2018

Half-Yearly Financial Report

Helaba

Half-Yearly Financial Report 2018

The Helaba Group

Helaba ratings

(As at: August 2018)

Moody's		Fitch		Standard & Poor's	
Outlook	Stable	Outlook	Stable	Outlook	Positive
Long-term Issuer Rating	Aa3	Long-term Issuer Default Rating [1]	A+	Long-term Issuer Credit Rating [1]	A
Counterparty Risk Assessment [3]	Aa3(cr)	Public Sector Pfandbriefe	AAA	Short-term Issuer Credit Rating [1], [2]	A-1
Long-term Deposit Rating [3]	Aa3	Mortgage Pfandbriefe	AAA	Long-term Senior Unsecured [1], [3]	A
Public-Sector Covered Bonds	Aaa	Short-term Issuer Default Rating [1], [2]	F1+	Long-term Senior Subordinated [1], [4]	A–
Short-term Deposit Rating [2]	P-1	Derivative Counterparty Rating [1]	AA–(dcr)	Standalone Credit Profile [1]	a
Long-term Senior Unsecured [3]	Aa3	Long-term Deposit Rating [1], [3]	AA–		
Long-term Junior Senior Unsecured [4]	A2	Senior Unsecured [1], [4]	A+		
Subordinate Rating [5]	Baa2	Subordinated debt [1], [5]	A		
Baseline Credit Assessment	baa2	Viability-Rating [1]	a+		

Ratings for Helaba liabilities that are covered by statutory guarantee [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 § 46f (5 u. 7) KWG ("with preferential right to payment")
[4] Corresponds in principle to long-term senior unsecured debt according to § 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
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.–30.6.2018 in € m	1.1.–30.6.2017 in € m	Change in € m	Change in %
Net interest income before provisions for losses on loans and advances		521	530	–9	–1.7
Net fee and commission income		172	180	–8	–4.4
General and administrative expenses		–720	–671	–47	–7.4
Profit before taxes		200	238	–38	–16.0
Consolidated net profit		**140**	**150**	**–10**	**–6.7**
Return on equity before taxes	in %	**5.0**	**6.1**		
Cost-income ratio	in %	**79.4**	**73.7**		

Figures in the statement of financial position	30.6.2018 in € m	31.12.2017 in € m	Change in € m	Change in %
Measured at amortised cost:				
Loans and advances to banks	10,867	10,675	192	1.8
Loans and advances to customers	89,552	89,339	213	0.2
Trading assets	15,976	16,100	–124	–0.8
Financial assets measured at fair value (not held for trading)	27,628	27,418	210	0.8
Measured at amortised cost:				
Deposits and loans from banks	32,281	31,249	1,032	3.3
Deposits and loans from customers	53,550	47,621	5,929	12.5
Securitised liabilities	44,505	43,514	991	2.3
Trading liabilities	12,019	12,277	–258	–2.1
Financial liabilities measured at fair value (not held for trading)	13,490	12,592	898	7.1
Equity	8,015	8,034	–19	–0.2
Total assets	**166,867**	**158,235**	**8,632**	**5.5**

Key indicators for regulatory purposes	30.6.2018 in %	31.12.2017 in %
CET1 capital ratio	15.5	15.4
Tier 1 capital ratio	16.3	16.4
Total capital ratio	21.5	21.8

Contents

The Helaba Group

2 Helaba ratings
3 The Helaba Group in figures
6 Preface

Interim Group Management Report

10 Basic Information About the Group
14 Economic Report
17 Financial Position and Financial Performance
25 Risk Report
35 Outlook and Opportunities

Consolidated Interim Financial Statements

42 Income Statement
43 Statement of Comprehensive Income
44 Statement of Financial Position
46 Statement of Changes in Equity
47 Cash Flow Statement
48 Notes
134 Responsibility Statement
135 Copy of the Auditor's Report

138 Helaba Addresses

140 Imprint



Ladies and gentlemen,
dear customers, dear business partners,

In the first half of 2018, Helaba generated consolidated profit before taxes of € 200 m, which was in line with budget. Consolidated net profit, i.e. after taxes, amounted to € 140 m, € 10 m less than the figure achieved in the corresponding prior-year period.

Challenging conditions continue to prevail and are having an adverse impact, especially on net interest income. On the other hand, the volume of new business picked up markedly in the second quarter, as predicted. The risk situation remains comfortable. We therefore still anticipate that the profit before taxes for the whole of 2018 will be an amount in the mid-triple-digit millions.

Net interest income fell by € 9 m to € 521 m because of the effects from the protracted period of zero and negative interest rates. The easing in the risk situation meant that provisions for losses on loans and advances made a positive contribution to earnings with a net reversal, i.e. income, of € 13 m. Net fee and commission income declined slightly by € 8 m to € 172 m.

Net trading income went down by € 160 m to € 8 m. This significant fall was largely due to a widening of credit spreads towards the end of the first half of the year. In addition, net trading income in the corresponding prior-year period had been heavily influenced by positive remeasurement effects. Some of the year-on-year drop in net trading income was offset by a

substantial remeasurement-related improvement in net income from hedge accounting and other financial instruments measured at fair value (not held for trading), which amounted to net income of € 22 m (H1 2017: net expense of € 109 m). In the previous year, this item had been adversely affected by temporary remeasurement effects. From the beginning of 2018, such effects have been recognised in other comprehensive income.

Other net operating income rose by € 30 m to € 153 m. General and administrative expenses increased to € 720 m, particularly reflecting the IT and consulting expenses incurred in connection with the implementation of regulatory and business-related requirements. These expenses have been necessitated by the upgrading of Helaba's IT infrastructure and process organisation.

Helaba's consolidated total assets rose by € 8.7 bn to € 166.9 bn in the first half of 2018. Business volume expanded by € 11.4 bn to € 202.3 bn. At € 89.5 bn, loans and advances to customers (financial assets measured at amortised cost) were virtually unchanged compared with the figure at the end of the previous year. The volume of new medium- and long-term business – excluding the WIBank development business, which does not form part of the competitive market – amounted to € 7.8 bn. Performance in the second quarter therefore almost offset the weaker first quarter as the uptrend in new business gained traction as expected.

As at 30 June 2018, the Common Equity Tier 1 (CET1) capital ratio was 15.5 %. Return on equity (before taxes) reached 5.0 %.

From the beginning of the 2018 financial year, we have aligned our segment reporting more closely with the customer and risk structure of our business. We separate our activities into four segments referred to as Real Estate, Corporates & Markets, Retail & Asset Management and WIBank. The Real Estate segment focuses on financing for major commercial projects and existing properties. The Corporates & Markets segment offers products for all customer groups. The Retail & Asset Management segment encompasses retail banking, private banking, Landesbausparkasse Hessen-Thüringen and asset management activities (GWH and Helaba Invest). The WIBank segment mainly comprises the Wirtschafts- und Infrastrukturbank Hessen (WIBank) business line.

I would like to convey the thanks of the entire Board of Managing Directors to our customers and business partners for their enduring trust and our corporate bodies for their constructive support. I would also like to express our gratitude to our employees, whose expertise and dedication is so essential to Helaba's successful performance.



Herbert Hans Grüntker
Chairman of the Board of Managing Directors

Interim Group Management Report

10 Basic Information About the Group
14 Economic Report
17 Financial Position and Financial Performance
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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.

The review of the business model carried out last year essentially confirmed Helaba's strategic focus. In the future, Helaba will continue to serve its clients in three functions: as a commercial bank, as a Sparkasse central bank and as a development bank. In addition, the Bank has identified various growth initiatives, made structural changes and transferred responsibility for the S-Group business to Helaba as a whole.

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 40 % of all Sparkassen in Germany. It operates as a partner for the Sparkassen rather than a competitor.

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

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

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

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

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

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

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

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

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

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

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

Management instruments and non-financial performance indicators

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

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

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). The minimum Common Equity Tier 1 (CET1) capital ratio required to be maintained by the Helaba Group (as defined by the German Banking Act (Kreditwesengesetz, KWG) and the Capital Requirements Regulation (CRR)) in 2018 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB is 8.89 %. Profitability targets are managed on the basis of, for example, the economic return on equity (ratio of profit before taxes to average capital employed in the financial year determined in accordance with IFRS). 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. A mandatory minimum ratio of 3.0 % is expected to apply when the leverage ratio migrates to Pillar 1 of the three-pillar model of prudential supervision. The European Commission has still to decide on the details. Helaba is already taking this ratio into account in its management systems.

The CRR specifies that banks must calculate a (short-term) liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The regulatory minimum LCR for 2018 is 100 %. As regards the NSFR, Europe has still to implement the requirements for medium- and long-term liquidity. The NSFR is currently expected to be introduced in 2021 at the earliest. However, it is already being taken into account in Helaba's management systems on the basis of the guidance issued by the Basel Committee on Banking Supervision (BCBS). Both liquidity ratios are leading to an increase in liquidity management costs and therefore have a negative impact on profitability.

An institution-specific minimum requirement for own funds and eligible liabilities (MREL) will also be specified as part of the implementation of the Single Resolution Mechanism (SRM) in Europe. Helaba does not currently expect to receive a mandatory MREL until the end of 2018 or 2019.

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

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

As the leading S-Group bank in the Sparkassen-Finanzgruppe, Helaba is continuously expanding its business relationships with Sparkassen throughout Germany. In the regions of Hesse, Thuringia and North Rhine-Westphalia, where Helaba acts as the Sparkasse central bank, Helaba uses standard criteria to determine a product use ratio that expresses the volume of business conducted with Helaba and its subsidiaries as a percentage of the total purchases by each Sparkasse. Target product use ratios are agreed jointly with the Sparkassen.

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 and in its risk assessment and risk management processes.

In lending operations, Helaba has specified mandatory Group-wide sustainability criteria that have been incorporated into the risk strategies and that ensure human and workers' rights are respected, cultural assets are preserved and the environment is protected. Specific exclusion criteria, particularly aimed at precluding controversial business practices, have been developed for potentially problematic sectors of the economy such as energy, mining, oil and gas, agriculture and forestry, paper and pulp, and armaments.

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, needs-based recruitment of suitable employees, the provision of professional services, attractive remuneration and ancillary benefits (such as occupational pensions), continuing professional development and the development of young talent.

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

- **Human resources development**
  Despite a high level of cost-consciousness, Helaba continues to make a significant investment in developing the skills and qualifications of its employees. The needs-based range of seminars covering professional, personal, social and methodological development helps managers and employees fulfil their day-to-day responsibilities. This range of training seminars is complemented by foreign language training, topic-specific training provided by external providers and courses of study in business management. In addition to the aforementioned range of training options, the repertoire of human resources development also includes aspects of change, diversity and performance management, for example.

- **Development of young talent**
  The social changes resulting from demographic trends and the ongoing process of digitalisation will have an impact on Helaba's competitiveness over the long term. This has implications for the design of processes in HR management. Demographic change is presenting a particular challenge in that Helaba must be able to attract and retain young talent with a high degree of potential. In addition, the advances in digitalisation are changing the requirements that companies need to meet to retain their appeal, particularly for a young employee target group. This is noticeable, for example, in changing recruitment processes, which are increasingly characterised by the use of social media for contact with applicants.

- **Other key areas of focus**
  Other key areas on which HR activities are currently focused include work-life balance, health management and managerial training, with the latter based in part on the findings of the last employee survey on the management culture. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

Economic Report

Macroeconomic and sector-specific conditions in Germany

The German economy lost some momentum in the first half of 2018. Growth is not likely to be much greater in the second half of the year in view of the deterioration in the trade dispute. The domestic economy remains buoyant, however. Consumer spending is being boosted by a sustained improvement in the labour market and higher pay deals. On the other hand, incomes are only seeing a modest increase in real terms because of a rate of inflation around the 2 % mark. Over the whole of 2018, the growth in household expenditure will probably remain below the economic expansion rate of approximately 2 %. However, spending on capital equipment is increasing disproportionately at around 5 %, driven by the high level of capacity utilisation, the continuation in the low level of financing costs and rising corporate profits. Residential construction is experiencing an exceptional and increasing level of activity on the back of a sustained high level of demand combined with very low mortgage rates. In 2018, further stimulus is also being provided by commercial and industrial construction activity as well as by more public-sector infrastructure projects. The growth in exports is somewhat lower than in the previous year. There is no notable contribution to growth from foreign trade overall as imports are rising at a similar rate.

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

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

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

Following the referendum on Brexit in June 2016, the specific terms of the exit have still not been definitively negotiated between the EU and the United Kingdom. As a hard Brexit is still a possibility, the assessment that a third country regime is the most likely scenario remains valid. This scenario assumes that any trade agreement between the EU and the UK will not include special arrangements for the banking sector or that the EU and the UK will not reach a trade agreement. In this case, the UK would treat the 27 EU member states as it treats every other third country.

As part of its preparations for a hard Brexit (which cannot be ruled out), Helaba has – with the consent of the Bank's governing bodies – submitted an application to the Prudential Regulation Authority (PRA), the British supervisory authority, to set up a third-country branch for its branch in London.

Key changes in the regulatory framework were as follows:

- EBA stress test
  European banks are currently undergoing a stress test required by the European Banking Authority (EBA) in conjunction with the European Central Bank (ECB); these tests are conducted as part of a two-year cycle. The objective is to evaluate the stability of global and domestic systemically important institutions under stressed economic conditions. The number of banks included decreased marginally from 51 in 2016 to 48. Helaba was again among the banks taking part in 2018. The supervisory authorities announced the scenario requirements towards the end of January; banks had to make their initial data submissions at the end of May. Publication of the results is scheduled for November 2018. These results will be fed into the SREP process.

- Single Resolution Mechanism (SRM)
  Helaba is classified as a "significant" bank and thus falls within the responsibility of the Single Resolution Board. As in previous years, a data collection exercise was conducted in the first half of 2018 for the purposes of resolution planning and determining minimum requirements for own funds and eligible liabilities (MREL). The results of the 2018 data survey have not yet been published.

- Analytical credit datasets (AnaCredit)
  A decision was made back in 2016 to introduce the collection of granular credit and credit risk data. The requirements were set out in Regulation (EU) 2016/867 of the European Central Bank. As part of their responsibilities, European central banks are required to assist with the collection of granular credit and credit risk data at the level of the individual borrower. The first batch of data had to be reported to Deutsche Bundesbank in the first half of 2018; the first comprehensive report is expected to be issued by the central banks in the second half of 2018. Helaba initiated a project to prepare for these requirements at an early stage and believes that it is now very well equipped to meet the reporting requirements in an appropriate manner going forward.

- EBA guidelines on internal governance
  On 26 September 2017, the EBA published its final guidelines on internal governance and its guidelines on the assessment of the suitability of members of the management body and key function holders. These guidelines aim to bring about a further harmonisation of banks' internal governance structures, processes and mechanisms within the EU in line with CRD IV stipulations and in accordance with the principle of proportionality. The guidelines place a greater focus on the importance of the management body in relation to risk monitoring and on the role played by committees. Helaba has set up a project to address the implementation of the requirements in the guidelines and will complete the work in the second half of 2018.

- EU action plan on sustainable financing
  At the beginning of March 2018, the European Commission issued an action plan on financing sustainable growth. A key component is the targeted establishment of an EU classification system for sustainable investment. At the end of May 2018, the European Commission issued draft regulations for consultation covering individual aspects of the action plan. Helaba will follow the consultation process closely.

Business performance

Key factors influencing Helaba's business performance and results of operations in the first half of 2018 were the sound rate of economic growth in Germany, which was around 2.2 % higher year on year after adjusting for inflation and seasonal variations, and the persistently low level of interest rates.

The volume of new medium- and long-term business in the Group – excluding the WIBank development business, which does not form part of the competitive market – amounted to € 7.8 bn, below the figure for the equivalent period in the previous year (€ 9.1 bn). Nevertheless, maturities and special repayments were almost entirely offset. Loans and advances to customers (financial assets measured at amortised cost and at fair value) rose to € 90.6 bn (31 December 2017: € 89.8 bn). Add to these were loans and advances to affiliated Sparkassen (financial assets measured at amortised cost and at fair value) in the amount of € 5.4 bn (31 December 2017: € 5.5 bn). The focus on lending in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba's business model. The degree of interconnectedness with the real economy, i.e. the percentage of total consolidated assets accounted for by customer business, fell slightly in the first half of 2018 to 58 % (31 December 2017: 60 %) because of a rise in total assets.

The market environment for funding business turned out to be mixed for financial institutions, especially in the first half of the year under review. Although the trend for financial institutions was very positive during the first quarter of 2018, this gave way to heightened volatility in financial markets thereafter. Nevertheless, during the first six months of 2018, Helaba was able to obtain medium- and long-term funding at favourable rates from institutional and private investors. As in previous years, the Bank continued to benefit in this regard from its strategic business model and from its stable business and earnings performance.

Against a backdrop of a diminished funding requirement compared with the previous year overall, medium- and long-term funding of around € 7.1 bn (H1 2017: € 11.5 bn) was raised during the first six months of 2018, with unsecured funding amounting to approximately € 4.8 bn (H1 2017: € 7.4 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were on a par with the previous year at just on € 1.4 bn. Pfandbrief issues amounted to € 2.3 bn in total (H1 2017: € 4.1 bn), with mortgage Pfandbriefe accounting for a good 75 % and public Pfandbriefe 25 %. The favourable market conditions, particularly during the first quarter, forced down the funding costs for Pfandbriefe to the lowest level to date. Helaba was able to exploit these conditions with Pfandbrief benchmark issues at a correspondingly low funding cost. 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 79.4 % as at 30 June 2018 (30 June 2017: 73.7 %) (restated in line with the new structure of the income statement), therefore higher than the target range (2018 target: < 70 %). Return on equity declined to 5.0 % (30 June 2017: 6.1 %), still within the target range of 5 to 7 %.

Phased in, i.e. taking into account the CRR transitional arrangements, as at 30 June 2018 the Helaba Group's CET1 capital ratio was 15.5 % and its total capital ratio 21.5 %. Fully loaded, i.e. disregarding the transitional arrangements, the CET1 capital ratio was 15.5 % and the total capital ratio 21.1 %. Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published.

CRD IV provides for a transitional phase until the end of 2021 for capital instruments that are currently recognised as regulatory Tier 1 capital, but will not meet the future requirements for such capital. At Helaba, this affects silent participations with a nominal amount of € 953 m.

As at 30 June 2018, the Helaba Group's leverage ratio was 4.8 % taking into account the transitional provisions set out in the delegated act, or 4.5 % fully loaded, and therefore above the specified minimum ratio of 3.0 %.

The liquidity coverage ratio (LCR) for the Helaba Group was 142 % as at 30 June 2018. This uniform liquidity coverage requirement applicable throughout Europe has been gradually raised and as of 1 January 2018 must be met in full.

The NPL ratio for the Helaba Group (in accordance with EBA risk indicator code AQT 32) was 0.65 % as at 30 June 2018. As in the previous year, therefore, Helaba fell below the German average published in the context of the 2017 EU-wide transparency exercise, which at 1.9 % (as at 31 December 2017) was already very low by European standards.

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

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

In March 2018, Helaba was re-rated by the sustainability rating agency oekom research. In terms of the corporate rating, the rating of C (on a scale from D- to A+) meant that Helaba achieved prime status for the first time, consolidating its position as one of the leading financial institutions from the perspective of sustainability.

In May 2018, Helaba Invest signed up to the UN-supported Principles for Responsible Investment (PRI), under which the signatory institutions agree, among other things, to abide by principles such as the inclusion of environmental, social and corporate cultural factors in investment and decision-making processes.

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

In the first half of 2018, Helaba established Helaba Digital GmbH & Co. KG, an equity investment entity focusing on digital start-ups. The objective of Helaba Digital is to make strategic equity investments in innovative companies offering digital solutions that actively complement and refine the business model of the Helaba Group and/or that streamline the Bank's core processes.

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

Financial Position and Financial Performance

Financial performance of the Group

	1.1.–30.6.2018	1.1.–30.6.2017[1]	Change	
	in € m	in € m	in € m	in %
Net interest income	521	530	–9	–1.7
Provisions for losses on loans and advances	13	–2	15	>100.0
Net interest income after provisions for losses on loans and advances	**534**	**528**	**6**	**1.1**
Dividend income	24	13	11	84.6
Net fee and commission income	172	180	–8	–4.4
Net trading income	8	168	–160	–95.2
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	22	–109	131	>100.0
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	2	4	–2	–50.0
Share of profit or loss of equity-accounted entities	5	2	3	>100.0
Other net operating income	153	123	30	24.4
General and administrative expenses	–720	–671	–49	–7.3
Profit before taxes	**200**	**238**	**–38**	**–16.0**
Taxes on income	–60	–88	28	31.8
Consolidated net profit	**140**	**150**	**–10**	**–6.7**

[1] Structure adjusted; see Note (1).

As part of the initial application of IFRS 9 in the 2018 financial year, Helaba has changed the structure of its statement of financial position, statement of changes in equity, income statement, statement of comprehensive income and cash flow statement from a presentation based on the standard form prescribed under the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV) to a portfolio-based presentation using the IFRS 9 measurement categories. The prior-year figures in the income statement have been restated in line with the new structure. Figures have not been restated in accordance with the transitional arrangements for IFRS 9. The comments relating to the items in the statement of financial position refer to the opening statement of financial position as at 1 January 2018. This includes both the reclassifications and the remeasurement effects from the first-time application of IFRS 9. Please refer to Notes (1) and (2) for further details.

Helaba's financial performance in the first half of 2018 was shaped to a very large degree by remeasurement on a mark-to-market basis. Negative remeasurement effects led to a significant decline in net trading income, which was only partially offset by an improvement in net income from hedge accounting and other financial instruments measured at fair value (not held for trading). Higher project costs in connection with the implementation of regulatory and business-driven requirements caused a rise in general and administrative expenses, which then also had an adverse impact on Helaba's earnings performance. The performance of the operating business, which is reflected particularly in the net interest income and net fee and commission income, was subdued and reached a level close to that of the prior-year period. The rise in other net operating income and income derived from a net reversal of provisions for losses on loans and advances had a positive impact on profit before taxes. Net interest income after provisions for losses on loans and advances, net income from hedge accounting and other financial instruments measured at fair value (not held for trading), and other net operating income were well in excess of the budget, while general and administrative expenses were slightly ahead of budget figures. Conversely, net trading income was significantly below, and net interest income and net fee and commission income slightly

below, budget figures. Consolidated profit before taxes was in line with the budget. The changes in the individual items in the income statement were as described below.

Net interest income declined by € 9 m year on year to € 521 m. While interest rate margins on new business remained steady at the level seen in the equivalent prior-year period, a lower portfolio volume on average prevented an improvement in net interest income from the operating lending business. In addition, negative interest rates continued to have an adverse impact on net interest income.

Provisions for losses on loans and advances amounted to a net reversal (i.e. income) of € 13 m (H1 2017: net addition (i.e. expense) of € 2 m). Cumulative loan loss allowances accounted for a net reversal of € 11 m (H1 2017: net addition of € 19 m). The breakdown of these loan loss allowances by stage in accordance with IFRS 9 was as follows: stage 1, net reversal of € 4 m; stage 2, net reversal of € 15 m; stage 3, net addition of € 8 m. The balance of direct write-downs, net additions to provisions for lending business risks and recoveries on loans and advances previously written off amounted to net income of € 2 m (H1 2017: € 17 m).

Net interest income after provisions for losses on loans and advances increased from € 528 m in the first half of 2017 to € 534 m in the current reporting period.

Net fee and commission income decreased by € 8 m to € 172 m. Fees and commissions from both Helaba's securities and securities deposit business as well as from lending and guarantee business declined. Fees and commissions from Frankfurter Sparkasse's payment transactions business also contracted, while fees and commissions from Helaba Invest's asset management activities increased slightly.

The most significant reason for the substantial fall in net trading income to € 8 m (H1 2017: € 168 m) was the widening of credit spreads towards the end of the first six months of the year. Other factors were measurement markdowns on derivatives as a consequence of the fall in long-term interest rates and greater discounting as a result of the heightened market volatility. Income from customer-driven capital market operations was satisfactory. Trading activities continued to centre mainly on interest rate-related business.

As in the case of net trading income, net income from hedge accounting and other financial instruments measured at fair value (not held for trading) was heavily influenced by mark-to-market measurement. This item amounted to a net gain of € 22 m in the reporting period compared with a net loss of € 109 m in the first half of 2017. It should be noted that the prior-year figure included a loss of € 60 m related to the liquidity component of foreign currencies (cross currency basis spread) in the measurement of derivatives. With the first-time application of IFRS 9, these changes in value are recognised as hedge costs in accumulated other comprehensive income (OCI). Before inclusion of this liquidity component in the prior-year figure, the remeasurement of the banking book derivatives used to manage interest rates resulted in a net gain of € 14 m in the first half of 2018 compared with a net loss of € 39 m in the equivalent prior-year period. Net income from hedge accounting, in which the ineffective portion of micro hedges is reported, amounted to net income of € 3 m (H1 2017: net expense of € 1 m).

Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss declined from a net gain of € 4 m to a net gain of € 2 m. The share of profit or loss from associates and joint ventures accounted for using the equity method amounted to income of € 5 m (H1 2017: income of € 2 m).

Other net operating income amounted to € 153 m (H1 2017: € 123 m) and was mainly impacted by one of its components, net income from investment property, which amounted to € 106 m (H1 2017: € 104 m) and is the balance of rental income, gains and losses on disposals, and operating costs. The substantial increase in other net operating income was partly explained by the absence of one-off items that had had an adverse impact in the first half of 2017. However, the figure was also boosted by a gain of € 18 m from the disposal of LB(Swiss) Investment AG.

General and administrative expenses comprised personnel expenses of € 323 m (H1 2017: € 311 m), other administrative expenses of € 360 m (H1 2017: € 325 m) and depreciation, amortisation and impairment losses of € 37 m (H1 2017: € 35 m). Other administrative expenses included the European bank levy in the amount of € 40 m (H1 2017: € 38 m) and expenses for the Association overhead allocation and contributions to the DSGV Reserve Fund and the SGVHT deposit security reserve fund in the amount of € 43 m (H1 2017: € 46 m). Factors contributing to the increase in other administrative expenses included IT and consulting expenses in connection with the implementation of regulatory and operating requirements.

Profit before taxes amounted to € 200 m (H1 2017: € 238 m).

After deduction of the income tax expense of € 60 m (H1 2017: € 88 m), consolidated net profit was € 140 m (H1 2017: € 150 m), of which a loss of € 1 m was attributable to non-controlling interests in consolidated subsidiaries (H1 2017: loss of € 2 m).

