-compensation in accordance with section 340f of the HGB.

(44) Extraordinary Result

As at 31 December 2019, the Bank reported an extraordinary result of € 252 m, consisting of the gain from the KOFIBA merger amounting to € 333 m, some of which was offset by expenses of € 81 m due to the recognition of a restructuring provision.

(45) Taxes on Income

Taxes on income mainly comprise taxes on taxable results in Germany and in the USA (New York branch). The Bank reported a net tax income resulting from tax refunds relating to prior years amounting to € 96 m. Of the tax refunded, € 91 m is attributable to the change in the discounting for tax purposes of non-interest-bearing liabilities.

(46) Other Financial Obligations

At the balance sheet date, the Bank had obligations to make contributions to the subscribed capital of 26 companies totalling € 171 m, of which € 24 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. The purpose of this protection scheme is to guarantee the institution, i.e. to protect the continued existence of the affiliated 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 will make gradual 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.

The sundry obligations include obligations of € 45 m (31 December 2018: € 32 m) to the European Single Resolution Fund. The Bank has elected to fully utilise the option to make some of the annual contribution in the form of an irrevocable payment undertaking backed in full by cash collateral.

The Reserve Fund of the Landesbanken and Girozentralen and the deposit security reserve fund of the Landesbausparkassen also give their member banks an option to pay part of their contributions in the form of irrevocable payment undertakings backed by cash collateral. The Bank has utilised this option for contributions of € 28 m (31 December 2018: € 20 m).

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 € 8,331 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 € 1,483 m. In accordance with international requirements, securities with an equivalent market value of € 2,127 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 € 50.0 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 € 2,522 m (31 December 2018: € 2,371 m), of which € 1,541 m had been drawn down as at 31 December 2019 (31 December 2018: € 1,542 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 2019, liquidity lines for third-party securitisation platforms amounted to € 0.00 m (31 December 2018: € 65 m).

Possible obligations in connection with litigation risks amounted to € 18 m as at 31 December 2019. 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 € 76 m (31 December 2018: € 61 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 2019, the total nominal value of all transferred receivables included in Helaba's cover register amounted to € 1433 m (public Pfandbriefe of € 710 m and mortgage Pfandbriefe of € 724 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 related to statutory, contractually agreed or voluntary review or attestation services, particularly attestations for protection schemes and statutory notifications, project reviews, reviews of the service-related internal control system and reviews of the custody business and securities service business.

(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 disclosures relating to the persons in key positions at Helaba as defined in section 285 no. 21 of the HGB, including their close family relations and companies controlled by those persons, are also included in the following table.

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 31 December 2019:

in € m

	Affiliated companies	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Assets	**4,777**	**157**	**8,675**	**11**	**13,620**
Loans and advances to banks	1,043	1	–	–	**1,044**
Loans and advances to customers	687	146	8,476	11	**9,320**
Bonds and other fixed-income securities	–	–	185	–	**185**
Equity shares and other variable-income securities	989	–	–	–	**989**
Trading assets	–	–	11	–	**11**
Equity investments	–	10	–	–	**10**
Shares in affiliated companies	2,021	–	–	–	**2,021**
Other assets	37	–	3	–	**40**
Liabilities	**5,749**	**33**	**2,053**	**–**	**7,835**
Liabilities due to banks	5,281	–	190	–	**5,471**
Liabilities due to customers	426	33	1,856	–	**2,315**
Trading liabilities	2	–	–	–	**2**
Other liabilities	40	–	7	–	**47**
Contingent liabilities	**120**	**44**	**23**	**–**	**187**

The equivalent amounts as at 31 December 2018 were as follows:

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	**5,963**	**53**	**1,710**	**–**	**7,726**
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	36	–	8	–	**44**
Contingent liabilities	**11**	**112**	**7**	**–**	**130**

Allowances of € 29.9 m (31 December 2018: € 35.4 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 2018: € 0 m) and loans of € 0.0 m to members of the Supervisory Board (31 December 2018: € 0.4 m).

The total remuneration paid by the Bank to the Board of Managing Directors amounted to € 6.4 m (2018: € 6.5 m). A total of € 0.8 m (2018: € 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 € 1.9 m (2018: € 2.3 m) was paid to the members of the Supervisory Board as employees. An amount of € 3.8 m was paid to former members of the Board of Managing Directors and their surviving dependants (2018: € 3.5 m). Provisions of € 59.8 m were recognised for pension obligations for this group of persons (2018: € 58.1 m).

(49) Average Number of Employees During the Year

	Female		Male		Total	
	2019	2018	2019	2018	2019	2018
Bank	1,194	1,171	1,602	1,585	2,796	2,756
WIBank – Wirtschafts- und Infrastrukturbank Hessen	259	250	173	173	432	423
Landesbausparkasse	127	141	87	99	214	240
Bank as a whole	**1,580**	**1,562**	**1,862**	**1,857**	**3,442**	**3,419**

(50) Executive Bodies of the Bank

Supervisory Board

Members

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 –
(since 27 September 2019)

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
– until 31 December 2019 –
– Third Vice-Chairman
(until 26 September 2019) –

Dr. Christoph Krämer
Chairman of the Board of Managing Directors
Sparkasse Iserlohn
Iserlohn
– Third Vice-Chairman
(since 27 September 2019) –

Dr. Karl-Peter Schackmann-Fallis
Executive Member of the Board
Deutscher Sparkassen- und Giroverband e.V.
Berlin
– Fifth Vice-Chairman –

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

Andreas Bausewein
Mayor
City of Erfurt
Erfurt
– until 30 June 2019 –

Christian Blechschmidt
Chairman of the Board of Managing Directors
Sparkasse Unstrut-Hainich
Mühlhausen

Nancy Faeser
Member of the State Parliament of Hesse
Wiesbaden
– since 25 September 2019 –

Stefan Hastrich
Chairman of the Board of Managing Directors
Kreissparkasse Weilburg
Weilburg
– until 30 June 2019 –

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

Oliver Klink
Chairman of the Board of Managing Directors
Taunussparkasse
Bad Homburg v.d.H.
– since 1 July 2019 –

Frank Lortz
Vice-President of the State Parliament of
Hesse
Wiesbaden
– since 1 July 2019 –

Clemens Reif
Herborn
– until 30 June 2019 –

Thorsten Schäfer-Gümbel
Member of the State Parliament
of Hesse
Wiesbaden
– until 30 June 2019 –

Helmut Schmidt
Chairman of the Board of Managing Directors
Kreissparkasse Saale-Orla
Schleiz
– until 18 January 2019 –

Uwe Schmidt
Chief Administrative Officer
District of Kassel
Kassel

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

Arnd Zinnhardt
Member of the Group Executive Board
Darmstadt
Software AG

Employee representatives

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

Frank Beck
Vice-President
Frankfurt am Main

Dr. Robert Becker
Senior Vice-President
New York
– until 30 June 2019 –

Anke Glombik-Batschkus
Vice-President
Erfurt
– until 30 June 2019 –

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 –

Dezernent (Board member) with responsibility for Central Staff and Group Strategy, Internal Audit, Human Resources, Legal Services, Economics/Research, Process Management and Information Security, WIBank

Thomas Groß
– Vice-Chairman –

Dezernent (Board member) with responsibility for Risk Controlling, Credit Risk Management Corporates/Markets, Credit Risk Management Real Estate, Credit Risk Management Restructuring/Workout, Cash Management, Strategy Project Digitalisation, Frankfurter Sparkasse, Frankfurter Bankgesellschaft

Dr. Detlef Hosemann

Dezernent (Board member) with responsibility for Accounting and Taxes, Group Controlling, Information Technology, Compliance, Settlement/Custody Services

Hans-Dieter Kemler

Dezernent (Board member) with responsibility for Capital Markets, Asset/Liability Management, Sales Public Authorities, Institutional CRM, Helaba Invest, Banks and International Business, Sparkasse Lending Business and S-Group Service, Sparkasse Support North, Sparkasse Support South, Landesbausparkasse Hessen-Thüringen (LBS)

Christian Schmid

Dezernent (Board member) with responsibility for Real Estate Lending, Debt Capital Markets and Sales Management RE, Real Estate Management, Administration, GWH, OFB

Dr. Norbert Schraad

Dezernent (Board member) with responsibility for Corporate Finance, CRM Wholesale Business, CRM Midcaps, General Manager Sales NRW/Düsseldorf Branch, CRM Public Authorities/Municipal Corporations, CRM International, Sales Service

(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	0.00		n.a.	n.a.		
2	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00	0.00		7.1	0	€	1)
3	ABE CLEARING S.A.S à capital variable, Paris, France	1.85	1.85		27.9	3,194	€	
4	Advent International GPE IX-A SCSp, Luxembourg, Luxembourg	0.43	0.43		n.a.	n.a.		
5	Advent International GPE V-B Limited Partnership, George Town, Cayman Islands	1.99	1.99	0.30	20.6	−4,301	€	
6	Advent International GPE VI Limited Partnership, George Town, Cayman Islands	0.24	0.24		938.3	106,586	€	
7	AIRE Eschborn FS2 Verwaltungs GmbH, Frankfurt am Main	50.00	0.00		n.a.	n.a.		
8	Airport Office One GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	−5	€	
9	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	1.14	1.14		246.7	12,040	€	
10	Almack Mezzanine II Unleveraged LP, London, United Kingdom	5.83	5.83		10.1	6,617	€	
11	AlphaHaus GmbH & Co. KG i.L., Erzhausen	5.50	0.00		1.1	12	€	
12	Antenne Thüringen GmbH & Co. KG, Weimar	3.50	3.50		2.0	1,175	€	
13	ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Frankfurt am Main	100.00	100.00		−22.1	288	€	
14	ASTARTE Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	−4	€	
15	AVW Assekuranzvermittlung der Wohnungswirtschaft GmbH & Co. KG, Bosau	11.76	0.00	11.63	0.2	17,408	€	
16	Bauverein für Höchst a. M. und Umgebung eG, Frankfurt am Main	0.03	0.00		28.6	762	€	
17	BC European Capital VIII-8, St. Peter Port, Guernsey	1.83	1.83	0.17	535.5	561,767	€	
18	BCEC X Luxembourg 1 SCSp, Luxembourg, Luxembourg	7.37	7.37		125.8	−2,212	€	

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	
19	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	€	1)
20	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00	0.00		0.0	0	€	1)
21	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		4.2	778	€	
22	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG i.L., Frankfurt am Main	100.00	100.00		1.7	112	€	
23	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG i.L., Munich	100.00	0.00	0.21	0.0	–8	€	
24	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Wiesbaden	100.00	100.00		1.5	676	€	
25	BOF III CV Investors LP, Wilmington, USA	4.16	4.16		57.5	35,768	€	
26	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.03	21.03		20.8	850	€	
27	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		25.9	642	€	
28	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.3	0	€	
29	Campus Kronberg GmbH & Co. KG, Hamburg	6.00	0.00		60.3	–157	€	
30	Capnamic Ventures Fund II GmbH & Co. KG, Cologne	4.27	4.27	4.35	25.7	–1,767	€	
31	CapVest Equity Partners II, L.P., Hamilton, Bermuda	3.48	3.48		0.6	91	€	
32	CapVest Equity Partners IV (Feeder) SCSp, Findel, Luxembourg	2.66	2.66		n.a.	n.a.		
33	Carlyle Europe Partners V - EU SCSp, Luxembourg, Luxembourg	0.32	0.32		n.a.	n.a.		
34	Castra Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	2.85	0.00		–20.9	–599	€	
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	0.00		0.9	–100	€	

