Landesbank Hessen-Thüringen
Girozentrale
(the "**Issuer**")

1st Supplement dated 10 June 2013 to the
Prospectus dated 13 May 2013 (the "Prospectus") relating to the
Helaba Euro 35,000,000,000 Debt Issuance Programme
for the issue of Notes (including Pfandbriefe)
(the "Programme").

pursuant to Art. 16 (1) of directive 2003/71/EC as amended by Directive 2010/73/EU and Art. 13 (1) of the Luxembourg act on Securities Prospectuses (*loi relative aux prospectus pour valeurs mobilières)* as amended by the law of 3 July 2012 transposing Directive 2010/73/EU (*loi du 3 juillet 2012 portant transformation de la directive 2010/73/EU*)
(the "**Supplement**").

This Supplement is supplemental to, and should be read in conjunction with the Prospectus dated 13 May 2013 relating to the EUR 35,000,000,000 Debt Issuance Programme of Landesbank Hessen-Thüringen Girozentrale.

Terms not otherwise defined herein shall have the meanings specified in the Prospectus.

The Issuer has applied for a notification pursuant to Art. 19 of the *loi relative aux prospectus pour valeurs mobilières* and has requested the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") of the Grand-Duchy of Luxembourg in its capacity as competent authority (the "**Competent Authority**") to provide the competent authority of the Federal Republic of Germany ("Germany") with a certificate of approval attesting that this Supplement has been drawn up in accordance with the *loi relative aux prospectus pour valeurs mobilières* and with a copy of this Supplement. The Issuer may request the CSSF to provide competent authorities in additional host Member States within the European Economic Area with a notification.

This Supplement will be published in electronic form on the website of the Luxembourg Stock Exchange under www.bourse.lu, will be available free of charge at the specified offices of the Issuer and will be published on the website of the Issuer www.helaba.de.

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General Information

Landesbank Hessen-Thüringen Girozentrale is solely responsible for the information given in this Supplement.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement for which it is responsible, is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Supplement has been approved by the Competent Authority.

This Supplement will be published in electronic form on the website of the Luxembourg Stock Exchange under www.bourse.lu, will be available free of charge at the specified offices of the Issuer and will be published on the website of the Issuer www.helaba.de.

Right to Withdraw

According to article 13 paragraph 2 of the Luxembourg Law of 10 July 2005 on prospectuses for securities, Investors who, prior to the publication of this Supplement, have made a declaration of intent aimed at the purchase of or subscription to securities offered under the Prospectus, are entitled to revoke this declaration of intent within a period of two working days after the publication of this Supplement (on 12 June 2013 at the latest), if and to the extent that the new circumstance or the incorrectness has occurred prior to the final closing of the public offering and prior to the delivery of the debt instruments. The notice of revocation does not need to contain any reasons and has to be declared in text form vis-à-vis Landesbank Hessen-Thüringen, Neue Mainzer Str. 52-58, 60311 Frankfurt am Main. The timely dispatch is sufficient to observe the deadline.

Contents of the Supplement

This Supplement has been drawn up in order to correct typing errors in the translation of the consolidated Financial Statements 2012 of the Issuer and to add a Glossary at the end of the Financial Statements, which have been incorporated by reference into the Prospectus.

Amendments to the Prospectus

Amendments to the section entitled "Incorporation by reference" on page 61

The Annual Accounts of the Group and the Group Management Report 2012 of the Issuer annexed to this Supplement contain amendments to the Group Management Report and consolidated Financial Statements of Landesbank Hessen-Thüringen Girozentrale 2012 incorporated by reference into the Prospectus.

The amendments to the Annual Accounts of the Group and the Group Management Report 2012 are due to the correction of typing errors on pages B-165 to B-172 concerning the columns captioned with the headline "Result", where the secondary headline has been replaced by "€ thousands". Furthermore a Glossary has been added at the end of the document on pages B-175 to B-176.

The amended Annual Accounts of the Group and the Group Management Report 2012 of the Issuer annexed to this Supplement shall take precedence over the Annual Accounts of the Group and the Group Management Report 2012 of the Issuer incorporated by reference into the Prospectus.

Annex

Annual Accounts of the Group and Group Management Report 2012
of Landesbank Hessen-Thüringen Girozentrale

- Group Management Report
- Consolidated Financial Statements

Group Management Report and Consolidated Financial Statements of Landesbank Hessen-Thüringen Girozentrale 2012

Group Management Report

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Group Management Report

Business and General Conditions

Business activities of the Group
In spite of the negative impact of the financial and sovereign debt crisis in the euro zone, the business and earnings performance of Landesbank Hessen-Thüringen Girozentrale (Helaba) has been stable in the last few years. The key factors driving this success are:

- Group-wide strategic business model of an integrated full-service bank with a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkasse organisation,
- conservative risk profile in conjunction with effective risk management, a robust equity base and a good liquidity position,
- strong foundation in customer business and close links with the real economy,
- long-term approach to liquidity management and
- a practice of making a priority of business with the Sparkassen and of public development and infrastructure business.

The key aspects of Helaba's business model are its legal form as a public-law institution, the high proportion of ownership by the Sparkasse organisation as well as the retention and expansion of its activities in the S-Group and public development and infrastructure business. Helaba's strategic business model centres on the three corporate units: Wholesale Business; S-Group Business, Private Customers and SME Business; and Public Development and Infrastructure Business. Business is conducted firstly directly from the bank headquarters in Frankfurt am Main and Erfurt and the domestic and international branches, representative offices and sales offices and secondly through subsidiaries and affiliates. As from 1 July 2012, following the acquisition of NRW-Verbundbank, which had been hived off from WestLB, Helaba established a branch at the Düsseldorf location in order to provide support for S-Group and target customers in North Rhine-Westphalia. With the exception of the subsidiary Frankfurter Sparkasse, the whole of the Helaba Group is organised into discrete divisions for operational and business control purposes.

Helaba's activities in the Wholesale Business unit concentrate on the six core business areas of Real Estate, Corporate Finance, Financial Institutions & International Public Finance, Global Markets, Asset Management and Transaction Business. Helaba follows a twin-track sales strategy according to which it not only targets product customers from the various product fields, but also directs customer sales efforts across all products at major companies and the upper SME segment, institutional customers, municipal corporations and central, regional and local public authorities. It also maintains a direct presence in local markets through its branch offices in London, Paris and New York and international representative offices in Madrid, Moscow and Shanghai.

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In the S-Group Business, Private Customers and SME Business corporate unit, Helaba's strategic goal is to strengthen its position as a leading S-Group bank for Germany. In Hesse and Thuringia, Helaba and the S-Group Sparkassen make up the Sparkassen-Finanzgruppe Hessen-Thüringen, based on the business model of economic unity and a joint S-Group rating. In summer 2012, comprehensive co-operation and business agreements were entered into with the Sparkassen and their associations in North Rhine-Westphalia. In addition, there are sales co-operation agreements with the Sparkassen in Brandenburg. The co-operation agreements with the Sparkassen in North Rhine-Westphalia and Brandenburg complement the S-Group Concept of the Sparkassen-Finanzgruppe Hessen-Thüringen, which continues in its current form. In connection with the acquisition of NRW-Verbundbank in summer 2012, the two Finance Ministries transferred the role of central savings bank to Helaba for the Sparkassen in North Rhine-Westphalia and Brandenburg. Helaba is now the S-Group Bank for 166 Sparkassen in four German states (40 % of all Sparkassen in Germany). Helaba is the market leader in the home loans and savings business in both Hesse and Thuringia through the legally dependent Landesbausparkasse Hessen-Thüringen (LBS). Frankfurter Sparkasse, a wholly owned and fully consolidated subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region with over 800,000 customers; it also has a presence in the nationwide direct banking market through 1822direkt. Frankfurter Bankgesellschaft (Schweiz) AG and its wholly owned subsidiary Frankfurter Bankgesellschaft (Deutschland) AG provide Helaba's products and services for Sparkassen in the private banking and wealth and asset management segment.

In the Public Development Activities and Infrastructure Business segment, Helaba has been entrusted with administering public-sector development programmes of the Federal State of Hesse via "WIBank" – as a legally dependent entity within Helaba. WIBank, which is exempt from corporate income tax and trade tax, enjoys the direct statutory guarantee of the State of Hesse as permitted under EU law. In addition, Helaba has interests in numerous other development institutions in Hesse and Thuringia, most notably in guarantee banks and SME investment companies. Helaba has granted Thüringer Aufbaubank a subordinate loan of € 40 m.

Owners, capital resources and executive bodies of the Bank

As a result of the acquisition of NRW-Verbundbank, Helaba obtained four new public owners as at 4 July 2012: Rheinischer Sparkassen- und Giroverband, Sparkassenverband Westfalen-Lippe as well as two trust companies of the Reserve Fund of the Landesbanken central giro institutions and of the regional Sparkassenstützungsfonds (savings banks support fund). The new public owners acquired interests in Helaba by making cash contributions of € 1 bn, and Helaba's share capital was increased from € 477 m to € 589 m in the process. The contribution resulted in an increase in capital reserves of € 888 m and advanced the public ownership interest of the Sparkasse organisation in Helaba to 88 % (previously: 85 %). The states of Hesse (8 %) and Thuringia (4 %) together hold an interest of 12 %.

Helaba's public ownership structure as at 31 December 2012

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

Helaba is a legal entity under public law; its registered offices are in Frankfurt am Main and Erfurt. In addition to the Board of Managing Directors, the Bank's executive bodies are the Board of Public Owners, on which the owners are represented, and the Supervisory Board, which performs the supervisory duties.

Helaba has the following ratings for liabilities not subject to guarantor liability (as at 20 March 2013) from the three leading rating agencies, Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and Standard & Poor's (S&P):

	Moody's	Fitch	S&P
Long-term (unsecured)	A2	A+*	A*
Short-term (unsecured)	P–1	F1+*	A–1*
Public Pfandbriefe	Aaa	AAA	–
Mortgage Pfandbriefe	–	AAA	–
Financial strength/viability rating	D+	a+*	–

* Joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen

All three rating agencies confirmed their ratings of Helaba following its acquisition of NRW-Verbundbank in the middle of 2012. The joint S-Group ratings Fitch and S&P have given to Helaba and the Sparkassen in Hesse and Thuringia are based on the joint business model of economic unity of the Sparkassen-Finanzgruppe Hessen-Thüringen and the institutional, liability and economic arrangements laid down in the Charters. S&P's rating for public Pfandbriefe was confirmed at "AAA" on 4 December 2012. Following a review of the rating costs, Helaba terminated the S&P rating for public Pfandbriefe. In comparison to the market as a whole, the ratings from the three rating agencies still rank Helaba among the German banks with the highest credit ratings.

WIBank, which has partial legal capacity, operates in the public development business and enjoys the statutory guarantee of the State of Hesse. Since November 2012, it has had an "AA" rating from S&P for long-term unsecured liabilities.

Management instruments and non-financial performance indicators
As part of managing the Bank as a whole, Helaba has integrated systems in place for business and productivity management. They are based on a multi-level Margin Accounting System, which is used both to measure the present value of new business and to report the portfolio result in the correct period. Individual-transaction management is applied for defined core portfolios of the Group and completed by additional steering groups. The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Based on an HGB income statement produced in the Margin Accounting System at regular intervals in the course of the financial year, plan/actual comparisons are generated for the different income components and variance analysis is performed. To monitor the budget competencies, the business units are provided with detailed budget utilisation reports on a timely basis. In particular to ensure risk and profitability focused management of new business, systematic advance calculations are performed for loan agreements.

Motivated and qualified employees are a key success factor for Helaba. A broad range of measures undertaken to develop employees contributes significantly to making Helaba an attractive employer. A qualified personnel management system helps to identify the potential of employees and to encourage and develop it in line with specific needs. Individual further training ensures that employees are able to meet the changing challenges. Succession planning also contributes to filling about half of all vacancies with internal employees. Various indicators, such as low turnover rate, length of service and low absenteeism confirm that the employees are satisfied and highly committed.

Helaba's remuneration system is in line with Helaba's strategies. It has been designed in such a way that it does not provide incentive to incur disproportionately high risks and rules out conflicts of interest. On the basis of budgeted figures and the result generated by the Bank as a whole, the Board of Managing Directors determines the overall Bank budget available for variable remuneration, taking into account liquidity requirements and any transfers to equity that may be needed. For the product and sales areas, this is allocated on the basis of the results from the Margin Accounting System and of budget achievement and compared over a multi-year period; for the corporate centre areas, this is done in relation to the results of the Bank as a whole. The fixed salaries are based on market requirements. Helaba's remuneration system thus conforms to European directives as well as the German Regulation Governing Remuneration at Institutions (Instituts-Vergütungsverordnung); it also complies with the Bank's risk structure.

As a public-law credit institution with strong regional roots, Helaba also assumes social responsibility in the States of Hesse and Thuringia – over and above its banking tasks and objectives. The Bank also engages, either directly or through its subsidiary Frankfurter Sparkasse, in many areas of public life by sponsoring significant cultural, educational, environmental, sports and social projects. Helaba and Frankfurter Sparkasse are founder members of Frankfurt Main Finance e.V., an organisation created by leading companies in the financial sector with the aim of promoting international marketing activities for the Frankfurt financial centre. In its business strategy, Helaba has committed itself to operating its business on a sustainable basis and strengthening its sustainability profile by, among other things, explicitly undertaking not to enter into speculative transactions with agricultural commodities or develop investment products related to such commodities. In 2011, the MAIN TOWER, Helaba's Frankfurt head office, received the LEED Gold rating under the Leadership in Energy and Environmental Design (LEED) standards as an environmentally friendly and sustainable building that minimises resource consumption. Frankfurter Sparkasse has a certified environmental management system in accordance with Regulation (EC) No. 76/2001 (EMAS II) as well as DIN EN ISO 14001. Helaba and Frankfurter Sparkasse act on their shared commitment to sustainability by buying power generated from renewable sources. Both institutions are also signatories to the Diversity Charter, a voluntary commitment by companies to promote a corporate culture that is without prejudice and discrimination.

Macroeconomic and sector-specific conditions

The German economy started the year 2012 on a buoyant note. However, in the course of the year, the downturn in the newly industrialised countries and the European debt crisis caused economic growth to decelerate noticeably. Economic output even contracted in the last quarter of the year. With price and seasonally adjusted growth of just under 1 %, Germany's performance in 2012 was distinct from the rest of the euro zone, whose gross domestic product declined. The highest contribution to growth in Germany came from foreign trade, because imports fell while exports expanded moderately. Consumption increased at approximately the same rate as total economic output, although investments in construction and capital expenditure on machinery and equipment weighed on performance. The adjustment processes continued in the euro zone's periphery countries. The need to implement austerity measures and economic reforms led to significant falls in economic output in some of these countries. In spite of a poor last quarter and uncertainty about the direction of fiscal policy, the US economy grew by more than 2 %.

The competitive environment of the German banking industry is dominated by persistent historically low interest rates, a rapidly changing regulatory environment, the exit of individual banks from the market and structural adjustment processes in the business models of many credit institutions. This is exacerbated by external rating downgrades for a large number of market participants. While competitive pressure is increasing significantly in certain business areas, especially in retail banking and the SME business, some competitors, including from abroad, are leaving the industry, especially in the long-term lending and project financing business. This gives rise to opportunities for credit institutions with stable refinancing structures and a focus on selected core business areas to strengthen and expand their market positions. The changes in the regulatory framework will lead to structurally lower profitability for the entire banking industry and therefore force it to revise its profitability targets downwards.

The main challenges of bank regulation include:

- Capital and liquidity requirements (Basel III/CRD IV)

Back in December 2010, the Basel Committee on Banking Supervision of the Group of Governors and Heads of Supervision published proposals for future capital and liquidity requirements ("Basel III"). Within the EU, the new requirements are to be implemented on the basis of a package of amendments to the Capital Requirements Directive ("CRD IV") and corresponding regulations ("CRR"). The EU-internal negotiations on the exact details between the European Council, the Commission and the European Parliament ("trilogue negotiations") will be continued in the first quarter of 2013. CRD IV/CRR is expected to enter into effect in mid-2013 at the earliest, but probably only at the beginning of 2014.

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The future capital requirements for credit institutions will become significantly tighter in terms of both quality and quantity. In addition to the gradual introduction of the new capital ratios by 2019, CRD IV provides for a transitional phase until 2022 for capital instruments that are currently recognised as regulatory Tier 1 capital, but will not meet the future requirements for Common Equity Tier 1 capital (CET 1 capital). At Helaba, this concerns silent partner contributions from the Joint Savings Banks Association Hesse-Thuringia amounting to € 395 m, silent partner contributions from Main Capital Funding amounting to € 500 m and silent partner contributions from life insurance companies amounting to € 158 m. The conversion at the end of 2011 of the State of Hesse's silent partner contribution of € 1.92 bn into capital contributions, which meet all the requirements for CET 1 capital in accordance with Basel III/CRD IV, means that Helaba meets all future regulatory capital requirements known at present. It is not yet clear to what extent the supervisory authorities in Germany will impose additional capital add-ons on nationally systemically important credit institutions and introduce anti-cyclical capital buffers in the next few years.

In January 2013, the Basel Committee resolved amendments to earlier drafts for liquidity ratios to be met in future. The date for meeting the **liquidity coverage ratio (LCR)** in full has been moved from 2015 to 2019. At the same time, the group of assets eligible as liquidity buffer has been extended and the conditions of the crisis scenario to be assumed have been modified. The Basel Committee will in the next two years revise the detailed requirements for the second liquidity ratio, the net stable funding ratio (NSFR), which is expected to be introduced in 2018. Both ratios will in all circumstances lead to an increase in liquidity management costs and therefore have a negative impact on profitability. Helaba started to adapt at an early stage to the changing liquidity management requirements arising from Basel III and believes it is in a good position to meet the regulatory requirements accordingly.

See Glossary p. 276

There are also plans to introduce a **leverage ratio** to set a minimum ratio of regulatory capital to non-risk-weighted on-balance-sheet and off-balance-sheet items. The intention is to make this instrument, which does not differentiate on the basis of the risk level of transactions, a mandatory criterion in 2018 at the earliest and to use it in the interim as an additional decision criterion that the supervisory authority will apply at its discretion. It cannot be ruled out that this instrument will have a negative impact on the medium and long-term lending business. In order to optimise its business portfolios and margin requirements, the Bank will adapt to the relevant changes in the market as soon as possible.