Comprehensive income declined from € 185 m to € 109 m. This figure includes other comprehensive income in addition to the consolidated net profit for the period as reported in the income statement. Other comprehensive income amounted to a loss of € 31 m (H1 2017: income of € 35 m). The figure was negatively impacted by a loss of € 42 m before taxes arising from the cross currency basis spread in the measurement of derivatives, which had to be recognised in accumulated OCI for the first time as part of the initial application of IFRS 9. The remeasurement of the net liability under defined benefit plans contributed an increase in comprehensive income before tax of € 21 m (H1 2017: € 92 m). A discount rate of 2.0 % (31 December 2017: 2.0 %) was used to determine pension provisions for the main pension obligations in Germany. Debt instruments measured at fair value through other comprehensive income accounted for a net loss of € 22 m before taxes within comprehensive income (H1 2017: net loss of € 38 m).

Statement of financial position

Assets

	30.6.2018	1.1.2018[1)]	Change	
	in € m	in € m	in € m	in %
Cash on hand and demand deposit balances with central banks and banks	**18,634**	**10,478**	**8,156**	**77.8**
Financial assets measured at amortised cost	**100,423**	**99,458**	**965**	**1.0**
Bonds	4	30	–26	–86.7
Loans and advances to banks	10,867	10,678	189	1.8
Loans and advances to customers	89,552	88,750	802	0.9
Trading assets	**15,976**	**16,100**	**–124**	**–0.8**
Financial assets measured at fair value (not held for trading)	**27,628**	**27,985**	**–357**	**–1.3**
Investment property	**2,291**	**2,239**	**52**	**2.3**
Income tax assets	**474**	**470**	**4**	**0.9**
Other assets	**1,441**	**1,471**	**–30**	**–2.0**
Total assets	**166,867**	**158,201**	**8,666**	**5.5**

[1)] See Notes (1) and (2) in the Notes for information on the reconciliation to the opening statement of financial position.

Equity and liabilities

	30.6.2018	1.1.2018[1)]	Change	
	in € m	in € m	in € m	in %
Financial liabilities measured at amortised cost	**130,654**	**122,537**	**8,117**	**6.6**
Deposits and loans from banks	32,281	31,249	1,032	3.3
Deposits and loans from customers	53,550	47,621	5,929	12.5
Securitised liabilities	44,505	43,514	991	2.3
Other financial liabilities	318	153	165	> 100.0
Trading liabilities	**12,019**	**12,277**	**–258**	**–2.1**
Financial liabilities measured at fair value (not held for trading)	**13,490**	**12,592**	**898**	**7.1**
Provisions	**2,088**	**2,101**	**–13**	**–0.6**
Income tax liabilities	**150**	**258**	**–108**	**–41.9**
Other liabilities	**451**	**438**	**13**	**3.0**
Equity	**8,015**	**7,998**	**17**	**0.2**
Total equity and liabilities	**166,867**	**158,201**	**8,666**	**5.5**

[1)] See Notes (1) and (2) in the Notes for information on the reconciliation to the opening statement of financial position.

Helaba's consolidated total assets rose from € 158.2 bn to € 166.9 bn in the first half of 2018. 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 (53.7 %). They increased marginally by € 0.8 bn to € 89.6 bn. Of the financial assets measured at amortised cost, which are reported at their net carrying amounts, commercial real estate loans accounted for € 31.0 bn (1 January 2018: € 29.7 bn) and infrastructure loans for € 15.5 bn (1 January 2018: € 15.1 bn). Cumulative loan loss allowances amounted to € 362 m (1 January 2018: € 430 m).

The most significant change on the assets side resulted from the increase of € 8.2 bn in cash on hand and demand deposit balances with central banks and banks to € 18.6 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 € 16.0 bn at the report-

ing date (1 January 2018: € 16.1 bn). While the portfolio of bonds and other fixed-income securities increased by € 0.7 bn to € 6.0 bn, the positive fair values of derivatives fell by € –0.2 bn to € 9.1 bn. Non-trading derivatives likewise decreased by € 0.2 bn, meaning that the positive fair values of all derivatives declined by € 0.4 bn overall to € 11.8 bn. Of the financial assets measured at fair value (not held for trading) amounting to € 27.6 bn (1 January 2018: € 28.0 bn), assets of € 21.9 bn (1 January 2018: € 21.9 bn) were accounted for by bonds and other fixed-income securities measured through other comprehensive income.

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 (78.3 % of total equity and liabilities). They increased by € 8.1 bn to € 130.6 bn. This was mainly caused by a rise in the volume of deposits and loans from customers, which increased by € 6.0 bn to € 53.6 bn. Trading liabilities recognised at fair value amounted to € 12.0 bn at the reporting date (1 January 2018: € 12.3 bn). The negative fair values of derivatives within this figure declined by € 0.2 bn to € 7.8 bn. Taking into account the non-trading derivatives, the negative fair values of derivatives went down by a total of € 0.1 bn to € 10.2 bn.

Equity

The Helaba Group's equity amounted to € 8.0 bn as at 30 June 2018, which was more or less unchanged compared with 1 January 2018. Comprehensive income of € 109 m for the first half of 2018 pushed up equity. As at 30 June 2018, accumulated OCI for the Group amounted to a cumulative net loss of € 313 m (1 January 2018: cumulative net loss of € 282 m). Within this figure, a cumulative loss of € 439 m (1 January 2018: cumulative loss of € 449 m) 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 € 435 m (1 January 2018: loss of € 450 m) after deferred taxes. The remaining cumulative gain of € 126 m (1 January 2018: cumulative gain of € 167 m) related to items that will be reclassified to profit or loss in future periods. One of the factors contributing to this decline 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 € 142 m (1 January 2018: gain of € 157 m). Equity was also adversely impacted by a loss of € 28 m after deferred taxes arising from the cross currency basis spread in the measurement of derivatives, which had to be recognised in accumulated OCI for the first time as part of the initial application of IFRS 9. Exchange rate factors resulted in an increase of € 2 m in the currency translation reserve for foreign operations to € 29 m. An amount of € 90 m was distributed to the owners from consolidated net profit for 2017 based on their shareholdings and capital contributions.

As a consequence of the switch in the accounting standard for financial instruments to IFRS 9, equity on the opening statement of financial position as at 1 January 2018 declined by € 36 m compared with the equivalent figure as at 31 December 2017. Please refer to Note (2) in the Notes for further details. Helaba has not made use of regulatory transitional provisions.

Please refer to the risk report and Note (52) in the Notes for information on the regulatory capital ratios.

Financial performance by segment

In 2017, the Bank reviewed and refined its business model. In this regard, a number of process adjustments were carried out. Approval was also given to changes to the organisational structure, which will be implemented from 2018. In this context, Helaba also reviewed its segment structure, as a result of which it has introduced a new segment breakdown based essentially on the Bank's products. The number of segments has been reduced from 5 to 4. The reporting for the period ended 30 June 2018 is based on the new segment structure. The prior-year figures have been restated accordingly.

The contributions of the individual segments to the profit before taxes of € 200 m for the first half of 2018 (H1 2017: € 238 m) were as follows:

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Real Estate	122	134
Corporates & Markets	59	159
Retail and Asset Management	133	126
WIBank	9	9
Other	–121	–178
Consolidation/reconciliation	–2	–12
Group	**200**	**238**

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 2018, the volume of new medium- and long-term business in real estate lending declined by 12 % year on year to € 3.7 bn (H1 2017: € 4.2 bn) and was therefore below the pro rata forecast. Margins were slightly improved in new medium- and long-term business compared with the prior-year period and exceeded budgeted levels. The interest margin in the portfolio narrowed and average business volume declined slightly with the result that the net interest income in the segment went down to € 186 m, which was below the pro rata forecast (H1 2017: € 191 m).

As in the prior-year period, provisions for losses on loans and advances reflected a low level of new additions. As at 30 June 2018, income derived from a net reversal of provisions for losses on loans and advances amounted to a net reversal of € 2 m (H1 2017: net reversal of € 3 m).

Net fee and commission income amounted to € 8 m, down by € 1 m year on year.

General and administrative expenses in the segment increased by € 5 m compared with the prior-year period to € 73 m. The increase was largely attributable to the planned rise in the allocation of overheads.

The segment's profit before taxes declined by around 9 % compared with the prior-year period to € 122 m (H1 2017: € 135 m), in line with the forecast.

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 € 3.5 bn, which was 15 % lower than the equivalent prior-year figure and therefore below budget. New business with corporates and Sparkassen remained at the prior-year level, but other new business, particularly with municipal authority customers, fell short of the figures achieved in the corresponding prior-year period.

Net interest income for the segment, mainly generated by corporate finance, came to € 202 m, which was down by € 1 m year on year. An increase in corporate finance business was offset by a decline in capital markets business. Provisions for losses on loans and advances amounted to a net addition of € 6 m, a significant decrease on the prior-year net addition of € 27 m.

At € 56 m, net fee and commission income was down by 5 % year on year. An increase in the fees and commissions from cash management was offset by higher fee and commission expenses in corporate finance.

The segment's net trading income for the first six months of 2018 only came to € 22 m (H1 2017: € 137 m). Even though the capital markets customer business was satisfactory, this figure was adversely affected in the first half of the year by the effects from remeasurement, as a result of which it was well below budget. Net trading income for the first half of 2017 had included a significant positive impact from remeasurements.

General and administrative expenses in the segment increased by € 9 m compared with the prior-year period to € 231 m. The increase was largely attributable to the planned rise in the allocation of overheads.

This segment generated profit before taxes of € 59 m in the reporting period, slightly below the proportionate budget figure. The substantial decrease compared with the equivalent prior-year figure of € 159 m was mainly caused by the fall 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 € 138 m (H1 2017: € 136 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 € 92 m, down by € 1 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 6 % year on year. A one-off gain on the disposal of the equity investment LB(Swiss) Investment AG also contributed to the total segment increase of € 26 m to € 166 m.

The rise of 7 % in general and administrative expenses to € 263 m (H1 2017: € 245 m) was in line with the budget.

Earnings at LBS rose by € 8 m year on year as a result of the absence of a restructuring provision recognised in the previous year.

This segment generated profit before taxes of € 133 m in the reporting period, a performance that was slightly better than the profit generated in the equivalent period in the prior year (H1 2017: profit of € 126 m) and exceeded the forecast.

WIBank segment

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

New business at WIBank went up by around € 1 bn in the first half of 2018 compared with the corresponding period in 2017. This was largely caused by the new Hessenkasse programme in the State of Hesse. Short-term municipal authority loans are scheduled to be replaced in the second half of 2018.

Net interest income reached € 24 m in the first half of the year, roughly the same level as in the corresponding prior-year period. Net fee and commission income amounted to € 19 m and was also at the same level as in the prior-year period.

General and administrative expenses for the first half of 2018 were € 35 m (H1 2017: € 35 m) and were therefore slightly below the pro rata forecast. At € 8 m, the segment's profit before taxes was also in line with both the prior-year figure and the forecast.

Other segment

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, these 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.

The fall in net interest income in the segment to a net expense of € 16 m (H1 2017: net income of € 13 m) resulted from lower contributions from investing own funds and lower Treasury contributions. The negative balance in the segment arose as a result of centrally recognised liability markups for subordinated debt and the pension provision additions for Corporate Centre employees included in the interest.

The income of € 17 m (H1 2017: € 21 m) arising from the net reversal of provisions for losses on loans and advances in the segment was largely attributable to reversals of portfolio loan loss allowances recognised in previous years.

Net income from hedge accounting and other financial instruments measured at fair value improved significantly year on year to € 13 m (H1 2017: net expense of € 79 m). The net expense in the prior-year period included charges arising from the cross currency basis spread in the measurement of derivatives. From 2018, this income component has no longer been reported in profit or loss following the reclassification of the cross currency basis spread effect to other comprehensive income as a result of the application of IFRS 9.

The other net income/expense for the segment improved year on year to € 26 m (H1 2017: € 10 m) because of the absence of a one-off charge that had had an adverse impact in the first half of 2017.

General and administrative expenses for the first half of 2018 were € 161 m (H1 2017: € 141 m). The main factor contributing to this increase was higher costs for bank structural projects. The bank levy and the contribution to the reserve funds were already fully included at the end of the first half of the year.

The segment's loss before taxes amounted to € 121 m (H1 2017: loss of € 178 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 loss before taxes under consolidation/reconciliation amounted to € 1 m (H1 2017: 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 examines, at annual intervals and – where necessary – in response to relevant developments, which risks have the potential to cause material damage to the net assets (including capital resources), financial performance or liquidity position of the Helaba Group and Helaba Bank. The following primary risk types have been identified for the Helaba Group and Helaba Bank (real estate risk excepted):

- default risk,
- market risk,
- liquidity and funding risk,
- operational risk,
- business 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. In the operational risk reporting system, the changeover was effected from the 2018 financial year.

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 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 funds, 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 2018, underlining Helaba's conservative risk profile. As at the reporting date, Helaba had a capital buffer of € 4.8 bn in respect of its economic risk exposures.

In addition to an analysis of risk-bearing capacity for given reference dates, Helaba also regularly examines the effects of historical and hypothetical stress scenarios on risk-bearing capacity. These scenarios comprise a macroeconomic stress scenario and a scenario involving exceptional market dislocation based on the most extreme changes in parameters observed over the historical timeframe (normally, observed market turmoil occurring in a global financial crisis).

To complement the internal economic perspective as the lead approach for ensuring risk-bearing capacity in Pillar II, an analysis using the internal normative perspective is conducted quarterly. The internal normative perspective examines the impact of material Pillar II risks in the analysis period on regulatory ratios and on internal, capital-ratio-related targets in the risk appetite framework, assuming the continued existence of the Bank 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 RWAs.

The objective of the analysis is to ensure ongoing compliance with regulatory requirements and with the internal targets derived from the risk strategy and risk appetite framework. The capital ratios achieved under the simulated scenarios exceed the regulatory minimum requirements by a significant margin as well as the risk tolerance defined in the risk appetite framework.

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

Other protection schemes

There are other protection schemes 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 € 15.8 bn in total (31 December 2017: € 15.6 bn). The German Federal Financial Supervisory Authority (BaFin) has recognised the Sparkassen-Finanzgruppe's institutional protection scheme as a deposit guarantee scheme for the purposes of the German Deposit Guarantee Act (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 € 518 m at the end of 2017 (31 December 2016: € 522 m). The total contributions paid in cash as at the same date amounted to € 442 m (31 December 2016: € 410 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.

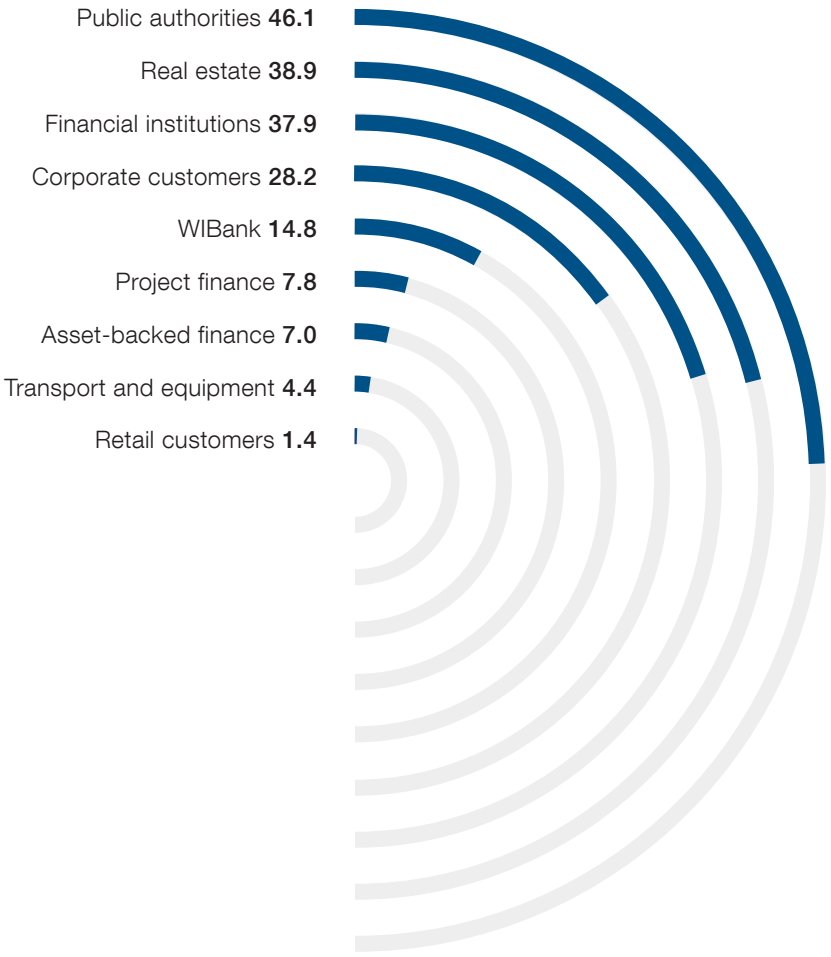
Development institution WIBank, which is organised as a dependent institution within Helaba, enjoys the direct statutory guarantee of the State of Hesse as regulated by law and as permitted under EU law on state aid.

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 € 186.5 bn as at 30 June 2018 (31 December 2017: € 175.8 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



Helaba's lending activities as at 30 June 2018 focused on the following portfolios: public sector, real estate and financial institutions (especially in the banking sector).

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

Region — Share in %

	30.6.2018	31.12.2017
Germany	62.58 %	61.50 %
Western Europe	18.41 %	19.16 %
Scandinavia	2.99 %	2.96 %
Rest of Europe	3.43 %	3.57 %
Europe	**87.41 %**	**87.19 %**
North America	11.34 %	11.66 %
Rest of the world	1.25 %	1.16 %

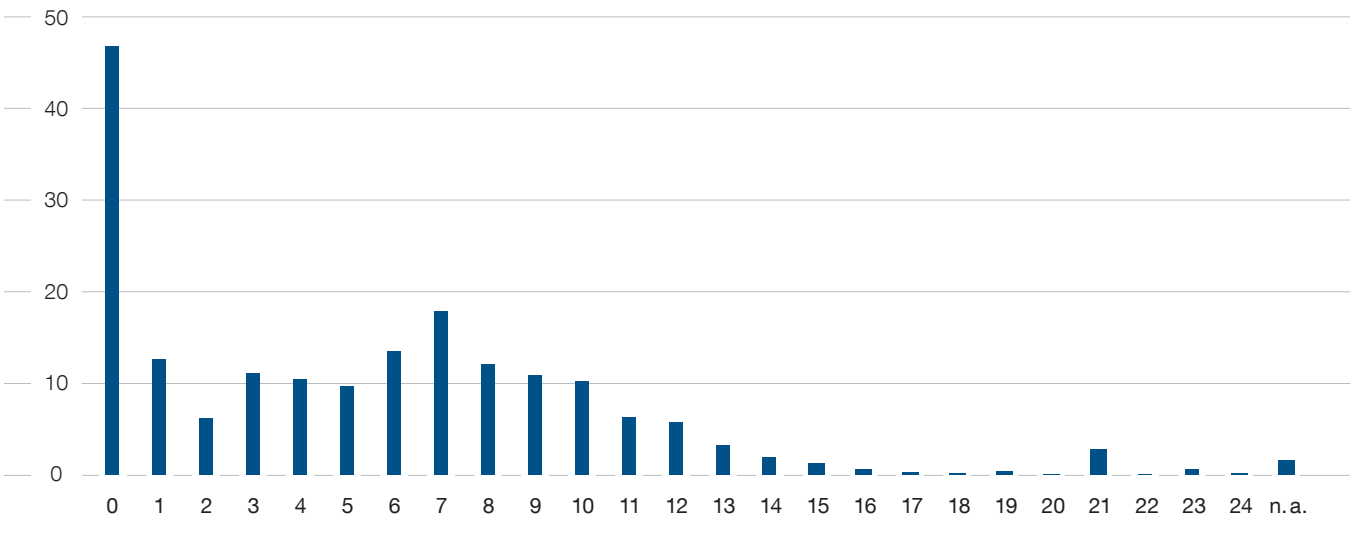
The table shows that Germany and selected other countries in Western Europe continue to account for most of the total lending volume. The United Kingdom accounted for 4.2 % (31 December 2017: 4.4 %).

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 (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 186.5 bn (31 December 2017: € 175.8 bn) broken down by default rating category.

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



In the analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity, the economic risk exposure for the Group arising from default risk amounted to € 1,329 m (31 December 2017: € 1,423 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018). The decrease in the first half of 2018 was largely due to an inflated prior-year figure (as at 31 December 2017) caused by a lack of ratings for individual transactions. The classification of these transactions meant that the corresponding economic risk exposures declined as at the reporting date.

Provisions for losses on loans and advances

Appropriate provisions for losses on loans and advances are recognised to cover default risk. The adequacy of the provisions is reviewed regularly and adjustments are made where necessary.

Country risk

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

Country risk (transfer, conversion and sovereign default risks) from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 65.0 bn (31 December 2017: € 46.0 bn excluding local transactions), most of which was accounted for by borrowers in Europe (66.1 %) and North America (31.7 %). As at 30 June 2018, 79.4 % (31 December 2017: 75.6 % excluding local transactions) of these risks were assigned to country rating classes 0 and 1 and a further 20.5 % (31 December 2017: 24.3 % excluding local transactions) to rating classes 2-13. Just 0.1 % (31 December 2017: 0.1 % excluding local transactions) fell into rating class 14 or worse.

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 2017. In the analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity, the economic risk exposure for the Group arising from equity risk amounted to € 79 m (31 December 2017: € 67 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018). The increase was mainly attributable to new investments in private equity/mezzanine funds.

Market Risk

Quantification of market risks

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

The risk measurement systems employed at Helaba for each of the various types of market risk (interest rates, share prices and foreign exchange rates) all use the same statistical parameters in order to facilitate comparisons across the different risk types. This also makes it possible to aggregate the risk types into an overall risk. The overall risk assumes that the various different losses occur simultaneously. The MaR figure calculated using the risk models provides a measure of the maximum loss that will not be

exceeded, with a probability of 99.0 %, on the basis of the underlying historical observation period of one year and a holding period for the position of ten trading days.

The summary below presents a reporting date assessment of the market risks (including correlation effects between the portfolios) taken on as at 30 June 2018 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market risk types. The rise in the linear interest rate risk was primarily attributable to greater market volatility in bond markets resulting from political uncertainty and to a normal level of reallocated exposures. Various country- and rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 84 % (31 December 2017: 86 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions 10 % (31 December 2017: 8 %). In the field of equities, the focus is on securities listed in the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar, Canadian dollar and sterling positions. Residual risk amounted to € 11 m for the Group (31 December 2017: € 10 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 211 m (31 December 2017: € 166 m). In the analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity, the economic risk exposure for the Group arising from market risk amounted to € 581 m (31 December 2017: € 412 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018). The increase was due mainly to the rise in linear interest rate risk and elevated incremental risk.

Group MaR by risk type

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	30.6. 2018	31.12. 2017	30.6. 2018	31.12. 2017	30.6. 2018	31.12. 2017	30.6. 2018	31.12. 2017
Total	**65**	**45**	**57**	**39**	**0**	**1**	**8**	**5**
Trading book	25	15	23	13	0	0	2	2
Banking book	50	39	43	35	0	0	7	4

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

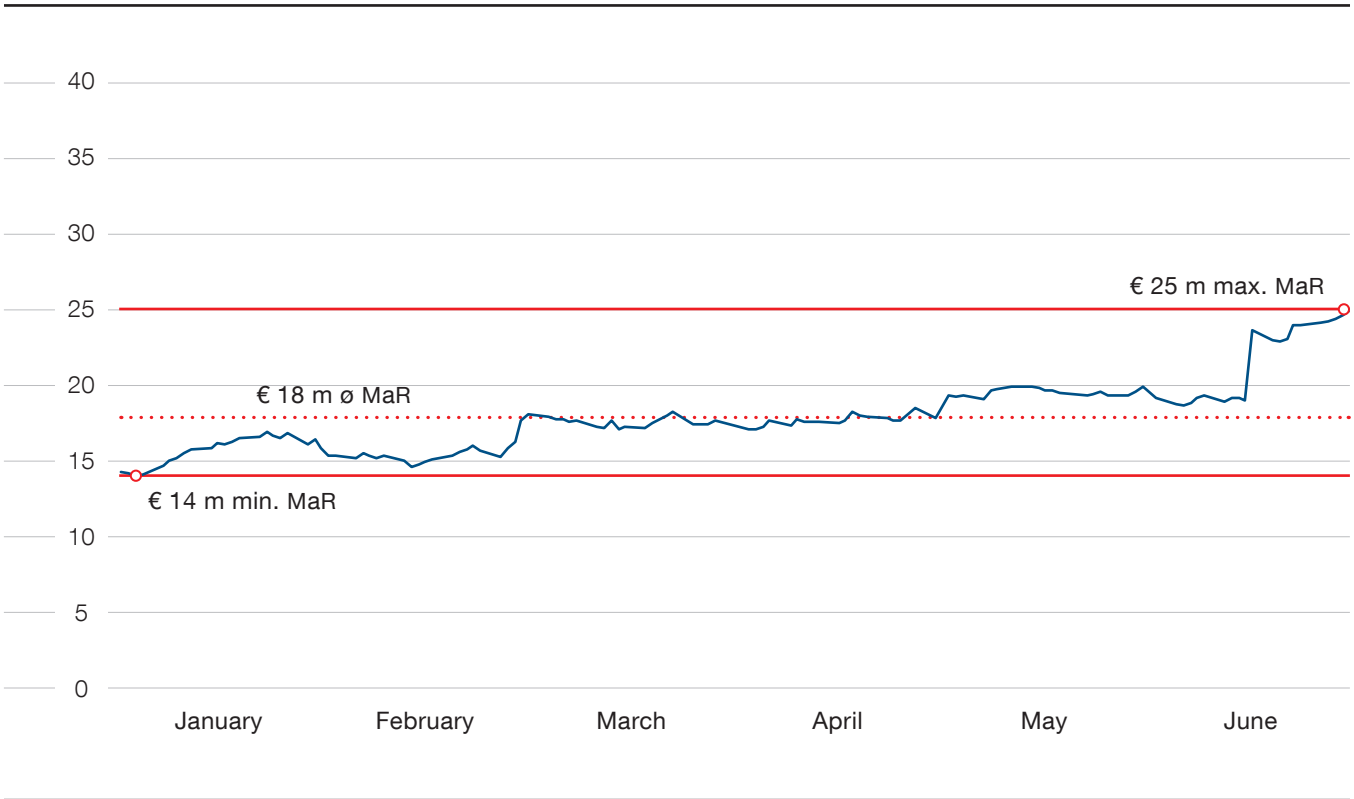
Internal model in accordance with the Capital Requirements Regulation (CRR)

Helaba calculates the regulatory capital required for the general interest rate risk using an internal model in accordance with the CRR. This model, which consists of the risk measurement systems MaRC² (linear interest rate risk) and ELLI (interest 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 2018. In the first six months of 2018, the average MaR was € 18 m (2017 as a whole: € 19 m), the maximum MaR was € 25 m (2017 as a whole: € 32 m) and the minimum MaR was € 14 m (2017 as a whole: € 14 m). The greater risk in the first half of 2018 resulted primarily from linear interest rate risk but was also attributable to heightened volatility in bond markets at the end of May/beginning of June 2018 caused by the formation of the new government in Italy as well as a normal level of reallocated exposures.