		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**
38	DBAG Fund IV GmbH & Co. KG i. L., Frankfurt am Main	6.13	6.13		3.4	203	€
39	DBAG Fund V GmbH & Co. KG, Frankfurt am Main	7.59	7.59	15.11	11.8	1,254	€
40	Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe	1.71	0.00		652.5	50,404	€
41	Deutsche WertpapierService Bank AG, Frankfurt am Main	3.74	3.74		195.8	17,078	€
42	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		205.4	45,926	€
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	0.00		36.7	2,395	€
45	Doughty Hanson & Co. V LP No. 1, London, United Kingdom	1.60	1.60		26.3	–2,713	€
46	Dritte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–65	€
47	Dritte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	–2	€
48	Dritte Projektentwicklungs-GmbH & Co. Schulen Landkreis Kassel KG, Kassel	6.00	0.00		12.6	1,945	€
49	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00	0.00		–1.3	–664	€
50	EQT Expansion Capital II (No. 1) Limited Partnership, St. Peter Port, Guernsey	4.57	4.57		143.9	16,860	€
51	EQT V (No. 1) Limited Partnership, St. Peter Port, Guernsey	0.28	0.28		226.4	102,462	€
52	Erste OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–49	€
53	Erste Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00	0.00		0.1	5	€
54	Erste ST Berlin Projekt GmbH & Co. KG, Berlin	0.50	0.00		1.4	–1,096	€
55	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00	94.90		193.5	–177	€
56	Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, Neuhardenberg	1.76	0.00	0.00	3,366.6	122,030	€
57	EUFISERV Payments s.c.r.l., Brussels, Belgium	11.37	11.37		0.3	12	€

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	0.00		43.5	1,584	€
59	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	2	€
60	Family Office der Frankfurter Bankgesellschaft AG, Frankfurt am Main	100.00	0.00		2.1	−1,494	€
61	FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	100.00	0.00		−0.1	−67	€
62	FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	100.00	0.00		−0.1	−53	€
63	FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	100.00	0.00		−0.2	−68	€
64	FHP Friedenauer Höhe Projekt GmbH, Berlin	100.00	0.00		0.0	15	€
65	FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin	100.00	0.00		−0.9	−730	€
66	FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	100.00	0.00		−0.2	−76	€
67	FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	100.00	0.00		−0.1	−65	€
68	FHP Projektentwicklung GmbH & Co. KG, Berlin	100.00	0.00		n.a.	n.a.	
69	Fiducia & GAD IT AG, Karlsruhe	0.02	0.00		440.2	1,584	€
70	FIDUCIA Mailing Services eG, Karlsruhe	0.13	0.06		0.1	0	€
71	FinTech Community Frankfurt GmbH, Frankfurt am Main	25.00	25.00		0.2	141	€
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	0.00		12.5	2,038	€
74	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		124.7	7,947	CHF
75	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		905.7	41,000	€
76	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00	0.00		0.0	−701	€
77	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.6	346	€
78	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		0.1	7	€

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	
79	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.1	−3	€	
80	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.2	352	€	
81	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00	0.00		1.8	1,052	€	
82	G & O MK 14.3 GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.0	−1	€	
83	G & O MK 17.7 Nord GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.0	−1	€	
84	G & O MK 17.7 Süd GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.0	−1	€	
85	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		0.0	2	€	
86	G&O MK 15 Bauherren GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.4	4,714	€	
87	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00	0.00		23.4	0	€	1)
88	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	94.90	0.00		−13.3	−6,429	€	
89	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00	0.00		0.4	1,366	€	
90	gatelands Verwaltungs GmbH, Schönefeld	75.00	0.00		0.0	1	€	
91	GbR Datenkonsortium OpRisk, Bonn	0.00	0.00	9.09	n.a.	n.a.		
92	GbR Legicheck, Bonn	0.00	0.00	12.50	n.a.	n.a.		
93	GbR VÖB-ImmobilienAnalyse, Bonn	0.00	0.00	20.00	n.a.	n.a.		
94	GeckoGroup AG (insolvent), Wetzlar	5.02	0.00		n.a.	n.a.		
95	GELIMER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	8.93	8.93		−1.5	235	€	
96	GGM Gesellschaft für Gebäude-Management mbH, Frankfurt am Main	100.00	0.00		0.3	666	€	1)
97	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00	0.00		0.3	−9,943	€	1)
98	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH i. L., Frankfurt am Main	100.00	0.00		0.1	1	€	
99	GIZS GmbH & Co. KG, Frankfurt am Main	33.33	33.33		22.2	−4,704	€	
100	GIZS Verwaltungs-GmbH, Frankfurt am Main	33.33	33.33		0.0	8	€	
101	GLB GmbH & Co. OHG, Frankfurt am Main	11.20	11.20		2.9	−61	€	

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	
102	GLB-Verwaltungs-GmbH, Frankfurt am Main	11.20	11.20		0.1	2	€	
103	GLD Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00	0.00		0.0	0	€	
104	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	50.00	0.00		0.1	9,777	€	
105	GOB Projektentwicklung Fünfte GmbH & Co. KG, Frankfurt am Main	8.84	0.00		–0.1	–39	€	
106	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00	0.00		0.0	3	€	
107	Gründerfonds Ruhr GmbH & Co. KG, Essen	8.70	8.70		0.9	–897	€	
108	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33	0.00		2.9	–4,063	€	
109	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00	0.00		0.2	39	€	
110	Grundstücksverwaltungsgesellschaft KAISERLEI GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00	0.00		0.2	–589	€	
111	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00	0.00		0.0	5	€	
112	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		62.2	5,568	€	
113	GWH Bauprojekte GmbH, Frankfurt am Main	100.00	0.00		13.6	0	€	1)
114	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	€	1)
115	GWH Komplementär I. GmbH, Frankfurt am Main	100.00	0.00		n.a.	n.a.		
116	GWH Projekt Braunschweig I GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.		
117	GWH Projekt I. GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.		
118	GWH WertInvest GmbH, Frankfurt am Main	100.00	0.00		0.3	–113	€	
119	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00	0.00		379.9	63,774	€	
120	HaemoSys GmbH, Jena	38.33	0.00		–4.8	–524	€	
121	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		25.0	–648	€	
122	HANNOVER LEASING GmbH & Co. KG, Pullach	5.10	5.10		24.2	29,410	€	
123	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	48.27	0.00		13.0	358	€	

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	
124	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	63.10	0.00		13.1	323	€	
125	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	54.51	0.00		4.3	749	€	
126	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	−95	€	
127	Helaba Asset Services Unlimited Company, Dublin, Ireland	100.00	100.00		52.7	−871	€	
128	Helaba Digital GmbH & Co. KG, Frankfurt am Main	100.00	100.00		1.5	−418	€	
129	Helaba Digital Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00	0.00		0.0	−1	€	
130	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0	€	1)
131	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	€	1)
132	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		5.9	−3	€	
133	Helaba Representação Ltda., São Paulo, Brazil	100.00	99.00		0.1	0	BRL	
134	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.8	399	€	
135	Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	5.92	0.00		−126.4	6,235	€	
136	Hessen Kapital I GmbH, Wiesbaden	100.00	100.00		33.1	−2,080	€	
137	Hessen Kapital II GmbH, Wiesbaden	100.00	100.00		8.0	95	€	
138	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		81.2	4,062	€	
139	Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH, Frankfurt am Main	15.49	0.00		1.9	553	€	
140	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00	0.00		2.7	60	€	
141	Honua'ula Partners LLC, Wailea, USA	0.00	0.00		98.8	1	USD	
142	Horus AWG GmbH, Pöcking	50.00	0.00		−0.2	−139	€	
143	HP Holdco LLC, Wilmington, USA	100.00	100.00		n.a.	n.a.		
144	HQ Equita Beteiligungen V GmbH & Co. KG, Bad Homburg	3.24	3.24		89.7	−9,664	€	

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
145	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	–1	€
146	Hutton Collins Capital Partners III L.P., London, United Kingdom	1.45	1.45		57.8	8,763	€
147	ICG Europe Fund VII Feeder SCSp, Luxembourg, Luxembourg	0.64	0.64		n.a.	n.a.	
148	Icon Brickell LLC, Miami, USA	14.94	14.94		0.0	–137	USD
149	Interessengemeinschaft Frankfurter Kreditinstitute GmbH, Frankfurt am Main	16.90	4.21		25.5	9,771	€
150	Investcorp Private Equity 2007 Fund, L.P., George Town, Cayman Islands	2.01	2.01		92.4	27,499	USD
151	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.4	–96	€
152	KOFIBA-Verwaltungsgesellschaft mbH i.L., Berlin	100.00	100.00		n.a.	n.a.	
153	Komplementarselskabet Logistica CPH ApS, Kastrup, Denmark	52.00	52.00		0.0	16	DKK
154	Komuno GmbH, Frankfurt am Main	51.00	0.00		n.a.	n.a.	
155	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	5.10	0.00		–0.2	–71	€
156	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	5.10	0.00		–3.5	–701	€
157	Kornmarkt Arkaden Verwaltung GmbH, Frankfurt am Main	100.00	0.00		0.0	3	€
158	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	5.10	0.00		–0.2	–61	€
159	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	5.10	0.00		–1.1	–286	€
160	LBS IT Informations-Technologie GmbH & Co KG, Berlin	7.30	7.30		0.0	19	€
161	LEA Venturepartner GmbH & Co. KG, Karlsruhe	4.17	4.17		n.a.	n.a.	
162	Logistica CPH K/S, Kastrup, Denmark	53.33	53.33		4.3	4,219	DKK
163	Magical Produktions GmbH & Co. KG, Pullach	2.11	0.00		4.2	16,872	€
164	Main Funding GmbH, Frankfurt am Main	0.00	0.00		0.3	4	€
165	Main Funding II GmbH, Frankfurt am Main	0.00	0.00		0.1	7	€
166	Marienbader Platz Projektentwicklungs-gesellschaft mbH & Co. Bad Homburg v.d.H. KG, Frankfurt am Main	50.00	0.00		0.1	–247	€

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	
167	Marienbader Platz Projektentwicklungs-gesellschaft mbH, Frankfurt am Main	50.00	0.00		0.1	2	€	
168	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99	0.00		10.4	1,140	€	
169	MBG H Mittelständische Beteiligungs-gesellschaft Hessen mbH, Wiesbaden	32.52	32.52		11.3	452	€	
170	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90	0.00		25.5	1,202	€	
171	MESTO Grundstücksgesellschaft mbH & Co. KG, Grünwald	1.00	1.00	0.78	–2.8	630	€	
172	Mezzanine Management Fund IV ‚A' L.P., Hamilton, Bermuda	7.46	7.46		3.5	9,463	€	
173	MezzVest II, L.P., St. Helier, Jersey	3.50	3.50		0.3	158	€	
174	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		25.9	970	€	
175	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		15.4	225	€	
176	Multi Park Mönchhof Main GmbH & Co. KG, Neu-Isenburg	50.00	0.00		0.7	427	€	
177	Multi Park Verwaltungs GmbH, Neu-Isenburg	50.00	0.00		0.0	1	€	
178	NAsP III/V GmbH, Marburg	14.92	0.00		1.8	–558	€	
179	Nassauische Heimstätte Wohnungs- und Ent-wicklungsgesellschaft mbH, Frankfurt am Main	0.89	0.00		723.9	43,602	€	
180	neue leben Pensionsverwaltung AG, Hamburg	3.20	0.00		2.2	–23	€	
181	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.1	–95	€	
182	Objekt Limes Haus GmbH & Co. KG i.L., Hamburg	5.10	0.00		14.2	–2,225	€	
183	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Frankfurt am Main	50.00	0.00		0.5	2	€	
184	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00	0.00		–0.2	–7	€	
185	OFB Berlin Projekt GmbH, Berlin	100.00	0.00		0.0	–1	€	
186	OFB Beteiligungen GmbH, Frankfurt am Main	100.00	0.00		6.0	878	€	
187	OFB Bleidenstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.3	7	€	
188	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	10,463	€	1)

