Management Report and Annual Accounts of Landesbank Hessen-Thüringen Girozentrale 2011

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Business and background

Business of Helaba
In recent years, Landesbank Hessen-Thüringen (Helaba) has reported stable growth in operations and earnings, despite having to cope with the challenges posed by the financial and government debt crisis. The main factors of success of Helaba are as follows:

- The Group-wide strategic business model of an integrated universal bank with a strong regional focus, selected international presence and strong integration in the Sparkassen (savings banks) organization
- A conservative risk profile in conjunction with effective risk management and sound capital and liquidity backing
- A strong base in customer business and close links with the real economy
- Virtually no contact with credit derivatives
- Long-term liquidity management
- Major importance of business with S-Group Sparkassen and public development activities and infrastructure business

The following are key aspects of the business model of Helaba: Its public sector legal form in conjunction with its strong integration in the Sparkassen (savings banks) organization as well as its retention and expansion of its activities in S-Group and public sector development operations. The strategic business model of Helaba is thus based on the three segments "Multinational Corporations", "Private Customers and SME Business" and "Public Development Activities and Infrastructure Business". The business activities are conducted directly from the two bank headquarters in Frankfurt am Main and Erfurt as well as the domestic and foreign branches and representative offices; they are also conducted via subsidiaries and equity participations. The principle of group-wide divisionalization is applicable for the Bank's structure organization and management of operations.

Helaba concentrates its business in the segment "Multinational Corporations" division on the six core business units Real Estate, Corporate Finance, Financial Institutions and Public Finance, Global Markets, Asset Management and Transaction Business. In terms of sales, Helaba employs a twin strategy, on the one hand with regard to product customers from the various product areas, and on the other with regard to all products by way of focusing customer sales on target customers in the field of multinational corporations, institutional clients as well as central, regional and local authorities and municipal enterprises. These activities are accompanied by the Bank's direct market presence via branches in the USA, Great Britain and France and also, by way of international representative offices, in Madrid, Moscow and Shanghai.

In the "Private Customers and SME Business" segment, Helaba with its S-Group bank function is a central product supplier and services platform for the S-Group Sparkassen in Hesse and Thuringia. All products and customers in the joint business area are covered by the business model of the "economic entity" with the S-Group Sparkassen in line with the principles of division of labor. Via the legally dependent Landesbausparkasse Hessen-Thüringen, Helaba is the market leader in Bausparkassen business in both of these federal states. Frankfurter Sparkasse, a wholly-owned and fully consolidated subsidiary of Helaba with the legal form of a public-sector entity, is the leading retail bank in the region of Frankfurt am Main with more than 800,000 customers, and is also active in national direct bank operations with 1822direkt. Via Frankfurter Bankgesellschaft (Schweiz) AG and the latter's wholly-owned subsidiary Frankfurter Bankgesellschaft (Deutschland) AG, Helaba covers the range of products for Sparkassen in the segment of private banking, wealth management and asset management. Helaba has adopted the strategic objective of becoming a leading S-Group bank for Germany.

In the "Public Development Activities and Infrastructure Business" segment, Helaba has been entrusted with administering public-sector development programs of the Federal State of Hesse via "WIBank" – as a legally dependent entity within Helaba. In line with EU law, a direct statutory guarantee has been provided by the Federal State of Hesse for "WIBank", which is exempt from corporation tax and trade tax. Helaba holds stakes in numerous other funding organizations in Hesse and Thuringia and particularly in guarantee banks and SME investments. Helaba has extended a subordinate loan of € 40 m to Thüringer Aufbaubank which is recognized as liable equity for regulatory purposes.

Owners, capital backing and executive bodies of the Bank
The owners of Helaba, with a stake of 85 % of the Sparkassen- und Giroverband Hessen-Thüringen (SGVHT), to which the Sparkasse in Hesse and Thuringia and their local authority owners belong on the basis of state treaties, are the Federal State of Hesse and the Free State of Thuringia, which own 10 % and 5 % respectively of the share capital of the Bank.

The silent participations of € 1.92 bn which were contributed by the Federal State of Hesse without any time restriction were converted into capital contributions with legal effect as of 30 December 2011; they satisfy all regulatory requirements for being recognized as common tier-I capital (CET-1 capital). The capital contributions enjoy equal rights with share capital for any participation in net income or net loss generated by the Bank.

In addition, the Sparkassen in Hesse and Thuringia have contributed dated and undated silent participations of € 395 m as liable core capital to Helaba, and private and institutional investors have contributed dated and undated silent participations of € 658 m as liable core capital to Helaba.

Helaba is a public-sector association with legal capacity with registered offices in Frankfurt am Main and Erfurt. The executive bodies of the Bank are the Board of Managing Directors, the Board of Owners in which the owners are represented, and the Supervisory Board which is responsible for the supervisory function.

Rating

The three leading rating agencies Moody's Investors Service (Moody's), FitchRatings (Fitch) and Standard & Poor's Corp. have awarded Helaba the following ratings for liabilities which are not subject to guarantor liability (as of 28 February 2012).

	Moody's	Fitch	S&P
Long-term (uncovered)	A1	A+*	A*
Short-term (uncovered)	P–1	F1+*	A–1*
Public Pfandbriefe	Aaa	AAA	AAA
Mortgage Pfandbriefe	–	AAA	–
Financial strength/viability rating	C–	a+*	–

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

The S-Group ratings issued by Fitch and Standard & Poor's for Helaba and the Sparkassen are based on the joint business model of the economic unit of the Sparkassen-Finanzgruppe Hessen-Thüringen as well as the institutional, liability-related and financial regulations of the S-Group concept set out in the articles of incorporation. Within the framework of the changes in rating methods implemented by the rating agencies in 2011, all ratings of Helaba were confirmed by Fitch and S&P; at Moody's, the uncovered long-term liabilities were rated as A1 (previously Aa2). In a market comparison carried out by the three rating agencies, Helaba continues to be one of the German credit institutions with the highest creditworthiness ratings. In mid-February 2012, Moody's announced a "review for downgrade" for more than 100 European credit institutions in consequence of the government debt crisis in the Eurozone. At Helaba, this does not affect the short-term rating of "P-1" and the Pfandbrief ratings; for long-term uncovered liabilities, a possible downgrade is limited to one notch.

Management tool set and non-financial performance indicators

As part of overall bank management, Helaba has integrated systems for business and productivity management. This is based on a multiple-stage margin accounting system, which is used for assessing the present value of new business and also for presenting the result of the portfolio for specific periods. Individual-transaction management is applied for defined core portfolios of the Group and completed by additional steering groups. This is also the system which is used for setting up the annual budget which is then used as the basis for a balance sheet budget and an income statement budget. A management statement results in a margin format which is prepared at regular intervals during the year and is used as the starting point for generating the various budget-actual comparisons of earnings components and for carrying out variance analyses. Particularly for the purpose of monitoring budget competences, the business units are provided with detailed reports relating to budget utilization on a timely basis. A systematic precalculation of credit transactions is carried out particularly for risk- and profitability-oriented management of new business.

Motivated and qualified employees are a key success factor for Helaba. The attractiveness of Helaba as an employer is enhanced in many ways. A qualified personnel management system recognizes the potential of employees, who are then developed and encouraged in a structured manner. Individual training measures ensure that the employees are able to meet the changing challenges. The training scheme for future managers also ensures that approximately half of open positions have been filled by internal employees. Various parameters, such as a low staff fluctuation rate, the length of company service and a low sickness rate confirm the satisfaction and strong commitment of employees.

For many years, the compensation scheme of Helaba has complied with the spirit and purpose of the regulatory requirements for the compensation schemes of institutions. Some requirements which essentially still have to be satisfied on a formal basis were implemented after the necessary process of integrating the relevant bodies has been completed. On 24 November 2011, the Supervisory Board of the Bank approved the “Principles for the recruitment, remuneration and benefits for employees of the Bank not covered by collective bargaining agreements”. These principles are to be implemented within the framework of concluding a service agreement. The employees who, as a result of their function, have an influence on the overall risk profile, have been identified. For these employees, a deferral component had already been introduced after the final compensation for the financial year 2009; the final compensation figures for the financial year 2010 have been subject to the rules of the Bank Compensation Ordinance (Instituts-Vergütungsverordung). The Compensation Committee set up in 2010 has discussed the current compensation scheme of Helaba in several meetings; it has discussed the modifications envisaged as a result of the rules of the Instituts-Vergütungsverordnung (Bank Compensation Ordinance) and made suggestions. Changes intended on the basis of the previous compensation scheme have been notified on a regular basis to the Personnel Committee of the Supervisory Board, to which the Supervisory Board had transferred responsibility for monitoring the compensation scheme.

As a regionally based credit institution with a public sector legal form, Helaba also assumes social responsibility – in addition to its lending duties and objectives – particularly in the Federal States of Hesse and Thuringia. The Bank is active directly or via its subsidiary Frankfurter Sparkasse as a sponsor in many areas of public life, and sponsors outstanding cultural, educational, environmental, sports and social projects. Helaba and Frankfurter Sparkasse are founder members of the association “Frankfurt Main Finance e.V.” which is backed by leading finance companies; the objective of this association is to promote the international location marketing of the financial center Frankfurt am Main. In its business strategy, Helaba has undertaken to ensure a sustainable focus of its business operations, and has also given a commitment to strengthen its sustainability profile. With the MAIN TOWER, the main building of Helaba, and the Junghof property, two buildings at the Company’s location in Frankfurt am Main have been certified in accordance with the standards of “Leadership in Energy and Environmental Design (LEED)” in 2011, and have thus received an award as environmentally-friendly and sustainable buildings which make efficient use of resources. Frankfurter Sparkasse has a validated environmental management system in accordance with Ordinance (EC) No. 76/2001 (EMAS II) and in accordance with DIN EN ISO 140001.Helaba and Frankfurter Sparkasse express their joint commitment in the field of sustainability by sourcing electricity generated from renewable energies. Both institutions are also signatories of the “Charta der Vielfalt”, a voluntary agreement of companies for ensuring a prejudice-free and non-discriminatory corporate culture.

Macro-economic and sector-specific conditions

The German economy made a very dynamic start to the year 2011. Following strong growth in gross domestic product in the first quarter, the following months saw a significant slow-down. As a result of the slow-down in the world economy and the exacerbation of the European debt crisis, economic output in the final quarter declined slightly. With price-adjusted growth of 3 %, the year 2011 was overall the second boom year in succession. This means that Germany has returned to the level seen before the financial crisis, and was able to report growth which was almost twice as high as the average for the Eurozone. The strongest growth was reported for exports and fixed asset investment. The German export industry benefited from the still strong demand emanating particularly from the emerging countries. However, the US economy also proved to be robust despite occasional fears of recession, and generated GDP growth of almost 2 %. Private consumption in Germany made a strong contribution to growth for the first time in many years. Construction investment also reported above average growth as a result of the favorable conditions in the construction sector. The structural problems disclosed by the financial crisis held back growth in other parts of the Eurozone in 2011. The countries on the periphery of the Eurozone are being forced by the pressure of the financial markets to introduce cost-cutting programs and economic reforms which will initially have a negative impact on growth.

In December 2010, the Basel Committee of Central Bank Governors and heads of the regulatory authorities published the final proposals for the future capital and liquidity requirements (Basel III). In addition to introducing two new liquidity ratios for managing short-term and long-term liquidity, Basel III in particular comprises more stringent qualitative and quantitative requirements regarding the future capital backing of credit institutions. After implementation in the European Union (via the “Capital Requirement Directive/CRD IV”), these will come into force on 1 January 2013. The EU Commission presented the initial draft of the CRD IV in mid-2011. In addition to a gradual introduction of the new capital ratios by 2019, “CRD IV” specifies that, for credit institutions irrespective of their legal form, there will be a ten-year transitional period for those capital instruments which previously have been recognized as regulatory core capital but which will no longer meet the future requirements applicable for common equity tier-I capital. In addition, the CRD IV specifies that all credit institutions, assuming that appropriate criteria are satisfied, will continue to have to use capital instruments which are not share capital or reserves as CET-1 capital. The Federal State of Hesse and Helaba took advantage of this possibility by converting, on 30 December 2011, the previously silent participations of € 1.92 bn into capital contributions.

On the basis of resolutions of the European Council, the European Banking Authority (EBA) which was founded at the beginning of 2011 carried out several stress tests for system-relevant banks in the EU last year. In view of the continuing debt crisis in the Eurozone, the purpose of these stress tests was to test the stability of the European banking sector and encourage the creation of confidence on the financial markets. Independently of the schedules set out in Basel III and CRD IV for the quantitative and qualitative implementation of new regulatory requirements for capital backing, the EBA used a capital concept in the stress tests based exclusively on common equity tier-I capital (CET-1). In addition, a minimum ratio of 9 % for CET-1 capital was defined for the stress tests in the second half of the year; this ratio also has to be temporarily maintained by system-relevant EU banks beyond 30 June 2012.

Helaba failed to pass the stress test carried out as of 30 September 2011 due to formal technical reasons because the conversion of the silent participations held by the Federal State of Hesse carried out at the end of 2011 (with a volume of € 1.92 bn) into capital contributions was not formally recognized by the EBA. The capital contributions of the Federal State of Hesse constitute common equity tier-I (CET-1) capital, so that there is essentially no recapitalization requirement at Helaba. On the contrary, with these measures, Helaba has adjusted its capital base at an early stage to the capital requirements under Basel III or CRD IV.

In the German banking market, the effects of the financial market and Euro debt crisis as well as the more stringent regulatory requirements regarding equity and capital have considerably increased the pressure on credit institutions for reviewing and adjusting their business models. In addition, those banks which have had to utilize government aid in order to stabilize their economic positions are required to implement covenants of the EU Commission. These have resulted in a reduction or discontinuation of business activities and disposals of equity participations. Following the stress tests carried out in the year 2011 by the European Banking Authority (EBA), there has been a considerable increase in the requirements for backing with common equity tier-I (CET-1) capital at system-relevant credit institutions. In order to comply with these requirements, numerous credit institutions have initiated recapitalization measures which will influence their market position in the long term. In the German credit industry, the changes in rating methods carried out by the leading rating agencies in 2011 have resulted in numerous rating downgrades, which have had a negative impact on the possibilities of obtaining funds on the national and in particular the international refinancing markets. The combination of higher capital, liquidity and refinancing costs and the burden imposed by the German bank tax has resulted in a permanent reduction of the profitability of the banking sector. This will result in structural adjustment processes and shifts in market shares in major areas of operation, although the process will also open up strategic opportunities for the individual credit institution.

Since the beginning of 2011, the statutory and regulatory conditions for supporting and winding down credit institutions have changed on several occasions in Germany. The Restructuring Fund Act came into force at the beginning of the year. One of the components of this law is the introduction of contributions payable by the banking industry to finance a “bank tax” at the fund for restructuring credit institutions in financial difficulties set up at the Finanzmarktstabilisierungsanstalt (FMSA). The bank tax has to be paid out of taxed operating results. In addition, the Restrukturierungs- und Abwicklungsgesetz (Restructuring and Workout Act) which came into force at the beginning of 2011 will also permit the restructuring and reorganization of credit institutions which are experiencing economic difficulties. At the beginning of 2012, and within the framework of the Second Financial Market Stabilization Act (limited until the end of 2012), the legislative authorities authorized the FMSA to carry out measures designed to stabilize credit institutions involving a guarantee framework totaling € 400 bn and a capital framework of up to € 80 bn. For the same period, the Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”), in the event of a special risk situation on the financial market or in order to avert a threat to financial market stability, has been granted powers to order the implementation of capital measures at individual credit institutions beyond the prevailing capital requirements of the Solvency Ordinance or requirements resulting from considerations applicable for a specific institution. With this wide range of tools, the German legislative authorities have created adequate conditions for assuring the confidence of the financial markets in the stability of the German banking system.

With regard to the discussions which have been held at the EU level since mid-2010 concerning the introduction of uniform deposit protection systems throughout Europe for the protection of customers deposits, there are indications that existing national systems designed to protection institutions, such as the existing liability network in the German Sparkassen and Landesbanken organization, might be able to continue as a fully fledged alternative for deposit protection.

Assessment of business development

The business and results of operations of Helaba in 2011 reflected the strong economic growth in Germany, which however declined appreciably in the course of the year, and the high levels of volatility on the financial markets as a result of the debt crisis facing some Euro countries. In this economic climate, the operations of Helaba have continued to produce a positive performance. An additional volume of € 13.5 bn was raised in medium-term and long-term new business of Helaba in lending operations with customers. Despite growth of 35 % compared with the previous year, loans and advances to customers throughout the Bank declined by € 2.3 bn (–3 %) to € 74.7 bn, as a result of high levels of repayments, some of which were not scheduled. Of the figure stated for medium- and long-term new business, € 6.7 bn was attributable to real estate loans, € 4.1 bn was attributable to corporate finance, € 1.0 bn was attributable to Sparkassen business and € 1.0 bn was attributable to municipal operations. The fact that lending focuses on core areas of operation reflects the extent to which the strategic business model of Helaba focuses on the real economy. Because of its strong market standing, Helaba was able to raise the necessary funds without any problem on the money and bond markets for refinancing the volume of new business with matching maturities. The main instruments for medium- and long-term refinancing are uncovered bank bonds as well as public and mortgage Pfandbriefe.

In the financial year 2011, Helaba again generated a result which enables all subordinated capital, profit participation rights as well as silent participations to be serviced, payments to be made into retained earnings in order to strengthen core capital and also a cumulative profit to be shown. Helaba enjoys comfortable capital backing with a core capital ratio of 10.1 % and a total equity ratio of 15.3 % as of 31 December 2011. With the conversion of the silent participations of the Federal State of Hesse with a volume of € 1.92 bn into common equity tier-I capital which took place at the end of 2011, Helaba has satisfied the capital requirements of Basel III and CRD IV at an early stage.

Net assets, financial position and results of operations

Major data for development in 2011

	2011	2010	Changes	
	€ m	€ m	€ m	%
Business volume	174,329	180,576	–6,247	–3
Balance sheet total	151,350	152,563	–1,213	–1
Operating result before provisions for losses on loans and advances	475	692	–217	–31
Provisions for losses on loans and advances/ valuation result	–193	–279	86	31
Net income for the year	202	253	–51	–20

As in previous years, the Bank has not recognized the cost for servicing its silent participations in its presentation of results of operations. The figures shown under the results of operations for net interest income and thus also the operating result are accordingly € 93 m (2010: € 93 m) higher than the figures shown in the income statement.

Results of operations
Helaba has reported net income of € 202 m in 2011. Mainly as a result of problems on the financial markets in the second half of the year and also as a result of the new costs of the bank tax, net income is thus lower than the corresponding figure reported for the previous year.

Results of operations

	2011	2010	Changes	
	€ m	€ m	€ m	%
Net interest income	1,023	997	26	3
Net commission income	120	110	10	9
Net income of the trading portfolio	3	178	–175	–98
Other operating result	–32	–12	–20	>100
Operating result	1,114	1,273	–159	–13
General administrative expenses	–639	–581	–58	–10
Operating result before provisions for losses on loans and advances	475	692	–217	–31
Provisions for losses on loans and advances/ valuation result	–193	–279	86	31
Additions to/reversals of provisions for losses on loans and advances (Section 340f HGB)	–15	–70	55	79
Operating result after provisions for losses on loans and advances	267	343	–76	–22
Extraordinary result	–13	–34	21	62
Taxes on income	–52	–56	4	7
Net income for the year	202	253	–51	–20

Net interest income is a key component of success for Helaba, and amounted to € 1,023 m compared with € 997 m in the previous year. The increase is attributable mainly to improved margins in customer operations as well as higher investment income.

Net commission income has increased by € 10 m, and is 9 % higher than the corresponding previous year figure (€ 110 m). As was the case in previous years, the main elements in net commission income are the guarantee commissions, commissions from foreign trade activities and other standard bank commissions.

All realized and unrealized contributions to earnings of trading activities are reported in net income of the trading portfolio. The decline in net income from € 178 m in the previous year to € 3 m for the year 2011 is mainly due to the market turmoil in the second half of 2011 and the associated widening of spreads.

The balance of other operating expenses and income amounts to € –32 m (2010: € –12 m). This item also includes the costs for compounding provisions which have to be determined separately and which mainly consist of pension provisions. The decline in other operating result is mainly attributable to the creation of new provisions.

General administrative expenses have increased by € 58 m to € 639 m, and consist of personnel expenses (€ 311 m; 2010: € 291 m) and cost of materials (€ 317 m; 2010: € 277 m) as well as depreciation on property, plant and equipment (€ 11 m; 2010: € 13 m). The increase in personnel expenses is mainly attributable to higher payments to pension provisions. Wages and salaries increased by € 8 m. The increase in cost of materials was mainly attributable to the payments of € 30 m which were made for the first time to the restructuring fund for credit institutions (bank tax). The costs of business operations have also increased due to higher costs of appraisals and other commissioned work (€ +14 m).

3,119 employees (2010: 3,122) were employed at the end of the year. The average number of employees declined slightly from 3,117 to 3,115.

The declining operating result of € 1,114 m and general administrative expenses of € 639 m have led to an operating result before provisions for losses on loans and advances of € 475 m. This is equivalent to a decline of € 217 m (31 %) compared with the previous year.

Provisions for losses on loans and advances and the valuation result are broken down as follows:

	2011	2010	Changes	
	€ m	€ m	€ m	%
Result of lending operations	–170	–241	71	29
Result of investment operations	5	–33	38	>100
Result of securities held for liquidity purposes, fixed assets and banking book derivatives	–28	–5	–23	>100
Provisions for losses on loans and advances/valuation result	–193	–279	86	31

The costs of provisions for loans and advances continued to decline in 2011. This item amounted to a net figure of € –170 m, and is thus considerably lower than the corresponding previous year figure of € –241 m.

The result of investment operations reflects income and expenditure from the reduction of the equity participation in Deka-Bank as well as sales and adjustments to the carrying amounts of other investments.

The result of securities held for liquidity purposes is the balance of depreciation recognized in accordance with the strict lowest value principle, disposal gains and losses as well as write-ups which have to be recognized under commercial law in accordance with Section 253 (5) HGB. Together with the result of securities held for liquidity purposes and the valuation result of banking book derivatives, this is reflected in a contribution to earnings of € –28 m, compared with € –5 m in the previous year. This figure includes costs of € 28.4 m for amounts written off in relation to Greek government bonds, which have been written down to their market value.

A figure of € 15 m has been added to provisions for loans and advances in accordance with Section 340f HGB, and the operating result after valuation accordingly amounts to a total of € 267 m (2010: € 343 m). The process of changing over to the BilMoG has resulted in an exceptional expense of € 13 m for 2011, due to the fact that the cost of changing over the method for making payments into pension provisions has been changed over to the method defined by the BilMoG and is now recognized over several periods.

With a tax expense of € 52 m, net income has amounted to € 202 m which enables all subordinate capital and the silent participations to be serviced, and also enables a payment to be made into retained earnings for strengthening core capital; it has also been possible for a cumulative profit to be reported.

Development of assets

	2011	2010	Changes	
	€ m	€ m	€ m	%
Loans and advances to banks	18,131	17,327	804	5
Loans and advances to customers	74,699	76,997	–2,299	–3
Bonds and equity	13,118	11,572	1,546	13
Trading portfolio (assets)	40,693	41,445	–752	–2
Investments/shares in affiliated companies	2,241	2,519	–278	–11
Other asset holdings	2,468	2,703	–234	–9
Balance sheet total	151,350	152,563	–1,213	–1
Business volume	174,329	180,576	–6,247	–3

The balance sheet total of Helaba declined slightly from € 152.6 bn to € 151.4 bn in the financial year 2011. This is due to the decline in customer receivables of € 2.3 bn. The decline of € 2.8 bn in contingent liabilities and the decline of € 2.3 bn in other obligations have also contributed to the € 6.2 bn decline in the volume of business to € 174.4 bn.

Loans and advances to banks have increased by € 0.8 bn to € 18.1 bn. Of this figure, € 9.2 bn (2010: € 9.0 bn) is attributable to refinancing funds which have been made available to the Sparkassen in Hesse and Thuringia.