Daily MaR of the trading book in the first half of 2018
Chart 3



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

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

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest 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 2018, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 477 m in the value of the Helaba Group banking book (31 December 2017: € 277 m). Of this figure, € 501 m (31 December 2017: € 258 m) is attributable to local currency and € 24 m (31 December 2017: € 19 m) to foreign currencies. The change compared with the position at the end of 2017 arose mainly because of the implementation of modified requirements imposed by the banking supervisory authorities in relation to interest rate risk in the banking book. Helaba carries out an interest rate shock test at least once every quarter.

Performance measurement

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

Liquidity and Funding Risk

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

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

Containment and monitoring

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

Short-term liquidity risk

Helaba uses its own economic liquidity risk measurement and management model. The short-term liquidity status concept has been selected to allow various stress scenarios to be mapped. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are five days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. The utilisation rate in the most relevant scenario (solvency) was 0 % as at 30 June 2018 (31 December 2017: 11 %) as a result of the excellent level of liquidity adequacy. This increased to 1 % (31 December 2017: 16 %) when Frankfurter Sparkasse was included. The average utilisation rate in the first half of 2018 was 1 % (31 December 2017: 9 %), reflecting the excellent liquidity situation.

The Bank manages short-term liquidity in accordance with the regulatory LCR requirements in parallel with the economic model. From 2017, it has also already fully achieved the minimum ratio of 100 % applicable since the start of this year. As at 30 June 2018, the ratio was 141.9 %.

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

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

Structural liquidity risk and market liquidity risk

The Asset/Liability Management unit manages the liquidity risks in Helaba's commercial banking activities, which consist essentially of lending transactions including floating-interest roll-over transactions, securities held for the purpose of safeguarding liquidity and medium- and long-term financing, via the central asset/liability management system (ZDS). Funding risk is managed on the basis of liquidity gap analyses where liquidity mismatches are limited. The Bank prevents concentrations of risk from arising when obtaining liquidity by diversifying its sources of funding. Market liquidity risk is quantified in the MaR model for market risks. A scenario calculation using a variety of holding periods is carried out. The scaled MaR suggested no significant market liquidity risk as at 30 June 2018, as was also the case at 31 December 2017. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

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

Operational Risk

Principles of risk containment

Helaba identifies, monitors and controls operational risks using an integrated management approach introduced for this purpose in accordance with the regulatory requirements.

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

Quantification

Operational risks are quantified for Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model based on a loss distribution approach, which considers risk scenarios and internal and external losses to calculate economic risk exposure. This also includes internal loss events and risk scenarios arising from operational risks that originate from risk sub-categories, including legal, information security and IT risks. The summary below shows the risk profile as at 30 June 2018 for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Group that are included in risk management at the level of individual risks:

Operational risks – risk profile

Economic risk exposure – reporting date

in € m

	Reporting date 30.6.2018 VaR 99.9 %	Reporting date 31.12.2017[1] VaR 99.9 %
Helaba Bank	212	212
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	94	94
Total	**306**	**306**

[1] On the basis of the methodology of the internal economic perspective introduced on 1 January 2018.

In the analysis as at the reporting date using the internal economic perspective for the calculation of risk-bearing capacity, the economic risk exposure for the Group arising from operational risk remained unchanged at € 306 m (31 December 2017: € 306 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018).

Other Risk Types

Business risk

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

In the analysis as at the reporting date of 30 June 2018 using the internal economic perspective for the calculation of risk-bearing capacity, business risk had fallen to € 149 m, € 1 m lower than the equivalent figure at the end of 2017 (31 December 2017: € 150 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018).

Real estate risk

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

In the analysis as at the reporting date using the internal economic perspective, the risk arising from real estate projects and real estate portfolios amounted to € 91 m (31 December 2017: € 91 m on the basis of the methodology of the internal economic perspective introduced on 1 January 2018). These risks continue to be fully covered by the expected income from the associated transactions.

Outlook and Opportunities

Global economic conditions

In the 2018, the global economy has remained on a growth trajectory but the pace of growth has eased off slightly. China's growth curve is becoming flatter. In the US, fiscal policy has helped the economy gain more traction with economic growth likely to reach 2.8 % compared with 2.3 % in 2017. Expansion in the euro zone is a little more subdued and gross domestic product (GDP) will probably increase by around 2.0 % compared with 2.6 % in the previous year. Growth in euro zone consumer spending is below average. In many countries with only modest rises in real incomes, consumers do not have a great deal of financial latitude. Stimulus continues to be provided by capital investment in construction and equipment. Spain, which was previously badly affected by the crisis, is still enjoying a disproportionately high rate of expansion, whereas the prospects for Italy remain subdued because of the long-standing reforms stalemate. France is benefiting from the economic reforms instituted by the new government and is approaching the growth rate for the euro zone as a whole. Over the next year, the US economy is expected to grow by approximately 2.5 %; the corresponding forecast for the euro zone and Germany is 1.7 %.

The ECB will terminate its bond-buying programme at the end of 2018, although there is unlikely to be any initial rise in benchmark rates until the second half of 2019. The yield on ten-year German government bonds will just see a marginal increase and will only pass the 1 % mark during the course of the next year. The US Federal Reserve (Fed) is continuing to push up interest rates but, even at the end of the coming year, a target range for the federal funds rate of 3.0 % to 3.25 % will still not be at a level that acts as a brake on the US economy.

Opportunities

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

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

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 the real estate lending business, Helaba will continue to expand the syndication offering it extends to customers and investors and thus fine-tune the management of its own assets and liabilities. Syndication arrangements also allow Sparkassen to participate in lending transactions set up by Helaba experts and thus diversify their risk.

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.

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

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

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

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

Helaba has been involved in establishing a joint venture in the municipal lending business. The Komuno digital platform arranges municipal finance between municipal authorities and banks and considerably simplifies the bidding process.

Helaba's collaboration with the vc trade platform for promissory notes is creating new, efficient settlement channels in the capital markets business.

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. In September, it will be opening a branch in Frankfurt's Europaviertel in response to the dynamic growth of this new housing and business quarter in the heart of the city. Collaboration with regional businesses is also giving rise to new, attractive products and services for Frankfurter Sparkasse customers.

Further business potential can be leveraged with the subsidiary Helaba Invest through the even tighter integration within the Helaba Group. For example, Helaba is currently working with Helaba Invest to develop a real estate loan fund that will be offered initially to Sparkassen.

Helaba believes that there is further growth potential for the Group from the business with high-net-worth customers via the Frankfurter Bankgesellschaft subsidiary. Frankfurter Bankgesellschaft is the leading private bank in the S-Group collaborating exclusively with the Sparkassen. As well over 60 % of the Sparkassen in Germany already work in co-operation with Frankfurter Bankgesellschaft, Helaba believes there is a very good chance that Frankfurter Bankgesellschaft will achieve its goal of becoming one of the five most efficient private banking institutions in Germany.

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

In 2017, Helaba developed a future-focused digital agenda. The core component is the strategic digitalisation project, involving digitalisation initiatives in a number of waves, in which mixed teams comprising IT and other relevant specialists used agile development methodology to produce prototypes for applications at the customer interface and improvements to internal processes. The main development at the customer interface has been the Helaba customer portal. This has been available online since the beginning of 2018 and has been well received by both corporate and real estate customers. The portal offers customers significant value added with the individual customer dashboard, which provides transparency across current products, and support functions such as the secure data room. The functionality will be systematically updated in further releases based on direct customer feedback. Process optimisation projects are also progressing as planned; the online portal for the jointly extended (meta) loans business with Sparkassen is being developed in col-

laboration with FinanzInformatik and is scheduled to go live at the end of the year. Helaba has also assembled the results from its initial experience with robotic process automation (RPA) and is assessing whether other areas of process automation can now be included. In addition, it is pressing ahead in its partnerships with fintechs: one of the first outcomes is a collaboration in connection with the vc trade platform. The equity investment entity Helaba Digital commenced operations in March 2018. Strategic equity investments in innovative businesses create new opportunities for Helaba in a growing market segment.

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

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

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

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

Probable development of the Group

The forecasts for 2018 set out in the 2017 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 be slightly below budget.

Based on growth in new business in the second half of the year, net interest income is forecast to be slightly higher than the linear projection. Nevertheless, Helaba anticipates that the figure for the whole of the year will be slightly below budget and the prior-year figure because of the low level of net interest income in the first six months of 2018.

In view of the income arising from the reported net reversal under provisions for losses on loans and advances in the first half

of the year, the Bank expects provisions for losses on loans and advances for the whole of the year to be close to zero and therefore significantly below budget and below the prior-year figure.

The combined effect of countervailing trends is likely to mean that net interest income after provisions for losses on loans and advances will exceed the budget by some way, but will remain slightly 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 and the prior-year figure.

Net trading income has been impacted by remeasurement losses during the year to date. Helaba is assuming that the remeasurement losses will diminish significantly over the rest of the year and that the level of customer business will remain steady. As a consequence, net trading income will rise in the second half of the year but will be considerably below both the forecast and the prior-year figure 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. This means that the figure for this item for the whole of the year is likely to be well in excess of the budget and the prior-year figure.

Other net operating income, around two thirds of which is generated by real estate activities, is also projected to rise rapidly in the second half of the year. As a result of the absence of negative one-off items that had been recognised in the previous year, the overall figure for the year is anticipated to be significantly above both the budget figure and the prior-year figure.

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 € 400 m is expected to be exceeded slightly.

Risks to the Helaba's earnings performance in the second half of the year stem from political and macroeconomic trends. The main sources of uncertainty are the progress of the negotiations for the UK's exit from the EU, and geopolitical developments. These uncertainties could impact the conditions in which banks have to operate and have a detrimental effect on business performance. The Bank assumes that interest rates will remain low in the second half of 2018. Risks then arise if interest rates move even further into negative territory and weigh on money and capital markets as well as customer business.

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 2018. 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 2018, Helaba generated consolidated profit before taxes of € 200 m. This figure is therefore below the figure achieved in the corresponding prior-year period but nevertheless in excess of the budgeted figure for the first half of 2018. The decline in net interest income and net fee and commission income was largely offset by the net reversal of provisions for losses on loans and advances resulting from the easing in the risk situation. In the prior year, both net trading income and net income from hedge accounting had been significantly impacted by temporary remeasurement effects. The rise in other net operating income had a positive effect. 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 2018 is expected to be achieved. 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, 14 August 2018

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad

Consolidated Interim Financial Statements

42 Income Statement

43 Statement of Comprehensive Income

44 Statement of Financial Position

46 Statement of Changes in Equity

47 Cash Flow Statement

Notes

Accounting Policies

48 (1) Basis of Presentation

66 (2) Disclosures regarding the Initial Application of IFRS 9 Financial Instruments

74 (3) Basis of Consolidation

75 (4) Financial Instruments

78 (5) Classes of Financial Instruments

82 (6) Recognition of Financial Instruments and of Income and Expenses

85 (7) Fair Values of Financial Instruments

88 (8) Impairment of Financial Assets, Loan Commitments and Financial Guarantees

90 (9) Hedge Accounting

Income Statement Disclosures

92 (10) Net Interest Income

93 (11) Provisions for Losses on Loans and Advances

93 (12) Dividend income

94 (13) Net Fee and Commission Income

94 (14) Net Trading Income

95 (15) Gains or Losses on Other Financial Instruments Mandatorily Measured at Fair Value through Profit or Loss

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

96 (17) Net Income from Hedge Accounting

96 (18) Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss

97 (19) Share of Profit or Loss of Equity-Accounted Entities

97 (20) Other Net Operating Income

98 (21) General and Administrative Expenses

99 (22) Depreciation and Amortisation

99 (23) Segment Reporting

Statement of Financial Position Disclosures

102 (24) Cash on hand, demand deposits and overnight money balances with central banks and banks

102 (25) Financial Assets Measured at Amortised Cost

103 (26) Trading Assets

104 (27) Other Financial Assets Mandatorily Measured at Fair Value through Profit or Loss

104 (28) Financial Assets Designated Voluntarily at Fair Value

105 (29) Positive Fair Values of Hedging Derivatives under Hedge Accounting

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

106 (31) Shares in Equity-Accounted Entities
106 (32) Investment Property
106 (33) Property and Equipment
107 (34) Intangible Assets
107 (35) 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
107 (36) Other Assets
108 (37) Financial Liabilities Measured at Amortised Cost
109 (38) Trading Liabilities
109 (39) Negative Fair Values of Non-Trading Derivatives
110 (40) Financial Liabilities Designated Voluntarily at Fair Value
110 (41) Negative Fair Values of Hedging Derivatives under Hedge Accounting
110 (42) Provisions
111 (43) Other Liabilities
111 (44) Equity

Further Disclosures about Financial Instruments

114 (45) Derivatives
116 (46) Fair Values of Financial Instruments
122 (47) Disclosures Relating to Issuing Activities
123 (48) Credit Risks Attributable to Financial Instruments

Off-Balance Sheet Transactions and Obligations

127 (49) Contingent Liabilities and Other Off-Balance Sheet Obligations
127 (50) Fiduciary Transactions

Other Disclosures

128 (51) Disclosures regarding Revenue from Contracts with Customers
129 (52) Capital Management and Regulatory Ratio Disclosures
130 (53) Related Party Disclosures
133 (54) Members of the Board of Managing Directors
133 (55) Report on Events After the Reporting Date
134 Responsibility Statement
135 Copy of the Auditor’s Report

Income Statement

for the period 1 January to 30 June 2018

in € m

	Notes	1.1.–30.6.2018	1.1.–30.6.2017[1]	Change	Change in %
Net interest income	(6), (10)	521	530	–9	–1.7
Interest income		1,701	1,877	–176	–9.4
Interest expense		–1,180	–1,347	167	12.4
Provisions for losses on loans and advances	(6), (8), (11)	13	–2	15	>100.0
Net interest income after provisions for losses on loans and advances		**534**	**528**	**6**	**1.1**
Dividend income	(6), (12)	24	13	11	84.6
Net fee and commission income	(6), (13)	172	180	–8	–4.4
Fee and commission income		222	241	–19	–7.9
Fee and commission expenses		–50	–61	11	18.0
Net trading income	(6), (14)	8	168	–160	–95.2
Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss	(6), (15)	26	–206	232	>100.0
Gains or losses on financial instruments designated voluntarily at fair value	(6), (16)	–7	98	–105	>–100.0
Net income from hedge accounting	(6), (9), (17)	3	–1	4	>100.0
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	(6), (18)	2	4	–2	–50.0
Share of profit or loss of equity-accounted entities	(19)	5	2	3	>100.0
Other net operating income	(20)	153	123	30	24.4
General and administrative expenses	(21)	–683	–636	–47	–7.4
Depreciation and amortisation	(22)	–37	–35	–2	–5.7
Profit before taxes		**200**	**238**	**–38**	**–16.0**
Taxes on income		–60	–88	28	31.8
Consolidated net profit		**140**	**150**	**–10**	**–6.7**
thereof: Attributable to non-controlling interests		1	–2	3	>100.0
thereof: Attributable to shareholders of the parent company		139	152	–13	–8.6

[1] The prior-year figures have been reclassified in accordance with the new structure of the income statement. Figures have not been restated. Please refer to Note (1).

Statement of Comprehensive Income

for the period 1 January to 30 June 2018

in € m

	1.1.–30.6.2018	1.1.–30.6.2017[1]	Change	in %
Consolidated net profit according to the income statement	**140**	**150**	**–10**	**–6.7**
Items that will not be reclassified to the income statement:	**10**	**66**	**–56**	**–84.8**
Remeasurement of net defined benefit liability	21	92	–71	–77.2
Change in fair value of equity instruments measured at fair value through other comprehensive income	–1	n. a.	–1	–
Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	–5	n. a.	–5	–
Taxes on income on items that will not be reclassified to the income statement	–5	–26	21	80.8
Items that will be subsequently reclassified to the income statement:	**–41**	**–31**	**–10**	**–32.3**
Gains or losses on available-for-sale financial assets[1]	n. a.	–35	35	100.0
Measurement gains (+) or losses (–) on available-for-sale financial assets	n. a.	–30	30	100.0
Gains (–) or losses (+) reclassified to the income statement upon disposal	n. a.	–5	5	100.0
Other net gains or losses on debt instruments measured at fair value through other comprehensive income	–22	n. a.	–22	–
Gains (+) or losses (–) on debt instruments measured at fair value	–21	n. a.	–21	–
Gains (–) or losses (+) reclassified to the income statement upon disposal	–1	n. a.	–1	–
Changes due to currency translation of foreign operations	3	–8	11	>100.0
Gains (+) or losses (–) on currency translation of foreign operations	4	–8	12	>100.0
Gains (–) or losses (+) reclassified to the income statement upon disposal	–1	–	–1	–
Changes from fair value hedges of currency risk	–42	–	–42	–
Measurement gains (+) or losses (–) on hedging instruments in fair value hedges	–42	–	–42	–
Taxes on income on items that will be reclassified to the income statement	20	12	8	66.7
Other comprehensive income after taxes	**–31**	**35**	**–66**	**>–100.0**
Comprehensive income for the reporting period	**109**	**185**	**–76**	**–41.1**
thereof: Attributable to non-controlling interests	1	–	1	–
thereof: Attributable to shareholders of the parent company	108	185	–77	–41.6

[1] These amounts relate to equity instruments and debt instruments classified as AfS in accordance with IAS 39.

Statement of Financial Position

as at 30 June 2018

Assets in € m

	Notes	30.6.2018	31.12.2017[1)]	1.1.2017[1)]
Cash on hand, demand deposits and overnight money balances with central banks and banks	(24)	18,634	10,478	4,322
Financial assets measured at amortised cost	(4), (25)	100,423	100,046	105,985
Trading assets	(4), (26)	15,976	16,100	20,341
Other financial assets mandatorily measured at fair value through profit or loss	(4), (27)	3,996	2,369	3,271
Financial assets designated voluntarily at fair value	(4), (28)	594	2,307	2,444
Positive fair values of hedging derivatives under hedge accounting	(9), (29)	687	551	753
Financial assets measured at fair value through other comprehensive income	(4), (30)	22,351	22,191	23,839
Shares in equity-accounted entities	(4), (31)	47	45	25
Investment property	(32)	2,291	2,239	2,163
Property and equipment	(33)	424	427	435
Intangible assets	(34)	74	66	113
Income tax assets		474	483	522
Current income tax assets		81	68	96
Deferred income tax assets		393	415	426
Non-current assets and disposal groups classified as held for sale	(35)	6	–	–
Other assets	(36)	890	933	940
Total assets		**166,867**	**158,235**	**165,153**

[1)] Please refer to Note (1) for disclosures on the transition to the new structure of the statement of financial position.

Equity and liabilities

in € m

	Notes	30.6.2018	31.12.2017[1)]	1.1.2017[1)]
Financial liabilities measured at amortised cost	(4), (37)	130,654	122,537	122,010
Trading liabilities	(4), (38)	12,019	12,277	18,703
Negative fair values of non-trading derivatives	(4), (39)	1,823	2,191	3,756
Financial liabilities designated voluntarily at fair value	(4), (40)	11,107	10,312	9,607
Negative fair values of hedging derivatives under hedge accounting	(4), (41)	560	89	161
Provisions	(42)	2,088	2,089	2,319
Income tax liabilities		150	268	184
Current income tax liabilities		143	252	174
Deferred income tax liabilities		7	16	10
Other liabilities	(43)	451	438	563
Equity	(44)	8,015	8,034	7,850
Subscribed capital		2,509	2,509	2,509
Capital reserves		1,546	1,546	1,546
Retained earnings		4,275	4,225	4,053
Accumulated other comprehensive income (OCI)		−313	−243	−256
Non-controlling interests		−2	−3	−2
Total equity and liabilities		**166,867**	**158,235**	**165,153**

[1)] Please refer to Note (1) for disclosures on the transition to the new structure of the statement of financial position.

Statement of Changes in Equity

for the period 1 January to 30 June 2018

in € m

	Equity attributable to shareholders of the parent company					Non-controlling interests	Total equity
	Subscribed capital	Capital reserves	Retained earnings	Accumulated OCI[1]	Subtotal		
As at 31.12.2016	**2,509**	**1,546**	**3,521**	**276**	**7,852**	**–2**	**7,850**
Adjustments due to IAS 8			532	–532	–		–
As at 1.1.2017	**2,509**	**1,546**	**4,053**	**–256**	**7,852**	**–2**	**7,850**
Dividend payment			–90		–90		–90
Comprehensive income for the reporting period			152	33	185	–	185
thereof: Consolidated net profit			152		152	–2	150
thereof: Other comprehensive income				33	33	2	35
As at 30.6.2017	**2,509**	**1,546**	**4,115**	**–223**	**7,947**	**–2**	**7,945**
Changes in the basis of consolidation					–	–1	–1
Comprehensive income for the reporting period			110	–20	90	–	90
thereof: Consolidated net profit			110		110	–4	106
thereof: Other comprehensive income				–20	–20	4	–16
As at 31.12.2017	**2,509**	**1,546**	**4,225**	**–243**	**8,037**	**–3**	**8,034**
Adjustments due to IFRS 9			3	–39	–36	–	–36
As at 1.1.2018	**2,509**	**1,546**	**4,228**	**–282**	**8,001**	**–3**	**7,998**
Dividend payment			–92		–92		–92
Comprehensive income for the reporting period			139	–31	108	1	109
thereof: Consolidated net profit			139		139	1	140
thereof: Other comprehensive income				–31	–31		–31
As at 30.6.2018	**2,509**	**1,546**	**4,275**	**–313**	**8,017**	**–2**	**8,015**

[1] The revaluation reserve and the currency translation reserve are reported within accumulated other comprehensive income (OCI). Please refer to Note (1) for information on the reconciliation of equity to the new structure.

Cash Flow Statement

for the period 1 January to 30 June 2018 – condensed

in € m

	2018	2017[1)]
Cash and cash equivalents at 1.1.	**10,478**	**4,322**
Cash flow from operating activities	8,216	7,596
Cash flow from investing activities	23	176
Cash flow from financing activities	–117	–154
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	34	48
Cash and cash equivalents at 30.6.	**18,634**	**11,988**
thereof: Cash on hand	74	69
thereof: Demand deposit balances with central banks and banks	18,560	11,919

[1)] Prior-year figures restated. Please refer to Note (1) for information on the reconciliation of the cash and cash equivalents. As a result of the restated figures, the cash flow from operating activities declined by € 425 m.

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 2018 have been prepared pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). They also take into consideration the requirements of IAS 34 Interim Financial Reporting. The cash flow statement is presented in a condensed version; only selected information is disclosed in the notes. The consolidated interim financial statements should be read in conjunction with Helaba's IFRS consolidated financial statements for the year ended 31 December 2017.

When preparing the condensed consolidated interim financial statements, the Board of Managing Directors had to make assumptions, estimates and assessments affecting the application of financial reporting principles in the Group and the reporting of the assets, liabilities, income and expenses. Actual amounts may differ from these estimates. The performance of the Group in the 2018 financial year to date is not necessarily an indicator of how the business will perform over the rest of the financial year.

All IFRSs and IFRS Interpretations (IFRICs) for which application was mandatory in the EU as at 30 June 2018 have been applied in full.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are generally the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2017. Exceptions are the following standards and interpretations that have been applied since 1 January 2018.

IFRSs applied for the first time

The 2018 interim financial statements were the first financial statements in which application of the following IFRSs adopted by the EU and of relevance for Helaba was mandatory:

- IFRS 9 Financial Instruments
  IFRS 9 introduces new rules for classifying and measuring financial assets in businesses, requires changes to the accounting treatment of effects from changes to an entity's own credit risk in connection with financial obligations classified at fair value, replaces the rules governing the impairment of financial assets and amends hedge accounting requirements. Entities also have to provide comprehensive disclosures in the notes. The impact on the consolidated financial statements is described in Note (2).

- Amendments to IFRS 9 Financial Instruments – Prepayment features with negative compensation
  The amendments to IFRS 9 have been adopted by the EU and were to be applied on a mandatory basis only in financial years beginning on or after 1 January 2019. Helaba nevertheless opted to apply these amendments at an earlier date. Under the previous IFRS 9 requirements in the currently applicable version of the standard, the SPPI (solely payments of principal and interest) condition is not met if the lender has to make a settlement payment 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 15 Revenue from Contracts with Customers
  Under IFRS 15, revenue is recognised when control over the agreed goods and/or services is passed to the customer and the customer can obtain substantially all of the remaining benefits from the goods and/or services involved. The revenue must be measured in the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. The new

model sets out a five-step framework for determining revenue recognition. The scope of the disclosure requirements is also extended under IFRS 15. The provisions and definitions in IFRS 15 replace the content of both IAS 18 Revenue and IAS 11 Construction Contracts as well as that of the associated interpretations; however, they will not have any impact on the recognition of revenue arising in connection with financial instruments that fall within the scope of IFRS 9.

As a rule, Helaba is using the modified retrospective method in the transition to IFRS 15. In this method, cumulative adjustment amounts will be recognised on 1 January 2018.

There has been no impact on equity from initial application.

With the exception of IFRS 9, the adoption of the new or amended standards had little or no impact on the consolidated financial statements.

New financial reporting standards for future financial years

- IFRS 16 Leases

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

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

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

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

The new provisions, which have been adopted by the EU, must be applied in annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided that IFRS 15 is also applied. Helaba is currently reviewing the implications of IFRS 16. The new standard on leasing will have a particular effect on the accounting treatment of the leased commercial real estate but Helaba anticipates little impact on financial position or financial performance. No early application is planned.

The other standards and interpretations issued by the IASB and IFRS IC that have only been partially adopted by the EU and that will only become mandatory in later financial years have 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 recognised amounts, changes to estimates, restatement of prior-year figures

In the 2018 financial year, Helaba has adjusted the structure of its statement of financial position, statement of changes in equity, income statement, statement of comprehensive income and cash flow statement. Previously, figures were presented in a format based on the standard form prescribed under the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV). The objective of the change is to bring about greater harmonisation with regulatory requirements (Financial Reporting, FINREP). This will make it easier to compare the consolidated financial statements with the IFRS-based regulatory reports and the associated reports published by the supervisory authority.