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	
189	OFB Schiersteiner Berg GmbH & Co. KG, Frankfurt am Main	100.00	0.00		n.a.	n.a.		
190	PALMYRA Verwaltungsgesellschaft mbH & Co. Vermietungs KG S.e.n.c., Luxembourg, Luxembourg	5.20	0.00		32.4	–1,315	€	
191	Pan-European Infrastructure Fund LP, St. Helier, Jersey	0.73	0.73		3,015.4	306,515	€	
192	PATRIZIA Hessen Zehn GmbH & Co. KG, Hamburg	5.20	0.00		17.2	870	€	
193	PineBridge PEP IV Co-Investment L.P., Wilmington, USA	9.51	0.00		5.7	–2,847	USD	
194	PineBridge PEP IV Non-U.S. L.P., Wilmington, USA	17.00	0.00		2.1	–610	USD	
195	PineBridge PEP IV Secondary L.P., Wilmington, USA	16.10	0.00		5.6	–417	USD	
196	PineBridge PEP IV U.S. Buyout L.P., Wilmington, USA	17.21	0.00		7.8	–1,170	USD	
197	PineBridge PEP IV U.S. Venture L.P., Wilmington, USA	17.51	0.00		11.4	–2	USD	
198	Private Equity Thüringen GmbH & Co. KG i.L., Erfurt	14.11	14.11		1.4	15,561	€	
199	Procom & OFB Projektentwicklung GmbH, Hamburg	50.00	0.00		0.0	–1	€	
200	Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–0.7	–158	€	
201	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00	0.00		0.0	0	€	
202	Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–4.3	–1,035	€	
203	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	30.00	0.00		–0.7	–1,522	€	
204	Projekt Wilhelmstraße Wiesbaden Verwaltung GmbH, Frankfurt am Main	30.00	0.00		0.0	0	€	
205	Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	3	€	
206	Projektentwicklungs-GmbH & Co. Landratsamt KG, Wolfhagen	6.00	0.00		4.1	564	€	
207	Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG, Frankfurt am Main	100.00	0.00		7.0	7,327	€	
208	PVG GmbH, Frankfurt am Main	100.00	100.00		0.4	0	€	1)

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
209	Rotunde - Besitz- und Betriebsgesellschaft der S-Finanzgruppe mbH & Co. KG, Erfurt	60.00	60.00	33.33	4.3	125	€
210	Rotunde Verwaltungsgesellschaft mbH, Erfurt	60.00	60.00	33.33	0.0	1	€
211	RSU Rating Service Unit GmbH & Co. KG, Munich	9.60	9.60		11.3	–2,245	€
212	S CountryDesk GmbH, Cologne	5.13	2.56		0.5	50	€
213	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	€
214	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		7.5	1,347	€
215	SCHUFA Holding AG, Wiesbaden	0.28	0.00		101.6	34,599	€
216	Seventh Cinven Fund (No. 1) Limited Partnership, St Peter Port, Guernsey	0.20	0.20		n.a.	n.a.	
217	SIX Group AG, Zurich, Switzerland	0.00	0.00		4,961.3	2,655,887	CHF
218	SIZ GmbH, Bonn	5.32	5.32		6.1	716	€
219	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00	0.00		0.0	0	€
220	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00	0.00		9.7	–126	€
221	Sparkassen-Immobilien-Vermittlungs-GmbH, Frankfurt am Main	100.00	100.00		1.9	685	€
222	Sparkassen-Marktservice Beteiligungs GmbH & Co. KG, Frankfurt am Main	50.00	40.00		7.8	214	€
223	Sparkassen-Marktservice Verwaltungs GmbH, Frankfurt am Main	50.00	40.00		0.0	0	€
224	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00	0.00		–1.1	–454	€
225	Stresemannquartier GmbH & Co. KG, Berlin	50.00	0.00		0.1	–58	€
226	Systeno GmbH, Frankfurt am Main	100.00	0.00		5.7	268	€
227	TCW/Crescent Mezzanine Partners IVB, L.P., Los Angeles, USA	2.08	2.08		2.9	5,609	USD
228	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.4	96	€
229	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.1	9	€
230	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		0.8	290	€
231	TF H III Technologiefonds Hessen Gesellschaft mit beschränkter Haftung, Wiesbaden	25.00	25.00		5.17	–843	€

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	
232	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH) i.L., Wiesbaden	66.67	66.67		0.5	−27	€	
233	THE TRITON FUND II L.P. i.L., St. Helier, Jersey	0.77	0.77		124.7	−34,827	€	
234	Treuhandgesellschaft für die Südwestdeutsche Wohnungswirtschaft mbH, Frankfurt am Main	3.25	0.00		1.9	15	€	
235	Triton Fund III L.P., St. Helier, Jersey	0.71	0.71		963.8	−15,731	€	
236	Triton Fund V SCSp, Luxembourg, Luxembourg	0.39	0.39		n.a.	n.a.		
237	True Sale International GmbH, Frankfurt am Main	8.33	8.33		4.6	−163	€	
238	unIQus Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		11.0	62	€	
239	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0	€	
240	VCM Golding Mezzanine GmbH & Co. KG i.L., Munich	6.48	6.48		6.7	2,335	€	
241	VCM Golding Mezzanine SICAV II, Munsbach, Luxembourg	4.20	4.20		27.2	−4,758	€	
242	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00	0.00		0.3	0	€	1)
243	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.9	1,013	€	
244	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		2.8	2,307	€	
245	Vierte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	−26	€	
246	Vierte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.0	−4	€	
247	Volks- Bau- und Sparverein Frankfurt am Main eG, Frankfurt am Main	0.01	0.00		10.6	3,557	€	
248	wall park GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.0	−2	€	
249	wall park Grundstücksgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	3	€	
250	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00	0.00		0.0	109	€	
251	WoWi Media GmbH & Co. KG, Hamburg	23.72	0.00	19.24	2.8	−3	€	
252	Youco B19-H-95 Vorrats-GmbH, Berlin	100.00	0.00		n.a.	n.a.		

		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**	
253	Zweite OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		0.4	289	€	
254	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		−0.5	−859	€	
255	Zweite Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00	0.00		0.1	3	€	
256	Zweite ST Berlin Projekt GmbH & Co. KG, Berlin	0.50	0.00		6.8	−257	€	

[1] A profit and loss transfer agreement has been signed with the entity.
n.a. There are no adopted 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
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	Member
Peter Marc Stober	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung	Member
Frank Nickel	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Frankfurter Sparkasse	Member
	Thüringer Aufbaubank	Member

(53) Report on Events After the Reporting Date

There were no significant events after the end of the financial year on 31 December 2019.

Frankfurt am Main/Erfurt, 25 February 2020

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 2020

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 2019 and the income statement for the financial year from 1 January 2019 to 31 December 2019 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 2019 to 31 December 2019. 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 2019 and of its financial performance for the financial year from 1 January 2019 to 31 December 2019 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Institution'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 Institution 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 2019 to 31 December 2019. 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:

Merger of KOFIBA-Kommunal-finanzierungsbank GmbH, Berlin, and migration of accounting-related data

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

Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, acquired all shares of KOFIBA-Kommunalfinanzierungsbank GmbH, Berlin, with effect from 2 May 2019. After a time as a subsidiary, KOFIBA-Kommunalfinanzierungsbank GmbH, Berlin was merged into the Bank retaining carrying amounts on 2 September 2019.

In the course of the merger, all accounting-related data from the IT systems of the former KOFIBA-Kommunalfinanzeirungsbank GmbH, Berlin, was migrated to the Bank's existing system landscape.

In light of the complexity of the migration, the potentially material effects of errors in the migration of data on the Bank's assets, liabilities, financial position and financial performance and the effects of the merger gain on the Bank's financial performance, the merger and the migration was a key audit matter.

Auditor's response

We audited the merger of KOFIBA–Kommunalfinanzierungsbank GmbH and the migration of data in the course of the project. We first inspected and assessed the respective contractual arrangements for the acquisition of KOFIBA Kommunalfinanzierungsbank GmbH, Berlin.

We verified the calculation of the merger gain on the basis of the audited closing balance sheet of KOFIBA Kommunalfinanzierungsbank GmbH as of 31 August 2019.

We obtained a risk-based understanding of the migration process with support of team members with specialized IT knowledge on the basis of the migration and test plans prepared by the Bank and the conducted and documented tests. In so doing, we assessed, among other things, whether the conceptual design presented a suitable basis for the migration of accounting-related data.

We obtained an understanding of the data migration by way of sample tests to ensure the completeness of the assets and liabilities recognized in the annual financial statements. For this purpose we compared the closing balance sheet as of 31 August 2019 confirmed by an independent auditor with the migrated data.

Our procedures did not lead to any reservations relating to the accounting treatment of the merger of KOFIBA Kommunalfinanzierungsbank GmbH, Berlin, and the migration of accounting-related data.

Reference to related disclosures

Disclosures concerning migration of KOFIBA Kommunalfinanzierungsbank GmbH are provided in the "Economic report/business performance" section and "Overall assessment" section as well as in note no. 44 of the notes to the annual financial statements.

Recognition and measurement of a restructuring provision

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

Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, initiated the efficiency program "Scope – growth through efficiency" in the financial year, recognizing a restructuring provision of EUR 81m in this process.

In light of the scope of the program, the recognition requirements to be met, the judgment exercised for the valuation and the impact on the financial performance, the recognition and measurement of the restructuring provision was a key audit matter.

Auditor's response

We satisfied ourselves that a detailed and formal restructuring plan had been drawn up and determined that the number of employees affected could be derived on this basis. We inspected, among other things, the presentations and minutes of the Board of Managing Directors meetings in which the restructuring measures were discussed and determined.

We inspected the communication between senior management and the employee committee and assessed the announcements of the planned measures. On this basis, we satisfied ourselves that the measure has been clearly defined and is clearly intended.

With regard to the measurement of the restructuring provision, we obtained an understanding of the budgets and forecasts provided and the underlying assumptions.

Our procedures did not lead to any reservations relating to the recognition and measurement of the restructuring provision.

Reference to related disclosures
Disclosures concerning the recognition and measurement of a restructuring provision are provided in the "Economic report/business performance" section and "Overall assessment" section as well as in notes 25 and 44 of the notes to the annual financial statements.

Early termination of interest rate swaps

Reasons why the matter was determined to be a key audit matter
As a contrived form, Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, terminated interest rate swaps in the banking book with significant negative fair values early so as to manage financial performance.

In light of the material effects on financial performance as a result of the realization of previously unrealized losses from these interest rate swaps, the appropriate treatment of the early termination was a key audit matter.

Auditor's response
We requested the counterparty confirmations for the countertrades required for the closing of the interest rate swaps as evidence of the conclusion.

We checked the level of the compensation payment by reference to the transaction statements.

Additionally we reviewed the confirmation from the central counterparty on the compensation for the interest rate swap by means of the countertrades and obtained an understanding of its settlement in the upstream systems and subsequent booking.

We obtained an understanding of the presentation of the realized gains and losses in the income statement and reconciled them with the accounting and measurement policies.

Our procedures did not lead to any reservations relating to the recognition of the early termination of interest rate swaps.

Reference to related disclosures
Disclosures concerning the early termination of interest rate swaps are provided in the "Results of operations" section and "Overall assessment" 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 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 Institution'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 Institution'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 Institution'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 Institution'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 Institution'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 Institution 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 29 March 2019. We were engaged by the Board of Managing Directors on 23 April 2019. 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 2020

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, Frankfurt am Main / Erfurt, in accordance with Sec. 340a in conjunction with Sec. 289b HGB ["Handelsgesetzbuch": German Commercial Code] and on the section "Foundations of the Bank," incorporated by reference, of the management report for the period from 1 January to 31 December 2019 ("non-financial statement"). Our engagement did not include any disclosures for prior years.

A. Responsibility of the executive directors

The executive directors of the Institution are responsible for the preparation of the non-financial statement in accordance with Sec. 340a in conjunction with Sec. 289b HGB.

This responsibility of the executive directors of the Institution includes selecting and applying appropriate methods for the preparation of the non-financial statement as well as making assumptions and estimates related to individual disclosures that are appropriate in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have determined 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 of the Institution in accordance with the requirements of German commercial and professional law, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements on quality control, in particular the BS WP / vBP ["Berufssatzung für Wirtschaftsprüfer / vereidigte Buchprüfer": Professional Charter for German Public Accountants / German Sworn Auditors] as well as the IDW Standard on Quality Control: "Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis" [Requirements for Quality Control in Audit Firms] (IDW QS 1).

