Helaba

Half-Yearly Financial Report 2019

Values with impact.

Half-Yearly Financial Report
2019

The Helaba Group

Helaba ratings (As at: August 2019)

Moody's

Outlook	Stable
Long-term Issuer Rating	Aa3
Counterparty Risk Assessment[3]	Aa3(cr)
Long-term Deposit Rating[3]	Aa3
Public-Sector Covered Bonds	Aaa
Short-term Deposit Rating[2]	P-1
Long-term Senior Unsecured[3]	Aa3
Long-term Junior Senior Unsecured[4]	A2
Subordinate Rating[5]	Baa2
Baseline Credit Assessment	baa2

Fitch

Outlook	Stable
Long-term Issuer Default Rating[1]	A+
Public Sector Pfandbriefe	AAA
Mortgage Pfandbriefe	AAA
Short-term Issuer Default Rating[1, 2]	F1+
Derivative Counterparty Rating[1]	AA–(dcr)
Long-term Deposit Rating[1, 3]	AA–
Senior Preferred[1, 3]	AA–
Senior Unsecured[1, 4]	A+
Subordinated debt[1, 5]	A
Viability Rating[1]	a+

Standard & Poor's

Outlook	Stable
Long-term Issuer Credit Rating[1]	A
Short-term Issuer Credit Rating[1, 2]	A-1
Long-term Senior Unsecured[1, 3]	A
Long-term Senior Subordinated[1, 4]	A–
Standalone Credit Profile[1]	a

Ratings for Helaba liabilities that are covered by statutory guarantee (grandfathering)[6]

	Moody's	Fitch Ratings	Standard & Poor's
Long-term ratings	Aaa	AAA	AA–

[1] Joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen, respectively based on the group rating
[2] Corresponds to short-term liabilities
[3] Corresponds in principle to long-term senior unsecured debt according to section 46f (5 and 7) KWG ("with preferential right to payment")
[4] Corresponds in principle to long-term senior unsecured debt according to section 46f (6) KWG ("without preferential right to payment")
[5] Corresponds to subordinated liabilities
[6] The statutory guarantee applies to all liabilities in place prior to 18 July 2001 (no time limit)

Stakes in Helaba's share capital

Public owners	**in %**
Sparkassen- und Giroverband Hessen-Thüringen	68.85
State of Hesse	8.10
Free State of Thuringia	4.05
Sparkassenverband Westfalen-Lippe	4.75
Rheinischer Sparkassen- und Giroverband	4.75
FIDES Alpha GmbH[1]	4.75
FIDES Beta GmbH[1]	4.75

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

The Helaba Group in figures

Performance figures		1.1.–30.6.2019 in € m	1.1.–30.6.2018 in € m	Change in € m	Change in %
Net interest income before allowances for losses on loans and advances		557	521	36	6.9
Net fee and commission income		186	172	14	8.1
General and administrative expenses		–772	–720	–52	–7.2
Profit before taxes		325	200	125	62.5
Consolidated net profit		**255**	**140**	**115**	**82.1**
Return on equity before taxes	in %	**7.7**	**5.0**		
Cost-income ratio	in %	**68.3**	**79.4**		

Figures in the statement of financial position	30.6.2019 in € m	31.12.2018 in € m	Change in € m	Change in %
Measured at amortised cost:				
Loans and advances to banks	16,267	11,222	5,045	45.0
Loans and advances to customers	111,908	95,529	16,379	17.1
Trading assets	18,346	16,989	1,357	8.0
Financial assets measured at fair value (not held for trading)	38,410	27,435	10,975	40.0
Measured at amortised cost:				
Deposits and loans from banks	36,528	32,143	4,385	13.6
Deposits and loans from customers	67,917	47,397	20,520	43.3
Securitised liabilities	54,008	45,455	8,553	18.8
Trading liabilities	20,511	12,763	7,748	60.7
Financial liabilities measured at fair value (not held for trading)	22,212	13,761	8,451	61.4
Equity	8,638	8,462	176	2.1
Total assets	**212,988**	**162,968**	**50,020**	**30.7**

Key indicators for regulatory purposes	30.6.2019 in %	31.12.2018 in %
CET1 capital ratio	14.6	14.9
Tier 1 capital ratio	15.7	16.4
Total capital ratio	19.7	20.6

Contents

Ladies and gentlemen,
Dear customers, dear business partners,

In the first half of 2019, Helaba generated consolidated profit before taxes in accordance with IFRS of € 325 m. This was well in excess of the corresponding prior-year figure of € 200 m. The main reason behind this leap in profits was the acquisition and associated initial consolidation of the former Dexia Kommunalbank Deutschland (DKD), now renamed KOFIBA Kommunalfinanzierungsbank GmbH. Consolidated net profit amounted to € 255 m, which equated to an increase of € 115 m compared with the first six months of 2018.

The positive financial impact from the consolidation of the former DKD was not the only good news, however: we can take satisfaction from the performance of our operating business in the first half of the year in view of the challenging conditions. We achieved growth in new business and increased both net interest income and net fee and commission income. On the other side of the equation, however, rising IT and consultancy expenses caused by regulatory and new business-related requirements continued to offset some of the gains. We anticipate that profit before taxes for 2019 as a whole will be higher than the prior-year level because of the integration of KOFIBA. Disregarding the effects from the integration of KOFIBA, earnings for the first half of the year were approximately at the level of the corresponding prior-year period.

Net interest income came to € 557 m, which was up on the prior-year figure. Loss allowances rose to € 34 m, but were therefore still at a low level. Net fee and commission income went up by € 14 m to € 186 m. This increase was mainly attributable to a favourable trend in fees and commissions in the lending and guarantee business and in the payments business as well as to fees and commissions from Helaba Invest's asset management activities.

The net gain under gains or losses on measurement at fair value, which encompasses net trading income and net income from hedge accounting and other financial instruments measured at fair value, rose by € 48 m to € 78 m. Other net income rose by € 128 m to € 307 m, primarily because of one-off effects from the first-time consolidation of KOFIBA.

General and administrative expenses increased from € 720 m to € 772 m. The main factors behind this increase were higher IT and consultancy expenses incurred in implementing regulatory and business-related requirements and greater charges in connection with the bank levy and contributions to protection schemes.

Helaba's consolidated total assets rose substantially in the first half of 2019, from € 163.0 bn to € 213.0 bn, mainly as a result of the consolidation of KOFIBA. Between 31 December 2018 and the reporting date, business volume grew from € 200.9 bn to € 252.1 bn. Loans to, and receivables from, customers and Sparkassen swelled by € 16.3 bn to € 118.2 bn, again as a consequence of the first-time consolidation of KOFIBA and the takeover of the land transport finance portfolio from DVB Bank SE. The extent of these transactions thus continues to reflect the close integration of the business with the real economy. The volume of new medium- and long-term business (excluding the WIBank development business, which does not form part of the competitive market) reached € 9.6 bn compared with € 7.8 bn in the first half of 2018.

As at 30 June 2019, the Common Equity Tier 1 (CET1) capital ratio was 14.6 %. Return on equity (before taxes) rose from 5.0 % to 7.7 %. The cost-income ratio was 68.3 % compared with 79.4 % in the first half of 2018.

I would like to take this opportunity to convey the thanks of the entire Board of Managing Directors to our customers and business partners for their confidence in us and to our corporate bodies for their constructive involvement. I would also like to express our gratitude to our employees, whose commitment and expertise enable the Bank to operate so effectively, day in day out.

Yours sincerely

Herbert Hans Grüntker
Chairman of the Board of Managing Directors

Interim Group Management Report

Interim Group Management Report

Basic Information About the Group

Business model of the Group

Landesbank Hessen-Thüringen Girozentrale (Helaba) is a credit institution organised under public law; its long-term strategic business model is that of a full-service bank with a 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 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 the legally dependent Landesbausparkasse Hessen-Thüringen (LBS).

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

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

FBG, which operates as the private bank of the Sparkassen-Finanzgruppe, acquires high-net-worth customers in Germany through Sparkassen in the S-Group with which it has a collaboration agreement. Frankfurter Bankgesellschaft acts as a central partner for the Sparkassen and its Family Office strengthens 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 administer and manage both securities and real estate.

Helaba Invest's product range includes institutional and retail securities funds as part of a discretionary and/or advisory portfolio management service, comprehensive fund administration (including reporting, notification and risk management), strategic advice and support for indirect investments.

The GWH Group holds one of the largest residential real estate portfolios in Hesse, comprising around 50,000 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 below 70 %. The cost-income ratio is the ratio of general and administrative expenses to profit before taxes net of general and administrative expenses and of loss allowances. 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 is 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). Helaba has set a target range of 5 % to 7 % for economic return on equity before tax.

The leverage ratio measures the ratio between regulatory capital and the unweighted total of all on-balance sheet and off-balance sheet asset items including derivatives. 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 the leverage 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. However, the NSFR is already being taken into account in Helaba's management systems on the basis of the guidance issued by the Basel Committee on Banking Supervision (BCBS). Both liquidity ratios are leading to an increase in liquidity management costs and therefore have a negative impact on profitability.

As part of the implementation of the Single Resolution Mechanism (SRM) in Europe, the competent resolution authority has, in July 2019, 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), which 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 aims to achieve continuous improvement in these third-party ratings.

Employees

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

- Remuneration principles
  The business strategy and risk strategy specify the degree of flexibility available to employees. This then also forms the basis for the remuneration system. The Bank's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration strategy, 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. The needs-based range of seminars covering professional, personal, social and methodological development helps managers and employees

fulfil their day-to-day responsibilities. This range of training seminars is complemented by foreign language training, topic-specific seminars provided by external providers and courses of study in business management. In addition to the aforementioned range of training options, the repertoire of human resources development also includes aspects of change, diversity and performance management, for example.

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

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

Economic Report

Macroeconomic and sector-specific conditions in Germany

In the first half of 2019, economic growth was adversely impacted by the tough conditions faced by the manufacturing sector. Trade disputes and the United Kingdom's imminent exit from the EU (Brexit) are causing uncertainty for businesses. The increase in spending on capital equipment will therefore be rather hesitant in 2019 at around 2 % with foreign trade even likely to act as a brake on economic expansion. On the other hand, residential construction continues to provide a boost for growth on the back of a sustained high level of demand in Germany. The very low mortgage rates and rising incomes are making it easier for buyers to secure finance. Public-sector construction is also generating some momentum because of a greater number of infrastructure projects. Consumer spending is being bolstered by the improvement in the labour market, higher pay deals and fiscal stimulus. The modest inflation rate of 1.5 % on average for the year means that consumers also have more money in their pockets in real terms. Over the whole of 2019, the growth in household expenditure will probably amount to 1.5 % and therefore be higher than the economic expansion rate of just under 1 %.

The German banking sector has benefited from the continuing, albeit slowing, economic growth in the first half of 2019. The requirement for loss allowances still remains at a low level. Conversely, though, banks' operating business continues to be impacted by the current level of interest rates. On top of this, institutional investors (insurance companies, pension funds) are making inroads into the market in response to their own investment pressures and are becoming competitors of the banks. Cut-throat competition continues to put pressure on margins.

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

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

Following the referendum on Brexit in June 2016, the specific terms of the exit have still not been definitively negotiated between the EU and the UK. Despite EU heads of government agreeing on a withdrawal agreement for the UK to leave the EU, it is still unclear whether the British parliament will agree to the deal, and a hard Brexit cannot be ruled out at this time. At a special summit of the European Council held on 10 April 2019, the EU member states agreed to postpone the date of Brexit until 31 October 2019 at the latest. HM Treasury, the UK's finance ministry, has introduced a regulation – the temporary permissions regime – that will allow firms currently passporting into the UK to continue new and existing regulated business within the scope of their current permissions for a limited period should the withdrawal agreement not be ratified. Under these arrangements, the period for approving an application to establish a third-country branch (which the Bank has submitted in anticipation of a no-deal Brexit scenario) will also be extended to three years from the withdrawal date. Overall, Helaba is 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 German Banking Act (Kreditwesengesetz – KWG)), together with its affiliated subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, is among the banks classified as "significant" and therefore subject to direct supervision by the ECB. The ECB sent the Helaba Group a letter dated 14 February 2019 notifying it of the findings of the Supervisory Review and Evaluation Process (SREP). The ECB has specified that the minimum Common Equity Tier 1 (CET1) capital ratio to be maintained by the Helaba Group in 2019 is 9.85 %. This requirement comprises the Pillar 1 minimum capital requirement, the Pillar 2 capital requirement and the capital buffers.

  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.

- 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 net stable funding ratio (NSFR), credit valuation adjustment (CVA) risk, 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 will be fed into this year's SREP decision.

- Single Resolution Mechanism (SRM)
  Helaba is classified as a "significant" bank and thus falls within the responsibility of the Single Resolution Board. As in previous years, a data collection exercise was conducted in the first half of 2019 for the purposes of resolution planning and determining the MREL. One of the outcomes of the data collection exercise in 2018, which was based on figures as at 31 December 2017, was that Helaba was notified by the competent resolution authority in July 2019 of its initial binding MREL. As anticipated, this MREL for the Helaba Group is 8.46 % of TLOF.

- EU action plan on sustainable financing
  In June 2019, a trilogue process largely brought to an end the package of measures adopted in May 2018 for implementing the EU action plan on financing sustainable growth. The final legislative initiatives (EU green bond standard, CO_2 benchmark regulation and disclosure regulation) are expected to be published in the autumn of 2019. In June 2019, the Technical Expert Group on Sustainable Finance published a provisional report on the EU taxonomy for classifying sustainable economic activities; the report is scheduled to be finalised by the end of the year. Through its membership of various banking associations and involvement in key sustainability initiatives, Helaba is integrated in the consultation processes and closely follows relevant developments.

Business performance

The volume of new medium- and long-term business in the Group – excluding the WIBank development business, which does not form part of the competitive market – amounted to € 9.6 bn (H1 2018: € 7.8 bn), which represented an increase compared with the corresponding prior-year period. Loans and advances to customers (financial assets measured at amortised cost) rose to € 111.9 bn, which was also attributable to the first-time consolidation of KOFIBA-Kommunalfinanzierungsbank (KOFIBA) (31 December 2018: € 95.5 bn). Added to this was an amount of € 6.3 bn (31 December 2018: € 6.4 bn) relating to loans and advances to Sparkassen (financial assets measured at amortised cost). 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 turned out to be somewhat varied in the first half of the year under review. The first trading weeks of the year were marked by notable heightened volatility in financial markets, accompanied by a corresponding widening of spreads in all asset classes. This was followed by a return to calmer waters in the markets, while the sluggish economic momentum led to further substantial falls in interest rates in the euro zone as central banks maintained their loose monetary policy. In the first half of the year, the general level of interest rates hit new historic lows in the euro zone. Helaba took advantage of this situation in the first half of the year to raise medium- and long-term funding from institutional and private investors at low rates. As in previous years, the Bank continued to benefit in this regard from its strategic business model and from its stable business and earnings performance.

Against a backdrop of a significantly higher funding requirement compared with the previous year overall, medium- and long-term funding of around € 10.9 bn (H1 2018: € 7.1 bn) was raised during the first six months of 2019, with unsecured funding amounting to approximately € 5.7 bn (H1 2018: € 4.8 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were roughly on a par with the prior-year period at € 1.3 bn. Pfandbrief issues amounted to € 5.2 bn in total (H1 2018: € 2.3 bn), with public Pfandbriefe accounting for over 60 % and mortgage Pfandbriefe 40 % of this total. As in previous years, the customer deposits in the retail business within the Group, in particular through the subsidiary Frankfurter Sparkasse, brought further diversification to the funding base.

The cost-income ratio was 68.3 % as at 30 June 2019 (30 June 2018: 79.4 %) and was therefore within the target range (2019 target: < 70 %). Return on equity rose to 7.7 % (30 June 2018: 5.0 %) and therefore exceeded the target range of 5 to 7 %. The substantial improvements were primarily attributable to the positive effects from the first-time inclusion of KOFIBA.

Phased in, i.e. taking into account the CRR transitional arrangements, as at 30 June 2019 the Helaba Group's CET1 capital ratio was 14.6 % and its total capital ratio 19.7 %. Fully loaded, i.e. disregarding the transitional arrangements, the CET1 capital ratio was 14.6 % and the total capital ratio 19.7 %. 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 30 June 2019, the Helaba Group's leverage ratio was 4.3 % taking into account the transitional provisions set out in the delegated act, or 4.1 % fully loaded, and therefore above the specified minimum ratio of 3.0 %.

The liquidity coverage ratio (LCR) for the Helaba Group was 180 % as at 30 June 2019. The uniform minimum LCR applicable throughout Europe is 100 %.

The NPL ratio for the Helaba Group (in accordance with EBA risk indicator code AQT_3.2) was 0.50 % as at 30 June 2019. As in the previous year, therefore, Helaba fell below the German average published in the EBA Risk Dashboard, which at 1.3 % (as at 31 December 2018) 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.

Helaba is the S-Group bank for around 40 % of the German Sparkassen in four federal states. Collaboration with the affiliated Sparkassen continued to hold steady in the first half of 2019.

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 is intended as a temporary measure before the planned merger of the entity into Helaba in the third quarter of 2019, which will involve a change in legal structure. At that point, a process will be initiated to integrate all the assets and liabilities into Helaba's IT system landscape. The aim is to complete the integration by the end of the first quarter of 2020, if possible.

Also in December, 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 rolling stock finance segment expanded to a total volume of almost € 2 bn.

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

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 "Growth through efficiency" project launched at the end of April analyses the potential for growth and efficiency and forms part of Helaba's comprehensive transformation process (digitalisation, tightening of business model focus, updating of IT and processes, New Work, corporate values and brand).

Financial Position and Financial Performance

Changes to basis of consolidation

The inclusion of KOFIBA-Kommunalfinanzierungsbank GmbH (KOFIBA) in the basis of consolidation from 1 May 2019 had an impact on the financial position and financial performance of the Helaba Group. The total assets taken over from the former Dexia Kommunalbank Deutschland (DKD) amounted to approximately € 26 bn before consolidation. This takeover means that the comparability of figures with the prior-year period is limited. For this reason, the main changes caused by the KOFIBA acquisition are highlighted separately.

Financial performance of the Group

	1.1.– 30.6.2019	1.1.– 30.6.2018	Change	
	in € m	in € m	in € m	in %
Net interest income	557	521	36	6.9
Loss allowances	–34	13	–47	>–100.0
Net interest income after loss allowances	**523**	**534**	**–11**	**–2.1**
Dividend income	5	24	–19	–79.2
Net fee and commission income	186	172	14	8.1
Gains or losses on measurement at fair value	78	30	48	>100.0
Gains or losses on derecognition of financial instruments not measured at fair value	7	2	5	>100.0
Share of profit or loss of equity-accounted entities	3	5	–2	–40.0
Other net operating income	295	153	142	92.8
General and administrative expenses	–772	–720	–52	–7.2
Profit before taxes	**325**	**200**	**125**	**62.5**
Taxes on income	–70	–60	–10	–16.7
Consolidated net profit	**255**	**140**	**115**	**82.1**

Helaba generated profit before taxes of € 325 m in the first half of 2019, which was well in excess of the corresponding prior-year figure of € 200 m. The main reason for this increase was the recognition of negative goodwill (negative difference) arising from the acquisition of the former DKD, which increased other net operating income. The performance of the operating business, which is reflected particularly in net interest income and net fee and commission income, was satisfactory and improving following a muted start to the year. The net gain under gains or losses on measurement at fair value was also up year on year as projected, the equivalent prior-period figure having been impacted by negative measurement effects. The positive earnings performance was adversely affected by a further rise in general and administrative expenses. The requirement for loss allowances was also greater than in the prior-year period, but still remains at a low level.

Net interest income was in line with the budget, whereas net interest income after loss allowances and general and administrative expenses were slightly above budget, with other net operating income much higher than the budgeted figure. On the other hand, net fee and commission income was slightly below budget and net gains from measurement at fair value markedly so. However, loss allowances were very significantly less than the budget. Disregarding the effects from the KOFIBA acquisition, the consolidated profit before taxes was noticeably higher than the budgeted figure, but very significantly in excess of the budget once the KOFIBA effects were taken into account. The changes in the individual items in the income statement were as described below.

Net interest income rose by € 36 m year on year to € 557 m. With average margins more or less constant, a greater portfolio on average led to an increase in operating net interest income. Income from early redemption fees and Treasury also rose, whereas negative interest rates continued to have an adverse effect on net interest income.

Loss allowances amounted to a net addition of € 34 m (H1 2018: net reversal, i.e. income, of € 13 m). The breakdown of this net addition to loss allowances by stage in accordance with IFRS 9 (including the provisions for loan commitments and financial guarantees) was as follows: stage 1, net reversal of € 8 m; stage 2, net addition of € 18 m; stage 3, net addition of € 27 m. The balance of direct write-offs, loss allowances on financial assets measured at fair value through other comprehensive income and recoveries on loans and advances previously written off amounted to income of € 3 m.

Net interest income after loss allowances declined from € 534 m in the first half of 2018 to € 523 m in the period under review.

Net fee and commission income rose by € 14 m to € 186 m. In particular, fees and commissions from lending and guarantee business at the New York branch and from Helaba Invest's asset management activities were on an upward trajectory. Fees and commissions from the payment transactions business at Helaba also went up. In contrast, fees and commissions from the brokering of home savings contracts at LBS declined.

The net gain under gains or losses on measurement at fair value climbed from € 30 m in the prior-year period to € 78 m in the reporting period. Operating net trading income from customer-driven capital market operations was substantially higher than in the prior-year period and also exceeded forecasts. The main factors behind this change were higher customer turnover and better performance from the trading of securities in the secondary market as a result of narrower credit spreads. There was also a year-on-year rise in the income generated from entering into customer derivatives. A fall in long-term interest rates had a negative effect compared with the prior-year period. This fall led to significant measurement markdowns on derivatives and adversely impacted both net trading income and the measurement gains or losses on banking book derivatives used to manage interest rates.

Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss rose from a net gain of € 2 m to a net gain of € 7 m. The share of profit or loss from associates and joint ventures accounted for using the equity method amounted to income of € 3 m (H1 2018: income of € 5 m).

Other net operating income rose from € 153 m in the prior-year period to € 295 m in the period under review because of one-off effects from the first-time consolidation of KOFIBA. Firstly, the recognition of negative goodwill gave rise to income of € 163 m. Secondly, the elimination of contractual relationships between Helaba and KOFIBA in existence prior to the acquisition led to an intercompany balance loss, which was reflected in an expense of € 29 m within other net operating income. Income of € 10 m was received in connection with the resolution of legal disputes. Most of the € 116 m (H1 2018: € 106 m) of net income from investment property, which is also reported under other net operating income, came from the GWH Group. This figure comprises the balance of rental income, the net gains or losses on disposals and operating costs.

General and administrative expenses comprised personnel expenses of € 334 m (H1 2018: € 323 m), other administrative expenses of € 375 m (H1 2018: € 360 m) and depreciation and amortisation charges of € 63 m (H1 2018: € 37 m). As a consequence of the initial application of IFRS 16 Leases, rental expenses previously reported under other administrative expenses were replaced in the reporting period by depreciation charges. Other administrative expenses included the European bank levy in the amount of € 42 m (H1 2018: € 40 m) and expenses for the Association overhead allocation and contributions to the Reserve Fund in the amount of € 52 m (H1 2018: € 43 m). This increase was primarily attributable to support measures for NordLB. There was also a year-on-year increase in IT and consultancy expenses incurred in connection with regulatory and new business-driven requirements; these expenses are also included in other administrative expenses.

Profit before taxes amounted to € 325 m (H1 2018: € 200 m).

After deduction of the income tax expense of € 70 m (H1 2018: € 60 m), consolidated net profit was € 255 m (H1 2018: € 140 m), of which € 1 m was attributable to non-controlling interests in consolidated subsidiaries (H1 2018: € 1 m).

Comprehensive income rose from € 109 m to € 266 m. This figure includes other comprehensive income in addition to the consolidated net profit for the period as reported in the income statement. Other comprehensive income amounted to income of € 11 m (H1 2018: loss of € 31 m). This figure was subject to a significant negative impact from the remeasurement of the net defined benefit liability caused by the decrease in the discount rate. The remeasurement loss amounted to € 156 m before taxes (H1 2018: gain of € 21 m). A discount rate of 1.5 % was used to determine pension provisions for the main pension obligations in Germany (31 December 2018: 2.0 %). The cross currency basis spread in the measurement of derivatives, which is recognised in accumulated other comprehensive income, contributed a gain of € 23 m before taxes to other comprehensive income (H1 2018: loss of € 42 m). Debt instruments measured at fair value through other comprehensive income accounted for a net gain of € 90 m before taxes within comprehensive income (H1 2018: net loss of € 22 m). The contribution to comprehensive income from financial liabilities designated voluntarily at fair value was a net gain of € 64 m before taxes (H1 2018: net loss of € 5 m).