The fair values of exchange-traded derivatives are reported after netting with variation margins. No netting was applied previ-

ously for reasons of materiality (see numbers 6) and 21) of the table notes relating to the changes in the presentation of the statement of financial position). Income tax assets and income tax liabilities are now reported with separate figures for current income taxes and deferred income taxes on the face of the statement of financial position. Previously, separate figures were not reported on the face of the statement of financial position for reasons of materiality (see numbers 15) and 30) of the table notes relating to the changes in the presentation of the statement of financial position). In addition, other assets and other liabilities have now been netted to adjust the presentation in line with the standard reporting approach used by the sector (see numbers 16) and 31) of the table notes relating to the changes in the presentation of the statement of financial position).

Reclassifications or adjustments have additionally been applied to prior-year figures within the disclosures in Notes (13), (31), (49) and (53). Please refer to the relevant notes for details.

The prior-year figures in the income statement have been restated in line with the new structure. The changes to the reporting structure have not had any impact on the consolidated net profit or on comprehensive income.

In the income statement disclosures, the income and expenses for the period 1 January 2018 to 30 June 2018 are therefore compared with the equivalent prior-year figures for the period 1 January 2017 to 30 June 2017 in the new structure. The reclassifications arising from the initial application of IFRS 9 only came into effect from 1 January 2018 and were therefore not yet reported in the income statement for the period 1 January 2017 to 30 June 2017.

To ensure that the figures for the current reporting period can be compared with the prior-year figures, the income statement for the period 1 January 2017 to 30 June 2017 has been reconciled to the new structure as follows:

Income statement Old structure	30.6.2017	Current income from equity instruments, AfS and FVO (dividends)	Gains or losses on the sale of receivables	Gains or losses on FVO hedged items (excluding dividends)	
Notes		1)	2)	3)	
Net interest income	542	–13	1	–	
Interest income	1,890	–13			
Interest expense	–1,348		1		
Provisions for losses on loans and advances	–2				
Net interest income after provisions for losses on loans and advances	**540**	**–13**	**1**	**–**	
		13			
Net fee and commission income	180				
Fee and commission income	241				
Fee and commission expenses	–61				
Net trading income	168				
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–108			–98	
				98	
Net income from hedge accounting	–1				
Net income from financial investments	5				
			–1		
Share of profit or loss of equity-accounted entities	2				
Other net operating income	108				
General and administrative expenses	–656				
Profit before taxes	**238**				
Taxes on income	–88				
Consolidated net profit	**150**				
thereof: Attributable to non-controlling interests	–2				
thereof: Attributable to shareholders of the parent company	152				

in € m

	Gains or losses on non-trading derivatives	Gains or losses on the sale of AfS bonds	Depreciation and amortisation	30.6.2017 restated	Income statement New structure
	4)	5)	6)		Notes
	–	–	–	530	Net interest income
				1,877	Interest income
				–1,347	Interest expense
				–2	Provisions for losses on loans and advances
	–	–	–	**528**	**Net interest income after provisions for losses on loans and advances and modifications**
				13	Dividend income
				180	Net fee and commission income
				241	Fee and commission income
				–61	Fee and commission expenses
				168	Net trading income
	206				
	–206			–206	Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss
				98	Gains or losses on financial instruments designated voluntarily at fair value
				–1	Net income from hedge accounting
		–5			
		5		4	Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss
				2	Share of profit or loss of equity-accounted entities
			15	123	Other net operating income
			20	–636	General and administrative expenses
			–35	–35	Depreciation and amortisation
				238	**Profit before taxes**
				–88	Taxes on income
				150	**Consolidated net profit**
				–2	thereof: Attributable to non-controlling interests
				152	thereof: Attributable to shareholders of the parent company

1) The dividend income previously reported in net interest income, together with income from profit transfer agreements and expenses from the absorption of losses, is recognised as a separate line item.

2) Gains or losses on the sale of loans and receivables in the LaR measurement category that were previously reported under net interest income are now recognised under gains or losses on derecognition of financial instruments not measured at fair value through profit or loss.

3) Gains or losses on financial instruments to which the fair value option is applied previously included in the item "Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied" are now reported under the "Gains or losses on financial instruments designated voluntarily at fair value" item.

4) Gains or losses on non-trading derivatives previously included in the item "Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied" are now reported under the "Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss" item.

5) Net income from financial investments – where such net income relates to gains or losses on disposal of debt instruments classified as available for sale (AfS) in accordance with IAS 39 – is now included in the line item "Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss". In 2017, there were no impairment losses, reversals of impairment losses or direct write-offs in respect of debt instruments in the AfS measurement category.

6) Depreciation of investment property, which was previously reported in other net operating income, and amortisation of intangible assets and depreciation of property and equipment, which were previously recognised under general and administrative expenses, are now shown in the new line item "Depreciation and amortisation".

The following tables show the relationships between the old and new items in the consolidated statement of financial position as at 31 December 2017 and 31 December 2016:

		Financial assets LaR (IAS 39)				Financial assets HfT (IAS 39)			Financial assets FVO (IAS 39)	
IAS 39 structure of statement of financial position Old structure	31.12.2017	Loans and receivables	Bonds and other fixed-income securities	Trade accounts receivable	Cash on hand, demand deposits and overnight money balances	Demand deposits and overnight money balances	Switch to net method for exchange-traded derivatives	Non-trading derivative	Loans and receivables	
Notes		1)	2)	3)	4)	5)	6)	7)	8)	
Cash reserve	9,913				−1,014	−8,899				
					1,372	9,106				
Loans and advances to banks	11,034	−10,676			−358					
Loans and advances to customers	90,230	−89,719	−32						−479	
Allowances for losses on loans and advances	−401	401								
		99,994	32	21			−1			
Trading assets	16,319					−207	−12			
Positive fair values of non-trading derivatives	2,924							−2,924		
							−4	2,373		
									479	
								551		
Financial investments	24,019									
Shares in equity-accounted entities	45									
Investment property	2,239									
Property and equipment	427									
Intangible assets	66									
Income tax assets	483									
Other assets	1,051			−21						
Total assets	**158,349**	**–**	**–**	**–**	**–**	**–**	**–17**	**–**	**–**	

in € m

	Financial assets FVO (IAS 39)		Financial assets AfS (IAS 39)				Non-financial assets			
	Bonds and other fixed-income securities	Equity shares and other variable-income securities	Bonds and other fixed-income securities	Equity shares and other variable-income securities	Share-holdings	Receivables from the purchase of endowment insurance policies	Income tax assets	Other reporting changes	31.12.2017 restated	IAS 39 structure of statement of financial position New structure
	9)	10)	11)	12)	13)	14)	15)	16)		Notes
									10,478	Cash on hand, demand deposits and overnight money balances with central banks and banks
									100,046	Financial assets measured at amortised cost
									16,100	Trading assets
									2,369	Other financial assets mandatorily measured at fair value through profit or loss
	1,758	70							2,307	Financial assets designated voluntarily at fair value
									551	Positive fair values of hedging derivatives under hedge accounting
	–1,758	–70	–21,930	–40	–109	–112				
			21,930	40	109	112			22,191	Financial assets measured at fair value through other comprehensive income
									45	Shares in equity-accounted entities
									2,239	Investment property
									427	Property and equipment
									66	Intangible assets
									483	Income tax assets
							68		68	Current income tax assets
							415		415	Deferred income tax assets
								–97	933	Other assets
	–	–	–	–	–	–	–	**–97**	**158,235**	**Total assets**

IAS 39 structure of statement of financial position Old structure	31.12.2017	Financial liabilities OL (IAS 39)				Financial liabilities HfT (IAS 39)		Financial liabilities FVO (IAS 39)	
		Deposits and loans	Securitised liabilities	Subordinated capital	Trade accounts payable	Switch to net method for exchange-traded derivatives	Non-trading derivatives	Deposits and loans	
Notes		17)	18)	19)	20)	21)	22)	23)	
Liabilities due to banks	31,514	–31,015						–499	
Liabilities due to customers	49,521	–45,922						–3,599	
Securitised liabilities	48,155		–41,987						
		76,937	41,987	3,464	153	–4			
Trading liabilities	12,289					–12			
Negative fair values of non-trading derivatives	2,281					–1	–89		
								4,098	
							89		
Provisions	2,129								
Income tax liabilities	268								
Other liabilities	648				–153				
Subordinated capital	3,510			–3,464					
Equity	8,034	–	–	–	–	–	–	–	
Subscribed capital	2,509								
Capital reserves	1,546								
Retained earnings	3,775								
Revaluation reserve	197								
Currency translation reserve	10								
Non-controlling interests	–3								
Total equity and liabilities	**158,349**	**–**	**–**	**–**	**–**	**–17**	**–**	**–**	

in € m

	Financial liabilities FVO (IAS 39)		Equity			Non-financial liabilities				
	Securitised liabilities	Subordinated capital	Revaluation reserve for AfS financial instruments	Actuarial gains and losses	Currency translation reserve	Employee benefits due in short term	Income tax liabilities	Other reporting changes	31.12.2017 restated	IAS 39 structure of statement of financial position New structure
	24)	25)	26)	27)	28)	29)	30)	31)		Notes
	–6,168									
									122,537	Financial liabilities measured at amortised cost
									12,277	Trading liabilities
									2,191	Negative fair values of non-trading derivatives
	6,168	46							10,312	Liabilities designated voluntarily at fair value
									89	Negative fair values of hedging derivatives under hedge accounting
						–40			2,089	Provisions
									268	Income tax liabilities
							252		252	Current income tax liabilities
							16		16	Deferred income tax liabilities
						40		–97	438	Other liabilities
		–46								
	–	–	–	–	–	–	–	–	8,034	Equity
									2,509	Subscribed capital
									1,546	Capital reserves
				450					4,225	Retained earnings
			197	–450	10				–243	Accumulated other comprehensive income (OCI)
			–197							
					–10					
									–3	Non-controlling interests
	–	–	–	–	–	–	–	–97	158,235	**Total equity and liabilities**

IAS 39 structure of statement of financial position Old structure	31.12.2016	Financial assets LaR (IAS 39)				Financial assets HfT (IAS 39)			Financial assets FVO (IAS 39)	
		Loans and receivables	Bonds and other fixed-income securities	Trade accounts receivable	Cash on hand, demand deposits and overnight money balances	Demand deposits and overnight money balances	Switch to net method for exchange-traded derivatives	Non-trading derivative	Loans and receivables	
Notes		1)	2)	3)	4)	5)	6)	7)	8)	
Cash reserve	3,096				–1,296	–1,800				
					2,375	1,947				
Loans and advances to banks	15,235	–14,155			–1,079		–1			
Loans and advances to customers	93,078	–92,477	–89						–512	
Allowances for losses on loans and advances	–772	772								
		105,860	89	36						
Trading assets	20,498					–147	–10			
Positive fair values of non-trading derivatives	4,024							–4,024		
								3,271		
									512	
								753		
Financial investments	25,771									
Shares in equity-accounted entities	25									
Investment property	2,163									
Property and equipment	435									
Intangible assets	113									
Income tax assets	522									
Other assets	976			–36						
Total assets	**165,164**	**–**	**–**	**–**	**–**	**–**	**–11**	**–**	**–**	

in € m

	Financial assets FVO (IAS 39)		Financial assets AfS (IAS 39)				Non-financial assets			
	Bonds and other fixed-income securities	Equity shares and other variable-income securities	Bonds and other fixed-income securities	Equity shares and other variable-income securities	Share-holdings	Receivables from the purchase of endowment insurance policies	Income tax assets	Other reporting changes	1.1.2017 restated	IAS 39 structure of statement of financial position New structure
	9)	10)	11)	12)	13)	14)	15)	16)		
									–	
									4,322	Cash on hand, demand deposits and overnight money balances with central banks and banks
									–	
									–	
									–	
									105,985	Financial assets measured at amortised cost
									20,341	Trading assets
									–	
									3,271	Other financial assets mandatorily measured at fair value through profit or loss
	1,863	69							2,444	Financial assets designated voluntarily at fair value
									753	Positive fair values of hedging derivatives under hedge accounting
	–1,863	–69	–23,523	–59	–125	–132			–	
			23,523	59	125	132			23,839	Financial assets measured at fair value through other comprehensive income
									25	Shares in equity-accounted entities
									2,163	Investment property
									435	Property and equipment
									113	Intangible assets
									522	Income tax assets
							96		96	Current income tax assets
							426		426	Deferred income tax assets
									940	Other assets
	–	–	–	–	–	–	–	–	**165,153**	**Total assets**

IAS 39 structure of statement of financial position Old structure	31.12.2016	Financial liabilities OL (IAS 39)				Financial liabilities HfT (IAS 39)		Financial liabilities FVO (IAS 39)	
		Deposits and loans	Securitised liabilities	Subordinated capital	Trade accounts payable	Switch to net method for exchange-traded derivatives	Non-trading derivatives	Deposits and loans	
Notes		17)	18)	19)	20)	21)	22)	23)	
Liabilities due to banks	30,138	–29,755				–		–383	
Liabilities due to customers	46,824	–43,285						–3,539	
Securitised liabilities	50,948		–45,362						
		73,040	45,362	3,524	84				
Trading liabilities	18,713					–10			
Negative fair values of non-trading derivatives	3,918					–1	–161		
								3,922	
							161		
Provisions	2,319								
Income tax liabilities	184								
Other liabilities	647				–84				
Subordinated capital	3,623			–3,524					
Equity	7,850	–	–	–	–	–	–	–	
Subscribed capital	2,509								
Capital reserves	1,546								
Retained earnings	3,521								
Revaluation reserve	246								
Currency translation reserve	30								
Non-controlling interests	–2								
Total equity and liabilities	**165,164**	**–**	**–**	**–**	**–**	**–11**	**–**	**–**	

in € m

	Financial liabilities FVO (IAS 39)		Equity			Non-financial liabilities				
	Securitised liabilities	Subordinated capital	Revaluation reserve for AfS financial instruments	Actuarial gains and losses	Currency translation reserve	Employee benefits due in short term	Income tax liabilities	Other reporting changes	1.1.2017 restated	IAS 39 structure of statement of financial position New structure
	24)	25)	26)	27)	28)	29)	30)	31)		
	–5,586									
									122,010	Financial liabilities measured at amortised cost
									18,703	Trading liabilities
									3,756	Negative fair values of non-trading derivatives
	5,586	99							9,607	Liabilities designated voluntarily at fair value
									161	Negative fair values of hedging derivatives under hedge accounting
									2,319	Provisions
							–184		184	Income tax liabilities
							174		174	Current income tax liabilities
							10		10	Deferred income tax liabilities
									563	Other liabilities
		–99								
	–	–	–	–	–	–	–		7,850	Equity
									2,509	Subscribed capital
									1,546	Capital reserves
				532					4,053	Retained earnings
			246	–532	30				–256	Accumulated other comprehensive income (OCI)
			–246							
					–30					
									–2	Non-controlling interests
	–	–	–	–	–	–	–	–	**165,153**	**Total equity and liabilities**

1) Going forward, the loans and receivables in the LaR measurement category reported in the previous structure of the statement of financial position according to counterparty in the "Loans and advances to banks" and "Loans and advances to customers" line items will now be reported in the "Financial assets measured at amortised cost" line item at their net carrying amounts (gross carrying amount less cumulative loss allowances).

2) Bonds in the old LaR measurement category were previously also included in loans and advances to customers, but henceforward will be reported at their net carrying amounts in "Financial assets measured at amortised cost".

3) Previously, the "Other assets" line item in the statement of financial position also included trade accounts receivable in the LaR measurement category. These receivables will now be reported in the "Financial assets measured at amortised cost" line item.

4) In the previous structure, cash on hand together with demand deposits and overnight money balances with central banks and banks in the LaR measurement category were presented separately in the "Cash reserve" and "Loans and advances to banks" line items. Henceforward, they will be aggregated and reported in the "Cash on hand, demand deposits and overnight money balances with central banks and banks" line item.

5) Demand deposit balances with central banks and banks in the HfT measurement category have previously been included in trading assets but they will now be reported in the "Cash on hand, demand deposits and overnight money balances with central banks and banks" line item.

6) Positive fair values of trading derivatives within trading assets and positive fair values of non-trading futures derivatives will be reported after netting with the associated liabilities from variation margins. Before the changes, the gross amount was reported for reasons of materiality.

7) In the previous structure of the statement of financial position, the "Positive fair values of non-trading derivatives" line item included both hedge accounting derivatives and the non-trading derivatives used for economic hedging purposes as part of hedge management. In the new structure of the statement of financial position, the hedge accounting derivatives are presented in a separate line whereas other non-trading derivatives are recognised as part of other financial assets mandatorily measured at fair value.

8) Loans and advances to which the fair value option is applied previously reported under the "Loans and advances to customers" item in the statement of financial position will in future be reported under the "Financial assets designated voluntarily at fair value" item.

9) Bonds and other fixed-income securities to which the fair value option is applied were previously reported under financial investments, but from now on will be included in the "Financial assets designated voluntarily at fair value" item.

10) Equity shares and other variable-income securities to which the fair value option is applied were previously reported under financial investments, but from now on will be included in the "Financial assets designated voluntarily at fair value" item.

11) Bonds and other fixed-income securities in the AfS measurement category were previously reported under financial investments, but henceforward will be reported in the "Financial assets measured at fair value through other comprehensive income" line item.

12) Equity shares and other variable-income securities in the AfS measurement category were previously reported under financial investments, but henceforward will be reported in the "Financial assets measured at fair value through other comprehensive income" line item.

13) Shares in unconsolidated affiliated companies, shares in non-equity-accounted joint ventures, shares in non-equity-accounted associates and other equity investments in the AfS measurement category were previously included in financial investments but are now recognised as part of the "Financial assets measured at fair value through other comprehensive income" line item.

14) Purchased receivables from endowment insurance policies in the AfS measurement category were previously reported under financial investments, but henceforward will be reported in the "Financial assets measured at fair value through other comprehensive income" line item.

15) In the old structure, separate lines for current and deferred income tax assets were not reported on the face of the statement of financial position for reasons of materiality. The new structure now shows both of these lines individually.

16) In the fully consolidated GWH subgroup, any operating expenses arising in the reporting period that are to be borne by the tenant ("Other assets" line item) are reported after netting with any advance payments received in respect of

ancillary rental costs ("Other liabilities" line item) in accordance with common accounting practice in the real estate sector. Previously the figures were reported gross.

17) From now on, deposits and loans are no longer reported by counterparty, but by measurement category. As a result of this change, liabilities due to banks and liabilities due to customers in the OL measurement category are now reported in the "Financial liabilities measured at amortised cost" line item.

18) Securitised liabilities will also be reported according to measurement category going forward. As a consequence, securitised liabilities in the OL measurement category are now reported in the "Financial liabilities measured at amortised cost" line item.

19) Subordinated capital used to be shown separately in the statement of financial position. However, subordinated liabilities are now recognised according to measurement category and class.

20) Previously, the "Other liabilities" line item in the statement of financial position also included trade accounts payable in the OL measurement category. These payables will now be reported under "Financial liabilities measured at amortised cost".

21) Negative fair values of trading derivatives within trading assets and negative fair values of non-trading futures derivatives will be reported after netting with the associated assets from variation margins. Before the changes, the gross amount was reported for reasons of materiality.

22) In the previous structure of the statement of financial position, the "Negative fair values of non-trading derivatives" line item included both hedge accounting derivatives and the non-trading derivatives used for economic hedging purposes as part of hedge management. In the new structure of the statement of financial position, the hedge accounting derivatives are presented in a separate line whereas other non-trading derivatives remain in the item used hitherto.

23) Deposits and loans to which the fair value option is applied are now reported separately from the deposits and loans in the OL measurement category in the "Financial liabilities designated voluntarily at fair value" line item.

24) Securitised liabilities to which the fair value option is applied are now reported separately from the securitised liabilities in the OL measurement category in the "Financial liabilities designated voluntarily at fair value" line item.

25) Subordinated liabilities to which the fair value option is applied are now reported separately from the subordinated liabilities in the OL measurement category in the "Financial liabilities designated voluntarily at fair value" line item.

26) The previous revaluation reserve for financial instruments in the AfS measurement category will be reported from now on as a component of accumulated other comprehensive income (OCI) in a separate line within equity that includes all OCI components.

27) Actuarial gains and losses from the remeasurement of pension obligations are now reported in accumulated OCI rather than as a component of retained earnings.

28) The cumulative gains or losses on currency translation of foreign operations previously reported in the currency translation reserve line item within equity and the cumulative reserves from the hedging of a net investment in a foreign operation are now reported within accumulated OCI.

29) Provisions also previously included employee benefits due for payment within the next twelve months. In the new structure, these benefits will no longer be included in the provisions but will be reported as employee benefits due in the short term within the "Other liabilities" line item.

30) In the old structure, separate lines for current and deferred income tax liabilities were not reported on the face of the statement of financial position for reasons of materiality. The new structure now shows both of these lines individually.

31) Please refer to number 16) of the table notes for information on the reporting of a net figure at GWH for operating expenses within "Other assets" and advance payments received in respect of ancillary rental costs within "Other liabilities".

There has been no impact on the figures for consolidated net profit or equity from the restated figures referred to above. Total assets as at 31 December 2017 have declined marginally by € 114 m as a result of the changes described in numbers 6), 16), 21) and 31) above.

Please refer to Note (2) for information on the impact on equity from the initial application of IFRS 9.

(2) Disclosures regarding the Initial Application of IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was published in July 2014 and must be applied for the first time to reporting periods that begin on or after 1 January 2018. Helaba has been applying the requirements in IFRS 9 since 1 January 2018.

Generally speaking, first-time application must be retrospective, but various simplification options are available. These include the option not to restate comparative figures for prior periods. Helaba has utilised these simplification options. The non-restated figures as at 31 December 2017 are reported as comparative figures.

Please refer to Notes (4) and (5) for disclosures on the procedures used to classify and measure financial instruments with the application of IFRS 9.

The reconciled figures in the statement of financial position as at 1 January 2018 include both the reclassification of financial assets and the remeasurement effects from adjustments to fair value resulting from the reclassification of financial assets previously measured at amortised cost to measurement categories based on measurement at fair value, together with the effects from the application of the impairment model specified in IFRS 9. The rules in IFRS 9 have not led to any reclassification of financial liabilities. The initial application of the hedge accounting requirements in IFRS 9 did not have any impact on the statement of financial position or equity as at 1 January 2018.

The assets and liabilities as at 31 December 2017 were reclassified into the measurement categories in accordance with IFRS 9 using the principles described in Note (4) as shown in the following reconciliation table:

		Reclassifications						
		Loans and receivables		Bonds and other fixed-income securities		Equity shares and other variable-income securities		
IAS 39 structure of statement of financial position New structure	31.12.2017 restated	From LaR to FVTPL MAND	From LaR to FVTOCI	From LaR to FVTOCI	From AfS to AC	From AfS to FVTPL MAND	From FVO to FVTPL MAND	
Notes		1)	2)	3)	4)	5)	6)	
Cash on hand, demand deposits and overnight money balances with central banks and banks	10,478							
Financial assets measured at amortised cost	100,046	–134	–420	–15	15			
Trading assets	16,100							
Other financial assets mandatorily measured at fair value through profit or loss	2,369	134				223	1,709	
Financial assets designated voluntarily at fair value	2,307						–1,709	
Positive fair values of hedging derivatives under hedge accounting	551							
Financial assets measured at fair value through other comprehensive income	22,191		420	15	–15	–223		
Shares in equity-accounted entities	45							
Investment property	2,239							
Property and equipment	427							
Intangible assets	66							
Income tax assets	483							
Current income tax assets	68							
Deferred income tax assets	415							
Other assets	933							
Total assets	**158,235**	–	–	–	–	–	–	

in € m

	Remeasurements								
	Loans and receivables		Bonds and other fixed-income securities		Share-holdings	Cumulative loss allow-ances	Deferred taxes		
	From LaR to FVTPL MAND	From LaR to FVTOCI	From LaR to FVTOCI	From AfS to AC	From AfS to FVTPL MAND	Financial assets AC		1.1.2018	IFRS 9 structure of statement of financial position
	7)	8)	9)	10)	11)	12)	13)		
								10,478	Cash on hand, demand deposits and over-night money balances with central banks and banks
						–35		99,457	Financial assets measured at amortised cost
								16,100	Trading assets
	9				1			4,445	Other financial assets mandatorily measured at fair value through profit or loss
								598	Financial assets designated voluntarily at fair value
								551	Positive fair values of hedging derivatives under hedge accounting
		3	1					22,392	Financial assets measured at fair value through other comprehensive income
								45	Shares in equity-accounted entities
								2,239	Investment property
								427	Property and equipment
								66	Intangible assets
							–13	470	Income tax assets
								68	Current income tax assets
							–13	402	Deferred income tax assets
								933	Other assets
	9	**3**	**1**	**–**	**1**	**–35**	**–13**	**158,201**	**Total assets**

IAS 39 structure of statement of financial position New structure	31.12.2017 restated	Loans and receivables: From LaR to FVTPL MAND	Loans and receivables: From LaR to FVTOCI	Bonds and other fixed-income securities: From LaR to FVTOCI	Bonds and other fixed-income securities: From AfS to AC	
Notes		14)	15)	16)	17)	
Financial liabilities measured at amortised cost	122,537					
Trading liabilities	12,277					
Negative fair values of non-trading derivatives	2,191					
Financial liabilities designated voluntarily at fair value	10,312					
Negative fair values of hedging derivatives under hedge accounting	89					
Provisions	2,089					
Income tax liabilities	268					
Current income tax liabilities	252					
Deferred income tax liabilities	16					
Other liabilities	438					
Equity	8,034	9	3	1	–	
Subscribed capital	2,509					
Capital reserves	1,546					
Retained earnings	4,225	9				
Accumulated other comprehensive income (OCI)	–243		3	1		
Non-controlling interests	–3					
Total equity and liabilities	**158,235**	**9**	**3**	**1**	**–**	

in € m

	Share-holdings	Cumulative loss allow-ances	Deferred taxes	FVO liabilities		
	From AfS to FVTPL MAND	Financial assets AC and FVTOCI		Credit risk-related change in fair value	1.1.2018	IFRS 9 structure of statement of financial position
	18)	19)	20)	21)		Notes
					122,537	Financial liabilities measured at amortised cost
					12,277	Trading liabilities
					2,191	Negative fair values of non-trading derivatives
					10,312	Financial liabilities designated voluntarily at fair value
					89	Negative fair values of hedging derivatives under hedge accounting
		12			2,101	Provisions
			–10		258	Income tax liabilities
					252	Current income tax liabilities
			–10		6	Deferred income tax liabilities
					438	Other liabilities
	1	–47	–3	–	7,998	Equity
					2,509	Subscribed capital
					1,546	Capital reserves
	47	–48	–3	–2	4,228	Retained earnings
	–46	1		2	–282	Accumulated other comprehensive income (OCI)
				–	–3	Non-controlling interests
	1	**–35**	**–13**	**–**	**158,201**	**Total equity and liabilities**

1) The reclassifications from the loans and receivables (LaR) measurement category relate to loans and advances to customers that do not satisfy the SPPI (solely payments of principal and interest) criterion and consequently may not be measured at amortised cost. Loans and advances to customers with a net carrying amount of € 134 m as at 31 December 2017 have been transferred to the measurement category of financial assets mandatorily measured at fair value (FVTPL MAND). Please refer to number 7) in these table notes for information on the effects from the first-time measurement at fair value.