Loans and advances to customers have declined by € 2.3 bn to € 74.7 bn. Whereas the mortgage loans have remained virtually constant (€ 14.9 bn) and municipal loans have increased slightly by € 0.4 bn to € 17.0 bn, the other loans have declined by € 2.6 bn, and the building loans of the Bausparkasse declined by € 0.1 bn. Of the figure shown for the decline in other loans, foreign counterparties account for € 1.6 bn and domestic counterparties account for € 1.0 bn.

The volume of bonds and shares which are classified as investment and liquidity holdings increased further last year by € 1.5 bn to € 13.1 bn. The main investments are bonds and other fixed-income securities (€ 11.8 bn; 2010: € 10.1 bn). Asset-backed securities have declined further, from € 1.1 bn in the previous year to € 0.8 bn. Shares and other variable-income securities are reported as € 1.3 bn (2010: € 1.4 bn).

In the reporting period, the trading portfolio (assets) declined by € 0.8 bn to € 40.7 bn. Most trading assets consist of bonds and other fixed-income securities (€ 24.5 bn; 2010: € 27.5 bn); shares and other variable-income securities account for only € 0.1 bn (2010: € 0.1 bn). Trading receivables of € 6.9 bn are lower than the corresponding previous year figure (€ 7.2 bn). Derivatives in the trading portfolio (assets) are shown as € 9.1 bn (2010: € 6.7 bn).

The decline in the carrying amounts of the investments and affiliated companies is mainly attributable to the reduction in the carrying amount of the investment in GLB GmbH & Co. OHG by way of a capital reduction.

The overall volume of business, which includes off-balance-sheet business in addition to the balance sheet total, declined from € 180.6 bn to € 174.4 bn. The contingent liabilities consisting of warranties and guarantees declined from € 8.1 bn to € 5.3 bn. This includes a figure of € 1.3 bn (2010: € 2.0 bn) for credit default swaps which are treated as guarantees and which are not included in the trading portfolio.

The placing and take-over obligations as well as the irrevocable loan commitments declined by € 2.3 bn to € 17.7 bn.

Development of liabilities

	2011	2010	Changes	
	€ m	€ m	€ m	%
Liabilities due to banks	34,987	34,556	431	1
Liabilities due to customers	26,402	24,520	1,882	8
Securitized liabilities	38,841	41,775	–2,934	–7
Trading portfolio (liabilities)	38,674	39,791	–1,117	–3
Own funds	9,034	8,960	74	1
Other liabilities	3,412	2,961	411	14
Balance sheet total	151,350	152,563	–1,213	–1

Liabilities due to banks are slightly higher compared with the corresponding previous year figure (€ 35.0 bn; 2010: € 34.6 bn). The liabilities due to Sparkassen in Hesse and Thuringia have increased to € 7.4 bn (2010: € 5.9 bn).

Liabilities due to customers have increased by € 1.9 bn to € 26.4 bn. This figure includes building saving deposits of € 3.3 bn (2010: € 3.3 bn).

The securitized liabilities have declined by € 2.9 bn. Holdings of issued bonds are stated as € 38.0 bn (2010: € 40.0 bn). Other securitized liabilities which mainly comprise the issue programs of short-term money market paper, are stated as € 0.8 bn (2010: € 1.8 bn).

The trading portfolio (liabilities) has declined by € 1.1 bn to € 38.7 bn. Trading liabilities are shown as € 28.5 bn (2010: € 32.5 bn), and derivatives in the trading portfolio (liabilities) are stated as € 10.1 bn (2010: € 7.3 bn). The liabilities due to Sparkassen in Hesse and Thuringia in the trading portfolio have increased to € 2.6 bn, after € 2.1 bn in the previous year.

Own funds

The own funds of the Bank shown in the balance sheet (i.e. equity excl. cumulative profit, incl. fund for general banking risks, profit participation rights and subordinated liabilities) amounted to € 9 bn as of 31 December 2011.

In line with regulatory law, the own funds of the Bank as of 31 December 2011 – i.e. before the net income was adopted and thus before additions to retained earnings are taken into consideration and incl. € –135 m resulting from the comparison of expected losses/with loan loss provision at the end of 2010 – amounted to € 8.7 bn. This includes core capital for solvency purposes of € 5.8 bn. The silent participations attributable to core capital amount to € 3.0 bn.

The own capital requirements in accordance with the SolvV amounted to € 4.5 bn as of 31 December 2011. This has resulted in a total ratio of 15.5 % for Helaba; the core capital ratio for solvency purposes is 10.3 %.

The capital backing requirements specified by the Solvency Ordinance for the recognizable positions were satisfied at all times in 2011.

As has been the case in previous year, Helaba has strengthened its capital and regulatory own funds with the payment into retained earnings.

Opportunity and Risk Report

The Board of Managing Directors is responsible for all risks incurred by Helaba and for devising a risk strategy consistent with the balance sheet strategy. In compliance with the statutory requirements and the requirements applicable in accordance with the articles of association and the regulatory authorities, the risk strategy defines the fundamental procedure for handling risk and the objectives of risk management and the measures implemented for meeting objectives at Helaba and the group companies integrated in the group-wide risk management system. After it has been adopted, the risk strategy is notified to the Supervisory Board and the Board of Owners, and is also discussed with them.

The risk strategy of the Helaba Group is derived from the business strategy of the Helaba Group. The business strategy of the Helaba Group is integrated in the business and risk strategy of the Sparkassen Finanzgruppe Hessen-Thüringen, and simultaneously forms the framework for the risk strategy.

The risk strategy focuses on taking on risk in a profit-oriented manner, with due consideration being given to the economic and regulatory shareholders' equity, whilst simultaneously assuring liquidity and a conservative risk profile. The risk management system is thus a key component of corporate management.

Helaba has shaped and refined its risk management process over the years, it now has at its disposal a range of fully developed tools and systems. The Bank strives to develop and improve on an ongoing basis not only the methods it uses to identify, quantify and control risks, but also its organizational rules and regulations, including process and system documentation and guidelines on competencies.

Principles

Responsibility of management
With the responsibilities of management, the Board of Managing Directors – irrespective of the distribution of operations – bears responsibility for all risks of Helaba, and is also responsible for the Group-wide implementation of the risk policy. It defines the risk strategy with due consideration being given to the risk bearing capacity of Helaba on the basis of an analysis of the starting situation of business policy as well as the assessment of the related risks, and is responsible for ensuring that this risk strategy is implemented. The subject of the risk strategy are all major business activities of the Helaba Group. At the subsidiaries, the strategies, processes and procedures are implemented in accordance with their legal and actual scope of influence. In addition, the Group companies are included in the range of controlling instruments for the individual risk types, with due consideration being given to materiality and the possibilities of company law. This solution ensures Group-wide risk controlling.

Protection of assets
Risk is only permitted to be taken on within the framework of the risk strategy in line with the aim of meeting the company's objective – in particular with regard to ensuring sustainable profitability whilst providing optimum protection for the assets of Helaba. The existing risk limit structures and the incentive systems and associated control mechanisms all serve this purpose.

Protection of the Bank's reputation
A functioning risk management system and the ability to avoid infringements of legal or regulatory provisions (compliance) that could damage its reputation are absolutely vital for the Bank if it is to preserve its positive image and achieve the best possible rating.

Clearly defined competences
Responsibility rests with the respective executives for ensuring that the relationship in the various business units between risks incurred and earnings achieved remains reasonable. The units exercising control must ensure that this duty is discharged properly and that the relevant executive is notified of any existing or potential discrepancies.

Segregation of functions
The independence of risk controlling and risk management must be assured in the interest of objectivity and transparency. Independent control processes are to be implemented wherever the type and degree of risk so require.

Transparency
The comprehensive and objective reporting and disclosure of risks is another important component of Helaba's risk strategy. Adequate supervision and appropriate notification of the corporate bodies by the Board of Managing Directors is impossible without this basis.

Cost efficiency
Another aspect is the cost efficiency of the units exercising control, and in particular, of the systems used. There is a reasonable relationship in each case between the expenditure incurred in connection with risk control (and also risk management) and the risks under review.

Risk bearing capacity
With these procedures for measuring and managing risks, Helaba ensures that the main risks are constantly covered by the risk cover funds and that risk-bearing capacity is thus guaranteed at all times. The risk strategy is defined with due consideration being given to the risk bearing capacity of Helaba.

Compliance with regulatory provisions
The particulars of the risk strategy are also significantly influenced by the need to implement regulatory requirements, which takes place in close co-operation with the regulatory authorities of the banking sector. Since 2007, Helaba has regulated regulatory capital in accordance with the rules of the Foundation IRB approach.

Risk-conscious behavior
The achievement of the objectives and compliance with legal standards depends on the discipline of all those involved with regard to strategy, processes, control and compliance.

Auditing
In principle, the Internal Audit function audits all operating activities and business processes. This promotes compliance with pre-defined processes. Assessments of the efficiency and adequacy of the internal control system assist the further development and improvement of the risk management processes.

Risk classification

Risk types
Risk types which are relevant for Helaba result directly from the Bank's operations. As part of the structured risk inventory process, a check is carried out to determine what risks can have a major impact on the net assets (incl. capital backing), the results of operations or the liquidity position of the Helaba Group. The following main risk types have been identified.

- Counterparty default risk is the economic loss potential attributable to the default or rating downgrade of borrowers (traditional lending operations), issuers, counterparties or equity participations as well as cross-border restrictions with regard to payments or commerce (products and services). Creditworthiness risks which are shown in the market price risk under the credit spread risk and the incremental risk, do not form part of the counterparty default risk.
  The counterparty default risk also includes the investment risk (residual risk type) as an economic loss potential which results from a default or a rating downgrade of an investment which is not managed at the level of individual risk types. This might result in a decline in the value of the share, lower dividend payments or even no dividend payments, loss absorption or contribution, margin call and liability obligations.
- The market price risk is the economic loss potential resulting from negative changes in the market value of positions due to changes in interest rates, foreign exchange rates, equity prices and commodity prices as well as the related volatilities. Changes in the interest rate level in a market segment result in general interest rate risks, specific changes in interest rates (for instance of an issuer) result in credit spread risks, and changes in the prices of rated securities resulting from rating changes (incl. default) result in incremental risks.
- The liquidity risk is broken down into three categories. The short-term liquidity risk is defined as the risk of not being able to meet payment obligations as they fall due. Structural liquidity risks result from an imbalance in the medium- and long-term liquidity structure and a negative change in the entity's own refinancing curve. Market liquidity risks result from the insufficient liquidity of assets, with the consequence that positions can be closed out only, if at all, at a disproportionately high cost. Depending on the specific type, the liquidity risks associated with off-balance-sheet operations result in short-term and/or structural liquidity risks.
- The operational risk is defined as the risk of losses which occur as a result of the inadequacy or failure of internal procedures and systems, human error or external events. This definition includes legal risks and outsourcing risks.
- Business risk is defined as the economic loss potential which can be attributed to possible changes in customer behavior or competitive conditions in the market and also general economic conditions.
- The real estate risk is defined as the economic loss potential attributable to fluctuations in the value of an entity's own real estate and also the economic loss potential of project development business. This does not include risks arising from providing capital and debt for a specific project and also for risks attributable to real estate financing.

Risk concentrations

Risk concentrations may occur within a single risk type and also between various risk types. At Helaba, management of the risk concentrations – i.e. identification, quantification, management and monitoring – as well as reporting in relation to identified risk concentrations is the responsibility of the risk-monitoring areas in line with their responsibilities for major risk types, risk-bearing capacity and stress tests.

Risk management process

Risk management at Helaba comprises four elements. These should be viewed as consecutive phases in a single continuous process.

1. Risk identification
The risks facing Helaba and the companies integrated in the risk management system at group level are identified constantly during daily operations. This is used as the basis for classifying the risks. Comprehensive identification and incorporation into existing risk measurement systems and the relevant risk monitoring processes is particularly important in connection with the introduction of new products and complex transactions.

2. Risk quantification
If the individual transactions and risk parameters are presented with good quality in the risk measuring systems, this permits sound (in quantitative as well as qualitative terms) risk measurement and valuation for the individual risk types. Various models, methods and processes are used in this respect.

3. Risk management
The information obtained from risk identification and quantification is used as the basis for risk management by the local management units. Risk management is the entirety of the measures aimed at incurring, reducing, limiting, avoiding or transferring risks within the framework of the limits set by the Board of Managing Directors.

4. Risk monitoring/controlling and reporting
A comprehensive and objective reporting system keeps the relevant people within the organization appraised of the existing risks as part of an independent risk controlling structure. The methods of the preceding process phases and the quality of the data used are also reviewed here, and plausibility checks are carried out on the results.

Risk management structure

Executive bodies
The Board of Managing Directors bears responsibility for all risks of the Bank, and is also responsible for the Group-wide implementation of the risk policy. In addition, the Board of Managing Directors has also established a Risk Committee, in accordance with the existing bank regulatory requirements. The primary duty of the Risk Committee is the implementation and monitoring of Helaba's risk

strategy. The Risk Committee is responsible for collating and carrying out an overall assessment of all risks which are taken on in the Bank, namely the counterparty default risks, market price and liquidity risks, operational risks, business risks and real estate risks. The aim is to identify risks in Helaba as early as possible, to design and monitor the risk-bearing capacity statement and to identify measures for avoiding risk and for generating management impetus for risk management. It also approves the risk management and quantification methods of the various business lines and assesses the appropriateness of the tools applied in light of the extent of the risk.

Operating directly below the Risk Committee are the Asset/Liability Management Committee, the Credit Management Committee (KMA) and the Credit Committee of the Board of Managing Directors (VS-KA). The Asset/Liability Management Committee is charged with managing the strategic market risk portfolio and the portfolio of non-interest-bearing liabilities. The KMA is responsible for managing the counterparty default risks of the entire portfolio and is also responsible for the central coordination function in syndication, structuring and placing business. The VS-KA is responsible for credit and settlement risks associated with counterparties and for country risks.

The persons serving on the committees as well as the duties, competences and responsibilities of the committees are governed in separate rules of procedure.

For decisions of particular significance, e.g. acquisition and disposal of as well as changes in equity participations, credit decisions in excess of a certain limit or defining the total limit for market price risks, the organizational guidelines specify that approval of the Central Board of Managing Directors or of the Supervisory Board or one of its committees is necessary. In accordance with the articles of incorporation of the Bank, the approval of the Board of Owners is necessary for taking on or changing strategic equity participations involving interests in excess of 25 %.

Risk management at the group companies of the Helaba Group

The way in which Group companies are involved in risk management at the Group level is based on the risks which are identified in the course of the annual or, where appropriate, ad hoc risk inventory process. The risks are identified as part of the risk inventory process at the level of the direct equity participations of Helaba, i.e. these companies which belong to the Group provide an overall assessment of the risk, i.e. including the risk for the relevant own equity participations.

The result of the materiality appraisal of the risk inventory process is used as the basis for determining which companies belonging to the Group are to be involved with which risk types in the risk management system at Group level, and also which companies belonging to the Group are included via the residual equity participation risk. If the effect of the risk potential of a company belonging to the Group is classified as material for a particular risk type at Group level, the company belonging to the Group has to be included in the risk management process at Group level.

In addition, the company belonging to the Group has to set up a suitable risk management process for its own risks which are allocated to the risk type at Group level.

The method of such integration is determined by the officer responsible for the specific risk types and methods. There are different ways of integrating the companies in the methods of the risk management process depending on the risk type.

The major risk types involved with banking, i.e. counterparty default, market price and liquidity risks, are centrally monitored for the narrow group of companies of the Bank and the subsidiaries Helaba Dublin, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG. Central monitoring is also applicable for real estate risks, which occur mainly at the subsidiaries OFB and GWH, but are also encountered at other real estate participations and at the Bank. In addition to the Bank, the main subsidiaries are also integrated in the central risk management system for operational risks and business risks.

Major risk monitoring areas
The duty of risk management is discharged by local management units in the various corporate business lines. The central monitoring units, for their part, are responsible for the identification, quantification and monitoring/controlling functions, which include the reporting obligation, and the corresponding methodological competence. The segregation of risk controlling and risk management, including back-office functions, has now been implemented in the organizational structure up to the board level.

This clear division of duties and the close cooperation between the units concerned is designed to achieve the efficient implementation of risk policy management mechanisms.

Broken down according to major risk type, the areas specified in the following table have central responsibility for risk monitoring and risk controlling:

Risk types	Responsible for risk management	Responsible for risk monitoring
Risks of counterparty default	Front office areas, Capital markets, Assets/liabilities management	Credit risk and Group controlling (portfolio level), Back-office Loans (individual exposure level), Board of Managing Directors staff and Group strategy (residual investment risk)
Market price risks	Capital markets, Assets/liabilities management	Risk controlling Trading
Liquidity risks	Capital markets (money trading), Assets/liabilities management	Risk controlling Trading
Operational risks	All areas	Credit risk and Group controlling, Legal (legal risks)
Business risks	Front office areas	Credit risk and Group controlling, Risk controlling Trading
Real estate risks	Real estate management, subsidiaries	Credit risk and Group controlling, Real estate management

Risk management in the Group also involves further entities in addition to the areas specified in the above table:

Internal audit

Internal Audit audits and assesses the activities of the Bank as well as subsidiaries. Audit planning and audit implementation procedures are carried out in a risk-oriented manner. The audit activities of Internal Auditing cover all operating and business procedures, whereby due consideration is being given to the extent and risk content of the particular operation or business activity. The assessment of the risk situation, the adequacy of processing as well as the effectiveness of the internal control system are particular audit criteria.

The scope and result of the audit are recorded in audit documentation. The relevant members of the Board of Managing Directors and also those persons responsible for the audited areas receive a comprehensive report. All members of the Board of Managing Directors receive a brief report, notifying them of the overall result, including major findings of audits. The Board of Managing Directors provides the Supervisory Board with a report of major findings of internal auditing every six months.

Capital market compliance, money laundering, fraud prevention and data protection

The Bank has set up the independent functions of the Compliance Officer Capital Market, the Data Protection Officer and the Group Money Laundering Officer.

The compliance office Capital Market is responsible for evaluating the risks arising from any violation of regulatory market protection rules and codes of conduct (compliance risk).

- It monitors in particular insider information and codes of conduct.
- It identifies and regulates Group-wide conflicts of interest with risk potential particularly in accordance with the Securities Trading Act and Investment Act.
- It evaluates the compliance risks of the business processes which are relevant for the capital market.
- It supports the specialist areas by way of providing constant and prompt advice on ways of minimizing these risks.

The Group Money Laundering Officer, who is also responsible for combating terrorism financing and who is responsible as the coordination office for fraud prevention, develops internal principles, adequate business- and customer-specific security systems and checks for preventing money laundering, terrorism financing and other criminal actions. The organizational precautions which have to be taken as the basis of these operations include the risk analysis of the Group (money laundering, terrorism financing as well as fraud prevention) as well as the Group policy which reflects the general conditions of the Group and which comply with the national and international regulatory requirements. The latest monitoring and research software is used to continuously monitor the business relations.

The Data Protection Officer monitors compliance with and implementation of the data protection laws.

These special officers report directly to the Board of Managing Directors. Accordingly, as required by regulatory requirements, the Bank has installed adequate and effective internal control structures and procedures for managing and monitoring the above-mentioned risks, and particularly including the reputation risks.

Risk bearing capacity

With these procedures for measuring and managing risks, Helaba ensures that all main risks of the Helaba Group are constantly covered by the risk cover funds and that risk-bearing capacity is thus guaranteed at all times. The risk-bearing capacity concept of Helaba has been improved as a result of the MaRisk amendment published by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) on 15 December 2010.

The risk-bearing capacity analysis for all risk types comprises potential risks for counterparty default risks, market price risks, operational risks, real estate and business risks. Average loss risks and an internal capital requirement are quantified for the various risk types as part of an economic assessment, and the regulatory expected loss (EL) and the regulatory capital requirement are calculated using the regulatory valuation principles. A capital deduction from the regulatory EL/impairment comparison is taken into consideration for quantifying core capital and total capital.

In addition to risk-bearing capacity based on cover funds, the result of the regulatory interest shock is shown as a parameter in relation to the market risks, and the liquidity horizon in shown as a parameter in relation to the liquidity risks.

In addition to a basic scenario which presents the risk-bearing capacity as of the reporting date, the effects of historical and theoretical stress scenarios on the risk-bearing capacity are also investigated. The observations cover a macro-economic stress scenario and a scenario of extreme market turmoil, the basis of which is created by market turmoil observed within the framework of a global financial crisis.

The risk-bearing capacity calculation of Helaba presents two different management approaches, which are distinguished for regulatory purposes as a going-concern approach and also a gone-concern approach.

The going-concern approach demonstrates that the regulatory minimum capital requirements can also be met in conjunction with expected losses which materialize. The gone-concerning approach of risk-bearing capacity demonstrates that, even in the unlikely event of unexpected losses which materialize, the capital of the Helaba Group will be sufficient to satisfy all creditors in full.

The going-concern approach compares different cover funds with the average loss risks of the risk-bearing capacity calculation in a two-stage scenario. The risk cover fund I assumes a sustainable result in relation to a period of one year. The risk cover fund II consists of the costs of servicing for the – with respect of the quality – not strengthened silent participations as well as reserves with a provisioning nature. Due consideration is also given to changes in provisions for losses on loans and advances which are determined in the course of the year. The average loss risks of the basic scenario are compared with the sustainable operating result (risk cover fund I). The risk cover fund II is additionally used for covering the risks in the stress considerations. For analyzing the effects on the regulatory capital ratios, the going-concern approach also quantifies the effects of the stress scenarios on the regulatory capital requirement and also on the regulatory own funds.

The going-concern approach, which uses the regulatory capital ratios as the results parameter, is closely linked with the capital allocation process at Helaba. Regulatory capital is allocated to divisions and Group entities at Helaba on the basis of the associated expected developments of total and core capital ratio. This assures the consistency between capital allocation with the assumption of limits being fully utilized and the resultant result parameters of the risk-bearing capacity calculation.

The gone-concern approach uses economic cover funds for covering the internal capital requirement based on the IFRS accounting rules. The components of this approach are the Group result which has accumulated as of the balance sheet date, the shareholders' equity as well as the subordinate capital in accordance with IFRS. An adjustment due to economic considerations is also made to elements of the cover funds. In the gone-concern approach, hidden reserves are not shown as an element of cover funds.

The risk-bearing capacity assessment for the Group which covers all risk types shows that the existing risk cover funds continued to provide considerable surplus cover of the quantified risk potential at the end of 2011, and also documents the conservative risk attitude of Helaba.

In the basic scenario of the going-concern approach, the average loss risks can be completely covered by the sustainable operating result, and there is an additional cushion of € 0.3 bn. In the gone-concern approach, there is a capital cushion of € 6.0 bn for the economic risk potential.

As of 31 December 2011, the regulatory total capital ratio in the Helaba Group was 15.3 % (2010: 14.4 %), and the core capital ratio was 10.1 % (2010: 9.6 %). Even in conjunction with a simulated occurrence of the stress scenarios, the capital ratios attained by Helaba are considerably higher than the regulatory minimum requirements.

Further security mechanisms

There are other deposit security mechanisms in addition to the risk cover fund. Helaba is a member of the Deposit Security Reserve of the Landesbanken and Girozentralen, and is thus included in the nationwide liability network based on the principle of institution protection between the Deposit Security Reserve, the regional savings bank support funds and the deposit security funds of the Landesbausparkassen. The major features of this deposit security system are the effect of protecting the existence of the affiliated institutions, in particular providing protection for their liquidity and solvency, a risk monitoring system for the early recognition of particular risk situations and the risk-oriented calculation of the amounts to be paid by the various institutions to the security facility. The legally dependent Landesbausparkasse Hessen-Thüringen and the subsidiary Frankfurter Sparkasse are also directly integrated in this deposit security system. In addition, since the end of 2011, Frankfurter Bankgesellschaft AG, a subsidiary of Frankfurter Bankgesellschaft Schweiz AG, has also been a member of the deposit security reserve of the Landesbanken and Girozentralen.