Statement of financial position

Assets

	30.6.2019	31.12.2018	Change	
	in € m	in € m	in € m	in %
Cash on hand and demand deposit balances with central banks and banks	23,014	7,342	15,672	>100.0
Financial assets measured at amortised cost	128,175	106,755	21,420	20.1
Bonds	–	4	–4	–100.0
Loans and advances to banks	16,267	11,222	5,045	45.0
Loans and advances to customers	111,908	95,529	16,379	17.1
Trading assets	18,346	16,989	1,357	8.0
Financial assets measured at fair value (not held for trading)	38,410	27,435	10,975	40.0
Investment property	2,493	2,420	73	3.0
Income tax assets	595	593	2	0.3
Other assets	1,955	1,434	521	36.3
Total assets	**212,988**	**162,968**	**50,020**	**30.7**

Equity and liabilities

	30.6.2019	31.12.2018	Change	
	in € m	in € m	in € m	in %
Financial liabilities measured at amortised cost	158,700	125,222	33,478	26.7
Deposits and loans from banks	36,528	32,143	4,385	13.6
Deposits and loans from customers	67,917	47,397	20,520	43.3
Securitised liabilities	54,008	45,455	8,553	18.8
Other financial liabilities	247	227	20	8.8
Trading liabilities	20,511	12,763	7,748	60.7
Financial liabilities measured at fair value (not held for trading)	22,212	13,761	8,451	61.4
Provisions	2,281	2,087	194	9.3
Income tax liabilities	125	157	–32	–20.4
Other liabilities	521	516	5	1.0
Equity	8,638	8,462	176	2.1
Total equity and liabilities	**212,988**	**162,968**	**50,020**	**30.7**

Helaba's consolidated total assets rose very substantially in the first half of 2019, from € 163.0 bn to € 213.0 bn. KOFIBA contributed around € 26 bn (before consolidation) to this increase.

On the assets side of the statement of financial position, loans and advances to customers continued to dominate, accounting for a large proportion of total assets (52.5 %). They increased significantly, by € 16.4 bn, to € 111.9 bn. KOFIBA accounted for € 12.2 bn of this increase. Of the loans and advances to customers, which are reported at their net carrying amounts, commercial real estate loans accounted for € 33.3 bn (31 December 2018: € 32.2 bn) and infrastructure loans € 18.2 bn (31 December 2018: € 18.6 bn).

The cumulative loss allowances recognised in respect of financial assets measured at amortised cost amounted to € 306 m (31 December 2018: € 299 m).

Cash on hand and demand deposit balances with central banks and banks also went up, by € 15.7 bn, to € 23.0 bn. This increase was attributable to a rise in the volume of demand deposits, which are mainly held with Deutsche Bundesbank.

Trading assets recognised at fair value amounted to € 18.3 bn at the reporting date (31 December 2018: € 17.0 bn). While the portfolio of bonds and other fixed-income securities declined by € 2.0 bn to € 4.6 bn, the positive fair values of derivatives climbed by € 3.4 bn to € 12.4 bn.

Of the financial assets measured at fair value (not held for trading) amounting to € 38.4 bn (31 December 2018: € 27.4 bn), assets of € 23.9 bn (31 December 2018: € 22.0 bn) were accounted for by bonds and other fixed-income securities measured through other comprehensive income. Non-trading derivatives increased by € 4.7 bn to € 7.3 bn, meaning that the positive fair values of all derivatives rose by € 8.1 bn overall to € 19.7 bn. KOFIBA accounted for € 9.9 bn of the increase in financial assets measured at fair value (not held for trading).

The structure of the equity and liabilities side of the statement of financial position is characterised by a high proportion of financial liabilities measured at amortised cost (74.5 % of total equity and liabilities). They increased by € 33.5 bn to € 158.7 bn. Of this increase, € 15.9 bn was attributable to KOFIBA. The increase was mainly caused by a rise in the volume of deposits and loans from customers, which went up by € 20.5 bn to € 68.0 bn.

Trading liabilities recognised at fair value amounted to € 20.5 bn at the reporting date (31 December 2018: € 12.8 bn). Within this item, deposits and loans rose by € 3.1 bn to € 7.5 bn and negative fair values of derivatives went up by € 2.7 bn to € 10.2 bn.

The financial liabilities measured at fair value (not held for trading) included non-trading derivatives in an amount of € 8.7 bn (31 December 2018: € 2.3 bn), which means that the negative fair values of all derivatives rose by € 9.1 bn to an overall total of € 18.9 bn. KOFIBA accounted for € 8.3 bn of the increase in financial liabilities measured at fair value (not held for trading).

Equity

The Helaba Group's equity amounted to € 8.6 bn as at 30 June 2019 (31 December 2018: € 8.5 bn). Comprehensive income of € 266 m for the first half of 2019 pushed up equity. Accumulated OCI for the Group amounted to a cumulative net loss of € 351 m (31 December 2018: cumulative net loss of € 361 m). Within this figure, a cumulative loss of € 515 m (31 December 2018: cumulative loss of € 444 m) is related to items that will not be reclassified to profit or loss in future periods (i.e. they will not be recycled). This loss included remeasurements in connection with pension obligations. On a cumulative basis, these remeasurements amounted to a loss of € 551 m after deferred taxes (31 December 2018: loss of € 440 m). The remaining accumulated OCI of € 164 m (31 December 2018: € 83 m) is accounted for by items that will be reclassified to profit or loss in future periods. One of the factors contributing to the increase was the cumulative gains and losses (after deferred taxes) on debt instruments measured at fair value through other comprehensive income amounting to a gain of € 161 m (31 December 2018: gain of € 94 m). The cross currency basis spread in the measurement of derivatives, which is recognised in accumulated other comprehensive income, amounted to a loss of € 13 m after deferred taxes (31 December 2018: loss of € 29 m), thereby reducing equity. Exchange rate factors resulted in a decrease of € 1 m in the currency translation reserve for foreign operations to € 34 m. An amount of € 90 m was distributed to the owners from consolidated net profit for 2018 based on their shareholdings and capital contributions.

Please refer to the risk report and Note (47) in the Notes for information on the regulatory capital ratios.

Financial performance by segment

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

The contributions of the individual segments to the profit before taxes of € 325 m for the first half of 2019 (H1 2018: € 200 m) were as follows:

in € m

	1.1.–30.6.2019	1.1.–30.6.2018
Real Estate	131	122
Corporates & Markets[1]	–53	55
Retail and Asset Management	115	133
WIBank	13	9
Other[1]	104	–107
Consolidation / reconciliation[1]	15	–12
Group	**325**	**200**

[1] The prior-year figures have been restated because of changes to the methodology for Treasury contributions.

Real Estate segment

The Real Estate Lending business line is reported in the Real Estate segment. In this segment, products related to financing major commercial projects and existing properties are Helaba's particular speciality.

In the first half of 2019, the volume of new medium- and long-term business in real estate lending increased by 8 % year on year to € 4.0 bn (H1 2018: € 3.7 bn). There was a substantial fall in the margins in new medium- and long-term business compared with the prior-year period. The interest margin in the portfolio narrowed slightly, but a rise in the average volume of business meant that the net interest income in the segment went up a little to € 190 m (H1 2018: € 186 m).

As in the prior-year period, additions to loss allowances were at a low level. As at 30 June 2019, loss allowances amounted to a net reversal (income) of € 12 m (H1 2018: net reversal of € 2 m).

Net fee and commission income amounted to € 9 m and thus remained at the level of the prior-year period.

General and administrative expenses in the segment increased by € 6 m compared with the prior-year period to € 79 m. The increase was largely attributable to the planned rise in the allocation of overheads.

Profit before taxes for the segment amounted to € 131 m (H1 2018: € 122 m).

Corporates & Markets segment

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

The volume of new medium- and long-term business in the segment amounted to € 4.8 bn, which was 37 % higher than the equivalent prior-year figure (€ 3.5 bn). The new business included the takeover of a land transport finance portfolio from DVB Bank SE with a value of € 1.3 bn, of which € 1.0 bn related to new medium- and long-term business.

Net interest income for the segment, mainly generated by corporate finance, came to € 170 m, which was down by € 28 m year on year. Although net interest income in corporate finance remained steady, the equivalent figures for the capital markets operations, cash management and the municipal lending business declined. Loss allowances amounted to a net addition of € 47 m, a very significant increase on the prior-year net addition of € 6 m.

Net fee and commission income amounted to € 69 m compared with € 56 m in the corresponding prior-year period. Fees and commissions from all the customer groups managed in the segment went up.

The segment's net trading income for the first six months of 2019 came to a net expense of € 24 m (H1 2018: net income of € 22 m). A significant rise in customer business in capital market operations in the first half of 2019 was more than offset by valuation markdowns on derivatives because of the fall in interest rates.

General and administrative expenses in the segment increased by € 14 m compared with the prior-year period to € 245 m. This increase arose largely from the planned rise in the overhead allocation and, to a small degree, from the project costs related to the takeover of the land transport finance portfolio.

The segment incurred a loss before taxes of € 53 m compared with a profit before taxes of € 55 m in the corresponding prior-year period; the main contributing factor was the contraction in net trading income.

Retail & Asset Management segment

The Retail & Asset Management segment offers retail banking, private banking and asset management products through the subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft and Helaba Invest as well as through Landesbausparkasse Hessen-Thüringen. The Settlement / Custody Services business complements the traditional asset management value chain by providing a custodian bank function. The Real Estate Management business, including the real estate subsidiaries of the GWH Group and Helicon KG, also forms part of this segment.

The segment's net interest income of € 120 m (H1 2018: € 138 m) was influenced almost entirely by the activities of Frankfurter Sparkasse. In addition to Frankfurter Sparkasse, both Helaba Invest and Frankfurter Bankgesellschaft contributed to the net fee and commission income in the segment. Net fee and commission income amounted to a total of € 94 m, up by € 2 m year on year.

One of the main components of other net income / expense was the income from the real estate equity investment GWH, which went up by 9 % year on year. The contraction of € 7 m in the overall figure for the segment to € 159 m occurred mainly because the corresponding figure for the prior-year period had included the non-recurring gain from the sale of the equity investment LB(Swiss) Investment AG.

The rise of 3 % in general and administrative expenses to € 272 m (H1 2018: € 263 m) arose primarily as a result of the business initiatives implemented by Helaba Invest and GWH.

Profit before taxes for the segment amounted to € 115 m (H1 2018: € 133 m).

WIBank segment

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

In the first six months of 2019, WIBank generated new business with a value of approximately € 0.3 bn. After adjusting for the one-off item in the prior-year period represented by the "Hessenkasse" municipal debt relief programme, new business was at a level similar to that in the first half of 2018.

Net interest income for the period ended 30 June 2019 amounted to € 29 m. The increase compared with the figure for the prior-year period (€ 24 m) was attributable to positive effects in the development business. Net fee and commission income amounted to € 19 m and was at the same level as in the prior-year period.

General and administrative expenses for the first half of 2019 were € 36 m (H1 2018: € 35 m). Profit before taxes for the segment amounted to € 13 m (H1 2018: € 9 m).

Other segment

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. These items include the net income from centrally consolidated equity investments, such as the OFB Group, as well as the costs of the central units that cannot be allocated to the individual segments in line with the user-pays principle. The net income or expense from Treasury activities in the Asset / Liability Management business, from central own funds investing activities and from the centrally held liquidity securities are also recognised under this segment. KOFIBA is also included in the segment.

The rise in the segment's net interest income to € 55 m (H1 2018: net expense of € 2 m) resulted from an increase in the contribution from Treasury and the inclusion of KOFIBA. The balance in the segment also included centrally recognised liability markups for subordinated debt and the pension provision additions for Corporate Centre employees included in the interest.

The loss allowance income of € 2 m (H1 2018: income of € 17 m) in the segment arose largely as a consequence of the reversal of portfolio loan loss allowances recognised in previous years.

Net income from hedge accounting and other financial instruments measured at fair value improved year on year to € 87 m (H1 2018: € 13 m). This net income figure was boosted mainly by a very considerable rise in the investment of own funds in special funds for institutional investors.

Because of the first-time consolidation of KOFIBA, the other net income / expense for the segment improved year on year to income of € 144 m (H1 2018: income of € 26 m).

General and administrative expenses for the first half of 2019 were € 181 m (H1 2018: € 161 m). The main factors behind this increase were higher costs for the protection schemes operated by Deutscher Sparkassen- und Giroverband e.V. (DSGV) and the general and administrative expenses relating to KOFIBA. The bank levy and the contribution to the reserve funds were already fully included at the end of the first half of the year.

Profit before taxes for the segment amounted to € 104 m (H1 2018: loss of € 107 m).

Consolidation / reconciliation

Effects arising from consolidation and intragroup adjustments between the segments are reported under consolidation / reconciliation. Effects that arise from the reconciliation between the segment figures and the consolidated income statement, in particular in relation to net interest income, are also reported under consolidation / reconciliation.

The profit before taxes under consolidation / reconciliation amounted to € 15 m (H1 2018: loss of € 12 m).

Risk Report

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

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

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

Risk types

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

- default risk,
- market risk,
- liquidity and funding risk,
- non-financial risk / operational risk,
- business risk, including reputational risk (the material effects of reputational risk are reflected in business and liquidity risk), and
- real estate risk.

Risk-bearing capacity / ICAAP

Helaba uses its established procedures for quantifying and containing risks to ensure that all primary risks within the Helaba Group are always covered by risk cover pools and that its risk-bearing capacity is thus assured. Against the backdrop of the consultation on ICAAP guidelines being conducted by European banking supervisors, Helaba carried out fundamental further development in 2017 of its risk-bearing capacity calculation. The previous calculation approaches determined at national level were replaced by the two ICAAP perspectives as specified in the guidelines. The changeover to the new system in operational risk reporting took effect from financial year 2018.

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 internal economic perspective. The risk tolerance and risk appetite related to the risk exposures in this perspective are specified in the risk appetite framework.

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

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

In terms of risk, risk exposures for default risk, market risk, operational risk, business and real estate risk are included in the analysis for the internal economic perspective with a confidence level of 99.9 %. This 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 once again exceeded the quantified risk exposures by a substantial margin at the end of the second quarter of 2019, underlining Helaba's conservative risk profile. Helaba had a capital buffer of € 4.5 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. These scenarios comprise macroeconomic stress scenarios and a scenario involving exceptional market dislocation based on the most extreme changes in parameters observed over the historical time frame (usually observed market dislocation occurring in a global financial crisis).

An analysis using the internal normative perspective is conducted quarterly to supplement the internal economic perspective, which is the lead approach for ensuring Pillar II risk-bearing capacity. The internal normative perspective examines how the primary Pillar II risks affect the regulatory ratios in accounting terms and the internal objectives for capital ratios in the context of the risk appetite framework for the institution as a going concern. This analysis is conducted using various macroeconomic scenarios. Pillar II risks affect regulatory capital, 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 internal normative perspective is intended to ensure continuous compliance with the regulatory requirements and the internal objectives stemming from the risk strategy and the risk appetite framework. The capital ratios achieved under the simulated scenarios exceed the regulatory minimum CET1 capital ratio by a significant margin.

Helaba additionally conducts a number of reverse stress tests to investigate what kind 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 internal economic perspective. There is currently no indication of any of the scenarios described above becoming a reality.

Other protection mechanisms

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

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

The Sparkassen-Finanzgruppe scheme includes a deposit guarantee scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected at the Helaba Group amount to € 16.2 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 € 555 m at the end of 2018 (31 December 2017: € 518 m). The total contributions paid in cash as at the same date amounted to € 475 m (31 December 2017: € 442 m).

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

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

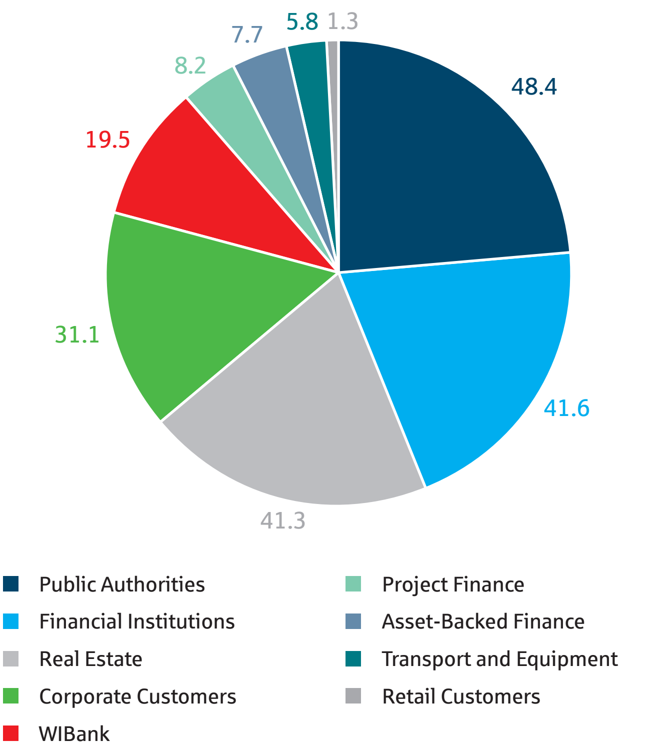
Development institution WIBank, which is organised as a dependent institution within Helaba, enjoys the direct statutory guarantee of the State of Hesse as regulated by law and as permitted under EU law on state aid.

Default Risk

Chart 1 shows the total volume of lending (comprising drawdowns and unutilised lending commitments) in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 204.9 bn as at 30 June 2019 (31 December 2018: € 182.3 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.

Total volume of lending by portfolio
(narrow Group companies)

Chart 1 in € bn



The lending activities in the narrow Group companies as at 30 June 2019 focused on the following portfolios: public sector, financial institutions (especially in the banking sector) and real estate.

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

Share in %

Region	**30.6.2019**	**31.12.2018**
Germany	64.67	61.25
Western Europe	17.21	19.00
Scandinavia	2.77	3.25
Rest of Europe	3.07	3.36
Europe	**87.72**	**86.86**
North America	11.48	11.86
Rest of the world	0.80	1.28

The table shows that Germany and selected other countries in Western Europe continue to account for most of the total lending volume. The UK accounted for 4.3 % (31 December 2018: 4.2 %).

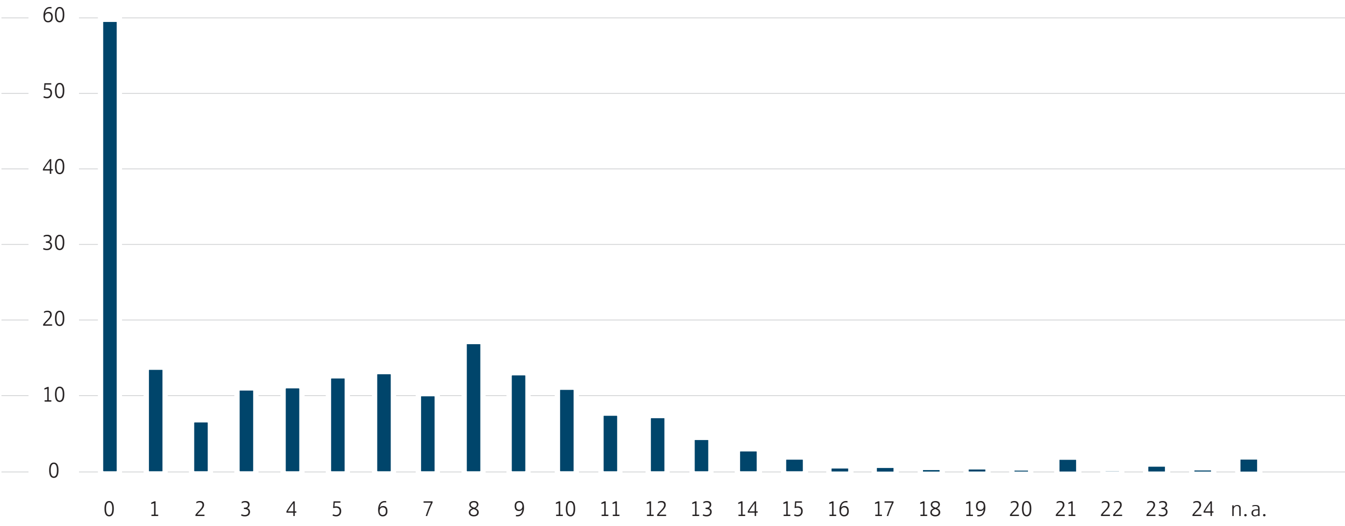
Creditworthiness / risk appraisal

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 the narrow Group companies of € 204.9 bn (31 December 2018: € 182.3 bn) broken down by default rating category.

Total volume of lending by default rating category (narrow Group companies)

Chart 2 in € bn



The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 1,556 m (31 December 2018: € 1,421 m) for the Group from default risk. Around half of the increase in the first six months of 2019 was attributable to the integration of KOFIBA. The remainder of the increase was accounted for by a deterioration in ratings and business expansion of approximately € 3.3 bn net in the Corporate Finance segment.

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.

Country risks

Country risks (transfer, conversion and sovereign default risks) from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 69.0 bn (31 December 2018: € 67.4 bn), most of which was accounted for by borrowers in Europe (65.7 %) and North America (32.4 %). As at 30 June 2019, 79.8 % (31 December 2018: 80.5 %) of these risks were assigned to country rating classes 0 and 1 and a further 20.1 % (31 December 2018: 19.4 %) were classified under rating classes 2–13. Just 0.1 % (31 December 2018: 0.1 %) were allocated to rating class 14 or worse.

United Kingdom exposures

Helaba's net exposure to borrowers in the UK across the narrow Group companies amounted to € 8.8 bn as at 30 June 2019 (31 December 2018: € 7.9 bn). The increase was attributable to greater exposures compared with the previous year, for example, in connection with the Bank's management of its short-term liquidity.

Despite the considerable political uncertainty in the run-up to the UK's withdrawal from the EU, 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.

KOFIBA

The exposure relating to KOFIBA in an amount of € 14.5 bn is being managed separately from the narrow Group companies until the assets and liabilities are fully migrated to the Bank's systems.

As at 30 June 2019, 96.8 % of KOFIBA's lending was concentrated in the public sector portfolio. From a geographical perspective, Europe accounted for 98.9 % of the lending (with 80.7 % in Germany).

Some 22.9 % of exposures are allocated to rating classes 0 and 1 and a further 76.3 % fall under rating classes 2–13. Just 0.8 % are allocated to rating class 14 or worse.

Equity Risk

The equity risk category brings together those risks attributable to equity investments whose individual risk types are not considered separately in risk controlling activities by risk type.

The composition of the equity investments portfolio is virtually unchanged from year-end 2018. The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 90 m for the Group from equity risk (31 December 2018: € 70 m). The increase was mainly attributable to new investments in private equity / mezzanine funds.

Market Risk

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 30 June 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 was primarily attributable to the integration of KOFIBA. Various country- and rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro exposures account for 88 % (31 December 2018: 87 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar exposures 7 % (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 € 12 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 € 177 m (31 December 2018: € 205 m). The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 612 m for the Group from market risk (31 December 2018: € 601 m).

Group MaR by risk type

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Total	**74**	**64**	**67**	**58**	**1**	**0**	**6**	**6**
Trading book	17	18	15	17	1	0	1	1
Banking book	60	51	55	45	0	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. The risks at KOFIBA (banking book) are managed using a historical simulation.