2) The business model in which the aim is to hold an asset with a view to selling it ("hold to collect and sell") has been specified for loans and advances to customers in the form of promissory note loans with a net carrying amount of € 420 m as at 31 December 2017. As a result, these financial assets are reported under "Financial assets measured at fair value through other comprehensive income" (FVTOCI). Please refer to number 8) in these table notes for information on the effects from the first-time measurement at fair value.

3) The reclassification of financial instruments from the LaR measurement category to the FVTOCI measurement category relates to asset-backed securities that need to be measured at fair value because they form part of the "hold to collect and sell" business model. Please refer to number 9) of these table notes for information on the effects on equity.

4) The reclassification of financial instruments from AfS to the measurement category of financial instruments measured at amortised cost (AC) relates to bonds that need to be measured at amortised cost because they form part of the business model in which the aim is to hold the asset and collect the contractual cash flows ("hold to collect"). Please refer to number 10) of these table notes for information on the effects on equity.

5) Equity instruments and receivables from the purchase of endowment insurance policies amounting to € 223 m have been reclassified from AfS to the FVTPL MAND measurement category. Please refer to number 11) of these table notes for information on the measurement effects.

6) The reclassification of financial investments relates to investment units and bonds to which the fair value option (FVO) was previously applied because these items were managed on a fair value basis. With the initial application of IFRS 9, the units in special institutional funds and retail funds held by the Helaba Group are no longer included in the FVO but are reported under the FVTPL MAND category because the SPPI criterion is generally not satisfied (as there is a right to payment of a residual amount from the net assets). In the case of consolidated special institutional funds and retail funds, an assessment is made of the financial assets and liabilities held within the funds on a look-through basis. They are also allocated to the FVTPL MAND category because they form part of a business model in which the priority is on management on a fair value basis. The carrying amounts of these assets came to € 1,709 m as at 31 December 2017. No measurement effects arose from this reclassification.

7) The effect from the adjustment of the net carrying amount in line with the fair value of financial assets mandatorily measured at fair value through profit or loss amounted to € 9 m.

8) The effect from the initial fair value measurement of promissory note loans measured at fair value through other comprehensive income amounted to € 3 m.

9) The effect from the initial fair value measurement of asset-backed securities measured at fair value through other comprehensive income amounted to € 1 m.

10) The reversal of the measurement at fair value through other comprehensive income applied in the past to bonds reduced accumulated OCI by € 0.3 m. No amount is disclosed in the table above because of the effect of rounding and the presentation of figures in millions of euros.

11) The measurement of a non-strategic equity investment at fair value gave rise to an effect of € 1 m.

12) The effect from the first-time application of the IFRS 9 impairment model on the financial assets measured at amortised cost was a reduction in value of € 35 m. This effect included an increase in the provision for losses on loans and advances of € 64 m and a countervailing effect from the increase in the gross carrying amounts of non-interest-bearing loans and advances of € 29 m.

13) The remeasurements give rise to a reduction in deferred income tax assets of € 13 m.

14) The effect from the initial fair value measurement of financial instruments mandatorily measured at fair value through profit or loss increased retained earnings by € 9 m.

15) The first-time fair value measurement of promissory note loans was reflected in accumulated other comprehensive income (OCI) in an amount of € 3 m.

16) The first-time measurement of asset-backed securities measured at fair value through accumulated other comprehensive income increased OCI by € 1 m.

17) The reversal of the measurement at fair value through other comprehensive income applied in the past to bonds reduced accumulated OCI by € 0.3 m.

18) The reclassification of equity instruments from the AfS measurement category to the FVTPL MAND measurement category resulted in a reclassification of gains and losses on these equity instruments recognised in accumulated other comprehensive income from OCI to retained earnings in an amount of € 46 m. Retained earnings also increased by € 1 m as a result of the fair value measurement of a non-strategic equity investment.

19) The effect from the initial application of the impairment model under IFRS 9 on provisions for loan commitments and financial guarantees amounted to € 12 m (increase in the provisions and reduction in retained earnings). In addition, accumulated OCI increased by € 1 m as a result of the effect on financial instruments measured at fair value through other comprehensive income from the application of the impairment model. The effects from the adjustment of the provisions for losses on loans and advances in respect of financial instruments in the AC measurement category (see table note 12) reduced retained earnings by € 35 m. Overall, retained earnings declined by € 48 m as a consequence of the initial application of the impairment model specified by IFRS 9.

20) Deferred income tax liabilities went down by € 10 m. The adjustments to deferred taxes led to an overall decrease in retained earnings of € 3 m.

21) Credit-risk-related changes in fair value in respect of the Group's own liabilities in the FVO measurement category amounting to € 2 m (previously recognised through profit or loss) were reclassified from retained earnings to accumulated OCI.

As part of the initial application of IFRS 9, demand deposit balances with central banks amounting to € 8,911 m were reclassified from the HfT measurement category to the AC measurement category. The reclassification did not lead to any change in the reported figure. No measurement gains or losses were avoided by this reclassification.

The changes in the provisions for losses on loans and advances in respect of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as a consequence of reclassifications and the initial application of the IFRS 9 impairment requirements were as follows:

in € m

	Cumulative loss allowances at 31.12.2017				Reclassification of cumulative loss allowances from LaR to			Reclassification of cumulative loss allowances from AfS to		
	SLLA	GSLLA	PLLA	Total	FVTPL	FVTOCI	AC	FVTPL	FVTOCI	AC
Cumulative loss allowances for loans and receivables, LaR	–239	–37	–125	–401	–35	–	–366	–	–	–
Cumulative loss allowances for bonds and other fixed-income securities, LaR	–	–	–	–	–	–	–	–	–	–
Direct (partial) impaiment losses of bonds and other fixed-income securities, AfS	–	–	–	–	–	–	–	–	–	–
Total	**–239**	**–37**	**–125**	**–401**	**–35**	**–**	**–366**	**–**	**–**	**–**

Changes in the provisions for losses on loans and advances as a result of remeasurements arising from the application of the IFRS 9 impairment model (expected credit loss, ECL, model):

in € m

			Cumulative loss allowances 1.1.2018			
	Cumulative loss allowances before ECL application	Remeasurement as a result of application of ECL	Stage 1	Stage 2	Stage 3	Total
Cumulative loss allowances for bonds and other fixed-income securities, AC	–	–1	–1	–	–	–1
Cumulative loss allowances for loans and receivables, AC	–366	–63	–33	–133	–263	–429
Cumulative loss allowances for bonds and other fixed-income securities, FVTOCI	–	–1	–1	–	–	–1
Cumulative loss allowances for loans and receivables, FVTOCI	–	–	–	–	–	–
Total	**–366**	**–65**	**–35**	**–133**	**–263**	**–431**

The table below shows the changes in the provisions for loan commitments and financial guarantees caused by the initial application of IFRS 9:

in € m

	Provisions for off-balance sheet liabilities at 31.12.2017					Cumulative provisions, IFRS 9 1.1.2018			
	SLLA	GSLLA	PLLA	Total	Remeasurement as a result of application of ECL	Stage 1	Stage 2	Stage 3	Total
Provisions for loan commitments	10	–	5	15	7	9	6	7	22
Provisions for financial guarantees	6	6	1	13	5	3	3	12	18
Total	**16**	**6**	**5**	**28**	**12**	**12**	**9**	**19**	**40**

(3) Basis of Consolidation

In addition to the parent company Helaba, a total of 119 entities are consolidated in the Helaba Group (31 December 2017: 118 entities). Of this total, 85 (31 December 2017: 84) entities are fully consolidated and 34 entities (unchanged compared to 31 December 2017) are included using the equity method. 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 35 subsidiaries, 18 joint ventures and 11 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 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

Additions

Helaba Digital GmbH & Co. KG, Frankfurt am Main	Established March 2018
Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	This entity, which was established in previous years, ceased to be immaterial following commencement of project development in January 2018

Disposals

LB(Swiss) Investment AG, Zürich, Switzerland	Shares sold in April 2018

The deconsolidation of LB(Swiss) Investment AG has given rise to a gain of € 18 m. This figure is reported under other net operating income.

(4) Financial Instruments

Recognition of financial assets and financial liabilities

Under IFRS 9, all financial assets and financial liabilities, including all derivatives, must be reported in the statement of financial position. These instruments are initially measured at cost, which equates to the value of the assets given or received at the time of transfer. Transaction costs are generally recognised as acquisition ancillary costs. In the case of cash transactions, non-derivative financial instruments are recognised for the first time in the statement of financial position on the settlement date, and derivatives on the trade date.

Financial assets are derecognised when the contractual rights associated with an asset expire or are transferred such that substantially all the risks and rewards incidental to ownership are passed to another party or when the control or power over the asset is transferred to another party. If substantially all the risks and rewards incidental to ownership are not transferred or control or power over the asset is not passed to another party, the remaining economic involvement in the financial instrument ("continuing involvement") is recognised in accordance with IFRS 9. In addition, financial assets are derecognised if they have been substantially modified, i.e. if the contractual cash flows have been modified or the legal position affecting the cash flows has changed such that, de facto, there is a new transaction in place.

Financial liabilities are derecognised if the liability is repaid or substantially modified giving rise to a new obligation.

In the Helaba Group, financial instruments are deemed to have been substantially modified if certain qualitative criteria are satisfied when changes are made to the contract. In the case of financial assets in credit risk stages 1 and 2, and in the case of financial liabilities, a quantitative test is also carried out: if the present value of the cash flows after modification (determined by discounting using the original effective interest rate) varies by more than 10 % from the present value of the originally agreed cash flows, then the financial instrument concerned is also deemed to have been substantially modified.

Classification of financial assets

On initial recognition, financial assets are allocated to a measurement category, which then serves as a basis for subsequent measurement. The classification of debt instruments is determined by the allocation to a business model (business model criterion) and by an assessment as to whether the asset satisfies the SPPI (solely payments of principal and interest) criterion.

To determine the underlying business model, an assessment must be carried out at portfolio level to establish whether the cash flows for the financial instruments to be classified are to be generated by collecting the contractual cash flows ("hold to collect" business model) or also by selling the financial instrument ("hold to collect and sell" business model), or whether a different business model is involved. Examples of different business models are an intention to trade or management on the basis of the fair value. In the first step, financial instruments are classified according to the business models used for these portfolios. Financial instruments are allocated to the "hold to collect" business model if financial instruments in the portfolio concerned are only expected to be sold rarely or in small volumes. The assessment does not into take into account the sale of such financial instruments shortly before the maturity date or in the event of a rise in default risk on the part of the borrower. Any other non-material disposals (i.e. unrelated to the frequency or volume criteria) lead to a review of the business model criterion for future classifications of financial instruments.

A financial instrument is reviewed on an individual transaction basis to assess whether the SPPI criterion is satisfied. The SPPI criterion is deemed to be satisfied if the contractual cash flows from the financial instrument are exclusively the same as those in a lending relationship (i.e. from an economic perspective, solely payment of principal and interest). Other components of cash flows that represent other risks (such as market risk and leverage effects) rather than just interest for the term of the loan and the credit quality of the borrower generally mean that the SPPI criterion under IFRS 9 is not satisfied. Only contractual components of very minor financial significance (for example, because they are very unlikely to materialise or only have a very marginal impact on the cash flows) can be compatible with the requirements of the SPPI criterion.

Subsequent measurement at amortised cost (AC)

Financial assets in the "hold to collect" business model that satisfy the SPPI criterion and for which the fair value option has not been exercised (see FVTPL measurement category) are measured at amortised cost. Therefore, only debt instruments can be measured subsequently at amortised cost; this method cannot be used for equity instruments or derivatives because they do not satisfy the SPPI criterion. At Helaba, such debt instruments include bonds, other fixed-income securities and loans and receivables.

Subsequent measurement at amortised cost is applied by updating the carrying amount of the financial asset with the estimated cash flows (up to the maturity date of the financial asset concerned) distributed over the residual term of the asset and discounted with the effective interest rate. The resulting gross carrying amount must then be reduced by the impairment loss as required by the IFRS 9 impairment model, the final amount then being the net carrying amount.

Within hedge accounting, the carrying amounts of financial assets in the AC measurement category that form the hedged items in micro fair value hedges are adjusted for the changes in the fair value corresponding to the hedged risk.

Please refer to Note (8) for information on the inclusion of the impairment model in connection with credit risks arising on financial assets in the AC measurement category.

Subsequent measurement at fair value through other comprehensive income with recycling (FVTOCI (recycling))

The FVTOCI (recycling) measurement category encompasses financial assets that are allocated to the "hold to collect and sell" business model and for which the SPPI criterion is satisfied, provided that the fair value option is not exercised. Again, this measurement category can only be used for debt instruments because equity instruments and derivatives do not satisfy the SPPI criterion. At Helaba, such debt instruments include bonds and other fixed-income securities. They are generally measured at fair value. Gains and losses on remeasurement at fair value are reported – after taking into account deferred taxes – in a separate line item in other comprehensive income (accumulated OCI). If a financial asset in the FVTOCI (recycling) measurement category forms part of a hedge subject to hedge accounting, the portion of the remeasurement gains or losses attributable to the hedged risk is recognised under net income from hedge accounting. Interest income from financial instruments in the FVTOCI (recycling) measurement category is calculated using the effective interest method and recognised in net interest income under interest income from financial assets measured at fair value through other comprehensive income.

Debt instruments in the FVTOCI (recycling) measurement category are also subject to the IFRS 9 impairment model. Please refer to Note (8) for further disclosures.

Subsequent measurement at fair value through other comprehensive income without recycling (FVTOCI (non-recycling))

Generally speaking, equity instruments do not satisfy the SPPI criterion and have to be measured at fair value through profit or loss. However, IFRS 9 offers an irrevocable election option at the time of initial recognition whereby equity instruments as defined in IAS 32 may be measured at fair value through other comprehensive income if such instruments are acquired for non-trading purposes and do not therefore have to be allocated to the FVTPL-HfT measurement category on a mandatory basis. In the FVTOCI (non-recycling) measurement category, all measurement gains and losses accumulated up to the point at which the equity instrument is derecognised are recognised in accumulated other comprehensive income. In contrast to the treatment of financial instruments in the FVTOCI (recycling) measurement category, even when financial instruments in the FVTOCI (non-recycling) measurement category are derecognised, no impairment losses, reversals of impairment losses or accumulated gains or losses are reclassified to profit or loss (i.e. there is no recycling). However, the changes in fair value accumulated in other comprehensive income up to the point of derecognition are reclassified to retained earnings within the statement of changes in equity.

Helaba has elected to apply this option (to recognise gains or losses on the remeasurement of equity instruments in other comprehensive income) for identified strategic equity investments with a carrying amount that is not negligible.

It is not possible to use this option for shares in collective investment undertakings because the issuer's obligation to accept the return of the shares/units in the fund(s) means that such shares do not qualify as equity instruments as defined by IAS 32.

Subsequent measurement at fair value through profit or loss (FVTPL)

The measurement at fair value through profit or loss (FVTPL) measurement category is used for all financial assets that do not meet the SPPI condition or that are not allocated to either the "hold to collect" or "hold to collect and sell" business models. Business models other than "hold to collect" and "hold to collect and sell" therefore cover all other portfolios and include, for example, portfolios of financial assets and liabilities held for trading purposes or managed on the basis of fair value To ensure that the importance of trading activities is properly reflected in financial statements, a further breakdown is applied to the FVTPL measurement category for the purposes of reporting in the statement of financial position and income statement. This breakdown consists of two subcategories: held for trading (HfT) and other financial assets mandatorily measured at fair value through profit or loss (FVTPL MAND).

By applying the fair value option (FVO) voluntarily, it is possible to use the FVTPL measurement category for financial assets that would otherwise be allocated to the AC or FVTOCI (recycling) measurement categories based solely on the business model criterion or SPPI condition. However, IFRS 9 only permits use of the FVO for financial assets to avoid accounting mismatches. Helaba uses the FVO in individual cases in which there is an economic relationship between the financial assets concerned and other financial instruments – for example in an economic hedge where hedge accounting is not applied – and these other financial instruments need to be measured at fair value in accordance with IFRS 9.

Derivative financial instruments always have to be allocated to the FVTPL measurement category because they do not satisfy the SPPI criterion. Within the FVTPL category, derivatives held for trading purposes are allocated to the HfT subcategory, and non-trading derivatives to the FVTPL MAND subcategory. Generally speaking, equity instruments do not satisfy the SPPI criterion and have to be measured at fair value. Where the option for measurement at fair value through other comprehensive income is not exercised (and is in any case only permissible for equity instruments as defined in IAS 32), these financial instruments are also allocated to the FVTPL MAND measurement category. Likewise, derivatives forming part of a hedge are allocated to the FVTPL MAND measurement category.

Classification of financial liabilities

On initial recognition, financial liabilities are allocated to a measurement category, which then serves as a basis for subsequent measurement. Generally, all financial liabilities are allocated to the AC measurement category unless they are intended for trading, they are derivatives or the FVO is exercised.

Subsequent measurement at amortised cost (AC)

This measurement category consists of non-derivative financial liabilities that are not intended for trading and for which the FVO has not been exercised. The liabilities are measured at amortised cost.

Derivative components embedded in financial liabilities within this measurement category must be evaluated to assess whether there is a bifurcation requirement. If there is a bifurcation requirement, the derivative must be classified and accounted for separately (normally in the FVTPL MAND measurement category). The host contract is classified independently (excluding any separated derivative components) and can be allocated to the AC measurement category.

Please refer to the procedure described for financial assets (AC) for information on determining amortised cost.

Subsequent measurement at fair value through profit or loss (FVTPL)

Non-derivative financial liabilities held for trading (HfT) on initial recognition or for which the FVO has been exercised are allocated to the FVTPL MAND measurement category in the same way as derivatives and measured at fair value through profit or loss.

Financial liabilities held for trading are instruments acquired or held for the purpose of selling and generating profits from short-term fluctuations in prices or trader margins.

The FVO can be exercised to measure financial liabilities at fair value through profit or loss if one of the following criteria is satisfied:

- The financial liability is managed on a fair value basis.
- he financial liability is a structured product and, if the FVO were not applied, the host contract and the embedded derivative would have to be accounted for separately.
- There is an economic relationship between the financial liability and other financial instruments and the application of the FVO avoids an accounting mismatch in the income statement.

Helaba uses the FVO particularly for structured products within financial liabilities.

When the FVO is applied, changes in the fair value of financial liabilities are generally recognised through profit or loss. However, the portion of a change in fair value attributable to changes in Helaba's own credit quality is recognised in accumulated other comprehensive income. Cumulative changes in fair value recognised in other comprehensive income are not reclassified to profit or loss, even in the event of early derecognition of financial liabilities prior to maturity. However, the changes in fair value accumulated in other comprehensive income up to the point of derecognition are reclassified to retained earnings within equity.

(5) Classes of Financial Instruments

The following classes of financial assets and financial liabilities, which have different characteristics, are used for the financial instrument disclosures in the notes. In some of the disclosures, these classes are broken down into sub-classes. The definition of these classes is based on the classes of instruments specified by the FINREP financial reporting framework developed by the European Banking Authority (EBA).

Bonds and other fixed-income securities

This class comprises debt instruments in the form of securities held by the Helaba Group. Certain characteristics, such as the nature of the collateral, subordination or the existence of a compound instrument, have no bearing on the classification.

A distinction is made between money market instruments and medium- and long-term bonds based on the original maturity of the security concerned. All bonds and other fixed-income securities, regardless of what they are actually called, are deemed to be money market instruments if their original maturity is one year or less. Examples of money market instruments are commercial paper and certificates of deposit.

Loans and receivables

All non-derivative debt instruments not classified as bonds or other fixed-income securities are treated as loans and receivables. In addition to (current account) loans and deposits repayable on demand, such instruments include fixed-term loans, credit card receivables, trade accounts receivable, finance lease receivables and reverse repos.

The Helaba Group enters into securities repurchase agreements in the form of standardised repo or reverse repo deals in which Helaba is either the seller/borrower (repo) or buyer/lender (reverse repo). Such arrangements are a contractual agreement to transfer securities accompanied by a simultaneous agreement to repurchase the transferred (or equivalent) securities on a specified date in the future in return for the payment of an amount agreed in advance.

As the risks and rewards associated with the securities involved in the transaction remain entirely with the seller despite the transfer, such transactions are considered "genuine" repurchase agreements in which the derecognition criteria specified in IFRS 9 are not satisfied. The transferred securities therefore continue to be reported in the seller's statement of financial position and measured in accordance with the original measurement category.

The financial assets reported as reverse repos in the loans and receivables class are in effect Helaba's entitlement to repayment of the cash it paid out as the buyer in return for the transfer of securities. This class is also used to report cash collateral furnished by Helaba, as borrower, in connection with securities lending transactions.

Under IFRS 9, securities lending is subject to the same accounting requirements as those applicable to repos and reverse repos with the result that the transfer of securities under securities lending agreements does not result in the derecognition of the securities by the lender. Only the cash collateral furnished and received is recognised by the parties: by the collateral provider as loans and receivables, and by the collateral recipient as deposits and loans.

Positive and negative fair values of derivatives

A derivative is a financial instrument or other contract in which the value is derived from a certain interest rate, price or index, for the purchase of which little or no initial payment is required, and the settlement of which will take place at a later point in time. A derivative may be an asset or a liability depending on whether the fair value of the derivative is positive or negative. The Helaba Group holds derivatives for trading (trading book) and for hedging purposes (banking book). In the case of derivatives held for hedging purposes, a distinction is made between derivatives used for economic hedging as part of hedge management for which the formal documentation requirements specified in IFRS 9 are not satisfied (economic hedges) and derivatives used in qualifying hedging relationships in accordance with IFRS 9.

Equity shares and other variable-income securities

This class comprises equity instruments and other securities for which no fixed interest payments have been agreed. The class largely consists of shares or participation documents evidencing a share in the assets of a public limited company or entity with a similar legal structure, provided that the involvement is not intended to support Helaba's own business operations by establishing a lasting relationship (in which case the securities must be allocated to the shareholdings class). This class also includes shares/units in securities investment funds in the form of special institutional funds and retail funds (such as equity funds, fixed-income funds, mixed funds and real estate funds).

Shareholdings

The shareholdings class comprises equity shares in unconsolidated affiliated companies, joint ventures, associates and other equity investments.

Affiliated companies include subsidiaries that are not fully consolidated in the Helaba consolidated financial statements because they are of minor significance.

A joint venture is a joint agreement between two or more partner entities in which the partner entities jointly share the management of the venture and have rights to the net assets of the venture under the agreement.

Entities in which Helaba is able to exercise significant influence, either directly or indirectly, on the basis of its shareholding and that do not constitute either a subsidiary or a joint venture of Helaba are reported as associates. There is a (rebuttable) presumption of significant influence if Helaba holds 20 % or more of the voting rights.

Shares in any other entities are reported as other equity investments if they are intended to serve Helaba's own business operations by establishing a lasting relationship and the entities concerned are not otherwise classified as subsidiaries, joint ventures or associates.

Purchase of receivables from endowment insurance policies

This class consists of endowment insurance policies purchased on the secondary market by a subsidiary.

Securitised liabilities

Securitised liabilities comprise the debt instruments issued by Helaba as securities. The class brings together issued money market instruments, medium-/long-term bonds and equity/index certificates, reflecting the composition of the bonds and other fixed-income securities asset class. This class of liabilities also includes subordinated bearer bonds, profit-participation certificates and silent participation certificates issued by Helaba.

Deposits and loans

The definition of deposits and loans is based on the definition of the term "Deposits" in Part 2 of Annex II of Regulation (EU) No 1071/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector.

The deposits and loans class comprises amounts invested with Helaba by creditors except amounts arising from the issue of negotiable securities. The class includes deposits on savings accounts, overnight deposit accounts and term deposit accounts as well as (promissory note) loans taken out by Helaba. For the purposes of the aforementioned Annex, deposits and loans are further subdivided into deposits and loans repayable on demand (overnight deposits), deposits and loans with agreed maturity, deposits and loans redeemable at notice and repurchase agreements (repos).

Financial liabilities reported as repos represent the obligation to repay the cash received by Helaba (as seller/borrower) in return for the transfer of securities and/or the cash collateral received

by Helaba in connection with securities lending transactions (see the section on loans and receivables above).

Liabilities arising from short-selling of securities

If, during the term of a securities lending transaction or repo, Helaba sells borrowed securities to third parties, its obligation to return the securities to the original lender or seller is recognised as a liability arising from short-selling of securities.

Other financial liabilities

Other financial liabilities comprise all financial liabilities that are not classified as negative fair values of derivatives, securitised liabilities, deposits and loans or liabilities arising from short-selling of securities.

Examples of other financial liabilities include dividends to be distributed, charges under executory contracts, trade payables and operating lease liabilities.

Hedging derivatives

Derivatives that have been designated as hedging instruments as part of hedge accounting are reported as hedging derivatives.

Hedging derivatives are measured at fair value and are reported under either "Positive fair values of hedging derivatives under hedge accounting" or "Negative fair values of hedging derivatives under hedge accounting", depending on the fair value as at the reporting date.

Loan commitments

Loan commitments are firm obligations entered into by Helaba to provide a loan to a potential borrower on the basis of terms and conditions contractually established in advance. Loan commitments also include forward loans in which Helaba enters into an irrevocable agreement with a potential borrower to issue a loan at a future point in time on the basis of terms specified when the agreement is signed (forward interest rate).

The loan commitments covered by this class comprise solely loan commitments to which the impairment rules under IFRS 9 apply. When a loan commitment is subsequently remeasured in accordance with the rules under IFRS 9 for recognising impairment losses, a provision is recognised for anticipated losses that may arise from a drawdown under the loan commitment.

Loan commitments that do not fall within the scope of the impairment requirements under IFRS 9 are classified as sundry obligations and reported under sundry obligations (within the scope of IAS 37). Examples of such loan commitments are loan commitments in which the party making the commitment can legally withdraw from the commitment unilaterally and unconditionally at any time and in which therefore no default risk arises.

Loan commitments that constitute derivatives or for which the fair value option was exercised on initial recognition are measured at fair value both on initial measurement and in any subsequent remeasurement.