See Glossary p. 276

- European Banking Authority

In December 2012, the EU finance ministers (ECOFIN Council) passed a draft concept for a joint European Banking Authority. Its key element is that the European Central Bank (ECB) will take over the supervision of the more than 6,000 credit institutions in the euro zone. Banks with total assets in excess of € 30 bn or whose total assets exceed 20 % of the respective country's gross domestic product are to be supervised directly by the ECB in future. In all other cases, the ECB is to perform its supervisory function in co-operation with the national supervisory authorities. Due to its size, Helaba is expected to be among those institutions that fall under the direct supervision of the ECB. The new supervisory regime is to come into effect from March 2014 at the earliest. The future allocation of tasks between the ECB and the European Banking Authority (EBA) has not yet been finalised.

- Recovery and resolution of credit institutions

In the middle of 2012, the EU Commission presented a draft crisis management directive for credit institutions in the EU, which is to be transposed into national law by the beginning of 2015. The key element of this directive is the requirement on credit institutions to prepare recovery plans, which will be complemented by resolution plans to be prepared by the banking authorities. At the beginning of February 2013, the German government tabled a bill for the incorporation of recovery and resolution plan regulations into the German Banking Act (Kreditwesengesetz, KWG). Under these proposals, globally and nationally systemically important institutions are to be obliged to prepare a recovery plan, which specifies measures the credit institution can take to restore its financial stability with its own resources in case there is a significant deterioration in its financial position. The bill envisages that the German Federal Financial Supervisory Authority (BaFin) has to prepare resolution plans for these credit institutions in Germany in case the recovery efforts are not successful. In November 2012, BaFin requested a number of German credit institutions, including Helaba, to develop and implement preventive recovery plans by the end of 2013.

- Deposit guarantee schemes

With regard to the discussions on the introduction of standard Europe-wide protection systems for customer deposits, which have been going on at EU level since the middle of 2010, there are signs that national systems for the protection of institutions, such as the existing joint liability scheme in the German Sparkassen and Landesbank organisation, may be allowed to continue as a fully fledged alternative to deposit protection. The trilogue negotiations will continue under the Irish Council Presidency. A draft directive for EU deposit protection is expected to be presented in the course of 2013.

- Bank levy in Germany

Since 2011, the German banking industry has been obliged to finance a fund for the restructuring of credit institutions in financial difficulties (“bank levy”). The contribution payable by a credit institution each year is determined on the basis of its contribution-relevant equity and liabilities (deductible items include liabilities due to customers and shareholders’ equity) and its contribution-relevant derivatives. Because of its impact on profitability, the bank levy weighs on the German banking industry’s ability to compete with foreign credit institutions, especially in the EU. The bank levy paid by the Helaba Group in 2012 amounted to € 27 m.

- Financial transaction tax in the EU

In 2011, the EU Commission had presented a draft for the introduction of a financial transaction tax, which did not get the necessary approval within the EU. On 22 January 2013, eleven EU member states (including Germany, France, Italy and Spain) resolved to drive the implementation of the financial transaction tax as part of an “enhanced co-operation” procedure among the participating member states. In the next step, the EU Commission on 14 February 2013 published a formal draft directive with the intention of introducing the tax in the participating member states from 1 January 2014.

Important details and the exact time schedule for the way the financial transaction tax will be implemented under the enhanced co-operation procedure have not yet been negotiated among the member states and must therefore be regarded as unresolved. However, the introduction of the financial transaction tax could have a considerable negative impact on the profitability of the banking industry, especially if transactions within the value chain of affiliated organisations were to be taxed. According to association estimates, the introduction of the financial transaction tax as early as 2014 does not seem realistic.

- Discussions on ring-fencing for banks at EU level

The proposals published in October 2012 by a group of experts ("Liikanen group") appointed by the EU Commission contain recommendations for, in some cases, far-reaching structural reforms of the banking sector in the EU. Thus, banks with significant trading activities (measured as the ratio of trading activities to total assets or in terms of the absolute trading volume) would be required to ring-fence their trading activities within the group from the other banking business and meet separate capital requirements (referred to as segregated banking system). The EU Commission is planning to present proposals for the future bank structure in the EU in the third quarter of 2013. At the beginning of February 2013, the German federal government tabled an omnibus bill for the "ring-fencing of risks and for the planning, recovery and resolution of credit institutions" that requires trading activities to be transferred to discrete subsidiaries that are legally segregated from the other divisions under certain circumstances. It is currently not possible to determine with finality what impact this will have on the business models of customer and association-focused full-service banks with a regional focus. At the present time, Helaba expects that it will fall below the thresholds for mandatory ring-fencing so that no changes to its business model will be required.

Assessment of business performance

Helaba's business performance and results of operations in financial year 2012 were influenced by the positive economic development in Germany, which slowed somewhat in the course of the year, the continuation of low interest rates and the significant stabilisation of the euro zone's financial markets. Helaba's operating business continues to perform well in this economic environment. The volume of new medium-term and long-term business written by Helaba in lending business with customers amounted to € 15.0 bn (2011: € 14.4 bn). Loans and advances to customers at the Helaba Group increased, partly due to the acquisition of NRW-Verbundbank in mid-2012, by € 6.8 bn, or 8.1 %, to € 90.8 bn. Of the new medium-term and long-term business, an amount of € 7.1 bn was attributable to mortgage lending, € 4.0 bn to the corporate finance business, € 2.5 bn to the municipal and S-Group business and € 0.9 bn to Frankfurter Sparkasse. This focus on lending in core business areas is in line with the orientation of Helaba's strategic business model and reflects its close links with the real economy. Its good standing in the market enabled Helaba to raise the funds necessary to finance new business – with matched maturities – without difficulty in the money and bond markets. Unsecured bank bonds and public and mortgage Pfandbriefe are the main instruments used for medium and long-term funding.

In financial year 2012, Helaba again generated income that allows it to service all subordinated debt, profit participation rights and silent partner contributions, to add to its retained earnings to strengthen Tier 1 capital and to report net retained profits. The Helaba Group has a comfortable capital position with a Tier 1 capital ratio of 11.2 % and a total capital ratio of 15.9 % on 31 December 2012 (both in accordance with the current version of SolvV). On this basis, Helaba will meet the new capital requirements once Basel III and CRD IV come into effect (at the same time as the calculation basis is switched to **IFRSs**).

See Glossary p. 276

Net Assets, Financial Position and Results of Operations

Changes to the basis of consolidation

The inclusion of NRW-Verbundbank on 1 July 2012 had a considerable impact on the Helaba Group's net assets, financial position and results of operations. The balances taken over from the now defunct WestLB amounted to around € 43 bn, which sum was reduced to approximately € 38 bn over the course of the second half of the year as a result of repayments and final maturities. This transaction means that there is only limited scope for comparison with financial year 2011 and the changes attributable to NRW-Verbundbank are accordingly identified separately in the following.

In addition six companies of a vehicle for placing purchased endowment policy rights and four shipping property companies were consolidated for the first time.

The other changes to the basis of consolidation in the financial year 2012, which relate mainly to property companies in the area of real estate project management, had no material impact on net assets, financial position and results of operations.

Income statement

Helaba improved its results slightly year-on-year once again in 2012 despite the high benchmark set in the previous year. The stability of the German economy caused there to be less need of provisions for losses on loans and advances than in the previous year and the eventual figure for these provisions fell within the planned range. Operating business, the results of which show up most clearly in net interest income and net commission income, was very steady on an upwards trajectory. Net trading income increased markedly year on year due to the easing of the sovereign debt crisis, with the associated decline in credit spreads, and the expansion of customer-driven business. Profit before tax totals € 512 m (2011: € 492 m). NRW-Verbundbank contributed € 4 m to this figure. Consolidated net income for the year after taxes stands at € 318 m (2011: € 397 m). The progress of the various items reported in the income statement is set out below.

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Net interest income is up 7 % on the previous year at € 1,145 m (2011: € 1,067 m). A higher interest margin in new business, a rise in the volume of customer business and favourable funding opportunities all contributed to this significant increase. NRW-Verbundbank contributed € 32 m to net interest income. Frankfurter Sparkasse's retail business accounted for more than a quarter of net interest income.

Provisions for losses on loans and advances amounted to € – 238 m (2011: € – 273 m), € – 12 m of which relates to the business of NRW-Verbundbank. A net addition of € – 241 m (2011: € – 179 m) was made to specific loan loss allowances and specific loan loss allowances evaluated on a group basis. The portfolio loan loss allowance created to cover loans which are not at acute risk of default was reduced by € 29 m (2011: net addition of € – 78 m). The balance of direct write-downs, additions to provisions for risks from off-balance-sheet lending business and amounts received in relation to receivables previously written down amounted to € – 26 m (2011: € – 16 m). Net interest income after risk provisioning rose from € 794 m to € 907 m.

Net commission income also rose slightly to € 263 m (2011: € 254 m). Net commission income is generated primarily by Helaba, Frankfurter Sparkasse, Helaba Invest and Frankfurter Bankgesellschaft (Schweiz) AG. Commissions from Helaba Invest's asset management activities grew particularly strongly, but commissions at the other group entities were down slightly year on year. NRW-Verbundbank contributed € 16 m to net commission income. Commissions from payment transactions business account for most of NRW-Verbundbank's net commission income.

Net trading income amounted to € 411 m (2011: € – 44 m). This very good result stems largely from gains in interest-related business, which increased to € 375 m (2011: € – 4 m). Credit spreads narrowed, especially in the case of Southern European government bonds, as a result of the easing of the European sovereign debt crisis in the second half of the year. This gave rise to significant write-down reversals with a corresponding positive impact on results in interest-related business. Helaba Bank is responsible for most of the Group's trading activities. NRW-Verbundbank contributed € 16 m to net trading income.

Activities involving non-trading derivatives and financial instruments treated under the fair value option, which contributed net income of € 280 m in 2011, yielded a net loss of € – 114 m in financial year 2012. NRW-Verbundbank accounted for € – 5 m of this figure. One of the main causes of this negative outcome is the reverse effect resulting from the consideration of the liquidity component of foreign currencies (cross currency basis spread) in the valuation of derivatives. The spread change in the Helaba curves as a consequence of improved creditworthiness also had a negative impact (€ – 39 m), as did the ask premium on Helaba fair value option issues (€ – 28 m), which was applied for the first time in the year under review. In contrast the valuation results for banking book credit derivatives at fair value (€ 39 m, 2011: € 16 m) and consolidated fund units (€ 56 m, 2011: € 0 m) both rose. Net income from hedge accounting, in which the ineffective part of micro hedges is shown, amounts to € 3 m (2011: € 12 m).

Net income from financial investments improved to € –1 m (2011: € –23 m). The disposal gains and losses realised on financial instruments classed as available for sale amounted to € 20 m (2011: € 63 m). The sale of bonds and other fixed-income securities accounted for most of this total. The disposal of equity investments, which contributed € 34 m to net income from financial investments in 2011, yielded just € 1 m in the reporting period. The balance of write-downs and write-ups amounts to € –21 m (2011: € –86 m). Of the figure shown for write-downs in relation to financial investments, € –15 m (2011: € –21 m) is attributable to Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG for Landesbank Berlin Holding AG and € –6 m (2011: € –58 m) to Greek government bonds. The contribution to earnings from associates and joint ventures accounted for using the equity method amounts to € –12 m (2011: € 7 m).

Other operating income has improved from € 209 m to € 236 m, largely as a result of the disposal of a real estate asset used by Helaba itself. Most of the € 142 m (2011: € 138 m) of net income from real estate held as a financial investment, which is also reported under other operating income, comes from the GWH group. This figure comprises the balance of rental income, the proceeds of disposals, operating costs and write-downs.

General and administrative expenses increased by € –184 m to € –1,181 m. This total comprises € –563 m (2011: € –513 m) for personnel expenses, € –531 m (2011: € –449 m) for equipment and material costs and € –87 m (2011: € –35 m) for depreciation on property and equipment and amortisation of intangible assets. Expenses for the NRW-Verbundbank employees transferred account for € –22 m of the additional personnel expenses and the rest of the increase is primarily due to a pay-scale increase in 2012. The Group employed an average of 6,075 people in the year under review (2011: 5,888). The average number of employees would have been 5,894 without the impact of NRW-Verbundbank. The acquisition of the NRW-Verbundbank business led to an increase in equipment and material costs, of which € –34 m was attributable to banking operations and € –25 m to consulting fees in connection with the acquisition and integration project. The effect of contributions to the restructuring fund (the “bank levy”) amounted to € –27 m (2011: € –31 m). The expenses for the Association overhead allocation and the reserve fund increased. The increase in depreciation stems from unscheduled depreciation of € –51 m relating to four ships leased under operating lease arrangements.

Helaba’s general and administrative expenses are more than offset by operating revenues of € 1,931 m (2011: € 1,762 m) to give a cost-income ratio of 61.2 % (2011: 56.6 %). Operating income includes net interest income before risk provisioning, net commission income, net trading income, net income from non-trading derivatives and financial instruments treated under the fair value option, net income from hedge accounting, net income from financial investments and companies accounted for using the equity method as well as other operating income. Helaba’s return on equity before taxes has slipped back from 9.2 % to 8.4 %.

Taxes on income amount to € –194 m (2011: € –95 m). This sharp increase in the tax expense results essentially from the reversal, affecting expenses, of deferred taxes on losses carried forward that were capitalised in the previous year for Helaba in Germany and from a reduction in tax-exempt income as compared with 2011. Net profit after taxes, that is to say consolidated net income for the period, has consequently fallen by 20 % to € 318 m despite higher consolidated net income before taxes for the period.

External shareholders of consolidated subsidiaries account for € 1 m (2011: € 0 m) of the figure reported for consolidated net income, leaving € 317 m for the shareholders of the parent company (2011: € 397 m). Of this remaining amount, € 32 m has been earmarked to service the capital contributions of the Federal State of Hesse that are reported under equity and € 58 m has been earmarked for distribution to shareholders.

The overall result increased to € 374 m in financial year 2012 (2011: € 358 m). This figure includes net income for the period recognised directly in equity as other comprehensive income in addition to the consolidated net income for the period as reported in the income statement. Other comprehensive income amounted to € 56 m (2011: € –39 m). Actuarial losses from pension obligations associated with the reduction of the discount rate, which also impacted on results in the previous year, amounted to € –266 m before taxes (2011: € –54 m). An interest rate of predominantly 3.5 % (2011: 5.0 %) was applied in determining pension provisions in Germany. The net income for the period of € 369 m before taxes (2011: € –9 m) from financial instruments in the AfS category in 2012, which is recognised directly in equity, more than offset the charge for pension obligations.

Statement of financial position

Helaba's consolidated total assets swelled by € 35.3 bn (21.5 %) to € 199.3 bn in financial year 2012. This increase results from the inclusion of NRW-Verbundbank, which Helaba acquired on 1 July 2012. Total business volume, which includes off-balance-sheet liabilities in banking business and fiduciary activities as well as assets, grew by 19.2 % to € 222.7 bn (2011: € 186.9 bn).

Loans and advances to banks grew by 51.9 % to € 23.2 bn (2011: € 15.3 bn) as a result in particular of the increase in overnight and time deposits, which jumped by € 5.1 bn to € 5.3 bn. A share of € 11.4 bn (2011: € 6.7 bn) of this figure for loans and advances is attributable to funding made available to the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. The cash reserve, which consists essentially of balances with Deutsche Bundesbank, stood at € 8.9 bn on the reporting date (2011: € 0.4 bn).

Loans and advances to customers increased to € 90.8 bn (2011: € 84.0 bn). Securities affected by the reclassification process in financial year 2008 account for € 0.7 bn (2011: € 1.1 bn) of the figure shown for loans and advances to customers (see Note (66)). NRW-Verbundbank contributed € 7.2 bn to the increase in loans and advances to customers.

Allowances for losses on loans and advances declined from € 1.3 bn to € 1.2 bn, of which € 292 m (2011: € 326 m) is attributable to portfolio loan loss allowances created in relation to exposures that are not at acute risk of default.

Trading assets shown at fair value remained unchanged from the previous year at € 38.0 bn. This total would have been € 2.3 bn lower without the inclusion of NRW-Verbundbank, a fall attributable, as in previous years, to the strategic reduction of trading assets. The portfolio of bonds and other fixed-income securities, which represents the lion's share of trading assets, amounted to € 19.6 bn (2011: € 21.8 bn). The volume of trading receivables also shrank, falling by € 1.5 bn to € 5.4 bn. The positive fair values of the derivatives held for trading purposes, in contrast, rose to € 12.9 bn (2011: € 9.1 bn).

Financial investments, of which bonds constitute 97 %, increased by € 9.2 bn to € 27.9 bn. This was largely due to the bonds acquired from NRW-Verbundbank.

Liabilities due to banks grew by € 7.7 bn to € 39.3 bn. The inclusion of NRW-Verbundbank accounts for all of this increase. Liabilities due to Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg amount to € 8.4 bn (2011: € 2.6 bn).

Liabilities due to customers amount to € 47.6 bn (2011: € 41.9 bn). This rise reflects increases in customer deposits and the registered bonds issued in particular. Frankfurter Sparkasse accounts for € 14.5 bn (2011: € 13.8 bn) of the liabilities due to customers. Home savings deposits amount to € 3.6 bn (2011: € 3.3 bn). NRW-Verbundbank contributed € 5.6 bn to the increase in liabilities due to customers.

Securitised liabilities rose from € 37.2 bn to € 57.2 bn, primarily as a result of increases in unsecured bonds (€ 39.9 bn; 2011: € 25.9 bn) and public Pfandbriefe (€ 13.3 bn; 2011: € 7.7 bn). The volume of mortgage Pfandbriefe issued rose only slightly (€ 3.1 bn; 2011: € 2.8 bn). NRW-Verbundbank contributed € 21.7 bn to the increase in securitised liabilities, of which € 17.1 bn relates to unsecured bonds and € 4.6 bn to public Pfandbriefe.

Trading liabilities were scaled back from € 37.2 bn in 2011 to € 36.1 bn in the reporting year on account of the reduction in funding requirements. NRW-Verbundbank contributed € 2.3 bn in trading liabilities.

Subordinate capital stands at € 4.4 bn (2011: € 4.5 bn).