C. Auditor's responsibility

Our responsibility is to express an opinion with limited assurance on the non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with 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 Institution has been prepared, in all material respects, in accordance with Sec. 340a in conjunction with Sec. 289b HGB. In a limited assurance engagement the procedures are less extensive than in a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which was mostly conducted between December 2019 and February 2020, we performed among 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 examination of the disclosures in 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, aggregating and validating data in the relevant areas, e.g., compliance and human resources in the reporting period and testing such data on a sample basis
- Analytical evaluation of the 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. Opinion

Based on our procedures performed and the 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 to 31 December 2019 has not been prepared, in all material respects, in accordance with Sec. 340a in conjunction with Sec. 289b HGB.

E. Intended use of the report

We issue this report on the basis of the engagement agreement with Landesbank Hessen-Thüringen Girozentrale. The assurance engagement has been performed for the purposes of the Institution and the report is solely intended to inform the Institution as to the results of the assurance engagement and must not be used for purposes other than those intended. This report is not designed to serve as a basis for (financial) decisions by third parties.

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/IDW-Auftragsbedingungen). 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 will not update the 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 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 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter	Hans-Georg Welz
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Management Report and Annual Financial Statements of Landesbausparkasse Hessen-Thüringen 2019

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 cooperation 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

LBS's sales strategy focuses partly on its own field sales force and partly on the Sparkasse, with their 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 tap into the customer potential of the Sparkassen.

LBS has adopted a strategy – across all activities – that is consistently focused on stabilising earning power at a sustainable level and ensuring a reasonable annual minimum profit after tax of € 1 m. It also aims for a conservative risk profile that will enable it to continue strengthening its competitive edge and thereby reach a position, in the medium term, such that 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 – as has been achieved – taking account of the risk-bearing capacity and the risk strategy.

LBS launched a reorganisation programme (the LBS-EVOLution project) in 2017 in response to the generally low level of interest rates. The main aim of the project is to bring about a lasting improvement in earnings. LBS intends to have concentrated its activities at just two sites – a production site in Erfurt and an administrative site in Offenbach – rather than the current three by the end of the project in 2021. Large parts of liabilities-side home loan and savings business were at the same time outsourced, 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 focus on 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

Economic growth in Germany weakened in 2019. The real-terms increase in economic output of 0.6 % in the year under review marks a distinct slowdown as compared with recent years (growth in 2017 / 2018: 2.5 % / 1.5 %).

Consumption was the main driver of growth in 2019. Private consumer spending increased by 1.6 % and public-sector consumption too was higher than in either of the previous two years. Gross capital spending also increased sharply. Investment in buildings was up 3.8 % on the previous year, with public-sector and residential construction seeing a particularly strong increase.

The number of people in employment increased significantly to reach a new record high. Initial calculations indicate that the country had 0.9 % more people in employment in 2019 than in the previous year.

The historically low level of interest rates remained the most influential factor for the German financial system. The ECB recommitted to its expansionary approach to monetary policy in the autumn too, dropping the deposit rate from minus 0.4 % to minus 0.5 % and resuming its securities purchase programme.

Developments in the real estate market in Germany were once again shaped by uninterrupted demand for residential space and rising real estate prices. The 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.

Residential real estate prices rose again and were up by approximately 5.0 % on the previous year's level by the third quarter of 2019. Price increases were particularly steep in the case of owner-occupied homes (9.0 %) and single-family and two-family homes (7.5 %) in the major urban areas and autonomous towns and cities with a population of at least 100,000 people, according to figures from the German Federal Statistical Office. The number of building permits for new buildings (including construction work on existing buildings) increased by 1.3 %. The total of 319,200 building permits issued means that the number of residential properties approved for construction remains relatively high not just by recent standards but in the longer-term comparison as well. The number of homes approved in newly constructed residential buildings between January and November 2019 was little changed year-on-year at 275,000 (previous year: 274,000). The number of building permits issued rose by 1.5 % for single-family homes and by 0.9 % for two-family homes.

The outlook for the construction industry remains positive and investment may well continue to grow. The construction of new homes will not continue at the current pace, but the rate of growth in projects to extend existing residential property will pick up instead. LBS concludes that the key general economic factors – economic situation, labour market and 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 47,204 (previous year: 61,446) new home savings contracts with a total net value of € 2,329 m (previous year: € 2,786 m) in the year under review, which represents a year-on-year reduction of 16.4 % in volume terms. Gross new business fell short of the forecast for 2019. The average value of the home savings contracts concluded rose by 8.8 %.

LBS arranged 35,750 home savings contracts (previous year: 46,213) with a total net value of € 1,908 m (previous year: € 2,249 m) in Hesse and 11,454 home savings contracts (previous year: 15,233) with a total net value of € 421 m (previous year: € 537 m) in Thuringia.

New business adjusted for the amounts actually paid in was down year-on-year in terms of both the number of contracts (2019: 46,048 home savings contracts, previous year: 57,082) and the total net volume (2019: € 2,163 m, previous year: € 2,450 m). There were 34,567 new contracts (previous year: 42,526) in an amount of € 1,749 m (previous year: € 1,952 m) paid in in Hesse and 11,481 new contracts (previous year: 14,556) in an amount of € 413 m (previous year: € 498 m) paid in in Thuringia, which represents a year-on-year fall of 10.4 % in Hesse and 17.0 % in Thuringia in terms of total net value. Home savings customers under the age of 25 accounted for 45.1 % of the first-time contracts concluded in the year under review.

S-Group Activities

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 86.6 % (previous year: 88.1 %), which corresponds to home savings contracts with a value of € 2.0 bn.

Contract Portfolio

LBS serviced a home loan and savings volume of € 21,295 m (previous year: € 21,079 m) in the year under review representing 750,789 home savings contracts (previous year: 772,582). The year-on-year change in volume terms amounts to a 1.0 % 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 46,027 contracts representing a home loan and savings volume of € 996.9 m were allocated in the year under review.

Of the inflows to the allocation fund, € 782.1 m (– 0.4 %) 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 € 59.2 m (– 8.2 %) was attributable to redemption payments. In total, an amount of € 841.3 m (– 1.0 %) was added to the allocation fund. These inflows were offset by withdrawals in the amount of € 668.5 m (+ 13.0 %), meaning that the allocation fund had increased by € 172.8 m at the end of the year.

Lending Business

Disbursements of loans outside the home savings collective rose by € 0.9 m (+ 0.8 %) year on year to € 121.2 m. The value of home savings loans disbursed fell by 2.9 % to € 44.9 m.

Results of Operations

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 € 15.4 m (– 9.6 %). The average interest rate for home savings loans also declined in 2019, dropping 17 basis points to 3.34 % (previous year: 3.51 %). These falls in volume and interest rates reduced interest income from home savings loans. Interest income in lending business outside the home savings collective increased by € 0.3 m to € 18.1 m. The average portfolio subject to interest (interim and bridge-over loans including other home finance loans) increased by € 43.1 m (+ 5.8 %) year on year, but the average interest earned on loans outside the home savings collective dropped to 2.30 % (previous year: 2.39 %).

The increased capital market investment requirement due to the € 203.6 m (+ 4.3 %) 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 € 19.1 m (previous year: € 17.6 m) in anticipation of continued low interest rates. Interest received from financial investments including these measures implemented through short-term planning decreased by € 5.8 m overall (– 4.7 %). Overall interest income dropped by € 6.2 m to € 140.0 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 in 2019 pushed annual average holdings of home savings deposits up by € 203.6 m year on year to € 5.0 bn. This volume effect was, however, more than offset by the lower average interest rate for home savings deposits: the average interest rate for 2019 was down 15 basis points year on year to 1.41 %. The contradictory volume and interest rate effects reduced the interest expense for home savings deposits by € 4.1 m to € 70.4 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 2019 to 1.93 %.

Net fee and commission income / expense

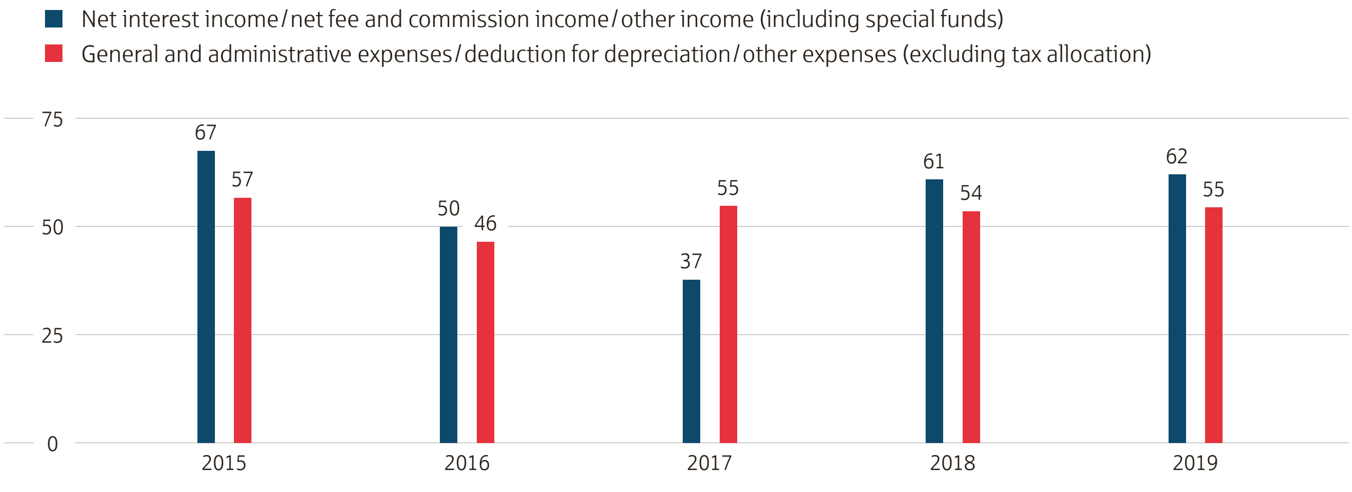
The net fee and commission income / expense variable fell by € 0.4 m to a net expense of € 7.9 m. Commissions paid dropped by € 2.7 m (– 7.6 %) due to the decrease in gross new business. Fee and commission income was also down, in this case by € 3.0 m (– 10.8 %) to € 24.7 m.

General and administrative expenses

Net interest income, net fee and commission income / expense and other operating income together totalled € 62.0 m (+ 1.6 %), which was offset by € 55.4 m (+ 1.7 %) for general and administrative expenses including depreciation, amortisation and write-downs of property and equipment and other operating expenses. Interest received from financial investments rose by € 3.8 m overall (+ 177.8 %). Personnel expenses fell by € 1.0 m to € 19.1 m. Other operating expenses increased by € 0.1 m to € 13.4 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 € +5.3 m year on year at € 0.5 m, slightly exceeding the figure of approximately € 5.0 m anticipated in the previous year's Report on Developments. The cost-income ratio increased by 0.2 percentage points to 86.4 % (previous year: 86.2 %).

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 –BauSparkG) as well as the general stipulations of the German Banking Act (Kreditwesengesetz – KWG). Of particular relevance is section 4 (3) BauSparkG, 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 BauSparkG 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 2019, but is still high at 52.6 % (previous year: 53.7 %). The Tier 1 ratio also fell, dropping by 1.1 percentage points to 52.2 %.

The liquidity coverage ratio (LCR) indicator was above the 100 % mark required by the regulator as at 31.12.2019 owing to the lifting of the cap. LBS was in a position to meet its payment obligations at all times. 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 2018, funds sufficient for the allocation of home savings contracts were available 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 € 0.14 bn year on year to € 6.17 bn. Home savings deposits increased to € 5,091 m. Home finance loans rose by € 25.9 m to € 918.6 m, financial investments by € 114 m to € 5,225 m. The proportion of total assets accounted for by home finance loans increased to 14.9 %. Interim and bridge-over loans increased by 5.4 % to € 784 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.