In addition, in accordance with their articles of incorporation, Helaba and Frankfurter Sparkasse are affiliated to the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen. The reserve fund provides further protection in the event of claims in addition to the nationwide liability network, and provides creditors of the affiliated institutions with a direct and uncapped receivable right. The total volume of the fund amounts to 0.5 % of the regulatory risk assets of the affiliated institutions weighted in accordance with SolvV, and amounted to € 520 m at the end of 2011. Until the total amount has been paid in, the Sparkassen- and Giroverband Hessen-Thüringen has assumed liability for paying the difference between the actual payment and the total volume.

The Federal State of Hesse has also assumed guarantor liability for the development bank Wirtschafts- und Infrastrukturbank Hessen (WIBank), which is organized as a legally dependent institution in Landesbank Hessen-Thüringen.

Risks of counterparty default

The lending business is a leading core business area at Helaba. The acceptance of risks of counterparty default and their control and management accordingly constitute one of Helaba's core competences. Recent events in the market and new developments in the regulatory environment for banks have together created a wealth of new challenges in respect of the internal management of counterparty default risks, and have necessitated a rigorous examination of the existing procedures.

Guiding these steps is a comprehensive and universal risk strategy derived from the business strategy. This risk strategy was drawn up with reference to MaRisk. The sub-risk strategy for counterparty default risks defines the risk propensity differentiated by product, customer segment and risk category for every business segment. It is reviewed annually and is developed gradually in step with the continuing extension of active lending portfolio management. In addition, the arrangement for handling counterparty default risks is regulated by detailed portfolio-specific lending policies and strategies for limiting risk in the course of a year.

Basel II
Both the Basel Committee for Banking Supervision's revision of the capital adequacy standards (pillar 1 of Basel II/Capital Requirements Directive) and parallel moves underway in the EU have produced far-reaching provisions on banking regulation, which have been implemented in Germany with the Solvency Ordinance (SolvV). New regulatory requirements have to be fulfilled as part of the process of implementing Basel III (CRD II-IV). The new requirements are being implemented for the first time in an EU ordinance (Capital Requirements Regulation). Helaba has used the basic approach for internal ratings in accordance with Basel II/SolvV. The Bank intends to change over to the advanced approach for internal ratings in the medium term.

With the internal rating methods (default rating) for the loan portfolio, a collateral management system, the credit loss data base for recording and analyzing the default portfolio and the individual allowances, as well as a central risk data pool, the regulations in accordance with Basel II/SolvV are integrated in the procedures and systems at Helaba.

Risk monitoring with the global limit system

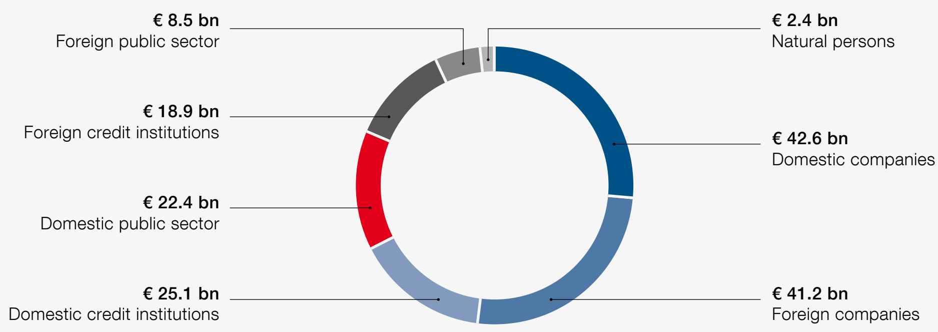
Helaba uses a global limit system for the prompt recording as well as transparent and structured processing of all risks of counterparty default. The counterparty limits are based on the rating of the counterparties and also on the risk-bearing capacity of the Bank.

Borrower-related total limits at the Group level are used in the global limit system for monitoring, limiting and managing counterparty default risks. All types of loans in accordance with section 19 (1) KWG, attributable to trading activities as well as bank book activities, are netted against these global limits with regard to the borrowers. Advance payments and settlement risks which are attributable to foreign currency and security transactions, and which have to be approved separately, are offset in full against limits for settlement risks, irrespective of whether they are attributed to the trade book or to the bank book.

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

Chart 1 shows the total volume of lending as of 31 December 2011 which consists of drawings and unutilized committed credit lines of Helaba Bank totaling € 161.1 bn, broken down according to customer groups.

Total volume of lending according to customer groups
(Chart 1)



Swaps, forward transactions and options are counted towards the total limit at their credit equivalent amounts calculated in accordance with the German Large Loans Directive (GroMiKV). All other trading book positions (e.g. money market trading, securities), are valued at market prices.

Secondary risks resulting, for example, from leasing commitments (lessees) or guarantees received are moreover also recorded for the respective bearer of the risk under “Other commercial risks”.

In line with the business model, the credit activities of Helaba as of 31 December 2011 focused on the sectors of lending, property and housing as well as the public sector.

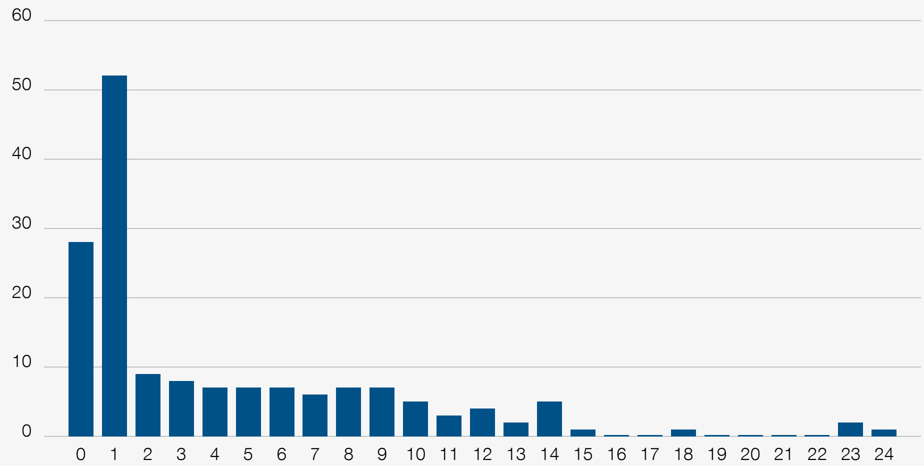
Creditworthiness/risk appraisal
In co-operation with the DSGV (national real estate financing and corporate clients) and other state banks (international real estate financing, project, ship and aircraft financing, leveraged-finance transactions, leasing, banks, insurance, corporates, country and transfer risks as well as public authorities outside Germany), Helaba has developed internal rating systems. In addition, Helaba has developed its own methods for securitizations of loan and trading receivables, financing of municipal enterprises in the USA and also for commodity trade transactions. In all rating methods, the borrowers or transactions are assigned to a rating category which is given a one-year probability of default (PD) over a uniform 25-degree scale.

Because the calculation of the customer- or transaction-specific probability of default (PD) alone does not permit an assessment to be made of the loss risk potential of a transaction, due consideration is given to further relevant factors which reduce or increase risk for a particular credit transaction (in particular, remaining term, additional security, ranking of the loan). For this purpose, in addition to the default rating, Helaba has developed a risk rating which enables the risk content of transactions to be compared across segments. The risk rating approximates the expected loss (EL). The default rating is used as the basis for the EL-relevant adjustments for determining the risk rating.

Chart 2 shows the total volume of lending of Helaba Bank of € 161.1 bn broken down according to risk ratings.

Total volume of lending according to risk ratings
(Chart 2)

in € bn



Collateral

Like the creditworthiness of borrowers or counterparties, the collateral available to the Bank (or general risk mitigation techniques) is of major importance when determining the extent of risks of counterparty default. Collateral is measured in accordance with the lending principles of the Bank. As part of the monitoring process, the valuation is adjusted if there are any changes in factors which are relevant for valuation purposes.

The collateral management system of Helaba satisfies the criteria necessary to enable full advantage to be taken of the comprehensive opportunities for recognizing credit risk reduction techniques which enhance shareholders' equity in accordance with Basel II/SolvV. This system complies with the extensive and complex requirements with regard to the utilization, presentation and recognition of "traditional" credit collateral (and in particular property charges, guarantees and warranties, pledging and assignment of receivables and security positions, register charges for ships and aircraft) in the foundation approach for internal ratings. The collateral management system provides its stock of data to the central risk data pool, which in turn checks and distributes the eligible security values of the secured risk positions.

Country risks

The country risk consists of transfer, conversion and event risks (such as delivery risks). Helaba has a uniform methodology for the internal measurement and allocation of country risks. A country risk system serves as the central instrument for the complete, prompt, risk-oriented and transparent recording, monitoring and management of country risks. The system for managing country risks integrates all lending and trading activities of Helaba including the subsidiaries Helaba Dublin, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG. The Bank's total country risk, excluding the countries of the Euro zone, may not exceed six times the liable capital of the Bank. As of 31 December 2011, utilization was less than three times the liable capital.

County limits are defined for all countries with the exception of the Euro-zone countries (with the exception of Greece, Malta, Portugal, Ireland, Cyprus, Slovenia, Estonia and Slovakia) and other countries considered to be first-class borrowers in respect, in particular, of transfer risks (currently Switzerland, the UK, the USA, Denmark, Sweden, Norway, Canada). The overall limit assigned to a country is subdivided into a lending limit and a trading limit. The country risks for long-term transactions are also subject to additional sub-limits.

The internal rating process for country and transfer risks distinguishes between 25 possible country ratings based on the master scale which is applicable throughout the Bank. All ratings are reviewed at least annually by the Economics/Research department in the business unit Board Staff and Group Strategy (first vote). Changes to the political or economic situation of a country as a result of current events result in the rating also being reviewed ahead of schedule in the course of the year. These country ratings are used as the basis for submitting country limit proposals to the Country Limit Committee, on which the management function officers responsible for international business serve. The Country Limit Committee combines these proposals which are primarily based on economic criteria with considerations of business policy and risk methods which are specific for the Bank to form an overall assessment, which is used by Marktfolge Kredit (back-office loans) as the basis of submitting the second vote as the definitive limit proposal for the Board of Managing Directors. The Board of Managing Directors defines limits for the individual countries, considering the votes and risk grouping.

The types of transactions permitted in each of the country risk groups are laid down in a matrix. Depending on the particular risk group, this matrix covers lending and securities business as well as the various forms of capital market financing, money and foreign exchange transactions as well as derivative trading. Less favorable risk groups offer fewer business opportunities. The Bank has no defined country limits for countries falling into the weakest rating categories.

The country risk of Helaba Bank of € 46.1 bn (2010: € 50.8 m) has a regional focus on Europe (81.6 %) and North America (15.8 %). As of 31 December 2011, 92.2 % (2010: 92.7 %) is classified under the country rating classes 0 and 1. A further 6.5 % (2010: 6.2 %) is generated in the rating classes 2–9. Only 0.1 % (2010: 0.1 %) is rated with the rating class 14 and worse.

The individual country risk positions are allocated in accordance with the domicile principle. However, this principle, which is based on the country in which the borrower is domiciled, is modified for economic reasons. Under certain conditions, the risk is transferred to the domicile of the parent company of the Group, the lessee or, in the case of cash flow structures and when security is taken into consideration, to the country of the entity bearing economic risk.

As of 31 December 2011, according to the method which was used in the EBA recapitalization survey as of 30 September 2011, the exposure in the peripheral Euro countries was € 1.70 bn. This figure is attributable to Spain (€ 1.38 bn), Italy (€ 0.24 bn), Portugal (€ 0.06 bn) as well as Greece (€ 0.02 bn).

Approval procedure
The approval procedure followed by the Bank ensures that no credit risks are entered into without prior approval. The rules of procedure for the Board of Managing Directors state that loans above a certain value require the approval of the Supervisory Board or of one of its committees. Commitments in amounts below this value are approved at different authorizing levels (Board of Managing Directors, staff members) depending on the amounts involved. Loans are approved on the basis of detailed risk assessments. In accordance with MaRisk, the loan documents in so-called risk-relevant business always comprise two independent votes of the relevant Markt (Front-Office) and Marktfolge Kredit (Back-Office Loans).

The procedure is extended to include the concentration limits which are derived from the risk-bearing capacity of the Bank and which additionally limit the exposures in line with default rating classes of the economic borrower unit. All loans also have to be reviewed at least once every year. The global limit system, which aggregates all loans extended by the narrow group of consolidated companies (limits and utilizations) to each borrower considered as one risk unit, is one method by which the Bank ensures the daily management of any overdrafts of credit limits.

Quantifying risks of counterparty default
The quantification of expected and unexpected counterparty default risks is carried out via the central risk data pool. Expected counterparty default risks are calculated in the form of the expected loss for individual transactions. For regulatory purposes, the internal rating methods and regulatory LGDs are used as the basis of the calculation. For covering unexpected losses, the equity to be maintained in accordance with SolvV foundation approach for internal rating procedures is also calculated on the basis of individual transactions and used for management of individual transactions as well as for risk capital management. In addition, internally estimated LGD parameters are also used as the basis in internal controlling for more precise quantification of unexpected losses from counterparty default risks. The correspondingly quantified expected and unexpected losses are subject to various scenario observations in order to identify the impact of corresponding stress situations.

Credit risk processes and organization
The MaRisk comprise differentiated rules regarding the organization of lending business and the lending processes as well as the form of the procedures for identifying, monitoring and managing risks in lending business.

The Board of Managing Directors has defined the main requirements of business policy regarding structure and procedure organization in lending business in separate conditions applicable for lending business.

Provisions for loans and advances
Adequate risk provisions are created for risks of counterparty default. The adequacy of risk provisions is regularly reviewed and adjusted where necessary. Individual allowances are recorded and updated in the credit loss database, which is used as a central file for exposures which are potentially subject to default.

Equity participation risks
Participation risks are defined as those risks attributable to equity participations for which individual risk types are not recognized separately in Risk Controlling for the individual risk types. If all risk types relevant for a participation are integrated in group-wide risk management in accordance with materiality considerations and the possibilities of company law, the assessment of participation risks for this participation is not relevant. In addition to the equity participations under Commercial Law, the equity participation risks also relate to those financial instruments which, in accordance with the SolvV, are classified under the receivables class "equity participations".

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

The total carrying amount of the equity participation portfolio declined in 2011 considerably mainly as a result of a capital repayment of an intermediate holding in conjunction with the disposal of shares of Dekabank and also as a result of the disposal of a share in a listed company in the finance sector.

The regular impairment tests performed on the investment portfolio resulted in the adjustment of the carrying amounts of individual investments.

Market price risks

Risk management
Helaba manages market price risks for the trading book and the banking book as part of its overall bank management. Clearly defined responsibilities and business processes provide an efficient framework for effective limitation and management of market price risks. Depending on the specific activities involved, a risk inventory process is used for phased integration of the subsidiaries in the management process as part of the Group-wide risk management process. This is mainly applicable for the subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG as well as the subsidiary Helaba Dublin. The market price risks are quantified using the methods of Helaba.

The main forms of trading conducted by the Bank are customer trading and own dealing. Responsibility for managing the positions in the trading book (Helaba Bank as well as the subsidiary Helaba Dublin) rests with the capital markets unit. The asset/liability management unit looks after the banking book, which consists primarily of asset/liability management positions, positions taken for strategic reasons and the net balance of non-interest-bearing funds. The portfolio of own issues also falls under the jurisdiction of the Asset/Liability Management unit.

Limiting market price risks
Helaba employs a common limit structure to limit market price risks. The process through which limits are allocated involves the Supervisory Board Credit Committee as well as the Bank's internal corporate bodies. The overall limit for market price risks, which is proposed by the Board of Manag-

ing Directors on the basis of the Bank's ability to assume risks, must be approved by the Supervisory Board Credit Committee. The preparatory work leading up to this decision is carried out by the Risk Committee.

Acting through the Asset/Liability Management Committee, the Board of Managing Directors allocates limits to the risk-incurring business units and the various types of market price risk within the scope of the overall limit for market price risks. Separate limits are defined, in addition, for the trading book and the banking book. Responsibility for the onward allocation of limits to Helaba's subordinate organizational units and its various sites rests with the business units to which a limit has been assigned. Stop-loss limits and volume limits are also used independently in the trading units to limit market price risks.

The overall market price risk limit was always met in the year under review. There were also no limit violations at the main aggregation stages of the trading and bank book as well as for the individual market price risk types.

Risk monitoring
The risk controlling trading unit is responsible for identifying, quantifying and monitoring market price risks across the whole of the Group. In addition to simple risk measurement, its duties include checking transactions for market conformity, determining the economic profit or loss for the accounting department. In addition, the reconciliation statement with external Accounting is prepared.

Helaba continuously develops the methods and systems used as part of its efforts to ensure adequate recording of market price risks. A special process owned by the New Products Committee has to be completed whenever a new product is introduced. New products must be incorporated correctly into the relevant systems for position recording, processing, profit or loss determination, risk measurement and reporting before they can be released for sale.

A comprehensive reporting regime ensures that the responsible members of the Board of Managing Directors and the position-keeping units are notified daily of the risk figures calculated and the economic profit and loss generated on the basis of current market prices. In addition, information about the current risk and earnings situation is provided weekly for the entire Board of Managing Directors and the Assets/Liability Management committee and monthly for the Risk Committee. The escalation process to limit and reduce the risks comes into effect if any defined limit is found to have been exceeded.

Quantifying market price risks
The market price risks are quantified using a money-at-risk approach which has been extended to include stress tests and sensitivity analyses for credit spread risks and, since the end of 2011, by a consideration 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 given holding period.

The risk measurement systems employed at Helaba for the various categories of market price risk (interest rates, share prices and foreign exchange rates) all use the same statistical parameters in order to facilitate comparisons across the different risk categories. At the same time, this enables the individual risk types to be aggregated to form an overall risk. The overall risk is based on the assumption of the simultaneous occurrence of the individual losses. The MaR figure calculated using the risk models specifies the maximum loss which will not be exceeded, with a probability of 99 %, on the basis of the underlying historical period of observation of one year with a holding period of ten trading days for the position.

Chart 3 contains a reference date assessment of all the market price risks taken on as of the end of 2011 (incl. correlation effects between the portfolios) as well as a breakdown according to trading book and bank book. The linear interest rate risk accounts for most of the market price risk types. For the overall portfolio of the narrow Group of consolidated companies, euro positions account for 78 % (2010: 74 %) of the linear interest rate risk, and US dollar positions account for 16 % (2010: 16 %). 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, Swiss Franc, Japanese Yen and Sterling positions.

Group MaR by risk type
(Chart 3) in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Total	65.6	65.6	57.2	57.3	1.2	0.9	7.2	7.4
Trading book	19.4	16.9	17.9	16.1	1.2	0.4	0.3	0.4
Bank book	57.6	60.8	50.2	52.5	0.2	1.0	7.2	7.3

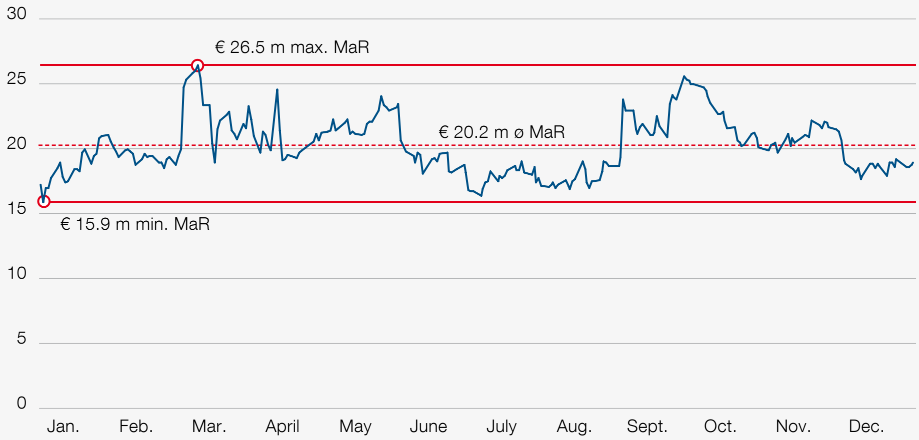
All risk measuring systems are based on a modified variance-covariance approach or a Monte Carlo simulation. The latter is particularly beneficial for presenting complex products and options. Non-linear risks in the currency field are of minor significance at Helaba. They are monitored with the aid of sensitivity analyses.

The risk measuring systems and the corresponding interfaces are continuously improved in specialist and technical terms; this guarantees permanently high quality of risk measurement. Intense market data smoothing and a regular review of the business data from the position-keeping systems also make a major contribution in this respect.

Internal model in accordance with the Solvency Ordinance
Helaba calculates the regulatory capital required for the general interest risk using an internal model in accordance with SolvV. This model, which consists of the risk measurement systems MaRC² (linear interest rate risk) and ELLI (interest option risk), has been approved by the banking regulators. Rating dependent interest rate curves are also used for evaluation within linear risk measurement in addition to swap, government and mortgage bond curves.

Market price risks in the trading book
All market price risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba also uses the parameters specified by the regulatory authorities for internal risk management. Chart 4 shows the MaR of the trading book (Helaba, incl. subsidiary Helaba Dublin) for the financial year 2011. For the whole of 2011, the average market risk was € 20.2 m (2010: € 20.0 m), the maximum figure was € 26.5 m (2010: € 26.5 m) and the minimum figure was € 15.9 m (2010: € 13.1 m).

Daily MaR of the trading book in financial 2011
(Chart 4)



Helaba's international branch offices and its subsidiary in Dublin, Frankfurter Bankgesellschaft (Schweiz) AG and Frankfurter Sparkasse make the current business data from their position-keeping systems available to Group headquarters in a bottom-up process so that consolidated MaR figures can be calculated for the Group. The market parameters, in contrast, are made available in a standard form right across the Group in a top-down process. This arrangement means that it is possible to measure risk centrally at headquarters and locally at the sites.

Chart 5 shows the average daily MaR amount for the trading book (Helaba Bank, incl. the subsidiary Helaba Dublin).

Average MaR for the trading book in financial 2011
(Chart 5)

ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Interest rate risk	18.7	20.3	18.9	19.1	18.3	16.5	19.2	14.8	18.8	17.5
FX risk	1.2	0.7	1.0	0.6	0.6	1.0	0.8	1.0	0.9	0.9
Equity risk	0.4	3.0	0.7	1.6	0.7	0.9	0.5	0.8	0.6	1.6
Total risk	20.3	24.0	20.6	21.3	19.6	18.4	20.5	16.6	20.2	20.0

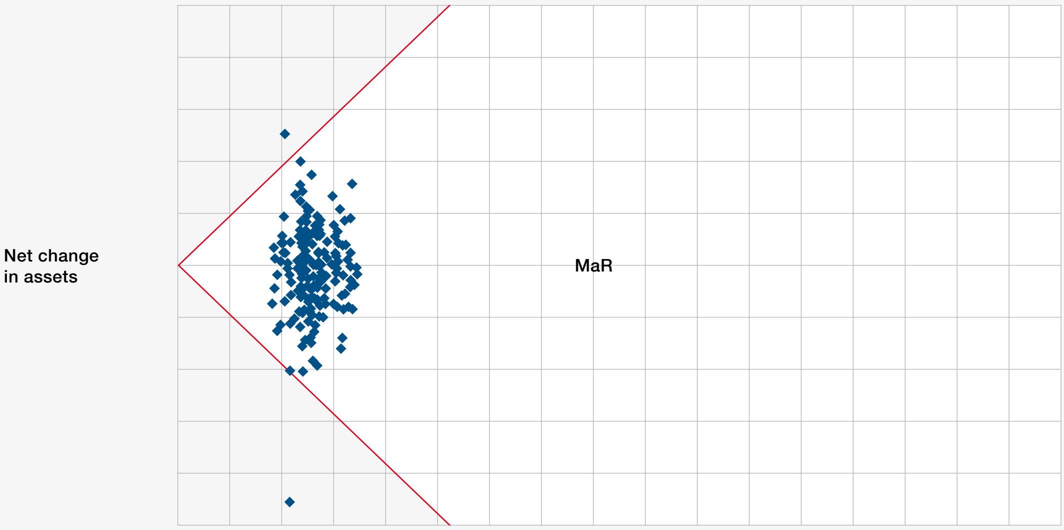
Number of trading days 253 (2010: 253)

In the trading book, the annual average MaR for Frankfurter Sparkasse is € 0.1 m (2010: € 0.1 m). The average MaR of the trading book of Frankfurter Bankgesellschaft (Schweiz) AG is € 0.9 m (2010: € 0.6 m).