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Equity
The Helaba Group had equity of € 6.8 bn as of 31 December 2012 (2011: € 5.5 bn). Helaba allocated € 112 m to its share capital and € 888 m to capital reserves from the cash contributions of the new public owners. The overall result added € 374 m (2011: € 358 m) to the Group's equity. The retained earnings include cumulative actuarial losses from pension obligations after deferred taxes of € –169 m recognised directly in equity (2011: actuarial gains of € 19 m). The decline is mainly due to the reduction in the discount rate. The revaluation reserve after deferred taxes recognised directly in equity increased to € 162 m (2011: € –88 m), chiefly as a result of measurement gains. The currency translation reserve of € 4 m (2011: € 5 m) and the cash flow hedge reserve of € –23 m (2011: € –19 m) are reflected in equity.

Group exposures in selected other European countries
The following tables present the Helaba Group's exposure to sovereign issuers in selected European countries where recognised at fair value under IFRS.

The following tables include the bonds reported under trading assets (trading book) and under financial investments (banking book):

in € m

	Greece		Italy		Ireland	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Banking book						
Nominal amount, total	–	86	153	161	–	–
Less than three months	–	–	5	3	–	–
More than three months to one year	–	37	–	5	–	–
More than one year to five years	–	19	148	153	–	–
More than five years	–	30	–	–	–	–
Fair value	–	25	158	156	–	–
Trading book						
Nominal amount, total	–	–	82	115	–	–
More than three months to one year	–	–	25	–	–	–
More than one year to five years	–	–	50	107	–	–
More than five years	–	–	7	8	–	–
Fair value	–	–	83	111	–	–

in € m

	Portugal		Spain		Total	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Banking book						
Nominal amount, total	–	10	37	30	190	287
Less than three months	–	–	–	–	5	3
More than three months to one year	–	–	–	–	–	42
More than one year to five years	–	10	37	30	185	212
More than five years	–	–	–	–	–	30
Fair value	–	9	40	31	198	221
Trading book						
Nominal amount, total	3	56	146	401	231	572
Less than three months	–	–	46	–	46	–
More than three months to one year	–	53	21	238	46	291
More than one year to five years	3	3	–	84	53	194
More than five years	–	–	79	79	86	87
Fair value	3	50	123	387	209	548

The following tables include the bonds reported under trading assets (trading book) and the credit derivatives reported under the positive or negative fair values of non-trading derivatives (banking book):

in € m

	Greece		Italy		Ireland	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Banking book						
Nominal amount	–	–	38	39	–	–
Fair value	–	–	−2	−6	–	–
Trading book						
Nominal amount	–	–	–	–	38	39
Fair value	–	–	–	–	–	−5

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in € m

	Portugal		Spain		Total	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Banking book						
Nominal amount	4	4	19	58	61	101
Fair value	1	1	–7	–14	–8	–19
Trading book						
Nominal amount	–	–	–	–	38	39
Fair value	–	–	–	–	–	–5

In addition lending commitments with Spain (government, central, regional and local public authorities and governmental development banks) amounting to € 1,019 m (2011: € 1,209 m) are reported under loans and advances to customers. Of this total, a figure of € 1,019 m (2011: € 1,175 m) is measured at amortised cost of purchase.

Helaba had divested itself of all Greek government bonds by 31 December 2012. The portfolio of Greek government bonds held at the beginning of the year, which had a nominal value of € 86 m and a fair value of € 25 m, was exchanged in the course of the March debt conversion for

- four EFSF bonds having a nominal value of € 13 m and an acquisition value of € 13 m,
- 40 Greek bonds having a nominal value of € 27 m and an acquisition value of € 6 m,
- two zero coupon bonds, which securitise the accrued interest claim of the bonds converted, having a nominal value of € 2 m and
- two debtor warrants.

The instruments converted are no longer in the portfolio as of 31 December 2012.

There is also a credit line of € 3 m with Greek banks (2011: € 6 m) unutilised as of the reference date.

There is an indirect risk in relation to Greece in the form of a bond of a British subsidiary of a Greek bank, of which the portfolio includes a total nominal amount of € 5 m with a fair value of € 4 m. The portfolio is recognised in the income statement due to its assignment to trading activities.

Securitisation positions

Helaba's exposures in securitisation business are reported below in line with the recommendations of the Financial Stability Forum. Receivables resulting from customer business activities are securitised for customers through the OPUSALPHA asset-backed commercial paper programme initiated by Helaba. OPUSALPHA involves an **ABS** portfolio as well as the customer transactions. This ABS portfolio is consolidated in accordance with IAS 27/SIC-12 because the majority of opportunities and risks accrue to Helaba. Helaba and Helaba subsidiaries have also invested directly in asset-backed securities.

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The Group's total exposure in asset-backed securities as of 31 December 2012 is broken down by product type and rating category as follows:

31.12.2012	Carrying amount in € m	Volume by rating category AAA	AA	A	BBB	BB and below
RMBS	274	4.2 %	21.1 %	53.5 %	17.9 %	3.3 %
CMBS	241	–	–	70.2 %	29.8 %	–
CDO/CLO	177	10.2 %	31.1 %	5.7 %	28.1 %	24.9 %
Other ABS	961	95.5 %	1.1 %	1.9 %	0.9 %	0.6 %
ABS total	**1,653**	**57.3 %**	**7.5 %**	**20.8 %**	**10.9 %**	**3.5 %**

The table below shows the same breakdown as of 31 December 2011:

31.12.2011	Carrying amount in € m	Volume by rating category AAA	AA	A	BBB	BB and below
RMBS	403	31.8 %	34.1 %	29.1 %	2.5 %	2.5 %
CMBS	288	–	49.4 %	30.8 %	19.8 %	–
CDO/CLO	345	10.0 %	23.4 %	40.1 %	13.2 %	13.3 %
Other ABS	62	36.2 %	11.4 %	34.9 %	7.1 %	10.4 %
ABS total	**1,098**	**16.9 %**	**33.5 %**	**33.3 %**	**10.6 %**	**5.7 %**

NRW-Verbundbank contributed € 915 m to the carrying amount of asset-backed securities. The Helaba Group's other asset-backed securities were until 30 June 2008 measured at fair value and reported under trading assets or financial investments. Most of these securities have since been reclassified and are shown on the reporting date under loans and advances to customers. Further details are set out in Note (66).

Liquidity lines are extended in the context of securitisation transactions and some of these have been drawn down. Liquidity lines of € 0.1 bn exist for external securitisation platforms as of 31 December 2012 (2011: € 0.1 bn), none of which had been drawn down as of 31 December 2012 (2011: € 0.1 bn drawn down). The liquidity line made available for OPUSALPHA amounts to € 1.8 bn (2011: € 1.4 bn), of which € 1.3 bn had been drawn down as of 31 December 2012 (2011: € 1.2 bn).

Opportunity and Risk Report

The Board of Managing Directors is responsible for all of the risks to which Helaba is exposed and for defining a risk strategy consistent with the business strategy. The risk strategy lays down, in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities, the principal elements of the approach adopted to dealing with risk, the objectives of risk containment and the measures employed to achieve these objectives at Helaba and at the Group companies included in Group-wide risk management. Once approved, the risk strategy is presented to and discussed with the Supervisory Board and the Board of Public Owners.

The Helaba Group derives its risk strategy from its business strategy, which forms an integral part of the business and risk strategy of the Sparkassen-Finanzgruppe Hessen-Thüringen.

The risk strategy concentrates on the assumption of risk in order to achieve a commensurate profit, taking into account the economic and the regulatory capital situation and the need to ensure liquidity and maintain a conservative risk profile. The risk management system accordingly plays a central role in the management of the company.

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

Principles

Responsibility of executive management
The Board of Managing Directors bears responsibility for all of the risks to which Helaba is exposed, irrespective of how individual responsibilities are assigned, as part of its overall executive management responsibility. The Board of Managing Directors is also responsible for the implementation of the risk policy throughout the Group. It defines the risk strategy, taking account of Helaba's risk-bearing capacity as determined in an analysis of the initial business policy position and an assessment of the associated risks and is responsible for ensuring that this risk strategy is implemented. The risk strategy covers all material business activities of the Helaba Group. The strategies, processes and procedures are implemented at the subsidiaries in accordance with their legal and actual scope of influence. The Group companies are also included in the scope of the controlling tools for the various risk types in line with their relative significance and as permitted under company law. Effective risk controlling throughout the Group is thus assured.

Protection of assets
Risks may in principle be assumed only as permitted under the risk strategy and only in pursuit of the corporate objectives – in particular in order to maintain Helaba's long-term earning power while protecting its assets as effectively as possible. The existing risk limit structures and the incentive systems and associated control mechanisms all serve this purpose.

Protection of the Bank's reputation
Effective risk management system and the avoidance of legal or regulatory breaches (for example in the areas of compliance and data protection) 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
The managers of the various front office units are responsible for ensuring that their unit achieves a reasonable balance between risks incurred and earnings realised. The units exercising control must ensure that this duty is discharged properly and that the person with the relevant authority is notified of any existing or potential discrepancies.

Segregation of functions
The independence of risk controlling and risk containment must be assured in order to maintain 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 instruction of the corporate bodies by the Board of Managing Directors is impossible without this foundation.

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

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

Compliance with regulatory standards
The implementation of regulatory requirements, which proceeds in close consultation with the banking regulator, also has a decisive influence on the risk strategy. Helaba has reported regulatory capital in accordance with the rules of the Foundation **IRB approach** since 2007.

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Risk-awareness
Helaba's achievement of its objectives and application of the applicable legal standards depend on the discipline of all those involved with regard to strategy, processes, controls and compliance.

Auditing
The Internal Audit function in principle audits all workflows and business processes, which helps to promote compliance with the procedures defined. Assessments of the efficacy and adequacy of the internal control system facilitate the ongoing development and improvement of the risk management processes.

Risk Classification

Risk types
The risk types of relevance to Helaba result directly from its business activities. The structured risk inventory process examines which risks have the potential to damage the Helaba Group's assets (including capital resources), results of operations or liquidity position to a material degree. The following primary risk types have been identified:

- The default risk is the potential economic loss as a result of non-payment by or a deterioration in the creditworthiness of borrowers (traditional lending business), issuers, counterparties or equity investments and as a result of restrictions on cross-border payment transactions or performance (goods and services). Credit standing risks mapped in the market price risk under the credit spread risk and the incremental risk are not included in the default risk.
- The equity risk (a type of residual risk) – the potential economic loss as a result of non-payment by or a deterioration in the creditworthiness of an equity investment – that is not managed at the level of the individual risk types also forms part of the default risk. Such developments can lead to a decline in the value of the holding or the reduction or cancellation of dividend payments, to loss transfers and to contribution, margin call and liability obligations.
- The market price risk is the potential economic loss as a result of disadvantageous movements in the market value of exposures due to changes in interest rates, exchange rates, share prices and commodity prices and their volatility. In this context changes in interest rate levels in one market segment lead to general interest rate risks, specific interest rate changes (for example on the part of an issuer) lead to credit spread risks and changes in the price of securities subject to a credit rating as a result of rating changes (including default) lead to incremental risks.
- The liquidity risk is broken down into three categories. The short-term liquidity risk is the risk of not being able to meet payment obligations as they fall due. Structural liquidity risks result from imbalances in the medium- and long-term liquidity structure and negative changes in the organisations' own funding curve. Market liquidity risks result from the insufficient liquidity of assets, with the consequence that positions can be closed out only, if at all, at a disproportionately high cost. The liquidity risks associated with off-balance-sheet transactions lead to short-term and/or structural liquidity risks depending on their precise nature.

- The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risks and outsourcing risks.
- The business risk is the potential economic loss attributable to possible changes in customer behaviour, in competitive conditions in the market or in general economic conditions.
- The real estate risk is the potential economic loss from fluctuations in the value of an entity's own real estate and from project development business. Risks associated with the provision of equity and loan capital for a project are excluded from this risk type, as are risks associated with real estate finance.

Risk Concentrations

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

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

Risk Management Process

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

1. Risk identification
The risks affecting Helaba and the companies included in risk management at Group level are identified continuously as an integral part of daily operations. Once identified, each risk is assigned to the relevant risk type. Comprehensive identification and incorporation into existing risk measurement systems and the associated risk monitoring processes is particularly important in connection with the introduction of new products and complex transactions.

2. Risk quantification
Effective mapping of individual transactions and risk parameters in the risk measuring systems enables qualitatively and quantitatively robust risk measurement and assessment for the various risk types. A variety of models, methods and processes are used for this purpose.

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

4. Risk monitoring/controlling and reporting
A comprehensive and objective reporting system keeps the people with the relevant authority within the organisation apprised of the existing risks as part of an independent risk controlling structure. The methods of the preceding process phases and the quality of the data used are also reviewed in this phase and plausibility checks are carried out on the results.

Risk Management Structure

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

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 containing the strategic market risk portfolio and the portfolio of non-interest-bearing liabilities, the Credit Management Committee with containing the default risks of the entire portfolio and performing the central coordination function in **syndication**, structuring and placing business. The Credit Committee of the Board of Managing Directors is responsible for credit and settlement risks associated with counterparties and for country risks.

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Appointments to the committees and the committees' duties, jurisdiction and responsibilities are governed in separate rules of procedure.

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

Risk management and Helaba Group companies

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

The outcome of the materiality assessment conducted as part of the risk inventory process is used to determine which Group companies are included in risk management at Group level with which risk types and which Group companies are considered only through the mechanism of the residual equity risk. If the risk exposures of a company belonging to the Group are deemed to be of material significance, the company concerned must be included in risk management at Group level in accordance with clear and binding standards and specifications.

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

Principal risk monitoring areas

Risk containment is a duty of the local front office units, but responsibility for the identification, quantification and monitoring/controlling functions, which include the reporting duty and the associated methodological authority, rests with the central monitoring units. Helaba's organisational structure keeps risk controlling and risk containment, Credit Risk Assessment, segregated at all levels including the Board of Managing Directors.

This clear segregation of roles and the close co-operation between the units concerned ensures efficient implementation of risk policy containment mechanisms.

The units indicated in the table below have central responsibility for monitoring and controlling risks falling within the primary risk types.

Risk types	Responsible for risk containment	Responsible for risk monitoring
Default risks	Front office units, Capital Markets, Asset/Liability Management	Credit Risk Controlling (portfolio level), Credit Risk Assessment (individual exposure level), Group Strategy and Central Staff Division (residual equity investment risk)
Market price risks	Capital Markets, Asset/Liability Management	Risk Controlling Treasury
Liquidity risks	Capital Markets (money market trading), Asset/Liability Management	Risk Controlling Treasury
Operational risks	All units	Credit Risk Controlling, Legal Services (legal risks)
Business risks	Front office units	Credit Risk Controlling, Risk Controlling Treasury
Real estate risks	Real Estate Management, subsidiaries	Credit Risk Controlling, Real Estate Management

A number of other departments and functions also contribute to risk management within the Helaba Group in addition to the units indicated in the preceding table. These are set forth below.

Internal Audit
Internal Audit, which examines and assesses the activities of the Bank and of subsidiary companies, plans and conducts its audits with risk in mind. Its audit activities in principle cover all operating and business procedures in line with the scale and risk content of each operation and business. The audits conducted pay particular attention to the assessment of the risk situation, the adequacy of processing and the effectiveness of the internal control system.

The scope and result of each audit are documented in audit records. The relevant members of the Board of Managing Directors receive a comprehensive report, as do the people responsible for the units audited. All members of the Board of Managing Directors in principle receive a brief report presenting the overall audit result and any findings of particular significance. The Board of Managing Directors provides the Supervisory Board with a report every six months on any findings of particular significance disclosed by Internal Audit.

Compliance with capital market, money laundering, fraud prevention and data protection regulations
The Bank has established a Capital Market Compliance Office, a Data Protection Office and a Money Laundering and Fraud Prevention Office, all of which are independent functions.

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

- conducts monitoring, in particular with respect to insider information and codes of conduct,
- identifies and regulates conflicts of interest involving risk exposures, especially in the context of the German Securities Trading Act (Wertpapierhandelsgesetz; WpHG) and the German Investment Act (Investmentgesetz; InvG), throughout the Group,
- evaluates the compliance risks for business processes associated with the capital market and
- assist the specialist units with constant and timely advice on minimising these risks.

The Money Laundering and Fraud Prevention Office develops internal principles and adequate transaction- and customer-related safeguards and checks to prevent money laundering, the funding of terrorism and other criminal acts. The precautionary organisational measures to be implemented are based in part on the Group risk analysis (money laundering, terrorism financing and fraud prevention) and also in part on the Group Policy. This Group Policy sets out the Group's general ground rules, which comply with the relevant national and international regulatory requirements. Business relationships are kept under constant surveillance using the latest monitoring and research software.

The Data Protection Officer promotes compliance with and implementation of data protection laws and performs the related monitoring, advisory, coordination, suggestion and reporting tasks.

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

Risk-Bearing Capacity

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

The calculation of risk-bearing capacity across risk types takes into account risk exposures in relation to default risks, market price risks, operational risks, real estate risks 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 regulatory capital requirement are calculated using the regulatory specifications on valuation. A capital deduction from the regulatory EL/impairment comparison is taken into account when quantifying core capital and total capital.

Two other parameters are also reported in addition to the risk-bearing capacity based on cover assets pools: the result of the regulatory interest rate shock, which applies to market price risks, and the liquidity horizon for liquidity risks.

The scenarios applied comprise a base scenario, which maps the ability to assume risks as of the reporting date, plus historical and hypothetical stress scenarios whose implications for the ability to assume risks are investigated. These scenarios include a macroeconomic stress scenario and a scenario simulating extreme market dislocation on the basis of observed market behaviour during a global financial crisis. Inverse stress tests are also conducted.

Helaba's calculation of risk-bearing capacity maps two distinct situations reflecting the regulatory requirements stipulating a going-concern approach and a gone-concern approach.

The going-concern approach aims to verify that the minimum capital requirements specified by the regulator can be met even if anticipated losses are incurred, while the calculation of risk-bearing capacity under the gone-concern approach is intended to demonstrate that the Helaba Group's capital is sufficient to satisfy all creditors in full even in the unlikely event of unexpected losses being incurred.