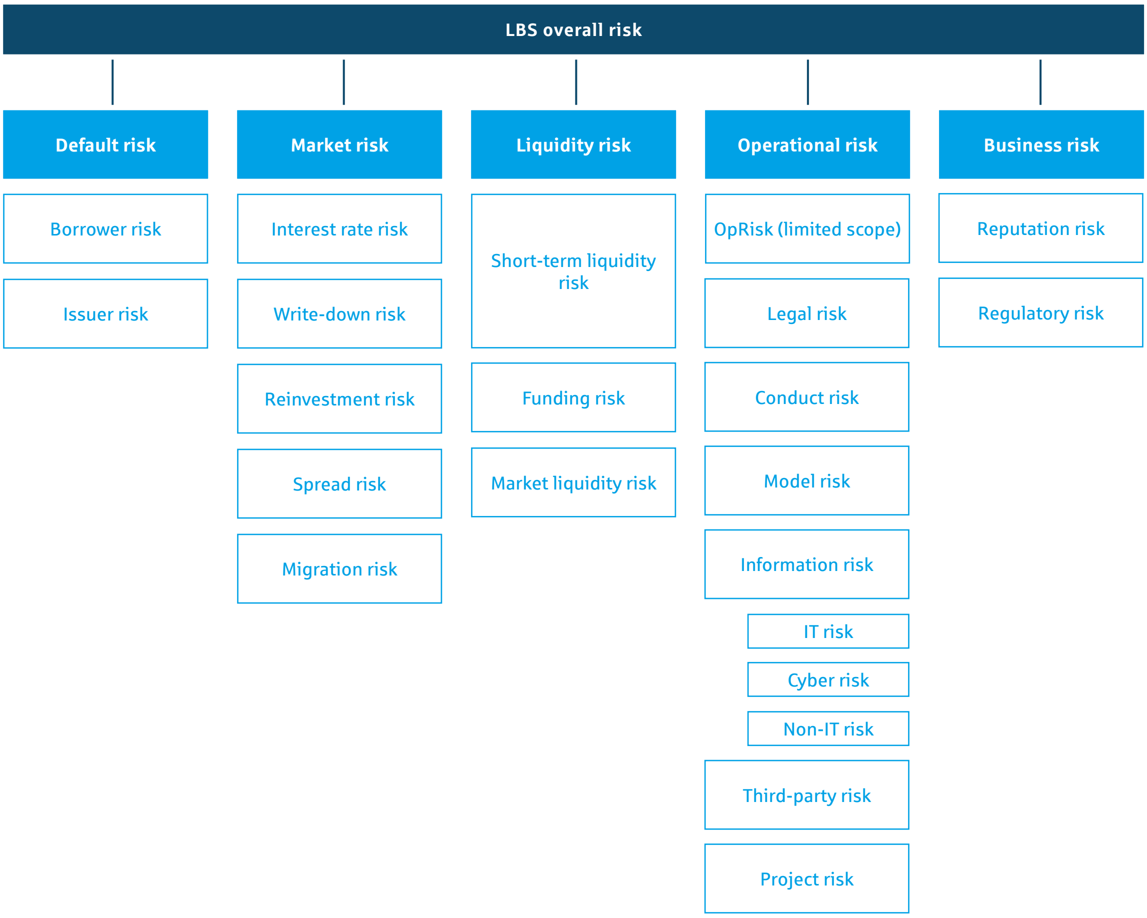
III. Report on Opportunities, Risks and Expected Developments

Risk Management

Strategic risk management at LBS aims (in accordance with its business strategy) to safeguard and, within defined limits, enhance the organisation's conservative risk profile. LBS has implemented numerous actions and general requirements in its default risk management activities to this end. These include introducing a cut-off limit, making mortgage collateral the main form of collateral and applying various limits for individual transactions, size and risk classes as well as using quotas and restrictions (such as the € 30,000 maximum for unsecured loans) as described in the German Bausparkassen Act (Bausparkassengesetz – BausparkG) and the German Bausparkassen Regulation (Bausparkassen-Verordnung – BausparkV).

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 Internal Audit 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, non-financial/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 sub-risk strategies for the risk types default risk, market risk, liquidity risk and non-financial risk. Requirements also apply in respect of two other recognised risk types – business risk and reputation risk 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 sub-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 sub-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.

Borrower Risk

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 € 6,216.2 m. Home savings loans make up € 136.0 m of this figure and loans concluded outside of the home savings collective make up € 807.8 m, meaning that traditional lending business accounts for € 943.8 m, or 15.3 %, of total assets (€ 6,166.1 m). A total of 91.8 % 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 64.7 %.

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 using the LBS-Kunden-Scoring model 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.

The LBS-KundenScoring model, a pool model developed for and with the Landesbausparkassen beginning in 2009, is used to estimate the probability of default figures. LBS applies its own calibration to the model, which was approved for LBS as an IRBA rating system in 2013. The LGD is determined using a loss estimation pool model. Risk exposures for the internal calculation of risk-bearing capacity are determined using the Gordy model supplemented with a granularity adjustment.

The forecast probability of default figures for performing retail exposures as at 31.12.2019 (PD volume-weighted/based on number of customers) were 1.53 %/1.14 % (31.12.2018: 1.47 %/1.16 %). This corresponds in each case to risk class 8. A loss given default figure of 22.2 % was determined as at 31.12.2019 (downturn LGD 30.09.2019: 22.2 %/31.12.2018: 22.1 %). The RWA figure in the overall perspective stands at € 273 m (IRBA and CRSA) as at 31.12.2019.

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.

Specific loan loss allowances for home finance loans decreased by € 0.5 m to € 2.2 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 0.06 %. The largest new specific allowance recognised for a single exposure in 2019 was € 236,900. There were no defaults within the framework of trading transactions.

Issuer Risk

Trading transactions within the meaning of MaRisk amounted to € 5,133.5 m (nominal amount) and thus accounted for 83.3 % of total assets as at 31.12.2019. 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's highly conservative investment policy is reflected in its decision to limit the current choice of issuer for promissory note loans and registered bonds exclusively to Landesbanken, development banks and German federal states in order to minimise the risk associated with issuers defaulting.

Helaba positions are not considered when determining risk because LBS is a unit of the Bank. The issuer risk for non-Helaba positions is determined using the Gordy model.

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 write-down, reinvestment, spread and migration insofar as corresponding positions exist. LBS does not expose itself to share price risks and is prohibited by the BauSparkG from allowing any exposure to currency risks. Market risk is measured based on a confidence level of 99.9 %, a historical observation period of 250 days and a 21 day holding period p.a.

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

Commercial Law Interest Rate Risk

Changes in market interest rates have an impact in the form of changes in behaviour within the home savings collective and changes 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 arising from positive / negative maturity transformations relates to the 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 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.

Economic Interest Rate Risk

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. The risk is determined using modern historical simulation.

Regulatory interest rate shock

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). LBS applies countermeasures to prevent disadvantageous changes in customer behaviour.

The interest rate risk under the standard interest rate shock scenario (+/– 200 BP) lay in positive territory as of 31.12.2019, with the interest rate risk coefficient (the ad-hoc interest rate risk in relation to own funds) standing at 12.45.

Write-Down Risk

The write-down risk is the risk of having to reduce the institution's own fixed-interest security holdings to the cost or market value pursuant to commercial law provisions at the end of the year. Write-down risk is 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 31.12.2019.

Reinvestment Risk

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.

Commercial Law Spread Risk

The credit spread reflects the market's estimation of the default risk of the issuer or issue. Spread risk is a measure of the changes in the value of own investments in response to spread changes triggered by changes in creditworthiness. It considers these spread changes in isolation and is not concerned with general variations in interest rates in the money and capital markets. As of 31.12.2019, LBS holds no fixed-interest securities that would be subject to measurement under commercial law.

Economic Spread Risk

LBS determines the economic spread risk for its financial investments using the modern historic simulation method.

Commercial Law Migration Risk

Migration risk is caused by rating changes. While spread risk is concerned with the market's estimation, migration risk addresses the rating agencies' verdict on issuer/issue default risk. Migration risk is a measure of the changes in the value of own investments in response to rating changes triggered by changes in creditworthiness. It considers these rating changes in isolation and is not concerned with general variations in interest rates in the money and capital markets. As of 31.12.2019, LBS holds no fixed-interest securities that would be subject to measurement under commercial law.

Economic Migration Risk

LBS determines migration risk on the basis of the economic default risk model for issuers, with the maturity adjustment factor being taken into account.

Non-Financial/Operational Risks

Non-financial risks at LBS include reputation risk as well as operational risks. Operational risks, in turn, include the NFR sub-risk types operational risk in the narrow sense, legal risk, conduct risk, model risk, information risk, third-party risk and project risk. The narrower definition of operational risk encompasses aspects of reputation risk and risks in relation to compliance, business continuity management (BCM), HR and taxes.

LBS defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. 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”.

Non-financial risks stem in particular from daily banking operations and are thus an inherent component of business activities. 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. Risk exposures in the economic perspective are limited to € 15.0 m. In the normative perspective, the risk exposures have the normative effect of reducing capital resources.

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.

Short-term liquidity risk

The short-term liquidity risk designates the risk that LBS will not be able, or will not be fully able, to meet its payment obligations (obligation to disburse loans, make interest payments, repay funding) as a result of a shortage of liquid funds, or that it will fall 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).

Regulatory requirement: 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.

Funding risk

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 legally dependent 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.

Market 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

LBS breaks business risk down into the individual risk types collective risk, market sales risk and changes in the law.

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.

LBS does not classify business risk as being of primary importance because the two primary individual risk types – collective risk and market sales risk – are addressed under market risk, which is classified as being of primary importance. Both risk types are included in the calculation of the interest rate risk due to their dependence on the market interest rate.

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 employs both a normative perspective and an economic perspective to assess its risk-bearing capacity.

The normative perspective investigates the question of whether LBS will always have sufficient regulatory capital available over the defined medium-term period of three years. This perspective accordingly includes medium-term capital planning. The assessment of normative risk-bearing capacity considers which risks could impact on LBS's equity directly (Pillar I risks) and which could impact indirectly (Pillar II risks resulting in income shortfalls or losses). The risk-taking potential is largely determined by regulatory own funds including buffer requirements. Other factors having a significant influence (changes to pension provisions, net profit for the year from planning) and additional limiting elements (management buffer) are also considered on a continuous basis. The scenarios provide a separate calculation of risk for each risk type. LBS applies a base scenario, an adverse scenario and two stress scenarios. The risk exposures for the individual risk types are added together to arrive at the aggregate total risk exposure. This entails an implicit assumption that all risk types correlate 1:1. A limit is imposed at the level of the total capital and of the CET 1 ratio and the need to ensure it remains compliant with the minimum standards over the three-year period.

The risk-bearing capacity assessment in the economic perspective focuses on the long-term implications of risks. The risk-taking potential in this perspective is determined using a net present value model. The present value statement differs from the calculation of risk-bearing capacity in the normative perspective in that it applies a comprehensive approach considering all future cash flows from all transactions concluded up to the current reporting date in place of the normative perspective's strict three-year time horizon. Risks are quantified using the value-at-risk method, or methods related to it, based on the present value of assets and limited in a limit system. The risk exposure is determined in a base scenario and two stress scenarios.

The implications for the risk-bearing capacity in the normative and economic perspectives 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.

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 economic risk cover pool at 31 December 2019 amounted to € 375.6 m (utilisation 29.8 %). The total risk exposure in the economic perspective at the 31 December 2019 reporting date amounted to € 112.0 m.

The normative perspective focuses in particular on the development of the total capital ratio and the CET 1 ratio over the period between 31.12.2019 and 31.12.2022. The total capital ratio decreases from 52.6 % to 32.8 % over the period. The CET 1 ratio over the same period amounts to 52.2 % to 32.4 %.