Financial guarantees

A financial guarantee is a contract in which the guarantor is obliged to make a specified payment that compensates the beneficiary of the guarantee for a loss incurred. Such a loss arises because a specified debtor fails to meet contractual payment obligations in relation to a debt instrument. The guarantor's obligation arising in connection with a financial guarantee is recognised on the date the contract is signed. Helaba recognises financial guarantees in which it is the guarantor at fair value, which is zero when the contract is signed if the expected payments (present value of the obligation) are the same as the consideration in the form of premium instalments paid in arrears and on an arm's-length basis (present value of premiums).

When a financial guarantee is subsequently remeasured in accordance with the rules under IFRS 9 for recognising impairment losses, a provision is recognised for anticipated losses that may arise from a claim under the guarantee.

Financial guarantees for which the fair value option was exercised on initial recognition are measured at fair value both on initial measurement and in any subsequent remeasurement.

Sundry obligations

This class encompasses all other off-balance sheet liabilities that do not fall within the scope of IFRS 9 and are therefore subject to the requirements specified in IAS 37. Such obligations include warranty bonds, placement/margin/contribution payment obligations and obligations to purchase non-financial assets.

(6) Recognition of Financial Instruments and of Income and Expenses

The recognition of financial instruments is first based on their measurement category in accordance with IFRS 9. For the purposes of the disclosures in the notes, they are grouped into classes of financial instruments as described in Note (5).

The sole exception is the "Cash on hand, demand deposits and overnight money balances with central banks and banks" line item. This item is used to report cash balances denominated in euros and foreign currencies. These balances are measured at their nominal amounts. The item also includes deposits with the European Central Bank and other central banks repayable on demand or no later than on the following business day as well as demand deposits and overnight money with other banks. Longer-term financial investments and overdrafts on current accounts held by other banks are reported as loans and receivables in accordance with their IFRS 9 measurement category. Depending on the measurement category concerned, interest income from financial assets in the respective line items is reported within net interest income as interest income from other assets (AC) or within net trading income (HfT).

Income and expenses from financial instruments are also reported according to the IFRS 9 measurement category applicable to the financial instrument in question and then according to the class of financial instrument concerned.

Net interest income

The net interest income item encompasses the interest arising from financial assets and liabilities with the exception of interest in connection with financial instruments held for trading, which is reported as part of net trading income. Net interest income includes both interest on debt instruments and the interest on non-trading derivatives in the banking book and on hedge accounting derivatives. Existing premiums, discounts and transaction costs are allocated over the residual maturity of the financial instrument using the effective interest method (amortisation) and recognised in profit or loss under net interest income in addition to the contractually agreed nominal interest. Helaba also uses the net interest income item to recognise financial instrument fees and commissions that form an integral part of the effective interest rate of financial instruments in accordance with IFRS 9.

Net interest income additionally includes pull-to-par effects from hedge accounting derivatives when an underlying asset is retrospectively designated as part of a hedge (after initial recognition of the asset). In this process, the difference between the amortised cost and the repayment amount of the hedged item at

the time the hedge is established is reversed using the effective interest method.

Interest income on impaired financial assets in stage 3 and on purchased or originated credit-impaired (POCI) financial assets is not recognised on the basis of the gross carrying amount. In the case of the former, it is determined by applying the effective interest method with the original effective interest rate to the amortised cost, i.e. net carrying amount (gross carrying amount less cumulative impairment losses); in the case of POCI financial assets, it is determined by applying the original credit-adjusted effective interest rate to the amortised cost (taking into account the expected credit loss on initial recognition).

Net interest income also includes the net interest income or expense from pension obligations and the interest cost arising from the unwinding of the discount on non-current provisions and other liabilities recognised at present value.

Reporting interest anomalies

The breakdown of interest anomalies (negative interest on financial assets and/or positive interest on financial liabilities) is shown in the table in Note (10). Helaba reports positive interest on financial liabilities under interest income, and negative interest on financial assets under interest expense. Cash flows resulting from interest anomalies in connection with derivatives are offset against each other and reported either in interest income or interest expense in the same way that cash flows for each derivative are netted in a normal interest rate environment.

Provisions for losses on loans and advances

The "Provisions for losses on loans and advances" item in the income statement includes all impairment expenses and income in relation to debt instruments in the measurement categories AC (including trade accounts receivable (IFRS 15) and lease receivables (IFRS 16)) and FVTOCI (recycling) and in relation to loan commitments and financial guarantees where such commitments and guarantees are subject to the IFRS 9 impairment requirements. This item includes additions to, and reversals of, cumulative loss allowances, direct write-offs and recoveries of loans and receivables already written off.

Cumulative loss allowances on debt instruments in the AC measurement category are deducted from the gross carrying amounts on the assets side of the statement of financial position. In the case of debt instruments in the FVTOCI (recycling) measurement category, they are reported within accumulated OCI. The cumulative provisions for losses on loan commitments and financial guarantees are reported separately as a provision for off-balance sheet liabilities under provisions on the liabilities side of the statement of financial position. Impairment losses and reversals of impairment losses are recognised as additions to, and reversals of, this provision.

Dividend income

Dividend income is recognised as soon as a legal entitlement to payment is established. Dividend income from equity instruments mandatorily measured at fair value and from equity instruments measured at fair value through other comprehensive income on the basis of the FVTOCI option is reported in the "Dividend income" line item. Dividend income from equity instruments allocated to the trading book is recognised as part of net trading income. Dividend income includes dividends from public limited companies, profit distributions from other companies, income under profit transfer agreements and distributions from special institutional funds and retail funds.

Net fee and commission income

In the Helaba Group, the definition of net fee and commission income is based on section 30 of the RechKredV. This item in the income statement is used to report fee and commission income and expenses according to the nature of the activity concerned.

Fee and commission income and expenses from trading-related activities are reported within net trading income. Income from non-banking services is recognised as sundry income within other net operating income.

Net trading income

Net trading income includes disposal and remeasurement gains or losses on derivative and non-derivative financial instruments held for trading, interest and dividends resulting from trading assets as well as fees and commissions in connection with trading activities. All gains and losses from the currency translation of financial assets and liabilities, regardless of measurement category, are recognised as currency gains and losses within net trading income.

Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss

The gains or losses from the fair value measurement and from the derecognition of financial instruments in the FVTPL MAND measurement category are reported under this item. The unrealised remeasurement gains or losses result from the non-exchange-rate-related change in fair value, disregarding accrued interest (changes in clean fair value). Currency-related changes in fair value are reported as currency gains or losses within net trading income. Current and accrued interest, premiums and discounts as well as other components of the effective interest rate on debt instruments and derivatives mandatorily measured at fair value through profit or loss are reported in net interest income; dividends on equity instruments in this measurement category are recognised under dividend income.

Gains or losses on financial instruments designated voluntarily at fair value

This line item in the income statement is used to report the realised and unrealised gains or losses on financial assets and financial liabilities designated voluntarily at fair value (FVO). In the case of financial assets designated voluntarily at fair value, the item only includes changes in clean fair value (i.e. excluding currency-related changes) in the same way as the item for financial instruments mandatorily measured at fair value through profit or loss. Currency-related changes in fair value are reported as currency gains or losses in net trading income. In the case of the measurement of financial liabilities, changes in fair value attributable to changes in Helaba's own credit risk are not recognised in this income statement item, but in accumulated OCI instead. Current and accrued interest, premiums and discounts as well as other components of the effective interest rate for debt instruments are recognised in net interest income.

Net income from hedge accounting

The changes in value of the hedged items and hedging instruments included in hedging relationships and relating to the hedged risk (interest rate risk, currency risk) are reported under net income from hedge accounting. Please refer to Note (9) for disclosures on hedge accounting.

Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss

This income statement item consists of the net gains or losses from the early derecognition (as a result of disposal or substantial modification) of financial assets and financial liabilities measured at amortised cost (AC measurement category) and of financial assets measured at fair value through other comprehensive income (FVTOCI measurement category).

The recognition of the disposal or modification gain or loss is based on the stage under the impairment model at the time of derecognition. In the case of financial assets in stage 1, the cumulative loss allowances previously recognised under provisions for losses on loans and advances in the income statement are first reversed. A net gain or loss on derecognition in the amount of the difference between the selling price and the gross carrying amount is then recognised. For instruments in stage 2, the cumulative loss allowances are first utilised and the difference between the selling price and gross carrying amount after utilisation is then recognised as a net gain or loss on derecognition. In the case of impaired financial assets in stage 3, the main factor determining value is the credit risk in a sale transaction. The cumulative loss allowances are therefore first adjusted until the selling price equates to the net carrying amount. Generally speaking, the same system is used for financial assets measured at fair value through other comprehensive income. In addition, the non-credit-risk-related changes in fair value accumulated up to that point in accumulated OCI are recycled to profit or loss.

Day-one profit or loss

In the case of financial instruments measured at fair value, differences may arise between the transaction price and the fair value (day-one profit or loss). Any day-one profit or loss is normally recognised immediately in profit or loss. If the calculation of the fair value is not based on observable measurement parameters, the day-one profit or loss must be recognised in profit or loss over the maturity of the asset concerned. In such cases, a deferral item is recognised under the same item as the transaction responsible for the day-one profit or loss. The reversal of the deferral item and recognition in profit or loss depends on the underlying transaction. In the case of interest-bearing financial instruments, the day-one profit or loss is amortised over the life of the instrument using the effective interest method; in the case of equity instruments, the deferred item is only reversed and recognised in profit or loss on derecognition of the instrument. It may also be appropriate to amortise day-one profit or loss on a straight line basis. On derecognition of a financial asset or financial liability, any related day-one profit or loss that has not yet been amortised is recognised immediately in profit or loss.

(7) 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. The relevant market is generally taken to be the market with the highest level of activity to which Helaba has access (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 the volume and frequency of trading in the relevant or similar financial instruments is sufficient to generate regular market prices.

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 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, volatilities
Credit derivatives	Black model	Yield curves, credit spreads, correlations
Loans	Discounted cash flow method	Yield curves, credit spreads, liquidity 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

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 measurement uncertainty resulting from the use of a model-based valuation technique. 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 valuation technique is used 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 equity investments 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 level used in the previous measurement, the instrument is reallocated to the relevant level.

(8) Impairment of Financial Assets, Loan Commitments and Financial Guarantees

Helaba applies the three-stage IFRS 9 impairment model to the following financial instruments and measurement categories:

- Financial assets in the AC measurement category
- Debt instruments in the FVTOCI measurement category
- Lease receivables
- Contract assets as specified in IFRS 15
- Loan commitments within the scope of IFRS 9 and financial guarantees not measured at fair value through profit or loss

In accordance with the expected credit loss model, a loss allowance is recognised in the amount of the expected credit loss for all financial instruments falling within this scope, depending on the allocation of the financial instrument concerned to the relevant stage in the model.

Loss allowances at stage 1

When a financial instrument is first recognised, it is normally allocated to stage 1 regardless of its initial credit risk. Exceptions are financial instruments that need to be classified as POCI assets because there is already objective evidence of impairment at the time of initial recognition, and lease receivables, trade accounts receivable and contract assets in accordance with IFRS 15, which are always allocated to stage 2 in application of the simplified approach under IFRS 9.

The loss allowance at stage 1 is recognised in an amount equal to the twelve-month expected credit loss (12M ECL). This amount is derived from the lifetime expected credit losses (lifetime ECLs) and comprises the portion of the losses resulting from default events anticipated in the twelve months following the reporting date.

Loss allowances at stage 2

Financial instruments for which the credit risk has increased significantly compared with the credit risk expected on initial recognition are allocated to stage 2. Lease receivables, trade accounts receivable and contract assets as specified in IFRS 15 are also allocated to stage 2. IFRS 9 offers an option whereby financial instruments with a very low absolute credit risk can be left in stage 1 regardless of any relative deterioration since initial recognition. Helaba only exercises this option for investment-grade securities.

To assess whether there has been a significant increase in credit risk since initial recognition, Helaba uses a relative quantitative transfer criterion based on the established internal rating process. In this approach, the latest probability of default over the residual maturity of the financial instrument is compared with the probability of default anticipated for this period at the time of initial recognition. The predicted credit risk is determined using rating-module-specific migration matrices and a distribution assumption (quantile), such that a rating threshold value can be established as a quantitative transfer criterion for each financial instrument. The transfer of an instrument to loan workout is also used as a qualitative criterion for assessing whether the instrument needs to be moved to stage 2. This is required, for example, if payments are more than 30 days past due without agreement.

The criteria for a transfer from stage 1 to stage 2 apply in the same way for a transfer back to stage 1: a financial instrument can be transferred back to stage 1 if the credit risk associated with the financial instrument has reduced again to the extent

that the criterion of a significant increase in credit risk is no longer satisfied.

At stage 2, a loss allowance is recognised in an amount equal to the lifetime expected credit losses (lifetime ECLs) for the financial instrument concerned.

The lifetime ECL is generally determined for each individual financial instrument. A portfolio approach is only carried out to take into consideration information not previously reflected in the ECL calculation models and that should be factored into the recognition of loss allowances. The calculation of lifetime ECLs is based on projections of the probability of default (PD) using migration matrices differentiated by rating module, modelling of the exposure at default (EAD) based on contractual payments taking into account anticipated unscheduled repayments of principal (derived from previous experience), and modelling of the loss given default (LGD) taking into account forecast trends in the fair value of collateral. The probabilities of default factor in three macroeconomic scenarios, so that the loss allowances also appropriately take into account non-linear correlations.

When determining the maturity of financial instruments, the Helaba Group bases its calculations on the maximum contractual term, taking into account borrowers' renewal options. In the case of combined financial instruments, i.e. financial instruments consisting of a combination of loan and revolving credit (such as current account overdrafts), the contractual term is generally an inadequate reflection of the actual maturity, so an estimated historical average maturity is used for these scenarios. When determining the EAD, the probability of drawdown is taken into account for loan commitments, as is the probability of a call on the guarantee in the case of financial guarantees.

The parameters from internal credit risk management used in the measurement of lifetime ECLs are adjusted according to the requirements under IFRS 9 and regularly validated. If there are significant changes in the macroeconomic or sector-specific environment, or in relation to certain markets, regions or customer groups, it may be necessary to make adjustments on the basis of expert assessments to ensure that the provisions for losses on loans and advances are at an appropriate level unless relevant information can be incorporated in the individual ECL calculations.

Loss allowances at stage 3

A financial instrument is allocated to stage 3 if there is objective evidence of impairment. In this context, Helaba has harmonised its definition of indicators constituting objective evidence with the regulatory definition of a default event in accordance with article 178 of the Capital Requirements Regulation (CRR). A financial asset is therefore deemed to be in default and is allocated to stage 3 if one of more of the following criteria are satisfied:

- Repayment by the borrower in full, without recourse by the lender to recovery of collateral, is unlikely.
- A payment is in arrears by more than 90 days.

A transfer back again from stage 3 to stage 2 or 1 is only possible after the end of the recovery phase.
The amount of the loss allowance to be recognised for financial instruments in stage 3 is also equivalent to the lifetime ECL. In the case of significant loans (exposures of € 3 m or more), the loss allowance is then calculated on the basis of individual cash flow estimates, taking into account various scenarios and the probability of such scenarios materialising. In the case of loans not classified as significant, the lifetime ECL as determined at stage 2 is used, but with the given default probability of 1.

Uncollectible loans and receivables in which it is virtually certain that there will be no further receipt of payments after recovery of all collateral and receipt of other proceeds are derecognised taking into account recognised loss allowances.

POCI financial assets

Financial assets for which there is already objective evidence of impairment on initial recognition are subject to a separate measurement approach known as the purchased or originated credit-impaired (POCI) approach. If an asset is classified as a POCI asset on initial recognition, this classification must be maintained until the asset is derecognised, regardless of any change in the associated credit risk. POCI financial assets are therefore not subject to the transfer criteria in the general three-stage model.

(9) Hedge Accounting

The Helaba Group enters into derivatives for both trading and hedging purposes. If derivatives are demonstrably used to hedge risks, special hedge accounting rules can be applied under IFRS 9, subject to certain preconditions, in order to eliminate accounting mismatches (in annual financial statements) that could arise from differences between the measurement of hedging instruments and that of hedged items.

Please refer to the Helaba Group's general risk strategy and specific risk strategies for a description of the overarching risk management strategy for managing market risk in the banking book. The Helaba Group applies hedge accounting on a selective basis for the derivatives used in the context of managing market risk in the banking book. It is not necessary to apply hedge accounting to all banking book derivatives because the risk exposures in connection with some of the banking book derivatives balance each other out and, in addition, some of the hedged banking book transactions are themselves measured at fair value through profit or loss.

Two hedge accounting models are used in the Helaba Group:

- Fair value hedges for interest rate risk
  Fair value hedge accounting is used for interest rate swaps and those cross-currency swaps with a fixed and variable interest-bearing component to offset in the income statement the changes in the fair value of the designated swaps against the interest-rate-related changes in fair value of fixed-interest issues, loans or securities on the assets side of the statement of financial position. Hedged banking book transactions are allocated to each swap individually (micro hedges). Interest-rate-related changes in the fair value of hedged items are deemed to be those changes in fair value that arise from changes in the currency-specific interest rate swap curves with the predominant variable market interest rate basis (hedged risk). Together with any gains or losses from currency translation in connection with foreign currency transactions, these interest-rate-related changes in fair value make up the majority of the market-risk-related changes in the fair value of hedged items. As the hedging relationships do not involve any basis risk that could be systematically countered through a hedge ratio, one unit of hedge always hedges one unit of hedged item in the designated hedges (and the hedge ratio is therefore always 1:1). Nevertheless, the resulting offsetting in the income statement (net income from hedge accounting) is not perfect; a certain degree of hedging ineffectiveness is to be expected, particularly for the following reasons:

  – Differences in the discounting for hedged items and hedging instruments resulting from the fact that, unlike hedged items, derivative hedging instruments backed by cash collateral are measured on the basis of overnight index swap (OIS) yield curves (OIS discounting)

  – Interest rate measurement gains or losses from the variable side of derivative hedges (which cannot be offset by any corresponding measurement gains or losses on fixed-interest hedged items).

  No sources of ineffectiveness arose in the reporting period other than the anticipated sources described above.

- Fair value hedges for currency risk
  Cross-currency basis swaps are used as instruments in fair value hedges of currency risk. Changes in the fair value of the swaps arising from a change in the currency basis element are reported as hedge costs under other comprehensive income in the statement of comprehensive income (change from the fair value hedges of currency risk) and, on a cumulative basis, in the reserve for fair value hedges of currency risk, which is a component of accumulated OCI. The remaining change in the fair value of the designated cross-currency basis swaps is recognised in net income from hedge accounting together with the spot-rate-related change in the fair value of the hedged items (hedged risk). Together with any interest-rate-related changes in fair value in fixed-rate transactions, these spot-rate-related changes in the fair value of hedged items make up the majority of the market-risk-related changes in the fair value of hedged items. As the hedging relationships do not involve any basis risk that could be systematically countered through a hedge ratio, one unit of hedge always hedges one unit of hedged item (and the hedge ratio is therefore always 1:1). Nevertheless, the resulting offsetting in the income statement is not completely perfect be-

cause the interest rate measurement gains and losses from the floating rates on both sides of the cross-currency basis swaps are not matched by any corresponding measurement gains or losses in the hedged items, which are only measured at spot rates. For this reason (and other reasons of minor significance), a certain degree of hedge ineffectiveness is always anticipated.

No sources of ineffectiveness arose in the reporting period other than the anticipated sources described above.

Hedged items are not allocated individually to the cross-currency basis swaps. Rather, a group hedge is designated for each currency. Each group hedge consists of the swaps and the primary banking book transactions in the currency concerned.

In the Helaba Group, prospective effectiveness is determined solely using regression analysis.

Income Statement Disclosures

(10) Net Interest Income

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Interest income from	**1,701**	**1,877**
Financial assets measured at amortised cost	**1,063**	**1,177**
thereof: Interest income from unwinding	2	6
Loans and receivables	1,063	1,177
Non-trading financial assets mandatorily measured at fair value through profit or loss	**359**	**405**
Bonds and other fixed-income securities	14	n. a.
Loans and receivables	8	n. a.
Derivatives not held for trading	337	405
Financial assets designated voluntarily at fair value	**5**	**37**
Bonds and other fixed-income securities	1	15
Loans and receivables	4	22
Financial assets measured at fair value through other comprehensive income	**103**	**110**
Bonds and other fixed-income securities	100	110
Loans and receivables	3	–
Hedging derivatives under hedge accounting	**105**	**129**
Financial liabilities (negative interest)	**33**	**19**
Financial liabilities measured at amortised cost	33	19
Other assets	**33**	**–**
Interest expense on	**–1,180**	**–1,347**
Financial liabilities measured at amortised cost	**–637**	**–707**
Securitised liabilities	–210	–194
Deposits and loans	–427	–513
Derivatives not held for trading	**–336**	**–375**
Financial liabilities designated voluntarily at fair value	**–91**	**–114**
Securitised liabilities	–36	–35
Deposits and loans	–55	–79
Hedging derivatives under hedge accounting	**–60**	**–106**
Financial assets (negative interest)	**–37**	**–28**
Financial assets measured at amortised cost	–37	–28
Provisions and other liabilities	**–19**	**–17**
Unwinding of discount on provisions for pension obligations	–17	–16
Unwinding of discount on other provisions	–1	–1
Other liabilities	–1	–
Total	**521**	**530**

Of the interest income as at 30 June 2018, € 1,149 m (H1 2017: € 1,203 m) resulted from the calculation using the effective interest method.

(11) Provisions for Losses on Loans and Advances

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Related to financial assets measured at amortised cost	**16**	**–9**
Loans and receivables	**16**	**–9**
Additions to cumulative loss allowances	–100	–68
Reversals of cumulative loss allowances	112	49
Direct write-offs	–1	–2
Recoveries on loans and receivables previously written off	5	12
Loan commitments and financial guarantees	**–3**	**7**
Additions to provisions	–29	–8
Reversals of provisions	26	15
Total	**13**	**–2**

(12) Dividend income

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Related to equity instruments mandatorily measured at fair value through profit or loss	**22**	**n. a.**
Equity shares and other variable-income securities	18	n. a.
Shares in unconsolidated affiliates	1	n. a.
Other equity investments	3	n. a.
Related to equity instruments measured voluntarily at fair value	**n. a.**	**1**
Equity shares and other variable-income securities	n. a.	1
Related to equity instruments measured at fair value through other comprehensive income	**2**	**12**
Equity shares and other variable-income securities	–	6
Shares in unconsolidated affiliates	–	1
Other equity investments	2	5
Total	**24**	**13**

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

Of the dividend income from equity instruments for which the option of measurement through other comprehensive income has been exercised, no income was derived from assets derecognised during the reporting period.

(13) Net Fee and Commission Income

in € m

	1.1.–30.6.2018	1.1.–30.6.2017[1)]
Lending and guarantee business	16	19
Account management and payment transactions	53	57
Asset management	46	46
Securities and securities deposit business	21	26
Management of public-sector subsidy and development programmes	18	18
Other fees and commissions	18	14
Total	**172**	**180**

[1)] Prior-year figures restated: Fees and commissions in connection with placement and underwriting obligations in an amount of € 11 m were reported in the previous year. These are now reported under other fees and commissions.

Fees and commissions on trading activities are reported under net trading income.

Please refer to Note (51) for disclosures on revenue from contracts with customers in accordance with IFRS 15.

(14) Net Trading Income

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Equity-/index-related transactions	**–**	**2**
Equity shares and other variable-income securities	–22	3
Equities	–22	3
Equity/index certificates	22	7
Issued equity/index certificates	–	–8
Interest-rate-related transactions	**7**	**112**
Bonds and other fixed-income securities	–1	6
Loans and receivables	15	1
Issued money market instruments	1	–1
Deposits and loans	1	4
Interest-rate derivatives	–9	102
Currency-related transactions	**3**	**66**
Foreign exchange	19	184
FX derivatives	–16	–118
Credit derivatives	**2**	**–7**
Commodity-related transactions	**3**	**4**
Net fee and commission income or expense	**–7**	**–9**
Total	**8**	**168**

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

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Derivatives not held for trading	**48**	**–206**
Equity/index certificates	1	3
Interest-rate derivatives	54	–138
Cross-currency derivatives (FX derivatives)	–7	–72
Credit derivatives	–	1
Bonds and other fixed-income securities	**–21**	**n. a.**
Loans and receivables	**1**	**n. a.**
Equity shares and other variable-income securities	**–5**	**n. a.**
Shareholdings	**1**	**n. a.**
Other equity investments	1	n. a.
Receivables from endowment insurance policies	**2**	**n. a.**
Total	**26**	**–206**

Gains or losses on non-trading derivatives consist of the gains and losses on derivatives allocated to economic hedges for which no hedging relationship has been documented. The gains and losses on the hedged items in these economic hedges are reported under the gains and losses of the relevant measurement category of financial instruments.

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

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Bonds and other fixed-income securities	1	–34
Equity shares and other variable-income securities	n. a.	1
Loans and receivables	–1	–6
Securitised liabilities	–10	49
Deposits and loans	3	88
Total	**–7**	**98**

(17) 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.–30.6.2018	1.1.–30.6.2017
Fair value hedges – micro	**4**	**–1**
Remeasurement gains (losses) on hedged items	–86	58
Remeasurement gains (losses) on hedging instruments	90	–59
Fair value hedges – group hedges	**–1**	**n. a.**
Remeasurement gains (losses) on hedged items	279	n. a.
Remeasurement gains (losses) on hedging instruments	–280	n. a.
Total	**3**	**–1**

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

(18) Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Related to financial assets measured at amortised cost (AC)	**1**	**–1**
Bonds and other fixed-income securities	1	–
Loans and receivables	–	–1
Related to financial assets measured at fair value through other comprehensive income (FVTOCI)	**1**	**5**
Bonds and other fixed-income securities	1	5
Total	**2**	**4**

(19) 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.–30.6.2018	1.1.–30.6.2017
Share of profit or loss of equity-accounted joint ventures	**3**	**–**
Share of profit or loss	3	–
Share of profit or loss of equity-accounted associates	**2**	**2**
Share of profit or loss	2	2
Total	**5**	**2**

(20) Other Net Operating Income

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Gains (+) or losses (–) from the disposal of non-financial assets	**32**	**30**
Investment property	17	23
Inventories	15	7
Impairment losses (–) or reversals of impairment losses (+) on non-financial assets	**–1**	**–2**
Property and equipment	–	–1
Inventories	–1	–1
Additions (–) to or reversals (+) of provisions	**4**	**–5**
Provisions for off-balance sheet liabilities (excluding loan commitments and financial guarantees)	1	–
Restructuring provisions	–	–11
Sundry provisions	3	6
Income from the deconsolidation of subsidiaries	**18**	**–**
Other net operating income	**98**	**87**
Investment property	89	81
Property and equipment	7	5
Inventories	2	1
Rental income under non-cancellable subtenancy arrangements	**–**	**1**
Income from non-banking services	**14**	**15**
Profit transfer expenses	**–**	**–2**
Sundry other operating income and expenses	**–12**	**–1**
Total	**153**	**123**

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

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

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Income from investment property	**185**	**184**
Rental and lease income	166	161
Gains on disposals	17	23
Other income	2	–
Expenses from investment property	**–79**	**–80**
Operating and maintenance expenses for investment property	–78	–80
thereof: For property leased to third parties	–78	–80
Miscellaneous expenses	–1	–
Total	**106**	**104**

(21) General and Administrative Expenses

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Personnel expenses	**–323**	**–311**
Wages and salaries	–256	–250
Social security	–38	–38
Expenses for pensions and other benefits	–29	–23
Other administrative expenses	**–360**	**–325**
Buildings and premises	–29	–27
IT costs	–123	–93
Mandatory contributions	–90	–95
Cost of advertising, public relations and representation	–16	–16
Business operating costs	–53	–47
Audit and other attestation services	–6	–13
Consulting services and expert reports	–41	–34
Training and professional development expenses	–2	–
Total	**–683**	**–636**

The mandatory contributions included the portion of contributions to the European Single Resolution Fund subject to recognition in profit or loss amounting to € 40 m (H1 2017: € 38 m).