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

Chart 6 shows the back-testing for the trading book (Helaba Bank, incl. subsidiary Helaba Dublin) over all market price risk types in financial 2011. One negative outlier occurred, and one positive limit violation was observed.

Back-testing for the trading book in financial 2011
(Chart 6)



In the year 2011, two negative outliers occurred in the internal model of the general interest rate risk, which consists of the model components MaRC² and ELLI. These outliers are mainly due to the Euro and US debt crisis and the associated severe fluctuations of the market parameters. The two outliers do not have a negative impact on the forecasting quality of the model.

Stress test program
A proper analysis of the effects of extraordinary but realistic market situations requires the use of stress tests in addition to the daily risk measurement routine. Various portfolios are re-evaluated regularly under the assumption of extreme market scenarios. Some portfolios have to undergo stress

testing in line with banking supervisory regulations, while others are selected as a result of the level of exposure (materiality) and possible risk concentrations involved. Stress tests are carried out on Helaba's options book every day. The results of the stress tests are included in market price risk reporting to the Board of Managing Directors and are taken into consideration in the limit allocation process.

Methods available for use in stress testing include historical simulation, Monte-Carlo simulation, a modified variance-covariance approach and a variety of scenario calculations – including those based on the main components of the correlation matrix. Helaba also performs stress tests for simulating extreme spread changes. As has been the case in previous years, Helaba has taken part in a survey carried out by the Deutsche Bundesbank for analyzing the impact of external changes in market values on the trading and bank books. These stress tests are based on the scenarios of the FSAP (Financial Sector Assessment Program) of the International Monetary Fund (IMF). Stress tests covering all risk types as part of the process of calculating the risk bearing capacity of Helaba and inverse stress tests complement the stress tests for market price risks.

Market price risks in the bank book
Helaba employs the MaR approach used for the trading book in order to quantify the market price risks in the bank book. The risk figures calculated using this approach are extended to include maturity expiry schedules which are prepared on a daily basis and which indicate the maturity structure of the positions which have been taken out. Regular stress tests with holding periods of between ten days and up to twelve months back up the daily bank book risk measurement.

The quantification of interest rate risks in the bank book is also a component of regulatory requirements. This requires a risk calculation on the basis of standardized interest shocks. Since the end of 2011, and in line with the requirements of the Bank Regulator, a rise and also a fall of 200 basis points in interest rates is investigated. As of the end of 2011, such an interest shock would, in a negative scenario, result in a negative change of € 240.5 m in the bank book of the Helaba Group (2010: € 77.4 m, using the method applicable at that time for a rate hike of 130 basis points). Of this figure, € 227.9 m is attributable to the domestic currency and € 12.6 m is attributable to foreign currencies. Helaba carries out the rate shock test at least once every quarter.

Performance measurement
The Bank carries out risk-return comparisons at regular intervals in order to assess the performance of individual organizational units. These comparisons calculate the ratio of the performance achieved to the average MaR. 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 risks

The need to ensure liquidity enjoys first priority at Helaba. Accordingly, a wide range of tools is available for recording, managing and monitoring the liquidity risks; these tools are constantly being developed further. In recent years, the existing processes, tools and responsibilities for management of liquidity risks have also demonstrated their worth during the global financial markets crisis and the resultant turmoil on the money and capital markets. The liquidity of Helaba was also fully assured at all times in 2011.

One of the tasks in 2012 will be to continue to focus liquidity management on complying with the new regulatory requirements of Basel III/CRD IV. The process of expanding the highly liquid security holdings (liquidity cushion) necessary for complying with the short-term liquidity requirements under Basel III/CRD IV will be continued for this purpose.

There is a local management and monitoring concept for liquidity risks in the Helaba Group, i.e. each company is itself responsible for ensuring its own solvency. The corresponding conditions are agreed with Helaba. As part of the group-wide risk management process, the subsidiaries in the narrow group of companies regularly report their liquidity risks to Helaba. The methods used in this process are based on the Helaba method.

Liquidity and funding risk
The Bank draws a distinction in liquidity risk management between short-term and structural liquidity management. Overall responsibility lies with Asset/Liability Management. The money market staff safeguard the day-to-day solvency of the Bank, while the asset/liability management unit is responsible for refinancing new lending business, giving due consideration to a balanced medium- and long-term liquidity structure in the context of structural liquidity management. Asset/liability management is also responsible for central management of the liquid securities and also for the purpose of the regulatory liquidity cushion for complying with the liquidity coverage ratio (LCR) and also for collateral management.

Risk controlling for trading reports daily on the short-term liquidity situation to the relevant managers, and reports monthly in the Risk Committee on the overall liquidity risks which have been taken on. This reporting also comprises various stress scenarios such as more pronounced drawings of liquidity lines, no availability of interbank liquidity on the financial markets and the impact of a significant rating downgrade on Helaba. The stress scenarios cover reasons attributable to the bank and also reasons attributable to the overall market. Inverse stress tests are also carried out. Additional ad-hoc reporting and decision-making processes for extreme market situations are in place.

Short-term liquidity risk
In order to assure its short-term liquidity requirement, Helaba holds a highly liquid portfolio of securities which can be used for generating liquidity as required. The current liquidity situation is managed using a short-term liquidity status. In this status, the liquidity requirements expected for the next 250 trading days are compared with the available liquidity from the liquid security holdings. The available liquidity is established conservatively with due consideration being given to mark-downs so that unexpected market developments of individual securities can also be mitigated. Securities which are used for collateral purposes in collateral management and which are thus earmarked for a specific purpose are not considered to be part of the liquid security holdings. The major currencies for short-term liquidity at Helaba are the Euro, followed by the US Dollar.

In February 2011, Helaba was the second bank in Germany to receive approval from the BaFin for its own liquidity risk measurement and management procedure in accordance with Section 10 of the Liquidity Regulation (Liquiditätsverdordnung; LiqV). Accordingly, instead of monthly notification using the LiqV standard method, Helaba is permitted to use its own method for establishing the short-term liquidity status for regulatory reporting. Helaba once again always complied in full with the liquidity requirements imposed by the banking supervisory authorities in financial 2011.

The concept of the short-term liquidity status has been chosen so that various stress scenarios can be presented. The cumulative net liquidity (liquidity requirement) is compared with the available liquidity. The defined limits are 30 days up to one year depending on the specific scenario. The risk controlling treasury unit is responsible for monitoring the limits. The utilization of the most relevant scenario (solvency) was 20 % (2010: 49 %) as of the balance sheet date. If Frankfurter Sparkasse is included, this figure is 33 % (2010: 52 %). Average utilization was 32 % in 2011 (2010: 41 %).

The tasks of operational money management for assuring short-term liquidity are carried out by money market staff by way of borrowings/investments in the money market (interbank and customer business/commercial paper), Lombard facilities with the European Central Bank (ECB).

In parallel with internal management of short-term liquidity, the Bank has set up a project for complying with the regulatory requirements of Basel III/CRD IV for short-term liquidity. The aim is to ensure automatic calculation of the LCR within the framework of short-term liquidity management.

The off-balance-sheet loan and liquidity commitments maintained in a central database are regularly reviewed with regard to their drawing potential and liquidity-relevant features, and are integrated in liquidity management. Guarantees and warranties are also considered. Liquidity costs are calculated as a function of the internal risk classification, and are allocated to the relevant business lines. Since 2002, the liquidity to be maintained has been calculated using a scenario calculation which assumes in particular a market disturbance, and is scheduled in advance. Backtesting investigations have shown that, during the recent years of the financial market crisis, the liquidity which was maintained at all times exceeded the liquidity which was actually drawn.

For the securitization platform initiated by Helaba, a total of € 1.3 bn liquidity commitments had been called off as of the balance sheet date. This is an increase of € 0.1 bn compared with the previous year, due to new liquidity commitments which have been provided on a selective basis. In US public finance business, no liquidity had been drawn down from stand-by lines as of the balance sheet date (as was the case at the end of 2010).

Credit agreements, and in particular those of consolidated property companies, may include credit clauses which may result in distribution restrictions or may even result in the agreements being terminated. Even if there is the threat of such termination in individual cases, the Group is not exposed to any significant liquidity risk.

Structural liquidity risk
Assets/Liability Management manages the liquidity risks of Helaba's commercial banking activities via the central scheduling system. This mainly comprises lending business including floating-interest roll-over transactions, securities held for liquidity investment purposes and medium- and long-term financing. This aspect is managed on the basis of cash-flow-oriented liquidity outflow schedules, with limited matching liquidity. Monitoring is the responsibility of Risk Controlling Trading. The main objective of liquidity scheduling is to assure the calculated economic success of lending business.

The major aim of funding management (procurement of funds) is to avoid cost risks in connection with the procurement of medium- and long-term borrowed funds, and limit dependency on short-term funding capital. Structural liquidity shortages are avoided by funding arrangements with matching maturities (as far as possible) as well as diversification of the sources of funding (products, markets, investors). Interfaces to money trading result when liquidity shortages are refinanced on a short-term basis or liquidity surpluses are invested on a short-term basis.

Market liquidity risk
The market liquidity risk is assessed in the MaR model for market price risks. The model takes account of the liquidity risk by way of a conservative assumption of a holding period of ten days. Monthly scenario calculations using a variety of holding periods are also carried out to track the risk of inadequate market liquidity. The market liquidity is also observed on the basis of the margin between bid and offer prices.

Definition of risk tolerance
The Board of Managing Directors defines the risk tolerance for liquidity risk at least annually. This comprises the limit applicable for short-term and structural liquidity risk, the maintaining of liquidity for off-balance-sheet liquidity risks as well as the definition of the corresponding models and assumptions. A comprehensive plan of action is maintained for all locations for potential liquidity shortages.

Operational risks

Basics of risk control
In line with the Basel Committee and the national capital regulations, operational risk at Helaba is defined as follows: "The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition includes legal risks. The strategic risk and reputation risk are not part of operational risk. Based on the national requirements of banking regulation with regard to regulatory capital backing and also based on the MaRisk, Helaba has an integrated approach for the management of operational risks. This approach is used to identify, value and manage risks on the basis of the following components: Risks and claims.

Helaba's approach provides for the disciplinary and organizational segregation of operational risk management and controlling. Accordingly, the individual business lines of Helaba have local responsibility for risk management. They are supported by central management areas. Controlling of operational risks is based centrally in Credit Risk and Group Controlling.

Helaba has representatives in a number of working groups set up by the Federal Association of German Public-Sector Banks (VÖB) to consider issues surrounding operational risks. The aim of these cooperative arrangements is to reach agreement on disciplinary implementation matters and develop a technical standard solution. Accordingly, the IT system for managing operational risks is regularly developed further together with representatives of other banks and extended to include new functionalities. A joint data syndicate has been set up in a further working party with other banks (mainly Landesbanken); since 2006, this has been used for exchanging information concerning losses attributable to operational risks.

Instruments
Since 2007, Helaba has adopted the standard approach for capital backing and risk management of operational risks.

A risk management system which identifies, records and presents risks and losses in a structured manner is the basis for managing and monitoring operational risks. A systematic comparison can be made in this way between risks and loss data.

The Helaba risk model is used as the basis for the systematic classification of operational risks. The Helaba risk model is based exclusively on the Basel event categories, which means that the regulatory risk view is used completely for the internal risk assessment.

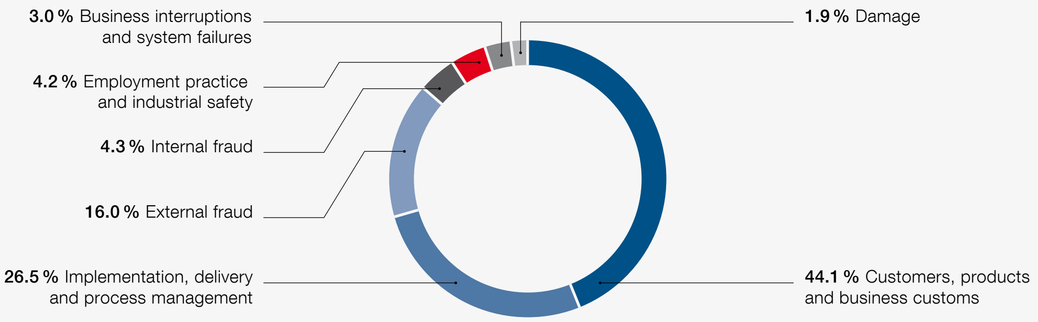
Technical support is provided for management of operational risks by a web-based application with local data access and a central database. This application is regularly updated in line with specialist requirements.

Established measures in internal processes and other procedures as well as insurances which cover certain losses up to agreed maximum limits are used for avoiding or limiting operational risks.

Risk monitoring
In the risk reporting system, the relevant bodies, the Risk Committee and the business lines responsible locally for risk management are notified of the risk situation and any losses which have been incurred.

The following chart 7 comprises the risk profile of the narrow Group plus further subsidiaries for the year 2011:

Expected loss as of 31 December 2011 according to loss events
(Chart 7)



The expected loss amounted to € 27,2 m as of 31 December 2011.

The total risk profile of the Bank is updated as part of an annual review. The risk profiles of the subsidiaries are added in order to create the Group risk profile.

Claims attributable to operational risks which have materialized are regularly reported locally by the business lines in Helaba. Reports of the subsidiaries concerning claims which have occurred are normally submitted on a quarterly basis, and enable the claims situation in the Group to be presented. For purposes of internal management, the collection of claims data is extended to include external claims from the VÖB data syndicate.

Quantification
The standard approach is used for quantifying operational risks for regulatory capital backing in accordance with the SolvV. For internal management, risks are quantified on the basis of the claims data which are collected and the quantitative risk assessment of the business lines. The unexpected losses are quantified in addition to the estimate of expected losses by way of separate modeling of frequency of default and extent of claim.

Documentation system
The documentation system of Helaba complies with the organization guidelines prescribed by MaRisk. It lays down details of the due and proper organization of business plus internal control procedures and security measures relating to the use of electronic data processing.

Clear responsibilities have been defined within Helaba for the creation and continuous updating of the various components of the documentation system. Bank organization helps the specialist units responsible for the activities and processes to create and publish the regulations.

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

Major undertakings with legal implications are cleared with the legal services unit as laid down in the basic principles of the Bank. As a contribution to preventive risk management, the legal services unit provides specimen agreements and information as well as other legally relevant declarations where possible and meaningful. The lawyers of the Legal Services unit are to be involved in the event of any deviations or new rulings. If it becomes necessary to involve external lawyers in Germany and abroad, the Legal Services unit also assumes responsibility for co-ordination. General rules and regulations exist for each specialist unit, and there is also a duty to consult in the event of doubt or in matters of a fundamental nature.

The Legal Services unit drafts agreements, general business conditions and other relevant legal declarations as part of its legal consulting support services in co-operation with the other units of the Bank. If documents and declarations of this type are submitted by third parties, the Legal Services unit is involved in their examination and negotiation.

If any mistakes or unexpected developments detrimental to the Bank are encountered, the lawyers help to identify and remedy problems and also avoid problems in future. They assume responsibility for examining events for legally relevant facts and conduct any proceedings launched. The same applies in respect of countering any claims asserted against the Bank. Internal reporting of Legal Services with regard to legal risks is assured by way of active involvement in Board of Managing Directors’ presentations, documentation of ongoing and threatened court proceedings as well as institutionalized liaison with other units.

Outsourcing risks
Major outsourcing risks are attributable to the objectives applicable for the operating segments, and can occur wherever outsourcing has taken place. Depending on the significance of the outsourcing process, and in order to limit the outsourcing risks, the officer responsible for outsourcing is responsible for ensuring continuous monitoring of the services rendered by the outsourcing company and is also responsible for reporting to the relevant officers on the basis of reports. In its capacity as the central office, the Board of Managing Directors Staff and Group Strategy maintains a directory of all insourcing and outsourcing transactions which have taken place, and pools the changes with regard to existing insourcing and outsourcing arrangements as part of annual quality assurance.

On the other hand, risks attributable to insourcing arrangements attributable to activities which are taken on by Helaba from a third party receive similar treatment.

IT security and business continuity management
Helaba’s defined strategies and regulations on IT security are the basis of an internal controlling process which complies with the relevant regulatory requirements and secure use of electronic data processing. In order to continuously improve the level of IT security, legal and internal requirements regarding IT security are regularly monitored by an IT security audit in relation to selected audit objects and for outsourcing companies.

The purpose of mandatory IT security concepts and IT standards for application development and operation is to ensure that risks are detected at an early stage and that appropriate measures to minimize these risks are then defined and implemented. These concepts and standards are the subject of continuous further development. Helaba refines these concepts and standards continuously to ensure that it always has all four mainstays of IT security – availability, integrity, confidentiality and non-repudiation – firmly in place in order to avoid any detrimental impact on the Bank's ability to act.

The segments and branches of Helaba have drawn up default and business continuity plans for the critical business processes as part of the emergency back-up system. This emergency back-up system is regularly updated and improved, and its effectiveness is checked by means of tests and trials. This ensures that the necessary and proper operations are maintained in the event of interruptions to business.

Agreements in the service level agreements for preventive and risk-limiting measures exist for the data center operations outsourced to Finanz Informatik Technologie Service; such agreements also relate to local systems. The documented procedures for ensuring operations or the technical restoration of data processing are regularly tested together with the specialist areas of Helaba and Finanz Informatik Technologie Service.

Accounting process

In relation to the accounting process, the objective of the internal control and risk management system of Helaba is to ensure proper and reliable financial reporting. The parties involved in the accounting process of Helaba comprise individual reporting units in which closed accounting groups are maintained and local partial financial statements in accordance with HGB and IFRS are prepared. The reporting units of Helaba are the Bank (domestic), the foreign branches, LBS and WIBank. On the other hand, with regard to the accounts and taxes at the headquarters of the Bank, the partial financial statements of the reporting units are consolidated in order to prepare the financial statements of the Bank under HGB. In the headquarters, the closing data are also analysed, processed and communicated to the Board of Managing Directors.

The following are components of the internal control and risk management system in relation to the accounting process:

- Control environment
- Risk assessment
- Controls and reconciliations
- Monitoring of the controls and reconciliations
- Process documentation
- Result communication.

The control environment of Helaba in the accounting process also includes ensuring that the relevant areas, and in particular accounts and taxes, are properly provided with suitably qualified personnel. Open communication ensures that the individual employees are promptly provided with the complete information necessary for their work. Errors and problems which occur despite all controls are addressed and corrected. The IT system landscape used in the accounting process is subject to strategies and rules of IT security which guarantee compliance with GOB/GOBS.

With regard to the assessment of risks in the accounting process, the Bank primarily focusses on the probability of occurrence and the extent of a potential error. In addition, an assessment of the impact on the closing statements is also relevant if the risk becomes significant (completeness, correctness, recognition, etc.).

The numerous controls and reconciliations in the accounting process are designed to minimize the risks in the accounting process. Extensive IT-based controls and reconciliations are used in addition to control measures such as four eye principle which ensures that manual activities, such as data input or calculations, are correct. These are used for various reasons, including carrying out secondary ledger/general ledger reconciliations or consistency audits HGB/IFRS. Statistical evaluations for the reconciliations as well as reviews of individual validation measures are used to monitor the control and reconciliation procedures. Internal Audit is part of the control procedures, and regularly carries out audits of accounting.

The procedure in accounting is governed in several documentation forms which complement each other. Group accounting-related requirements, which in particular have to be observed by the Group parent and the integrated sub-groups, are governed in this respect. Specifications of various degrees of detail are issued in relation to the procedure in the individual processes and sub-processes in enterprise-wide and segment-specific work instructions. Employees are able to access accounting manuals and work instructions at any time via the intranet of the Bank.

The results of financial reporting, i.e. the closing figures which are determined, are subject to analytical audit actions for accounts and taxes. For this purpose, the plausibility of the development of the figures during the year is checked, and the closing figures are compared with budgeted figures and expectations and extrapolations on the basis of the business development. And finally, the figures are checked for consistency with other evaluations which are prepared independently within the Bank. Following this preliminary analysis and validation, the figures are regularly discussed with the Board of Managing Directors.

Business risk

Business risk is defined as the economic loss potential which can be attributed to possible changes in customer behavior or competitive conditions in the market and also general economic conditions.

Operational and strategic risk management is the responsibility of the market segments of the Bank and management of the respective equity participations. Credit Risk and Group Controlling as well as Risk Controlling Trading analyze the development of business risks and are responsible for quarterly risk reporting to the Risk Committee of the Board of Managing Directors.

Taxes
The Taxes department, which forms part of the Accounting and Taxes unit, is responsible for handling tasks in connection with taxation of the Bank in Germany and selected subsidiaries. If taxes are the responsibility of local units, the main tax issues and developments are included in the reports to the Taxes department. External tax advice services are used as required and also for the tax return of the foreign units. Tax law developments in Germany and abroad are constantly monitored by the persons with relevant responsibility, and their impact on the Bank and subsidiaries is analyzed. Any necessary measures are initiated by the Taxes department or following liaison with the Taxes department, and tax risks are either avoided in this way or appropriate provisions are created in the accounts to cover such risks.

Real estate risks

The real estate risks comprise the real estate project planning risks and real estate portfolio risks.

The real estate project planning risk is defined as the risk of real estate project developments resulting from deadline, quality, cost and marketing risks. Real estate project management risks are encountered in the entrepreneurially independent subsidiaries of the OFB Group (OFB Projektentwicklung GmbH) and the GWH Group (GWH Wohnungsgesellschaft mbH Hessen, within the framework of property development business) as well as in real estate project companies directly or indirectly held by Helaba.

The real estate portfolio risk is defined as the economic loss potential from fluctuations in the value of own real estate. This real estate portfolio risk does not include risks attributable to project business as well as risks attributable to real estate financing.

Real estate portfolio risks are encountered primarily in relation to real estate owned by Helaba, in the GWH Group and also in other Group companies. The accounting consolidation group is taken into consideration for this purpose.

Direct management at the entrepreneurially independent subsidiaries is the responsibility of management at the subsidiary. Real estate risks are managed in two stages in this respect:

- Operational – locally in the respective equity participations by management
- Strategical – centrally by the supervisory bodies of the equity participations and the Real Estate Management segment

At the directly or indirectly held real estate project companies, real estate management is responsible for risk management. In addition, the Bank's own real estate is handled by Real Estate Management Risk Management. Risks are monitored by Real Estate Management (for subsidiaries) and Credit Risk and Group Controlling.

The opportunity and risk overview which is prepared quarterly serves as a key risk controlling instrument for controlling project risks, and is used for identifying and tracking future project opportunities and risks which have not been budgeted. It will employ a structured process to ascertain opportunities as well as costs, earnings and other asset risks for the purposes of this summary, and will evaluate them in terms of their implications for the budget (as in an analysis of the ability to absorb risk) and their likelihood of occurrence (using certain occurrence scenarios). The real estate management unit supports the process of preparing the opportunity and risk overview, and establishes the plausibility of the information. The main risk controlling instrument for managing the risks attributable to portfolio properties are value appraisals which are regularly commissioned for the portfolio properties and also the ongoing observation of changes in yields in the relevant markets, broken down according to regions and types of use.

Credit Risk and Group Controlling analyzes the development of risks arising from real estate project management business and from the portfolio properties is responsible for quarterly risk reporting to the Risk Committee of the Board of Managing Directors. The risk position is also detailed as part of operational management in the meetings of the supervisory bodies of the various subsidiaries.

The risks attributable to real estate projects declined in 2011. The risks are still completely covered by the expected income from this business.

Opportunities of changes in the market climate

Helaba has had a stable and viable strategic business model for many years. In recent years, the Bank has coped with the problems posed by the financial and economic as well as the debt crisis in the Eurozone out of its own resources. The positive operating results which were generated have been used for servicing all subordinate liabilities, profit participation rights and dormant contributions in full, and for paying an adequate dividend in relation to the share capital. The key factors of success of Helaba have been the conservative risk profile in conjunction with effective risk management, as well as the strategic business model of a universal bank which is valid for the entire Group with its own retail and public development activities and infrastructure business, a strong base in the region and the close relationship with the Sparkassen, as well as sound capital and liquidity backing.