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

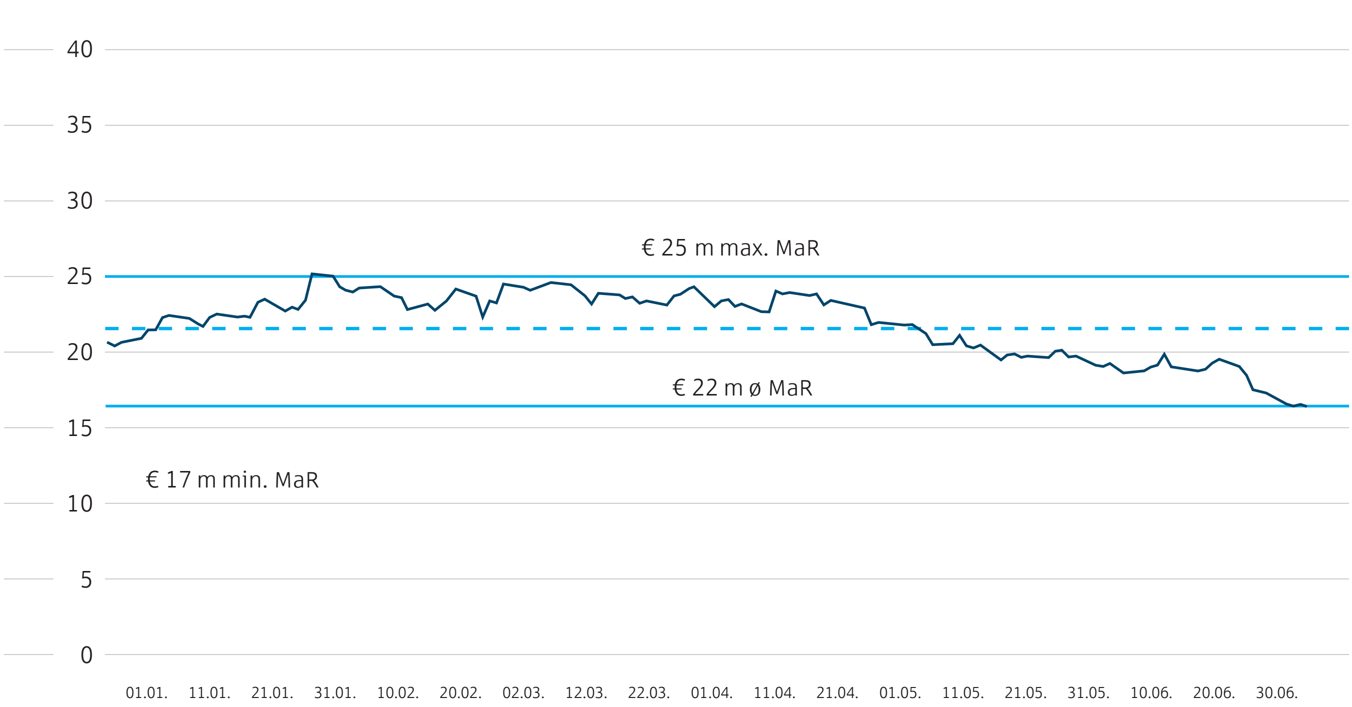
Helaba calculates the regulatory capital required for the general interest rate risk using an internal model in accordance with the CRR. This model, which consists of the risk measurement systems MaRC² (linear interest rate risk) and ELLI (interest rate option risk), has been approved by the banking 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 first half of 2019. In the first six months of 2019, the average MaR was € 22 m (2018 as a whole: € 19 m), the maximum MaR was € 25 m (2018 as a whole: € 25 m) and the minimum MaR was € 17 m (2018 as a whole: € 14 m). The changes in risk in the first half of 2019 primarily arose from linear interest rate risk and were attributable to a normal level of reallocated exposures and regular updating of parameters (volatility, correlations).

Daily MaR of the trading book in the first half of 2019

Chart 3 in € m



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

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

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest rate shocks. The computation examines the effects of a rise and fall of 200 basis points in interest rates in line with the requirements of the banking regulator. As at 30 June 2019, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 323 m in the value of the Helaba Group banking book (31 December 2018: € 501 m). Of this figure, € 301 m (31 December 2018: € 480 m) is attributable to local currency and € 22 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 lower level of 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. The processes, tools and responsibilities in place for managing liquidity and funding risks have clearly demonstrated their value over recent years in the face of the global crisis in the financial markets and the resultant turmoil in the money and capital markets. Helaba's liquidity was once again fully assured at all times in the first half of 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 Internal Liquidity Adequacy Assessment Process (ILAAP) and comprehensively validated on a regular basis.

Containment and monitoring

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

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 30 June 2019 (31 December 2018: 30 %) as a result of the excellent level of liquidity adequacy. This remained at 0 % (31 December 2018: 32 %) when Frankfurter Sparkasse was included. The average utilisation rate in the first half of 2019 was 3 % (31 December 2018: 3 %), reflecting the excellent liquidity situation.

The Bank manages short-term liquidity in accordance with the regulatory LCR requirements in parallel with the economic model and has achieved the minimum ratio of 100 % (applicable since 2018) continuously since 2017. The LCR for the Group stood at 180 % as at 30 June 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.

Structural liquidity risk and market liquidity risk

The Asset/Liability Management unit manages the liquidity risks in Helaba's commercial banking activities, which consist essentially of lending transactions including floating-interest roll-over transactions, securities held for the purpose of safeguarding liquidity and medium- and long-term financing, via the central asset/liability management system (ZDS). Funding risk is managed on the basis of liquidity gap analyses where liquidity mismatches are limited. The Bank prevents concentrations of risk from arising when obtaining liquidity by diversifying its sources of funding. Market liquidity risk is quantified in the MaR model for market risk. A scenario calculation using a variety of holding periods is carried out. The scaled MaR suggested no significant market liquidity risk as at 30 June 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

Helaba pursued ongoing development and standardisation work in the area of non-financial risk (NFR) in 2018 in recognition of the increasing prominence of NFR in risk management. The aim was to combine operational risk and its existing NFR sub-categories from 2019 in a complete framework for the containment and monitoring of non-financial risk centred on a comprehensive three-lines-of-defence model with a minimum of 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 approach taken by Helaba provides for the disciplinary and organisational segregation of non-financial risk containment and monitoring. 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. In other words, these risks are appropriately taken into account as part of the quantification of operational risk and, from a structural perspective, are thus identified, assessed and included in the calculation of the risk capital amount accordingly. In the case of sub-categories of non-financial risk that are not covered by operational risk, these risks are taken into account in a number of ways, such as risk exposure markups, safety margins and buffers. Overall, Helaba comprehensively ensures that the sub-categories of non-financial risk are taken into account in the risk-bearing capacity/ICAAP 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, Frankfurter Sparkasse and Helaba Invest using an internal model for operational risk based on a loss distribution approach, which takes into account risk scenarios and internal and external losses to calculate economic risk exposure. This also includes internal losses and risk scenarios that relate to sub-categories of non-financial risk and form part of operational risk. Such risks include legal risk, third-party risk, information risk and project risk.

The summary below shows the risk profile as at 30 June 2019 for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Group that are included in risk management at the level of individual risks:

Operational risks – risk profile

Economic risk exposure – reporting date

in € m

	Reporting date 30.6.2019	Reporting date 31.12.2018
	VaR 99.9 %	VaR 99.9 %
Helaba Bank	228	229
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	120	94
Total	**348**	**323**

The analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 348 m for the Group from operational risk (31 December 2018: € 323 m). The increase as at 30 June 2019 compared with the 2018 year-end figure arose because of the inclusion of KOFIBA.

Other Risk Types

Business risk

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

In the analysis as at the reporting date of 30 June 2019 using the internal economic perspective for the calculation of risk-bearing capacity, business risk had fallen to € 154 m, € 2 m lower than the equivalent figure at the end of 2018 (31 December 2018: € 156 m).

Real estate risk

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

In the analysis as at the reporting date using the internal economic perspective, the risks arising from real estate projects and real estate portfolios amounted to € 131 m (31 December 2018: € 112 m). The increase resulted primarily from the expansion of the real estate project portfolio in one of the Group entities. These risks continue to be fully covered by the expected income from the associated transactions.

Outlook and Opportunities

Global economic conditions

In the second half of 2019, the global economy will remain on a growth trajectory, but had lost momentum until recently. The Chinese government has introduced economic stimulus measures to prevent a greater economic slowdown. In the US, the tailwind from fiscal policy is dying down, while confusion about trade policy is weighing on sentiment. Despite a strong start to the year, US economic growth in 2019 is projected at 2.3 % and therefore unlikely to match the previous year. Expansion of around 2 % is forecast for 2020.

Growth in the euro zone will be more subdued. In this case, gross domestic product will probably be up by 1.2 % in 2019. Consumer spending is being boosted by the expansionary fiscal policy. Consumers in many countries are enjoying greater financial flexibility as a result of higher pay settlements against a background of modest inflation rates. Employment is rising. Stimulus is being provided by capital investment in construction and equipment. While Spain continues to enjoy disproportionately strong growth compared with the rest of the euro zone, the prospects for Italy remain muted in view of the long-standing reform stalemate and the uncertainties surrounding budgetary policy. In contrast, France is increasingly benefiting from economic reforms and is now posting stronger growth than Germany. In 2020, economic expansion in the euro zone and Germany is likely to be a little more dynamic with a rate of 1.6 % in each case.

In September, the ECB will probably announce a further cut in the deposit facility rate as part of a package of measures. This is expected to be in conjunction with the introduction of tiering for interest rates on reserve balances. The latest deterioration in economic data has increased the probability that the ECB will launch a new asset-buying programme. The measures already announced and the appointment of Christine Lagarde as the new head of the ECB indicate that the low interest rates will be around for a long time yet. The US Federal Reserve (Fed) has changed tack and is moving towards a looser monetary policy; it will probably cut its key benchmark rate in the second half of 2019 by one half of a percentage point overall.

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 2019 "Deutschlands Kundenchampions" competition for businesses. This shows that Helaba's values-based banking business is meeting with a positive response from customers and that the institution can bank on stable, enduring client relations going forward.

Long-term customer relationships combined with a sustainable business policy in the carefully selected domestic and international target markets have formed the basis for the growth in new business in the Real Estate segment over the last few years. Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to assert and continue to consolidate its market position in real estate lending based on its product expertise and on its well-established presence in the markets over many years. 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.

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

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

In the payments business, Helaba continues to be one of Germany's leading payment transaction clearing houses and a dominant Landesbank in a market shaped by persistently high competitive pressure and regulatory requirements.

Helaba identified the fundamental processes of transformation in the payments market at an early stage and in the last few years has already developed various initiatives to take into account the technical advances in digitalisation. In this context, the Bank has made significant progress in implementing an instant payments system, as required under regulatory requirements. Following the successful launch of the system in the Sparkassen-Finanzgruppe in July 2018, the system is expected to be made available to all other Helaba customers in 2020. Instant payments will bring a range of benefits in terms of both payment procedures and product range, thereby supporting the ever-increasing trend towards digitalisation. At the same time, the instant payments system has the potential to become the new SEPA standard in the medium term, superseding the current, conventional SEPA transfer. Over the long term, it could become an integral component of an interoperable payments infrastructure in Europe covering all access channels.

In the Retail & Asset Management segment, Frankfurter Sparkasse – the regional market leader in private customer business – is benefiting from opportunities derived from its strong local roots. Appealing new solutions are being created. One example is the Friends in Banks online tool, the only one of its kind in Germany: it matches customers with advisors based on a questionnaire. The tool enhances the quality of local advice and strengthens the Bank's presence throughout the market. 1822direkt is extending its range of digital services and has now launched ImmoMaster, a digital advisory service for construction finance.

Further business potential can be leveraged with the subsidiary Helaba Invest through the even tighter integration within the Helaba Group. Among other things, this creates opportunities for collaborating with Helaba on the real-estate loan fund, which allows Sparkassen to access Helaba's diversified lending portfolio.

Helaba believes that there is further growth potential for the Group from the business with high-net-worth customers via the Frankfurter Bankgesellschaft (FBG) subsidiary. Frankfurter Bankgesellschaft is the leading private bank in the S-Group and collaborates exclusively with the Sparkassen. Following the opening of further locations in Düsseldorf, Munich and Hamburg, Helaba believes there is a very good chance that FBG will achieve its goal of becoming one of the five most powerful private banking institutions in Germany.

GWH has added a fund component to its four-pillar strategy of real estate management, real estate sales, project development/ revitalisation, and real estate services. The aim here is to create, sell and manage a residential property fund for Sparkassen.

Opportunities are available to the development business segment 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.

The fourth release of the portal went live in June 2019. The projects to streamline processes have also progressed well. For example, the first robotic process automation (RPA) applications went live in the first half of 2019 and more will follow over the course of the year. Helaba pursues collaborative partnerships with fintechs, or makes equity investments in such entities, through its equity investment company Helaba Digital. Further expansion of the equity investment portfolio is planned for 2019.

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

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

Helaba is firmly and permanently established as part of the German Sparkassen-Finanzgruppe by virtue of the structure of its owners (88 % of its shares are held by members of the Sparkassen organisation) and its central bank function for 40 % of Sparkassen in Germany. Further enhancing its position as a leading S-Group bank for the German Sparkassen and permanently integrating with the Sparkassen are among Helaba's strategic objectives. The pressure on profitability created by the level of competition in retail banking and exacerbated by the current period of low interest rates will lead to greater task-sharing within the S-Group. In this environment, opportunities may arise for Helaba to strengthen and extend its position as a product and service provider to the Sparkassen and a platform for combining tasks. Possible springboards include the joint lending operations with Sparkassen for larger mid-sized clients, 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 offered time and again 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 "Growth through efficiency" project launched at the end of April 2019 could give rise to further opportunities for Helaba to enhance its performance. Initial implementation measures are anticipated in the first quarter of 2020.

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

The forecasts for 2019 set out in the 2018 Annual Financial Report can largely be confirmed; variances compared with the forecasts are explained below.

In view of the performance in the first half of the year, Helaba expects that the volume of medium- and long-term new business for the whole of the year will reach the budgeted level.

Net interest income is forecast to be higher than a linear projection. Helaba anticipates that the figure for the whole of the year will be markedly higher than the prior-year figure, but in line with the budget, on the basis of the level of net interest income in the first six months of 2019 and the portfolio growth. One of the factors contributing to this uptrend in net interest income is the inclusion of KOFIBA.

Based on the rise in loss allowances in the first half of the year, the Bank expects loss allowances for the whole of the year to be slightly below budget but therefore well in excess of the corresponding prior-year figure.

The combined effect of countervailing trends is likely to mean that net interest income after loss allowances will exceed the budget slightly, but will remain noticeably below the prior-year figure.

In the second half of the year, the trend in net fee and commission income is predicted to remain steady, with the result that the overall figure for the year will probably be slightly below the budget but appreciably higher than the prior-year figure.

Assuming that remeasurement losses remain at the current level and customer business is stable, Helaba expects net trading income to increase in the second half of the year. However, net trading income for the whole of the year will be probably be below both budget and the prior-year figure to a very significant degree because of the very low figure achieved in the first half of the year.

Helaba assumes that the measurement gains on banking book derivatives used to manage interest rates reported under net income from hedge accounting and other financial instruments measured at fair value (not held for trading) will remain at a similar level at the end of the year. Including the gains forecast for the second half of the year, the figure for this item for the entire year is likely to be much higher than both the budget and prior-year figures.

Other net operating income, which is mainly generated by real estate activities, is also projected to rise rapidly in the second half of the year. Despite the absence of a one-off disposal gain that had been recognised in the previous year, the overall figure for the reporting year is anticipated to be very significantly above both the budget figure and the prior-year figure. One of the contributing factors is also the positive one-off effect from the initial consolidation of KOFIBA.

Because the European bank levy, the expenses for the Association overhead allocation and the contributions to the DSGV Reserve Fund and the SGVHT deposit security reserve fund were all already fully taken into account in the first half of the year, general and administrative expenses will rise at a rate that is slightly below a linear trend in the second half of the year. Nevertheless, the figure for the whole of the year is anticipated to be a little higher than budget.

From the current perspective, the budgeted consolidated profit before taxes at the end of the year of € 444 m is expected to be exceeded by a very significant margin.

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

To add to this, ongoing uncertainties about Italy's political future and associated budgetary discipline, coupled with confusion about the direction of US trade policy going forward, represent a source of potential destabilisation in the euro zone, which could cause a greater drag on growth in Germany than that projected by Helaba.

Opportunities and risks arise both from the operating business and from the mark-to-market measurement of trading book and banking book portfolios if the measurement parameters in the second half of the year vary significantly from the planning assumptions.

The anticipated performance will enable all silent participations, profit participation rights and subordinated debt to be serviced in full in financial year 2019. The CET1 capital ratio and the total capital ratio are expected to be lower than the levels achieved at the midpoint in the year, but better than the budgeted ratios.

Overall assessment

In the first half of 2019, Helaba generated consolidated profit before taxes of € 325 m. This figure is thus significantly higher than the profit before taxes generated in the prior-year period and is in excess of the budget. The main factor behind the increase is the first-time inclusion of KOFIBA. The positive effect is reflected particularly in a substantial rise in other net operating income. The higher level of additions to loss allowances compared with the corresponding prior-year period was offset by a rise in net interest income and net fee and commission income. The rise in the net gain under gains or losses on measurement at fair value also had a positive impact. On the other hand, general and administrative expenses had an adverse impact on consolidated profit before taxes because of costs related to extensive regulatory and business-related requirements. From the current perspective, the target for the whole of the year set in the budget for 2019 is expected to be exceeded, taking into account the effects from the inclusion of KOFIBA. Helaba believes that the biggest imponderables potentially affecting performance over the whole of the year are the current political developments around the globe.

Frankfurt am Main / Erfurt, 13 August 2019

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Schmid	Dr. Schraad

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Consolidated Income Statement

for the period 1 January to 30 June 2019

	Notes	1.1.–30.6.2019 in €m	1.1.–30.6.2018 in €m	Change in €m	Change in %
Net interest income	(4)	557	521	36	6.9
Interest income		1,933	1,701	232	13.6
thereof: Calculated using the effective interest method[1]		1,213	1,120	93	8.3
Interest expenses		–1,376	–1,180	–196	–16.6
Loss allowances	(5)	–34	13	–47	>–100.0
Net interest income after loss allowances		**523**	**534**	**–11**	**–2.1**
Dividend income	(7)	5	24	–19	–79.2
Net fee and commission income	(8)	186	172	14	8.1
Fee and commission income		244	222	22	9.9
Fee and commission expenses		–58	–50	–8	–16.0
Net trading income	(9)	–27	8	–35	>–100.0
Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss	(10)	353	26	327	>100.0
Gains or losses on financial instruments designated voluntarily at fair value	(11)	–260	–7	–253	>–100.0
Net income from hedge accounting	(12)	12	3	9	>100.0
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	(13)	7	2	5	>100.0
thereof: From financial assets measured at amortised cost[1]		–	1	–1	–100.0
Share of profit or loss of equity-accounted entities	(14)	3	5	–2	–40.0
Other net operating income	(15)	295	153	142	92.8
General and administrative expenses	(16)	–709	–683	–26	–3.8
Depreciation and amortisation	(17)	–63	–37	–26	–70.3
Profit before taxes		**325**	**200**	**125**	**62.5**
Taxes on income		–70	–60	–10	–16.7
Consolidated net profit		**255**	**140**	**115**	**82.1**
thereof: Attributable to non-controlling interests		1	1	–	–
thereof: Attributable to shareholders of the parent		254	139	115	82.7

[1] Presentation adjusted. The lines “thereof: Calculated using the effective interest method” and “thereof: From financial assets measured at amortised cost” have been inserted and the prior-year figures added.

Consolidated Statement of Comprehensive Income

for the period 1 January to 30 June 2019

	1.1.–30.6.2019	1.1.–30.6.2018	Change	
	in €m	in €m	in €m	in %
Consolidated net profit according to the consolidated income statement	**255**	**140**	**115**	**82.1**
Items that will not be reclassified to the consolidated income statement:	**–69**	**10**	**–79**	**>–100.0**
Remeasurement of net defined benefit liability	–156	21	–177	>–100.0
Change in fair value of equity instruments measured at fair value through other comprehensive income	–2	–1	–1	–100
Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	65	–5	70	>100.0
Taxes on income on items that will not be reclassified to the consolidated income statement[1]	24	–5	29	>100.0
Items that will be subsequently reclassified to the consolidated income statement on derecognition:	**80**	**–41**	**121**	**>100.0**
Change in fair value of debt instruments measured at fair value through other comprehensive income	90	–22	112	>100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	89	–21	110	>100.0
Gains (–)/losses (+) reclassified to the consolidated income statement in the reporting period[1]	1	–1	2	>100
Gains/losses from currency translation of foreign operations	–1	3	–4	>–100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	–1	4	–5	>–100.0
Gains (–)/losses (+) reclassified to the consolidated income statement in the reporting period[1]	–	–1	1	100
Gains or losses from fair value hedges of currency risk	23	–42	65	>100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	23	–42	65	>100.0
Taxes on income on items that will be subsequently reclassified to the consolidated income statement[1]	–32	20	–52	>–100.0
Other comprehensive income after taxes	**11**	**–31**	**42**	**>100.0**
Comprehensive income for the reporting period	**266**	**109**	**157**	**>100.0**
thereof: Attributable to non-controlling interests	1	1	–	–
thereof: Attributable to shareholders of the parent	265	108	157	>100.0

[1] Presentation adjusted: References to “income statement” in line items have been changed to “consolidated income statement”.

Consolidated Statement of Financial Position

as at 30 June 2019

Assets

		30.6.2019	31.12.2018	Change	
	Notes	in €m	in €m	in €m	in %
Cash on hand, demand deposits and overnight money balances with central banks and banks	(19)	23,014	7,342	15,672	>100.0
Financial assets measured at amortised cost	(20)	128,175	106,755	21,420	20.1
Trading assets	(21)	18,346	16,989	1,357	8.0
Other financial assets mandatorily measured at fair value through profit or loss	(22)	8,358	3,911	4,447	>100.0
Financial assets designated voluntarily at fair value	(23)	4,056	377	3,679	>100.0
Positive fair values of hedging derivatives under hedge accounting	(24)	1,386	608	778	>100.0
Financial assets measured at fair value through other comprehensive income	(25)	24,557	22,494	2,063	9.2
Shares in equity-accounted entities	(26)	53	45	8	17.8
Investment property	(27)	2,493	2,420	73	3.0
Property and equipment	(28)	627	438	189	43.2
Intangible assets	(29)	89	80	9	11.3
Income tax assets		595	593	2	0.3
Current income tax assets		149	103	46	44.7
Deferred income tax assets		446	490	–44	–9.0
Non-current assets and disposal groups classified as held for sale	(30)	58	42	16	38.1
Other assets	(31)	1,181	874	307	35.1
Total assets		**212,988**	**162,968**	**50,020**	**30.7**

Equity and liabilities

	Notes	30.6.2019	31.12.2018	Change	
		in €m	in €m	in €m	in %
Financial liabilities measured at amortised cost	(32)	158,700	125,222	33,478	26.7
Trading liabilities	(33)	20,511	12,763	7,748	60.7
Negative fair values of non-trading derivatives	(34)	6,081	1,791	4,290	>100.0
Financial liabilities designated voluntarily at fair value	(35)	13,529	11,480	2,049	17.8
Negative fair values of hedging derivatives under hedge accounting	(36)	2,602	490	2,112	>100.0
Provisions	(37)	2,281	2,087	194	9.3
Income tax liabilities		125	157	−32	−20.4
Current income tax liabilities		110	141	−31	−22.0
Deferred income tax liabilities		15	16	−1	−6.3
Other liabilities	(38)	521	516	5	1.0
Equity	(39)	8,638	8,462	176	2.1
Subscribed capital		2,509	2,509	–	–
Capital reserves		1,546	1,546	–	–
Additional Tier 1 capital instruments		354	354	–	–
Retained earnings		4,580	4,414	166	3.8
Accumulated other comprehensive income (OCI)		−351	−360	9	2.5
Non-controlling interests		–	−1	1	100.0
Total equity and liabilities		**212,988**	**162,968**	**50,020**	**30.7**

Consolidated Statement of Changes in Equity

for the period 1 January to 30 June 2019

in € m

	Equity attributable to shareholders of the parent company							
	Subscribed capital	Capital reserves	Additional Tier 1 capital instruments[1]	Retained earnings	Accumulated other comprehensive income	Subtotal	Non-controlling interests	Total equity
As at 31.12.2017	**2,509**	**1,546**	**–**	**4,225**	**–243**	**8,037**	**–3**	**8,034**
Adjustments due to first-time application of new financial reporting requirements				3	–39	–36		–36
As at 1.1.2018	**2,509**	**1,546**	**–**	**4,228**	**–282**	**8,001**	**–3**	**7,998**
Dividend payment				–90		–90		–90
Comprehensive income for the reporting period				139	–31	108	1	109
thereof: Consolidated net profit				139		139	1	140
thereof: Other comprehensive income after taxes					–31	–31	–	–31
As at 30.6.2018	**2,509**	**1,546**	**–**	**4,277**	**–313**	**8,019**	**–2**	**8,017**
Issue of additional Tier 1 capital instruments			354			354		354
Comprehensive income for the reporting period				137	–47	90	1	91
thereof: Consolidated net profit				137		137	1	138
thereof: Other comprehensive income after taxes					–47	–47	–	–47
As at 31.12.2018	**2,509**	**1,546**	**354**	**4,414**	**–360**	**8,463**	**–1**	**8,462**
Dividend payment				–90		–90		–90
Comprehensive income for the reporting period				254	11	265	1	266
thereof: Consolidated net profit				254		254	1	255
thereof: Other comprehensive income after taxes					11	11	–	11
Reclassifications within equity				2	–2	–		–
As at 30.6.2019	**2,509**	**1,546**	**354**	**4,580**	**–351**	**8,638**	**–**	**8,638**

[1] Presentation adjusted: the column "Additional Tier 1 capital instruments" has been added to the table.