The going-concern approach compares the average loss risks from the calculation of risk-bearing capacity against various cover assets pools in a two-stage system. Risk cover assets pool I is based on a sustainable result before risks in respect of a period of one year. Risk cover assets pool II comprises the cost of servicing the silent partner contributions that have not been brought into line with the requirements for Tier 1 capital plus contingency reserves. Changes to risk provisions occurring during the financial year are also included. The average loss risks in the base scenario are compared against the sustainable result before risks (risk cover assets pool I), while the risks in the stress assessments are measured against risk cover assets pool I and risk cover assets pool II combined. The going-concern approach also quantifies the implications of the stress scenarios on the regulatory capital requirement and regulatory own funds in order to analyse the impact on the regulatory capital ratios.

The going-concern approach additionally tests the plausibility of the existing capital cushion by comparing total own funds not committed for regulatory purposes (minus an internally defined risk buffer depending on the scenario) against total economic risk exposures (expected losses plus unexpected losses) to demonstrate that even in this scenario, the minimum capital ratios required by the regulator are maintained.

Helaba applies particular weight to the going-concern approach, which looks at effects on the regulatory capital ratios, in its capital allocation decisions and allocates regulatory capital to its operating and Group units on the basis of the associated anticipated development in the total and core capital ratios. This ensures consistency between capital allocation assuming full utilisation of the limits and the result thus produced in the calculation of risk-bearing capacity.

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The gone-concern approach draws on an economic cover assets pool based on the **IFRS** accounts to cover the internal capital requirement. This pool comprises the cumulative Group net profit on the reporting date, the equity and the subordinate capital under IFRS. Cover assets pool components also undergo a correction under economic criteria. The gone-concern approach does not treat hidden reserves as a cover assets pool component.

The Group risk-bearing capacity assessment across risk types (including, from July 2012, the balances taken over from NRW-Verbundbank) revealed that the existing risk cover assets pools once again exceeded the quantified risk exposures by a substantial margin at the end of 2012, underlining Helaba's consistently conservative approach to risk.

The sustainable operating result more than covers the average loss risks in the base scenario of the going-concern approach to leave an additional buffer of € 0.3 bn (2011: € 0.3 bn). The capital cushion with respect to economic risk exposures under the gone-concern approach amounts to € 6.8 bn (2011: € 6.0 bn).

The Helaba Group had a regulatory total capital ratio of 15.9 % (2011: 15.3 %) and a core capital ratio of 11.2 % (2011: 10.1 %) on the 31 December 2012 reporting date. The capital ratios put in place by Helaba exceed the regulatory minimum requirements by a significant margin even under the simulated stress scenarios.

The injection of new capital in connection with the integration of the NRW-Verbundbank portfolio resulted in an increase of € 1.0 bn in the Helaba Group's regulatory capital under the going-concern approach and the same € 1.0 bn increase in the economic cover assets pool under the gone-concern approach. These increases are accompanied in the Group calculation of risk-bearing capacity under both approaches by corresponding risk exposures relating to regulatory and economic risks.

Other deposit security mechanisms

Other deposit security mechanisms exist in addition to the risk cover assets pools. Helaba is a member of the Guarantee Fund of the Landesbanken and Girozentralen and is thus included in the nationwide Joint Liability Scheme, which protects the affiliated institutions themselves and their liquidity and solvency and comprises the aforementioned guarantee fund, the regional savings bank guarantee funds and the deposit security reserve fund of the Landesbausparkassen. The most notable features of this deposit security system are the way that it protects the existence of the affiliated institutions, especially their liquidity and solvency, its risk monitoring system for the early detection of exceptional risk positions and the risk-led approach used in calculating the amounts to be paid into the security facility by the various institutions. The legally dependent Landesbausparkasse Hessen-Thüringen, subsidiary Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, which is a subsidiary of Frankfurter Bankgesellschaft (Schweiz) AG, are also directly integrated into this deposit security system.

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide Joint Liability Scheme and provides creditors of the affiliated institutions (Helaba, Sparkassen) with a direct and uncapped entitlement. The total volume of the fund is equal to 5 ‰ of the affiliated institutions' weighted regulatory risk assets in accordance with the German Solvency Regulation (SolvV) and amounted to € 546 m at the end of 2012. The Sparkassen- und Giroverband Hessen-Thüringen has undertaken to make up the shortfall between the amount actually paid in and the full amount should the fund be required before such time as the full amount has been contributed.

Rheinischer Sparkassen- und Giroverband (RSGV) and Sparkassenverband Westfalen-Lippe (SVWL) each also unilaterally set up an additional regional reserve fund for Helaba when they acquired an equity investment (of 4.75 % each) in Helaba in mid-2012.

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

Default Risks

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

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

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Basel II
The far-reaching provisions on banking regulation introduced by the Basel Committee for Banking Supervision's revision of the capital adequacy standards and parallel moves in the EU (pillar 1 of Basel II/EU Capital Requirements Directive) were implemented in Germany with the German Solvency Regulation (SolvV). Now there are new regulatory requirements to be met as part of the planned implementation of Basel III (CRD IV). The new requirements are being implemented for the first time in an EU regulation (Capital Requirements Regulation). Helaba currently uses the Foundation Approach for internal ratings in accordance with Basel II/SolvV but intends to change over to the Advanced Approach for internal ratings in the medium term.

The regulations set out in Basel II/SolvV are integrated into Helaba's procedures and systems with the internal rating methods (default rating) for the lending portfolio, the Collateral Management System, the credit loss database, which is used to record and analyse the default portfolio, the specific loan loss allowances and a central risk data pool.

Risk monitoring using the global limit system

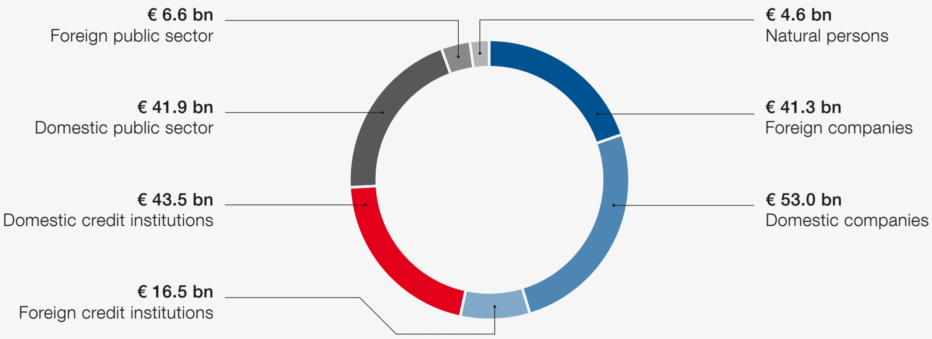
Helaba employs a global limit system that records all counterparty-specific default risks promptly in a structured and transparent manner. The system uses counterparty limits based on a combination of the creditworthiness (rating) of counterparties and the Bank's risk-bearing capacity.

Cumulative limits for each borrower are recorded in the global limit system at Group level to help monitor, limit and contain default risks. All types of loans in accordance with Section 19 (1) of the German Banking Act (KWG) made to borrowers in both trading and banking book activities are counted against these cumulative limits. Advance payment and settlement risks attributable to foreign currency and securities transactions that require separate approval are counted in full against limits for settlement risks irrespective of whether they are attributed to the trading book or the banking book.

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

Chart 1 shows the total volume of lending as of 31 December 2012 comprising drawings and unutilised committed credit lines of the narrow Group companies (Helaba Bank with subsidiaries Helaba Dublin, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG) totalling € 207.4 bn (2011: € 174.9 bn), broken down by customer group. The increase in the total volume of lending in 2012 resulted principally from the takeover of the NRW-Verbundbank portfolio on 1 July 2012.

Total volume of lending by customer group (narrow Group companies)
(Chart 1)



Swaps, forward transactions and options are counted towards the total limit at their credit equivalent amounts calculated in accordance with the German Regulation governing large exposures and loans (GroMiKV). All other trading book positions (for example money market trading and securities) are valued at market prices.

Secondary risks resulting, for example, from leasing commitments (lessees) or guarantees received are moreover also recorded for the relevant entity bearing the economic risk under “other commercial risks”.

Helaba’s lending activities as of 31 December 2012 focused, in line with the business model, on the banking sector, the public sector and the real estate and housing sector.

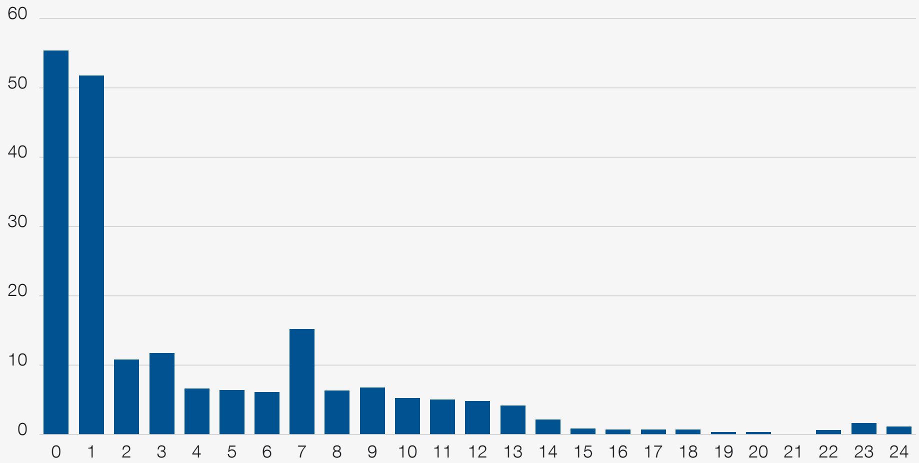
Creditworthiness/risk appraisal
Helaba employs internal rating systems developed together with DSGV (domestic real estate finance and corporate customers) and other Landesbanken (international real estate finance, project, ship and aircraft finance, leveraged finance transactions, leasing finance, banks, insurance companies, corporates, country and transfer risks and international public finance). Helaba has also developed its own methods for loan and trading receivable securitisations, municipal corporation finance in the USA and commodity trade transactions. In all rating methods, the borrowers or transactions are assigned to a rating category to which is allocated a one-year probability of default (PD) drawn from a uniform 25-point scale.

Because the establishment 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, other relevant factors that reduce or increase risk for a particular lending operation (in particular term remaining, additional security, ranking of the loan) are subsequently also considered. Helaba has developed a risk rating that enables the risk content of transactions to be compared across segments for this purpose in addition to the default rating. 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.

The breakdown of the total volume of lending of € 207.4 bn for the narrow Group companies (Helaba Bank including subsidiaries Helaba Dublin, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG) by risk rating category is as shown in Chart 2.

Total volume of lending by risk rating category (narrow Group companies)
(Chart 2)

in € bn



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

Helaba's Collateral Management System meets the necessary conditions to allow full advantage to be taken of the comprehensive opportunities for recognising credit risk reduction techniques that enhance shareholders' equity in accordance with Basel II/SolvV. The system complies with the extensive and complex requirements regarding the utilisation, mapping and recognition of "traditional" credit collateral (in particular property charges, guarantees and warranties, pledging and assignment of receivables and securities positions, register charges for ships and aircraft) in the Foundation Approach for internal ratings. The Collateral Management System provides its data resources to the central risk data pool, which in turn verifies and distributes the assets eligible as collateral to the risk positions secured.

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 based on the entity bearing the economic risk. The country risk system is the central tool for the comprehensive, timely and transparent risk-oriented recording, monitoring and containment of country risks. All of Helaba's lending and trading units, including subsidiaries Helaba Dublin, Frankfurter Sparkasse

and Frankfurter Bankgesellschaft (Schweiz) AG, are involved in country risk containment. The total country risk, excluding the countries of the euro zone, may not exceed six times the liable capital of the Helaba group of institutions. As of 31 December 2012, utilisation was less than three times the liable capital.

Country limits are defined for all countries apart from the euro zone countries (with the exception of Greece, Malta, Portugal, Ireland, Spain, 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 and 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 method for country and transfer risks provides 25 different country rating categories based on the uniform master scale used throughout the Bank. All classifications are reviewed at least annually by the Group Strategy and Central Staff Division’s Economics and Research department (first opinion). A country’s rating will also be reviewed on an ad-hoc basis before the end of the year in the event of changes to its political or economic situation. Country limit proposals are submitted to the Country Limit Committee, on which the executive managers responsible for international business sit, based on these country ratings. The Country Limit Committee combines these proposals, which are based primarily on economic criteria, with business policy and risk methodology considerations specific to the Bank to produce an overall assessment. Credit Risk Assessment then submits a second opinion, the definitive limit proposal for the Board of Managing Directors, on the basis of this overall assessment. Limits for the individual countries are ultimately defined by the Board of Managing Directors taking account of the opinions submitted and the risk group assignment.

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

Most of the country risk for the narrow Group companies of € 44.4 bn (2011: € 48.3 bn) is accounted for in regional terms by Europe (83.3 %) and North America (14.1 %). As of 31 December 2012, 92.8 % (2011: 92.4 %) of this country risk is assigned to country rating categories 0 and 1 and a further 5.7 % (2011: 6.4 %) comes from rating categories 2–9. Just 0.1 % (2011: 0.1 %) falls into rating categories of 14 or poorer.

The individual country risk positions are generally allocated in accordance with the domicile principle, which is based on the country in which the borrower is domiciled, although alternative approaches may be used 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 collateral is involved, to the country of the entity bearing the economic risk.

Helaba’s exposure in the peripheral euro countries on 31 December 2012, as calculated by the method used in the EBA recapitalisation survey of 30 September 2011, amounted to € 1.39 bn, of which € 1.15 bn is attributable to Spain, € 0.23 bn to Italy and € 0.01 bn to Portugal.

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 authorising 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 the MaRisk, the loan documents in what is designated risk-relevant business always comprise two independent opinions, one from the relevant front office unit and one from Credit Risk Assessment.

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

Quantifying default risks
Expected and unexpected default risks are quantified using the central risk data pool. Expected default risks are treated for calculation purposes on a transaction-by-transaction basis in the form of the expected loss. The calculation for regulatory purposes is carried out using the internal rating methods and regulatory LGDs. The equity to be held available in accordance with SolvV to cover unexpected losses is also calculated on a transaction-by-transaction basis and is used for containment purposes for both the specific transaction and the risk capital. Unexpected losses from default risks are in addition quantified in greater detail in internal containment by applying LGD parameters estimated internally. The expected and unexpected losses quantified in this way are assessed against various scenarios to determine the impact of corresponding stress situations.

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

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

Provisions for losses on loans and advances
Adequate provisions for losses on loans and advances are created for default risks. The adequacy of provisions for losses on loans and advances is reviewed regularly and adjustments are made where necessary. Specific loan loss allowances are recorded and updated in the credit loss database, which is used as a central file for exposures at risk of default.

Equity risks
The equity risks category brings together those risks attributable to equity investments whose individual risk types are not considered separately in risk controlling activities by risk type. Equity risks do not have to be considered for an equity investment if all risk types of relevance for the equity investment concerned are integrated into group-wide risk management in line with their gravity and the options afforded under company law. Financial instruments classified under the SolvV as equity exposures are also reported as equity risks alongside the equity investments under commercial law.

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

The total carrying amount of the equity investments portfolio is essentially unchanged from the previous year. The regular impairment tests performed on the equity investments portfolio led in some cases to adjustments of the carrying amount for individual equity investments.

The risk situation has not been affected by the integration of NRW-Verbundbank, as no equity investments or other financial instruments were taken on.

Market Price Risks

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

Most of the Bank's trading activities relate to customer trading, although it is also involved, to a limited extent, in proprietary trading. Responsibility for containing trading book exposures (Helaba Bank and 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 own issues repurchase portfolio also falls under the jurisdiction of the Asset/Liability Management unit. These responsibilities apply analogously in relation to the transactions of the former WestLB taken on in mid-2012.

Limitation of market price risks
Helaba employs a uniform 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 cumulative limit defined for market price risks, which is proposed by the Board of Managing Directors on the basis of the Bank's risk-bearing capacity, 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 divisions and the various types of market price risk within the scope of the defined cumulative limit for market price risks. Separate limits are additionally defined for the trading book and the banking book. Responsibility for the onward allocation of limits to Helaba's subordinate organisational units and its various sites rests with the divisions to which a limit has been assigned. Stop-loss limits and volume limits are also used independently in the trading units to limit market price risks.

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

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

Helaba's continuous development of the methods and systems used plays a key role in ensuring adequate recording of its 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 required systems for position recording, processing, profit or loss determination, risk measurement, accounting and reporting before they can gain authorisation.

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

Quantification of market price risks
Market price risks are quantified using a money-at-risk approach plus stress tests and sensitivity analyses for credit spread risks and the 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.

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The risk measurement systems employed at Helaba for each of the various types 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 types. This also makes it possible to aggregate the risk types into an overall risk. The overall risk assumes that the various different losses occur simultaneously. The MaR figure calculated using the risk models specifies the maximum loss that 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 for the position of ten trading days.

Chart 3 contains a reporting date assessment of the market price risks (including correlation effects between the portfolios) taken on in the course of business operations as of the end of 2012 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market price risk types. Euro positions account for 84 % (2011: 78 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions for 9 % (2011: 16 %). The focus in equities trading rests on securities listed on the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar, Swiss franc, Japanese yen and sterling positions. The credit spread sensitivity amounts to € 5.2 m in the trading book and € 10.8 m in the banking book. The incremental risk in the trading book amounts, with a time horizon of one year and a confidence level of 99.9 %, to € 247.1 m.

Group MaR by risk type
(Chart 3)
(NRW-Verbundbank portfolio share in parentheses)

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Total	**61.6 (15.1)**	**65.6**	**46.7**	**57.2**	**2.0**	**1.2**	**12.9**	**7.2**
Trading book	16.0 (2.2)	19.4	12.8	17.9	1.8	1.2	1.4	0.3
Banking book	50.0 (12.9)	57.6	36.1	50.2	0.4	0.2	13.5	7.2

Positions currently serviced by Portigon AG in connection with the acquisition of NRW-Verbundbank are subject to the risk measurement systems of Portigon AG up to the point of transfer to Helaba's IT systems. Hedges concluded in Frankfurt am Main for the NRW-Verbundbank portfolio are allocated to the latter. The dominant risk type in the NRW-Verbundbank portfolio is the interest rate risk. All risk measuring systems are based on a modified **variance-covariance approach** or a **Monte Carlo simulation**. The latter is particularly beneficial for mapping complex products and options. Non-linear risks in the currency field, which are of minor significance at Helaba, are monitored using sensitivity analyses.