With ratings of “A1” (currently: under review for downgrade), “A+” (stable outlook) and “A” (stable outlook) of the rating agencies Moody’s Investors Service, FitchRatings and Standard & Poor’s for uncovered long-term liabilities as well as ratings of “P-1”, “F-1+” as well as “A-1” for short-term liabilities, Helaba still has a good rating even after the changes in rating methods implemented by the rating agencies for bank ratings in 2011. The strategically important securitized refinancing instruments, namely public Pfandbriefe and mortgage Pfandbriefe, have AAA ratings. As a result of its excellent standing among institutional and private investors, Helaba continued to have direct access to the refinancing markets even during the crisis of confidence on the financial markets which was triggered off last year as a result of the debt crisis in the Eurozone, and the Bank was not reliant on funding provided by the central banks.

In its equity strategy, Helaba at an early stage adapted its objectives for capital backing to the expectations of the market and also the changes in regulatory conditions which will be applicable after the year 2013 as a result of the introduction of Basel III or the implementation in European law within the framework of CRD IV. Within the framework of Basel III, Helaba aims to achieve a minimum of 8.5 % to 9 % for the core capital ratio throughout the Group, and a minimum of 13 % for the overall equity ratio. With a core capital ratio of 10.1 % in accordance with the Solvency Ordinance (SolvV) and a total ratio in accordance with SolvV of 15.3 % at the end of 2011, these targets are clearly exceeded throughout the Group.

On the basis of resolutions of the European Council, the European Banking Authority (EBA) which was founded at the beginning of 2011 carried out several stress tests for system-relevant banks in the EU last year. In view of the continuing debt crisis in the Eurozone, the purpose of these stress tests was to test the stability of the European banking sector and encourage the creation of confidence on the financial markets. Independently of the schedules set out in Basel III and CRD IV for the quantitative and qualitative implementation of new regulatory requirements for capital backing, the EBA used a capital concept in the stress tests based exclusively on common equity tier-I capital (CET-1). In addition, a minimum ratio of 9 % for CET-1 capital was defined for the stress tests in the second half of the year; this ratio also has to be temporarily maintained by system-relevant EU banks beyond 30 June 2012.

At Helaba, in line with the legal capital requirements (in Germany according to KWG and under EU-law according to CRD II), silent participations with a total volume of around € 3.0 bn accounted for more than 50 % of core capital recognized for regulatory purposes. Of this figure, € 1.92 bn was attributable to two silent participations of the Federal State of Hesse. Silent participations are liable in full in the event of a loss, and are available to the Bank without any time restrictions. With regard to the fourteen requirement criteria specified by Basel III and CRD IV for recognition as CET-1 capital, there was only a need for adjustment to the two criteria “no fixed compensation” and “equivalence of share capital in the event of liquidation”. Although the owners of Helaba at an early stage provided a public and binding statement that they were willing to convert the silent participations of the Federal State of Hesse into CET-1 capital, these deposits were disregarded in the stress tests of the EBA. In formal terms therefore, and in relation to a CET-1 capital ratio of 9 %, the EBA identified a recapitalization requirement of € 1.5 bn for Helaba as of 30 September 2011. This includes the EBA sovereign buffer for sovereign exposures. In order to limit potential damage to the reputation of Helaba and also to avoid doubts of investors in relation to the strategic risk stability of the Bank, the treatment of the silent participations of the Federal State of Hesse in the EBA stress test was proactively communicated by Helaba to a broad public. The results of the stress tests therefore did not have any significant impact on the refinancing base of the Bank.

The previous silent participations of the Federal State of Hesse in Helaba, with a total volume of € 1.92 bn, were converted into capital contribution in a legally binding manner as of 30 December 2011. These capital deposits constitute CET-1 capital in their entirety. This means that Helaba has adjusted its capital base at an early stage to the capital requirements under Basel III or CRD IV.

In the German banking market, the effects of the financial market, economic and Euro debt crisis as well as the tightened regulatory conditions regarding the requirements applicable for capital and liquidity backing of credit institutions have considerably increased the pressure on the need to review and adjust the business models. In addition, those banks which have had to utilize government aid in order to stabilize their economic positions are required to implement covenants of the EU Commission. These have resulted in a reduction or discontinuation of business activities and disposals of equity participations. Following the stress tests carried out in the year 2011 by the European Banking Authority (EBA), there has been a considerable increase in the requirements for backing with common equity tier-I (CET-1) capital at system-relevant credit institutions. In order to comply with these requirements, numerous credit institutions have initiated recapitalization measures which will influence their market position in the long term.

In the German credit industry, the changes in rating methods carried out by the leading rating agencies in 2011 have resulted in numerous rating downgrades, which have had a negative impact on the possibilities of obtaining funds on the national and in particular the international refinancing markets. The combination of higher capital, liquidity and refinancing costs and the burden imposed by the German bank tax has resulted in a permanent reduction of the profitability of the banking sector. This will result in structural changes and shifts in market shares in major areas of operation, although the process will also open up strategic opportunities.

WestLB, which is the third largest German Landesbank, must be split up by 30 June 2012 within the framework of EU aid law measures. Business with the Sparkassen and their customers will be separated and spun off into an S-Group bank ("Verbundbank NRW"). Assets which are not transferred to the Verbundbank and which have not been sold to third parties by 30 June 2012 must be transferred to the Erste Abwicklungsanstalt (EAA). The German Sparkassen organization has given an undertaking to the Federal Government and the EU Commission that it will take on responsibility for the NRW Verbundbank either within the framework of setting up a legally independent entity or by way of "linking up" the bank with another Landesbank.

On 12 December 2011, and on the basis of the results of a due-diligence audit of the Verbundbank NRW, the Board of Owners of Helaba agreed a declaration of intent for integrating the Verbundbank NRW, and instructed the Board of Managing Directors to commence specific negotiations with WestLB. By taking on the NRW Verbundbank function, Helaba has an opportunity of further strengthening its position in the Sparkassen organization, of strengthening its business model as an integrated universal bank and of developing into a leading Sparkassen central bank as an S-Group bank for more than 40 % of all Sparkassen throughout Germany.

Irrespective of this, Helaba is in a good position to meet the challenges of the future, and considers that it is in a good position to take advantage of further development opportunities for expanding regional private customers and SME business, regional and national S-Group business, public development activities and infrastructure business and also rounding off its client base and product range in the field of multinational corporations (also internationally). In view of the higher capital and liquidation costs resulting from Basel III/CRD IV and also the costs resulting from the German bank tax, the aim of the profitability strategy which has been updated with the strategic planning 2011-2015 is to further improve long-term profitability and to enhance the enterprise value whilst assuring risk-bearing capacity.

Summary

The controlled acceptance of risks forms an integral component of corporate management at Helaba. We accept and supervise risks on the basis of our comprehensive risk identification, quantification, control and management system. Although they are already very highly evolved and satisfy all statutory and supervisory requirements, we refine our methods and systems continuously. Our basic organizational principles put in place the structures necessary to ensure successful implementation of the risk strategy defined. Helaba, in conclusion, has at its disposal a stock of proven and effective methods and systems with which to master the risks it chooses to accept.

Report on Post-Balance Sheet Date Events

There have been no significant events after the end of the financial year as of 31 December 2011.

Report on Expected Developments

Economic conditions
Global economic growth in 2012 will be roughly in line with the corresponding previous year figure (around 3.5 %). The emerging countries will continue to be the driving force behind the global economy. The countries which are not having to face major structural problems are fluctuating around their medium-term growth trend. The countries include China and the other emerging countries. As the year progressed, the global economy showed signs of strengthening again: On the one hand, monetary policy in the emerging countries is moving away from the previously restrictive policy, and is now increasingly looking towards expansion. On the other hand, consolidation pressure in the European problem countries will continue to be high, but the restructuring processes which have already been initiated are showing initial signs of results.

The consolidation process and structural reforms in the Eurozone will be continued in 2012, and will result in much lower budget deficits. In terms of an international comparison, the Eurozone has accordingly made much more progress than the USA in the restructuring process. Because Italy has now also started the consolidation process, the Eurozone (excl. Germany) will probably have fallen into a mild recession at the end of the year. The German economy also pauses for breath in the winter half of the year, before the economy picks up pace again by no later than the second half of the year. This is currently the message being sent out by the latest leading indicators. However, with economic growth of around 1 %, Germany is leading the way within the Eurozone. German growth is based on a broad front. Exports and spending on machinery and equipment continue to be key factors driving the economy, even though they are only reporting moderate growth compared with the previous year. However, this increase is being reported from a very high level. The continuing favourable situation on the German labor market is benefiting private consumption. Construction spending will also make a contribution to growth in 2012. With a budget deficit of less than one percent of gross domestic product, it is also not very likely that the public sector will make a negative contribution to growth.

Interest rates will remain at a comparatively low level in 2012. The European Central Bank will probably fix leading interest rates at 1 %, and the Fed will also not raise rates. If the economy continues to recover as the year progresses and if the Euro debt crisis improves, it is however likely that capital market rates will increase. Consumer price inflation will continue to be moderate in Germany. Only in the medium term will the development in inflation and interest rates depend on whether the leading central banks will be able to exit from extremely expansionary monetary policy.

For the Eurozone, there are signs of growth accelerating in 2013. On the other hand, in the USA, the process of consolidating public spending will commence after the election and will have a negative impact on growth. Overall, therefore, there is not likely to be any significant increase in global economic growth next year.

Further development of the strategic business model
The economic and regulatory market climate has changed considerably as a result of the financial market crisis. This is applicable particularly for the more stringent quantitative and qualitative requirements applicable for capital backing and liquidity. The associated higher capital backing as well as higher liquidity costs will change the risk/reward profiles of individual transactions and entire areas of operation. In its medium-term business and income planning, Helaba therefore aims to carry out portfolio adjustments in its core areas of activity in the course of the new few years in order to streamline and focus its strategic business model by way of:

- even greater focus on customer and S-Group business and thus on strong links to the real economy,
- an even greater regional focus on Germany and neighboring European core countries whilst maintaining the branches in London, New York and Paris in order to guarantee the wide range of services for customer and S-Group business and to secure access to the refinancing markets, and in particular for the currencies USD and GBP,
- further optimization of costs and efficiency, with plans not to staff up to 450 positions until 2015,
- a moderate business-related increase in risk assets.

The aim of the extrapolated profitability strategy, giving due consideration to changed regulatory conditions, is to further improve the sustainable profitability and to enhance the enterprise value whilst assuring risk-bearing capacity.

Assuming that there is a successful conclusion to the ongoing discussions with WestLB, its owners as well as the deposit protection institutions of the German Sparkassen organization, Helaba intends to take on the previous S-Group activities of WestLB with the Sparkassen in Northrhine Westphalia and Brandenburg ("Verbundbank NRW"). Helaba would then develop into a leading Sparkassen central bank as the S-Group bank for more than 40 % of all Sparkassen throughout Germany. If the Verbundbank NRW were to be taken over, the two regional Sparkassen associations from Northrhine Westphalia would join the group of owners of Helaba and would participate in the share capital of the Bank by way of a capital increase.

Probable development of the Bank

The economic development of the Bank in 2012 will reflect an expected economic recovery as well as continuing consolidation pressure in the European problem countries. Even under these conditions, Helaba expects that operating revenues in 2012 will be roughly in line with the level seen in previous years as a result of its tried-and-tested business model which was improved in 2011. Net interest income is expected to be slightly higher than the corresponding previous year figure, i.e. at around € 1.05 bn. Provisions for losses on loans and advances in 2012 are expected to be roughly in line with the previous year figure.

Helaba will expand new business to the level seen in previous years. In the year 2012, medium-term and long-term new business of Helaba (Bank) is expected to be around € 14 bn, which is slightly higher than the corresponding previous year figure. The main contributions to earnings will again be generated in the fields of real estate and corporate finance. As part of the process of further developing the business model, these areas of operation will have a regional focus on Germany and neighboring European core countries as well as a further focus on customer business. Slight growth in portfolio volumes is planned for these fields. A lower portfolio volume on the basis of portfolio optimizing has been planned for financial institutions and public finance. Margins are expected to be unchanged compared with the previous year.

In capital market operations, holdings in the trading book will be further reduced and risk assets will be limited in line with the new regulatory requirements. Further market turmoil occurred in the fourth quarter of 2011 as a result of the Euro crisis, with a negative impact on results; results are now expected to be stronger in 2012. When the situation on the financial markets improves, it is expected that some of the lost ground will be recovered. The importance of capital-market-related customer operations for overall results will be expanded further.

In Asset Management, operating income is expected to increase as a result of the expansion of volume-driven fund management and service business as well as the inclusion of new products. Overall, income will decline as a result of the sale of the holding in Deka which took place in 2011.

In the business line “Private Customers and SME Business”, cooperation with the Sparkassen in the core business regions of Hesse and Thuringia will be continued within the framework of the “new S-Group concept” in the S-Group business field. S-Group co-operation will continue to take place at a high level, and will be strengthened further in 2012 by way of corresponding sales and market initiatives. The main strategic focus of the next few years will be the expansion of S-Group operations in selected target regions. Sales activities are conducted with the involvement of the subsidiaries Helaba Invest Kapitalanlagegesellschaft mbH and FBG (Schweiz) AG.

In the “Public Development Activities and Infrastructure Business” segment, Helaba performs public development tasks, particularly in the areas of housing and municipal development, infrastructure, the economy, agriculture and the environment via “Wirtschafts- und Infrastrukturbank Hessen” (WIBank) on behalf of the Federal State of Hesse. The income in 2012 will be slightly higher than the corresponding figure for the previous year.

For the 2012 headcount of Helaba, no major change is planned compared with 2011. However, personnel expenses will increase slightly as a result of wage-bargaining agreements. In the medium term, Helaba is assuming that there will be a reduction in the headcount. Material costs in 2012 due to projects, including costs due to the regulatory climate and levies, are expected to be slightly higher than was the case in the previous year.

On balance, the Bank expects that pre-tax profits in 2012 will be somewhat higher than the corresponding previous year figure.

A continuous development in the segments is expected for 2013. A further reduction in the trading portfolios will be opposed by selective expansion in lending, S-Group and development activities and also in fund management.

As a result of the continuous developments of the segments, earnings are expected to be stable in 2013. As a result of the continuation of the cost management process, general administrative expenses are expected to increase slightly in 2013. Assuming that provisions for losses on loans and advances are in line with expectations, the Bank again expects to see a stable development in earnings in 2013.

There are indirect risks for the development in earnings at the Bank as a result of the continuing uncertainty regarding the development in the European problem countries and the possibility that the Euro crisis might become even more serious.

On 12 December 2011, the owners of Helaba instructed the Board of Managing Directors to commence specific negotiations for integrating the S-Group operations of WestLB in Helaba. Because no resolutions have so far been adopted in this respect, operational planning for 2012 as yet does not contain any results of the integration of WestLB.

Overall assessment

The financial year 2011 has also shown that, despite volatile markets, the diversified business model of Helaba as an integrated universal bank with the three segments “Multi-national Corporations”, “Private Customers and SME Business” and “Public Development Activities and Infrastructure Business” form a sound basis for a stable development in business and earnings. The new capital and liquidity requirements, and also the consequences of the financial market and the Euro debt crisis, will continue to be a challenge for the banks and the overall economy with regard to earnings opportunities, international competitiveness and credit supply.

Helaba has established a good long-term position for the future. On the basis of its existing market position and the early compliance with the capital requirements of Basel III and CRD IV, Helaba has identified further opportunities for development in expanding private customers and SME business, S-Group operations with the Sparkassen as well as in selected segments of multi-national corporations business. The intended assumption of the Verbundbank function for the Sparkassen in Northrhine-Westphalia and Brandenburg pursues the strategic objective of establishing Helaba as a leading Sparkassen central bank throughout Germany. The aim of the profitability strategy continued with the strategic planning 2011–2015, giving due consideration to changed regulatory conditions, is to further improve the sustainable profitability and to enhance the enterprise value whilst assuring risk-bearing capacity.

Frankfurt am Main/Erfurt, 28 February 2012

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Berger	Gröb	Dr. Hosemann
Krick	Raupach	Dr. Schraad	

Annual Accounts of
Landesbank Hessen-Thüringen

Balance Sheet of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt,

as at 31 December 2011

Assets — in € thousands

	See notes number				2011	2010
Cash reserve						
a) Cash in hand				1,965		1,796
b) Balance with central banks				5,426		47,463
					7,391	49,259
thereof: Balances with Deutsche Bundesbank		5,426				(47,463)
Loans and advances to banks	(2), (32), (43)					
a) Mortgage loans				1,771		–
b) Municipal loans				11,139,366		11,514,973
c) Other loans and advances				6,990,081		5,811,653
					18,131,218	17,326,626
thereof: At call		4,773,054				3,429,870
Under security lending		–				
thereof: Building loans of Bausparkasse, building saving loans		–				(1)
Loans and advances to customers	(3), (32), (43)				**74,698,534**	76,996,783
a) Mortgage loans				14,853,289		14,862,496
b) Municipal loans				17,022,794		16,614,530
c) Other loans and advances				41,796,051		44,418,074
thereof: Under security lending		–				
d) Building loans of Bausparkasse						
da) From allocations (building savings loans)			568,148			625,032
db) For interim and bridge-over financing			451,871			469,382
dc) Others			6,381			7,269
				1,026,400		1,101,683
thereof: Secured by property charges		707,245				(798,449)
Bonds and other fixed-income securities	(4)					
a) Money market paper						
aa) Issued by public-sector borrowers			–			–
thereof: Eligible for rediscounting with Deutsche Bundesbank		–				(–)
ab) Issued by other borrowers			–	–		–
thereof: Eligible for rediscounting with Deutsche Bundesbank		–				(–)
b) Bonds						
ba) Issued by public-sector borrowers			2,341,757			1,291,430
thereof: Eligible for rediscounting with Deutsche Bundesbank		2,199,502				(1,208,773)
bb) Issued by other borrowers			9,427,329			8,843,402
				11,769,086		10,134,832
thereof: Eligible for rediscounting with Deutsche Bundesbank		8,388,710				(7,567,179)
c) Own bonds				–		–
					11,769,086	10,134,832
Nominal amount		–				–
Carried forward:					**104,606,229**	104,507,500

Liabilities

in € thousands

	See notes number				2011	2010
Liabilities to banks	(15), (18), (43)					
a) Issued mortgage registered Pfandbriefe				240,071		243,002
b) Issued public registered Pfandbriefe				1,685,202		1,934,169
c) Other liabilities				33,040,503		32,360,640
thereof: At call		1,919,946				(2,681,569)
Mortgage registered Pfandbriefe						
Provided to the lender as collateral for loans		–				
Public registered Pfandbriefe		–				
d) Building savings deposits				20,661		18,284
					34,986,437	34,556,095
thereof: On allocated contracts		4,870				(4,774)
Liabilities to customers	(19), (43)					
a) Issued mortgage registered Pfandbriefe				2,692,562		3,190,649
b) Issued public registered Pfandbriefe				4,359,718		5,367,300
c) Deposits from building savings business and savings deposits						
ca) Building savings deposits			3,332,722			3,306,818
thereof: On terminated contracts		38,053				(71,543)
On allocated contracts		73,456				(89,377)
cb) Savings deposits at agreed notice period of three months			–			(–)
cc) Savings deposits at agreed notice period of more than three months			0			(–)
				3,332,722		
d) Other liabilities				16,017,052		12,655,288
					26,402,054	24,520,055
thereof: At call		2,565,646				(2,644,001)
Mortgage registered Pfandbriefe						
Provided to the lender as collateral for loans		–				
Public registered Pfandbriefe		–				
Securitized liabilities	(20), (31)					
a) Bonds issued						
aa) Mortgage Pfandbriefe			2,811,904			2,466,338
ab) Public Pfandbriefe			7,978,008			7,685,143
ac) Other bonds			27,213,371			29,852,498
				38,003,283		40,003,979
b) Other securitized liabilities				837,375		1,770,996
					38,840,658	41,774,975
thereof: Money market paper		837,374				(1,770,997)
Trading portfolio	(21), (34), (43)				**38,674,087**	39,790,733
Carried forward:					**138,903,236**	140,641,858

Assets in € thousands

	See notes number				2011	2010
Brought forward:					**104,606,229**	104,507,500
Shares and other variable-income securities	(5)				**1,349,282**	1,437,206
Trading portfolio	(6), (14), (34), (43)				**40,693,417**	41,444,957
Participations	(7), (17), (43)				**242,212**	520,716
thereof: In banks		55,019				(55,200)
In financial services institutions		17,947				(33,640)
Shares in affiliated companies	(8), (17), (43)				**1,998,271**	1,997,680
thereof: Banks		999,565				(998,020)
Financial services institutions		–				(–)
Trust assets	(9)				**895,804**	931,215
thereof: Loans on a trust basis		628,574				(665,422)
Intangible assets	(10), (17)					
a) Self-created commercial property rights rights and similar rights and licenses				–		
b) Franchises, trademarks, patents, licences acquired for a monetary consideration as well as similar rights and licences to such rights				17,685		15,916
c) Goodwill				–		
d) Advance payments				–		
					17,685	15,916
Property, plant and equipment	(11), (17)				**50,974**	48,056
Other assets	(12)				**1,285,254**	1,438,650
Deferred charges and prepaid expenses	(13)					
a) From issuing and lending operations				180,303		185,383
b) Others				30,976		35,284
					211,279	220,667
Total assets					**151,350,407**	152,562,563

Liabilities

in € thousands

	See notes number				2011	2010
Brought forward:					**138,903,236**	140,641,858
Trust liabilities	(22)				**895,804**	931,215
thereof: Loans on a trust basis		628,574				(665,422)
Other liabilities	(23)				**1,251,476**	837,699
Deferred items	(24)					
a) From issuing and lending operations				207,314		221,460
b) Others				76,263		59,287
					283,577	280,747
Provisions	(25)					
a) Provisions for pensions and similar obligations				553,463		519,176
b) Tax provisions				91,989		92,048
c) Other provisions				287,886		252,957
					933,338	864,181
Fund for building-saving securitization					**9,020**	9,020
Subordinate liabilities	(26)				**2,308,024**	2,302,659
Profit participation rights	(28)				**728,804**	728,804
thereof: Falling due within two years		20,000				(–)
Fund for general banking risks	(28)				**445,310**	445,022
thereof: Payments according to Section 340e (4) HGB		20,054				(19,766)
Equity	(28)					
a) Subscribed capital						
aa) Share capital			477,000			477,000
ab) Capital contribution			1,920,000			–
ac) Deposit of silent partners			1,053,337			2,973,337
				3,450,337		3,450,337
b) Capital reserve				658,301		658,301
c) Retained earnings				1,444,951		1,374,560
d) Distributable profit				38,229		38,160
					5,591,818	5,521,358
Total liabilities					**151,350,407**	152,562,563
Contingent liabilities	(29)					
Liabilities from guarantees and warranty agreements					**5,295,413**	8,050,838
Other liabilities	(30)					
a) Placing and underwriting commitments				2,318,680		2,728,868
b) Irrevocable loan commitments				15,365,741		17,233,032
					17,684,421	19,961,900

Income Statement of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt,

for the year ended 31 December 2011

in € thousands

	See notes number				2011	2010
Interest received from	(36)					
a) Lending and money market transactions			3,582,102			3,690,350
thereof: Interest received by Bausparkasse:						
aa) From building savings loans		27,338				(31,814)
ab) From interim and bridge-over loans		21,429				(23,457)
ac) From other loans		302				(345)
b) Bonds and government-inscribed stock			302,684			204,760
				3,884,786		3,895,110
Interest paid				3,126,503		3,162,096
thereof: On savings deposits		71,519				(74,537)
					758,283	733,014
Current revenue from	(36)					
a) Shares and other variable-income securities				32,482		43,181
b) Participations				22,543		18,173
c) Shares in affiliated companies				58,733		55,937
					113,758	117,291
Revenues from profit and loss pooling agreements, profit transfer agreements or agreements to transfer part of profits					**58,887**	53,854
Commissions received	(36), (37)			173,803		165,369
thereof: Fees from business of Bausparkasse:						
a) On contracts signed and arranged		23,185				(23,448)
b) From loans granted after allotment of building savings contract		1,425				(1,707)
c) From the commitment and administration of interim and bridge-over loans		2				(1)
Commissions paid				54,196		55,356
thereof: On contracts signed and arranged of Bausparkasse		31,631				(31,958)
					119,607	110,013
Net income of the trading portfolio	(36)				**2,591**	177,891
thereof: Payments according to Section 340e (4) HGB				288		(19,766)
Other operating income	(36), (38)				**69,510**	63,841
Carried forward:					**1,122,636**	1,255,904

in € thousands

	See notes number				2011	2010
Brought forward:					**1,122,636**	1,255,904
General administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			248,996			241,508
ab) Social security pension and other benefits			61,516			49,848
				310,512		291,356
thereof: For pensions		25,763				(15,508)
b) Other administrative expenses				317,449		276,412
					627,961	567,768
Amortization of and adjustments to intangible assets and depreciation of and adjustments to property, plant and equipment					**10,792**	13,199
Other operating expenses	(38)				**97,414**	74,682
Amounts written off and valuation allowances on loans and advances and certain securities as well as allocations to provisions in lending business	(39)				**227,663**	323,778
Income from writing up receivables and certain securities and reversing provisions in lending operations					**–**	–
Payments to the fund for general banking risks					**–**	–
Amounts written off and valuation allowances on participations and shares in affiliated companies and securities treated as fixed assets					**–**	24,295
Income from write-ups recognized for investments and shares in affiliated companies and securities treated as fixed assets					**19,775**	–
Expenses from the transfer of losses					**97**	953
Result of ordinary activities					**178,484**	251,231
Exceptional income				–		35,502
Exceptional expenses				13,346		69,322
Exceptional result	(40)				**–13,346**	33,820
Taxes on income and profits	(41)			52,475		55,627
Other taxes, unless shown under the item “Other operating expenses”				4,043		1,164
					56,518	56,791
Net income for the year					**108,620**	160,620
Allocation to retained earnings					**70,391**	122,460
Distributable profit					**38,229**	38,160

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

Frankfurt am Main/Erfurt, 31 December 2011

The annual financial statements of Landesbank Hessen-Thüringen Girozentrale are prepared in accordance with the regulations of the HGB in conjunction with the Ordinance governing the accounting of credit institutions and financial services institutions (RechKredV) and the Pfandbrief Act. The structure of the balance sheet and income statement reflects the requirements of the RechKredV. They have been extended to include the positions prescribed for Pfandbriefbanken and Bausparkassen. The disclosures with regard to Bausparkassen operations to be included in the notes are included in the separately published annual financial statements of LBS.