Consolidated Cash Flow Statement

for the period 1 January to 30 June 2019 – condensed

in € m

	1.1.–30.6.2019	1.1.–30.6.2018
Cash and cash equivalents at 1.1.	**7,342**	**10,478**
Cash flow from operating activities	15,733	8,216
Cash flow from investing activities	3	23
Cash flow from financing activities[1]	–62	–117
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	–2	34
Cash and cash equivalents at 30.6.	**23,014**	**18,634**
thereof: Cash on hand	83	74
thereof: Demand deposit balances with central banks and banks	22,931	18,560

[1] Non-cash changes in subordinated liabilities amounted to a decrease of € 13 m (30 June 2018: decrease of € 19 m) and were attributable to accrued interest and measurement effects.

Notes

Accounting Policies

(1) Basis of Presentation

Basis of accounting

The consolidated interim financial statements of the Helaba Group for the period ended 30 June 2019 have been prepared pursuant to section 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). They also take into consideration the requirements of IAS 34 Interim Financial Reporting. The consolidated cash flow statement is presented in a condensed version; only selected information is disclosed in the notes. The consolidated interim financial statements should be read in conjunction with the Helaba Group's IFRS consolidated financial statements for the year ended 31 December 2018.

The IFRSs and International Financial Reporting Standards Interpretations (IFRICs) that were in force as at 30 June 2019 have been applied in full. The relevant requirements of German commercial law as specified in section 315e HGB have also been observed.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements and the assumptions, estimates and assessments made are generally the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2018. Exceptions are the following standards and interpretations that have been applied in the Helaba Group since 1 January 2019.

IFRSs applied for the first time

The 2019 financial year was the first year in which mandatory application was required for the following IFRSs and IFRICs adopted by the EU and of significance for Helaba:

- Amendments to IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement
  The IAS 19 amendments clarify that, if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement be determined using the assumptions used for the remeasurement. The amendments must be applied prospectively.

- Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests
  The amendments to IAS 28 clarify that an entity applies IFRS 9, including the impairment stipulations, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Generally speaking, first-time application must be retrospective, but various simplification options are available.

- Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation
  The amendments to IFRS 9, which were also subject to mandatory application for the first time in 2019, had already been applied by Helaba on a voluntary basis in the previous year. Under the IFRS 9 requirements in the version of the standard applicable up to 2018, the SPPI (solely payments of principal and interest) condition was not met if the lender had to pay negative compensation in the event of termination by the borrower (also referred to as early repayment gain). The new rules amend the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, it is not relevant whether the settlement amount is positive or negative. In other words, depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment.

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

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

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

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

The new stipulations must be applied retrospectively. However, a number of transitional arrangements can be used.

The modified retrospective approach was used to change over to the IFRS 16 requirements. This means that all IFRS 16 regulations were only applied to the latest reporting period (2019), while comparative periods were not adjusted retrospectively. At first-time application, Helaba made use of the following practical expedients:

- The present value of leases existing at the date of transition that were previously recognised as operating leases was determined by discounting all lease payments outstanding as at 1 January 2019 with the incremental borrowing rate applicable at the same date.
- The right-of-use asset was measured at the present value of the lease liability. If Helaba had previously recognised a provision for anticipated losses in connection with the lease in accordance with IAS 37 in the past, this provision was netted with the right-of-use asset.
- Leases with lease terms ending no later than twelve months after the date of first-time application (i.e. expiring 31 December 2019 or earlier) were not recognised in the statement of financial position. Such leases are accounted for as short-term leases in the 2019 financial year.
- When determining lease liabilities as a lessee, Helaba took into account whether future purchase or extension options, or early termination options, would be exercised; such considerations were based on the knowledge as at the date of first-time application of IFRS 16.

As a lessee, Helaba also decided to make use of the following exemption or exception rules provided under IFRS 16:

- no recognition of right-of-use assets or lease liabilities for short-term leases or for leases of low-value assets;
- no application of IFRS 16 to leases of intangible assets;
- no separation of individual lease and non-lease components in multiple-element arrangements.

The following table shows the adjusted opening statement of financial position as at 1 January 2019:

in € m

Assets	**31.12.2018**	**Adjustments due to IFRS 16**	**1.1.2019**
Cash on hand, demand deposits and overnight money balances with central banks and banks	7,342	–	7,342
Financial assets measured at amortised cost	106,755	–	106,755
Trading assets	16,989	–	16,989
Other financial assets mandatorily measured at fair value through profit or loss	3,911	–	3,911
Financial assets designated voluntarily at fair value	377	–	377
Positive fair values of hedging derivatives under hedge accounting	608	–	608
Financial assets measured at fair value through other comprehensive income	22,494	–	22,494
Shares in equity-accounted entities	45	–	45
Investment property	2,420	51	2,471
Property and equipment	438	189	627
Intangible assets	80	–	80
Income tax assets	593	–	593
Non-current assets and disposal groups classified as held for sale	42	–	42
Other assets	874	–	874
Total assets	**162,968**	**240**	**163,208**

in €m

Equity and liabilities	31.12.2018	Adjustments due to IFRS 16	1.1.2019
Financial liabilities measured at amortised cost	125,222	245	125,467
Trading liabilities	12,763	–	12,763
Negative fair values of non-trading derivatives	1,791	–	1,791
Financial liabilities designated voluntarily at fair value	11,480	–	11,480
Negative fair values of hedging derivatives under hedge accounting	490	–	490
Provisions	2,087	–5	2,082
Income tax liabilities	157	–	157
Other liabilities	516	–	516
Equity	8,462	–	8,462
Total equity and liabilities	**162,968**	**240**	**163,208**

The recognition of leased real estate and heritable building rights had a notable effect in connection with the initial application of IFRS 16.

The table below shows the reconciliation from the operating lease liabilities as at 31 December 2018 to the opening carrying amount of the lease liabilities as at 1 January 2019:

in €m

Reconciliation	1.1.2019
Operating lease liabilities as at 31.12.2018	**182**
Application exemption for short-term leases	–1
Recognition of heritable building rights	49
Lease-related liabilities (service components)	20
Inclusion of any lease terms extending beyond the non-cancellable lease term in the calculation of the lease liability	24
Other	–5
Gross lease liabilities as at 1.1.2019	**269**
Discount	–24
Lease liability as at 1.1.2019	**245**

The lease liabilities were discounted using the incremental borrowing rate as at 1 January 2019. The weighted average discount rate was approximately 9 %. The long maturities of the heritable building rights at GWH had a significant impact on the discount rate.

As at 30 June 2019, the carrying amount of the right-of-use assets was € 228 m, and that of the lease liabilities € 230 m.

In the reporting period, the first-time application of IFRS 16 meant that rental expenses were replaced by depreciation charges on right-of-use assets and interest expenses in the consolidated income statement.

- IFRIC 23 Uncertainty over Income Tax Treatments
  This interpretation is to be applied to the determination of taxable profit (tax loss) when there is uncertainty over income tax treatments under IAS 12. It does not apply to taxes or duties outside the scope of application of IAS 12, nor does it include any regulations regarding interest or late payment fines in connection with uncertain tax treatments. The interpretation provides guidance particularly for the following issues:

  - decision whether an entity shall consider uncertain tax treatments independently
  - assumptions for taxation authorities' examinations
  - determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - effect of changes in facts and circumstances.

  An entity is required to use judgement to determine whether each uncertain tax treatment should be considered independently or whether some uncertain tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. The new stipulations must be applied retrospectively. However, the interpretation provides some rules for transition relief.

- Annual Improvements to IFRSs – 2015–2017 Cycle

The annual improvements include changes to IFRSs with an impact on recognition, measurement and reporting of transactions, and also terminology and editorial adjustments. The new stipulations must be applied retrospectively. The following standards were affected by the improvements in this cycle:

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs.

With the exception of IFRS 16, the adoption of the new or amended standards and interpretations had little or no impact on the consolidated financial statements.

New financial reporting standards for future financial years

The standards and interpretations listed below have been issued by the IASB and IFRS IC, but have only been partially adopted by the EU and will only become mandatory in later financial years, and have thus not been applied early by Helaba, nor is any early application planned. These standards and interpretations are expected to have little or no impact on the consolidated financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Materiality
- Amendments to IFRS 3 Business Combinations – Definition of a Business
- IFRS 17 Insurance Contracts
- Revised Conceptual Framework and Adjustments of Links in IFRSs

Amendments to recognised amounts, changes to estimates, restatement of prior-year figures

The measurement model for determining the fair values of private equity funds was refined in the first quarter of 2019. This modification of the measurement model constituted a change in accounting estimates in accordance with IAS 8.32 et seq. On the date of the changeover, the refinement of the calculation approach led to an increase of € 3 m in other financial assets mandatorily measured at fair value through profit or loss. This amount was recognised in the consolidated income statement under gains or losses on other financial instruments mandatorily measured at fair value through profit or loss.

As a result of a change in actuary at Frankfurter Sparkasse, changes were made to estimates used in the measurement of pension provisions in the period under review. These changes led to a reduction of € 12 m in pension provisions, which was reported in other comprehensive income.

Presentation changes or adjustments have been applied to prior-year figures within the disclosures in Notes (4), (5), (8), (9), (13), (16), (19), (20), (43), (44) and (48). Please refer to the relevant Notes for details.

In order to present the information in a focused way for readers, Note (48) has been adjusted such that only realised income and expenses are disclosed. There has been no impact on the figures for consolidated net profit or equity from these changes.

(2) Basis of Consolidation

In addition to the parent company Helaba, a total of 114 entities are consolidated in the Helaba Group (31 December 2018: 117 entities). Of this total, 86 (31 December 2018: 81) entities are fully consolidated and 28 entities are included using the equity method (31 December 2018: 36). The fully consolidated companies are subsidiaries and special purpose entities in accordance with IFRS 10, including collective investment undertakings.

The consolidated financial statements do not include 36 subsidiaries, 19 joint ventures and ten associates that are of minor significance for the presentation of the financial position and financial performance of the Helaba Group. The shares in these entities are reported under financial assets measured at fair value through other comprehensive income if they constitute material strategic equity investments; otherwise, they are reported under financial assets mandatorily measured at fair value through profit or loss.

The changes in the basis of consolidation during the reporting period were related to the subsidiaries shown below.

Changes in the group of fully consolidated entities

Entities added	
Dritte OFB PE GmbH & Co. KG, Frankfurt am Main	This entity was established in prior years and has now become material with the implementation of project development activities; initial consolidation January 2019.
FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Projekt GmbH, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
GWH Komplementär I. GmbH, Frankfurt am Main	Established and consolidated for the first time in June 2019.
GWH Projekt I. GmbH & Co. KG, Frankfurt am Main	Established and consolidated for the first time in June 2019.
KOFIBA-Kommunalfinanzierungsbank GmbH, Berlin	Added and consolidated for the first time in May 2019.
OFB Schiersteiner Berg GmbH & Co. KG, Frankfurt am Main	Established and consolidated for the first time in May 2019.

Entities removed	
Logistica CPH K/S, Kastrup, Denmark	Deconsolidated in June 2019 because the entity was no longer material following the sale of the real estate held by the entity.
LHT MSIP, LLC, Wilmington, USA	Deconsolidated in February 2019 because the entities were no longer material following the sale of the investment fund units held by the entities.
LHT Power Three LLC, Wilmington, USA	Deconsolidated in February 2019 because the entities were no longer material following the sale of the investment fund units held by the entities.
LHT TCW, LLC, Wilmington, USA	Deconsolidated in February 2019 because the entities were no longer material following the sale of the investment fund units held by the entities.
LHT TPF II, LLC, Wilmington, USA	Deconsolidated in February 2019 because the entities were no longer material following the sale of the investment fund units held by the entities.
MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	Merged into GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main, in June 2019.
TE Kronos GmbH, Frankfurt am Main	Deconsolidated in May 2019 because the entity was no longer material following the sale of the shares held by the entity.

The income from the deconsolidation of Logistica CPH K/S amounted to less than €1 m. The income from the deconsolidation of TE Kronos GmbH and LHT Power Three LLC (including the three LHT subsidiaries) amounted to less than €1 m in either case. These figures are reported under other net operating income.

Changes in the group of equity-accounted entities

Entities added	
AIRE Eschborn FS2 Verwaltungs GmbH, Monheim	Shares added in June 2019.

Entities removed	
FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Projekt GmbH, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	Switched from equity-accounted entities to fully consolidated entities as a result of the purchase of the shares from the other shareholder/partner in May 2019.
Multi Park Mönchhof Dritte GmbH & Co. KG, Langen	After the limited partners left the partnership, the entity was merged into the general partner in January 2019 (by way of accrual of the assets to the general partner).
Multi Park Mönchhof GmbH & Co. KG, Langen	After the limited partners left the partnership, the entity was merged into the general partner in January 2019 (by way of accrual of the assets to the general partner).

Acquisition of KOFIBA-Kommunalfinanzierungsbank GmbH

Effective 2 May 2019, Helaba acquired all the shares in KOFIBA-Kommunalfinanzierungsbank GmbH (KOFIBA) for a purchase price of € 352 m. KOFIBA is a Pfandbrief bank operating in Germany. Since 2012, it has no longer undertaken any significant new business in accordance with the resolution plan for the Dexia Group, the previous owner of this bank. The aim of the deal is to integrate the transferred assets and liabilities into Helaba's IT systems in order to leverage cost synergies in contrast to a scheduled resolution involving maintaining KOFIBA as an independent going concern.

The figures presented below show the additions to the items in the statement of financial position at fair value on the date of initial recognition prior to the elimination of intergroup transactions between Helaba and KOFIBA-Kommunalfinanzierungsbank GmbH:

in € m

Assets acquired	2.5.2019
Cash on hand, demand deposits and overnight money balances with central banks and banks	24
Financial assets measured at amortised cost	15,604
Other financial assets mandatorily measured at fair value through profit or loss	3,220
Financial assets designated voluntarily at fair value	3,554
Positive fair values of hedging derivatives under hedge accounting	750
Financial assets measured at fair value through other comprehensive income	2,758
Income tax assets	84
Other assets	8
Total	**26,002**

in € m

Liabilities acquired	2.5.2019
Financial liabilities measured at amortised cost	17,657
Negative fair values of non-trading derivatives	3,317
Financial liabilities designated voluntarily at fair value	2,292
Negative fair values of hedging derivatives under hedge accounting	2,199
Provisions	3
Other liabilities	18
Total	**25,486**
Net assets	**516**

After the recognition of all assets and liabilities at fair value, which produced a net asset balance of € 516 m, the initial consolidation of KOFIBA gave rise to the recognition of negative goodwill amounting to € 163 m, which was reported under other net operating income.

The additions to financial assets measured at amortised cost came to a nominal amount of € 12,455 m and did not include any uncollectible loans or receivables. Off-balance sheet commitments of € 17 m (comprising financial guarantees of € 10 m and other off-balance sheet commitments of € 7 m) were also added. KOFIBA's contribution to earnings from the date of initial recognition amounted to a loss of € 8 m. There would have been no difference in this contribution if the entity had been included at the beginning of the financial year.

See Note (15) for disclosures on the effects in profit or loss from the initial elimination of intercompany balances in relation to lending relationships.

Acquisition of a credit portfolio comprising international land transport finance

Effective 3 May 2019, Helaba acquired a credit portfolio with a value of € 1,109 m from DVB Bank SE; no shares were transferred as part of this deal. The deal represented the acquisition of a business within the meaning of IFRS 3 and included personnel in addition to the credit portfolio, which is focused on international land transport finance and, to a lesser extent, refinancing. The acquired business strengthens Helaba's market position in this financing segment.

The figures presented below show the additions to the items in the statement of financial position at fair value on the date of initial recognition:

in € m

Assets acquired	**3.5.2019**
Financial assets measured at amortised cost	1,145
Other financial assets mandatorily measured at fair value through profit or loss	19
Total	**1,164**

in € m

Liabilities acquired	**3.5.2019**
Financial liabilities measured at amortised cost	64
Provisions	1
Total	**65**
Net assets	**1,099**

The difference between the acquired net assets and the payment obligation under the acquisition amounted to € 10 m. An intangible asset of € 3 m was determined on the basis of customer relationships. Goodwill of € 7 m related to further income projections in this financing segment.

The additions to financial assets measured at amortised cost came to a nominal amount of € 1,147 m and did not include any uncollectible loans or receivables. Off-balance sheet commitments of € 265 m (comprising financial guarantees of € 23 m and loan commitments of € 242 m) were also added.

(3) Accounting Treatment of Leases

A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

Leases in which the Helaba Group is the lessee

Since 1 January 2019, the Helaba Group has generally accounted for all leases in which it is the lessee by recognising in the statement of financial position right-of-use assets (i.e. assets representing the right to use the leased assets in question) and liabilities for the associated payment obligations at present value. The lease liabilities include the following lease payments:

- fixed lease payments;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. Otherwise, Helaba's incremental borrowing rate is used for discounting purposes. The incremental borrowing rate comprises a risk-free interest rate component for obtaining liquidity in the relevant maturity band and a risk premium related to Helaba's credit quality. A distinction is made between secured lease assets (real estate) and unsecured financing (other clusters). Adjustments for foreign currencies and different currency zones are taken into account, where appropriate. The lease liabilities are reported under financial liabilities measured at amortised cost. During the term of the lease, the lease liability is reduced in accordance with the principles of financial mathematics. The interest expense component is reported in net interest income.

Right-of-use assets are measured at cost, comprising the following:

- lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred;
- costs to be incurred in reinstating the asset at the end of the lease as required by the terms and conditions of the lease.

Right-of-use assets are reported in the same way that the leased assets would be reported. Right-of-use assets are subsequently measured at amortised cost. Depreciation is recognised in respect of right-of-use assets on a straight-line basis over the term of the lease concerned.

If the underlying asset in a lease is of low value (generally € 5,000 or less when new) and/or the lease is short term (maximum term of twelve months and no purchase option available), Helaba makes use of the application exemptions and recognises the payments as an expense in the income statement on a straight-line basis. In addition, the new requirements are not applied to leases for intangible assets. In the case of contracts that include both lease and non-lease components, Helaba makes use of the option not to separate these components.

Some leases include extension and termination options. When determining a lease term, Helaba takes into account all relevant facts and circumstances that create an economic incentive for Helaba (the lessee) to exercise the option to extend the lease or not to exercise the option to terminate the lease. Changes to a lease term because such options are exercised or not exercised are only included when determining a lease term if it is reasonably certain that Helaba (the lessee) will exercise or not exercise the option concerned.

Leases in which the Helaba Group is the lessor

Lessors must continue to classify leases as either finance leases or operating leases. A lease is classified as an operating lease if substantially all the risks and rewards incidental to ownership of the leased asset remain with the lessor. On the other hand, leases in which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee are classified as finance leases. Where the Helaba Group enters into operating leases, the beneficial ownership in the asset used for leasing remains with the Group company concerned. The assets used for leasing are recognised in the statement of financial position under property and equipment or under investment property. The assets used for leasing are recognised in accordance with the principles described for the categories concerned. The lease income is recognised in profit or loss under other net operating income on a straight-line basis over the term of the lease unless an alternative distribution of the income is appropriate in individual cases. If a lease is classified as a finance lease, a receivable due from the lessee in an amount equivalent to the value of the net investment in the lease is recognised at the commencement date under financial assets measured at amortised cost. The lease instalments received are split into an interest component recognised in profit or loss and a component covering repayment of principal. The interest component is reported in net interest income.

Consolidated Income Statement Disclosures

(4) Net Interest Income

in €m

	1.1.–30.6.2019	1.1.–30.6.2018[1)]
Interest income from	**1,933**	**1,701**
Financial assets measured at amortised cost	**1,144**	**1,063**
thereof: Calculated using the effective interest method	1,109	1,018
Loans and receivables	1,144	1,063
Non-trading financial assets mandatorily measured at fair value through profit or loss	**508**	**359**
Bonds and other fixed-income securities	13	14
Loans and receivables	1	8
Derivatives not held for trading	494	337
Financial assets designated voluntarily at fair value	**7**	**5**
Bonds and other fixed-income securities	1	1
Loans and receivables	6	4
Financial assets measured at fair value through other comprehensive income	**104**	**103**
thereof: Calculated using the effective interest method	104	102
Bonds and other fixed-income securities	101	100
Loans and receivables	3	3
Hedging derivatives under hedge accounting	**106**	**105**
Financial liabilities (negative interest)	**32**	**33**
Financial liabilities measured at amortised cost	32	33
Other	**32**	**33**
Cash on hand and demand deposit balances	2	2
Commitment fees	30	31

in € m

	1.1.–30.6.2019	1.1.–30.6.2018[1)]
Interest expense on	**–1,376**	**–1,180**
Financial liabilities measured at amortised cost	**–645**	**–637**
Securitised liabilities	–240	–210
Deposits and loans	–405	–427
Derivatives not held for trading	**–280**	**–336**
Financial liabilities designated voluntarily at fair value	**–98**	**–91**
Securitised liabilities	–38	–36
Deposits and loans	–60	–55
Hedging derivatives under hedge accounting	**–290**	**–60**
Financial assets (negative interest)	**–43**	**–37**
Financial assets measured at amortised cost	–43	–37
Provisions and other liabilities	**–20**	**–19**
Unwinding of discount on provisions for pension obligations	–18	–17
Unwinding of discount on other provisions	–1	–1
Sundry liabilities	–1	–1
Total	**557**	**521**

[1)] The structure of the table has been modified: The figures for interest income calculated using the effective interest method from financial assets measured at amortised cost and from financial assets measured at fair value through other comprehensive income have been added to the table. The figures for interest income from unwinding are no longer required and have therefore been removed from the table. The figures for the previous year have been added accordingly.

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

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

(5) Loss Allowances

in € m

	1.1.–30.6.2019	1.1.–30.6.2018[1)]
Related to financial assets measured at amortised cost	**–28**	**16**
Loans and receivables	–28	16
Additions to cumulative loss allowances	–176	–100
Reversals of cumulative loss allowances	144	112
Direct write-offs	–1	–1
Recoveries on amounts previously written off	5	5
Related to financial assets measured at fair value through other comprehensive income	**–1**	**–**
Bonds and other fixed-income securities	–1	–
Additions to cumulative loss allowances	–1	–
Loan commitments	**–1**	**–6**
Additions to provisions	–68	–20
Reversals of provisions	67	14
Financial guarantees	**–4**	**3**
Additions to provisions	–18	–9
Reversals of provisions	14	12
Total	**–34**	**13**

1) The structure of the table has been modified: The figures for loss allowances relating to loan commitments and financial guarantees are now reported separately. The prior-year figures have been restated accordingly.

(6) Gains or Losses from Modification of Contractual Cash Flows

There were no gains or losses from modification of contractual cash flows in the reporting period. In the comparative period, they amounted to a net gain of less than € 1 m.

(7) Dividend Income

in € m

	1.1.–30.6.2019	1.1.–30.6.2018
Related to financial assets mandatorily measured at fair value through profit or loss	**3**	**22**
Equity shares and other variable-income securities	–	18
Shares in unconsolidated affiliates	1	1
Other equity investments	2	3
Related to financial assets measured at fair value through other comprehensive income	**2**	**2**
Other equity investments	2	2
Total	**5**	**24**

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

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

(8) Net Fee and Commission Income

in € m

	1.1.–30.6.2019	1.1.–30.6.2018[1]
Lending and guarantee business	29	25
Account management and payment transactions	57	53
Asset management	49	46
Securities and securities deposit business	22	21
Management of public-sector subsidy and development programmes	19	18
Other fees and commissions	10	9
Total	**186**	**172**

[1] The prior-year figures have been restated: Fee and commission income from structured finance amounting to € 9 m was reported under other fees and commissions in the previous year but is now included in lending and guarantee business.

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

Please refer to Note (46) for disclosures on revenue from contracts with customers in accordance with IFRS 15.

(9) Net Trading Income

in €m

	1.1.–30.6.2019	1.1.–30.6.2018[1)]
Equity-/index-related transactions	**1**	**–**
Equity shares and other variable-income securities	3	–22
Equities	3	–22
Equity/index certificates	3	22
Issued equity/index certificates	–5	–
Interest-rate-related transactions	**–26**	**7**
Bonds and other fixed-income securities	109	–1
Loans and receivables	37	15
Repayable on demand and at short notice	1	–
Other fixed-term loans	36	15
Issued money market instruments	–5	1
Deposits and loans	–1	1
Payable on demand	1	1
Securities repurchase transactions (repos)	–2	–
Interest-rate derivatives	–166	–9
Currency-related transactions	**14**	**3**
Foreign exchange	12	19
FX derivatives	2	–16
Credit derivatives	**–7**	**2**
Commodity-related transactions	**4**	**3**
Net fee and commission income or expense	**–13**	**–7**
Total	**–27**	**8**

1) The structure of the table has been modified: In the case of the loans and advances and the deposits and loans, the breakdown has been expanded to show the subcategories. The figures for the previous year have been added accordingly.