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Helaba's continuous functional and technical development of its risk measuring systems and associated interfaces ensures high quality risk measurement at all times. Intensive market data entry and regular reviews of the business data from the position-keeping systems also play a central role in this respect.

Internal model in accordance with the German Solvency Regulation (SolvV)

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Helaba calculates the regulatory capital required for the general interest rate risk using an **internal model** in accordance with the German Solvency Regulation (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 regulator. Rating-dependent yield curves are also used alongside swap, government and mortgage bond curves for evaluation purposes in the context of linear risk measurement.

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 for the trading book (Bank including subsidiary Helaba Dublin) for the 2012 financial year. The average MaR for 2012 as a whole amounted to € 17.0 m (2011: € 20.2 m), the maximum value was € 22.2 m (2011: € 26.5 m) and the minimum value was € 13.2 m (2011: € 15.9 m). An average of € 2.4 m of this total was accounted for in the second half of 2012 by the NRW-Verbundbank trading book. The maximum for the S-Group Bank portfolio was € 3.1 m, the minimum € 1.7 m.

Daily MaR of the trading book in financial year 2012
(Chart 4)

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

Chart 5 shows the average daily MaR amounts for the trading book (Helaba Bank including subsidiary Helaba Dublin).

Average MaR for the trading book in financial year 2012
(Chart 5)

ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Interest rate risk	14.9	18.7	17.6	18.9	12.9	18.3	12.8	19.2	14.5	18.8
Currency risk	0.7	1.2	1.0	1.0	2.1	0.6	2.0	0.8	1.5	0.9
Equities risk	0.7	0.4	0.7	0.7	1.2	0.7	1.5	0.5	1.0	0.6
Total risk	**16.3**	**20.3**	**19.4**	**20.6**	**16.3**	**19.6**	**16.4**	**20.5**	**17.0**	**20.2**

Number of trading days: 250 (2011: 253)

The annual average MaR for the trading book for Frankfurter Sparkasse amounts to € 0.0 m (2011: € 0.1 m). The average MaR for the trading book for Frankfurter Bankgesellschaft (Schweiz) AG is € 0.2 m (2011: € 0.9 m).

Back-testing

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

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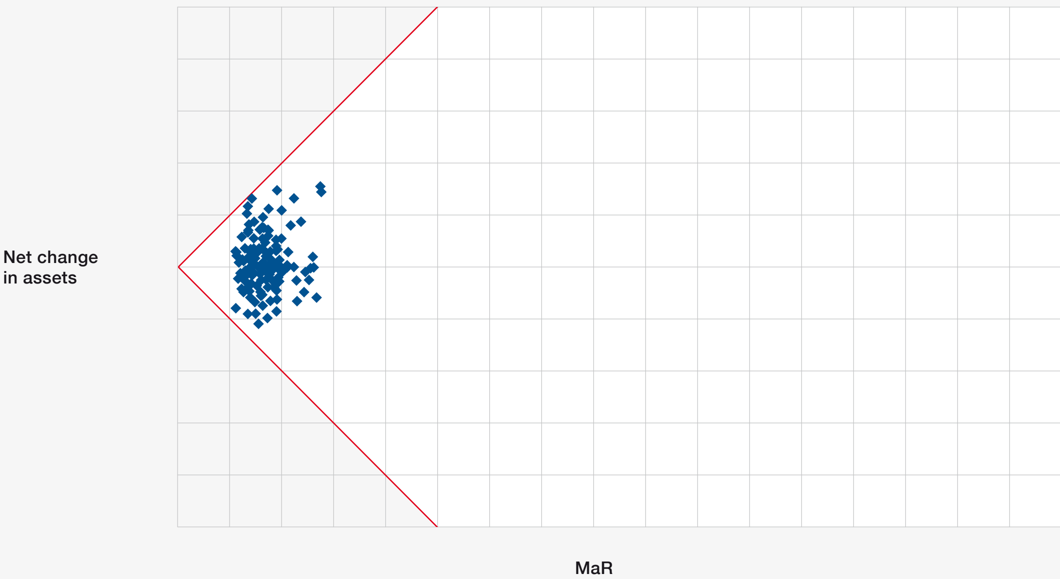
Chart 6 shows the back-testing results of the Helaba risk models for the trading book (Bank including subsidiary Helaba Dublin) across all types of market price risk in financial year 2012. No negative outliers occurred.

Back-testing for the trading book in financial year 2012
(Chart 6)



The internal model for the general interest rate risk, which consists of the model components MaRC² and ELLI, produced no negative outliers in 2012. Helaba similarly recorded no outliers for its daily dirty back-testing, which involves comparing the forecast risk figure with the actual change in value.

Stress test programme

A proper analysis of the effects of extraordinary but not unrealistic market situations requires the use of stress tests in addition to the daily risk measurement routine. Various portfolios are revalued regularly under the assumption of extreme market scenarios. Portfolios are selected for stress testing on the basis of the level of exposure (significance) and the presence or absence of risk concentrations unless specific banking regulatory provisions apply. Stress tests are carried out daily on Helaba's options book. The results of the stress tests are included in market 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 to simulate extreme spread changes. As in previous years, Helaba participated in a survey carried out by Deutsche Bundesbank to analyse the impact of external changes in market values on the trading and banking books. These stress tests are based on the scenarios of the FSAP (Financial Sector Assessment Program) of the International Monetary Fund (IMF). The stress tests for market price risks are supplemented by inverse stress tests and stress tests across risk types conducted in the course of Helaba's calculation of risk-bearing capacity.

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

The quantification of interest rate risks in the banking book is also subject to regulatory requirements, which stipulate a risk computation based on standardised interest shocks. The computation examines the effects of a rise and fall of 200 basis points in interest rates in line with the requirements of the banking regulator. As of the end of 2012, such an interest rate shock would, in the unfavourable scenario, result in a negative change in value of € 95.9 m in the Helaba Group banking book (2011: € 240.5 m). Of this figure, € 79.3 m (2011: € 227.9 m) is attributable to local currency and € 16.6 m (2011: € 12.6 m) to foreign currencies. Helaba carries out an interest 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 organisational 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

Ensuring liquidity is a top priority at Helaba, which accordingly employs a comprehensive set of constantly evolving tools to record, contain and monitor liquidity risks. The processes, tools and responsibilities in place for managing liquidity risks have clearly demonstrated their value over recent years in the face of the global crisis in the financial markets and the resultant turmoil in the money and capital markets. Helaba's liquidity was once again fully assured at all times in 2012.

Liquidity management activities in 2012 continued to focus on compliance with the new regulatory requirements of Basel III/CRR. Work to build up the highly liquid securities portfolio (liquidity cushion) needed to meet the Basel III/CRR short-term liquidity requirements continued as part of this process.

The Helaba Group operates a local containment and monitoring policy for liquidity risks under which each company has responsibility for ensuring its own solvency. The corresponding conditions are agreed with Helaba. The subsidiaries falling within the narrow Group companies report their liquidity risks regularly to Helaba as part of group-wide risk management using methods based on Helaba's own.

Liquidity and funding risk

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

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

Short-term liquidity risk

Helaba maintains a highly liquid portfolio of securities that can be used to generate liquidity if required in order to assure its short-term liquidity. The current liquidity situation is managed with reference to a short-term liquidity status indicator, determined daily, which compares expected liquidity requirements for the next 250 trading days against the available liquidity from the liquid securities portfolio. The available liquidity is established conservatively taking account of markdowns to cover unexpected market developments affecting individual securities. Securities that are used for collateral purposes in collateral management and are thus earmarked for a specific purpose are not considered to be part of the liquid securities portfolio. The main currencies for short-term liquidity at Helaba are the euro, first and foremost, and the US dollar.

In February 2011, Helaba became the second bank in Germany to receive approval from BaFin for its own liquidity risk measurement and management procedure in accordance with Section 10 of the German Regulation on the Liquidity of Institutions (Liquiditätsverordnung, LiqV). This enables it to use its own method for establishing its short-term liquidity status for regulatory reporting rather than the monthly notification required under the LiqV standard method. Positions currently serviced by Portigon AG in connection with the acquisition of NRW-Verbundbank are subject to the LiqV standard method, backed up with additional stress tests, up to the point of transfer to Helaba's IT systems. Helaba complied with the liquidity requirements imposed by the banking regulator in full at all times in financial 2012.

The short-term liquidity status concept has been selected to allow various stress scenarios to be mapped. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are 30 days up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling Treasury unit. The utilisation rate in the most relevant scenario (solvency) amounted on the reporting date to 41 % (2011: 20 %). This increases to 50 % (2011: 33 %) if Frankfurter Sparkasse is included. The average utilisation rate in 2012 was 16 % (2011: 32 %). The liquidity risk ratio for the NRW-Verbundbank portfolio amounted on 31 December 2012 to 8.53.

Money market staff borrow/invest in the money market (interbank and customer business, commercial paper) and make use of Lombard facilities with the European Central Bank (ECB) in performing the operational cash planning tasks necessary to ensure short-term liquidity.

The Bank has set up a project to effect compliance with the regulatory requirements set out in Basel III/CRD IV for short-term liquidity to run in parallel with its internal short-term liquidity management. It aims for the LCR to be calculated automatically as part of short-term liquidity management.

Off-balance-sheet loan and liquidity commitments, which are maintained in a central database, are reviewed regularly with regard to their drawing potential and features of relevance to liquidity and are integrated into liquidity management. Guarantees and warranties are also considered. Liquidity costs are calculated and allocated to the relevant business lines as a function of the internal risk classification. A scenario calculation that includes a market disturbance has been used since 2002 for the calculation and advance planning of the liquidity to be held available. Back-testing 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.

A total of € 1.3 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents a year-on-year increase of € 0.1 bn, which can be traced back to selectively placed new liquidity commitments. No liquidity had been drawn down from stand-by lines in US public finance business as of the reporting date (as was the case at the end of 2011).

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

Structural liquidity risk

The Asset/Liability Management unit manages the liquidity risks in Helaba's commercial banking activities via the central asset/liability management system. This primarily entails 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 Treasury. The main objective of liquidity management is to ensure that the transactions concluded delivered the anticipated return.

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 to limit dependency on short-term funding capital. Structural liquidity shortages are avoided by pursuing funding arrangements that offer matching maturities as far as possible and by diversifying the sources of funding (in terms of products, markets and investors). Interfaces to money market trading arise when liquidity shortfalls are refinanced on a short-term basis and when 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 very model itself is conservative in its approach to the liquidity risk with its 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. Market liquidity is also monitored with reference to the margin between bid and offer prices.

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

Operational Risks

Principles of risk containment
Helaba defines operational risk, in line with the Basel Committee and the German capital regulations, as, “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. Strategic and reputation risks are not included under operational risk. Helaba has an integrated approach for the management of operational risks based on the MaRisk and the requirements of the banking authority with regard to regulatory capital backing. This approach is used to identify, evaluate and contain risks on the basis of risks and losses.

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

Helaba has representatives in a number of working groups set up by the 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. The IT system used by Helaba to manage operational risks is accordingly upgraded and expanded with new functionalities regularly in conjunction with representatives of other banks. Collaboration in another working group has led to the creation of a joint data syndicate with other banks, primarily Landesbanken, through which Helaba has been sharing information about losses attributable to operational risks since 2006.

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Tools
Helaba has been using the standardised method to calculate its capital backing and for the management of operational risks since 2007.

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

Operational risks are classified systematically with reference to Helaba's risk model, which is based exclusively on the Basel event categories. The view of risk used for internal risk assessment purposes is thus fully congruent with that of the regulator.

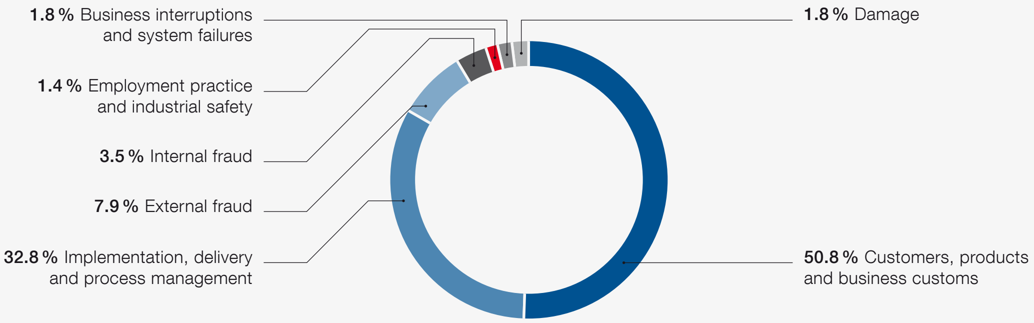
Technical assistance to help facilitate the management of operational risks is provided in the form of a web-based application that supports local data access and a central database. This application, which has also been used for NRW-Verbundbank since July 2012, is updated regularly in line with expert recommendations.

Operational risks are avoided or limited using insurance arrangements that cover specific losses up to agreed maximum limits and also by means of established measures in internal processes and other workflows.

Risk monitoring
The risk reporting system keeps the bodies responsible, the Risk Committee and the units responsible for risk management at the local level informed of the risk situation and any losses incurred.

Chart 7 below shows the risk profile of the narrow Group companies and additional subsidiaries for the year 2012:

Expected loss as of 31 December 2012 by loss event
(Chart 7)



The expected loss amounted to € 36.9 m (2011: € 27.2 m) as of 31 December 2012. This includes risks from the integration of NRW-Verbundbank.

The Bank's overall risk profile is updated as part of an annual review. The risk profiles of the subsidiaries are supplemented to create the Group risk profile. The integration of NRW-Verbundbank was examined in relation to both the risks involved in taking over the business and the migration and servicing risks. The containment of operational risks involves mapping risk scenarios with respect to migration, servicing by Portigon AG, business with existing customers and the takeover of new products. The risks quantified were incorporated into the risk-bearing capacity as of 31 December 2012 and risk reporting.

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

Quantification
The standard approach is used for quantifying operational risks for regulatory capital backing in accordance with the SolvV. Risks are quantified for internal management purposes on the basis of the loss data collected and the quantitative risk assessments from the units. As well as estimating expected losses, Helaba quantifies unexpected losses by means of the separate modelling of the frequency of occurrence and extent of loss.

Documentation system
Helaba's documentation system complies with the organisational guidelines stipulated by the MaRisk, which lay down details of the due and proper organisation of business plus internal control procedures and precautionary 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. The bank organisation assists 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 legal risks. It is represented on the Risk Committee of the Bank with an advisory vote and reports on the legal risks that have become quantifiable as ongoing or imminent court proceedings involving the Bank or its subsidiaries.

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

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

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

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

Outsourcing risks
Risks associated with significant outsourcing arrangements, which are linked to the defined objectives of the divisions concerned, can arise wherever services are outsourced. The office responsible for the outsourcing arrangement has a duty to monitor service provision by the outsourcing company continuously on the basis of reports and report to the relevant board member in order to limit the outsourcing risks. The nature of these activities depends on the significance of the outsourcing arrangement. The Group Strategy and Central Staff Division maintains a directory of all implemented insourcing and outsourcing transactions in its capacity as the central authority and compiles the changes that have occurred with regard to existing insourcing and outsourcing arrangements as part of an annual quality assurance exercise.

Risks attributable to insourcing arrangements that arise in connection with activities taken on by Helaba from a third party are treated analogously.

IT security and business continuity management
Helaba's defined strategies and regulations on IT security provide the basis for an internal controlling process compliant with the relevant regulatory requirements and for the secure use of electronic data processing. Compliance with legal and internal IT security requirements is verified regularly in IT security audits of selected audit objects and outsourcing companies in order to ensure continuous improvement in IT security.

Mandatory IT security concepts and IT standards for application development and IT operation aim to ensure that risks are detected at an early stage and that appropriate measures to minimise these risks are defined and implemented. These concepts and standards are the subject of continuous ongoing 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 operate.

Helaba's units and branch offices have drawn up outage and business continuity plans for the critical business processes as part of the emergency back-up system. This emergency back-up system, the effectiveness of which is checked in tests and exercises, is updated and enhanced on a regular basis to ensure that the necessary operations can be maintained properly in the event of interruptions to business.

The service level agreements for data centre operations outsourced to Finanz Informatik Technologie Service contain provisions relating to preventive measures and measures to limit risks. These provisions also apply in respect of local systems. Helaba's specialist units work with Finanz Informatik Technologie Service to test the documented procedures for safeguarding operation and the technical restoration of data processing regularly.

Accounting process
The objective of Helaba's internal control and risk management system in relation to the accounting process is to ensure proper and reliable financial reporting. Among the parties involved in Helaba's accounting process are individual reporting units in which self-contained posting groups are maintained and local (partial) financial statements in accordance with HGB and IFRS are prepared. Helaba's reporting units are the Bank (Germany), the branch offices outside Germany, LBS, WIBank and all consolidated companies and sub-groups and companies and sub-groups accounted for using the equity method. An additional reporting unit has been established on a temporary basis for the balances and posting group of the S-Group Bank portfolio acquired. This is serviced by an external service provider. The S-Group Bank portfolio balances are to be migrated to Helaba's systems by 2014.

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

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

- control environment,
- risk assessment,
- controls and reconciliations,
- monitoring of controls and reconciliations,
- process documentation and
- communication of results.

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

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

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

The procedure to be followed in accounting is set out in a number of different complementary forms of documentation. Stipulations for the accounting methods to be used are defined in accounting manuals for HGB and IFRS that also contain provisions on group accounting. The latter relate in particular to the parent company of the Group and the sub-groups included. The scope of these regulations extends to organisational factors and the preparation process as well as the stipulations on approach, valuation, reporting and disclosure requirements, which are common to the whole of the Group. The individual reporting units have direct responsibility for incorporating stipulations in varying degrees of detail concerning the procedure to be applied in the various processes and subprocesses followed in the preparation of their own financial statements. Employees are able to access accounting manuals and work instructions at any time via the Bank's intranet.

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

Business Risk

The business risk is the potential economic loss attributable to possible changes in customer behaviour, in competitive conditions in the market or in general economic conditions.

Operational and strategic risk containment is the responsibility of the Bank's front office units and the management of the respective equity investments. The Credit Risk Controlling and Risk Controlling Treasury units analyse 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 tasks relating to the taxation of the Bank in Germany and of selected subsidiaries. Where 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, in principle, for the tax return of the foreign units. Tax law developments in Germany and abroad are monitored constantly by the persons with the relevant responsibility and their impact on the Bank and subsidiaries is analysed. Any necessary measures are initiated by the Taxes department or in consultation with the Taxes department and in this way tax risks are either avoided or covered by appropriate provisions on the statement of financial position.