(1) Accounting and valuation methods

Assets and liabilities are measured in accordance with the regulations of Sections 252 et seqq. HGB, with due consideration being given to the special regulations applicable for credit institutions (Sections 340 et seqq. HGB). Receivables are shown with their nominal amount, and liabilities are shown with their settlement amount. Outside the trading portfolio, differences of an interest nature between the nominal amount and payment amount or costs of purchase are shown as deferred items and reversed to the relevant periods over the term of the asset or liability. Bonds and similar liabilities issued at a discount as well as securities and receivables acquired on a discounted basis are shown with their present values.

The recognition of individual allowances or provisions has taken account of all recognizable risks. In addition to the fund for general banking risks shown in the balance sheet, global allowances and provisions for losses on loans and advances have been recognized in accordance with Section 340f HGB for latent (credit) risks.

The holdings included in the items bonds and other fixed-income securities and equities and other variable-income securities are measured strictly at the lower of cost or market value, with the exception of valuation units in accordance with Section 254 HGB and also the investment portfolio. Accordingly, they have to be shown with their fair value if this is lower than their (amortized) cost. In the case of active markets, the fair value is equivalent to the market price on the closing date. An active market was determined for all securities for the analysis of the security holdings on the closing date. The reversals required by law in relation to the previously recognized impairments have been carried out.

The investment portfolio comprises the security holdings which were reclassified in 2008 as well as remaining items from the investment portfolio of the subsidiary Helaba, Dublin, which were taken over by the Bank in 2010. These are regularly tested for a permanent impairment.

Investments and shares in affiliated companies are shown at cost. In the event of a reduction in value which is probably of a permanent nature, impairments are recognized to reduce the value of the assets to their lower fair value. If the reasons for an impairment in previous years are no longer applicable, the values of assets are written up to their fair value, subject to a maximum of amortized cost.

Fixed assets and intangible assets which can only be used for a limited period of time are shown at amortized cost less impairments to reduce the value of the assets to the lower fair values. Depreciation is spread over the useful economic life of the asset. Minor-value assets are written off in full in the year of acquisition. The Bank does not capitalize self-created intangible assets.

The pension obligations are determined annually by external actuaries. They are measured using the projected unit credit method, based on biometric assumptions (2005G mortality tables of Prof. Dr. Heubeck), salary and pension increases expected in future as well as the average market rate which is published by the Bundesbank for an assumed remaining term of 15 years.

The valuation parameters used are set out in the following table:

	31.12.2011
Interest rate	5.13 %
Salary trend	2.0 %
Pension trend	1.0–2.0 %
Fluctuation rate	3.0 %

For some of the pension obligations, there are assets (securities) which are not available to any other creditor and which serve exclusively to settle liabilities arising from retirement benefit obligations (plan assets). They are measured with their fair value in accordance with Section 253 (1) Clause 4 HGB. The extent of the obligation is determined by maximizing the guaranteed benefit commitment with the fair value of the corresponding securities on the closing date. The assets and the corresponding pension obligations are netted with each other.

The pension expenses to be recognized in the income statement essentially comprise the benefit cost and the interest cost. The benefit cost comprises the increase in the pension obligations which is attributable to the work provided by the employees in the course of the financial year; it is shown in general administrative expenses. The interest cost is defined as the increase in the present value of the pension obligations due to the fact, that the time of fulfillment is approaching and thus also due to the fact that the discounting period is becoming shorter. The interest expense is netted with the income from the plan assets. The interest expense as well as the result of the plan assets are included in other operating result.

Tax provisions and other provisions have to be created in accordance with the principles of a prudent commercial assessment to the extent of the settlement amount of the uncertain liabilities or the potential losses arising from pending transactions, with due consideration being given to expected price and cost increases. Medium-term and long-term provisions (with a remaining term of >1 year) are discounted using the rates published by the Bundesbank in accordance with Section 253 (2) HGB.

Foreign currency assets and liabilities as well as spot transactions which have not been settled on the closing date are translated using the spot mid exchange rate. In the case of foreign currency futures in the trading portfolio, after any valuation gains/losses from changes in spot prices have been neutralized, the swap positions are accrued and the remaining positions are valued. The Bank applies the principle of special cover in accordance with Section 340h HGB. All currency results are recognized in the income statement. The net positions for each currency are determined on a daily basis.

Derivatives (interest rate, equity, currency, credit and commodity futures and options as well as swap agreements) are allocated to the trading portfolio or the non-trading portfolio when they are concluded. Under accounting for Commercial Law purposes, derivative financial instruments are recognized on the basis of the relevant comments and instructions regarding accounting of the IDW and also in accordance with the principles of proper accounting. In the case of structured financial instruments for which the derivatives have a risk profile which differs from that of the underlyings, these derivatives are split off, allocated to the trading portfolio and measured separately.

Trading portfolios are shown in the balance sheet under the items trading assets and trading liabilities. Trades are measured on the basis of individual transactions. In accordance with Section 340e (3) HGB, financial instruments held for trading are measured at fair value less a risk discount for trading assets and plus a risk premium for trading liabilities. The amount, timing and reliability of future cash flows, as the basis for determining the fair value, are essentially influenced by the level of interest rates, developments on the equity and bond markets as well as the developments in credit spreads. In line with the requirements of the bank regulatory authorities, the risk premiums and risk discounts are determined in accordance with the regulations of KWG for all trading portfolios. The risk discount is established in accordance with the requirements of the SolvV. The risk premiums and discounts are calculated for each risk category. The method for determining the risk discount is based on the regulatory requirements regarding the Minimum Requirements for Risk Management (MaRisk) as well as the requirements of Section 315 of the Solvency Ordinance (Solvabilitätsverordnung; SolvV). The risk discount is calculated in the form of a money-at-risk (MaR) with a confidence level of 99 percent, a holding period of ten days as well as an observation period of one year. A counterparty-specific credit valuation adjustment takes account of creditworthiness risks arising from the settlement of swap transactions. The CVA is calculated on each balance sheet date by measuring the potential default risk, taking account of collateral which is held and the effect of netting agreements.

Changes in value, realized gains and losses, commissions and current income from financial instruments held for trading as well as interest cost for refinancing trading activities are shown in net income or net expenses of the trading portfolio.

In accordance with Section 340e (4) HGB, an amount which is equivalent to at least ten per cent of the net income of the trading portfolio is paid into the separate portfolio in the special item for general banking risks as of the closing date. Such payments are made until the portfolio which has been created reaches 50 % of the average annual net incomes of the trading portfolio generated in the last five years before the date of the calculation, or until an amount is reversed in order to settle net costs of the trading portfolio. The payment/reversal is credited/debited to the item "Net income/ expenses of the trading portfolio".

Derivatives outside the trading portfolio and the portfolio in valuation units are used for managing the general interest rate risk in the bank book. An overall assessment of all interest-bearing on-balance-sheet assets and liabilities, including the interest derivatives, is carried out for the general interest rate risk for the purpose of measuring the value of the bank book. Receivables, interest-bearing securities, liabilities and derivatives of the bank book are not measured individually on the basis of imparity with regard to market price risks; instead, they are viewed as part of a so-called refinancing group. In the year under review, it was not necessary to create a provision for potential losses out of the refinancing group – using a periodic (income-statement-oriented) approach.

Current income from swap transactions in the non-trading portfolio are accrued and deferred on a pro-rata basis and shown under other assets or other liabilities.

In its bank book, Helaba has created valuation units in accordance with Section 254 HGB, comprising securities held for liquidity purposes and the corresponding interest swaps concluded for hedging purposes (so-called asset swaps). The purpose of all valuation units is to hedge the interest rate risk.

Deferred taxes are not shown because the existing overhang of assets is not disclosed in the balance sheet as a result of utilizing the option set out in Section 274 HGB. The deferred tax assets are mainly attributable to temporary differences of risk provisioning not recognized for tax purposes and also other provisions and pension provisions. The company-individual tax rates have been used for measuring the deferred taxes. In Germany, the Bank has a combined income tax rate of 31.6 % with an average trade tax assessment rate of 450 %. Deferred taxes in the international reporting units are measured using the statutory tax rates applicable in those jurisdictions.

(2) Loans and advances to banks

in € m

	31.12.2011	31.12.2010
This item comprises:		
Accounts due from affiliated Sparkassen	9,201	9,004
Accounts due from affiliated companies	3,404	3,376
Accounts due from other group companies	13	5
The sub-item – other receivables – comprises:		
Subordinate receivables	45	53
thereof: Due from other group companies	0	1
Due on demand	4,773	3,430
Remaining terms of sub-item – other receivables –		
Less than three months	3,835	4,149
More than three months to one year	896	870
More than one year to five years	5,121	5,230
More than five years	3,507	3,647
Cover funds	3,897	4,424

(3) Loans and advances to customers

in € m

	31.12.2011	31.12.2010
This item comprises:		
Accounts due from affiliated companies	2,800	2,054
Accounts due from other group companies	1,076	1,112
Subordinate receivables	1,086	1,085
thereof: Due from other group companies	23	25
Remaining terms:		
Less than three months	4,819	5,782
More than three months to one year	8,712	6,846
More than one year to five years	32,538	34,029
More than five years	26,612	28,985
With indefinite term	2,018	1,355
Cover funds	24,012	22,675

(4) Bonds and other fixed-income securities

in € m

	31.12.2011	31.12.2010
Securitized receivables		
Due from affiliated companies	–	–
Due from other group companies	743	748
The marketable securities comprise		
Listed securities	11,447	9,749
Unlisted securities	289	385
Remaining terms:		
Amounts falling due in the following year	967	591
Subordinate assets	266	366
Repo transactions as part of open market transactions	1,000	–
Carrying amount of the securities in the investment portfolio	693	924
Fair value of the securities in the investment portfolio	622	841
Temporary reduction in value of the securities in the investment portfolio	70	83

(5) Shares and other variable-income securities

in € m

	31.12.2011	31.12.2010
The marketable securities comprise		
Listed securities	3	4
Unlisted securities	66	63

This item comprises seven shares in special security funds held exclusively by Helaba (mixed funds or pure fixed-income funds) with a total carrying amount of € 1.28 bn. In line with the long-term investment intention of Helaba, these special funds mainly invest in interest-bearing securities. Further shares relate to 39.7 % of a public fund (carrying amount: € 22.9 m) with a worldwide and equity-market-oriented investment strategy. As of the balance sheet date, all shares were measured at any lower market value. There were no major price reserves on the balance sheet date. The income from dividend payments received in 2011 amounted to a total of € 23.8 m.

(6) Trading portfolio (assets)

in € m

	31.12.2011	31.12.2010
Derivative financial instruments	9,121	6,703
Receivables	6,931	7,163
Bonds and other fixed-income securities	24,527	27,522
Shares and other variable-income securities	115	57
Other assets	0	–
Subordinate assets	13	19

(7) Equity participations

in € m

	31.12.2011	31.12.2010
The securities comprise		
Marketable securities	19	72
Listed securities	–	53

Five investments with a total carrying amount of € 70 m (fair value: € 68 m) have not been shown with their temporarily lower fair value. The difference is essentially attributable to one equity participation; however, the relevant portfolio has reported a positive development. Further differences are attributable to currency effects and start-up losses typical for the sector relating to investments in infrastructure, private equity and mezzanine funds.

(8) Shares in affiliated companies

in € m

	31.12.2011	31.12.2010
The securities comprise		
Marketable securities	151	150
Listed securities	–	–

(9) Trust assets

in € m

	31.12.2011	31.12.2010
This item includes:		
Loans and advances to banks	28	13
Loans and advances to customers	600	653
Shares and other variable-income securities	2	1
Equity participations	52	52
Shares in affiliated companies	203	203
Other assets	11	9

(10) Intangible assets

The figure disclosed in the balance sheet mainly comprises the holdings of acquired standard software.

(11) Property, plant and equipment

in € m

	31.12.2011	31.12.2010
This item includes:		
Land and buildings used for own activities	16	16
Operational and office equipment	28	25

(12) Other assets

The figure shown in the balance sheet mainly comprises interest receivables attributable to swap agreements in non-trading, netting claims against special funds as well as paid option premiums.

(13) Deferred charges and prepaid expenses

in € m

From issuing and loan operations	31.12.2011	31.12.2010
This item includes:		
Premiums attributable to receivables	24	15
Discounts attributable to liabilities and issued bonds	156	170

(14) Repo transactions

in € m

	31.12.2011	31.12.2010
Assets of the trading portfolio used for repo purposes	955	1,920

(15) Assets transferred as security

in € m

	31.12.2011	31.12.2010
Assets of the following amounts have been transferred for the following liabilities:		
Liabilities due to banks	5,773[1)]	4,681[1)]
Liabilities held for trading	5,328[1)]	3,301[1)]

1) Incl. € 698 m (2010: € 591 m) securities accepted as part of reverse repos which have been passed on to credit institutions in connection with repo transactions.

(16) Assets denominated in foreign currency

in € m

	31.12.2011	31.12.2010
	31,726	33,686

(17) Schedule of assets

in € m

Assets	Intangible assets	Property, plant and equipment	Bonds and other fixed-income securities	Equity participations	Shares in affiliated companies	Total
At cost 1.1.2011	77	139	924	631	2,019	3,790
Additions	8	8	–	37	6	59
Disposals	3	8	231	372	8	621
Transfers	–	–	–	–	–	–
Exchange rate changes	–	–	–	1	3	4
Cumulative depreciation	64	88	–	55	20	211
Balance sheet value on 31.12.2011	**18**	**51**	**693**	**242**	**1,998**	**3,018**
Balance sheet value previous year	**16**	**48**	**924**	**521**	**1,998**	**3,507**
Depreciation 2011	6	5	–	16	–	12

(18) Liabilities due to banks

in € m

	31.12.2011	31.12.2010
This item comprises:		
Accounts due to affiliated Sparkassen	7,405	5,945
Accounts due to affiliated companies	5,814	4,306
Accounts due to other group companies	311	9
Due on demand	1,920	2,682
Remaining terms of the sub-item – with agreed term or period of notice of		
Less than three months	3,397	2,451
More than three months to one year	5,445	2,969
More than one year to five years	13,897	15,027
More than five years	10,312	11,446

(19) Liabilities due to customers

in € m

	31.12.2011	31.12.2010
This item comprises:		
Accounts due to affiliated companies	1,082	659
Accounts due to other group companies	25	26
Due on demand	2,566	2,644
Remaining terms of the sub item – other liabilities with agreed term or period of notice of		
Less than three months	2,920	1,552
More than three months to one year	1,686	1,441
More than one year to five years	7,176	7,940
More than five years	8,720	7,616

(20) Securitized liabilities

in € m

	31.12.2011	31.12.2010
This item comprises:		
Accounts due to affiliated companies	16	21
Accounts due to other group companies	–	771
Remaining terms of the sub-item – issued bonds –		
Amounts falling due in the following year	8,242	7,784
Remaining terms of sub-item – other securitized liabilities –		
Less than three months	678	1,658
More than three months to one year	160	113
More than one year to five years	–	–
More than five years	–	–

(21) Trading portfolio (liabilities)

in € m

	31.12.2011	31.12.2010
Derivative financial instruments	10,145	7,306
Liabilities	28,529	32,485

(22) Trust liabilities

in € m

	31.12.2011	31.12.2010
Trust liabilities are broken down as follows:		
Liabilities due to banks	8	10
Liabilities due to customers	826	860
Other liabilities	62	61

(23) Other liabilities

in € m

	31.12.2011	31.12.2010
Major items are:		
Interest obligations arising from swap agreements in the non-trading portfolio	395	440
Option premiums received for the non-trading portfolio	6	39
Balancing items from currency valuation	622	172
Interest for profit participating rights and dormant contributions	130	130

(24) Deferred items

in € m

From issuing and loan operations	31.12.2011	31.12.2010
This item comprises mainly:		
Discounts from lending	177	181
Premiums from liabilities	23	34

(25) Provisions

Due to the application of Article 67 (1) Clause 1 EGHGB, there is a shortfall of € 172 m for the pension provisions shown as of the balance sheet date.

The costs of purchase of the assets netted with provisions in accordance with Section 246 (2) Clause 2 HGB are € 22 m, and the fair value is € 22 m. The settlement amount of the netted liabilities is stated as € 28 m. In the income statement, income from these assets of € 273,000 has been netted with costs of the corresponding liabilities of € 44,000.

The other provisions have been created mainly for personnel-related items, as well as for rating and country risks in off-balance-sheet lending. Further provisions are attributable to liabilities for which the actual amount or the reason is uncertain.

(26) Subordinate liabilities

The subordinate borrowings, which exceed 10 % of the overall position in each case, are as follows:

Currency amount in € m	Currency	Current interest rate in %	Due in	Premature repayment obligation
650	EUR	5.50	2015	–
250	EUR	2,302	2016	–

The conditions relating to the subordinate nature of these funds comply with the requirements of the Kreditwesengesetz (German Banking Act) for recognition as liable capital. There is no agreement, nor are there any plans, for these items to be converted into capital or other forms of debt.

The figures disclosed include proportionate interest of € 10 m (2010: € 10 m). For subordinate borrowings, the interest expense in the year under review amounted to € 93 m (2010: € 94 m).

(27) Liabilities denominated in foreign currency

in € m

	31.12.2011	31.12.2010
	16,709	26,156

(28) Own funds

in € m

	31.12.2011	31.12.2010
Own funds (excl. cumulative profit) according to the balance sheet are broken down as follows at the end of 2011:		
Subscribed capital	3,450	3,450
a) Share capital	477	477
b) Capital contribution	1,920	
c) Contributions of dormant partners	1,053	2,973
Capital reserve	658	658
Retained earnings	1,446	1,375
Including the profit participation rights,	729	729
the fund for general banking risks,	445	445
as well as subordinate liabilities,	2,308	2,303
the liable capital shown in the balance sheet amounted to	9,036	8,960

With effect from 30 December 2011, the Federal State of Hesse and the Bank adjusted the previous silent participations of the Federal State of Hesse (special fund "Housing and Future Investment" as well as "Hesse Investment Fund") to bring them into line with the changed regulatory requirements by way of contractual "strengthening" of the quality. Accordingly, after this date, these are considered to be capital contributions which are shown under the new item "Capital contribution".

The retained earnings as of 31 December 2011 include a figure of € 71 m from net profit for 2011 paid into reserves.

The portion of the fund for general banking risks which is attributable to the special item in accordance with Section 340e HGB and which are thus subject to a distribution restriction amounted to € 20 m.

(29) Contingent liabilities

in € m

	31.12.2011	31.12.2010
The liabilities attributable to warranties and guarantees include credit guarantees of	2,777	3,928

In line with regulatory stipulations, the probability of utilization in the next 30 days is specified as 5%.

(30) Other obligations

in € m

	31.12.2011	31.12.2010
There are:		
Placing and take-over obligations	2,319	2,729
Irrevocable loan commitments for book loans	15,366	17,233

In line with regulatory stipulations, the probability of utilization in the next 30 days is specified as 5%.

(31) Pfandbriefe and schedule of cover

Overview according to Section 28 (1) No. 1 PfandBG

in € m

	Nominal value		Present value	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Mortgage Pfandbriefe				
Cover funds	8,964	8,895	9,486	9,220
Pfandbriefe in circulation	5,659	5,794	6,057	6,078
Surplus cover	3,305	3,101	3,429	3,142
Risk present value according to Present Value Ordinance	–	–	3,253	3,004
Public Pfandbriefe				
Cover funds	20,122	20,514	21,652	21,492
Pfandbriefe in circulation	14,419	14,912	15,601	15,801
Surplus cover	5,704	5,602	6,051	5,691
Risk present value according to Present Value Ordinance	–	–	5,673	5,146

There is one derivative in cover at the end of the year.

The risk present value in accordance with the Present Value Ordinance specifies the present value of the balance of cover after a stress test. The internal model MaRC² has been used for simulating interest rate risks; the dynamic procedure has been used for simulating currency risks.