LBS considers that it is managing risk in an appropriate manner. Its risk indicators are compliant and its risk-bearing capacity remained assured at all times.

Outlook for 2020

LBS expects the sustained strength of the labour market 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 the decision to keep interest rates at a low level indicate to LBS that a future increase in interest rates is actually further away than the market might previously have expected. The combination of persistently 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 will also be boosted by 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. New and more onerous regulatory requirements and the associated cost of digitalising processes may well come to have a significant negative impact on results alongside the low returns available in the capital market.

LBS intends to continue meeting the challenges posed by persistently low interest rates with strict cost management (as set out in its multi-year planning), measures in the home savings collective to stabilise earnings (planned introduction of a new generation of tariffs in Q2 2020) and improved efficiency realised through the reorganisation project. 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 further enhance 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 2020 than in the previous year (+ 7.4 %). 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 2020 taking account of the planned new investments. The subsidy paid by the German federal government on savings to be used for the construction, purchase or improvement of residential real estate ("Wohnungsbauprämie") is to improve from 8.8 % of annual savings at the moment to 10 % on 1 January 2021. LBS expects this increase to help boost new home loan and savings business even in 2020 because the benefits will start to apply for these contracts from the following year.

LBS anticipates that net fee and commission income will move back into positive territory due to the introduction of new tariffs with higher arrangement fees (provisionally in Q2/2020). 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 improve to somewhere in the 80 % to 85 % range.

In summary, LBS expects a slightly higher net profit before taxes in 2020 of approximately € 6.5 m.

Frankfurt am Main/Erfurt, 25 February 2020

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 2019
– included in the bank's consolidated balance sheet –

Assets — in € thousands

				2019	2018
Cash reserve					
b) Balances with central banks			5		5
thereof: With Deutsche Bundesbank	5				(5)
				5	5
Loans and advances to banks					
a) Home savings loans			0		0
b) Other loans and advances			5,215,087		5,101,383
thereof: Payable on demand	189,948				(199,266)
				5,215,087	5,101,383
Loans and advances to customers					
a) Home finance loans					
aa) From allocations (home savings loans)		130,558			144,738
ab) For interim and bridge-over financing		784,123			744,054
ac) Other		3,939			3,900
thereof: Secured by mortgage charges	609,065				(589,333)
			918,620		892,692
b) Other loans and advances			21,245		22,079
				939,865	914,771
Intangible assets					
b) Purchased concessions, industrial property rights and similar rights and licences in such rights and assets			6,811		7,716
				6,811	7,716
Property and equipment				**203**	213
Other assets				**4,115**	2,618
Prepaid expenses				**15**	17
Total assets				**6,166,101**	**6,026,723**

Equity and liabilities — in € thousands

				2019	2018
Liabilities due to banks					
a) Home savings deposits			50,931		41,521
thereof: On allocated contracts	–				(0)
b) Other liabilities			691,569		718,870
thereof: Payable on demand	10,445				(11,108)
				742,500	760,391
Liabilities due to customers					
a) Deposits from home savings business					
aa) Home savings deposits		5,039,933			4,890,753
thereof:					
On terminated contracts	38,372				(40,735)
On allocated contracts	90,775				(89,390)
			5,039,933		4,890,753
b) Other liabilities					
ba) Payable on demand		6,166			5,587
			6,166		5,587
				5,046,099	4,896,340
Other liabilities				**9,273**	8,426
Deferred income				**1,459**	1,538
Provisions					
a) Provisions for pensions and similar obligations			116,746		110,687
c) Other provisions			18,330		18,703
				135,076	129,390
Home savings protection fund				**11,200**	11,200
Fund for general banking risks				**25,000**	25,000
Equity					
c) Revenue reserves			195,494		193,249
d) Net retained profits			0		1,189
				195,494	194,438
Total equity and liabilities				**6,166,101**	**6,026,723**
Contingent liabilities					
b) Liabilities from guarantees and indemnity agreements				126	43
Other obligations					
c) Irrevocable loan commitments				31,610	30,738

Income Statement of Landes-bausparkasse Hessen-Thüringen

for the period 1 January to 31 December 2019
– included in the bank's consolidated income statement –

in € thousands

				2019	2018
Interest income from					
a) Lending and money market transactions					
aa) From home savings loans	4,818				5,595
ab) From interim and bridge-over loans	18,069				17,710
ac) From other home finance loans	62				69
ad) From other lending and money market transactions	117,048				122,866
		139,997			146,240
b) Fixed-income securities and registered government debt		0			0
			139,997		146,240
Interest expense					
a) On home savings deposits		70,422			74,536
b) Other interest expenses		5,609			5,237
			76,031		79,773
				63,966	66,467
Fee and commission income					
a) On contracts signed and arranged		18,592			21,282
b) From loans granted after allocation		16			22
c) From the commitment and administration of interim and bridge-over loans		7			4
d) Other fee and commission income		6,109			6,397
			24,724		27,705
Fee and commission expenses					
a) On contracts signed and arranged		28,222			30,511
b) Other fee and commission expense		4,355			4,732
			32,577		35,243
				–7,854	–7,538
Other operating income				**5,931**	2,135
Carried forward:				**62,043**	61,064

in € thousands

				2019	2018
Brought forward				**62,043**	61,064
General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		15,520			16,879
ab) Social security, post-employment and other benefit expenses		3,572			3,170
thereof: Post-employment benefit expenses	428				428
			19,092		20,049
b) Other administrative expenses			21,821		20,113
				40,913	40,162
Amortisation and write-downs of property and equipment and intangible assets				**1,039**	1,038
Other operating expenses				**16,548**	16,915
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions				**1,298**	1,760
Result from ordinary activities				**2,245**	1,189
Net income for the year				**2,245**	1,189
Allocations to revenue reserves				**–2,245**	0
Net retained profits				**0**	1,189

Notes to the Financial Statements of Landesbausparkasse Hessen-Thüringen

as at 31 December 2019

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 – BauSparkG) 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 cost, less straight-line amortisation and depreciation. Depreciation and amortisation are charged over the useful life of the asset.

LBS makes use of the option provided in Section 6 (2a) on the first sentence of the German Income Tax Act (Einkommensteuergesetz – EStG) and capitalises assets worth more than € 250 and less than € 800. 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:

	31.12.2019
Interest rate	2.71 %
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 € 13.5 m as at 31 December 2019.

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 € 85,000 (previous year: € 64,000).

Interest income is also increased by early termination fees paid to LBS in the amount of € 19.1 m (previous year: € 17.6 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 € 3,000 (previous year: € 37,000).

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 2019, receivables not yet due from Riester arrangement fees were capitalised in the amount of € 3.9 m (previous year € 4.5 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 € 0.7 m (previous year: € 0.6 m) representing expenses for insurance cover against loan defaults.

Disclosures and Comments Concerning the Balance Sheet and Income Statement

Receivables from Helaba amounted to € 5,138.6 m (previous year: € 5,014.5 m) and liabilities due to Helaba were € 681.1 m (previous year: € 707.8 m).

Classification by remaining maturity — in € m

	31.12.2019	31.12.2018
Other loans and advances to banks		
Payable on demand	190.0	199.3
Up to three months	106.6	182.6
More than three months and up to one year	276.0	156.0
More than one year and up to five years	1,355.0	1,301.0
More than five years	3,287.5	3,262.5
Loans and advances to customers		
Up to three months	28.4	32.0
More than three months and up to one year	71.8	69.7
More than one year and up to five years	370.9	351.0
More than five years	468.8	462.1

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 € 1.2 m (previous year: € 0.2 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 2019 (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)	10,003	3,295
Additions, total AK/HK (FY)	83	46
Disposals, total AK/HK (FY)	2	126
Reclassifications, total AK/HK (FY)	0	0
AK/HK at end of FY (total)	**10,084**	**3,215**
Amortisation and depreciation at start of FY (total)	2,287	3,081
Amortisation and depreciation (FY)	987	52
Changes in total amortisation and depreciation in connection with disposals (total)	2	121
Amortisation and depreciation at end of FY (total)	**3,273**	**3,012**
As at 31.12.2019 (carrying amount)	**6,811**	**203**
As at 31.12.2018 (carrying amount)	7,716	214

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

	31.12.2019	31.12.2018
Payable on demand	10.5	11.1
Up to three months	10.4	6.8
More than three months and up to one year	63.9	63.0
More than one year and up to five years	322.0	315.4
More than five years	284.8	322.6

Borrowings in the amount of € 681.1 m (previous year: € 707.8 m) serve exclusively to fund business outside the home loan and savings collective.

Commission liabilities due to the field service in the amount of € 9.2 m account for most of the other liabilities figure of € 9.3 m.

Deferred income (€ 1.5 m) includes a discount from receivables of € 1.4 m (previous year: € 1.5 m).

The purchase cost of assets offset against provisions pursuant to Section 246 (2) sentence 2 HGB amounted to € 2.1 m (previous year: € 1.8 m), and their fair value was € 2.2 m (previous year: € 2.1 m). The settlement amount of the offset liabilities amounted to € 2.2 m (previous year: € 2.2 m). Expenses of € 251,100 (previous year: € 195,600) were offset in the income statement against income of € 118,500 (previous year: € 39,100) from these assets and liabilities from salary conversion.

The largest single item under other provisions (€ 18.3 m) is the € 4.96 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 (€ 2.6 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

	31.12.2019	31.12.2018
From allocations	0.5	0.7
For interim and bridge-over financing	30.8	29.9
From other home finance loans	0.3	0.1
Total	**31.6**	**30.7**

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 eight home loan and savings customers under a retirement pension home savings contract. The claim amounts to € 126,000 and LBS has concluded eight pension insurance agreements for a corresponding insured sum with Provinzial NordWest Lebensversicherung AG to cover it.

Other operating income mainly comprises income from the correction and commissions for previous years in the amount of € 2.8 m (included in net fee and commission income / expense in the previous year), income from the reversal of provisions in the amount of € 0.8 m (previous year: € 0.6 m) and income of € 0.3 m (previous year: € 0.3 m) from the magazine “Das Haus”.

Other operating expenses mainly comprise the expense of € 11.3 m (previous year: € 10.5 m) from interest on pension provisions, expenses from the correction and commissions for previous years in the amount of € 0.9 m (included in net fee and commission income / expense in the previous year), and compensation payments of € 0.7 m (previous year: € 0.6 m) to the field service. The € 3.1 m tax expense still included in this item (previous year: € 3.6 m) and 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 2019. This reduced non-personnel operating expenses by € 0.9 m (previous year: € 0.7 m).

Other Disclosures

A contract for the inclusion of LBS as a limited partner in FORUM Direktfinanz GmbH & Co. KG was concluded on 28 November 2019. In the contract, LBS has undertaken to make a contribution in the amount of € 360,000, conditional upon entry in the commercial register.

The transaction was entered in the commercial register on 22 January 2020, and the limited partnership contribution and mandatory contribution became due for payment on 5 February 2020.

Subject to the resolution on the use of net retained profits for 2019, which is still outstanding, an allocation of profits in the amount of € 2.2 m to revenue reserves is anticipated. The Supervisory Board is to decide on the appropriation of profit at its meeting on 30 March 2020.

For financial year 2019, € 162,000 (previous year: € 178,000) was invoiced for the audit, and € 10,000 (previous year € 5,000) was invoiced for other attestation services 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 € 37,000 (previous year: € 42,000).

Remuneration paid to LBS Advisory Board members totalled € 25,000 (previous year: € 24,000).

LBS employed 214 people on average in 2019, 87 of them female and 127 male.

No significant events have occurred since the end of the financial year under review.

Frankfurt am Main / Erfurt, 25 February 2020

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

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 2019, and the statement of profit and loss for the financial year from 1 January to 31 December 2019, and the notes to the financial statements, including the recognition and measurement 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 2019.

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 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German Generally Accepted Accounting Principles (GAAP).
- 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.