Real Estate Risks

Real estate risks comprise real estate project management risks and real estate portfolio risks.

Real estate project management risks are the risks associated with deadline, quality, cost and marketing factors in real estate project developments. Real estate project management risks arise in the entrepreneurially independent subsidiaries of the OFB Group (OFB Projektentwicklung GmbH) and the GWH Group (GWH Wohnungsgesellschaft mbH Hessen in its real estate development business) and also in real estate project companies held directly or indirectly by Helaba.

The real estate portfolio risk is defined as the economic loss potential from fluctuations in the value of own real estate. It does not include risks attributable to either project business or real estate finance.

Real estate portfolio risks arise primarily in relation to real estate owned by Helaba, in the GWH Group and in other Group companies. The basis of consolidation for accounting purposes is considered in this context.

Direct containment at the entrepreneurially independent subsidiaries is the responsibility of the management at the subsidiary. There are two aspects to the containment of real estate risks:

- Operational – a local responsibility discharged by management at the equity investment concerned
- Strategic – a central responsibility discharged by the supervisory bodies of the equity investments and the Real Estate Management unit.

The Real Estate Management unit is responsible for risk containment in respect of the real estate project companies, whether directly or indirectly held, and of the Bank's own real estate portfolio. Risk monitoring is performed by Real Estate Management (for subsidiaries) and Credit Risk Controlling.

The opportunity and risk overview prepared every quarter to identify and track future non-budgeted project opportunities and risks serves as the key risk controlling tool for project risk containment. This overview establishes opportunities and cost, earnings and other asset risks in a structured process and evaluates both their impact on the budget (in the manner of a risk-bearing capacity analysis) and their probability of occurrence (with reference to specific occurrence scenarios). The Real Estate Management unit assists with the preparation of the opportunity and risk overview and verifies the plausibility of the details. The principal risk controlling tool for containing risks attributable to portfolio properties are the value appraisals commissioned regularly for the portfolio properties and the continuous surveillance of returns from changes in capital values in the relevant markets, broken down by region and type of use.

The Credit Risk Controlling unit analyses the development of risks arising from real estate project management business and from the portfolio properties and is responsible for quarterly risk reporting to the Risk Committee of the Board of Managing Directors. The risk situation is also presented as part of operational management in the meetings of the supervisory body of each of the equity investments.

The risks associated with real estate projects and real estate portfolios declined in 2012 and are still fully covered by the expected income from this business.

The risk situation has not been affected by the integration of NRW-Verbundbank, as no real estate assets or projects were taken on.

Opportunities in a Changed Market Environment

Helaba has long had a stable and viable strategic business model in place and has consequently been able not only to cope with the challenges posed in recent years by the financial and economic crisis and the euro zone sovereign debt crisis without resorting to external support, but also to consolidate its market position in its core business areas. The positive operating results generated have enabled Helaba to service all subordinate liabilities, profit participation rights and silent partner contributions in full and pay an appropriate dividend on the share capital. The key factors behind Helaba's success remain its conservative risk profile, backed up by effective risk management, and the strategic business model for the Group as a whole based on the concept of a full-service bank with its own retail, public development and infrastructure business, a strong base in the region, a very close relationship with the Sparkassen and robust capital and liquidity backing. A sharp increase in banking structural costs as a result of changes in the national and international regulatory environment was not enough to prevent Helaba improving its results year on year before taxes. The stabilisation of the financial markets in the euro zone and economic developments in Germany also contributed to this positive outcome.

Rating agencies Fitch Ratings, Standard & Poor's and Moody's Investors Service have awarded Helaba ratings of "A+", "A" and "A2" for long-term senior unsecured liabilities and "F–1+", "A–1" and "P–1" for short-term liabilities (with a stable outlook in each case). The ratings from Fitch and Standard & Poor's are based on a joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen. The strategically significant funding instruments "public Pfandbriefe" and "mortgage Pfandbriefe" both have "AAA" ratings. Thanks to its excellent standing among institutional and private investors and its diversified product range, Helaba has continued to enjoy direct access to the funding markets even in the face of the financial market difficulties of recent years. Its role as Sparkasse central bank for almost 170 Sparkassen in four German states and its leading position in the German payment transactions market reinforce Helaba's strong position with customers in funding activities.

Helaba's equity strategy centres on building up Common Equity Tier 1 (CET 1) capital in response to the much more stringent – in both qualitative and quantitative terms – capital requirements introduced with Basel III/CRD IV. The conversion of the silent partner contributions of € 1.92 bn from the State of Hesse into CET 1 capital contributions at the end of 2011 and the € 1 bn capital increase effected in mid-2012 further strengthened the Common Equity Tier 1 capital. The extent of any additional CET 1 capital requirements above and beyond Basel III/CRD IV for nationally systemically important financial institutions in Germany remains to be seen.

The adaptation processes associated with EU requirements for institutions in receipt of state aid and the changing regulatory environment have led key competitors in the German banking market to withdraw from business areas of major significance for Helaba. This affects real estate lending and municipal business in particular, but also medium- and long-term project finance and infrastructure business. Helaba believes these developments in principle present it with a good opportunity to increase its potential business volume and earnings while retaining its conservative risk standards and ensuring compliance with the new regulatory requirements. The takeover of the S-Group business and payment transactions of the now defunct WestLB, which was completed in mid-2012, moreover, paves the way for a marked strengthening of Helaba's market position in these segments. The Bank's institutional roots in the German Sparkasse organisation have also grown even stronger as a result of its changed public ownership structure. The process of consolidation in the Landesbank sector seems likely to continue over the coming years. Further enhancing its position as a leading S-Group Bank for the German Sparkassen is one of Helaba's strategic objectives. The pressure on profitability created by the level of competition in retail banking and exacerbated by the current period of low interest rates demands even more intensive task sharing within the S-Group.

At the beginning of February 2013, the German federal government tabled an omnibus bill for the "ring-fencing of risks and for the planning, recovery and resolution of credit institutions" that requires trading activities to be transferred to discrete subsidiaries that are legally segregated from the other divisions under certain circumstances. It is not possible at the moment to determine with any certainty what impact this might have on Helaba's business model of the customer and S-Group-focused full-service bank with a regional focus. Helaba currently believes that it will fall below the thresholds for the mandatory breaking up of business activities and that consequently no changes to the business model will be required. The possibility that adjustments may have to be made to the structure of individual business portfolios as part of efforts to strengthen the core business activities cannot be excluded.

As a nationally systemically important financial institution, Helaba is one of the institutions required by legislation in Germany to have developed and implemented a precautionary recovery plan by the end of 2013 in preparation for a potential crisis.

Despite the new regulatory requirements, Helaba finds itself well placed to meet the challenges of the future with its established strategic business model and sees additional development opportunities in the expansion of regional private customers and SME business, S-Group business, public development and infrastructure business and in the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. Helaba's strategy for profitability aims to realise further improvements in its sustainable earning power and enhance its enterprise value while maintaining a conservative view of its risk-bearing capacity and taking account of the marked increase in banking structural costs as a result of regulatory actions.

Summary

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

Report on Events After the Reporting Date

There have been no significant events after the end of the financial year on 31 December 2012.

Report on Expected Developments

Economic conditions
Global economic growth is expected to pick up slightly in 2013 as compared with recent years to move above 3 %. Thanks to expansive monetary and fiscal policy, China and Brazil in particular are likely to take the lead in powering the global economy. The process of consolidation and structural reform in the euro zone will continue in 2013 in pursuit of further reductions in budget deficits. The euro zone will thus continue to be more advanced in the consolidation process than countries such as the USA, where growth is expected to be slightly weaker than in the previous year (subject to the nature of the agreement reached in the budget stand-off). The recession in Italy and Spain, two of the major euro countries, will persist at first but improved competitiveness should help the forces of growth gradually regain the upper hand here too from the middle of the year. The French economy will see slight growth at best. In Germany, in contrast, the economic picture looks much brighter and key early indicators already suggest a turnaround is on its way. Germany's competitive industrial sector will benefit over the course of the year from the upturn in the newly industrialised countries. A new period of inventory building will also help and growth of around 1 % is thus a possibility for Germany in 2013. Following a spell of weakness, capital spending on equipment and investment in construction should begin to impart positive momentum. Foreign trade should contribute to growth again too thanks to increasing exports and the economic impetus provided by private consumption is expected to reach at least average levels. Public authorities may well finish the year with a slight budget surplus once more.

Interest rate levels for 2013 will continue to be dictated by the central banks. The European Central Bank is expected to fix its key interest rate at 0.75 % and the Fed too is unlikely to raise its rates. The main central banks in the industrialised countries will in almost all cases press on with their exceptional measures. Capital market rates in Germany will probably rise in response to the upturn in economic activity and the expected further easing of the European sovereign debt crisis. The central banks will tend to hold interest rates down even over the medium term, however, in order to support the sovereign debt reduction process.

There are signs that growth will accelerate in 2014 both in the euro zone and in the USA. Overall, therefore, the coming year is likely to bring a further increase in global economic growth.

Further development of the strategic business model

The economic and regulatory environment for banking and the financial markets has changed markedly as a result of the financial crisis and events in the euro zone. Nowhere is this more evident than in the much more stringent qualitative and quantitative requirements for capital adequacy and liquidity introduced with Basel III/CRD IV, which cannot be met without structural adjustment processes. Rising banking structural costs and persistently low interest rates, moreover, are reducing the profitability of the banking sector as a whole. Helaba's medium-term business and income planning accordingly aims to adjust its portfolios in the core business areas over the next few years in order to refine and sharpen the focus of its strategic business model and stabilise earnings. These adjustments are intended

- to align activities even more closely with the needs of customer and S-Group business and hence with Helaba's strong presence in the real economy,
- to create an even stronger regional focus on Germany and neighbouring European core countries while maintaining the branch offices in London, New York and Paris in order to safeguard the depth of service for customer and S-Group business and to secure access to the funding markets, especially for the US dollar and sterling,
- to bring about further improvements in the cost trend and
- to achieve a moderate business-led increase in risk-weighted assets in line with the target capital ratios set out in the equity strategy.

Helaba's projected strategy for profitability aims to bring about further improvements in its sustainable earning power and enhance its enterprise value while maintaining a conservative view of its risk-bearing capacity and taking account of the changed regulatory environment.

Probable development of the Group

The general economic environment is expected to be more favourable in 2013 and this should have a positive effect on customer business. The money and capital markets relaxed considerably in 2012. The markets will again be heavily influenced by the consolidation efforts of national governments in 2013, however, and interest rates will remain stubbornly at their current low level. We expect the EUR/USD exchange rate to stabilise around its current level. A raft of domestic and international regulatory measures are due to be finalised over the course of 2013, leading to marked changes in the operating environment for the banking sector. Capital backing, especially in the form of Common Equity Tier 1 capital, and the operating costs associated with regulatory compliance will rise again. Competition in the markets of interest to us is also likely to increase as a result in part of banks focussing more closely on their home markets and in part of greater competition from non-banks. This will produce an overall decline in profitability in the banking sector.

Faced with these conditions, Helaba expects its proven and refined business model to maintain operating revenues at essentially the same level as in the last few years in 2013. Net interest income is expected to be down slightly year-on-year at € 1.1 bn.

Medium- and long-term new business is expected to increase by around 10 % year-on-year to € 16.8 bn. Most of this growth stems from the enhanced potential of the S-Group Bank and target customers in North Rhine-Westphalia and Brandenburg as a result of the integration process. The main contributions to earnings will again be generated in the fields of real estate and corporate finance. The focus of new business in regional terms will rest on Germany and neighbouring European core countries.

Slight increases in portfolio volume are envisaged in real estate lending business and corporate finance. The expectation of growth in real estate lending business is founded on an anticipated further strengthening of demand in 2013. The Corporate Finance business area will continue to concentrate on providing finance for target customers and infrastructure projects in 2013. Margins are expected to be unchanged from the previous year despite low interest rates and greater competition.

Customer-driven earnings in capital market business will rise in 2013 as a result of the expanded customer base and in particular of the business brought in by the Sparkassen and their customers in North Rhine-Westphalia and Brandenburg. Net trading income in 2013 will, however, fall short of the extraordinarily strong figure posted in 2012 as only limited narrowing of spreads is expected. Trading book portfolios will exhibit a sideways trend.

The Asset Management business area is expected to see volume and earnings trends consolidate at the current level.

Following the takeover of NRW-Verbundbank, Helaba's Private Customers and SME Business division now serves a total of 166 institutions across the German states of Hesse, Thuringia, North Rhine-Westphalia and Brandenburg as Sparkasse central bank. With the systems having been linked in 2012, the main emphasis in 2013 will be on transferring the portfolios and working to bring collaboration with the Sparkassen in North Rhine-Westphalia and Brandenburg up to the high level of intensity established in the traditional core territories of Hesse and Thuringia.

Helaba's Public Development and Infrastructure Business corporate unit performs public development functions for the State of Hesse, most notably in the areas of residential construction and urban development, infrastructure, industry and commerce, agriculture and the environment, through WIBank. The scope of activities in this area will expand in 2013 as additional development responsibilities are taken on and the Municipal Protection Shield (KSH) to reduce the indebtedness of its municipal authorities is established in conjunction with the State of Hesse. The ability to operate in the funding markets under its own name and closer servicing from units within Helaba will enhance WIBank's effectiveness.

Helaba plans to maintain employee numbers at essentially the same level in 2013 as in 2012. Personnel expenses will increase by around 5 % in 2013 owing to the inclusion of staff at the Düsseldorf site for the whole year and changes in collectively agreed conditions. Helaba expects to reduce headcount over the medium term in line with the announcements already made. Material costs including depreciation charges will rise by around 6 % in 2013 as a result of the inclusion of material costs at the Düsseldorf site for the full year plus additional project costs for the migration of the elements of the NRW business acquired. Cost items such as the German bank levy, payments to associations and contributions to deposit guarantee schemes will also all increase significantly, although depreciation and amortisation are expected to be lower.

Provisions for losses on loans and advances in 2012 were strongly affected by special items, but overall plans for 2013 envisage a return to the long-term average. The atmosphere in the ship finance market is likely to remain tense in 2013, but improvements in general creditworthiness in other customer segments should help to redress the balance.

Helaba expects Group net profit before taxes in 2013 to work out around 18 % lower than the very strong figure of the previous year as a result of lower net trading income and an increase in general and administrative expenses associated with the integration of NRW-Verbundbank.

Current trends are expected to continue in the business areas in 2014 with the earnings trend stable overall. A reduction in project-related integration costs and tougher cost management should bring general and administrative expenses down in 2014, leading to an increased in profit before tax.

The Bank's expected performance is subject to indirect risks in the form of the uncertainty surrounding the outcome of the sovereign debt crisis. Negative developments in individual market segments cannot be excluded even if economic progress is robust overall.

Overall assessment
Helaba successfully improved its results before taxes again year-on-year in 2012 despite the high benchmark set in the previous year.

Contributory factors included Helaba's priorities in its business and risk policies, the stabilisation of the financial markets in the euro zone and the good progress of the German economy. The takeover of NRW-Verbundbank and the associated Sparkasse central bank function, which means Helaba now performs this function for 40 % of Germany's Sparkassen, enabled Helaba simultaneously to strengthen its institutional roots in the German Sparkasse organisation further and to boost its market position in key business areas.

Helaba remains well-placed for the future, despite the new regulatory requirements, thanks to its strategic business model and the strong focus on the needs of the real economy and sees opportunities for further growth in the expansion of S-Group and customer business and of public development and infrastructure business. Helaba's strategy for profitability aims to realise further improvements in its sustainable earning power and enhance its enterprise value while maintaining a conservative view of its risk-bearing capacity and taking account of the increase in banking structural costs as a result of regulatory actions.