Breakdown of cover funds according to fixed interest periods and breakdown of Pfandbriefe according to remaining terms in accordance with Section 28 (1) No. 2 PfandBG

in € m

	Cover funds		Pfandbrief	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Fixed interest periods/remaining terms				
Mortgage Pfandbriefe				
Less than 1 year	**1,842**	2,089	**1,224**	651
More than 1 year to 2 years	**1,888**	1,209	**848**	1,213
More than 2 years to 3 years	**1,352**	1,578	**1,468**	778
More than 3 years to 4 years	**1,333**	1,377	**111**	968
More than 4 years to 5 years	**580**	971	**65**	111
More than 5 years to 10 years	**1,833**	1,500	**1,453**	1,559
More than 10 years	**136**	172	**491**	514
Public Pfandbriefe				
Less than 1 year	**2,891**	2,385	**2,467**	2,798
More than 1 year to 2 years	**3,083**	2,405	**3,601**	2,242
More than 2 years to 3 years	**2,248**	2,778	**1,300**	2,670
More than 3 years to 4 years	**3,043**	2,214	**900**	1,239
More than 4 years to 5 years	**1,600**	3,329	**1,731**	903
More than 5 years to 10 years	**4,992**	5,216	**2,822**	3,274
More than 10 years	**2,265**	2,187	**1,598**	1,787

Further cover funds in accordance with Section 28 (1) No. 4 PfandBG

in € m

	Further cover	
	31.12.2011	31.12.2010
Mortgage Pfandbriefe		
Cover funds	**8,964**	8,895
thereof: Further cover	**359**	560
Public Pfandbriefe		
Cover funds	**20,122**	20,514
thereof: Further cover	**111**	225

Breakdown of the cover funds for mortgage Pfandbriefe according to type of use

in € m

	31.12.2011	31.12.2010
Commercial	**7,006**	6,653
Residential	**1,600**	1,682
Further cover	**359**	560

Breakdown of the cover funds for mortgage Pfandbriefe according to type of use and country

Residential breakdown:

	Apartments		Single-family houses		Multiple-family houses		Building sites and building shells		Total	
Country	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Germany	**72**	88	**91**	106	**1,436**	1,486	**1**	2	**1,600**	1,682

Commercial breakdown:

	Office buildings		Retail buildings		Industrial buildings		Other buildings		Building sites/ building shells		Total	
Country	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Germany	**3,553**	3,582	**2,134**	2,088	**176**	180	**318**	272	**39**	29	**6,220**	6,151
France	**143**	130	**–**	–	**–**	–	**0**	0	**–**	–	**143**	130
Luxembourg	**233**	73	**–**	–	**–**	–	**–**	–	**–**	–	**233**	73
Sweden	**74**	84	**–**	42	**–**	36	**7**	6	**–**	–	**81**	168
The Netherlands	**191**	131	**43**	–	**–**	–	**–**	–	**–**	–	**234**	131
Great Britain	**95**	–	**–**	–	**–**	–	**–**	–	**–**	–	**95**	–
Total	**4,289**	4,000	**2,177**	2,130	**176**	216	**325**	278	**39**	29	**7,006**	6,653

Breakdown of the cover funds for mortgage Pfandbriefe according to size

in € m

	31.12.2011	31.12.2010
Up to € 0.3 m	**284**	327
Up to € 5 m	**1,381**	1,427
More than € 5 m	**6,940**	6,581
Further cover	**359**	560

The total amount of payments more than 90 days past due was € 0.1 m (2010: € 0 m), and related to German mortgages. There were no instances of receivership or forced sales in the year under review, nor was it necessary for any land to be taken on in order to avoid losses.

Interest arrears from mortgage operations

in € m

	31.12.2011	31.12.2010
Commercial	**0.0**	0.0
Residential	**0.0**	0.0
Total	**0.0**	0.0

Breakdown of the cover funds for public Pfandbriefe according to issuer

	State		Central authorities		Regional authorities		Public-sector credit institutions/other		Total	
Country	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Germany	728	807	2,265	2,071	8,422	7,881	7,211	8,162	18,625	18,921
France incl. Monaco	–	–	66	10	–	–	–	79	66	89
Great Britain/ Northern Ireland	1	1	–	–	–	–	–	–	1	1
Italy	–	3	–	–	–	–	–	17	–	20
The Netherlands	–	1	–	–	–	–	–	–	–	1
Spain	–	–	1,261	1,394	–	–	6	11	1,267	1,405
Austria	2	2	–	–	–	–	50	75	52	77
Total	731	814	3,592	3,475	8,422	7,881	7,266	8,344	20,011	20,514

The payments at least 90 days past due amounted to a total of T€ 0 for public Pfandbriefe (2010: T€ 0).

(32) Derivative financial instruments in the non-trading portfolio

The information concerning derivative financial instruments has been broken down into trading holdings and non-trading holdings.

Transactions with derivative products in the non-trading portfolio are detailed in accordance with the disclosure requirements in accordance with Section 285 No. 19 HGB in conjunction with Section 36 RechKredV. Derivative financial instruments in the non-trading portfolio are taken out to hedge or manage risks attributable to bank book transactions (asset/liability management).

The nominal volume of derivative transactions in the non-trading portfolio has increased by 3.4 % compared with the previous year. Whereas the volume of trades with derivatives which are exposed to interest rate risks and currency risks increased moderately, the volume of credit derivatives declined compared with the previous year.

Derivative transactions of non-trading portfolio – disclosure of volumes –

in € m

	Nominal values		Positive market values	Negative market values
	31.12.2011	31.12.2010	31.12.2011	31.12.2011
Interest risks				
Interest swaps	76,906	76,153	4,282	2,661
FRAs	–	–	–	–
Interest options	5,297	5,510	5	663
Calls	177	512	5	0
Puts	5,120	4,998	0	663
Caps, floors	3,125	6,351	46	7
Market contracts	11,533	6,065	1	1
Other interest futures	–	–	–	–
Interest risks – total –	**96,861**	**94,079**	**4,334**	**3,332**
Currency risks				
Currency futures	5,876	3,603	14	101
Currency swaps/cross-currency swaps	11,023	11,648	95	460
Currency options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Currency risks – total –	**16,899**	**15,251**	**109**	**561**
Equity and other price risks				
Equity options	2	2	1	–
Calls	2	2	1	–
Puts	–	–	–	–
Market contracts	–	–	–	–
Equity and other price risks – total –	**2**	**2**	**1**	**–**
Credit derivatives				
Calls	87	51	12	0
Puts	1,286	2,012	0	82
Credit derivatives – total –	**1,373**	**2,063**	**12**	**82**
Commodity risks				
Commodity swaps	–	–	–	–
Commodity risks – total –	–	–	–	–
Grand total	**115,135**	**111,395**	**4,456**	**3,975**

In addition to the nominal volumes, the positive and negative market values have also been shown separately. Netting or collateral agreements are not taken into consideration in this respect.

Positive market values/present values which can be used as an indication of the potential counterparty default risks associated with these transactions amount to 3.9 % of the nominal value (2010: 3.4 %). Because of the hedging nature of the transactions, the market values always have to be viewed in connection with the underlyings.

The market values are to some extent opposed by premiums and special cash flows which have not yet been received as well as interest accruals attributable to derivatives which are shown in the balance sheet under the other assets/liabilities. Of the total assets connected with derivatives (€ 751 m), € 7 m is attributable to option premiums which have been paid; of the liabilities in connection with derivatives (€ 473 m), € 6 m is attributable to option premiums which have been received.

Derivative transactions of the non-trading portfolio – breakdown of maturities –

in € m

	Interest risks		Currency risks		Equity and other price risks		Credit derivatives		Commodity derivatives	
Nominal values	**31.12.2011**	**31.12.2010**	**31.12.2011**	**31.12.2010**	**31.12.2011**	**31.12.2010**	**31.12.2011**	**31.12.2010**	**31.12.2011**	**31.12.2010**
Remaining terms:										
Less than three months	14,510	8,297	6,284	4,262	–	–	20	–	–	–
Less than one year	8,226	9,069	1,869	1,781	–	–	335	25	–	–
Less than five years	48,448	51,140	6,566	6,572	2	2	246	1,261	–	–
More than five years	25,677	25,573	2,180	2,636	–	–	772	777	–	–
Total	**96,861**	**94,079**	**16,899**	**15,251**	**2**	**2**	**1,373**	**2,063**	**–**	**–**

The volume of short-term interest transactions has been increased moderately as a result of exchange future contracts; for medium-term maturities, the volume declined slightly. Short-term interest transactions (with a remaining term of less than one year) now account for 23.5 % of total business in this risk category (2010: 18.5 %). The increase in volume reported for transactions exposed to currency risks is attributable to short-term maturities.

Derivative transactions in non-trading portfolio – counterparty breakdown –

in € m

	Nominal values		Positive market values	Negative market values
	31.12.2011	**31.12.2010**	**31.12.2011**	**31.12.2011**
Banks in the OECD	96,851	98,004	4,182	3,747
Public authorities in the OECD	18	24	0	0
Other counterparties	18,266	13,367	274	261
Total	**115,135**	**111,395**	**4,456**	**3,815**

The purpose of the counterparty breakdown is to present the counterparty default risks associated with derivative transactions. Helaba concludes derivative transactions mainly with OECD banks.

As has been the case in previous years, OECD banks account for most of the positive market values and thus the replacement risks.

Exchange contracts account for a considerable percentage of transactions with other counterparties; in terms of nominal volume, this percentage is 63.1 % (2010: 45.4 %).

(33) Derivative financial instruments in the trading portfolio

Transactions with derivative products are disclosed in accordance with the disclosure requirements of Section 285 No. 20 HGB in conjunction with Section 36 RechKredV.

The nominal volume of derivative trades has increased by 2.4 % compared with the previous year. The increase is mostly attributable to the exchange-traded interest contracts; on the other hand, the volume of OTC interest contracts declined. Currency-related transactions have increased moderately, and the volume of credit derivatives has declined as a result of the closure of opposite positions.

Derivative Transactions in the trading portfolio – Disclosure of volumes –

in € m

	Nominal values		Positive market values	Negative market values
	31.12.2011	31.12.2010	31.12.2011	31.12.2011
Interest risks				
Interest swaps	262,032	272,085	6,698	7,764
FRAs	19,493	43,168	3	5
Interest options	21,326	16,299	995	1,014
Calls	10,484	8,029	995	0
Puts	10,842	8,270	0	1,014
Caps, floors	24,556	25,320	183	117
Market contracts	92,425	55,060	23	28
Other interest futures	109	294	0	3
Interest risks – total –	**419,941**	**412,226**	**7,902**	**8,931**
Currency risks				
Currency futures	31,621	29,470	618	650
Currency swaps/cross-currency swaps	8,324	7,631	403	339
Currency options	2,242	939	19	23
Calls	1,131	474	19	0
Puts	1,111	465	0	23
Currency risks – total –	**42,187**	**38,040**	**1,040**	**1,012**

in € m

	Nominal values		Positive market values	Negative market values
	31.12.2011	31.12.2010	31.12.2011	31.12.2011
Equity and other price risks				
Equity options	227	232	29	11
Calls	149	135	29	0
Puts	78	97	0	11
Market contracts	635	631	32	39
Equity and other price risks – total –	**862**	**863**	**61**	**50**
Credit derivatives				
Calls	3,382	3,929	104	5
Puts	4,275	4,544	9	142
Credit derivatives – total –	**7,657**	**8,473**	**113**	**147**
Commodity risks				
Commodity swaps	85	19	5	5
Commodity options	3	–	0	0
Commodity risks – total –	88	19	5	5
Grand total	**470,735**	**459,621**	**9,121**	**10,145**

In addition to the nominal volumes, the positive and negative market values have also been shown separately. Netting or collateral agreements are not taken into consideration in this respect.

Positive market values/present values which can be used as an indication of the potential counterparty default risks associated with these transactions amount to 1.9 % of the nominal value (2010: 1.5 %).

Derivative transactions in the trading portfolio – Maturity breakdown –

in € m

	Interest risks		Currency risks		Equity and other price risks		Credit derivatives		Commodity derivatives	
Nominal values	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Remaining terms:										
Less than three months	115,021	145,241	21,047	19,597	149	183	256	510	12	4
Less than one year	107,653	72,209	8,478	8,655	115	122	1,939	1,265	30	12
Less than five years	110,655	118,697	11,382	8,621	598	558	5,052	6,012	46	3
More than five years	86,612	76,079	1,280	1,167	–	–	410	686	–	–
Total	**419,941**	**412,226**	**42,187**	**38,040**	**862**	**863**	**7,657**	**8,473**	**88**	**19**

The increase in volume for interest rate transactions is attributable to short-term as well as long-term maturities. Short-term interest transactions (with a remaining term of less than one year) now account for 53.0 % of total business in this risk category (2010: 52.8 %). In the case of currency transactions, the short-term and medium-term volumes have increased slightly, whereas long-term volumes have remained virtually unchanged.

Derivative transactions in the trading portfolio – Counterparty breakdown –

in € m

	Nominal values		Positive market values	Negative market values
	31.12.2011	31.12.2010	31.12.2011	31.12.2011
Banks in the OECD	295,761	328,611	4,704	8,469
Banks outside the OECD	0	115	0	0
Public authorities in the OECD	23,360	17,588	1,571	522
Other counterparties	151,614	113,307	2,846	1,154
Total	**470,735**	**459,621**	**9,121**	**10,145**

The purpose of the counterparty breakdown is to present the counterparty default risks associated with derivative transactions. Helaba concludes derivative transactions with top addresses, mainly with OECD banks.

As has been the case in previous years, OECD banks account for most of the positive market values and thus the replacement risks.

Exchange contracts account for a considerable percentage of transactions with other counterparties; in terms of nominal volume, this percentage is 61.4 % (49.2 %).

The percentage of derivatives in the trading portfolio in relation to the total volume of derivatives has been more or less unchanged compared with the previous year, namely 80.3 % (2010: 80.5 %).

As has been the case in previous year, interest contracts account for most of the trading activities. They now account for 81.3 % of the total holdings in the trading portfolio (2010: 81.4 %). The currency risks account for 71,4% and the credit derivatives account for 71,4% of the contracts of the total holdings in the trading portfolio.

(34) Trading products

in € m

	Assets		Liabilities		Net income of the trading portfolio	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Derivative financial instruments						
Interest trading	7,902	5,464	8,931	6,363	–281	–264
Equity trading	61	99	50	57	–116	–168
Currency trading	1,040	1,071	1,012	794	–66	–9
Credit derivatives	113	68	147	91	–1	–8
Commodities	5	1	5	1	0	0
Receivables/liabilities						
Borrowers' note loans	2,316	2,446	–	–	137	172
Overnight money and time deposits	3,998	4,067	23,160	20,437	–249	–116
Repos/reverse repos/ securities lending	395	499	2,600	3,454	–17	–15
Issued money market paper/ securitized liabilities	–	–	2,502	8,473	–45	–75
Other	222	151	88	71	–1	13
Bonds and other fixed-income securities	24,526	27,522	179	50	549	526
Equities and other variable-income securities	115	57	–	–	118	172
Other						
Commissions					–25	–30
Fund for general banking risk according to Section 340e HGB					0	–20
Total	**40,693**	**41,445**	**38,674**	**39,791**	**3**	**178**

(35) Valuation units in accordance with Section 254 HGB

The valuation units of Helaba consist of asset-swap combinations in the form of micro valuation units. The hedges relate exclusively to interest rate risks. The so-called net hedge presentation method is used for changes in value between the underlying and the hedging instrument which cancel each other out. The underlyings are always fully hedged in relation to the nominal volume for the entire remaining term. The prospective effectiveness of the valuation units is given due to the coincidence of major factors which determine value. The prospective effectiveness is mainly determined using a regression analysis; the critical term match is used in individual cases. The opposite changes in values and cash flows have cancelled each other out to a large extent on the balance sheet date, and will probably continue to cancel each other out in future. The changes in value arising from the hedged risks will cancel each other out completely by the envisaged end of the valuation units (the time at which the underlying and hedge mature).

As of 31 December 2011, the carrying amount of the securities included in valuation units was € 4,370 m.

A provision for potential losses is created for valuation effects from the hedged risk which are not completely cancelled out; an impairment is recognized for rating-related reductions in the value of the underlyings.

in € m

	31.12.2011	31.12.2010
Rating-related impairments in relation to securities	–87	–7
Provision for potential losses of rate-related valuation effects which are not completely cancelled out	–3	–1

(36) Breakdown according to geographical markets

The total amount of interest income, current income from equities and other variable-income securities, investments and shares in affiliated companies, commission income, net income of the trading portfolio as well as other operating income is spread over the following markets:

in € m

	31.12.2011	31.12.2010
Domestic	3,908	4,170
European Union, excl. Germany	229	220
Other	202	228

(37) Commission income

This position mainly comprises commission income from warranties and guarantees. Further components are commission income generated by services provided to third parties for the administration and arrangement of security transactions and other bank services.

(38) Other operating income and expenses

In the Bank, the position “other operating income” includes income from rental and leasing (€ 26 m; 2010: € 23 m) as well as cost refunds attributable to commissioned work for third parties (€ 15 m; 2010: € 15 m).

The cost of compounding provisions is € 44 m. The costs of buildings which are not owner-occupied amounted to € 7 m in the year under review (2010: € 13 m).

(39) Depreciation and impairments in relation to receivables and certain securities as well as payments into provisions in lending operations

Provisions for losses on loans and advances are shown under this position. For stating the depreciation and impairments in relation to receivables and certain securities as well as payments into provisions in lending, we have utilized the option of cross-compensation in accordance with Section 340 f HGB.

(40) Extraordinary result

The extraordinary result is attributable exclusively to additions of € 13 m to provisions. The Bank has utilized the option of paying 1/15 of the difference attributable to the changed valuation of the provision into the provision for current pensions or vested pension rights in 2011 due to the first-time adoption of BilMoG.

(41) Taxes on income and profits

Taxes on income mainly comprise taxation of the results of the New York branch which are taxable in the USA. Minimum taxation is applicable in Germany in 2011.

(42) Other financial obligations

On the balance sheet date, the Bank's contribution obligations to the subscribed capital at 17 companies totaled € 72 m. Of this figure, € 21 m is attributable to affiliated companies. For four companies, the Bank has taken on a contractual obligation to pay additional amounts of max. € 41 m.

The Bank is a partner with unlimited liability in GLB GmbH & Co. OHG, Frankfurt am Main and Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz.

The Bank is also jointly liable for discharging obligations to pay further capital of third parties who are shareholders of the Germans Savings Banks and Giro Association (DSGV). If a claim is made against a former owner of DekaBank within the framework of the statutory guarantee regulations (grandfathering) in accordance with the Brussels Accord I, Helaba is obliged to provide pro-rata internal liability compensation.

The Bank is involved in the deposit guarantee schemes of the German Sparkassen organization via its membership of the security reserve of the Landesbanken and Girozentrale in Germany. These security guarantee schemes have the effect of guaranteeing the institution, i.e. their purpose is to protect the continued existence of the affiliated institutions. There is one margin call obligation if protection has to be provided.

In addition, Helaba is affiliated to the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen. This guarantees additional protection on top of the existing security facilities, and provides not only institution protection but also creditor protection. Landesbank Hessen-Thüringen and the Sparkassen successively pay into the fund until 0.5 % of the calculation base are attained (nettable positions in accordance with the Solvency Ordinance). The core commitment of each institution is established on the basis of risk taking into account bonus and penalty factors. The Sparkassen- und Giroverband Hessen-Thüringen will be liable to make up the relevant shortfall should the fund be required before such time as the full amount has been contributed.

The Bank has provided the Irish Central Bank with a letter of comfort for Helaba Dublin, an affiliated company. For Frankfurter Bankgesellschaft (Schweiz) AG, Zürich, Helaba ensures that the company is able to meet its contractual obligations, apart from instances of political risk.

Securities with a value of € 2.9 bn have been deposited for settling clearing transactions and also for off-balance-sheet drawing risks. The market value of the papers for secured money trading operations was € 0.6 bn. In accordance with international stipulations, securities with an equivalent market value of € 1.7 bn were tied up as collateral.

If LBS Immobilien GmbH or OFB Projektentwicklung GmbH (both affiliated companies) become insolvent, Helaba has agreed to bear the amounts of compensation for the relevant additional benefits fund.

Contingent liabilities of € 205 m may arise in case of repayment of capital contributions.

Further obligations in accordance with Section 285 No. 3 HGB are attributable particularly to long-term property rental and leasing agreements of properties used for banking operations. Payment obligations for rental and leasing installments of € 32.4 m are to be expected for 2012 for the properties used by Helaba with contract terms and termination terms of 4.5 to 10.3 years. Other financial obligations have also arisen from various rental, utilization and service agreements as well as consultancy agreements to the usual extent.

The asset-backed commercial paper program OPUS ALPHA initiated by Helaba is used as the basis for securitizing receivables attributable to operations of and for customers. In addition to the customer transactions, Opus Alpha contains an ABS-portfolio (securitized receivables with a fair value of € 92 m (2010: € 112 m)), which in accordance with IAS 27/SIC 12 is consolidated in the consolidated financial statements because Helaba is entitled to most of the opportunities and risks. The liquidity line provided for Opus Alpha is € 1.5 bn (2010: € 1.4 bn); of this figure, € 1.3 bn had been drawn down as of 31 December 2011 (31 December 2010: € 1.2 bn).

By means of individual declarations of exemption, the Bank promised several subsidiaries to hold it harmless from risks arising out of certain legal transactions.

As of the balance sheet date, there are conditional and unconditional forward transactions.

- for currency transactions (currency futures and options, currency swaps and cross-currency swaps),
- for interest transactions (futures and options with fixed-income securities and borrowers' note loans, forward rate agreements, finance swaps and related options, interest futures incl. options relating to these transactions as well as interest rate caps),
- for other price risks (equity and equity index futures contracts/options),
- for rating risks (credit derivatives),
- for commodity risks (commodity swaps and options).

From the point of view of risk considerations, the trading portfolio mainly comprises closed positions consisting of various transaction types. If derivative instruments are held in the non-trading book, the transactions are mainly intended to hedge interest-related or currency-related market risks.

(43) Transactions with related parties

In the course of the ordinary business operations of Helaba, transactions with parties deemed to be related in accordance with Section 285 No. 21 HGB have been conducted on an arm's length basis. We provide a comprehensive report on business relations in addition to the minimum requirements specified by Section 285 No. 21 HGB. The following information relates to the transactions with the affiliated companies, with associates and equity participations in joint ventures of the Helaba Group, the Sparkassen- und Giroverband Hessen-Thüringen and the Federal State of Hesse and the Free State of Thuringia as the shareholders as well as the subsidiaries of the Sparkassen- und Giroverband Hessen-Thüringen. The information relating to the persons in key positions of Helaba and the Sparkassen- und Giroverband Hessen-Thüringen defined in accordance with Section 285 No. 21 HGB, including their close family relations as well as companies controlled by these persons, is also included in the following.

The following receivables and liabilities as well as off-balance-sheet obligations of the Helaba Group existed with regard to related parties as of 31 December 2011:

in € m

	31.12.2011	31.12.2010
Loans and advances to banks	**3,449**	**3,497**
Affiliated companies	3,404	3,376
Investments in joint ventures and associated companies	5	5
Shareholders of Helaba	40	116
Other related parties	–	–

in € m

	31.12.2011	31.12.2010
Loans and advances to customers	**5,320**	**3,534**
Affiliated companies	2,800	2,054
Investments in joint ventures and associated companies	713	436
Shareholders of Helaba	1,734	1,044
Other related parties	73	71
Assets held for trading	**285**	**506**
Affiliated companies	–	59
Investments in joint ventures and associated companies	5	15
Shareholders of Helaba	280	432
Other related parties	–	–
Other assets items	**2**	**2**
Affiliated companies	2	2
Investments in joint ventures and associated companies	–	–
Shareholders of Helaba	–	–
Other related parties	–	–
Liabilities due to banks	**6,004**	**4,312**
Affiliated companies	5,814	4,306
Investments in joint ventures and associated companies	0	6
Shareholders of Helaba	190	–
Other related parties	–	–
Liabilities due to customers	**1,806**	**861**
Affiliated companies	1,082	659
Investments in joint ventures and associated companies	32	16
Shareholders of Helaba	688	186
Other related parties	4	5
Liabilities held for trading	**344**	**51**
Affiliated companies	12	42
Investments in joint ventures and associated companies	10	1
Shareholders of Helaba	322	8
Other related parties	–	–
Other liability items	**4**	**5**
Affiliated companies	4	5
Investments in joint ventures and associated companies	–	–
Shareholders of Helaba	–	–
Other related parties	–	–
Contingent liabilities	**343**	**365**
Affiliated companies	82	177
Investments in joint ventures and associated companies	65	77
Shareholders of Helaba	21	114
Other related parties	175	69

Receivables due from other related parties comprise loans of € 0.2 m extended to members of the Board of Managing Directors (2010: € 0.2 m) and loans of € 2.0 m extended to members of the Board of Guarantors (2010: € 2.5 m).

The total compensation of the Board of Managing Directors paid by the Bank amounted to € 5.0 m (2010: € 5.0 m). As was the case in the previous year, a total of € 0.6 m was paid to the Supervisory Board (2010: € 0.6 m) and € 0.1 m was paid to the members of the Advisory Board. In addition, a total of € 1.3 m was paid to the members of the Supervisory Board as employees. A figure of € 3.2 m was paid to former members of the Board of Managing Directors and their surviving dependants (2010: € 3.1 m). Provisions of € 37.3 m were set aside for pension obligations due to this group of persons (2010: € 39.9 m).