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

in €m

	1.1.–30.6.2019	1.1.–30.6.2018
Derivatives not held for trading	**274**	**48**
Equity/index certificates	6	1
Interest-rate derivatives	269	54
Cross-currency derivatives (FX derivatives)	–1	–7
Bonds and other fixed-income securities	**66**	**–21**
Loans and receivables	**8**	**1**
Equity shares and other variable-income securities	**4**	**–5**
Shareholdings	**–**	**1**
Shares in unconsolidated affiliates	–1	–
Other equity investments	1	1
Receivables from the purchase of endowment insurance policies	**1**	**2**
Total	**353**	**26**

The gains or losses on interest rate derivatives mandatorily measured at fair value through profit or loss largely resulted from hedges in connection with financial instruments designated voluntarily at fair value. The gains or losses on remeasurement of the hedged items are reported under gains or losses on financial instruments designated voluntarily at fair value (Note (11)).

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

in €m

	1.1.–30.6.2019	1.1.–30.6.2018
Bonds and other fixed-income securities	8	1
Loans and receivables	141	–1
Securitised liabilities	–117	–10
Deposits and loans	–292	3
Total	**–260**	**–7**

Please refer to Note (10) for disclosures relating to the gains or losses on the corresponding derivatives.

(12) Net Income from Hedge Accounting

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

in €m

	1.1.–30.6.2019	1.1.–30.6.2018
Fair value hedges – micro hedges	**14**	**4**
Remeasurement gains (losses) on hedged items	–5	–86
Remeasurement gains (losses) on hedging instruments	19	90
Fair value hedges – group hedges	**–2**	**–1**
Remeasurement gains (losses) on hedged items	79	279
Remeasurement gains (losses) on hedging instruments	–81	–280
Total	**12**	**3**

Only interest rate risks are hedged using micro hedges. Group hedges are used to hedge currency risk.

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

in € m

	1.1.–30.6.2019	1.1.–30.6.2018[1)]
Related to financial assets measured at amortised cost	**–**	**1**
Bonds and other fixed-income securities	–	1
Gains on derecognition	–	1
Related to financial assets measured at fair value through other comprehensive income	**–1**	**1**
Bonds and other fixed-income securities	–1	1
Related to financial liabilities measured at amortised cost	**8**	**–**
Deposits and loans	8	–
Total	**7**	**2**

[1)] The structure of the table has been modified: Gross figures for gains and losses from the derecognition of financial assets measured at amortised cost have been added to the table together with the corresponding prior-year figures.

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

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

in € m

	1.1.–30.6.2019	1.1.–30.6.2018
Share of profit or loss of equity-accounted joint ventures	**1**	**3**
Share of profit or loss	3	3
Impairment losses or impairment loss reversals	–2	–
Share of profit or loss of equity-accounted associates	**2**	**2**
Share of profit or loss	2	2
Total	**3**	**5**

(15) Other Net Operating Income

in € m

	1.1.–30.6.2019	1.1.–30.6.2018
Gains (+) or losses (–) from the disposal of non-financial assets	**33**	**32**
Investment property	24	17
Inventories	9	15
Impairment losses (–) or reversals of impairment losses (+) on non-financial assets	**–**	**–1**
Inventories	–	–1
Additions (–) to or reversals (+) of provisions	**–4**	**4**
Provisions for off-balance sheet liabilities (excluding loan commitments and financial guarantees)	–	1
Restructuring provisions	–9	–
Sundry provisions	5	3
Gain from a bargain purchase	**163**	**–**
Settlement loss from pre-existing relationships	**–29**	**–**
Income from the deconsolidation of subsidiaries	**–**	**18**
Other net operating income	**102**	**98**
Investment property	92	89
Property and equipment	11	7
Inventories	–1	2
Income from non-banking services	**11**	**14**
Sundry other operating income and expenses	**19**	**–12**
Total	**295**	**153**

The contribution to other net operating income from the initial inclusion of KOFIBA arose largely from the recognition of the negative goodwill of € 163 m and the settlement loss from the first-time recognition of pre-existing relationships amounting to € 29 m.

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

in € m

	1.1.–30.6.2019	1.1.–30.6.2018
Income from investment property	**201**	**185**
Rental and lease income	173	166
Gains on derecognition	24	17
Other income	4	2
Expenses from investment property	**–85**	**–79**
Operating and maintenance expenses	–84	–78
thereof: From property leased out	–84	–78
Miscellaneous expenses	–1	–1
Total	**116**	**106**

The sundry other operating income and expenses include an income amount of € 10 m arising from a legal dispute resolved in the first half of the year.

(16) General and Administrative Expenses

in € m

	1.1.–30.6.2019	1.1.–30.6.2018[1)]
Personnel expenses	**–334**	**–323**
Wages and salaries	–264	–256
Social security	–40	–38
Expenses for pensions and other benefits	–30	–29
Other administrative expenses	**–375**	**–360**
Business operating costs	–58	–55
Audit and consultancy services	–52	–47
IT expenses	–134	–123
Expenses for business premises	–11	–29
Cost of advertising, public relations and representation	–18	–16
Mandatory contributions	–102	–90
thereof: Mandatory contributions to the European Single Resolution Fund	–42	–40
Total	**–709**	**–683**

1) The prior-year figures have been restated: Training and professional development expenses for the period 1 January 2018 to 30 June 2018 amounting to € 2 m were previously reported separately but are now included in the business operating costs. Expenses for audit and other attestation services for the period 1 January 2018 to 30 June 2018 amounting to € 6 m were previously reported separately but are now included under audit and consultancy services.

The contraction in the expenses for business premises was largely attributable to the introduction of IFRS 16. For further information, please see the detailed disclosures on IFRS 16 in Note (1).

(17) Depreciation and Amortisation

in € m

	1.1.–30.6.2019	1.1.–30.6.2018
Investment property	**–21**	**–19**
Buildings leased out	–21	–19
Property and equipment	**–30**	**–10**
Owner-occupied land and buildings	–23	–5
Operating and office equipment	–7	–5
Intangible assets	**–12**	**–8**
Purchased software	–12	–8
Total	**–63**	**–37**

The increase in depreciation was largely attributable to the introduction of IFRS 16. For further information, please see the detailed disclosures on IFRS 16 in Note (1).

(18) Segment Reporting

The following table shows the income for each segment in the reporting period:

in € m

	Real Estate	Corporates & Markets	Retail & Asset Management	WIBank	Other	Consolidation/reconciliation	Group
Net interest income	190	170	120	29	55	–7	557
Loss allowances	12	–47	–1	–	2	–	–34
Net interest income after loss allowances	**202**	**123**	**119**	**29**	**57**	**–7**	**523**
Net fee and commission income	9	69	94	19	–4	–1	186
Net trading income	–	–24	2	–	–	–5	–27
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	–	2	11	–	87	5	105
Share of profit or loss of equity-accounted entities	–	–	2	–	1	–	3
Other net income/expense	–1	22	159	1	144	–18	307
Total income	**210**	**192**	**387**	**49**	**285**	**–26**	**1,097**
General and administrative expenses	–79	–245	–272	–36	–181	41	–772
Profit before taxes	**131**	**–53**	**115**	**13**	**104**	**15**	**325**
Assets (€ bn)	31.0	70.1	31.9	24.1	68.4	–12.5	213.0
Risk-weighted assets (€ bn)	16.9	23.2	7.4	1.2	9.5	–	58.2
Allocated capital (€ m)	1,907	2,588	2,368	132	1,482	–	8,477
Return on equity (%)	13.8	–	9.7	20.1	–	–	7.7
Cost-income ratio (%)	39.7	103.0	70.0	72.9	–	–	68.3

The following table shows the income for each segment in the corresponding prior-year reporting period:

in € m

	Real Estate	Corporates & Markets[1]	Retail & Asset Management	WIBank	Other[1]	Consolidation / reconciliation[1]	Group
Net interest income	186	198	138	24	–2	–23	521
Loss allowances	2	–6	–	–	17	–	13
Net interest income after loss allowances	**188**	**192**	**138**	**24**	**15**	**–23**	**534**
Net fee and commission income	8	56	92	19	–3	–	172
Net trading income	–	22	–1	–	–	–13	8
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	–	–2	–1	–	13	12	22
Share of profit or loss of equity-accounted entities	–	–	2	–	3	–	5
Other net income / expense	–1	18	166	1	26	–31	179
Total income	**195**	**286**	**396**	**44**	**54**	**–55**	**920**
General and administrative expenses	–73	–231	–263	–35	–161	43	–720
Profit before taxes	**122**	**55**	**133**	**9**	**–107**	**–12**	**200**
Assets (€ bn)	29.0	79.8	30.1	18.5	22.4	–12.9	166.9
Risk-weighted assets (€ bn)	14.9	20.3	6.6	1.2	8.9	–	51.9
Allocated capital (€ m)	1,890	2,545	2,268	142	1,099	–	7,944
Return on equity (%)	12.9	4.3	11.7	11.9	–	–	5.0
Cost-income ratio (%)	37.9	79.1	66.4	80.6	–	–	79.4

[1] The prior-year figures have been restated because of changes to the methodology for Treasury contributions.

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

- Products related to financing major commercial projects and existing properties are Helaba's particular speciality in the Real Estate segment. The product range includes traditional real estate loans in Germany and abroad, financing for open-ended real estate funds as well as development / portfolio financing. Office buildings, retail outlets and residential portfolios make up the bulk of the business in this area, although the segment also provides finance for retail parks and logistics centres.
- In the Corporates & Markets segment, Helaba offers products for all customer groups. The Corporate Finance division provides specially tailored finance for companies, structured and arranged to specific customer requirements, through its constituent product groups Corporate Loans, Project Finance, Transport Finance, Foreign Trade Finance, Acquisition Finance, Asset-Backed Finance, Investment and Leasing Finance and Tax Engineering. The Bank's activities in the Sparkasse Lending Business division concentrate on supporting Sparkassen and their customers with financing arrangements based on credit standing and cash flow (primarily jointly extended loans). Activities in the Banks and International Business division focus on trade finance and documentary business. The Sales Public Authorities division provides advice and products for municipal authorities and their corporations. In addition to the lending products, this segment also includes the trading and sales activities from the Capital Markets division and payment services from the Cash Management division.

- The Retail & Asset Management segment encompasses retail banking, private banking, Landesbausparkasse Hessen-Thüringen and asset management activities. Frankfurter Sparkasse offers the conventional products of a retail bank. The Frankfurter Bankgesellschaft Group rounds off the range of private banking products available from Helaba. The asset management products at Helaba Invest Kapitalanlagegesellschaft mbH also include traditional asset management and administration, the management of special and retail funds for institutional investors and support for master investment trust clients. The Settlement/Custody Services business complements the traditional asset management value chain by providing a custodian bank function. The Real Estate Management business, including the real estate subsidiaries such as the GWH Group and Helicon KG, also forms part of this segment. The range of products is broad, covering support for third-party and own real estate, project development and facility management.
- The WIBank segment mainly comprises the Wirtschafts- und Infrastrukturbank Hessen (WIBank) business line. In its capacity as the central development institution for Hesse, WIBank administers development programmes on behalf of the State of Hesse. This segment therefore brings together the earnings from the public-sector development and infrastructure business in the fields of housing, municipal and urban development, public infrastructure, business/enterprise and employment promotion, agriculture and environmental protection.

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

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

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

Other net income/expense consists of dividend income, other net operating income and gains or losses on derecognition of financial instruments not measured at fair value through profit or loss.

General and administrative expenses comprise the costs directly assignable to the segments plus the costs of internal services provided by other units. The costs of these services are allocated on the basis of arm's-length pricing agreements or volume drivers according to the user-pays principle. The final component is the allocation of corporate centre costs, generally also based on the user-pays principle.

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

The return on equity for the segments is the ratio of profit before taxes to average allocated capital. The cost-income ratio is the ratio of general and administrative expenses to total income net of loss allowances.

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, this column includes the net income from centrally consolidated equity investments such as the OFB Group as well as the costs of the central units that cannot be allocated to the individual segments in line with the user-pays principle. The net income or expense from Treasury activities in the Asset/Liability Management business, from central own funds investing activities, from strategic planning decisions and from the centrally held liquidity securities is also recognised under this segment. The acquisition of Dexia Kommunalbank Deutschland (DKD) was completed in May of this year. Following completion of the deal, DKD was renamed KOFIBA-Kommunalfinanzierungsbank GmbH before it becomes fully integrated into Helaba. All KOFIBA transactions and their contributions to earnings are treated as a wind-down portfolio and allocated in full to the Other segment.

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

Consolidated Statement of Financial Position Disclosures

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

in € m

	30.6.2019	31.12.2018[1]
Cash on hand	**83**	**93**
Demand deposit balances with central banks	**22,581**	**6,613**
With Deutsche Bundesbank	21,458	5,767
Financial assets measured at amortised cost category	21,458	5,767
With other central banks	1,123	846
Financial assets measured at amortised cost category	1,123	846
Demand deposits and overnight money balances with banks	**350**	**636**
Financial assets measured at amortised cost category	176	346
Financial assets mandatorily measured at fair value category	174	290
Total	**23,014**	**7,342**

[1] Presentation adjusted: In the table, the designations for the measurement categories have been changed from “AC” to “Financial assets measured at amortised cost” and from “HfT” to “Financial assets mandatorily measured at fair value”.

(20) Financial Assets Measured at Amortised Cost

in € m

	30.6.2019	31.12.2018[1)]
Bonds and other fixed-income securities	**–**	**4**
Medium- and long-term bonds	–	4
Loans and receivables	**128,175**	**106,751**
Repayable on demand and at short notice	10,849	5,820
Trade accounts receivable, including factoring	3,370	3,057
Receivables from finance leases	2	2
Other fixed-term loans	113,679	97,805
Promissory note loans	13,553	2,644
Registered bonds	836	757
Forwarding loans	7,718	7,406
Time deposits	3,845	3,352
Bausparkasse building loans	927	912
Sundry other fixed-term loans	86,800	82,734
Other receivables not classified as loans	275	67
Total	**128,175**	**106,755**

[1)] The structure of the table has been modified: In the case of other fixed-term loans, the breakdown has been expanded to show the subcategories. The figures for the previous year have been added accordingly.

See Note (2) for information on the effects from the initial consolidation of KOFIBA and the addition of the international land transport finance portfolio.

Please refer to Note (43) for disclosures on the stages of impairment of financial assets measured at amortised cost.

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

in € m

	30.6.2019	31.12.2018
Commercial real estate loans	33,256	32,209
Residential building loans	7,249	5,942
Consumer loans to private households	204	189
Infrastructure loans	18,242	18,614
Asset finance	7,394	6,281
Leasing funding	3,800	3,976
Import/export finance	3	17
Other financing purposes	43,531	30,577
Total	**113,679**	**97,805**

The following table shows the financial assets measured at amortised cost by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Bonds and other fixed-income securities	**–**	**–**	**–**	**4**	**–**	**–**	**–**	**4**
Other financial corporations	–	–	–	4	–	–	–	4
Loans and receivables	**82,511**	**71,078**	**30,946**	**22,505**	**14,718**	**13,168**	**128,175**	**106,751**
Central giro institutions	368	455	–	–	–	–	368	455
Sparkassen	6,280	6,410	–	–	–	–	6,280	6,410
Other banks	2,238	1,376	6,476	2,265	905	716	9,619	4,357
Other financial corporations	5,398	5,671	3,949	3,440	804	865	10,151	9,976
Non-financial corporations	31,512	28,963	17,276	16,101	12,796	11,367	61,584	56,431
Government	29,094	20,964	2,083	675	48	47	31,225	21,686
Households	7,621	7,239	1,162	24	165	173	8,948	7,436
Total	**82,511**	**71,078**	**30,946**	**22,509**	**14,718**	**13,168**	**128,175**	**106,755**

(21) Trading Assets

in €m

	30.6.2019	31.12.2018[1)]
Positive fair values of trading derivatives	**12,435**	**8,994**
thereof: Traded OTC	12,427	8,984
thereof: Exchange-traded	8	10
Equity-/index-related transactions	330	427
Interest-rate-related transactions	11,265	7,629
Currency-related transactions	811	907
Credit derivatives	29	31
Bonds and other fixed-income securities	**4,571**	**6,570**
Money market instruments	–	52
Medium- and long-term bonds	4,571	6,518
Loans and receivables	**1,304**	**1,395**
Repayable on demand and at short notice	3	3
Receivables from securities repurchase transactions (reverse repos)	87	134
Other fixed-term loans	1,214	1,258
Equity shares and other variable-income securities	**36**	**30**
Equities	36	30
Total	**18,346**	**16,989**

The financial instruments under trading assets are measured at fair value and assigned exclusively to the financial assets mandatorily measured at fair value (held for trading) measurement category. Loans and receivables held for trading mainly comprise promissory note loans and, to a lesser extent, repos and money trading transactions.

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

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Positive fair values of derivatives held for trading	**9,709**	**6,571**	**2,558**	**2,341**	**168**	**82**	**12,435**	**8,994**
Central giro institutions	296	374	–	–	–	–	296	374
Sparkassen	1,703	871	–	–	–	–	1,703	871
Other banks	1,044	947	1,806	1,775	24	27	2,874	2,749
Other financial corporations	144	141	65	69	5	–	214	210
Non-financial corporations	1,415	1,080	687	497	139	55	2,241	1,632
Government	5,016	3,076	–	–	–	–	5,016	3,076
Households	83	72	–	–	–	–	83	72
Exchange-traded derivatives	8	10	–	–	–	–	8	10
Bonds and other fixed-income securities	**1,150**	**1,458**	**2,240**	**3,687**	**1,181**	**1,425**	**4,571**	**6,570**
Central giro institutions	175	111	–	–	–	–	175	111
Sparkassen	26	–	–	–	–	–	26	–
Other banks	662	821	2,038	3,456	1,134	1,256	3,834	5,533
Other financial corporations	43	60	33	55	29	130	105	245
Non-financial corporations	32	108	33	66	5	4	70	178
Government	212	358	136	110	13	35	361	503
Loans and receivables	**979**	**1,036**	**235**	**339**	**90**	**20**	**1,304**	**1,395**
Central banks	–	28	–	–	–	–	–	28
Central giro institutions	36	–	–	–	–	–	36	–
Sparkassen	147	150	–	–	–	–	147	150
Other banks	206	287	57	24	8	–	271	311
Other financial corporations	–	–	3	3	–	–	3	3
Non-financial corporations	344	83	175	312	82	20	601	415
Government	246	488	–	–	–	–	246	488

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Equity shares and other variable-income securities	**36**	**26**	**–**	**4**	**–**	**–**	**36**	**30**
Other banks	2	3	–	–	–	–	2	3
Other financial corporations	1	2	–	4	–	–	1	6
Non-financial corporations	33	21	–	–	–	–	33	21
Total	**11,874**	**9,091**	**5,033**	**6,371**	**1,439**	**1,527**	**18,346**	**16,989**

(22) Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss

in € m

	30.6.2019	31.12.2018
Positive fair values of non-trading derivatives	**5,947**	**2,046**
thereof: Traded OTC	5,947	2,046
Interest-rate-related transactions	5,852	1,976
Currency-related transactions	95	70
Bonds and other fixed-income securities	**1,767**	**1,525**
Money market instruments	9	–
Medium- and long-term bonds	1,758	1,525
Loans and receivables	**345**	**64**
Other fixed-term loans	342	61
Other receivables not classified as loans	3	3
Equity shares and other variable-income securities	**142**	**110**
Investment units	142	110
Shareholdings	**72**	**71**
Shares in unconsolidated affiliates	18	18
Shares in non-equity-accounted joint ventures	4	4
Shares in non-equity-accounted associates	6	5
Other equity investments	44	44
Receivables from the purchase of endowment insurance policies	**85**	**95**
Total	**8,358**	**3,911**

The non-trading derivatives recognised in this item are derivative financial instruments used for economic hedging as part of hedge management (economic hedges); the documentation requirements for hedge accounting in accordance with IFRS 9 are not satisfied.

See Note (2) for information on the effects from the initial consolidation of KOFIBA and the addition of the international land transport finance portfolio.

The following table shows the other financial assets mandatorily measured at fair value through profit or loss by region and counterparty:

in €m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Positive fair values of non-trading derivatives	**3,171**	**927**	**2,770**	**1,111**	**6**	**8**	**5,947**	**2,046**
Central giro institutions	186	35	–	–	–	–	186	35
Other banks	2,615	713	2,577	1,024	6	6	5,198	1,743
Other financial corporations	–1	3	193	87	–	–	192	90
Non-financial corporations	2	2	–	–	–	–	2	2
Government	369	174	–	–	–	–	369	174
Households	–	–	–	–	–	2	–	2
Bonds and other fixed-income securities	**145**	**116**	**1,043**	**872**	**579**	**537**	**1,767**	**1,525**
Central giro institutions	9	–	–	–	–	–	9	–
Other banks	12	12	83	41	36	28	131	81
Other financial corporations	23	29	399	326	168	146	590	501
Non-financial corporations	75	73	548	493	351	328	974	894
Government	26	2	13	12	24	35	63	49
Loans and receivables	**320**	**38**	**6**	**7**	**19**	**19**	**345**	**64**
Other banks	–	–	–	–	3	3	3	3
Other financial corporations	1	38	1	2	16	16	18	56
Non-financial corporations	110	–	5	5	–	–	115	5
Government	209	–	–	–	–	–	209	–
Equity shares and other variable-income securities	**108**	**82**	**19**	**13**	**15**	**15**	**142**	**110**
Other financial corporations	108	81	19	13	15	15	142	109
Non-financial corporations	–	1	–	–	–	–	–	1

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Shareholdings	**72**	**71**	**–**	**–**	**–**	**–**	**72**	**71**
Other banks	2	1	–	–	–	–	2	1
Other financial corporations	36	37	–	–	–	–	36	37
Non-financial corporations	34	33	–	–	–	–	34	33
Receivables from the purchase of endowment insurance policies	**85**	**95**	**–**	**–**	**–**	**–**	**85**	**95**
Other financial corporations	85	95	–	–	–	–	85	95
Total	**3,901**	**1,329**	**3,838**	**2,003**	**619**	**579**	**8,358**	**3,911**

(23) Financial Assets Designated Voluntarily at Fair Value

in € m

	30.6.2019	31.12.2018
Bonds and other fixed-income securities	**140**	**124**
Medium- and long-term bonds	140	124
Loans and receivables	**3,916**	**253**
Other fixed-term loans	3,916	252
Other receivables not classified as loans	–	1
Total	**4,056**	**377**

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

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Bonds and other fixed-income securities	**137**	**121**	**3**	**3**	**–**	**–**	**140**	**124**
Other banks	–	–	3	3	–	–	3	3
Government	137	121	–	–	–	–	137	121
Loans and receivables	**3,866**	**253**	**50**	**–**	**–**	**–**	**3,916**	**253**
Other financial corporations	–	1	–	–	–	–	–	1
Non-financial corporations	100	16	–	–	–	–	100	16
Government	3,766	236	50	–	–	–	3,816	236
Total	**4,003**	**374**	**53**	**3**	**–**	**–**	**4,056**	**377**

See Note (2) for disclosures relating to the effects from the initial consolidation of KOFIBA.

(24) Positive Fair Values of Hedging Derivatives Under Hedge Accounting

in € m

	30.6.2019	31.12.2018
Derivatives in fair value hedges – micro hedges	**1,168**	**471**
thereof: Traded OTC	1,168	471
Interest-rate-related transactions	1,168	471
Derivatives in fair value hedges – group hedges	**218**	**137**
thereof: Traded OTC	218	137
Currency-related transactions	218	137
Total	**1,386**	**608**

See Note (2) for disclosures relating to the effects from the initial consolidation of KOFIBA.

(25) Financial Assets Measured at Fair Value Through Other Comprehensive Income

in € m

	30.6.2019	31.12.2018
Bonds and other fixed-income securities	**23,918**	**21,965**
Money market instruments	956	474
Medium- and long-term bonds	22,962	21,491
Loans and receivables	**599**	**488**
Other fixed-term loans	599	488
Shareholdings	**40**	**41**
Shares in unconsolidated affiliates	5	5
Other equity investments	35	36
Total	**24,557**	**22,494**

Financial assets recognised in shareholdings are equity instruments classified as at fair value through other comprehensive income without recycling (FVTOCI (non-recycling)).