Other Information

The executive directors are responsible for the other information. The other information comprises the statistical annex to the management 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 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 executive directors 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 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 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 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 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 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 audit opinion on the effectiveness of these systems of the Company.

- 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 audit opinion. 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 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 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 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, 25 February 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frey	Brixner
Wirtschaftsprüfer	Wirtschaftsprüferin

Advisory Board of Landesbausparkasse Hessen-Thüringen

for the financial year 2019

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

Thomas Fügmann
Chief Administrative Officer
County District of Saale-Orla

Sven Hauschild
Member of the Board of Managing Directors
Sparkasse Arnstadt-Ilmenau
Ilmenau

Manfred Vögtlin
Vice-Chairman of the Board of Managing Directors
Sparkasse Bensheim

Jochen Johannink
Vice-Chairman of the Board of Managing Directors
Kasseler Sparkasse

Josef Kraus
since 1 July 2019
Chairman of the Board of Managing Directors
Sparkasse Laubach-Hungen

Frank Matiaske
since 1 July 2019
Chief Administrative Officer
County District of Odenwald

Thomas Schütze
Member of the Board of Managing Directors
Sparkasse Jena-Saale-Holzland
Jena

Marc Semmel
Chairman of the Board of Managing Directors
Sparkasse Werra-Meissner
Eschwege

Torsten Priemer
since 25 September 2019
Member of the Board of Managing Directors
Kreissparkasse Schlüchtern

Statistical Information on the Home Savings Business

Allocation fund changes in 2019

A. Allocations	€ thousands
I. Amount carried forward from the previous year (surplus): amounts not yet disbursed	4,794,053
II. Allocations in the financial year	
1. Savings amounts (including offset homeowner allowances)	709,842
2. Repayment amounts[1] (including offset homeowner allowances)	59,200
3. Interest on home savings deposits	72,310
4. Home savings protection fund	0
5. Other	
a) Borrowings and own funds	0
Total	**5,635,405**

B. Withdrawals	€ thousands
I. Withdrawals in the financial year	
1. Sums allocated, to the extent disbursed	
a) Home savings deposits	272,632
b) Home loans	44,948
2. Repayment of home savings deposits made on home savings contracts not yet allocated	350,929
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]	4,966,896
Total	**5,635,405**

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: 90,775
b) the home loans attributable to allocations that have not yet been disbursed in € thousands: 524

Movements in the Portfolio in 2019

Tariff group I (tariffs A, B, C, D)

	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	1,494	45,061	110	3,363	1,604	48,424
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	0	0	–	–	0	0
2. Transfer	8	199	1	61	9	260
3. Waiver of allocation and revocation of allocation	20	674	–	–	20	674
4. Partition	1	–	0	–	1	–
5. Allocation	–	–	23	749	23	749
6. Other	2	102	0	2	2	104
Total	31	975	24	812	55	1,787
C. Disposals in the financial year due to						
1. Allocation	23	749	–	–	23	749
2. Reduction	–	0	–	0	–	0
3. Cancellation	139	4,754	7	180	146	4,934
4. Transfer	8	199	1	61	9	260
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	35	1,143	35	1,143
7. Waiver of allocation and revocation of allocation	–	–	20	674	20	674
8. Other	2	103	0	1	2	104
Total	172	5,805	63	2,059	235	7,864
D. Net addition/disposal	−141	−4,830	−39	−1,247	−180	−6,077
E. Portfolio at the end of the financial year	1,353	40,231	71	2,116	1,424	42,347
thereof: Attributable to home savings customers outside of Germany	25	600	2	41	27	640
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			–			–
b) Contracts concluded in financial year 2019			–			–
III. Size classification of unallocated contracts						
up to € 10,000			273			1,535
more than 10,000 up to € 25,000			482			6,924
more than 25,000 up to € 50,000			323			10,465
more than 50,000 up to € 150,000			259			18,251
more than 150,000 up to € 250,000			14			2,343
more than 250,000 up to € 500,000			2			712
more than € 500,000			–			–
Total			1,353			40,231

IV. The average total net value at the end of the financial year was € 29,738

Movements in the Portfolio in 2019

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	10,785	260,613	1,194	41,124	11,979	301,737
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	6	102	–	–	6	102
2. Transfer	32	774	1	20	33	794
3. Waiver of allocation and revocation of allocation	201	4,880	–	–	201	4,880
4. Partition	2	–	0	–	2	–
5. Allocation	–	–	305	7,718	305	7,718
6. Other	16	523	2	44	18	567
Total	257	6,279	308	7,782	565	14,061
C. Disposals in the financial year due to						
1. Allocation	305	7,718	–	–	305	7,718
2. Reduction	–	103	–	76	–	179
3. Cancellation	1,458	28,889	133	3,936	1,591	32,825
4. Transfer	32	774	1	20	33	794
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	405	13,753	405	13,753
7. Waiver of allocation and revocation of allocation	–	–	201	4,880	201	4,880
8. Other	16	462	2	45	18	507
Total	1,811	37,946	742	22,710	2,553	60,656
D. Net addition/disposal	–1,554	–31,667	–434	–14,928	–1,988	–46,595
E. Portfolio at the end of the financial year	9,231	228,946	760	26,196	9,991	255,142
thereof: Attributable to home savings customers outside of Germany	98	2,301	3	134	101	2,435
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			–			–
b) Contracts concluded in financial year 2019			–			–
III. Size classification of unallocated contracts						
up to € 10,000			1,331			8,551
more than 10,000 up to € 25,000			4,548			68,334
more than 25,000 up to € 50,000			2,206			71,230
more than 50,000 up to € 150,000			1,119			75,124
more than 150,000 up to € 250,000			23			4,037
more than 250,000 up to € 500,000			3			1,160
more than € 500,000			1			511
Total			9,231			228,947

IV. The average total net value at the end of the financial year was € 25,537

Movements in the Portfolio in 2019

Tariff group III (Classic S, L, Vario E, U, 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	33,056	593,127	4,025	96,267	37,081	689,394
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	10	207	–	–	10	207
2. Transfer	115	2,212	8	113	123	2,325
3. Waiver of allocation and revocation of allocation	563	9,678	–	–	563	9,678
4. Partition	15	–	0	–	15	–
5. Allocation	–	–	862	16,200	862	16,200
6. Other	47	856	6	120	53	976
Total	750	12,953	876	16,433	1,626	29,386
C. Disposals in the financial year due to						
1. Allocation	862	16,200	–	–	862	16,200
2. Reduction	–	424	–	0	–	424
3. Cancellation	3,663	56,963	430	7,553	4,093	64,516
4. Transfer	115	2,212	8	113	123	2,325
5. Combination	2	–	0	–	2	–
6. Expiry of contract	–	–	1,286	33,330	1,286	33,330
7. Waiver of allocation and revocation of allocation	–	–	563	9,678	563	9,678
8. Other	47	857	6	121	53	978
Total	4,689	76,656	2,293	50,795	6,982	127,451
D. Net addition/disposal	−3,939	−63,703	−1,417	−34,362	−5,356	−98,065
E. Portfolio at the end of the financial year	29,117	529,424	2,608	61,905	31,725	591,329
thereof: Attributable to home savings customers outside of Germany	135	2,487	4	109	139	2,596
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			–			–
b) Contracts concluded in financial year 2019			–			–
III. Size classification of unallocated contracts						
up to € 10,000			9,307			76,726
more than 10,000 up to € 25,000			15,253			245,355
more than 25,000 up to € 50,000			3,307			112,801
more than 50,000 up to € 150,000			1,219			86,386
more than 150,000 up to € 250,000			24			4,524
more than 250,000 up to € 500,000			6			2,098
more than € 500,000			1			1,534
Total			29,117			529,424

IV. The average total net value at the end of the financial year was € 18,639

Movements in the Portfolio in 2019

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	76,636	1,489,394	8,102	179,560	84,738	1,668,954
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	21	631	–	–	21	631
2. Transfer	234	4,812	7	106	241	4,918
3. Waiver of allocation and revocation of allocation	2,453	44,851	–	–	2,453	44,851
4. Partition	21	–	1	–	22	–
5. Allocation	–	–	3,713	73,336	3,713	73,336
6. Other	131	3,631	19	380	150	4,011
Total	2,860	53,925	3,740	73,822	6,600	127,747
C. Disposals in the financial year due to						
1. Allocation	3,713	73,336	–	–	3,713	73,336
2. Reduction	–	4,533	–	110	–	4,643
3. Cancellation	6,925	134,739	1,352	28,513	8,277	163,252
4. Transfer	234	4,812	7	106	241	4,918
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	1,806	42,447	1,806	42,447
7. Waiver of allocation and revocation of allocation	–	–	2,453	44,851	2,453	44,851
8. Other	143	4,319	18	340	161	4,659
Total	11,015	221,739	5,636	116,367	16,651	338,106
D. Net addition / disposal	–8,155	–167,814	–1,896	–42,545	–10,051	–210,359
E. Portfolio at the end of the financial year	68,481	1,321,580	6,206	137,015	74,687	1,458,595
thereof: Attributable to home savings customers outside of Germany	282	6,776	12	591	294	7,367
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			6			585
b) Contracts concluded in financial year 2019			–			–
III. Size classification of unallocated contracts						
up to € 10,000			29,763			256,015
more than 10,000 up to € 25,000			28,508			505,435
more than 25,000 up to € 50,000			7,459			303,325
more than 50,000 up to € 150,000			2,566			214,572
more than 150,000 up to € 250,000			148			27,915
more than 250,000 up to € 500,000			34			11,408
more than € 500,000			3			2,910
Total			68,481			1,321,580

IV. The average total net value at the end of the financial year was € 19,529

Movements in the Portfolio in 2019

Tariff group V (Classic2007 S, B, F, N, Classic Young 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	234,880	5,020,971	13,681	320,633	248,561	5,341,604
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	691	43,324	–	–	691	43,324
2. Transfer	598	15,216	28	885	626	16,101
3. Waiver of allocation and revocation of allocation	19,346	315,237	–	–	19,346	315,237
4. Partition	58	–	0	–	58	–
5. Allocation	–	–	31,041	602,562	31,041	602,562
6. Other	494	31,016	64	1,475	558	32,491
Total	21,187	404,793	31,133	604,922	52,320	1,009,715
C. Disposals in the financial year due to						
1. Allocation	31,041	602,562	–	–	31,041	602,562
2. Reduction	–	76,225	–	352	–	76,577
3. Cancellation	12,840	334,141	10,188	253,217	23,028	587,358
4. Transfer	598	15,216	28	885	626	16,101
5. Combination	2	–	0	–	2	–
6. Expiry of contract	–	–	1,991	49,945	1,991	49,945
7. Waiver of allocation and revocation of allocation	–	–	19,346	315,237	19,346	315,237
8. Other	624	38,104	34	775	658	38,879
Total	45,105	1,066,248	31,587	620,411	76,692	1,686,659
D. Net addition/disposal	–23,918	–661,455	–454	–15,489	–24,372	–676,944
E. Portfolio at the end of the financial year	210,962	4,359,516	13,227	305,144	224,189	4,664,660
thereof: Attributable to home savings customers outside of Germany	511	13,295	17	417	528	13,712
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			40			2,970
b) Contracts concluded in financial year 2019			1			96
III. Size classification of unallocated contracts						
up to € 10,000			115,686			1,155,828
more than 10,000 up to € 25,000			61,709			1,138,479
more than 25,000 up to € 50,000			22,784			917,486
more than 50,000 up to € 150,000			9,547			827,046
more than 150,000 up to € 250,000			971			185,267
more than 250,000 up to € 500,000			223			74,727
more than € 500,000			42			60,684
Total			210,962			4,359,516