(22) Depreciation and Amortisation

in € m

	1.1.–30.6.2018	1.1.–30.6.2017
Investment property	**–19**	**–18**
Buildings leased out	–19	–18
Property and equipment	**–10**	**–11**
Owner-occupied land and buildings	–5	–5
Operating and office equipment	–5	–6
Intangible assets	**–8**	**–6**
Purchased software	–8	–6
Total	**–37**	**–35**

(23) Segment Reporting

In 2017, Helaba reviewed and refined its business model. In this regard, a number of process adjustments were carried out. Approval was also given to changes to the organisational structure, which will be implemented from 2018. In this context, Helaba has also reviewed its segment structures. The outcome is that the new segment breakdown has largely been based on the Bank's products and reduced from five to four operating segments. The structure has also been amended in line with the changes to the presentation of the income statement compared with the prior year. Please refer to Note (1) for disclosures relating to the modification of the income statement. The prior-year figures in the segment report have been restated accordingly.

in € m

	Real Estate		Corporates & Markets		Retail & Asset Management		WIBank	
	30.6. 2018	30.6. 2017	30.6. 2018	30.6. 2017	30.6. 2018	30.6. 2017	30.6. 2018	30.6. 2017
Net interest income	186	191	202	203	138	136	24	24
Provisions for losses on loans and advances	2	3	–6	–27	–	–	–	–
Net interest income after provisions for losses on loans and advances	**188**	**194**	**196**	**176**	**138**	**136**	**24**	**24**
Net fee and commission income	8	9	56	59	92	93	19	19
Net trading income	–	–	22	137	–1	1	–	–
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	–	–	–2	–	–1	–	–	–
Share of profit or loss of equity-accounted entities	–	–	–	–	2	1	–	–
Other net income/expense	–1	–1	18	9	166	140	1	1
Total income	**195**	**202**	**290**	**381**	**396**	**371**	**44**	**44**
General and administrative expenses	–73	–68	–231	–222	–263	–245	–35	–35
Profit before taxes	**122**	**134**	**59**	**159**	**133**	**126**	**9**	**9**
Assets (€ bn)	29.0	30.3	79.8	73.5	30.1	29.2	18.5	16.6
Risk-weighted assets (€ bn)	14.9	14.3	20.3	20.1	6.6	6.0	1.2	1.1
Allocated capital (€ m)	1,890	1,912	2,545	2,656	2,269	2,011	142	138
Return on allocated capital (%)	12.9	14.1	4.6	11.9	11.7	12.6	11.9	12.2
Cost-income ratio	37.9	34.0	78.0	54.4	66.4	66.0	80.6	80.7

in € m

	Other		Consolidation/ reconciliation		Group	
	30.6. 2018	30.6. 2017	30.6. 2018	30.6. 2017	30.6. 2018	30.6. 2017
Net interest income	–16	13	–13	–37	521	530
Provisions for losses on loans and advances	17	21	–	1	13	–2
Net interest income after provisions for losses on loans and advances	**1**	**34**	**–13**	**–36**	**534**	**528**
Net fee and commission income	–3	–3	–	3	172	180
Net trading income	–	–	–13	30	8	168
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	13	–79	12	–30	22	–109
Share of profit or loss of equity-accounted entities	3	1	–	–	5	2
Other net income/expense	26	10	–31	–19	179	140
Total income	**40**	**–37**	**–45**	**–52**	**920**	**909**
General and administrative expenses	–161	–141	43	40	–720	–671
Profit before taxes	**–121**	**–178**	**–2**	**–12**	**200**	**238**
Assets (€ bn)	22.4	23.8	–12.9	–9.4	166.9	164.0
Risk-weighted assets (€ bn)	8.9	8.6	–	–	51.9	50.1
Allocated capital (€ m)	1,099	1,095	–	–	7,944	7,811
Return on allocated capital (%)	–	–	–	–	5.0	6.1
Cost-income ratio	–	–	–	–	79.4	73.7

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 and financial investments and share of profit or loss of equity-accounted entities are determined in the same way as the figures for external financial reporting under IFRSs.

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.

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

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

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, this 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 are also recognised under this segment.

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

Statement of Financial Position Disclosures

(24) Cash on hand, demand deposits and overnight money balances with central banks and banks

in € m

	30.6.2018	31.12.2017
Cash on hand	**74**	**89**
Demand deposit balances with central banks	**17,945**	**9,836**
With Deutsche Bundesbank	**16,489**	**9,118**
Category AC	16,489	219
Category HfT	–	8,899
With other central banks	**1,456**	**718**
Category AC	1,456	706
Category HfT	–	12
Demand deposits and overnight money balances with banks	**615**	**553**
Category AC	491	358
Category HfT	124	195
Total	**18,634**	**10,478**

(25) Financial Assets Measured at Amortised Cost

in € m

	30.6.2018	31.12.2017
Bonds and other fixed-income securities	**4**	**32**
Medium- and long-term bonds	4	32
Loans and receivables	**100,419**	**100,014**
Repayable on demand and at short notice	6,039	6,083
Trade accounts receivable, including factoring	3,266	2,839
Receivables from finance leases	3	3
Other fixed-term loans	90,964	91,055
thereof: Forwarding loans	7,286	6,853
Other receivables not classified as loans	147	34
Total	**100,423**	**100,046**

Please refer to Note (48) 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

	30.6.2018	31.12.2017
Commercial real estate loans	30,950	29,668
Residential building loans	5,886	5,443
Consumer loans to private households	176	133
Infrastructure loans	15,506	15,092
Asset finance	5,959	5,554
Leasing funding	3,467	3,905
Import/export finance	26	13
Other financing purposes	28,994	31,247
Total	**90,964**	**91,055**

(26) Trading Assets

in € m

	30.6.2018	31.12.2017
Positive fair values of trading derivatives	**9,076**	**9,308**
thereof: Traded OTC	9,065	9,294
thereof: Exchange-traded	11	14
Equity-/index-related transactions	271	182
Interest-rate-related transactions	7,757	8,054
Currency-related transactions	1,009	1,013
Credit derivatives	37	57
Commodity-related transactions	2	2
Bonds and other fixed-income securities	**5,980**	**5,324**
Money market instruments	30	–
Medium- and long-term bonds	5,950	5,324
Loans and receivables	**904**	**1,355**
Repayable on demand and at short notice	9	4
Securities repurchase transactions	40	22
Other fixed-term loans	855	1,329
Equity shares and other variable-income securities	**16**	**113**
Equities	16	113
Total	**15,976**	**16,100**

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

(27) Other Financial Assets Mandatorily Measured at Fair Value through Profit or Loss

in € m

	30.6.2018	31.12.2017
Positive fair values of non-trading derivatives	**2,049**	**2,369**
thereof: Traded OTC	2,049	2,369
Interest-rate-related transactions	1,933	1,993
Currency-related transactions	116	376
Bonds and other variable-income securities	**1,590**	**n. a.**
Medium- and long-term bonds	1,590	n. a.
Loans and receivables	**80**	**n. a.**
Repayable on demand and at short notice	1	n. a.
Other fixed-term loans	75	n. a.
Other receivables not classified as loans	4	n. a.
Equity shares and other variable-income securities	**97**	**n. a.**
Investment units	97	n. a.
Shareholdings	**72**	**n. a.**
Shares in unconsolidated affiliates	19	n. a.
Shares in non-equity-accounted joint ventures	4	n. a.
Shares in non-equity-accounted associates	5	n. a.
Equity investments	44	n. a.
Receivables from endowment insurance policies	**108**	**n. a.**
Total	**3,996**	**2,369**

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.

(28) Financial Assets Designated Voluntarily at Fair Value

in € m

	30.6.2018	31.12.2017
Bonds and other fixed-income securities	**120**	**1,758**
Medium- and long-term bonds	120	1,758
Loans and receivables	**474**	**479**
Other fixed-term loans	473	479
Other receivables not classified as loans	1	–
Equity shares and other variable-income securities	**n. a.**	**70**
Investment units	n. a.	70
Total	**594**	**2,307**

(29) Positive Fair Values of Hedging Derivatives under Hedge Accounting

in € m

	30.6.2018	31.12.2017
Derivatives in fair value hedges – micro	**517**	**551**
thereof: Traded OTC	517	551
Interest-rate-related transactions	517	551
Derivatives in fair value hedges – group hedges	**170**	**n. a.**
thereof: Traded OTC	170	n. a.
Currency-related transactions	170	n. a.
Total	**687**	**551**

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

in € m

	30.6.2018	31.12.2017
Bonds and other fixed-income securities	**21,864**	**21,930**
Money market instruments	534	567
Medium- and long-term bonds	21,330	21,363
Loans and receivables	**450**	**–**
Other fixed-term loans	450	–
Equity shares and other variable-income securities	**–**	**40**
Equity	–	1
Investment units	–	39
Shareholdings	**37**	**109**
Shares in unconsolidated affiliates	5	25
Shares in non-equity-accounted joint ventures	–	3
Shares in non-equity-accounted associates	–	6
Equity investments	32	75
Receivables from endowment insurance policies	**–**	**112**
Total	**22,351**	**22,191**

(31) Shares in Equity-Accounted Entities

In the reporting period, a total of 31 (31 December 2017: 31) joint ventures and 3 (31 December 2017: 3) associates were accounted for using the equity method.

The breakdown of equity-accounted investments is shown below:

in € m

	30.6.2018	31.12.2017[1]
Investments in joint ventures	**42**	**36**
Non-financial activities	42	36
Investments in associates	**5**	**9**
Other financial activities	1	–
Non-financial activities	4	9
Total	**47**	**45**

[1] In the previous year, investments in joint ventures in an amount of € 2 m were reported under investments in associates; this has been corrected in the prior-year figures.

(32) Investment Property

in € m

	30.6.2018	31.12.2017
Land and buildings leased to third parties	2,129	2,114
Undeveloped land	90	55
Vacant buildings	2	2
Investment properties under construction	70	68
Total	**2,291**	**2,239**

(33) Property and Equipment

in € m

	30.6.2018	31.12.2017
Owner-occupied land and buildings	371	372
Operating and office equipment	50	52
Machinery and technical equipment	3	3
Total	**424**	**427**

(34) Intangible Assets

in € m

	30.6.2018	31.12.2017
Software	74	66
thereof: Purchased	74	66
Total	**74**	**66**

(35) 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

in € m

	30.6.2018	31.12.2017
Non-current assets classified as held for sale	6	–
Total	**6**	**–**

This item consists of units in four investment funds; a decision has been made to sell all these units. The sale is expected to take place in the third quarter of 2018. The fair value of € 6 m equates to the anticipated sale prices.

(36) Other Assets

in € m

	30.6.2018	31.12.2017
Inventories	**466**	**442**
Property held for sale	464	441
Other inventories/work in progress	2	1
Advance payments and payments on account	**150**	**123**
Other taxes receivable	**5**	**8**
Other assets	**269**	**360**
Total	**890**	**933**

(37) Financial Liabilities Measured at Amortised Cost

in € m

	30.6.2018	31.12.2017
Securitised liabilities	**44,505**	**43,514**
Issued money market instruments	**4,600**	**5,265**
Commercial paper (CP)	2,001	1,729
Certificates of deposit (CD)	1,852	2,771
Asset-backed commercial paper (ABCP)	747	765
Medium- and long-term bonds issued	**39,905**	**38,249**
Mortgage Pfandbriefe	9,818	8,111
Public Pfandbriefe	10,634	11,468
Structured (hybrid) bonds	1,627	1,438
Other medium- and long-term bonds	17,826	17,232
Deposits and loans	**85,831**	**78,870**
Payable on demand	39,305	34,909
With an agreed term	39,307	37,194
With an agreed period of notice	6,917	6,767
Securities repurchase transactions (repos)	302	–
Other financial liabilities	**318**	**153**
Total	**130,654**	**122,537**

For detailed disclosures on issuance activities see Note (47).

(38) Trading Liabilities

in € m

	30.6.2018	31.12.2017
Negative fair values of trading derivatives	**7,763**	**7,935**
thereof: Traded OTC	7,732	7,914
thereof: Exchange-traded	31	21
Equity-/index-related transactions	268	178
Interest-rate-related transactions	6,466	6,768
Currency-related transactions	991	925
Credit derivatives	36	61
Commodity-related transactions	2	3
Securitised liabilities	**712**	**652**
Issued money market instruments	675	612
Commercial paper (CP)	615	612
Certificates of deposit (CD)	60	–
Issued equity/index certificates	37	40
Deposits and loans	**3,515**	**3,669**
Payable on demand	1,011	438
With an agreed term	2,497	3,231
Securities repurchase transactions (repos)	7	–
Liabilities arising from short-selling	**29**	**21**
Total	**12,019**	**12,277**

For detailed disclosures on issuance activities see Note (47).

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

(39) Negative Fair Values of Non-Trading Derivatives

in € m

	30.6.2018	31.12.2017
Negative fair values of non-trading derivatives	**1,823**	**2,191**
thereof: Traded OTC	1,822	2,190
thereof: Exchange-traded	1	1
Equity-/index-related transactions	1	1
Interest-rate-related transactions	1,770	1,808
Currency-related transactions	52	382
Total	**1,823**	**2,191**

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.

(40) Financial Liabilities Designated Voluntarily at Fair Value

in € m

	30.6.2018	31.12.2017
Securitised liabilities	**6,816**	**6,168**
Medium- and long-term bonds issued	**6,816**	**6,168**
Public Pfandbriefe	108	109
Structured (hybrid) bonds	2,143	1,696
Other medium- and long-term bonds	4,565	4,363
Deposits and loans	**4,291**	**4,144**
Total	**11,107**	**10,312**

For detailed disclosures on issuance activities see Note (47).

(41) Negative Fair Values of Hedging Derivatives under Hedge Accounting

in € m

	30.6.2018	31.12.2017
Derivatives in fair value hedges – micro	**72**	**89**
thereof: Traded OTC	72	89
Interest-rate-related transactions	72	89
Derivatives in fair value hedges – group hedges	**488**	**n. a.**
thereof: Traded OTC	488	n. a.
Currency-related transactions	488	n. a.
Total	**560**	**89**

(42) Provisions

in € m

	30.6.2018	31.12.2017
Provisions for employee benefits	**1,781**	**1,799**
Pensions and similar defined benefit obligations	1,708	1,718
Other employee benefits due in the long term	73	81
Other provisions	**307**	**290**
Provisions for off-balance sheet liabilities	42	29
Provisions for loan commitments and financial guarantees	42	28
Provisions for other off-balance sheet liabilities	–	1
Restructuring provisions	14	17
Provisions for litigation risks	27	32
Sundry provisions	224	212
Total	**2,088**	**2,089**

In calculating the pension provisions, the main pension obligations in Germany were measured using a discount rate of 2.0 % (31 December 2017: 2.0 %).

The mortality tables published by Heubeck AG on 20 July 2018 (Heubeck 2018 G) have not yet been used when measuring the pension provisions. Heubeck AG estimates that an adjustment effect of 1.5 % to 2.5 % of the obligation will arise when the new mortality tables are applied. On this basis, actuarial losses of € 30 m to € 50 m are expected to be recognised in other comprehensive income.

(43) Other Liabilities

in € m

	30.6.2018	31.12.2017
Advance payments/payments on account	225	273
Tax liabilities, other taxes	31	35
Employee benefits due in short term	56	68
Other liabilities	139	62
Total	**451**	**438**

(44) 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 2018, 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
State of Thuringia	24	4.05
Total	**589**	**100.00**

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

The retained earnings amounting to € 4,275 m (31 December 2017: € 4,225 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.

The following table provides an overview of the changes in individual components of accumulated OCI:

	Cumulative remeasurement gains and losses under pension obligations	Cumulative change in fair value of equity instruments measured at fair value through other comprehensive income[1)]	
As at 1.1.2017	**–532**	**55**	
Remeasurement of net defined benefit liability	92		
Gains or losses on available-for-sale financial assets[1)]	–	3	
Measurement gains (+) or losses (–) on available-for-sale financial assets		3	
Gains (–) or losses (+) reclassified to the income statement upon disposal			
Change due to currency translation of foreign operations	–	–	
Gains (+) or losses (–) on currency translation of foreign operations			
Income taxes on gains or losses recognised in accumulated other comprehensive income	–26	–1	
Other comprehensive income after taxes	**66**	**2**	
As at 30.6.2017	**–466**	**57**	
Remeasurement of net defined benefit liability	23		
Gains or losses on available-for-sale financial assets[1)]	–	–18	
Measurement gains (+) or losses (–) on available-for-sale financial assets		–1	
Gains (–) or losses (+) reclassified to the income statement upon disposal		–17	
Change due to currency translation of foreign operations	–	–	
Gains (+) or losses (–) on currency translation of foreign operations			
Income taxes on gains or losses recognised in accumulated other comprehensive income	–7	6	
Other comprehensive income after taxes	**16**	**–12**	
As at 31.12.2017	**–450**	**45**	
Adjustments due to IFRS 9		–46	
As at 1.1.2018	**–450**	**–1**	
Remeasurement of net defined benefit liability	21		
Change in fair value of equity instruments measured at fair value through other comprehensive income		–1	
Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value			
Other net gains or losses on debt instruments measured at fair value through other comprehensive income	–	–	
Gains (+) or losses (–) on debt instruments measured at fair value			
Gains (–) or losses (+) reclassified to the income statement upon derecognition			
Change due to currency translation of foreign operations	–	–	
Gains (+) or losses (–) on currency translation of foreign operations			
Gains (–) or losses (+) reclassified to the income statement upon derecognition			
Change from fair value hedges of currency risk	–	–	
Measurement gains (+) or losses (–) on hedging instruments in fair value hedges			
Income taxes on gains or losses recognised in accumulated other comprehensive income	–6	–1	
Other comprehensive income after taxes	**15**	**–2**	
As at 30.6.2018	**–435**	**–3**	

[1)] These gains and losses relate to equity instruments and debt instruments classified as AfS in accordance with IAS 39; they were previously reported in the revaluation reserve. The gains and losses in respect of equity instruments reported for 2017 were recyclable to the income statement during this period.

in € m

	Cumulative credit risk-related change in fair value of financial liabilities designated voluntarilyat fair value	Cumulative gains and losses on the hedge of a net investment in a foreign operation	Cumulative gains and losses due to currency translation of foreign operations	Cumulative change in fair value of debt instruments measured at fair value through other comprehensive income[1)]	Reserve from fair value hedges of currency risk	Accumulated other comprehensive income
		–17	**47**	**191**		**–256**
						92
	–	–	–	–40	–	–37
				–35		–32
				–5		–5
	–	–	–8	–	–	–8
			–8			–8
				13		–14
	–	**–**	**–8**	**–27**	**–**	**33**
	–	**–17**	**39**	**164**	**–**	**–223**
						23
	–	–	–	–17	–	–35
				–16		–17
				–1		–18
	–	–	–12	–	–	–12
			–12			–12
				5		4
	–	**–**	**–12**	**–12**	**–**	**–20**
	–	**–17**	**27**	**152**	**–**	**–243**
	2			5		–39
	2	**–17**	**27**	**157**	**–**	**–282**
						21
						–1
	–5					–5
	–	–	–	–22	–	–22
				–21		–21
				–1		–1
	–	–	3	–	–	3
			4			4
			–1			–1
	–	–	–	–	–42	–42
					–42	–42
	2			7	13	15
	–3	**–**	**3**	**–15**	**–29**	**–31**
	–1	**–17**	**30**	**142**	**–29**	**–313**

Further Disclosures about Financial Instruments

(45) 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. This figure is used as a reference for determining mutually agreed compensation payments; however, they are not receivables or liabilities that can be shown in the statement of financial position.

The notional and fair values of derivatives as at 30 June 2018 were as follows:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
Equity-/index-related transactions	**5,025**	**4,575**	**271**	**182**	**269**	**179**
OTC products	**4,234**	**3,605**	**260**	**167**	**237**	**158**
Equity options	4,234	3,605	260	167	237	158
Calls	2,347	2,039	260	167	–	–
Puts	1,887	1,566	–	–	237	158
Exchange-traded products	**791**	**970**	**11**	**15**	**32**	**21**
Equity/index futures	91	197	–	–	–	–
Equity/index options	700	773	11	15	32	21
Interest-rate-related transactions	**423,251**	**422,045**	**10,207**	**10,598**	**8,308**	**8,665**
OTC products	**411,788**	**409,124**	**10,207**	**10,598**	**8,308**	**8,665**
Forward rate agreements	–	25	–	–	–	–
Interest-rate swaps	357,191	354,445	9,293	9,600	5,956	6,310
Interest rate options	54,587	54,501	914	997	2,352	2,355
Calls	20,477	21,025	811	897	50	56
Puts	34,109	33,476	103	100	2,302	2,299
Other interest rate contracts	10	153	–	1	–	–
Exchange-traded products	**11,463**	**12,921**	**–**	**–**	**–**	**–**
Interest rate futures	11,463	12,921	–	–	–	–
Interest rate options	–	–	–	–	–	–
Currency-related transactions	**74,155**	**60,688**	**1,295**	**1,389**	**1,531**	**1,307**
OTC products	**74,155**	**60,688**	**1,295**	**1,389**	**1,531**	**1,307**
Currency spot and futures contracts	51,935	38,914	467	457	546	546
Cross-currency swaps	21,660	21,232	822	923	978	752
Currency options	560	542	6	9	7	9
Calls	281	268	6	9	–	–
Puts	279	274	–	–	6	9
Credit derivatives	**5,826**	**5,206**	**37**	**57**	**36**	**61**
OTC products	**5,826**	**5,206**	**37**	**57**	**36**	**61**
Commodity-related transactions	**116**	**121**	**2**	**2**	**2**	**3**
OTC products	**116**	**121**	**2**	**2**	**2**	**3**
Commodity swaps	29	48	1	2	2	2
Commodity options	87	73	1	–	–	1
Total	**508,373**	**492,635**	**11,812**	**12,228**	**10,146**	**10,215**

Notional amounts broken down by term to maturity:

in € m

	Equity-/index-related transactions		Interest-rate-related transactions		Currency-related transactions	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
Up to three months	280	342	17,834	26,020	32,175	22,982
More than three months and up to one year	786	800	43,768	41,741	18,733	15,277
More than one year and up to five years	3,793	3,194	198,455	194,900	17,900	17,412
More than five years	166	239	163,194	159,384	5,347	5,017
Total	**5,025**	**4,575**	**423,251**	**422,045**	**74,155**	**60,688**

in € m

	Credit derivatives		Commodity-related transactions		Total	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
Up to three months	196	120	56	43	50,541	49,507
More than three months and up to one year	244	519	25	42	63,558	58,379
More than one year and up to five years	5,299	4,448	35	36	225,482	219,990
More than five years	87	119	–	–	168,792	164,759
Total	**5,826**	**5,206**	**116**	**121**	**508,373**	**492,635**

Derivatives have been entered into with the following counterparties:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
Central banks and banks in Germany	73,524	72,752	2,953	3,045	2,319	2,282
Central banks and EU banks (excluding Germany)	118,731	109,828	3,162	3,482	5,488	5,557
Central banks and banks in the rest of the world (excluding Europe)	1,589	3,195	30	34	159	173
Governments, Germany	27,928	29,214	3,475	3,511	1,121	1,211
Other counterparties in Germany	37,606	36,702	1,476	1,465	524	574
Other counterparties in the EU (excluding Germany)	235,175	225,842	657	616	427	349
Other counterparties (rest of world, excluding Europe)	1,566	1,211	48	60	76	48
Exchange-traded derivatives	12,254	13,891	11	15	32	21
Total	**508,373**	**492,635**	**11,812**	**12,228**	**10,146**	**10,215**

(46) Fair Values of Financial Instruments

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

	30.6.2018				31.12.2017			
	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	**–**	**124**	**–**	**124**	**–**	**9,106**	**–**	**9,106**
Balances with central banks	–	–	–	–	–	8,911	–	8,911
Demand deposits and overnight money balances with banks	–	124	–	124	–	195	–	195
Trading assets	**5,882**	**9,760**	**334**	**15,976**	**5,172**	**10,788**	**140**	**16,100**
Positive fair values of derivatives	11	8,858	207	9,076	14	9,156	138	9,308
Bonds and other fixed-income securities	5,855	125	–	5,980	5,045	279	–	5,324
Loans and receivables	–	777	127	904	–	1,353	2	1,355
Equity shares and other variable-income securities	16	–	–	16	113	–	–	113
Other financial assets mandatorily measured at fair value through profit or loss	**1,516**	**2,210**	**270**	**3,996**	**–**	**2,355**	**14**	**2,369**
Positive fair values of derivatives	–	2,035	14	2,049	–	2,355	14	2,369
Bonds and other fixed-income securities	1,516	69	5	1,590	n. a.	n. a.	n. a.	–
Loans and receivables	–	43	37	80	n. a.	n. a.	n. a.	–
Equity shares and other variable-income securities	–	63	34	97	n. a.	n. a.	n. a.	–
Shareholdings	–	–	72	72	n. a.	n. a.	n. a.	–
Receivables from endowment insurance policies	–	–	108	108	n. a.	n. a.	n. a.	–
Financial assets designated voluntarily at fair value	**3**	**509**	**82**	**594**	**1,582**	**626**	**99**	**2,307**
Bonds and other fixed-income securities	3	117	–	120	1,582	171	5	1,758
Loans and receivables	–	392	82	474	–	394	85	479
Equity shares and other variable-income securities	n. a.	n. a.	n. a.	n. a.	–	61	9	70
Positive fair values of hedging derivatives under hedge accounting	**–**	**687**	**–**	**687**	**–**	**551**	**–**	**551**
Financial assets measured at fair value through other comprehensive income	**21,516**	**449**	**386**	**22,351**	**20,830**	**1,104**	**245**	**22,179**
Bonds and other fixed-income securities	21,516	333	15	21,864	20,829	1,101	–	21,930
Loans and receivables	–	116	334	450	–	–	–	–
Equity shares and other variable-income securities	–	–	–	–	1	3	36	40
Shareholdings	–	–	37	37	–	–	97	97
Receivables from endowment insurance policies	n. a.	n. a.	n. a.	n. a.	–	–	112	112
Financial assets	**28,917**	**13,739**	**1,072**	**43,728**	**27,584**	**24,530**	**498**	**52,612**