The following table shows the financial assets measured at fair value through other comprehensive income by region and counterparty:

in €m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Bonds and other fixed-income securities	**7,972**	**6,309**	**10,547**	**10,406**	**5,399**	**5,250**	**23,918**	**21,965**
Central giro institutions	496	402	–	–	–	–	496	402
Other banks	1,928	1,780	8,801	8,673	4,630	4,620	15,359	15,073
Other financial corporations	17	15	346	300	203	230	566	545
Non-financial corporations	54	51	66	67	90	81	210	199
Government	5,477	4,061	1,334	1,366	476	319	7,287	5,746
Loans and receivables	**360**	**268**	**186**	**167**	**53**	**53**	**599**	**488**
Other financial corporations	–	–	99	99	–	–	99	99
Non-financial corporations	358	263	87	68	53	53	498	384
Government	2	5	–	–	–	–	2	5
Shareholdings	**40**	**41**	**–**	**–**	**–**	**–**	**40**	**41**
Other banks	18	20	–	–	–	–	18	20
Other financial corporations	22	21	–	–	–	–	22	21
Total	**8,372**	**6,618**	**10,733**	**10,573**	**5,452**	**5,303**	**24,557**	**22,494**

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

See Note (2) for disclosures relating to the effects from the initial consolidation of KOFIBA.

(26) Shares in Equity-Accounted Entities

In the reporting period, a total of 26 (31 December 2018: 34) joint ventures and 2 (31 December 2018: 2) associates were accounted for using the equity method.

The breakdown of equity-accounted investments is shown below:

in € m

	30.6.2019	31.12.2018
Investments in joint ventures	**46**	**39**
Non-financial corporations	46	39
Investments in associates	**7**	**6**
Other financial corporations	2	3
Non-financial corporations	5	3
Total	**53**	**45**

(27) Investment Property

in € m

	30.6.2019	31.12.2018
Land and buildings leased to third parties	2,235	2,174
Undeveloped land	37	44
Vacant buildings	–	2
Investment property under construction	221	200
Total	**2,493**	**2,420**

As at 30 June 2019, the right-of-use assets arising from leases amounted to € 56 m.

(28) Property and Equipment

in € m

	30.6.2019	31.12.2018
Owner-occupied land and buildings	567	381
Operating and office equipment	56	53
Machinery and technical equipment	4	4
Total	**627**	**438**

As at 30 June 2019, the right-of-use assets arising from leases amounted to € 172 m.

(29) Intangible Assets

in € m

	30.6.2019	31.12.2018
Goodwill	**7**	**–**
Software	**79**	**80**
thereof: Purchased	78	79
thereof: Internally generated	1	1
Other intangible assets	**3**	**–**
Total	**89**	**80**

Please refer to Note (2) for disclosures on the additions to other intangible assets and goodwill.

(30) Non-Current Assets and Disposal Groups Classified as Held for Sale and Liabilities Related to Non-Current Assets and Disposal Groups Classified as Held for Sale

The assets held for sale in an amount of €58 m continue to relate to a commercial property (31 December 2018: € 42 m). This asset is recognised at a carrying amount based on capitalisable construction costs. As at the reporting date, the carrying amount was below the fair value less the costs of disposal. A sale and purchase agreement has already been signed; the asset will be derecognised after completion of the property, which is expected to be in the second half of 2019.

(31) Other Assets

in €m

	30.6.2019	31.12.2018
Inventories	**632**	**458**
Property held for sale	629	456
Other inventories/work in progress	3	2
Advance payments and payments on account	**192**	**149**
Other taxes receivable	**58**	**7**
Other assets	**299**	**260**
Total	**1,181**	**874**

See Note (2) for disclosures relating to the effects from the initial consolidation of KOFIBA.

(32) Financial Liabilities Measured at Amortised Cost

in € m

	30.6.2019	31.12.2018
Securitised liabilities	**54,008**	**45,455**
Issued money market instruments	8,368	4,099
Commercial paper (CP)	1,781	2,137
Certificates of deposit (CD)	5,795	1,221
Asset-backed commercial paper (ABCP)	792	741
Medium- and long-term bonds issued	45,640	41,356
Mortgage Pfandbriefe	11,331	10,309
Public Pfandbriefe	12,733	10,657
Structured (hybrid) bonds	1,720	1,676
Other medium- and long-term bonds	19,856	18,714
Deposits and loans	**104,445**	**79,540**
Payable on demand	41,584	34,753
With an agreed term	55,169	38,200
With an agreed period of notice	6,563	6,524
Securities repurchase transactions (repos)	1,129	63
Other financial liabilities	**247**	**227**
Total	**158,700**	**125,222**

For detailed disclosures on issuance activities see Note (42).

As at 30 June 2019, the lease liabilities amounted to € 230 m.

See Note (2) for information on the effects from the initial consolidation of KOFIBA and the addition of the international land transport finance portfolio.

The following table shows the financial liabilities measured at amortised cost by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Deposits and loans	**94,759**	**75,026**	**3,844**	**2,240**	**5,842**	**2,274**	**104,445**	**79,540**
Central banks	2,192	2,191	–	–	444	–	2,636	2,191
Central giro institutions	1,005	788	–	–	–	–	1,005	788
Sparkassen	9,952	9,460	–	–	–	–	9,952	9,460
Other banks	20,401	18,340	1,237	425	1,297	939	22,935	19,704
Other financial corporations	27,391	14,617	1,329	729	3,434	250	32,154	15,596
Non-financial corporations	6,146	6,144	902	723	170	825	7,218	7,692
Government	7,778	3,967	247	230	268	3	8,293	4,200
Households	19,894	19,519	129	133	229	257	20,252	19,909
Other financial liabilities	**247**	**227**	**–**	**–**	**–**	**–**	**247**	**227**
Sparkassen	1	2	–	–	–	–	1	2
Other banks	2	1	–	–	–	–	2	1
Other financial corporations	12	21	–	–	–	–	12	21
Non-financial corporations	144	141	–	–	–	–	144	141
Government	27	6	–	–	–	–	27	6
Households	61	56	–	–	–	–	61	56
Total	**95,006**	**75,253**	**3,844**	**2,240**	**5,842**	**2,274**	**104,692**	**79,767**

(33) Trading Liabilities

in € m

	30.6.2019	31.12.2018
Negative fair values of trading derivatives	**10,171**	**7,505**
thereof: Traded OTC	10,146	7,455
thereof: Exchange-traded	25	50
Equity-/index-related transactions	320	417
Interest-rate-related transactions	9,048	6,222
Currency-related transactions	772	838
Credit derivatives	30	27
Commodity-related transactions	1	1
Securitised liabilities	**2,810**	**853**
Issued money market instruments	2,775	822
Commercial paper (CP)	2,481	350
Certificates of deposit (CD)	294	472
Issued equity/index certificates	35	31
Deposits and loans	**7,488**	**4,353**
Payable on demand	1,513	1,073
With an agreed term	5,975	3,280
Liabilities arising from short-selling	**42**	**52**
Total	**20,511**	**12,763**

For detailed disclosures on issuance activities see Note (42).

Trading liabilities consist solely of financial instruments held for trading purposes and measured mandatorily at fair value through profit or loss.

The following table shows the financial liabilities measured at amortised cost by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Negative fair values of derivatives held for trading	**3,744**	**2,827**	**6,225**	**4,486**	**202**	**192**	**10,171**	**7,505**
Central banks	–	–	1	1	–	–	1	1
Central giro institutions	163	157	–	–	–	–	163	157
Sparkassen	670	445	–	–	–	–	670	445
Other banks	1,386	948	5,833	4,168	184	135	7,403	5,251
Other financial corporations	88	74	185	131	3	–	276	205
Non-financial corporations	463	369	205	186	15	57	683	612
Government	950	784	–	–	–	–	950	784
Exchange-traded derivatives	24	50	1	–	–	–	25	50
Deposits and loans	**7,001**	**4,189**	**315**	**147**	**172**	**17**	**7,488**	**4,353**
Sparkassen	2,251	1,381	–	–	–	–	2,251	1,381
Other banks	38	66	25	44	84	17	147	127
Other financial corporations	2,290	1,518	290	103	88	–	2,668	1,621
Non-financial corporations	196	36	–	–	–	–	196	36
Government	2,223	1,185	–	–	–	–	2,223	1,185
Households	3	3	–	–	–	–	3	3
Liabilities arising from short-selling	**18**	**52**	**16**	**–**	**8**	**–**	**42**	**52**
Central giro institutions	1	–	–	–	–	–	1	–
Other banks	8	26	–	–	1	–	9	26
Government	9	26	16	–	7	–	32	26
Total	**10,763**	**7,068**	**6,556**	**4,633**	**382**	**209**	**17,701**	**11,910**

(34) Negative Fair Values of Non-Trading Derivatives

in € m

	30.6.2019	31.12.2018
Negative fair values of non-trading derivatives	**6,081**	**1,791**
thereof: Traded OTC	6,080	1,790
thereof: Exchange-traded	1	1
Equity-/index-related transactions	1	1
Interest-rate-related transactions	5,967	1,738
Currency-related transactions	113	52
Total	**6,081**	**1,791**

The non-trading derivatives recognised in this item are derivative financial instruments used for economic hedging as part of hedge management (economic hedges); the documentation requirements for hedge accounting in accordance with IFRS 9 are not satisfied.

See Note (2) for disclosures relating to the effects from the initial consolidation of KOFIBA.

(35) Financial Liabilities Designated Voluntarily at Fair Value

in € m

	30.6.2019	31.12.2018
Securitised liabilities	**6,762**	**7,062**
Medium- and long-term bonds issued	6,762	7,062
Public Pfandbriefe	208	77
Structured (hybrid) bonds	2,821	2,368
Other medium- and long-term bonds	3,733	4,617
Deposits and loans	**6,767**	**4,418**
With an agreed term	6,758	4,418
With an agreed period of notice	9	–
Total	**13,529**	**11,480**

For detailed disclosures on issuance activities see Note (42).

See Note (2) for disclosures relating to the effects from the initial consolidation of KOFIBA.

The following table shows the financial liabilities designated voluntarily at fair value by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Deposits and loans	**6,653**	**4,438**	**134**	**–**	**–20**	**–20**	**6,767**	**4,418**
Sparkassen	457	353	–	–	–	–	457	353
Other banks	207	207	–	–	–	–	207	207
Other financial corporations	5,516	3,464	134	–	–	–	5,650	3,464
Non-financial corporations	303	243	–	–	–20	–20	283	223
Government	170	171	–	–	–	–	170	171
Total	**6,653**	**4,438**	**134**	**–**	**–20**	**–20**	**6,767**	**4,418**

(36) Negative Fair Values of Hedging Derivatives Under Hedge Accounting

in € m

	30.6.2019	31.12.2018
Derivatives in fair value hedges – micro hedges	**2,269**	**66**
thereof: Traded OTC	2,269	66
Interest-rate-related transactions	1,724	66
Currency-related transactions	545	–
Derivatives in fair value hedges – group hedges	**333**	**424**
thereof: Traded OTC	333	424
Currency-related transactions	333	424
Total	**2,602**	**490**

See Note (2) for disclosures relating to the effects from the initial consolidation of KOFIBA.

(37) Provisions

in €m

	30.6.2019	31.12.2018
Provisions for employee benefits	**1,959**	**1,806**
Pensions and similar defined benefit obligations	1,893	1,732
Other employee benefits due in the long term	66	74
Other provisions	**322**	**281**
Provisions for off-balance sheet liabilities	44	39
Provisions for loan commitments and financial guarantees	44	39
Restructuring provisions	25	18
Provisions for litigation risks	22	24
Sundry provisions	231	200
Total	**2,281**	**2,087**

See Note (2) for information on the effects from the initial consolidation of KOFIBA and the addition of the international land transport finance portfolio.

(38) Other Liabilities

in €m

	30.6.2019	31.12.2018
Advance payments / payments on account	213	211
Tax liabilities, other taxes	23	28
Employee benefits due in short term	61	75
Sundry liabilities	224	202
Total	**521**	**516**

See Note (2) for disclosures relating to the effects from the initial consolidation of KOFIBA.

(39) Equity

The subscribed capital of € 2,509 m comprises the share capital of € 589 m paid in by the owners in accordance with the Charter and the capital contributions of € 1,920 m paid by the Federal State of Hesse.

As at 30 June 2019, the share capital was attributable to the owners as follows:

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

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

In 2018, the Helaba Group issued Additional Tier 1 (AT1) capital through registered bonds in the amount of € 354 m. All AT1 bonds are unsecured subordinated Helaba bonds. The servicing of these bonds is based on an interest rate applied to the respective nominal amount. These bonds provide fixed interest rates for the period between the issue date and the first possible early repayment date. Afterwards, interest rates will be established for another period of ten years. According to the bond terms, Helaba may be obliged, but also has extensive rights, to take the sole decision to suspend interest payments at any time. Interest payments are not cumulative, which means that suspended interest payments will not be paid out in subsequent periods. These bonds have no maturity date, and may be terminated by Helaba at specific dates. If Helaba does not terminate a bond, it has additional termination options every ten years. Early terminations may be permissible provided that all tax-related and regulatory conditions are met. Every termination is subject to approval from the competent supervisory authority. The repayment as well as the nominal amount of the bonds may be reduced if a triggering event occurs. The decline of Helaba Group's Common Equity Tier 1 (CET1) capital ratio to under 5.125 % on a consolidated basis would be a triggering event. After the occurrence of a triggering event, any reduced bond amounts may be increased again under specific conditions. According to the applicable resolution stipulations, the competent supervisory authority may exercise a series of rights; for instance, the supervisory authority may decide to wholly or partially mark down entitlements to repayment of capital and/or to convert such entitlements into CET1 instruments. As at 30 June 2019, the bond amounts recognised in the consolidated statement of financial position stood at € 354 m (31 December 2018: € 354 m).

The retained earnings amounting to € 4,580 m (31 December 2018: 4,414 m) comprise the profits retained by the parent company and the consolidated subsidiaries as well as amounts from the amortised results of acquisition accounting and other consolidation adjustments. Retained earnings include reserves provided for by the Charter of € 294 m (31 December 2018: € 294 m). If it is necessary to use these reserves to cover losses, the net profit generated in subsequent years is used in full to restore the reserves required by the Charter to the required level.

The following table shows the changes in the individual components of accumulated other comprehensive income (OCI) in the reporting period:

in €m

	Items that will not be reclassified to the consolidated income statement, after taxes			Items that will be reclassified to the consolidated income statement, after taxes				Accumulated other comprehensive income
	Remeasurement of net defined benefit liability	Change in fair value of equity instruments measured at fair value through profit or loss	Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	Change in fair value of debt instruments measured at fair value through other comprehensive income	Gains or losses from hedges of a net investment in a foreign operation	Gains or losses from currency translation of foreign operations	Gains or losses from fair value hedges of currency risk	
As at 31.12.2017	**–450**	**–**	**–**	**197**	**–17**	**27**	**–**	**–243**
Adjustments due to first-time application of new financial reporting requirements	–	–1	2	–40	–	–	–	–39
As at 1.1.2018	**–450**	**–1**	**2**	**157**	**–17**	**27**	**–**	**–282**
Other comprehensive income for the reporting period	15	–2	–3	–15	–	3	–29	–31
As at 30.6.2018	**–435**	**–3**	**–1**	**142**	**–17**	**30**	**–29**	**–313**
Other comprehensive income for the reporting period	–5	5	–5	–48	–	5	1	–47
As at 31.12.2018	**–440**	**2**	**–6**	**94**	**–17**	**35**	**–28**	**–360**
Other comprehensive income for the reporting period	–111	–2	45	65	–	–1	15	11
Reclassifications within equity	–	–	–2	–	–	–	–	–2
As at 30.6.2019	**–551**	**–**	**37**	**159**	**–17**	**34**	**–13**	**–351**

Further Financial Instruments Disclosures

(40) Derivatives

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

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

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

The notional and fair values of derivatives as at 30 June 2019 were as follows:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Equity-/index-related transactions	**5,700**	**5,413**	**330**	**427**	**321**	**418**
OTC products	5,141	4,764	322	417	296	367
Equity options	5,141	4,764	322	417	296	367
Purchases	2,721	2,562	322	417	–	–
Sales	2,420	2,202	–	–	296	367
Exchange-traded products	559	649	8	10	25	51
Equity/index futures	70	76	–	–	–	–
Equity/index options	489	573	8	10	25	51
Interest-rate-related transactions	**492,159**	**439,790**	**18,285**	**10,076**	**16,739**	**8,026**
OTC products	482,492	428,017	18,285	10,076	16,738	8,026
Forward rate agreements	250	–	–	–	–	–
Interest rate swaps	426,043	373,288	16,785	9,193	12,557	5,583
Interest rate options	55,864	54,229	1,500	883	4,181	2,441
Purchases	22,784	20,591	1,350	785	58	46
Sales	33,080	33,638	150	97	4,123	2,395
Other interest rate contracts	335	500	–	–	–	2
Exchange-traded products	9,667	11,773	–	–	1	–
Interest rate futures	9,626	11,591	–	–	1	–
Interest rate options	41	182	–	–	–	–

in €m

	Notional amounts		Positive fair values		Negative fair values	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Currency-related transactions	**76,389**	**62,526**	**1,124**	**1,114**	**1,763**	**1,314**
OTC products	76,389	62,526	1,124	1,114	1,763	1,314
Currency spot and futures contracts	50,541	38,012	369	411	550	499
Cross-currency swaps	25,235	24,041	749	698	1,207	809
Currency options	613	473	6	5	6	6
Purchases	307	234	6	5	–	–
Sales	306	239	–	–	6	6
Credit derivatives	**2,744**	**6,808**	**29**	**31**	**30**	**27**
OTC products	2,744	6,808	29	31	30	27
Commodity-related transactions	**66**	**58**	**–**	**–**	**1**	**1**
OTC products	66	58	–	–	1	1
Commodity swaps	–	2	–	–	–	–
Commodity options	66	56	–	–	1	1
Total	**577,058**	**514,595**	**19,768**	**11,648**	**18,854**	**9,786**

Notional amounts broken down by term to maturity:

in €m

	Equity-/index-related transactions		Interest-rate-related transactions		Currency-related transactions	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Up to three months	308	295	43,379	40,050	37,812	26,903
More than three months and up to one year	690	762	49,669	41,290	15,831	15,145
More than one year and up to five years	4,160	4,015	206,582	193,313	17,539	15,910
More than five years	542	341	192,529	165,137	5,207	4,568
Total	**5,700**	**5,413**	**492,159**	**439,790**	**76,389**	**62,526**

in € m

	Credit derivatives		Commodity-related transactions		Total	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Up to three months	25	50	54	33	81,578	67,330
More than three months and up to one year	96	844	12	25	66,298	58,066
More than one year and up to five years	2,476	5,777	–	–	230,757	219,015
More than five years	147	137	–	–	198,425	170,184
Total	**2,744**	**6,808**	**66**	**58**	**577,058**	**514,595**

Derivatives have been entered into with the following counterparties:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Central banks and banks in Germany	94,416	77,002	6,249	2,995	4,903	2,228
Central banks and banks in the EU (excluding Germany)	134,063	107,983	4,992	3,044	11,200	5,453
Central banks and banks in the rest of the world (excluding EU)	3,089	2,381	34	36	296	150
Governments, Germany	25,959	26,891	5,748	3,514	1,184	1,008
Other counterparties in Germany	32,875	32,146	1,648	1,339	549	443
Other counterparties in the EU (excluding Germany)	275,294	254,457	945	653	676	394
Other counterparties (rest of world, excluding EU)	1,136	1,313	144	57	20	59
Exchange-traded derivatives	10,226	12,422	8	10	26	51
Total	**577,058**	**514,595**	**19,768**	**11,648**	**18,854**	**9,786**

(41) Fair Values of Financial Instruments

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

Measurement methods

When selecting the measurement method for financial instruments, the Helaba Group distinguishes between those financial instruments that can be measured directly using prices quoted in an active market and those measured using standard valuation techniques. In this process, of all the markets to which Helaba has access, the market with the highest level of activity is generally assumed to be the relevant market (primary market). If no primary market can be determined for individual financial instruments, the most favourable market is selected.

The fair value of financial instruments listed in active markets is determined on the basis of quoted prices. A market is deemed to be active if, for relevant or similar financial instruments, there are market prices that satisfy minimum requirements, particularly in relation to price spread and trading volume. The minimum requirements are specified by Helaba and subject to a regular review.

In the case of financial instruments for which no quoted prices are available in active markets on the reporting date, the fair value is determined using generally accepted valuation techniques. The financial instruments are measured on the basis of the cash flow structure, taking into account estimated future cash flows, discount rates and volatility. These approaches use modelling techniques such as the discounted cash flow method or established option pricing models. Models with greater differentiation that use more detailed inputs such as correlations are used for more complex financial instruments.

The inputs for the models are usually observable in the market. If no market information is available for the required model inputs, these are derived from other relevant information sources, such as prices for similar transactions or historical data.

The following table provides an overview of the measurement models used for the financial instruments:

Financial instruments	Measurement models	Key inputs
Interest-rate swaps and interest-rate options	Discounted cash flow method, Black/Normal Black model, Markov functional model, SABR model, replication model, bivariate copula models	Yield curves, interest-rate volatility, correlations
Interest-rate futures	Discounted cash flow method	Yield curves
Currency futures	Discounted cash flow method	Exchange rates, yield curves
Equity/index options	Black model, local volatility model	Equity prices, yield curves, equity volatilities, dividends
Currency options	Black model, skew barrier model	Exchange rates, yield curves, FX volatilities
Commodity options	Black model, Turnbull/Wakeman	Commodity prices, yield curves, commodity volatilities/correlations
Credit derivatives	Black model	Yield curves, credit spreads, credit volatility
Loans	Discounted cash flow method	Yield curves, credit spreads
Money market instruments	Discounted cash flow method	Yield curves
Securities repurchase transactions	Discounted cash flow method	Yield curves
Promissory note loans	Discounted cash flow method	Yield curves, credit spreads
Securities, forward securities transactions	Discounted cash flow method	Yield curves, credit spreads, securities prices
Fund units/shares	Fund valuation	Fair values of fund assets
Shareholdings	Dividend discount method, net asset value method	Discount rate, expected cash flows

With reference to fund units/shares in the equity shares and other variable-income securities measurement category, the fair values used are mainly determined by the fund management companies and made available to the unitholders/shareholders. If the latest fair value was determined as at a date other than the reporting date, such value is extrapolated to the reporting date.

In the case of purchased rights under endowment insurance policies, the fair value is measured on the basis of the surrender value notified by the insurance company. This value is then adjusted for contributions and other changes in value up to the reporting date.

Adjustments

Adjustments may be required in some cases, and these adjustments form an additional part of the measurement process. Depending on the complexity of the financial instrument involved, the use of a model to measure a financial instrument could involve some uncertainty in the selection of a suitable model, for example regarding the numeric implementation or the parametrisation/calibration of the model. When measuring a financial instrument using fair value principles, this uncertainty is taken into account by applying model adjustments, which can be subdivided into deficiency adjustments and complexity adjustments.

The purpose of a deficiency adjustment is to reflect model-related measurement uncertainty. Model uncertainty arises if a financial instrument is measured using a model that is uncommon (or no longer common) or if there is a lack of clarity caused by an inadequate calibration process or by the technical implementation. Complexity adjustments are taken into account if there is no market consensus regarding the model to be used or the parametrisation for the model cannot be clearly derived from the market data. The problems in such cases are referred to as model risk. The measurement markdowns resulting from the various adjustments are taken into account in the form of a model reserve.

Generally speaking, derivatives are currently measured in front-office systems on a risk-free basis. In other words, it is specifically assumed that the counterparties involved will remain in place until the contractual maturity of the outstanding transactions. The credit value adjustment (CVA) reflects the imputed loss risk to which the Helaba Group believes it is exposed in respect of its counterparty, based on a positive fair value from Helaba's perspective. If the counterparty were to default, it would only be possible to recover a fraction of the fair value of the outstanding transactions in any insolvency or liquidation process (recovery rate). The exposure over time is estimated using a Monte Carlo simulation. A debit value adjustment (DVA) mirrors the CVA and is defined as that imputed part of a negative fair value (from the perspective of the Group) that would be lost if the counterparty were to default. The CVA and DVA amounts are taken into account in the form of a measurement adjustment.

A funding valuation adjustment (FVA) is necessary to ensure that the measurement of derivative financial instruments takes into account the funding costs implied by the market. Funding costs are incurred in connection with the replicated hedging of unsecured customer derivatives with secured hedging derivatives in the interbank market. Whereas the volume to be funded is derived from an exposure simulation, the funding rates are set in line with the Euro Interbank Offered Rate (Euribor). Similar to a CVA/DVA, there are two types of FVA. A funding benefit adjustment (FBA) is applied in the case of a negative exposure, and a funding cost adjustment (FCA) for a positive exposure.

Validation and control

The measurement process is subject to continuous validation and control. In the trading business, part of the process of measuring exposures independently of the trading activity is to ensure that the methods, techniques and models used for the measurement are appropriate.

New measurement models are generally subject to comprehensive initial validation before they are used for the first time. The models are then regularly reviewed depending on materiality, the extent to which they are established in the market and on the complexity of the model in question. Ad hoc reviews are also carried out if, for example, significant changes are made to the model.

A process of independent price verification is also carried out to ensure that the inputs used for measuring the financial instruments are in line with the market.