IV. The average total net value at the end of the financial year was € 20,807

Movements in the Portfolio in 2019

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	74,835	1,872,173	2,374	58,042	77,209	1,930,215
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	17	757	–	–	17	757
2. Transfer	182	5,108	6	130	188	5,238
3. Waiver of allocation and revocation of allocation	2,685	46,901	–	–	2,685	46,901
4. Partition	23	–	0	–	23	–
5. Allocation	–	–	4,817	101,240	4,817	101,240
6. Other	137	8,766	8	114	145	8,880
Total	3,044	61,532	4,831	101,484	7,875	163,016
C. Disposals in the financial year due to						
1. Allocation	4,817	101,240	–	–	4,817	101,240
2. Reduction	–	12,859	–	138	–	12,997
3. Cancellation	3,497	91,625	1,422	35,132	4,919	126,757
4. Transfer	182	5,108	6	130	188	5,238
5. Combination	0	–	0	–	0	–
6. Expiry of contract	–	–	356	10,007	356	10,007
7. Waiver of allocation and revocation of allocation	–	–	2,685	46,901	2,685	46,901
8. Other	201	13,216	3	34	204	13,250
Total	8,697	224,048	4,472	92,342	13,169	316,390
D. Net addition / disposal	–5,653	–162,516	359	9,142	–5,294	–153,374
E. Portfolio at the end of the financial year	69,182	1,709,657	2,733	67,184	71,915	1,776,841
thereof: Attributable to home savings customers outside of Germany	167	5,479	3	420	170	5,899
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			36			2,149
b) Contracts concluded in financial year 2019			–			–
III. Size classification of unallocated contracts						
up to € 10,000			36,770			367,454
more than 10,000 up to € 25,000			17,521			328,518
more than 25,000 up to € 50,000			8,808			350,954
more than 50,000 up to € 150,000			5,380			462,750
more than 150,000 up to € 250,000			516			98,510
more than 250,000 up to € 500,000			147			50,573
more than € 500,000			40			50,898
Total			69,182			1,709,657

IV. The average total net value at the end of the financial year was € 24,708

Movements in the Portfolio in 2019

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	117,971	3,356,695	1,528	35,259	119,499	3,391,954
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	86	4,975	–	–	86	4,975
2. Transfer	260	9,306	3	119	263	9,425
3. Waiver of allocation and revocation of allocation	736	22,693	–	–	736	22,693
4. Partition	26	–	0	–	26	–
5. Allocation	–	–	2,511	81,492	2,511	81,492
6. Other	147	7,220	5	186	152	7,406
Total	1,255	44,194	2,519	81,797	3,774	125,991
C. Disposals in the financial year due to						
1. Allocation	2,511	81,492	–	–	2,511	81,492
2. Reduction	–	34,284	–	58	–	34,342
3. Cancellation	5,800	158,110	875	31,910	6,675	190,020
4. Transfer	260	9,306	3	119	263	9,425
5. Combination	1	–	0	–	1	–
6. Expiry of contract	–	–	270	7,697	270	7,697
7. Waiver of allocation and revocation of allocation	–	–	736	22,693	736	22,693
8. Other	266	15,161	1	15	267	15,176
Total	8,838	298,353	1,885	62,492	10,723	360,845
D. Net addition / disposal	–7,583	–254,159	634	19,305	–6,949	–234,854
E. Portfolio at the end of the financial year	110,388	3,102,536	2,162	54,564	112,550	3,157,100
thereof: Attributable to home savings customers outside of Germany	203	7,698	2	31	205	7,729
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			120			7,429
b) Contracts concluded in financial year 2019			–			–
III. Size classification of unallocated contracts						
up to € 10,000			55,589			555,638
more than 10,000 up to € 25,000			26,390			493,994
more than 25,000 up to € 50,000			16,114			647,619
more than 50,000 up to € 150,000			10,724			942,935
more than 150,000 up to € 250,000			1,096			211,258
more than 250,000 up to € 500,000			376			125,899
more than € 500,000			99			125,194
Total			110,388			3,102,537

IV. The average total net value at the end of the financial year was € 28,051

Movements in the Portfolio in 2019

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	134,595	5,459,280	193	4,142	134,788	5,463,422
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	4,783	298,051	–	–	4,783	298,051
2. Transfer	215	11,446	0	0	215	11,446
3. Waiver of allocation and revocation of allocation	121	3,739	–	–	121	3,739
4. Partition	40	–	0	–	40	–
5. Allocation	–	–	585	16,666	585	16,666
6. Other	112	8,590	3	36	115	8,626
Total	5,271	321,826	588	16,702	5,859	338,528
C. Disposals in the financial year due to						
1. Allocation	585	16,666	–	–	585	16,666
2. Reduction	–	49,418	–	0	–	49,418
3. Cancellation	8,038	249,544	162	5,325	8,200	254,869
4. Transfer	215	11,446	0	0	215	11,446
5. Combination	2	–	0	–	2	–
6. Expiry of contract	–	–	54	778	54	778
7. Waiver of allocation and revocation of allocation	–	–	121	3,739	121	3,739
8. Other	221	16,076	3	35	224	16,111
Total	9,061	343,150	340	9,877	9,401	353,027
D. Net addition/disposal	−3,790	−21,324	248	6,825	−3,542	−14,499
E. Portfolio at the end of the financial year	130,805	5,437,956	441	10,967	131,246	5,448,923
thereof: Attributable to home savings customers outside of Germany	189	14,153	–	–	189	14,153
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			2,039			143,642
b) Contracts concluded in financial year 2019			–			–
III. Size classification of unallocated contracts						
up to € 10,000			42,860			428,350
more than 10,000 up to € 25,000			32,897			637,038
more than 25,000 up to € 50,000			29,234			1,204,970
more than 50,000 up to € 150,000			21,848			1,948,837
more than 150,000 up to € 250,000			2,632			512,313
more than 250,000 up to € 500,000			1,070			362,363
more than € 500,000			264			344,083
Total			**130,805**			**5,437,954**

IV. The average total net value at the end of the financial year was € 41,517

Movements in the Portfolio in 2019

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	7,647	306,456	1	50	7,648	306,506
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	36,443	1,627,267	–	–	36,443	1,627,267
2. Transfer	23	1,665	0	0	23	1,665
3. Waiver of allocation and revocation of allocation	3	170	–	–	3	170
4. Partition	5	–	0	–	5	–
5. Allocation	–	–	33	1,106	33	1,106
6. Other	490	31,360	0	0	490	31,360
Total	36,964	1,660,462	33	1,106	36,997	1,661,568
C. Disposals in the financial year due to						
1. Allocation	33	1,106	–	–	33	1,106
2. Reduction	–	7,296	–	0	–	7,296
3. Cancellation	895	32,094	14	419	909	32,513
4. Transfer	23	1665	0	0	23	1,665
5. Combination	281	–	0	–	281	–
6. Expiry of contract	–	–	0	0	0	0
7. Waiver of allocation and revocation of allocation	–	–	3	170	3	170
8. Other	56	3,574	0	0	56	3,574
Total	1,288	45,735	17	589	1,305	46,324
D. Net addition/disposal	35,676	1,614,727	16	517	35,692	1,615,244
E. Portfolio at the end of the financial year	43,323	1,921,183	17	567	43,340	1,921,750
thereof: Attributable to home savings customers outside of Germany	33	2,340	–	–	33	2,340
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			749			53,537
b) Contracts concluded in financial year 2019			10,572			679,723
III. Size classification of unallocated contracts						
up to € 10,000			16,190			161,849
more than 10,000 up to € 25,000			10,258			195,691
more than 25,000 up to € 50,000			9,492			397,216
more than 50,000 up to € 150,000			5,385			509,401
more than 150,000 up to € 250,000			1,245			245,822
more than 250,000 up to € 500,000			626			215,104
more than € 500,000			127			196,100
Total			43,323			1,921,183

IV. The average total net value at the end of the financial year was € 44,341

Movements in the Portfolio in 2019

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	48,863	1,917,965	612	18,854	49,475	1,936,819
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	3,991	187,242	–	–	3,991	187,242
2. Transfer	1	50	0	0	1	50
3. Waiver of allocation and revocation of allocation	1,243	36,029	–	–	1,243	36,029
4. Partition	0	–	0	–	0	–
5. Allocation	–	–	2,137	65,839	2,137	65,839
6. Other	153	7,366	17	426	170	7,792
Total	5,388	230,687	2,154	66,265	7,542	296,952
C. Disposals in the financial year due to						
1. Allocation	2,137	65,839	–	–	2,137	65,839
2. Reduction	–	6,950	–	14	–	6,964
3. Cancellation	3,071	119,250	561	17,532	3,632	136,782
4. Transfer	1	50	0	0	1	50
5. Combination	54	–	0	–	54	–
6. Expiry of contract	–	–	72	2,675	72	2,675
7. Waiver of allocation and revocation of allocation	–	–	1,243	36,029	1243	36,029
8. Other	153	7,361	3	115	156	7,476
Total	5,416	199,450	1,879	56,365	7,295	255,815
D. Net addition/disposal	–28	31,237	275	9,900	247	41,137
E. Portfolio at the end of the financial year	48,835	1,949,202	887	28,754	49,722	1,977,956
thereof: Attributable to home savings customers outside of Germany	56	2,471	2	70	58	2,541
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			2,804			124,203
b) Contracts concluded in financial year 2019			2,014			95,399
III. Size classification of unallocated contracts						
up to € 10,000			4,224			41,945
more than 10,000 up to € 25,000			11,858			237,158
more than 25,000 up to € 50,000			21,266			851,989
more than 50,000 up to € 150,000			11,400			802,200
more than 150,000 up to € 250,000			85			15,330
more than 250,000 up to € 500,000			2			580
more than € 500,000			–			–
Total			48,835			1,949,202

IV. The average total net value at the end of the financial year was € 39,780

Movements in the Portfolio in 2019

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	740,762	20,321,735	31,820	757,294	772,582	21,079,029
B. Additions in the financial year due to						
1. New contracts taken out (cashed-in contracts)	46,048	2,162,556	–	–	46,048	2,162,556
2. Transfer	1,668	50,788	54	1,434	1,722	52,222
3. Waiver of allocation and revocation of allocation	27,371	484,852	–	–	27,371	484,852
4. Partition	191	–	1	–	192	–
5. Allocation	–	–	46,027	966,908	46,027	966,908
6. Other	1,729	99,430	124	2,783	1,853	102,213
Total	77,007	2,797,626	46,206	971,125	123,213	3,768,751
C. Disposals in the financial year due to						
1. Allocation	46,027	966,908	–	–	46,027	966,908
2. Reduction	–	192,092	–	748	–	192,840
3. Cancellation	46,326	1,210,109	15,144	383,717	61,470	1,593,826
4. Transfer	1,668	50,788	54	1,434	1,722	52,222
5. Combination	342	–	0	–	342	–
6. Expiry of contract	–	–	6,275	161,775	6,275	161,775
7. Waiver of allocation and revocation of allocation	–	–	27,371	484,852	27,371	484,852
8. Other	1,729	99,233	70	1,481	1,799	100,714
Total	96,092	2,519,130	48,914	1,034,007	145,006	3,553,137
D. Net addition/disposal	–19,085	278,496	–2,708	–62,882	–21,793	215,614
E. Portfolio at the end of the financial year	721,677	20,600,231	29,112	694,412	750,789	21,294,643
thereof: Attributable to home savings customers outside of Germany	1,699	57,599	45	1,813	1,744	59,412
II. Portfolio of contracts not yet cashed in						
a) Contracts concluded prior to 1.1.2019 (financial year)			5,794			334,515
b) Contracts concluded in financial year 2019			12,587			775,218
III. Size classification of unallocated contracts						
up to € 10,000			311,993			3,053,891
more than 10,000 up to € 25,000			209,424			3,856,926
more than 25,000 up to € 50,000			120,993			4,868,056
more than 50,000 up to € 150,000			69,447			5,887,502
more than 150,000 up to € 250,000			6,754			1,307,318
more than 250,000 up to € 500,000			2,489			844,624
more than € 500,000			577			781,914
Total			721,677			20,600,231

IV. The average total net value at the end of the financial year was € 28,363

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Helaba Addresses

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