The breakdown of financial liabilities on the liabilities side measured at fair value was as follows:

in € m

	30.6.2018				31.12.2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading liabilities	**97**	**11,714**	**208**	**12,019**	**82**	**12,056**	**139**	**12,277**
Negative fair values of derivatives	31	7,524	208	7,763	21	7,775	139	7,935
Securitised liabilities	37	675	–	712	40	612	–	652
Deposits and loans	–	3,515	–	3,515		3,669	–	3,669
Liabilities arising from short-selling	29	–	–	29	21	–	–	21
Negative fair values of non-trading derivatives	**1**	**1,809**	**13**	**1,823**	**1**	**2,177**	**13**	**2,191**
Financial liabilities designated voluntarily at fair value	**–**	**10,513**	**594**	**11,107**	**–**	**9,808**	**504**	**10,312**
Securitised liabilities	–	6,261	555	6,816	–	5,703	465	6,168
Deposits and loans	–	4,252	39	4,291	–	4,105	39	4,144
Negative fair values of hedging derivatives under hedge accounting	**–**	**560**	**–**	**560**	**–**	**89**	**–**	**89**
Financial liabilities	**98**	**24,596**	**815**	**25,509**	**83**	**24,130**	**656**	**24,869**

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

	30.6.2018				31.12.2017			
	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	**4**	**–**	**47**	**–**	**50**	**–**	**19**	**–**
Bonds and other fixed-income securities	4	–	47	–	50	–	19	–
Other financial assets mandatorily measured at fair value through profit or loss	**3**	**–**	**4**	**–**	**–**	**–**	**–**	**–**
Bonds and other fixed-income securities	3	–	4	–	n. a.	n. a.	n. a.	n. a.
Loans and receivables	–	–	–	–	n. a.	n. a.	n. a.	n. a.
Equity shares and other variable-income securities	–	–	–	–	n. a.	n. a.	n. a.	n. a.
Financial assets designated voluntarily at fair value	**–**	**–**	**–**	**–**	**17**	**–**	**–**	**–**
Bonds and other fixed-income securities	–	–	–	–	17	–	–	–
Financial assets measured at fair value through other comprehensive income	**10**	**–**	**54**	**–**	**55**	**–**	**10**	**–**
Bonds and other fixed-income securities	10	–	54	–	55	–	10	–
Financial assets	**17**	**–**	**105**	**–**	**122**	**–**	**29**	**–**

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 30 June 2018:

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
Fair value at 1.1.2018	**152**	**20**	**400**	**45**	**109**	**112**
Gains or losses on liabilities	93	–	–4	–4	–	4
Net trading income	92	–	–	–	–	–
Gains or losses on non-trading financial instruments measured at FVTPL	1	–	–4	–4	–	4
Gains or losses recognised in other comprehensive income (OCI)	–	–	9	–	–1	–
Additions	3	7	274	6	1	–
Disposals/liquidations	–13	–7	–114	–5	–	–8
Changes in accrued interest	–	–	–	–	–	–
Transfers from Level 2	–	–	15	–	–	–
Transfers to Level 2	–14	–	–	–8	–	–
Fair value at 30.6.2018	**221**	**20**	**580**	**34**	**109**	**108**
Gains or losses on financial assets in the portfolio recognised in profit or loss	90	–	1	–3	–	–2

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
Fair value at 1.1.2018	**152**	**465**	**39**
Gains or losses on liabilities	91	–2	–
Net trading income	92	–	–
Gains or losses on non-trading financial instruments measured at FVTPL	–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	–
Fair value at 30.6.2018	**221**	**555**	**39**
Gains or losses on financial liabilities in the portfolio recognised in profit or loss	–89	1	–

The following table shows the changes during 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
Fair value at 1.1.2017	**113**	**5**	**138**	**77**	**95**	**132**
Gains or losses on liabilities	28	0	–3	0	–	–
Net trading income	33	–	–	–	–	–
Gains or losses on non-trading financial instruments measured at FVTPL	–5	–	–3	1	–	–
Additions	5	10		1	–	1
Disposals/liquidations	–10	–	–9	–8	–	–7
Amortisation of premiums/discounts	–4	–	–	–	–	–
Transfers to Level 2	–12	–	–35	–	–	–
Fair value at 30.06.2017	**120**	**15**	**91**	**69**	**95**	**128**
Gains or losses on financial assets in the portfolio recognised in profit or loss	36	–	–2	–2	–	–

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
Fair value at 1.1.2017	**97**	**450**	**58**
Gains or losses on liabilities	37	–9	–4
Net trading income	34	–	–
Gains or losses on non-trading financial instruments measured at FVTPL	3	–9	–4
Additions	5	53	
Disposals/liquidations	–10	–113	–11
Changes due to currency translation	–	–	–1
Transfers to Level 2	–13	–	–42
Fair value at 30.6.2017	**116**	**381**	**–**
Gains or losses on financial liabilities in the portfolio recognised in profit or loss	–45	4	–

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

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

Simulations are carried out for unlisted equity investments for which a discounted earnings approach is used to determine fair value. If, in respect of these investments, which have a carrying amount of € 43 m (31 December 2017: € 34 m), the discounted cash flows were to be increased or decreased by 10 %, the calculated fair values would be € 4 m (31 December 2017: € 3 m) higher or lower respectively. If the discount rate were to be increased by one percentage point, the calculated fair values would fall by € 6 m (31 December 2017: € 5 m); if the discount rate were lowered by one percentage point, the fair values would rise by € 8 m (31 December 2017: € 8 m). For other investments in unlisted companies and for equity investments in investment companies,

fair values are determined using other, customary methods, the total of such fair values being € 100 m (31 December 2017: € 108 m). This approach is used, for example, if only a small number of shares is held in an entity or if the absolute value of the holding is only a relatively low figure. In this case, alternative values are determined by increasing or reducing the input factors used by 10 %; as a result, the fair values could be higher or lower by up to € 10 m (31 December 2017: € 11 m).

The purchased receivables from 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.

In the case of securitised liabilities, measurement does use inputs that could be subject to sensitivities, but they are hedged for the most part. The remaining sensitivities are not material as far as measurement is concerned.

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

The following overview compares the financial assets and liabilities measured at amortised cost with their corresponding carrying amounts.

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	**–**	**18,435**	**–**	**18,435**	**18,436**	**–**
Balances with central banks	–	17,945	–	17,945	17,945	–
Demand deposits and overnight money balances with banks	–	490	–	490	491	–
Financial assets measured at amortised cost	**9**	**67,701**	**37,203**	**104,913**	**100,423**	**4,490**
Bonds and other fixed-income securities	4	–	–	4	4	–
Loans and receivables	5	67,701	37,203	104,909	100,419	4,490
Financial assets	**9**	**86,136**	**37,203**	**123,348**	**118,859**	**4,490**
Financial liabilities measured at amortised cost	**3,504**	**118,470**	**10,531**	**132,505**	**130,654**	**1,851**
Securitised liabilities	3,503	41,325	–	44,828	44,505	323
Deposits and loans	–	77,066	10,293	87,359	85,831	1,527
Other financial liabilities	1	79	238	318	318	1
Financial liabilities	**3,504**	**118,470**	**10,531**	**132,505**	**130,654**	**1,851**

The following table shows the amounts as at 31 December 2017:

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	**–**	**1,283**	**–**	**1,283**	**1,283**	**–**
Balances with central banks	–	925	–	925	925	–
Demand deposits and overnight money balances with banks	–	358	–	358	358	–
Financial assets measured at amortised cost	**–**	**67,578**	**36,963**	**104,541**	**100,046**	**4,495**
Bonds and other fixed-income securities	–	–	32	32	32	–
Loans and receivables		67,578	36,931	104,509	100,014	4,495
Financial assets	**–**	**68,861**	**36,963**	**105,824**	**101,329**	**4,495**
Financial liabilities measured at amortised cost	**2,727**	**111,844**	**10,320**	**124,891**	**122,537**	**2,354**
Securitised liabilities	2,727	41,070		43,797	43,514	283
Deposits and loans	–	70,621	10,320	80,941	78,870	2,071
Other financial liabilities	–	153		153	153	–
Financial liabilities	**2,727**	**111,844**	**10,320**	**124,891**	**122,537**	**2,354**

The portfolios reported under Level 3 involve types of business for which observable measurement parameters are not generally available for all the key inputs. The portfolios mainly consist of development and retail business as well as loans to and receivables from customers who do not have an impeccable credit standing.

(47) Disclosures Relating to Issuing Activities

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

in € m

	Securitised liabilities							
	AC		HfT		FVO		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
As at 1.1.	**43,514**	**46,880**	**652**	**1,675**	**6,168**	**5,595**	**50,334**	**54,150**
Changes due to currency translation	146	–457	2	–17	1	–1	149	–475
Additions from issues	47,788	34,082	460	154	1,004	1,038	49,252	35,274
Additions from reissue of previously repurchased instruments	727	610	–	–	10	16	737	626
Redemptions	–46,920	–33,091	–398	–1,458	–334	–844	–47,652	–35,393
Repurchases	–764	–921	–2	–97	–50	–61	–816	–1,079
Changes in accrued interest	–16	–52	–	–	–1	–7	–17	–59
Changes in value recognised through profit or loss	30	–129	–2	9	16	–41	44	–161
Credit-risk-related changes in fair value recognised in OCI	–	–	–	–	2	–	2	–
As at 30.6.	**44,505**	**46,922**	**712**	**266**	**6,816**	**5,695**	**52,033**	**52,883**

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 2018 that were either accounted for as hedged items or to which the fair value option was applied.

(48) Credit Risks Attributable to Financial Instruments

The following table shows a breakdown of financial assets measured at amortised cost and the cumulative loss allowances recognised in respect of these assets as at 30 June 2018 by impairment stage under the three-stage impairment model specified by IFRS 9:

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		
Cash on hand, demand deposits and overnight money balances at central banks and banks	**18,436**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables	18,436	–	–	–	–	–	–	–	–	–
Financial assets measured at amortised cost	**97,553**	**2,621**	**9**	**557**	**46**	**–37**	**–109**	**–1**	**–192**	**–24**
Bonds and other fixed-income securities	4	–	–	–	–	–	–	–	–	–
Loans and receivables	97,549	2,621	9	557	46	–37	–109	–1	–192	–24
Total	**115,989**	**2,621**	**9**	**557**	**46**	**–37**	**–109**	**–1**	**–192**	**–24**

The following tables show the amounts as at 31 December 2017:

in € m

	Gross carrying amount		Cumulative loss allowances		
	Not impaired	Impaired	Specific allowances	Specific allowances on a group basis	Portfolio allowances
Cash on hand, demand deposits and overnight money balances at central banks and banks	**358**	**–**	**–**	**–**	**–**
Loans and receivables	358	–	–	–	–
Financial assets measured at amortised cost	**99,805**	**642**	**–239**	**–37**	**–125**
Bonds and other fixed-income securities	32	–	–	–	–
Loans and receivables	99,773	642	–239	–37	–125
Total	**100,163**	**642**	**–239**	**–37**	**–125**

The following table shows the changes (broken down by stage) in the period under review in the provisions for losses on loans and advances recognised in respect of financial assets measured at amortised cost:

in € m

	Cumulative loss allowances						
	Stage 1	Stage 2		Stage 3		POCI	Total
		General	Simplified	General	Simplified		
Bonds and other fixed-income securities							
As at 1.1.	**–**	**–1**	**–**	**–**	**–**	**–**	**–1**
Utilisations	–	1	–	–	–	–	1
As at 30.6.	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables							
As at 1.1.	**–31**	**–134**	**–1**	**–243**	**–**	**–18**	**–427**
Changes due to currency translation	–	–	–	–1	–	–	–1
Newly originated/acquired financial assets	–13	–	–	–1	–	–	–14
Total change in provisions for losses on loans and advances due to transfers between stages	–10	10	–	–	–	–	–
Additions	–12	–36	–	–32	–	–6	–86
Reversals	29	51	–	32	–	–	112
Utilisations	–	–	–	50	–	–	50
Other adjustments	–	–	–	3	–	–	3
As at 30.6.	**–37**	**–109**	**–1**	**–192**	**–**	**–24**	**–363**

The following table shows the changes in provisions for losses and loans and advances during the prior-year period:

in € m

	Specific allowances	Specific allowances on a group basis	Portfolio allowances	Total
Loans and receivables				
As at 1.1.2017	**453**	**46**	**273**	**772**
Changes in basis of consolidation	–	–	–1	**–1**
Changes due to currency translation	–18	–	–1	**–19**
Use	–169	–6		**–175**
Reversals	–21	–6	–22	**–49**
Reclassifications	5	–	–1	**4**
Unwinding	–6	–	–	**–6**
Additions	64	4	–	**68**
As at 30.6.2017	**308**	**38**	**248**	**594**

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 during the period under review:

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	21,856	8	–	–	–2	–	–	–
Loans and receivables	450	–	–	–	–	–	–	–
Total	**22,306**	**8**	**–**	**–**	**–2**	**–**	**–**	**–**

In the prior year, no provisions for losses on loans and advances were recognised in respect of financial assets measured at fair value through other comprehensive income.

Cumulative loss allowances on financial assets measured at fair value through other comprehensive income remained unchanged at € 2 m.

The following table shows the nominal amounts of loan commitments and financial guarantees, together with the provisions recognised in respect of these items as at 30 June 2018:

in € m

	Nominal amount				Provisions			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loan commitments	23,859	477	24	1	7	9	11	–
Financial guarantees	7,016	210	40	–	3	3	9	–
Total	**30,875**	**687**	**64**	**1**	**10**	**12**	**20**	**–**

The following tables show the amounts as at 31 December 2017:

in € m

	Gross carrying amount		Provisions		
	Not impaired	Impaired	Specific allowances	Specific allowances on a group basis	Portfolio allowances
Loan commitments	22,053	10	5	–	4
Financial guarantees	4,742	15	6	6	1
Total	**26,795**	**25**	**11**	**6**	**5**

The following table shows the change in provisions for loan commitments during the period under review:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.	**8**	**6**	**8**	**–**	**22**
New loan commitments originated	2	–	1	–	3
Additions	2	6	9	–	17
Reversals	–5	–3	–6	–	–14
Other adjustments	–	–	–1	–	–1
As at 30.6.	**7**	**9**	**11**	**–**	**27**

The following table shows the change in provisions for financial guarantees during the period under review:

in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1.1.	**3**	**3**	**12**	**–**	**18**
Additions	1	1	7	–	**9**
Reversals	–1	–1	–10	–	**–12**
As at 30.6.	**3**	**3**	**9**	**–**	**15**

The following table shows the changes in provisions for off-balance sheet liabilities at 30 June 2017:

in € m

	Provisions for		
	loan commitments	financial guarantees	Total
As at 1.1.2017	**11**	**18**	**29**
Reversals	–5	–7	–12
Reclassifications	–1	–0	–1
Additions	2	3	5
As at 30.6.2017	**7**	**14**	**21**

Off-Balance Sheet Transactions and Obligations

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

in € m

	30.6.2018	31.12.2017[1]
Loan commitments	**24,361**	**23,068**
Financial guarantees	**7,266**	**6,002**
Other obligations	**3,851**	**3,383**
Liabilities from guarantees and warranty agreements (excluding financial guarantees)	367	302
Placement and underwriting obligations	2,729	2,575
Obligations to provide further capital	4	–
Contribution obligations	74	42
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	346	168
Contractual obligations in connection with investment property	262	239
Litigation risk obligations	1	1
Sundry obligations	68	56
Total	**35,478**	**32,453**

[1] To bring the presentation into line with FINREP requirements, revocable loan commitments are now also reported in addition to the irrevocable loan commitments. This has led to a rise in loan commitments of € 2,779 m. Financial guarantees of € 1,245 m were previously reported under liabilities from guarantees and warranty agreements (excluding financial guarantees) and are now shown under financial guarantees.

(50) Fiduciary Transactions

in € m

	30.6.2018	31.12.2017
Trust assets		
Loans and advances to banks	354	322
Loans and advances to customers	465	491
Equity shares and other variable-income securities	197	197
Shareholdings	55	55
Other assets	14	14
Total	**1,085**	**1,079**
Trust liabilities		
Deposits and loans from banks	125	125
Deposits and loans from customers	850	648
Other financial liabilities	110	306
Total	**1,085**	**1,079**

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

(51) Disclosures regarding Revenue from Contracts with Customers

Helaba has applied IFRS 15 Revenue from Contracts with Customers for the first time in the 2018 financial year.

The following table shows the breakdown of fee and commission income by type of service and segment for the period ending 30 June 2018:

in € m

	Real Estate		Corporates & Markets		Retail & Asset Management		WIBank	
	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–30.6. 2018	1.1.–30.6. 2017
Fee and commission income	**9**	**9**	**57**	**59**	**144**	**160**	**19**	**19**
Securities and securities deposit business	–	–	6	8	32	41	–	–
Account management and payment transactions	–	–	28	29	28	28	–	–
Asset management	–	–	–	–	62	70	–	–
Lending and guarantee business	9	9	16	10	1	1	–	–
Management of public-sector subsidy and development programmes	–	–	–	–	–	–	18	18
Other	–	–	7	12	21	20	1	1
Fee and commission expense	**–1**	**–**	**–1**	**–**	**–52**	**–67**	**–**	**–**
Net fee and commission income	**8**	**9**	**56**	**59**	**92**	**93**	**19**	**19**
Revenue in accordance with IFRS 15 under other operating income	–	–	–	2	26	30	–	–
Total	**9**	**9**	**57**	**61**	**170**	**190**	**19**	**19**

in € m

	Other		Consolidation/ reconciliation		Group	
	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–30.6. 2018	1.1.–30.6. 2017
Fee and commission income	**–**	**–**	**–7**	**–6**	**222**	**241**
Securities and securities deposit business	–	–	–3	–5	35	44
Account management and payment transactions	–	–	–	–	56	57
Asset management	–	–	–3	–4	59	66
Lending and guarantee business	–	–	–	–	26	20
Management of public-sector subsidy and development programmes	–	–	–	–	18	18
Other	–	–	–1	3	28	36
Fee and commission expense	**–3**	**–3**	**7**	**9**	**–50**	**–61**
Net fee and commission income	**–3**	**–3**	**–**	**3**	**172**	**180**
Revenue in accordance with IFRS 15 under other operating income	27	20	–6	–5	47	47
Total	**27**	**20**	**–13**	**–11**	**269**	**288**

(52) Capital Management and Regulatory Ratio Disclosures

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

The regulatory own funds of the Helaba banking group are determined in accordance with Regulation (EU) No. 575/2013 (CRR) and the complementary provisions in sections 10 and 10a of the German Banking Act (Kreditwesengesetz, 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. Since 2015, Helaba has had to comply with the requirements of the European Single Supervisory Mechanism (SSM), which extend beyond those of the CRR.

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

As at 30 June 2018, the breakdown of the own funds of the Helaba banking group was as follows (each amount shown after regulatory adjustments):

in € m

	30.6.2018	31.12.2017
Tier 1 capital	**8,445**	**8,180**
Common Equity Tier 1 capital (CET1)	8,024	7,673
Additional Tier 1 capital	421	507
Tier 2 capital	**2,720**	**2,667**
Own funds, total	**11,165**	**10,847**

The following capital requirements and ratios were applicable as at 30 June 2018:

in € m

	30.6.2018	31.12.2017
Default risk (including equity investments and securitisations)	3,507	3,411
Market risk (including CVA risk)	359	284
Operational risk	284	291
Total own funds requirement	**4,150**	**3,986**
CET1 capital ratio	15.5 %	15.4 %
Tier 1 capital ratio	16.3 %	16.4 %
Total capital ratio	21.5 %	21.8 %

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.

(53) 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 non-consolidated 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.

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 30 June 2018:

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Financial assets measured at amortised cost	**2**	**288**	**3,406**	**1**	**3,697**
Loans and receivables	2	288	3,406	1	3,697
Trading assets	**–**	**–**	**719**	**–**	**719**
Positive fair values of trading derivatives	–	–	618	–	618
Bonds and other fixed-income securities	–	–	101	–	101
Other financial assets mandatorily measured at fair value through profit or loss	**19**	**9**	**1**	**–**	**29**
Shareholdings	19	9	1	–	29
Financial assets designated voluntarily at fair value	**–**	**–**	**30**	**–**	**30**
Loans and receivables	–	–	30	–	30
Financial assets measured at fair value through other comprehensive income	**5**	**–**	**403**	**–**	**408**
Bonds and other fixed-income securities	–	–	373	–	373
Loans and receivables	–	–	30	–	30
Shareholdings	5	–	–	–	5
Shares in equity-accounted entities	**–**	**7**	**–**	**–**	**7**
Other assets	**–**	**–**	**115**	**–**	**115**
Total assets	**26**	**304**	**4,674**	**1**	**5,005**

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Financial liabilities measured at amortised cost	**57**	**48**	**1,814**	**33**	**1,952**
Deposits and loans	57	48	1,814	33	1,952
Trading liabilities	**–**	**–**	**54**	**–**	**54**
Negative fair values of trading derivatives	–	–	54	–	54
Financial liabilities designated voluntarily at fair value	**–**	**–**	**19**	**–**	**19**
Deposits and loans	–	–	19	–	19
Provisions	**–**	**5**	**20**	**5**	**30**
Total liabilities	**57**	**53**	**1,907**	**38**	**2,055**

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Loan commitments	3	114	1,096	–	1,213
Financial guarantees	–	5	14	–	19
Total off-balance sheet commitments	**3**	**119**	**1,110**	**–**	**1,232**

The following tables show the amounts as at 31 December 2017:

in € m

	Unconsolidated subsidiaries[1)]	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Financial assets measured at amortised cost	**4**	**319**	**1,629**	**–**	**1,952**
Loans and receivables	4	319	1,629	–	1,952
Trading assets	**–**	**–**	**695**	**–**	**695**
Positive fair values of trading derivatives			667		667
Bonds and other fixed-income securities			4		4
Loans and receivables			24		24
Financial assets designated voluntarily at fair value	**–**	**–**	**29**	**–**	**29**
Loans and receivables			29		29
Financial assets measured at fair value through other comprehensive income	**24**	**9**	**393**	**–**	**426**
Bonds and other fixed-income securities	–	–	393	–	393
Shareholdings	24	9			33
Other assets	**–**	**3**	**116**	**–**	**119**
Total assets	**28**	**331**	**2,862**	**–**	**3,221**

[1)] Prior-year figures restated: Loans and advances to unconsolidated subsidiaries were overstated by € 31 m.

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Financial liabilities measured at amortised cost	**62**	**68**	**1,876**	**43**	**2,049**
Deposits and loans	62	68	1,876	43	2,049
Trading liabilities	**–**	**–**	**58**	**–**	**58**
Negative fair values of trading derivatives			58		58
Provisions			**–**	**23**	**23**
Other liabilities	**–**	**1**	**9**		**10**
Total liabilities	**62**	**69**	**1,943**	**66**	**2,140**

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Loan commitments	12	118	34	–	164
Financial guarantees	–	–	5		5
Sundry obligations		3	10		13
Total off-balance sheet commitments	**12**	**121**	**49**	**–**	**182**

The following contributions to income and expense from related party transactions were recognised in the income statement in the period 1 January to 30 June 2018:

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Net interest income	**–**	**2**	**25**	**–**	**27**
Interest income	–	2	30	–	32
Interest expense	–	–	–5	–	–5
Net interest income after provisions for losses on loans and advances	**–**	**2**	**25**	**–**	**27**
Net fee and commission income	**–**	**–**	**21**	**–**	**21**
Fee and commission income	–	–	21	–	21
Net trading income	–1	–	34	–	34
Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss	–	–	–	–	–1
Net income from hedge accounting	–	–	–1	–	–1
Share of profit or loss of equity-accounted entities	–	5	–	–	5
Other net operating income	–	1	9	–	10
General and administrative expenses	–	–2	–10	–	–12
Profit before taxes	**–1**	**6**	**78**	**–**	**83**

The following table shows the corresponding amounts for the period 1 January to 30 June 2017:

in € m

	Unconsolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Net interest income	**–**	**7**	**2**	**–**	**9**
Interest income	–	14	11	–	25
Interest expense	–	–7	–9	–	–16
Provisions for losses on loans and advances	–	–3	–	–	–3
Net interest income after provisions for losses on loans and advances	**–**	**4**	**2**	**–**	**6**
Dividend income	1	1	4	–	6
Net fee and commission income	**–**	**–**	**20**	**–**	**20**
Fee and commission income	–	–	20	–	20
Net trading income	–	–10	–175	–	–185
Net income from hedge accounting	–	–	1	–	1
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	–	8	–	–	8
Share of profit or loss of equity-accounted entities	–	2	–	–	2
Other net operating income	–	1	–	–	1
General and administrative expenses	–	–3	–9	–	–12
Profit before taxes	**1**	**3**	**–157**	**–**	**–153**

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

(54) Members of the Board of Managing Directors

Herbert Hans Grüntker
Chairman

Thomas Groß
Vice-Chairman

Dr. Detlef Hosemann

Hans-Dieter Kemler

Klaus-Jörg Mulfinger

Dr. Norbert Schraad

(55) Report on Events After the Reporting Date

There were no significant events after 30 June 2018.

Responsibility Statement

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

Frankfurt am Main/Erfurt, 14 August 2018

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad

Copy of the Auditor's Review Report

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

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the condensed cash flow statement and selected explanatory notes – and the interim Group management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt for the period from 1 January 2018 to 30 June 2018, which are part of the half-yearly financial report pursuant to § 115 German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG"). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting, as adopted by the EU, and of the interim Group management report in accordance with the provisions of the WpHG applicable to interim Group management reports is the responsibility of the officers of the Company. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Eschborn/Frankfurt am Main, 14 August 2018

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