Level 1

The market price is the best indicator of the fair value of financial instruments. If an active market exists, observable market prices are used to measure the financial instruments recognised at fair value. These are normally prices quoted on a stock exchange or market prices quoted on the interbank market. These fair values are reported as Level 1.

Level 2

If an observable market price does not exist for a financial instrument, recognised and customary valuation techniques are used for measurement purposes, with all input data being based on observable market data and taken from external sources. These valuation techniques are normally used for OTC derivatives (including credit derivatives) and for financial instruments that are recognised at fair value and not traded on an active market. In such cases, the fair values are reported as Level 2.

Level 3

In those cases in which not all input parameters are directly observable on the market, the fair values are calculated using realistic assumptions based on market conditions. This approach is required in particular for complex structured (derivative) basket products where correlations not directly observable in the market are significant to the measurement. If no market prices are available for non-derivative financial instruments, arranger prices are used. Inputs that cannot be observed, particularly the surpluses derived from corporate planning, are also used to measure unlisted shareholdings recognised at fair value and to test goodwill for impairment. In the case of investment property, fair values are determined on the basis of expected income and expenses, with the result that these fair values are also classified as Level 3.

If an input material to the measurement of a financial instrument can no longer be classified under the same level used in the previous measurement, the instrument is reallocated to the relevant level.

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

in € m

	30.6.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash on hand, demand deposits and overnight money balances with central banks and banks	**–**	**174**	**–**	**174**	**–**	**290**	**–**	**290**
Demand deposits and overnight money balances with banks	–	174	–	174	–	290	–	290
Trading assets	**4,445**	**13,495**	**406**	**18,346**	**6,375**	**10,193**	**421**	**16,989**
Positive fair values of derivatives	8	12,219	208	12,435	10	8,697	287	8,994
Bonds and other fixed-income securities	4,401	170	–	4,571	6,335	213	22	6,570
Loans and receivables	–	1,106	198	1,304	–	1,283	112	1,395
Equity shares and other variable-income securities	36	–	–	36	30	–	–	30
Other financial assets mandatorily measured at fair value through profit or loss	**1,642**	**6,140**	**576**	**8,358**	**1,455**	**2,215**	**241**	**3,911**
Positive fair values of derivatives	–	5,771	176	5,947	–	2,031	15	2,046
Bonds and other fixed-income securities	1,640	97	30	1,767	1,447	73	5	1,525
Loans and receivables	–	175	170	345	–	43	21	64
Equity shares and other variable-income securities	2	97	43	142	8	68	34	110
Shareholdings	–	–	72	72	–	–	71	71
Receivables from the purchase of endowment insurance policies	–	–	85	85	–	–	95	95
Financial assets designated voluntarily at fair value	**3**	**3,978**	**75**	**4,056**	**3**	**301**	**73**	**377**
Bonds and other fixed-income securities	3	137	–	140	3	121	–	124
Loans and receivables	–	3,841	75	3,916	–	180	73	253
Positive fair values of hedging derivatives under hedge accounting	**–**	**1,386**	**–**	**1,386**	**–**	**608**	**–**	**608**
Financial assets measured at fair value through other comprehensive income	**22,094**	**2,037**	**426**	**24,557**	**21,221**	**875**	**398**	**22,494**
Bonds and other fixed-income securities	22,094	1,821	3	23,918	21,221	737	7	21,965
Loans and receivables	–	216	383	599	–	138	350	488
Shareholdings	–	–	40	40	–	–	41	41
Financial assets	**28,184**	**27,210**	**1,483**	**56,877**	**29,054**	**14,482**	**1,133**	**44,669**

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

in €m

	30.6.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading liabilities	**102**	**20,200**	**209**	**20,511**	**134**	**12,341**	**288**	**12,763**
Negative fair values of derivatives	25	9,937	209	10,171	51	7,166	288	7,505
Securitised liabilities	35	2,775	–	2,810	31	822	–	853
Deposits and loans	–	7,488	–	7,488	–	4,353	–	4,353
Liabilities arising from short-selling	42	–	–	42	52	–	–	52
Negative fair values of non-trading derivatives	**1**	**6,041**	**39**	**6,081**	**1**	**1,778**	**12**	**1,791**
Financial liabilities designated voluntarily at fair value	**–**	**12,049**	**1,480**	**13,529**	**–**	**10,759**	**721**	**11,480**
Securitised liabilities	–	5,752	1,010	6,762	–	6,379	683	7,062
Deposits and loans	–	6,297	470	6,767	–	4,380	38	4,418
Negative fair values of hedging derivatives under hedge accounting	**–**	**2,602**	**–**	**2,602**	**–**	**490**	**–**	**490**
Financial liabilities	**103**	**40,892**	**1,728**	**42,723**	**135**	**25,368**	**1,021**	**26,524**

The following tables show transfers from Level 1 and Level 2 to other levels as a result of a change in fair value quality. Other changes are attributable to additions, disposals or measurement changes.

in € m

	30.6.2019				31.12.2018			
	From Level 1 to		From Level 2 to		From Level 1 to		From Level 2 to	
	Level 2	Level 3	Level 1	Level 3	Level 2	Level 3	Level 1	Level 3
Trading assets	**24**	**–**	**72**	**–**	**9**	**–**	**25**	**–**
Bonds and other fixed-income securities	24	–	72	–	9	–	25	–
Other financial assets mandatorily measured at fair value through profit or loss	**2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds and other fixed-income securities	2	–	–	–	–	–	–	–
Financial assets measured at fair value through other comprehensive income	**–**	**–**	**20**	**–**	**61**	**–**	**112**	**15**
Bonds and other fixed-income securities	–	–	20	–	61	–	112	–
Loans and receivables	–	–	–	–	–	–	–	15
Financial assets	**26**	**–**	**92**	**–**	**70**	**–**	**137**	**15**

As in the prior-year period, there were no transfers of financial liabilities from Levels 1 or 2 to another level in the reporting period.

The following tables show the changes in the portfolio of financial instruments measured at fair value and allocated to Level 3, on the basis of class of financial instrument regardless of measurement category. Transfers to or from Level 3 from/to other levels in the measurement hierarchy were made at the carrying amount on the date on which the transfer was carried out. The allocations to the various levels are reviewed quarterly. The tables show the gains and losses as well as the cash flows that have occurred since the beginning of the year or since the allocation to Level 3.The tables also show the net gains or losses on remeasurement of the financial instruments still held in the portfolio as at the reporting date:

in €m

	Positive fair values of derivatives	Bonds and other fixed-income securities	Loans and receivables	Equity shares and other variable-income securities	Shareholdings	Receivables from endowment insurance policies
As at 1.1.2019	**302**	**34**	**556**	**34**	**112**	**95**
Gains or losses recognised in the consolidated income statement	–8	–	12	1	–	2
Net trading income	–30	–	5	–	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	22	–	7	1	–	2
Gains or losses recognised in other comprehensive income	–	–	3	–	–1	–
Additions	4	–	301	11	1	–
Disposals/liquidations	–9	–26	–170	–3	–	–12
Changes in basis of consolidation	131	25	126	–	–	–
Changes in accrued interest	1	–	–1	–	–	–
Amortisation of premiums/discounts	–	–	–1	–	–	–
Transfers to Level 2	–37	–	–	–	–	–
As at 30.6.2019	**384**	**33**	**826**	**43**	**112**	**85**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	26	–	3	1	–	1

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
As at 1.1.2019	**300**	**683**	**38**
Gains or losses recognised in the consolidated income statement	– 40	37	6
Net trading income	– 30	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	– 10	37	6
Gains or losses recognised in other comprehensive income	–	– 2	–
Additions	8	181	30
Disposals / liquidations	– 16	– 10	–
Changes in basis of consolidation	34	120	398
Amortisation of premiums / discounts	–	1	– 2
Transfers to Level 2	– 38	–	–
As at 30.6.2019	**248**	**1,010**	**470**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	15	– 36	– 6

The following tables show the changes in the portfolios at Level 3 in the prior-year period:

in € m

	Positive fair values of derivatives	Bonds and other fixed-income securities	Loans and receivables	Equity shares and other variable-income securities	Shareholdings	Receivables from endowment insurance policies
As at 1.1.2018	**152**	**20**	**400**	**45**	**109**	**112**
Gains or losses recognised in the consolidated income statement	93	–	–4	–4	–	4
Net trading income	92	–	–	–	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	1	–	–4	–4	–	4
Gains or losses recognised in other comprehensive income	–	–	9	–	–1	–
Additions	3	7	274	6	1	–
Disposals/liquidations	–13	–7	–114	–6	–	–8
Transfers from Level 2	–	–	15	–	–	–
Transfers to Level 2	–14	–	–	–8	–	–
As at 30.6.2018	**221**	**20**	**580**	**34**	**109**	**108**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	90	–	1	–3	–	–2

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
As at 1.1.2018	**152**	**465**	**39**
Gains or losses recognised in the consolidated income statement	91	–2	–
Net trading income	92	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	–1	–2	–
Additions	6	111	–
Disposals / liquidations	–13	–18	–
Changes in accrued interest	–2	–	–
Amortisation of premiums / discounts	–	1	–
Transfers to Level 2	–13	–2	–
As at 30.6.2018	**221**	**555**	**39**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	–89	1	–

Helaba's model for measuring the Level 3 instruments used inputs producing a price that knowledgeable market participants would apply. In its model considerations, Helaba uses inputs that are preferably observable in a market. In the case of inputs that are not observable in a market, Helaba uses the same assumptions that would be used by market participants for pricing purposes. The following table provides an overview of the main inputs not observable in a market that were used in the relevant valuation techniques:

in € m

	Assets allocated to Level 3	Liabilities allocated to Level 3	Valuation technique	Key inputs not observable in a market	Range
Derivatives	**384**	**248**			
Equity-/index-related derivatives	59	59	Option pricing model	Dividend estimate with remaining term > 3 years	0.04–127.2
	138	139	Option pricing model	Equity shares correlation	–30.5 %–83.9 %
Interest-rate derivatives	178	49	Option pricing model	Interest correlation	–41.0 %–100.0 %
	9	–	Option pricing model	Inflation volatility	1.6 %
	–	1	Option pricing model	Interest rate-currency correlation	–1.2 %–19.1 %
Equity shares and other variable-income securities	**43**				
Private equity funds	43		Fund valuation	Fair value	n.a.
Bonds and other fixed-income securities	**33**				
	25		Option pricing model	Interest correlation	12.7 %–78.8 %
	8		DCF approach	Credit spread	0.2 %–1.5 %
Securitised liabilities		**1,010**			
Interest certificates		890	Option pricing model	Interest correlation	–41.0 %–100.0 %
Other		120	Option pricing model	Interest correlation	12.7 %–78.8 %
Loans and receivables	**826**				
Promissory note loans	668		DCF approach	Credit spread	0.2 %–1.5 %
Mezzanine receivables	8		Fund valuation	Fair value	n.a.
Other	120		Option pricing model	Interest correlation	12.7 %–78.8 %
	2		Option pricing model	Interest rate-currency correlation	–1.2 %–19.1 %
	28		Various	n.a.	n.a.
Deposits and loans		**470**			
		415	Option pricing model	Interest correlation	–41.0 %–100.0 %
		16	Option pricing model	Interest correlation	12.7 %–78.8 %
				Interest rate-currency correlation	–1.2 %–19.1 %
		39	Option pricing model	Inflation volatility	1.6 %
Shareholdings	**112**				
	46		Income capitalisation approach	Discount rate	6.1 %–7.1 %
				Expected cash flows	n.a.
	66		Net asset value method	Fair value	n.a.
Receivables from the purchase of endowment insurance policies	**85**		Insurance valuation model	Surrender values	n.a.
Total	**1,483**	**1,728**			

The following table shows the corresponding overview of the figures as at 31 December 2018:

in €m

	Assets allocated to Level 3	Liabilities allocated to Level 3	Valuation technique	Key inputs not observable in a market	Range
Derivatives	**302**	**300**			
Equity-/index-related derivatives	212	213	Option pricing model	Dividend estimate with remaining term > 3 years	0.04–121
	66	65	Option pricing model	Equity shares correlation	−35.5%–100%
Interest-rate derivatives	24	22	Option pricing model	Interest correlation	−32.0%–100%
Equity shares and other variable-income securities	**34**				
Private equity funds	34		Fund valuation	Fair value	n.a.
Bonds and other fixed-income securities	**34**		DCF approach	Credit spread	0.3%–3.3%
Securitised liabilities		**683**			
Interest certificates		683	Option pricing model	Interest correlation	−32.0%–100%
Loans and receivables	**556**				
Promissory note loans	535		DCF approach	Credit spread	0.3%–3.3%
Mezzanine receivables	9		Fund valuation	Fair value	n.a.
Other	12		Various	n.a.	n.a.
Deposits and loans		**38**	Option pricing model	Interest correlation	−32.0%–100%
Shareholdings	**112**				
	45		Income capitalisation approach	Discount rate	6.4%–7.5%
				Expected cash flows	n.a.
	67		Net asset value method	Fair value	n.a.
Receivables from the purchase of endowment insurance policies	**95**		Insurance valuation model	Surrender values	n.a.
Total	**1,133**	**1,021**			

In the case of those market inputs used that are not directly observable in a market, it is possible to use alternative inputs that knowledgeable market participants could apply to identify more advantageous or more disadvantageous prices. The following section describes how fluctuations in unobservable inputs may impact fair values of financial instruments. The calculations are based on either sensitivity analyses or recalculations of fair values.

Helaba uses correlations and inflation volatility to measure derivatives, securitised liabilities, and deposits and loans. Correlations and inflation volatility are unobservable market inputs used in model-based calculations of fair values for financial instruments with more than one reference value. Correlations describe the relationship between these reference values. A high degree of correlation means that there is a strong relationship between the performance of the respective reference values. Structured interest rate derivatives are typically entered into exclusively to hedge structured interest rate issues in the banking book, or to hedge structured customer transactions. Furthermore, structured equity or commodity derivatives – where correlations must be taken into account as market parameters – are usually entered into exclusively in connection with corresponding issues; such items are closed with back-to-back hedges. Inflation volatility describes a dependency on certain inflation rates. Relevant interest rate derivatives, in which inflation volatility needs to be taken into account, are also only entered into in connection with corresponding customer business. The changes in the fair values of the hedging instrument and the hedged item that are attributable to the relevant parameter (correlation or equity volatility) offset each other.

In the case of equity derivatives with underlyings involving dividend distributions, future dividends are taken into account in the valuation. However, no dividend estimates are directly observable on the market for securities with a remaining term of more than three years. To determine the impact on fair values of dividend projections for items with a remaining term of more than three years, a premium or discount of 50 % was applied to the dividend estimates used. If the dividend estimate is increased, the fair value rises by € 1 m (31 December 2018: rise of € 1 m); if it is decreased, the fair value falls by € 1 m (31 December 2018: fall of € 1 m).

The credit spread is a key input in a model-based measurement of the fair value of bonds and other fixed-income securities and of the promissory note loans reported under loans and advances. Interest-bearing securities are allocated to Level 3 if it is not (or not with reasonable assurance) possible to derive the credit spread as an input parameter from market data. For this reason, the sensitivity analysis applied to interest-bearing securities includes an examination of the potential impact from credit spread changes. Helaba determines credit spread standard deviations for all required sector-rating-combinations based on one-year history files of sector curves from the CDS or bond market. The determined standard deviations are allocated to Level 3 securities – based on sector and rating – and then multiplied with credit spread sensitivity of the respective security. The result is the value adjustment for the respective security item if the valuation spread increases or declines by the 1-year standard deviation. This results in an increase or decline in the fair values of the respective items by around € 1 m (31 December 2018: € 1 m).

In the case of fund units / shares and mezzanine loans, fair values are predominantly determined by the fund management companies on the basis of the fund assets and made available to the unitholders / shareholders. The latest available fair values are adjusted up to the reporting date. If the input factors used are increased or decreased by 10 %, the fair values determined using these input factors change by up to € 5 m (31 December 2018: € 4 m).

In the case of investments in unlisted companies for which fair values are determined using the discounted earnings model, a premium, or discount, of 10 % is applied to all discountable cash flows. This results in an increase, or decline, in fair values of € 4 m (31 December 2018: € 4 m). If the discount rate were to be increased by one percentage point, the calculated fair values would fall by € 7 m (31 December 2018: € 6 m); if the discount rate were lowered by one percentage point, the fair values would rise by € 10 m (31 December 2018: € 9 m). Furthermore, the fair value for some investments in unlisted companies is determined using the net asset value method. The input factors used are subject to a premium, or discount, of 10 %. This results in alternative values that are up to € 6 m (31 December 2018: € 5 m) above, or up to € 6 m (31 December 2018: € 6 m) below the disclosed amounts.

The receivables from the purchase of endowment insurance policies are not deemed to be subject to any material sensitivity because they are measured on the basis of the surrender values supplied by the life insurance companies.

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

The following overview compares the fair values of financial assets and liabilities measured at amortised cost with their corresponding carrying amounts as at the reporting date:

in € m

	Fair value					
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**	**Difference**
Cash on hand, demand deposits and overnight money balances with central banks and banks	**–**	**22,757**	**–**	**22,757**	**22,757**	**–**
Demand deposit balances with central banks	–	22,581	–	22,581	22,581	–
Demand deposits and overnight money balances with banks	–	176	–	176	176	–
Financial assets measured at amortised cost	**–**	**92,003**	**40,562**	**132,565**	**128,175**	**4,390**
Loans and receivables	–	92,003	40,562	132,565	128,175	4,390
Financial assets	**–**	**114,760**	**40,562**	**155,322**	**150,932**	**4,390**
Financial liabilities measured at amortised cost	**4,214**	**131,082**	**25,413**	**160,709**	**158,700**	**2,009**
Securitised liabilities	4,214	50,312	–	54,526	54,008	518
Deposits and loans	–	80,667	25,262	105,929	104,445	1,484
Other financial liabilities	–	103	151	254	247	7
Financial liabilities	**4,214**	**131,082**	**25,413**	**160,709**	**158,700**	**2,009**

The following table shows the amounts as at 31 December 2018:

in € m

	Fair value					
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**	**Difference**
Cash on hand, demand deposits and overnight money balances with central banks and banks	**–**	**6,959**	**–**	**6,959**	**6,959**	**–**
Demand deposit balances with central banks	–	6,613	–	6,613	6,613	–
Demand deposits and overnight money balances with banks	–	346	–	346	346	–
Financial assets measured at amortised cost	**4**	**73,748**	**37,175**	**110,927**	**106,755**	**4,172**
Bonds and other fixed-income securities	4	–	–	4	4	–
Loans and receivables	–	73,748	37,175	110,923	106,751	4,172
Financial assets	**4**	**80,707**	**37,175**	**117,886**	**113,714**	**4,172**
Financial liabilities measured at amortised cost	**3,955**	**112,042**	**11,021**	**127,018**	**125,222**	**1,796**
Securitised liabilities	3,955	41,731	–	45,686	45,455	231
Deposits and loans	–	70,232	10,871	81,103	79,540	1,563
Other financial liabilities	–	79	150	229	227	2
Financial liabilities	**3,955**	**112,042**	**11,021**	**127,018**	**125,222**	**1,796**

The portfolios reported under Level 3 mainly consist of development and retail business as well as loans to and receivables from customers who do not have an impeccable credit standing.

(42) Disclosures Relating to Issuing Activities

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

in €m

	Measured at amortised cost		Mandatorily measured at fair value through profit or loss		Voluntarily designated at fair value		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
As at 1.1.	**45,455**	**43,514**	**853**	**652**	**7,062**	**6,168**	**53,370**	**50,334**
Changes in basis of consolidation	1,899	–	–	–	155	–	2,054	–
Additions from issues	47,076	47,788	2,816	460	1,066	1,004	50,958	49,252
Additions from reissue of previously repurchased instruments	408	727	–	–	43	10	451	737
Redemptions	–39,790	–46,920	–853	–398	–1,594	–334	–42,237	–47,652
Repurchases	–1,524	–764	–1	–2	–88	–50	–1,613	–816
Changes in accrued interest	–18	–16	–	–	–4	–1	–22	–17
Changes in value recognised through profit or loss	476	30	10	–2	124	16	610	44
Credit-risk-related changes in fair value recognised in OCI	–	–	–	–	–2	2	–2	2
Changes due to currency translation	26	146	–15	2	–	1	11	149
As at 30.6.	**54,008**	**44,505**	**2,810**	**712**	**6,762**	**6,816**	**63,580**	**52,033**

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

Additions from issues and redemptions also include the placement volume of short-term commercial paper that could be repaid by as early as the end of the reporting period. The changes in value recognised through profit or loss result from remeasurement gains or losses on financial liabilities held as at 30 June 2019 that were either accounted for as hedged items or to which the fair value option was applied and from the amortisation of premiums and discounts.

(43) Credit Risks Attributable to Financial Instruments

The following section comprises the quantitative disclosures in line with IFRS 7 required for financial instruments within the scope of application of IFRS 9.

The following table shows the loss allowances recognised for financial instruments as at 30 June 2019:

in €m

	30.6.2019	31.12.2018
Cumulative loss allowances	**–310**	**–302**
In respect of financial assets measured at amortised cost	–306	–299
Loans and receivables	–306	–299
In respect of financial assets measured at fair value through other comprehensive income	–4	–3
Bonds and other fixed-income securities	–4	–3
Provisions for loan commitments	**23**	**22**
Provisions for financial guarantees	**21**	**17**

Disclosures for financial assets measured at amortised cost

The following table shows a breakdown of the financial assets measured at amortised cost and the cumulative loss allowances recognised in respect of these assets by IFRS 9 impairment model stage as at the reporting date:

in € m

	Gross carrying amount					Cumulative loss allowances				
	Stage 1	Stage 2		Stage 3	POCI	Stage 1	Stage 2		Stage 3	POCI
		General	Simplified				General	Simplified		
Demand deposits and overnight money balances at central banks and banks	**22,757**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Demand deposits at central banks	22,581	–	–	–	–	–	–	–	–	–
Demand deposits and overnight money balances at banks	176	–	–	–	–	–	–	–	–	–
Financial assets measured at amortised cost	**124,689**	**3,155**	**29**	**603**	**5**	**–43**	**–68**	**–1**	**–191**	**–3**
Loans and receivables	124,689	3,155	29	603	5	–43	–68	–1	–191	–3
Total	**147,446**	**3,155**	**29**	**603**	**5**	**–43**	**–68**	**–1**	**–191**	**–3**

The following table shows the amounts as at 31 December 2018:

in € m

	Gross carrying amount					Cumulative loss allowances				
	Stage 1	Stage 2		Stage 3	POCI	Stage 1	Stage 2		Stage 3	POCI
		General	Simplified				General	Simplified		
Demand deposits and overnight money balances at central banks and banks	**6,959**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Demand deposits at central banks	6,613	–	–	–	–	–	–	–	–	–
Demand deposits and overnight money balances at banks	346	–	–	–	–	–	–	–	–	–
Financial assets measured at amortised cost	**103,056**	**3,378**	**20**	**586**	**14**	**–46**	**–65**	**–1**	**–185**	**–2**
Bonds and other fixed-income securities	4	–	–	–	–	–	–	–	–	–
Loans and receivables	103,052	3,378	20	586	14	–46	–65	–1	–185	–2
Total	**110,015**	**3,378**	**20**	**586**	**14**	**–46**	**–65**	**–1**	**–185**	**–2**

The following table shows the changes (broken down by stage) in the period under review in the loss allowances recognised in respect of financial assets measured at amortised cost:

in €m

	Stage 1	Stage 2 General	Stage 2 Simplified	Stage 3	POCI	Total
Financial assets measured at amortised cost						
Loans and receivables						
As at 1.1.2019	**–46**	**–65**	**–1**	**–185**	**–2**	**–299**
Total change in loss allowances due to transfers between stages	–5	7	–	–2	–	–
Transfer to stage 1	–8	8	–	–	–	–
Transfer to stage 2	3	–3	–	–	–	–
Transfer to stage 3	–	2	–	–2	–	–
Additions	–38	–68	–	–69	–1	–176
Newly originated / acquired financial assets	–17	–	–	–	–1	–18
Additions from stage transfers	–	–22	–	–12	–	–34
Additions without stage transfers	–21	–46	–	–57	–	–124
Interest effects in stage 3 from updates of gross carrying amount	–	–	–	–4	–1	–5
Reversals	46	58	–	39	1	144
Reversals from stage transfers	7	1	–	–	–	8
Reversals without stage transfers	37	56	–	39	1	133
Reversals from redemptions (derecognition)	2	1	–	–	–	3
Utilisations	–	–	–	28	–	28
Utilisations due to uncollectibility	–	–	–	28	–	28
Other adjustments	–	–	–	2	–	2
As at 30.6.2019	**–43**	**–68**	**–1**	**–191**	**–3**	**–306**

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

in € m

	Stage 1	Stage 2		Stage 3	POCI	Total
		General	Simplified			
Financial assets measured at amortised cost						
Bonds and other fixed-income securities						
As at 1.1.2018	**–**	**–1**	**–**	**–**	**–**	**–1**
Utilisations	–	1	–	–	–	1
Utilisations from disposals	–	1	–	–	–	1
As at 30.6.2018	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables						
As at 1.1.2018[1)]	**–33**	**–132**	**–1**	**–245**	**–18**	**–429**
Total change in loss allowances due to transfers between stages	–10	10	–	–	–	–
Transfer to stage 1	–11	11	–	–	–	–
Transfer to stage 2	1	–1	–	–	–	–
Additions	–25	–36	–	–33	–6	–100
Newly originated/acquired financial assets	–13	–	–	–1	–	–14
Additions from stage transfers	–	–17	–	–7	–	–24
Additions without stage transfers	–12	–19	–	–25	–6	–62
Reversals	29	51	–	32	–	112
Reversals from stage transfers	10	–	–	3	–	13
Reversals without stage transfers	17	47	–	26	–	90
Reversals from redemptions (derecognition)	2	4	–	2	–	8
Reversals from disposals	–	–	–	1	–	1
Utilisations	–	–	–	50	–	50
Utilisations from disposals	–	–	–	1	–	1
Utilisations due to uncollectibility	–	–	–	49	–	49
Changes due to currency translation	–	–	–	–1	–	–1
Other adjustments	2	–2	–	5	–	5
As at 30.6.2018	**–37**	**–109**	**–1**	**–192**	**–24**	**–363**

[1)] Prior-year figures restated: The opening balance of the loss allowances at stage 3 has been adjusted by € 2 m. The distribution between stages 1 and 2 has been adjusted (stage 1 has been increased by € 2 m and stage 2 decreased by € 2 m).