Frankfurt am Main/Erfurt, 27 March 2013

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Fenk	Gröb	Groß
Dr. Hosemann	Krick	Dr. Schraad	

Consolidated Financial Statements

Income Statement

for the period 1 January to 31 December 2012

	Notes	2012 in € m	2011 in € m	Change in € m	Change in %
Interest income		5,496	5,140	356	6.9
Interest expenses		–4,351	–4,073	–278	–6.8
Net interest income	(4), (21)	**1,145**	**1,067**	**78**	**7.3**
Provisions for losses on loans and advances	(11), (22)	–238	–273	35	12.8
Net interest income after provisions for losses on loans and advances		**907**	**794**	**113**	**14.2**
Commission income		434	409	25	6.1
Commission expenses		–171	–155	–16	–10.3
Net commission income	(23)	**263**	**254**	**9**	**3.5**
Net trading income	(4), (24)	411	–44	455	>100.0
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	(4), (5), (25)	–114	280	–394	>–100.0
Net income from hedge accounting	(5), (26)	3	12	–9	–75.0
Net income from financial investments	(4), (27)	–1	–23	22	95.7
Net income (loss) from equity-accounted companies	(3), (28)	–12	7	–19	>–100.0
Other operating income/loss	(12), (29)	236	209	27	12.9
General and administrative expenses	(30)	–1,181	–997	–184	–18.5
Profit before tax		**512**	**492**	**20**	**4.1**
Taxes on income	(19), (31)	–194	–95	–99	>–100.0
Consolidated net income (for the period)		**318**	**397**	**–79**	**–19.9**
thereof: Attributable to non-controlling interests		1	–	1	–
thereof: Attributable to shareholders of the parent company		317	397	–80	–20.2

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Statement of Comprehensive Income

for the period 1 January to 31 December 2012

		2012	2011	Change	
	Notes	in € m	in € m	in € m	in %
Consolidated net income according to the income statement		**318**	**397**	**–79**	**–19.9**
Items not reclassified to the income statement:					
Actuarial gains (+)/losses (–) on pension obligations	**(52)**	**–266**	**–54**	**–212**	**>–100.0**
Taxes on income on items not to be reclassified to the income statement		**78**	**15**	**63**	**>100.0**
Subtotal		**–188**	**–39**	**–149**	**>–100.0**
Items subsequently reclassified to the income statement:					
Gains or losses on available-for-sale financial investments					
Measurement gains (+) and losses (–) on available-for-sale financial investments		375	2	373	>100.0
Gains (–) and losses (+) reclassified to the income statement upon disposal or impairment of the assets		–6	–11	5	45.5
Changes due to currency translation					
Gains (+)/losses (–) on currency translation of foreign operations		–1	5	–6	>–100.0
Gains or losses on cash flow hedges					
Measurement gains (+)/losses (–) on hedging instruments in cash flow hedges		–7	–10	3	30.0
Taxes on income on items to be reclassified to the income statement	(31)	**–117**	**14**	**–131**	**>–100.0**
Subtotal		**244**	**–**	**244**	**–**
Other comprehensive income after taxes		**56**	**–39**	**95**	**>100.0**
Total gains/losses for the reporting period		**374**	**358**	**16**	**4.5**
thereof: Attributable to non-controlling interests		–	–2	2	100.0
thereof: Attributable to shareholders of the parent company		374	360	14	3.9

Statement of Financial Position

as at 31 December 2012

Assets

	Notes	31.12.2012 in € m	31.12.2011 in € m	Change in € m	Change in %
Cash reserve	(33)	8,925	351	8,574	>100.0
Loans and advances to banks	(4), (34)	23,236	15,295	7,941	51.9
Loans and advances to customers	(4), (35)	90,821	84,041	6,780	8.1
Allowances for losses on loans and advances	(11), (36)	–1,205	–1,256	51	4.1
Trading assets	(4), (37)	37,954	37,960	–6	–
Positive fair values of non-trading derivatives	(4), (5), (38)	6,992	4,285	2,707	63.2
Financial investments	(4), (39)	27,937	18,755	9,182	49.0
Shares in equity-accounted companies	(3), (40)	66	50	16	32.0
Investment property	(12), (41)	2,423	2,436	–13	–0.5
Property and equipment	(13), (42)	266	315	–49	–15.6
Intangible assets	(14), (43)	193	167	26	15.6
Income tax assets	(19), (44)	753	636	117	18.4
Non-current assets held for sale and disposal groups	(15), (45)	–	8	–8	–100.0
Other assets	(16), (46)	940	942	–2	–0.2
Total assets		**199,301**	**163,985**	**35,316**	**21.5**

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Equity and liabilities

	Notes	31.12.2012 in € m	31.12.2011 in € m	Change in € m	Change in %
Liabilities due to banks	(4), (47)	39,275	31,533	7,742	24.6
Liabilities due to customers	(4), (48)	47,611	41,907	5,704	13.6
Securitised liabilities	(4), (49)	57,168	37,243	19,925	53.5
Trading liabilities	(4), (50)	36,148	37,198	–1,050	–2.8
Negative fair values of non-trading derivatives	(4), (5), (51)	4,982	3,916	1,066	27.2
Provisions	(17), (18), (52)	1,644	1,279	365	28.5
Income tax liabilities	(19), (53)	637	357	280	78.4
Other liabilities	(16), (54)	656	592	64	10.8
Subordinate capital	(20), (55)	4,363	4,466	–103	–2.3
Equity	(56)	6,817	5,494	1,323	24.1
Subscribed capital		2,509	2,397	112	4.7
Capital reserves		1,546	658	888	>100.0
Retained earnings		2,642	2,554	88	3.4
Revaluation reserve		162	–88	250	>100.0
Currency translation reserve		4	5	–1	–20.0
Cash flow hedge reserve		–23	–19	–4	–21.1
Non-controlling interests		–23	–13	–10	–76.9
Total equity and liabilities		**199,301**	**163,985**	**35,316**	**21.5**

Statement of Changes in Equity

for the period 1 January to 31 December 2012

in € m

	Equity attributable to shareholders of the parent company								Non-controlling interests	Total equity
	Subscribed capital	Silent partner contributions	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Cash flow hedge reserve	Subtotal		
Equity at 1.1.2011	**477**	**1,920**	**658**	**2,263**	**–91**	**–**	**–13**	**5,214**	**–11**	**5,203**
Changes in basis of consolidation				–1				–1		–1
Dividend payment				–38				–38		–38
Servicing of silent partner contributions				–28				–28		–28
Reclassification	1,920	–1,920						–		–
Total gains/losses for the reporting period	–	–	–	358	3	5	–6	360	–2	358
Equity at 1.1.2012	**2,397**	**–**	**658**	**2,554**	**–88**	**5**	**–19**	**5,507**	**–13**	**5,494**
Changes in basis of consolidation				–3				–3	–10	–13
Capital increase	112		888					1,000		1,000
Dividend payment				–38				–38		–38
Total gains/losses for the reporting period				129	250	–1	–4	374	–	374
Equity at 31.12.2012	**2,509**	**–**	**1,546**	**2,642**	**162**	**4**	**–23**	**6,840**	**–23**	**6,817**

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Cash Flow Statement

for the period 1 January to 31 December 2012

in € m

	2012	2011
Net income for the financial year	**318**	**397**
Non-cash items in net income or loss and reconciliation to cash flow from operating activities:		
Depreciation, amortisation, impairment allowances and reversals of impairment allowances on loans and advances and non-current assets	302	269
Additions to/reversals of provisions	244	221
Other non-cash expense/income	–303	77
Gain or loss on the disposal of non-current assets	–74	–75
Other adjustments	–979	–955
Subtotal	**–492**	**–66**
Changes in assets and liabilities from operating activities after adjustment for non-cash items:		
Loans and advances to banks	–4,076	–874
Loans and advances to customers	13,660	3,728
Trading assets/liabilities	2,008	–276
Other assets from operating activities	303	–33
Liabilities due to banks	–733	–146
Liabilities due to customers	–164	1,044
Securitised liabilities	–4,523	–3,266
Other liabilities from operating activities	–30	–78
Interest and dividends received	5,477	5,160
Interest paid	–5,630	–4,094
Income tax payments	–69	–132
Cash flow from operating activities	**5,731**	**967**
Proceeds from the disposal of:		
Financial investments	6,459	4,567
Property and equipment	142	–
Investment property	44	42
Intangible assets	–	1
Payments for the acquisition of:		
Financial investments	–4,554	–5,469
Property and equipment	–14	–23
Investment property	–63	–90
Intangible assets	–25	–17
Effect of changes in basis of consolidation:		
Payments for the acquisition of subsidiaries and associated companies	–18	–1
Proceeds from the disposal of subsidiaries and associated companies	3	49
Cash flow from financing activities	**1,974**	**–941**

in € m

	2012	2011
Proceeds from capital increase	1,000	–
Dividend payments	–38	–38
Servicing of silent partner contributions	–28	–28
Other financing activities (subordinate capital)	–84	–46
Cash flow from financing activities	**850**	**–112**
Cash and cash equivalents at 1.1.	**351**	**436**
Cash flow from operating activities	5,731	967
Cash flow from investing activities	1,974	–941
Cash flow from financing activities	850	–112
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	19	1
Cash and cash equivalents at 31.12.	**8,925**	**351**
thereof:		
Cash on hand	78	59
Balances with central banks	8,847	292

The cash flow statement shows the composition of and changes to cash and cash equivalents in the financial year. The changes in cash and cash equivalents are attributable to operating activities, investing activities and financing activities.

The cash flow from operating activities comprises proceeds from and payments for loans and advances, liabilities, trading assets/liabilities and other assets or liabilities. The interest and dividend payments resulting from operating activities are shown separately. The other adjustments relate to net interest income and taxes on income excluding deferred taxes.

The cash flow from investing activities comprises proceeds and payments for financial investments, property and equipment, investment property and intangible assets as well as proceeds and payments for the sale or acquisition of subsidiaries and associated companies. Further details concerning the consolidated companies purchased or sold are set out in Note (2).

Cash flow from financing activities comprises inflows and outflows for subordinate capital. The dividends paid out in the financial year and the servicing of the silent partner contributions disclosed as equity are also recognised in this item.

Cash and cash equivalents correspond to the cash reserve, which comprises cash on hand and balances with central banks.

Notes

Accounting Policies

(1) Basis of Presentation

Basis of accounting
The consolidated financial statements of the Helaba Group for the year ended 31 December 2012 have been prepared pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the **International Financial Reporting Standards (IFRSs)** as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

See Glossary p. 276

The consolidated financial statements comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the notes. The segment reporting is included within the notes. The group management report in accordance with section 315 HGB includes a separate report on the opportunities and risks of future development (opportunity and risk report) in which the risk management system is also explained.

The reporting currency of the consolidated financial statements is the euro (€). Euro amounts are generally rounded to the nearest million.

The IFRSs and International Financial Reporting Standards Interpretations (IFRICs) that were in force as at 31 December 2012 have been applied in full. The relevant requirements of German commercial law as specified in section 315a HGB have also been observed.

The 2012 financial year was the first year in which mandatory application was required for the amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets, which had been adopted by the EU. The IASB has included additional disclosure requirements in IFRS 7. The objective of these amendments is to improve transparency for the readers of financial statements with regard to the risks arising from transfers of financial assets in which the entity transferring the assets retains a continuing involvement. The revised version of IFRS 7 came into force for financial years that began on or after 1 July 2011. Please refer to Notes (59) and (60) for information on the application of the revised IFRS 7.

Under IASB requirements, the following standards also ought to have been applicable for the first time in the 2012 financial year. However, when adopting the standards, the EU postponed mandatory initial application until financial years beginning on or after 1 January 2013. Helaba did not apply these standards in 2012.

- Amendments to IAS 12 Income Taxes: Deferred Tax – Recovery of Underlying Assets
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.

The amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income were to be applied on a mandatory basis only in financial years beginning on or after 1 July 2012. Helaba nevertheless opted to apply these amendments at an earlier date. As a result of these amendments, entities must in future present items of other comprehensive income separately in two categories depending on whether or not the items might be reclassified to profit or loss in subsequent periods, a process known as recycling.

The other IFRSs and IFRICs that have only been partially adopted by the EU and that will only become mandatory in later financial years have not been applied by Helaba in advance, nor is any early application planned. With the exception of IFRS 9 Financial Instruments and IFRS 10 Consolidated Financial Statements, these standards and interpretations are expected to have little or no impact on the consolidated financial statements. This also applies to new or amended standards and interpretations that are to be applied for the first time in 2013.

On 12 November 2009, the IASB published a new standard (IFRS 9) governing the classification and measurement of financial instruments. It then extended this standard on 28 October 2010 to include provisions covering the recognition of financial liabilities. The publication of the above represented the conclusion of the first part of the three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard. IFRS 9 has introduced new regulations for classifying and measuring financial assets and financial liabilities. As things stand currently, the standard will have to be applied for the first time in financial years that begin on or after 1 January 2015, subject to the proviso that the standard is first adopted by the EU. The IASB plans to broaden the scope of IFRS 9 to include new provisions on impairment (phase 2) and on hedge accounting (phase 3). It is also proposing to introduce limited amendments to the provisions for classifying and measuring financial instruments (phase 1).

On 12 May 2011, the IASB published IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. IFRS 10 Consolidated Financial Statements is the result of an IASB project to bring together and replace the standards in the previous IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. In the timetable specified by the IASB, the new standards were to be applied in financial years that begin on or after 1 January 2013. However, as part of the process of adoption of these standards by the EU, mandatory initial application has been postponed until financial years beginning on or after 1 January 2014. Earlier application of the standards is permitted provided that this is disclosed in the notes and that IFRS 11 and IFRS 12 as well as the new provisions relating to IAS 27 and IAS 28 are also applied at the same time. However, Helaba has no plans for such earlier application. Investigations into the actual impact on the consolidated financial statements have not yet been completed. The initial application of these standards may mean that there is no longer any consolidation requirement for companies that are currently only subject to consolidation under the present version of SIC-12.

Amendments in accordance with IAS 8

In connection with the disclosures under IAS 24 (see Note (78)), Helaba has for the first time set out disclosures concerning related party transactions included in subordinate capital and financial investments on the face of the statement of financial position. The prior-year figures have been added accordingly.

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In 2011, the irrevocable loan commitments were incorrectly reported in the disclosures relating to the breakdown of maturities (see Note (63)), credit risks attributable to financial instruments (see Note (71)) and contingent liabilities and other off-balance-sheet obligations (see Note (72)). The prior-year figures have been restated accordingly.

The assets transferred as collateral were incorrectly reported in the disclosures on collateral in 2011 (see Note (58)). The prior-year figures have been restated accordingly.

In the disclosures on leasing (see Note (76)), the disclosures on operating leases (with Helaba as lessor) in one subsidiary were incorrectly reported. The prior-year figures have been restated accordingly.

In Notes (23), (30), (35) and (47), some of the items within the prior-year figures have been reclassified. Please refer to the note concerned for further details.

There was no impact on consolidated net income for the year or on equity from the restated prior-year figures specified above.

In the first half of 2012, the parameters used in the valuation model for determining credit value adjustments (CVAs) were reviewed on the basis of actual incidents of default. Through the CVAs, the counterparty default risk is taken into account in the measurement of **OTC derivatives**. As a result, the recovery rates for unsecured derivatives with property companies were reduced in the CVA calculation. This adjustment to the valuation model amounted to a change in estimates in accordance with IAS 8.32 et seq. that did not lead to any requirement to restate the prior-year figures. The model adjustment led to an increase in the CVA discount by € 33 m, which was recognised under net trading income in the income statement.

See Glossary p. 277

For reasons related to a change in volume and market estimates, Helaba has adjusted the measurement of liability-side financial instruments to which the fair value option is applied. This change in estimates is reflected in a net effect of € 28 m under gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied.

Helaba determines the discount rate for measuring pension provisions largely on the basis of Mercer interest rate recommendations. Given the changes that were seen particularly in 2012 in credit ratings for various issuers, Mercer in 2012 broadened the scope of the bonds it analyses for the purposes of determining interest rates in order to provide the best possible reflection of the market and ensure that the model remains sound. The method used to produce the yield curve itself was not changed. The increase in the scope of the base data has therefore been treated as a change in estimates in accordance with IAS 8. According to the data provided by Mercer, the extended base data would have resulted in an interest rate of 4.70 % as at 31 December 2011, assuming a mixed employee breakdown (excluding the extended base data: 4.90 %). If this interest rate had been used as the discount rate for the pension provision calculations, it is estimated that pension provisions or actuarial losses would have been higher by an amount of approximately € 44 m as at 31 December 2011. In 2012, the actuarial losses would have been correspondingly lower; it is estimated that the interest expense would also have been € 1 m lower.

Principles of recognition and measurement
The consolidated financial statements are based on the 'going concern' principle. Like Helaba, the entities included in the consolidated financial statements (via full consolidation or by using the equity method) have generally also prepared their separate annual financial statements to a reference date of 31 December 2012. Even in exceptional cases, which mostly relate to collective investment undertakings, figures as at 31 December 2012 have been included. Unless otherwise stated, accounting policies have been applied uniformly throughout the Group and consistently in accordance with the reporting period shown. If the Group has elected to exercise any options, this is described in the following notes.

An asset is recognised in the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be reliably measured. A liability is recognised in the statement of financial position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Assets and liabilities are generally measured at amortised cost unless an alternative measurement method is prescribed. Income and expenses are recognised in the period to which they are attributable from an economic perspective.

The necessary assumptions, estimates and assessments in connection with recognition and measurement are applied in accordance with the relevant standard, are continuously reviewed and are based on past experience and other factors, such as planning, expectations and forecasts of future events. Estimation uncertainty arises in particular in connection with provisions for losses on loans and advances, impairment of assets including goodwill and other intangible assets, the determination of fair values for certain financial assets and liabilities, and the recognition of deferred tax assets, provisions and other obligations. These assumptions, estimates and assessments affect the assets and liabilities reported as at the reporting date and the income and expenses reported for the year.

The main accounting policies are described below.

(2) Basis of Consolidation

In addition to the parent company Helaba, a total of 118 companies are consolidated in the Helaba Group (2011: 110 companies). Of this total, 91 (2011: 85) companies are fully consolidated and 27 (2011: 25) companies are included using the equity method. The fully consolidated companies are subsidiaries and special purpose entities, including collective investment undertakings.

The consolidated financial statements do not include 48 subsidiaries, 14 joint ventures and 22 associates that are of minor significance for the presentation of the financial position and financial performance of the Helaba Group. The shares in these companies are reported under financial investments.

The subsidiaries, joint ventures and associates included in the consolidated financial statements are listed in Note (86). This list also includes an explanation if the classification of the entity concerned as a subsidiary, joint venture or associate is different from the classification indicated by the percentage of voting rights.

The changes in the basis of consolidation during the financial year are primarily attributable to new subsidiaries of the Bank.

Changes in the group of fully consolidated companies

Additions	
ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach CORDELIA Verwaltungsgesellschaft mbH, Pullach EGERIA Verwaltungsgesellschaft mbH, Pullach HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach KADENZA Verwaltungsgesellschaft mbH, Pullach	First-time consolidation following transfer of substantially all the risks and rewards
MS "EAGLE STRAIT" GmbH & Co. KG, Hamburg MS "EMERALD STRAIT" GmbH & Co. KG, Hamburg MS "ENDEAVOUR STRAIT" GmbH & Co. KG, Hamburg MS "ESSEX STRAIT" GmbH & Co. KG, Hamburg	First-time consolidation following transfer of substantially all the risks and rewards

In the case of the first six companies listed above, additions to the basis of consolidation arose from the transfer at the end of the year of substantially all the risks and rewards from two vehicles for closed-end investment funds that had acquired rights under endowment insurance policies. These additions gave rise to negative goodwill of € 1 m, which was recognised immediately in profit or loss. The first-time consolidation led to an addition to receivables from endowment insurance policies amounting to € 194 m, which is reported under financial investments.

The four "STRAIT" ship holding companies are deemed to be subsidiaries as defined by IAS 27 in conjunction with SIC-12 as most of their risks have been assumed by Helaba following the failure of the original charter company and the impact of current market trends. The first-time consolidation led to an addition of € 116 m to leased assets at the beginning of 2012.

Disposals	
Dritte Projektentwicklungs-GmbH & Co. Schulen Landkreis Kassel KG, Kassel	Shares sold in March 2012
IHB Investitions- und Handels-Aktiengesellschaft, Frankfurt am Main	Deconsolidated because the investment became immaterial as from January 2012
Magnolia GmbH & Co. KG, Frankfurt am Main	Shares sold in December 2012
Projektgesellschaft Andreasstrasse mbH, Erfurt	Shares sold in December 2012

The deconsolidation of IHB Investitions- und Handels-Aktiengesellschaft produced a net deconsolidation loss of € 1 m. The deconsolidation of Dritte Projektentwicklungs-GmbH & Co. Schulen Landkreis Kassel KG, Magnolia GmbH & Co. KG and Projektgesellschaft Andreasstrasse mbH led to a net gain of € 1 m in each case.