(44) Average number of staff during the year

	Female	Male	Total
Bank	965	1,430	2,395
Landesbausparkasse	175	134	309
WIBank – Wirtschafts- und Infrastrukturbank Hessen	236	175	411
Overall bank	1,376	1,739	3,115

(45) Executive bodies of the Bank

Supervisory Board

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

Dr. Werner Henning
Chief Administrative Officer
Regional district of Eichsfeld
Heiligenstadt
– 1st Deputy Chairman –

Dr. Thomas Schäfer
Minister of State
Ministry of Finance of the State
of Hesse
Wiesbaden
– from 29 June 2011
2nd Deputy Chairman
from 9 September 2011 –

Karlheinz Weimar
Member of the State Parliament
of Hesse
Wiesbaden
– 2nd Deputy Chairman –
– up to 29 June 2011 –

Prof. Dr. h.c. Ludwig G. Braun
Chairman of the Supervisory Board
B. Braun Melsungen AG
Melsungen

Ingo Buchholz
Chairman of the Board of
Managing Directors
Kasseler Sparkasse
Kassel
– from 1 January 2011 –

Dirk Diedrichs
Secretary of State
Ministry of Finance of the State
of Thuringia
Erfurt
– from 21 October 2011 –

Bernd Fickler
Chairman of the Board of
Managing Directors
Kreissparkasse Groß-Gerau
Groß-Gerau
– up to 31 December 2011 –

Robert Fischbach
Chief Administrative Officer
Kreis Marburg-Biedenkopf
Marburg

Martin Fischer
Chairman of the Board of
Managing Directors
Sparkasse Jena-Saale-Holzland
Jena

Stefan Gieltowski
Lord Mayor
Stadt Rüsselsheim
Rüsselsheim
– up to 31 December 2011 –

Stefan Lauer
Member of the Board of
Managing Directors
Deutsche Lufthansa AG
Frankfurt am Main

Christoph Matschie
Minister
Ministry of Education, Science and
Culture for the Federal State of
Thuringia
Erfurt

Gerhard Möller
Lord Mayor
Stadt Fulda
Fulda

Frank Nickel
Chairman of the Board of
Managing Directors
Sparkasse Werra-Meißner
Eschwege

Clemens Reif
Member of the State Parliament
of Hesse
Wiesbaden

Stefan Reuß
Chief Administrative Officer
County District of Werra-Meißner
Eschwege

Dr. h.c. Petra Roth
Lady Mayoress
Stadt Frankfurt am Main
Frankfurt am Main

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

Dr. Bernd Scheifele
Chairman of the Board of
Managing Directors
HeidelbergCement
Heidelberg
– up to 31 August 2011 –

Wolfgang Schuster
Chief Administrative Officer
Lahn-Dill-Kreis
Wetzlar

Dr. Rainer Spaeth
Secretary of State
Ministry of Finance of the State
of Thuringia
Erfurt
– up to 20 October 2011 –

Dr. Eric Tjarks
Chairman of the Board of
Managing Directors
Sparkasse Bensheim
Bensheim
– from 1 January 2012 –

Egon Vaupel
Lord Mayor
Stadt Marburg
Marburg
– from 1 January 2012 –

Dr. Norbert Vornehm
Lord Mayor
Stadt Gera
Gera

Alfred Weber
Chairman of the Board of
Managing Directors Kreissparkasse
Saalfeld-Rudolstadt
Saalfeld

Stephan Ziegler
Chairman of the Board of
Managing Directors
Nassauische Sparkasse
Wiesbaden

Ulrich Zinn
Chairman of the Board of
Managing Directors
Sparkasse Grünberg
Grünberg

Arnd Zinnhardt
Member of the Board of
Managing Directors
Software AG
Darmstadt
– from 7 September 2011 –

Staff representatives:

Wilfried Abt
Department Director
Frankfurt am Main
– 4th Deputy Chairman –

Frank Beck
Senior Bank Executive
Frankfurt am Main
– from 1 July 2011 –

Dr. Robert Becker
Senior Vice President
New York
– bis 30. Juni 2011 –

Ursula Bergermann
Deputy Bank Director
Erfurt
– from 1 July 2011 –

Nicole Brandt
Bank Officer
Kassel
– up to 30 June 2011 –

Isolde Burhenne
Senior Bank Executive
Frankfurt am Main
– from 1 July 2011 –

Wilfried Carl
Deputy Department Director
Kassel
– up to 30 June 2011 –

Thorsten Derlitzki
Bank Officer
Frankfurt am Main

Gabriele Fuchs
Bank Officer
Frankfurt am Main

Anke Glombik
Senior Bank Executive
Erfurt
– up to 30 June 2011 –

Thorsten Kiwitz
Deputy Department Director
Frankfurt am Main
– from 1 July 2011 –

Susanne Noll
Bank Officer
Frankfurt am Main

Hans Peschka
Deputy Department Director
Frankfurt am Main

Erich Roth
Bank Officer
Frankfurt am Main

Birgit Sahliger-Rasper
Bank Officer
Frankfurt am Main

Wolf-Dieter Tesch
Department Director
Frankfurt am Main

Credit Committee of the Supervisory Board

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

Dr. Werner Henning
Chief Administrative Officer
Regional district of Eichsfeld
Heiligenstadt
– Deputy Chairman –

Wilfried Abt
Department Director
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main

Bernd Fickler
Chairman of the Board of
Managing Directors
Kreissparkasse Groß-Gerau
Groß-Gerau
– from 1 January 2011 to
31 December 2011

Martin Fischer
Chairman of the Board of
Managing Directors
Sparkasse Jena-Saale-Holzland
Jena

Claus Kaminsky
Lord Mayor
Stadt Hanau
Hanau

Frank Lortz
Member of the State Parliament
of Hesse
Wiesbaden

Gerhard Möller
Lord Mayor
Stadt Fulda
Fulda

**Honorary General Consul
Dirk Pfeil**
Management consultant
Frankfurt am Main

Clemens Reif
Member of the State Parliament
of Hesse
Wiesbaden

Fritz Schröter
Member of the Landtag of Thuringia
Erfurt

Ulrich Zinn
Chairman of the Board of
Managing Directors,
Sparkasse Grünberg
Grünberg

Accounts Audit Committee of the Supervisory Board

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

Stephan Ziegler
Chairman of the Board of
Managing Directors
Nassauische Sparkasse
Wiesbaden
– 1st Deputy Chairman –

Hans Peschka
Deputy Department Director
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main
– 2nd Deputy Chairman –

Frank Beck
Senior Bank Executive
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main
– from 9 September 2011 –

Dr. Robert Becker
Senior Vice President
Landesbank Hessen-Thüringen
Girozentrale
New York
– up to 8 September 2011 –

Ursula Bergermann
Deputy Bank Director
Landesbank Hessen-Thüringen
Girozentrale
Erfurt
– from 9 September 2011 –

Wilfried Carl
Deputy Department Director
Landesbank Hessen-Thüringen
Girozentrale
Kassel
– up to 8 September 2011 –

Dirk Diedrichs
Secretary of State
Ministry of Finance of the State
of Thuringia
Erfurt
– from 24 November 2011 –

Dr. Werner Henning
Chief Administrative Officer
Regional district of Eichsfeld
Heiligenstadt

Frank Nickel
Chairman of the Board of
Managing Directors
Sparkasse Werra-Meißner
Eschwege

Dr. Thomas Schäfer
Minister of State
Ministry of Finance of the State
of Hesse
Wiesbaden
– from 9 September 2011 –

Dr. Rainer Spaeth
Secretary of State
Ministry of Finance of the State
of Thuringia
Erfurt
– up to 20 October 2011 –

Karlheinz Weimar
Member of the State Parliament
of Hesse
Wiesbaden
– up to 29 June 2011 –

In line with its authorized powers, the Supervisory Board also delegated tasks to a Personnel Committee, Building Committee and Investment Committee.

The Board of Managing Directors

Hans-Dieter Brenner
– Chairman –

Johann Berger
– Vice Chairman –

Klaus-Dieter Gröb

Dr. Detlef Hosemann

Rainer Krick

Gerrit Raupach

Dr. Norbert Schraad

(46) List of shareholdings

We have set out the list of shareholdings in accordance with Section 285 No. 11 and Section 340a (4) No. 2 HGB.

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7.1	0	1)
2	AARON Grundstücksverwaltungsgesellschaft mbH, Oberursel	50.00	50.00		–0.7	–15	
3	AGENORAS Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.0	1	
4	AGENORAS Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Frankfurt am Main	89.80			0.0	218	
5	Airport Office One GmbH & Co. KG, Schönefeld	100.00			0.0	–1	
6	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	1)
7	BGT Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH & Co. KG für Citybauten, Frankfurt am Main	100.00	100.00		98.3	19,988	
8	BHT Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	66.67	0.5	60	
9	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		6.3	797	
10	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		0.5	82	
11	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt MGK Marstall-Gebäude Kassel KG, Kassel	50.00	50.00	66.67	0.2	35	
12	BHT-Baugrund Hessen-Thüringen Gesellschaft für Bauland beschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00		0.9	118	
13	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt TFK II Tiefgarage Kassel 2. BA KG, Kassel	33.33	33.33	66.67	0.8	150	
14	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00	100.00		0.0	0	1)
15	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG, München	100.00		0.21	–0.2	3	
16	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Frankfurt am Main	100.00	100.00		0.7	458	
17	BS Projektverwaltung GmbH, Frankfurt am Main	50.00			0.0	0	
18	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.25	21.25		12.5	490	
19	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		17.9	1,334	
20	Bürogebäude Darmstädter Landstraße GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.2	22	
21	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.4	31	
22	Cargo Immobilien GmbH & Co. Projekt 2 KG, Wiesbaden	25.00			0.0	197	
23	Cargo Immobilien GmbH & Co. Projekt 3 KG, Wiesbaden	25.00			0.1	115	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
24	CORPUS SIREO Holding GmbH, Cologne	25.00			0.1	6	
25	CORPUS SIREO Holding GmbH & Co. KG, Cologne	25.00			111.2	36,167	
26	CP Campus Projekte GmbH, Frankfurt am Main	49.87		50.00	0.7	–291	
27	CPC Cellular Process Chemistry GmbH, Frankfurt am Main	28.88		33.33	0.0	–782	
28	Div Deutsche Immobilienfonds Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.1	0	1)
29	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36.7	1,864	
30	DNL Verwaltungs GmbH, Munich	100.00	100.00		0.0	0	
31	Dritte Projektentwicklungs-GmbH & Co. Schulen Landkreis Kassel KG, Kassel	100.00			2.9	1,571	
32	Dritte Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	100.00			0.0	3	
33	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			–0.7	–631	
34	Erste Veritas Frankfurt GmbH & Co. KG, Kriftel	100.00			70.4	13	
35	Fachmarktzentrum Fulda GmbH & Co. KG, Frankfurt am Main	100.00			–0.6	325	
36	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	13	
37	Fellnerstraße 5 GmbH & Co. KG, Frankfurt am Main	100.00			0.1	768	
38	Francilienne Investments I S.à.r.l., Luxembourg, Luxembourg	23.41			0.2	–10	
39	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			10.1	32	
40	Frankfurter Bankgesellschaft (Schweiz) AG, Zürich, Switzerland	100.00			101.1	5,299	
41	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		745.7	60,000	
42	Franziskanerhof Bonn GmbH & Co. KG, Cologne	94.90		100.00	2.2	160	
43	Franziskanerhof Bonn Verwaltungsgesellschaft mbH, Cologne	94.90		100.00	0.0	0	
44	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	99.75		100.00	0.2	0	1)
45	G & O Alpha Hotelentwicklung GmbH, Eschborn	50.00			0.1	–2	
46	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Eschborn	50.00			0.0	–53	
47	G & O Alpha Verwaltungsgesellschaft mbH, Eschborn	50.00			0.1	12	
48	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Eschborn	50.00			0.4	–4	
49	G & O Gateway Gardens Dritte GmbH & Co. KG, Eschborn	50.00			0.0	–2	
50	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00			–0.4	–96	
51	G & O Gateway Gardens Zweite GmbH & Co. KG, Eschborn	50.00			–0.1	–59	
52	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.0	0	
53	G+S Bauen und Wohnen GmbH, Frankfurt am Main	99.74		100.00	2.6	67	
54	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	99.74		100.00	23.4	887	
55	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00			–1.4	–395	
56	gatelands Verwaltungs GmbH, Schönefeld	75.00			0.0	2	
57	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00			0.3	0	1)
58	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			0.3	0	1)
59	GIB Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.6	0	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
60	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00			0.2	4	
61	GOB Dritte E & A Grundbesitz GmbH, Eschborn	47.00			–2.0	–448	
62	GOB Projektentwicklung E & A GmbH & Co. Vierte Rhein-Main KG, Eschborn	50.00			–1.5	–576	
63	GOB Projektentwicklungsgesellschaft E & A mbH, Eschborn	50.00			0.0	2	
64	GOB Werfthaus GmbH & Co. KG, Eschborn	50.00			0.1	20	
65	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33			1.3	22	
66	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	99.99		100.00	0.0	–513	
67	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			0.0	–90	
68	Grundstücksverwaltungsgesellschaft Kaiserlei mbH, Frankfurt am Main	100.00			0.1	–11	
69	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00			56.1	4,232	
70	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	99.74		100.00	353.5	47,180	
71	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	1)
72	HaemoSys GmbH, Jena	38.33			–4.8	–524	
73	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		4.4	–483	
74	HANNOVER LEASING GmbH & Co. KG, Pullach	44.79	44.79		23.3	556	
75	HANNOVER LEASING Private Invest Beteiligungs GmbH, Pullach	0.00		100.00	50.2	263	
76	HANNOVER LEASING Private Invest II GmbH & Co. KG, Pullach	0.00		91.25	51.6	–73	
77	HANNOVER LEASING Verwaltungsgesellschaft mbH, Pullach	44.79	44.79		0.0	3	
78	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	0.00		54.56	32.7	1,339	
79	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–355	
80	Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	100.00	100.00		5.5	451	
81	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Wiesbaden	50.00	50.00		0.5	277	
82	Helaba Beteiligungs-Management-Gesellschaft mbH i. L., Frankfurt am Main	100.00	100.00		0.5	0	1)
83	Helaba Dublin Landesbank Hessen-Thüringen International, Dublin, Ireland	100.00	100.00		153.3	13,984	
84	Helaba International Finance plc, Dublin, Ireland	100.00	100.00		5.4	171	
85	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	1)
86	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		0.9	–7	
87	HELY Immobilien GmbH & Co. Grundstücksgesellschaft KG, Frankfurt am Main	50.00	50.00		–15.7	–11,450	
88	HELY Immobilien GmbH, Frankfurt am Main	50.00	50.00		0.0	0	
89	Hessen Kapital I GmbH, Frankfurt am Main	100.00	100.00		33.7	–1,339	
90	Hessen Kapital II GmbH, Frankfurt am Main	100.00	100.00		3.5	108	
91	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		44.7	1,325	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG – Total	Holding in % as per Section 16 (4) AktG – Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
92	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2.5	5	
93	Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz	95.00	95.00	24.00	–14.3	1,667	
94	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	8	
95	IHB Investitions- und Handels-Aktiengesellschaft, Frankfurt am Main	100.00	100.00		3.5	519	
96	IKT Westhafen GmbH & Co. KG, Frankfurt am Main	100.00			0.4	12	
97	Innovationsfonds Hessen Beteiligungsgesellschaft mbH & Co. KG i. L., Frankfurt am Main	86.66	86.66		–0.2	–14	
98	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	–1	
99	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50.00	50.00	66.67	1.2	243	
100	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		1.9	44	
101	LB(Swiss) Investment AG, Zürich, Switzerland	100.00			8.9	1,327	
102	LHT MSIP, LLC, Wilmington, USA	100.00			5.3	407	
103	LHT Power Three LLC, Wilmington, USA	100.00	100.00		42.3	–448	
104	LHT TCW, LLC, Wilmington, USA	100.00			22.4	1,136	
105	LHT TPF II, LLC, Wilmington, USA	100.00			17.0	478	
106	Liparit Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Benary Vermietungs KG, Mainz	21.62			–0.7	1,204	
107	Logistikzentrum Rodgau GmbH, Schönefeld	25.00			–0.7	83	
108	Magnolia GmbH & Co. KG, Frankfurt am Main	100.00			0.7	–96	
109	MAINLOGO GmbH, Jork	70.00			n. a.	n. a.	
110	Marienbader Platz Projektentwicklungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	5	
111	Marienbader Platz Projektentwicklungsgesellschaft mbH & Co. Bad Homburg v. d. H. KG, Frankfurt am Main	50.00			0.3	37	
112	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	94.92		100.00	0.0	0	1)
113	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	74.60			3.7	611	
114	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Frankfurt am Main	32.52	32.52		6.7	412	
115	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	90.70			17.4	1,106	
116	MIG Immobiliengesellschaft mbH, Mainz	22.73	22.73		–6.7	–7	
117	Mittelhessenfonds GmbH, Frankfurt am Main	100.00			–1.1	–706	
118	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.60	38.60		17.5	594	
119	Multi Park Mönchhof Dritte GmbH & Co. KG, Walldorf	50.00			–0.1	–140	
120	Multi Park Mönchhof GmbH & Co. KG, Walldorf	50.00			0.2	1,909	
121	Multi Park Verwaltungs GmbH, Walldorf	50.00	50.00		0.0	12	
122	NIBU Grundstücksverwaltungs GmbH & Co. KG, Frankfurt am Main	100.00	100.00		5.5	457	
123	NORMAN BERRY DRIVE LLC, Norcross, USA	100.00	100.00		n. a.	n. a.	
124	Nötzli, Mai & Partner AG, Zürich, Switzerland	70.00			0.5	97	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
125	NVZ Teltow GmbH, Berlin	100.00			0.3	11	
126	OFB & Procom Einzelhandelsentwicklung GmbH, Frankfurt am Main	50.00			n. a.	n. a.	
127	OFB & Procom Rüdesheim GmbH & Co. KG, Rüdesheim	50.00			0.0	–15	
128	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			5.2	206	
129	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	1)
130	Office One Verwaltung GmbH i. Gr., Schönefeld	100.00			n. a.	n. a.	
131	Palladium Praha s.r.o., Prague, Czech Republic	83.00		83.00	–74.1	6,187	
132	Projektentwicklung BS GmbH & Co. KG, Frankfurt am Main	50.00			–2.1	–1,667	
133	Projektentwicklung Taunusstein GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–2	
134	Projektentwicklungs-GmbH & Co. Schule an der Wascherde KG, Kassel	100.00			0.0	–46	
135	Projektgesellschaft Darmstadt Goethestraße 36 mbH, Frankfurt am Main	50.87		51.00	0.0	1	
136	Projektgesellschaft Darmstadt Goethestraße 36 mbH & Co. Bauträger KG, Frankfurt am Main	50.87		51.00	0.1	–11	
137	Projektgesellschaft ehem. JVA Erfurt mbH & Co. KG, Erfurt	100.00			0.1	–15	
138	Projektgesellschaft Gesundheitszentrum Frauengasse – Jena mbH & Co. KG, Frankfurt am Main	100.00			0.0	–2	
139	PVG GmbH, Frankfurt am Main	100.00	100.00		0.0	–516	
140	Riedemannweg 59–60 GbR, Berlin	32.00			–4.5	120	
141	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe bR, Erfurt	60.00	60.00	33.00	0.2	27	
142	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.0	0	
143	Schlossgalerie Eschwege GmbH & Co. KG, Frankfurt am Main	100.00			0.1	190	
144	Second Millennium GmbH i. L., Frankfurt am Main	100.00	100.00		0.0	2	
145	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			0.0	–1	
146	S-Landesimmobilien GmbH, Erfurt	100.00	100.00		0.0	0	1)
147	Sparkassen Markt Service GmbH, Darmstadt	50.00			1.5	201	
148	sys-T-matic Automations AG in Insolvenz, Schaafheim	20.00		30.00	n. a.	n. a.	
149	TE Atlas GmbH i. L., Frankfurt am Main	100.00	100.00		0.0	2	
150	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.3	53	
151	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		0.3	233	
152	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH), Frankfurt am Main	66.67	66.67	66.66	3.8	266	
153	TFK Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG, Kassel	33.33	33.33	66.67	1.1	138	
154	Uknow GmbH, Heidenrod	21.74		25.09	–0.4	13	
155	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0	
156	Vermögensverwaltung „Emaillierwerk“ GmbH, Fulda	100.00			0.5	–4	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
157	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			0.3	0	1)
158	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		–1.9	–71	
159	Vision Verpackungstechnik GmbH, Grünberg	21.79		25.14	–0.8	–483	
160	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00		33.33	0.1	–1	
161	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00			–0.2	–11	
162	Westhafenkontor GmbH & Co. KG, Frankfurt am Main	100.00			0.4	1,568	
163	Westhafen Tower GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	100.00			–0.5	6	

1) The Company transfers its net income in accordance with the terms of a profit and loss transfer agreement.
n.a. There are no adopted financial statements

(47) List of mandates in supervisory bodies in accordance with Section 340a (4) No. 1 HGB

Mandates held by the members of the Board of Managing Directors

Holder of mandate	Corporation	Function
Hans-Dieter Brenner	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zürich, Switzerland	President
	Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	Member
Johann Berger	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
Klaus-Dieter Gröb	Frankfurter Sparkasse, Frankfurt am Main	1st Deputy Chairman
	Thüringer Aufbaubank, Erfurt	Member
Dr. Detlef Hosemann	GWH Immobilien Holding GmbH, Frankfurt am Main	Deputy Chairman
	Frankfurter Sparkasse, Frankfurt am Main	Member
Rainer Krick	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Deputy Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zürich, Switzerland	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Deputy Chairman
Gerrit Raupach	Frankfurter Sparkasse, Frankfurt am Main	Member
	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member

Mandates of other employees

Holder of mandate	Corporation	Function
Jörg Hartmann	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	Member
Dr. Herbert Hirschler	Bürgschaftsbank Hessen GmbH, Wiesbaden	Member
Jürgen Hofer	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Dr. Ulrich Kirchhoff	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Member
Claudio Miguel Lagemann	Pirelli Deutschland GmbH, Höchst	Member
Dirk Mewesen	Helaba Dublin Landesbank Hessen-Thüringen International, Dublin, Ireland	Member
	Helaba International Finance plc, Dublin, Ireland	Chairman
Dr. Ulrich Pähler	Helaba Dublin Landesbank Hessen-Thüringen International, Dublin, Ireland	Chairman
	Helaba International Finance plc, Dublin, Ireland	Member
Dr. Jörg Raaymann	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Member
Klaus Georg Schmidbauer	Bürgschaftsbank Thüringen GmbH, Erfurt	Member
Lothar Steinborn-Reetz	Helaba Dublin Landesbank Hessen-Thüringen International, Dublin, Ireland	Member
	Helaba International Finance plc, Dublin, Irland	Member

Frankfurt am Main/Erfurt, 28 February 2012

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Berger	Gröb	Dr. Hosemann
Krick	Raupach	Dr. Schraad	

Assurance by the Company's Legal Representatives

"We declare that, to the best of our knowledge, the financial statements provide a true and fair view of the net assets, financial position and results of operations of Landesbank Hessen-Thüringen Girozentrale in accordance with the applicable accounting principles, and that the management report presents the development of business including the business result and the position of the Bank in such a way that a picture corresponding to the actual circumstances is provided, and that the major opportunities and risks of the probable development of Landesbank Hessen-Thüringen Girozentrale are described."

Frankfurt am Main/Erfurt, 28 February 2012

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Berger	Gröb	Dr. Hosemann
Krick	Raupach	Dr. Schraad	

Copy of the Auditors' Report

"Auditors' Report
We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, for the business year from 1 January to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law and the supplementary provisions contained in the Articles of Incorporation are the responsibility of the management board of Landesbank Hessen-Thüringen Girozentrale. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB [Handelsgesetzbuch – German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of Landesbank Hessen-Thüringen Girozentrale and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management board of Landesbank Hessen-Thüringen Girozentrale as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the supplementary provisions contained in the Articles of Incorporation and give a true and fair view of the net assets, financial position and results of operations of Landesbank Hessen-Thüringen Girozentrale in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of Landesbank Hessen-Thüringen Girozentrale's position and suitably presents the opportunities and risks of future development."

Frankfurt am Main, 28 February 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Markus Burghardt	Wolfgang Weigel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)