Disclosures for financial assets measured at fair value through other comprehensive income

The following table shows the carrying amounts of financial assets measured at fair value through other comprehensive income and the cumulative loss allowances recognised in respect of these assets as at the reporting date:

in € m

	Carrying amount (fair value)				Cumulative loss allowances (recognised in OCI)			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Bonds and other fixed-income securities	23,918	–	–	–	–4	–	–	–
Loans and receivables	599	–	–	–	–	–	–	–
Total	**24,517**	**–**	**–**	**–**	**–4**	**–**	**–**	**–**

The following table shows the amounts as at 31 December 2018:

in € m

	Carrying amount (fair value)				Cumulative loss allowances (recognised in OCI)			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Bonds and other fixed-income securities	21,965	–	–	–	–3	–	–	–
Loans and receivables	488	–	–	–	–	–	–	–
Total	**22,453**	**–**	**–**	**–**	**–3**	**–**	**–**	**–**

Cumulative loss allowances for financial assets measured at fair value through other comprehensive income increased by € 1 m compared with the position as at 31 December 2018. There was no material change over the corresponding prior-year period.

Disclosures for off-balance sheet commitments

The following table shows the nominal amounts of loan commitments and the maximum guarantee amounts of financial guarantees (subsequently referred to as nominal amount) as well as the related provisions as at 30 June 2019:

in € m

	Nominal amount				Provisions			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loan commitments	28,057	598	37	1	10	7	6	–
Financial guarantees	6,444	466	40	–	3	9	6	3
Total	**34,501**	**1,064**	**77**	**1**	**13**	**16**	**12**	**3**

The following table shows the amounts as at 31 December 2018:

in € m

	Nominal amount				Provisions			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loan commitments	27,154	410	45	1	8	6	8	–
Financial guarantees	6,375	305	28	12	3	5	6	3
Total	**33,529**	**715**	**73**	**13**	**11**	**11**	**14**	**3**

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

in €m

	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments					
As at 1.1.2019	**8**	**6**	**8**	**–**	**22**
Total change in provision due to transfers between stages	2	–2	–	–	–
Transfer to stage 1	2	–2	–	–	–
Additions	12	11	45	–	68
New loan commitments originated	5	–	–	–	5
Additions from stage transfers	–	6	1	–	7
Additions without stage transfers	7	5	44	–	56
Reversals	–12	–8	–47	–	–67
Reversals from stage transfers	–2	–	–	–	–2
Reversals without stage transfers	–4	–4	–39	–	–47
Utilisations (drawdown under loan commitment)	–6	–4	–8	–	–18
As at 30.6.2019	**10**	**7**	**6**	**–**	**23**
Financial guarantees					
As at 1.1.2019	**3**	**5**	**6**	**3**	**17**
Total change in provision due to transfers between stages	–	–1	1	–	–
Transfer to stage 3	–	–1	1	–	–
Additions	1	10	7	–	18
Additions from stage transfers	–	8	4	–	12
Additions without stage transfers	1	2	3	–	6
Reversals	–1	–5	–8	–	–14
Reversals without stage transfers	–1	–5	–8	–	–14
As at 30.6.2019	**3**	**9**	**6**	**3**	**21**

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

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments					
As at 1.1.2018	**9**	**6**	**7**	**–**	**22**
Additions	4	6	10	–	20
New loan commitments originated	2	–	1	–	3
Additions from stage transfers	–	1	–	–	1
Additions without stage transfers	2	5	9	–	16
Reversals	–5	–3	–6	–	–14
Reversals without stage transfers	–3	–2	–6	–	–11
Utilisations (drawdown under loan commitment)	–2	–1	–	–	–3
Other adjustments	–1	–	–	–	–1
As at 30.6.2018	**7**	**9**	**11**	**–**	**27**
Financial guarantees					
As at 1.1.2018	**3**	**3**	**12**	**–**	**18**
Additions	1	1	7	–	9
Additions from stage transfers	–	1	6	–	7
Additions without stage transfers	1	–	1	–	2
Reversals	–1	–1	–10	–	–12
Reversals without stage transfers	–1	–1	–10	–	–12
As at 30.6.2018	**3**	**3**	**9**	**–**	**15**

Off-Balance Sheet Transactions and Obligations

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

in € m

	30.6.2019	31.12.2018[1)]
Loan commitments	**28,693**	**27,610**
Financial guarantees	**6,951**	**6,771**
Other obligations	**3,351**	**3,435**
Liabilities from guarantees and warranty agreements (excluding financial guarantees)	156	156
Placement and underwriting obligations	2,375	2,587
Contribution obligations	120	81
Contractual obligations for the purchase of property and equipment, intangible assets and other assets	135	144
Contractual obligations in connection with investment property	483	306
Litigation risk obligations	1	1
Sundry obligations	81	160
Total	**38,995**	**37,816**

[1)] The prior-year figures have been restated: Liabilities from guarantees and warranty obligations (excluding financial guarantees) have been reduced by € 51 m relating to financial guarantees that are reported as such in the relevant line.

See Note (2) for information on the effects from the initial consolidation of KOFIBA and the addition of the international land transport finance portfolio.

(45) Fiduciary Transactions

in € m

	30.6.2019	31.12.2018
Trust assets		
Loans and advances to banks	477	405
Loans and advances to customers	312	313
Equity shares and other variable-income securities	195	197
Shareholdings	57	56
Other assets	14	14
Total	**1,055**	**985**
Trust liabilities		
Deposits and loans from banks	255	255
Deposits and loans from customers	491	421
Other financial liabilities	309	309
Total	**1,055**	**985**

The fiduciary transactions mainly involve development funding from the Federal Government, the Federal State of Hesse and from the KfW provided in the form of trustee loans, trust funds invested with other credit institutions as well as shareholdings managed for private investors.

Other Disclosures

(46) Disclosures Regarding Revenue from Contracts with Customers

The following table shows income items in the reporting period that included revenue as defined in IFRS 15, broken down by type of service and segment:

in €m

	Real Estate	Corporates & Markets	Retail & Asset Management	WIBank	Other	Consolidation/reconciliation	Group
Fee and commission income	**9**	**74**	**150**	**19**	**–**	**–8**	**244**
Lending and guarantee business	9	24	1	–	–	–	34
Account management and payment transactions	–	31	30	–	–	–	61
Asset management	–	–	53	–	–	–3	50
Securities and securities deposit business	–	10	42	–	–	–4	48
Management of public-sector subsidy and development programmes	–	–	–	19	–	–	19
Other	–	9	24	–	–	–1	32
Revenue in accordance with IFRS 15 under other operating income	**–**	**–**	**32**	**–**	**25**	**–7**	**50**
Total	**9**	**74**	**182**	**19**	**25**	**–15**	**294**

The following table shows the amounts for the period ended 30 June 2018:

in €m

	Real Estate	Corporates & Markets	Retail & Asset Management	WIBank	Other	Consolidation/reconciliation	Group
Fee and commission income	**9**	**57**	**144**	**19**	**–**	**–7**	**222**
Lending and guarantee business	9	16	1	–	–	–	26
Account management and payment transactions	–	28	28	–	–	–	56
Asset management	–	–	62	–	–	–3	59
Securities and securities deposit business	–	6	32	–	–	–3	35
Management of public-sector subsidy and development programmes	–	–	–	18	–	–	18
Other	–	7	21	1	–	–1	28
Revenue in accordance with IFRS 15 under other operating income	**–**	**–**	**26**	**–**	**27**	**–6**	**47**
Total	**9**	**57**	**170**	**19**	**27**	**–13**	**269**

(47) Capital Management and Regulatory Ratio Disclosures

Helaba defines capital management as all processes directly or indirectly involved in ensuring that it upholds its risk-bearing capacity (both from a regulatory perspective in Pillar I and from an economic perspective in Pillar II) and that it is in a position to monitor its capital adequacy in a timely manner. The main components of capital management in the Helaba Group are planning regulatory own funds and own funds ratios as part of the planning process, allocating own funds, monitoring changes in risk exposures and complying with regulatory and economic capital limits, monitoring the remaining capital buffer as well as recognising a projected cost of capital as part of contribution margin accounting. The aim of capital management is to allocate capital over the various divisions of the Group, with due consideration being given to risk and return aspects, and also in line with the need to comply with regulatory requirements concerning capital adequacy.

Capital management focuses on both regulatory own funds and internal capital from a complementary economic management perspective.

The minimum regulatory requirements that need to be taken into account include Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR), the additional provisions in the German Banking Act (Kreditwesengesetz, KWG) and also the requirements specified under the European Single Supervisory Mechanism (SSM). Article 92 of the CRR specifies that institutions must at all times have adequate own funds in relation to their risk-weighted assets (RWAs). It makes a distinction between the following minimum ratios:

- Common Equity Tier 1 (CET1) capital ratio: 4.5 %
- Tier 1 capital ratio (where Tier 1 capital is the total of CET1 and Additional Tier 1 capital): 6.0 %
- Total capital ratio (based on the total of Tier 1 and Tier 2 capital): 8.0 %.

In addition, KWG requirements specify general and bank-specific capital buffers such as the capital conservation buffer, the countercyclical capital buffer and the buffers for global and other systemically important banks, which in each case relate to CET1 capital and ultimately increase the minimum CET1 capital ratio for each bank by at least 2.5 %.

To add to these generally applicable requirements, the ECB lays down further institution-specific requirements for institutions subject to the SSM. The minimum CET1 capital ratio required to be maintained by the Helaba Group in 2019 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB is 9.85 %.

Within the risk appetite framework, the Board of Managing Directors of Helaba sets internal targets for the minimum ratios that include a sufficient buffer in respect of the regulatory minimum requirements so that Helaba is able to operate at all times without any restrictions on its business activities.

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

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

As at 30 June 2019, the breakdown of the own funds of the Helaba banking group was as follows (each amount shown after regulatory adjustments):

in €m

	30.6.2019	31.12.2018
Tier 1 capital	**9,138**	**8,883**
Common Equity Tier 1 capital (CET1)	8,468	8,108
Additional Tier 1 capital	670	775
Tier 2 capital	**2,318**	**2,288**
Own funds, total	**11,456**	**11,171**

The following capital requirements and ratios were applicable as at 30 June 2019:

in €m

	30.6.2019	31.12.2018
Default risk (including equity investments and securitisations)	4,069	3,719
Market risk (including CVA risk)	315	338
Operational risk	271	285
Total own funds requirement	**4,655**	**4,342**
CET1 capital ratio	14.6 %	14.9 %
Tier 1 capital ratio	15.7 %	16.4 %
Total capital ratio	19.7 %	20.6 %

The Tier 1 and total capital ratios comply with the target ratios specified by Helaba in its capital planning. Helaba is complying with the regulatory requirements including the requirements of the European SSM regarding capital adequacy.

The leverage ratio measures the ratio between regulatory capital and the unweighted total of all on-balance sheet and off-balance sheet asset items including derivatives. Currently, banks must disclose the leverage ratio and report it to the supervisory authorities as an indicator for monitoring purposes. From 28 June 2021, institutions must comply with a mandatory minimum leverage ratio of 3.0 % under CRR II, which came into force on 28 June 2019.

More detailed information on the structure and adequacy of Helaba's regulatory own funds, together with a reconciliation to the own funds in the IFRS consolidated statement of financial position, has been published in the Helaba Group's disclosure report in accordance with section 26a KWG (offenlegung.helaba.de).

(48) Related Party Disclosures

In the course of the ordinary activities of Helaba, transactions with parties deemed to be related in accordance with IAS 24 are conducted on an arm's-length basis. The following disclosures relate to transactions with unconsolidated affiliated companies, with associates and with joint ventures of the Helaba Group as well as their subordinated subsidiaries.

With regard to the Sparkassen- und Giroverband Hessen-Thüringen, the Federal State of Hesse and the Free State of Thuringia in their capacity as shareholders and owners, the criteria for exemption from reporting on related parties that are public-sector entities are satisfied; this option is always utilised if the business volumes involved are insignificant. The business relations with our shareholders and their subordinated subsidiaries in accordance with IAS 24 comprise normal banking services. The extent of business relations with the shareholders and main subordinated companies in the period under review is detailed in the balances at the end of the year shown in the following table. The disclosures relating to persons in key positions of the Helaba Group as defined in IAS 24, including their close family relations and companies controlled by those persons, are also included in the following table.

As at 30 June 2019, Helaba held the following assets in respect of related parties:

in € m

	Unconsoli-dated sub-sidiaries	Invest-ments in joint ven-tures and associates	Helaba share-holders	Other	Total
Financial assets measured at amortised cost	**4**	**161**	**8,460**	**1**	**8,626**
Loans and receivables	4	161	8,460	1	8,626
Trading assets	**–**	**–**	**1,175**	**–**	**1,175**
Positive fair values of trading derivatives	–	–	1,104	–	1,104
Bonds and other fixed-income securities	–	–	71	–	71
Other financial assets mandatorily measured at fair value through profit or loss	**17**	**10**	**2**	**–**	**29**
Equity shares and other variable-income securities	–	–	1	–	1
Shareholdings	17	10	1	–	28
Financial assets designated voluntarily at fair value	**–**	**–**	**29**	**–**	**29**
Loans and receivables	–	–	29	–	29
Financial assets measured at fair value through other comprehensive income	**11**	**–**	**382**	**–**	**393**
Bonds and other fixed-income securities	6	–	350	–	356
Loans and receivables	–	–	32	–	32
Shareholdings	5	–	–	–	5
Shares in equity-accounted entities	**–**	**11**	**–**	**–**	**11**
Other assets	**–**	**–**	**115**	**–**	**115**
Total assets	**32**	**182**	**10,163**	**1**	**10,378**

The following liabilities due to related parties were in existence as at 30 June 2019:

in €m

	Unconsoli-dated sub-sidiaries	Invest-ments in joint ven-tures and associates	Helaba share-holders	Other	Total
Financial liabilities measured at amortised cost	**68**	**43**	**3,068**	**18**	**3,197**
Deposits and loans	68	43	3,068	18	3,197
Trading liabilities	**–**	**–**	**67**	**–**	**67**
Negative fair values of trading derivatives	–	–	67	–	67
Financial liabilities designated voluntarily at fair value	**–**	**–**	**29**	**–**	**29**
Deposits and loans	–	–	29	–	29
Provisions	**–**	**–**	**2**	**6**	**8**
Total liabilities	**68**	**43**	**3,166**	**24**	**3,301**

The following off-balance sheet commitments to related parties were in existence as at 30 June 2019:

in €m

	Unconsoli-dated sub-sidiaries	Invest-ments in joint ven-tures and associates	Helaba share-holders	Other	Total
Loan commitments	3	116	1,953	–	2,072
Financial guarantees	–	–	3	–	3
Total off-balance sheet commitments	**3**	**116**	**1,956**	**–**	**2,075**

The following tables show the amounts as at 31 December 2018:

in € m

	Unconsolidated subsidiaries	Investments in joint ventures and associates	Helaba shareholders	Other	Total
Financial assets measured at amortised cost	**4**	**240**	**8,204**	**1**	**8,449**
Loans and receivables	4	240	8,204	1	8,449
Trading assets	**–**	**–**	**855**	**–**	**855**
Positive fair values of trading derivatives	–	–	702	–	702
Bonds and other fixed-income securities	–	–	153	–	153
Other financial assets mandatorily measured at fair value through profit or loss	**18**	**9**	**1**	**–**	**28**
Shareholdings	18	9	1	–	28
Financial assets designated voluntarily at fair value	**–**	**–**	**29**	**–**	**29**
Loans and receivables	–	–	29	–	29
Financial assets measured at fair value through other comprehensive income	**5**	**–**	**385**	**–**	**390**
Bonds and other fixed-income securities	–	–	355	–	355
Loans and receivables	–	–	30	–	30
Shareholdings	5	–	–	–	5
Shares in equity-accounted entities	**–**	**7**	**–**	**–**	**7**
Other assets	**–**	**–**	**115**	**–**	**115**
Total assets	**27**	**256**	**9,589**	**1**	**9,873**

in € m

	Unconsol-idated subsidiar-ies	Invest-ments in joint ven-tures and associates	Helaba share-holders	Other	Total
Financial liabilities measured at amortised cost	**68**	**54**	**2,253**	**12**	**2,387**
Deposits and loans	68	54	2,253	12	2,387
Trading liabilities	**–**	**–**	**55**	**–**	**55**
Negative fair values of trading derivatives	–	–	55	–	55
Financial liabilities designated voluntarily at fair value	**–**	**–**	**18**	**–**	**18**
Deposits and loans	–	–	18	–	18
Provisions	**–**	**2**	**14**	**22**	**38**
Total liabilities	**68**	**56**	**2,340**	**34**	**2,498**

in € m

	Unconsol-idated subsidiar-ies	Invest-ments in joint ven-tures and associates	Helaba share-holders	Other	Total
Loan commitments	3	115	2,260	–	2,378
Financial guarantees	–	2	14	–	16
Total off-balance sheet commitments	**3**	**117**	**2,274**	**–**	**2,394**

Standard banking transactions with related parties gave rise to income and expenses in the lending, deposits, investment and derivatives businesses. In the period ended 30 June 2019, total net interest income of € 57 m (H1 2018: € 27 m) was generated from transactions with related parties. Standard banking services produced net fee and commission income of € 20 m (H1 2018: € 21 m). In addition, derivative transactions are entered into with related parties, mainly to hedge interest rate risk. Interest income of € 16 m (H1 2018: € 16 m) was generated from interest rate derivatives. This item was reported under net trading income. In accordance with IFRS, derivatives are measured at fair value through profit or loss; unrealised effects from changes in fair value reported in net trading income are matched by corresponding countervailing transactions with other customers as part of overall bank management.

(49) 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 Technology, 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 Finance, Portfolio and 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

(50) Report on Events After the Reporting Date

There were no significant events after 30 June 2019.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Helaba Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Helaba Group, together with a description of the principal opportunities and risks associated with the expected development of the Helaba Group.

Frankfurt am Main / Erfurt, 13 August 2019

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Schmid	Dr. Schraad

Review Report

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

We have reviewed the interim condensed consolidated financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main / Erfurt, which comprise the consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, condensed cash flow statement and selected explanatory notes, and the interim group management report for the period from 1 January 2019 to 30 June 2019, which are part of the half-yearly financial report pursuant to Sec. 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The executive directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

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

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

Eschborn / Frankfurt am Main, 15 August 2019
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Helaba Addresses

Helaba Addresses

Head Offices	**Frankfurt am Main**	Neue Mainzer Strasse 52–58 60311 Frankfurt am Main Germany	T +49 69/91 32-01
	Erfurt	Bonifaciusstrasse 16 99084 Erfurt Germany	T +49 3 61/2 17-71 00
Bausparkasse	**Landesbausparkasse Hessen-Thüringen**		
	Offenbach	Strahlenbergerstrasse 13 63067 Offenbach Germany	T +49 69/91 32-02
	Erfurt	Bonifaciusstrasse 19 99084 Erfurt Germany	T +49 3 61/2 17-70 07
Development Bank	**Wirtschafts- und Infrastrukturbank Hessen**	Strahlenbergerstrasse 11 63067 Offenbach Germany	T +49 69/91 32-03
Branch Offices	**Düsseldorf**	Uerdinger Strasse 88 40474 Düsseldorf Germany	T +49 2 11/3 01 74-0
	Kassel	Ständeplatz 17 34117 Kassel Germany	T +49 5 61/7 06-60
	London	3rd Floor 95 Queen Victoria Street London EC4V 4HN UK	T +44 20/73 34-45 00
	New York	420, Fifth Avenue New York, N. Y. 10018 USA	T +1 2 12/7 03-52 00
	Paris	4–8 rue Daru 75008 Paris France	T +33 1/40 67-77 22
	Stockholm	Kungsgatan 3, 2nd Floor 111 43 Stockholm Sweden	T +46/86 11 01 16
Representative Offices	**Madrid** (for Spain and Portugal)	General Castaños, 4 Bajo Dcha. 28004 Madrid Spain	T +34 91/39 11-0 04
	Moscow	BC "Smolensky Passage", 7th Floor 3, Smolenskaya Square 121099 Moscow Russian Federation	T +7 4 99/955-23-79
	São Paulo	Av. das Nações Unidas, 12.399 Conj. 105 B - Brooklin Novo São Paulo – SP 04578-000 Brazil	T +55 11/3405–3180
	Shanghai	Unit 012, 18th Floor Hang Seng Bank Tower 1000 Lujiazui Ring Road Shanghai, 200120 China	T +86 21/68 77 77 08
	Singapore	One Temasek Avenue #05–04 Millenia Tower Singapore 039192	T +65/62 38 04 00

Sales Offices	**Berlin**	Joachimsthaler Strasse 12 10719 Berlin Germany	T +49 30/2 06 18 79-13 52
	Munich	Lenbachplatz 2a 80333 Munich Germany	T +49 89/5 99 88 49-10 16
	Münster	Regina-Protmann-Strasse 16 48159 Münster Germany	T +49 2 51/92 77 63-01
	Stuttgart	Kronprinzstrasse 11 70173 Stuttgart Germany	T +49 7 11/28 04 04-0
Real Estate Offices	**Berlin**	Joachimsthaler Strasse 12 10719 Berlin Germany	T +49 30/2 06 18 79-13 14
	Munich	Lenbachplatz 2a 80333 Munich Germany	T +49 89/5 99 88 49-0
Selected Subsidiaries	**Frankfurter Sparkasse**	Neue Mainzer Strasse 47–53 60311 Frankfurt am Main Germany	T +49 69/26 41-0
	1822direkt Gesellschaft der Frankfurter Sparkasse mbH	Borsigallee 19 60388 Frankfurt am Main Germany	info@1822direkt.com T +49 69/9 41 70-0
	Frankfurter Bankgesellschaft (Deutschland) AG	JUNGHOF Junghofstrasse 26 60311 Frankfurt am Main Germany	T +49 69/1 56 86-0
	Frankfurter Bankgesellschaft (Schweiz) AG	Börsenstrasse 16 8001 Zurich Switzerland	T +41 44/2 65 44 44
	Helaba Invest Kapitalanlagegesellschaft mbH	JUNGHOF Junghofstrasse 24 60311 Frankfurt am Main Germany	T +49 69/2 99 70-0
	GWH Wohnungsgesellschaft mbH Hessen	Westerbachstrasse 33 60489 Frankfurt am Main Germany	T +49 69/9 75 51-0
	OFB Projektentwicklung GmbH	Speicherstrasse 55 60327 Frankfurt am Main Germany	T +49 69/9 17 32-01
	GGM Gesellschaft für Gebäude-Management mbH	Speicherstrasse 55 60327 Frankfurt am Main Germany	T +49 69/9 17 32-9 00

Imprint

Published by

Landesbank Hessen-Thüringen Girozentrale

Neue Mainzer Strasse 52–58
60311 Frankfurt am Main
Germany
T +49 69/91 32-01

Bonifaciusstrasse 16
99084 Erfurt
Germany
T +49 3 61/2 17-71 00

www.helaba.com/int

Concept and design

3st kommunikation GmbH, Mainz

Printed by

Druckerei Braun & Sohn, Maintal

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