Changes in the group of equity-accounted companies

Additions	
Horus Projektentwicklungsgesellschaft mbH, Munich	Shares acquired in May 2012
Projekt Feuerbachstrasse GmbH & Co. KG, Frankfurt am Main	Shares acquired in February 2012
WoWi Media GmbH & Co. KG, Hamburg	Further shares acquired in December 2012

The net gain/loss from the remeasurement of the existing shares in WoWi Media GmbH & Co. KG and the recognition in profit or loss of negative goodwill amounting to a total of € 2 m are reported under net income (loss) from equity-accounted companies.

Disposals	
G & O Gateway Gardens Zweite GmbH & Co. KG, Eschborn	Shares sold in July 2012

The gain on the disposal of G & O Gateway Gardens Zweite GmbH & Co. KG, Eschborn, amounted to € 0.3 m and is reported under net income (loss) from equity-accounted companies.

Following the departure of one of the partners in CORPUS SIREO Holding GmbH & Co. KG, Frankfurter Sparkasse was classified as having joint control over this entity whereas previously it had only had significant influence. The actual holding in CORPUS SIREO Holding GmbH & Co. KG remained unchanged. The inclusion of this entity in the consolidation using the equity method is not affected by this change.

Acquisition of the S-Group business of Portigon AG (formerly WestLB AG)

As at 1 July 2012, Helaba acquired the S-Group Bank business of Portigon AG, the former WestLB AG, with Sparkassen and customers in North Rhine-Westphalia and Brandenburg. As an S-Group Bank, Helaba therefore not only continues to provide support for the 50 Sparkassen in Hesse and Thuringia, it also acts as a central institution for 106 banks in North-Rhine Westphalia and 11 in Brandenburg. The deal was entered in the commercial register in September 2012. It was only at this point that the payment transactions and custodian bank business was transferred to Helaba. The economic interest in all other activities of the S-Group Bank business was transferred to Helaba as from 1 July 2012.

The transfer of the S-Group Bank activities formed part of the action ordered by the EU Commission to break up WestLB. The acquisition of this business by Helaba involved the transfer of 410 employees and assets and liabilities making up total assets/total equity and liabilities of € 43 bn as at the reference date.

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Helaba was able to use this takeover of S-Group Bank activities to continue to strengthen its competitiveness, market presence and product range for Sparkassen. Alongside this deal, Helaba also broadened its ownership base with the addition of new co-owners. These developments are to the benefit of all the supported Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg.

The S-Group Bank business was transferred to Helaba with an economic value of zero. The business was valued on the basis of valuation reports and calculations of fair value produced by experts. As part of the preliminary purchase price allocation in accordance with IFRS 3, the identifiable assets and liabilities received by Helaba had to be recognised at fair value. The summary structure of the additions as at 1 July 2012 on the basis of these fair values was as follows:

	in € bn
Additions of assets	
Loans and advances to banks	3.9
Loans and advances to customers	20.7
Financial investments	10.4
Trading assets and positive fair values of non-trading derivatives	7.1
Other assets	1.2
Total assets	**43.3**
Additions of liabilities	
Liabilities due to banks	8.5
Liabilities due to customers	7.2
Securitised liabilities	24.7
Trading liabilities and negative fair values of non-trading derivatives	2.9
Total liabilities	**43.3**

The recognition of identifiable assets and liabilities at fair value left a residual amount of € 16 m, which was recognised as goodwill. This also equates to the amount of goodwill recognisable for income tax purposes.

The acquisition of the S-Group Bank business included an agreement on a mechanism to compensate for any changes in value between the date on which values were determined and the values of the portfolio as at 30 June 2012. At the time these consolidated financial statements were prepared, the parties to the agreement had not yet completed the reconciliations in this regard.

The acquired loans and advances were recognised at fair value on initial recognition. Any necessary allowances for losses on the loans and advances were included when determining fair value. Helaba did not identify any amounts that were not on an arm's-length basis in the contingent liabilities of € 2.9 bn taken over as part of the deal.

(3) Principles of Consolidation

All amounts in the consolidated financial statements of the Helaba Group are recognised and measured in accordance with uniform standards applied throughout the Group for all the entities included. All material subsidiaries and other entities that are controlled directly or indirectly by Helaba or that are deemed to form part of the Helaba Group under the provisions of IAS 27 and SIC-12 are fully consolidated. Material joint ventures and investments in associates are measured using the equity method in accordance with IAS 28. In individual instances, where the entity is only of minor significance when viewed individually and in the context of the financial circumstances of the Group overall, the entity concerned is not consolidated or accounted for using the equity method. In such cases, the shares in the entity concerned are reported under financial investments.

The annual financial statements of the consolidated entities (including those entities accounted for using the equity method) are generally prepared to the same accounting reference date as the Helaba annual financial statements and consolidated financial statements. Different accounting reference dates are only used in a small number of minor exceptional cases involving collective investment undertakings. However, even in these cases, the entities are consolidated with values recognised as at 31 December 2012.

Entities are consolidated for the first time on the date of acquisition using the acquisition method. The assets and liabilities are measured at the fair value on the date of this first-time consolidation. Any positive differences arising from this initial acquisition accounting process are recognised as goodwill under intangible assets on the face of the statement of financial position. This goodwill is subject to an impairment test at least once a year (see Note (14)). If any negative goodwill arises from this initial consolidation, the fair values are first reviewed before the resulting amount is recognised immediately in profit or loss.

Any shares in subsidiaries not attributable to the parent company are reported as a share of equity attributable to non-controlling interests within the consolidated equity; the equivalent net income is reported as net income attributable to non-controlling interests on the face of the consolidated income statement. Non-controlling interests are determined at the time of addition on the basis of the fair values of the assets and liabilities attributable to these non-controlling interests.

In the case of a business combination achieved in stages (step acquisition), the entity is consolidated from the date on which control is obtained. Any investments acquired prior to the date on which control is obtained are remeasured at fair value on the date of acquisition and used as the basis for acquisition accounting. The difference between the carrying amounts of these previously recognised investments and the fair value is recognised in profit or loss after any recycling any components of the carrying amounts hitherto recognised in other comprehensive income (resulting from remeasurement or because the assets are designated as available for sale).

If entities that have previously been consolidated or accounted for using the equity method no longer have to be included in the consolidation, they are deconsolidated with recognition in profit or loss on the date on which the shares subject to the consolidation are sold or on the date on which control ceases to exist. Any recognition of remaining investments in accordance with IAS 39 or using the equity method is at fair value.

If investments in subsidiaries, joint ventures or associates are intended for disposal in the short term, and the other relevant criteria are satisfied, these investments are measured in accordance with IFRS 5 and the assets, liabilities and share of net income/loss reported under a separate item on the face of the statement of financial position and income statement.

Any intercompany balances between consolidated entities and any income and expenses arising between such entities are eliminated. Intercompany profits and losses arising on transactions between consolidated entities are also eliminated.

Investments in associates and joint ventures are recognised in the statement of financial position at their acquisition cost from the date on which significant influence is obtained or the date on which joint management is established. The carrying amount is remeasured in subsequent years taking into account pro rata changes in equity and the amortisation of identified hidden reserves and charges. The pro rata net income or loss for the year from such investments is reported under net income (loss) from equity-accounted companies on the face of the consolidated income statement.

If the recoverable amount of an investment accounted for using the equity method is less than the current carrying amount, an impairment loss is recognised. If the reasons for a previously recognised impairment loss no longer exist, the impairment loss is reversed, but only up to a maximum of the carrying amount that would have been recognised, including any amortisation, if the impairment loss had not been applied. This does not apply to goodwill. Impairment losses and reversals of impairment losses are recognised in profit or loss under net income (loss) from equity-accounted companies.

(4) Financial Instruments

Under IAS 39, all financial assets and financial liabilities, including all derivatives, must be reported in the statement of financial position. These instruments are initially measured at cost, which equates to the value of the assets given or received at the time of transfer. Transaction costs are generally recognised as acquisition ancillary costs. In the case of cash transactions, non-derivative financial instruments are recognised on the settlement date and derivatives on the trade date. Financial assets are derecognised when the contractual rights associated with an asset expire or are transferred such that substantially all the risks and rewards incidental to ownership are passed to another party or when the control or power over the asset is transferred to another party. Financial liabilities are derecognised when the liabilities are settled.

The subsequent measurement of financial assets or liabilities depends on the IAS 39 category to which the instrument is assigned at the time of acquisition.

Loans and receivables (LaR)
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than financial assets held for trading or designated on initial recognition as assets at fair value through profit or loss. Securities with fixed or determinable payments for which there is no active market may also be classified as loans and receivables.

Loans and receivables are measured at amortised cost. Existing premiums or discounts are allocated over the residual maturity using the effective interest method and recognised in profit or loss under net interest income. The carrying amounts of financial instruments in the loans and receivables category are reported under loans and advances to banks and loans and advances to customers on the face of the statement of financial position. Trade receivables are reported under other assets.

Within hedge accounting, the carrying amounts of loans and advances that form the hedged items in micro fair value hedges are adjusted for the changes in the fair value corresponding to the hedged risk.

Please refer to the disclosures in Note (11) for information on the recognition of risks arising from the lending business.

Financial assets or liabilities at fair value through profit or loss (aFV)
Within this category, a distinction is made between financial instruments that are classified as held for trading and those that, upon initial recognition, are designated irrevocably as at fair value through profit or loss (fair value option, FVO). Financial assets or liabilities in this category are recognised in profit or loss at fair value. Transaction costs are immediately recognised in profit or loss. Derivatives not designated as hedges are always classified as held for trading.

Financial instruments held for trading are instruments acquired or held for the purpose of selling and generating profits from short-term fluctuations in prices or trader margins. These instruments are reported under trading assets or trading liabilities. All income and expenses from financial instruments held for trading are reported under net trading income. Derivatives not held for trading are recognised as positive or negative fair values of non-trading derivatives.

The fair value option is used primarily as part of the hedge management strategy for economic hedges of financial assets and liabilities for which no micro hedge relationship is documented in accordance with IAS 39. The fair value option is also used for financial instruments with embedded derivatives requiring bifurcation. In addition, Helaba uses the fair value option for financial assets and liabilities that are managed at fair value as one unit (portfolio) as part of a documented risk management strategy. Non-derivative financial instruments for which the fair value option has been exercised are reported in the same item in the statement of financial position that would have been used even if the instrument concerned had not been designated as at fair value through profit or loss. Interest (including amortised premiums and discounts) and dividends relating to financial instruments for which the fair value option is used are included in net interest income. Gains or losses from remeasurement and disposals are recognised under gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied.

Held-to-maturity financial assets (HtM)
If a financial asset is to be classified in the held-to-maturity category, it must be a non-derivative financial asset with fixed or determinable payments and a specified maturity date. When the purchaser acquires such financial assets, it must also intend and be able to hold the asset to maturity. The Helaba Group does not assign any financial instruments to this category.

Available-for-sale financial assets (AfS)
The available-for-sale category is used for all non-derivative financial assets that have not already been allocated to one of the other categories specified above. At Helaba, such assets include bonds, shares, other non-fixed-income securities and equity investments. Financial instruments in the available-for-sale category are reported under financial investments. They are generally measured at fair value. If a fair value cannot be reliably determined in the case of equity instruments, they are measured at cost less any impairment losses. This is the case if there are no prices available from active markets and it is not possible to reliably determine the parameters relevant for valuation models. In the case of purchased rights under endowment insurance policies, the asset is measured on the basis of the surrender value notified by the insurance company. This value is then adjusted for contributions and other changes in value up to the reporting date.

Gains and losses from measuring available-for-sale financial assets at fair value are reported – after taking into account deferred taxes – in other comprehensive income and in a separate equity item (revaluation reserve). When hedge accounting is used, the portion of gains or losses attributable to the hedged risk is recognised under net income from hedge accounting.

If the fair value of an asset is expected to be permanently lower than the amortised cost as a result of impairment caused by a change in credit quality, the revaluation reserve is adjusted for the impairment loss amount, the adjustment being recognised in profit or loss under net income from financial investments. Reversals of impairment losses on debt instruments are recognised in profit or loss, whereas reversals of impairment losses on equity instruments measured at fair value are recognised in other comprehensive income. Impairment losses on equity instruments measured at cost are not reversed. The criteria for establishing whether an asset is impaired comprise both timing and value components.

Interest income on securities (including amortised premiums and discounts) and dividend income on shares and other equity investments are reported under net interest income. When a financial asset is sold, the cumulative remeasurement gains and losses recognised in the revaluation reserve are reversed and reclassified to profit or loss under net income from financial investments.

Other financial liabilities (OL)
This category covers financial liabilities that are not classified as at fair value through profit or loss. The liabilities are measured at amortised cost. Premiums or discounts are allocated over the residual maturity using the effective interest method (amortisation) and recognised in profit or loss under net interest income. The carrying amounts are reported in the statement of financial position under liabilities due to banks, liabilities due to customers, securitised liabilities and subordinate capital. Trade payables are reported under other liabilities.

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

(5) Hedge Accounting

IAS 39 sets out comprehensive rules for the accounting treatment of hedges, i.e. the recognition of hedging instruments (particularly derivatives) and the corresponding hedged items.

The Helaba Group enters into derivatives for both trading and hedging purposes. Subject to certain preconditions, IAS 39 provides for the application of special hedge accounting rules if derivatives are demonstrably used for hedging risks arising from non-trading activities not classified as at fair value through profit or loss.

At the beginning of the hedging relationship, both the hedge and the risk management objectives and strategies of the Group, together with the methods for prospective and retrospective measurement of hedge effectiveness, must be documented. In particular, the documentation must clearly identify the hedged item, the risk to be hedged and the hedging instrument involved.

IAS 39 also specifies that hedges should be effective. The effectiveness of hedges is therefore regularly monitored. A hedge is considered effective if, both at the time of designation and over the duration of the hedge, the changes in value of the hedged item are to a large degree offset by those in the hedging instrument (prospective effectiveness test or assumption of effectiveness) and the current gains and losses fall in a range between 80 % and 125 % (retrospective effectiveness test). If a hedge is no longer effective, it is reversed. If the hedged item continues to be recognised in the statement of financial position after the end of the hedging relationship, the adjustments to the carrying amount of the interest-bearing hedged item applied over the duration of the hedge are allocated over the residual maturity of the item concerned and recognised in net interest income.

The Helaba Group uses micro fair value hedge accounting to offset changes in the fair value of hedged items (caused by changes in interest rates) with changes in the value of derivatives used for hedging. This type of market risk caused by changes in interest rates affects, in particular, the issuing and lending activities of the Group and the fixed-income securities in the liquidity investment portfolio. The hedging instruments used by Helaba consist exclusively of interest-rate swaps and cross-currency interest-rate swaps that satisfy the hedge accounting requirements.

In accordance with the rules for fair value hedge accounting, derivatives used for hedging purposes are recognised at fair value and reported under positive or negative fair values of non-trading derivatives in the statement of financial position. In the case of hedged items recognised at amortised cost without hedge accounting, changes in the value of the hedged item attributable to the hedged risk result in a corresponding adjustment of the carrying amount. This change in the fair value of the hedged item attributable to the hedged risk is recognised in profit or loss under net income from hedge accounting together with the opposite change in the hedging instrument.

Cash flow hedges are used only by one fully consolidated special purpose entity and one associate, both of which operate in the real estate sector. Interest-rate swaps are used to hedge against fluctuations in future cash flows that might result from the adjustment of interest rates applicable to liabilities. The effective portion of the fair value change in the hedging instrument is recognised in other comprehensive income; the ineffective portion is recognised directly in profit or loss.

Foreign currency risks are hedged by means of non-derivative financial instruments. These risks are hedged in connection with equity investments classified as available for sale and net investments in a foreign operation. The gains and losses on the currency translation of the hedge are accounted for in other comprehensive income and reported under the currency translation reserve.

Positive and negative fair values of non-trading derivatives
In the Helaba Group, this item is used for reporting derivatives that are not held for trading purposes. This also includes derivatives designated as hedging instruments for a micro fair value hedge. In addition, the item includes derivatives that are used as economic hedges as part of hedge management, but that are not accompanied by the relevant documentation demonstrating fulfilment of the hedge accounting requirements in accordance with IAS 39. Positive fair values are reported on the assets side of the statement of financial position, negative fair values on the liabilities side.

The gains and losses on derivatives not held for trading are reported either under net income from hedge accounting or under gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied, depending on how the derivatives are used. The current income and expenses arising from these derivatives are recognised in net interest income.

(6) Structured Products

Structured products are defined as contracts that consist of a host contract and one or more embedded derivatives. An embedded derivative is an integral component of the structured product and cannot be traded separately.

Subject to certain preconditions, IAS 39 specifies that embedded derivatives must be separated from the associated host contracts (bifurcation) and treated as independent derivatives for accounting purposes unless the entire structure product is measured at fair value through profit or loss.

In the Helaba Group, non-trading financial instruments requiring bifurcation are accounted for separately in each case. Alternatively, the fair value option is used for the entire structured product.

(7) Financial Guarantees

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

In addition, financial guarantees for which the fair value option was exercised on initial recognition are measured at fair value both on initial measurement and in any subsequent remeasurement. Gains or losses from remeasurement are recognised under gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied.

(8) Genuine Repurchase Agreements and Securities Lending

See Glossary p. 277

The Helaba Group enters into genuine repurchase agreements (repurchase agreements in which the buyer is under an obligation to sell back the transferred assets) both as a seller/borrower (**repos**) and as a buyer/lender (reverse repos).

Repos are contracts in which a seller transfers securities that it owns to a buyer in return for the payment of a specified amount. At the same time, it is agreed that the buyer will transfer the securities it has received (or securities of the same type) back to the seller on a specified future date in return for a payment agreed in advance.

Given the buyer's absolute obligation to return the securities at a future point, the seller does not derecognise the securities and they continue to be measured in the consolidated financial statements in accordance with their measurement category as specified in IAS 39 and be reported under trading assets or within the portfolio of financial investments. Correspondingly, securities bought by the Helaba Group under reverse repos are not reported in the consolidated financial statements because there has been no addition to assets from an economic perspective.

If Helaba enters into repos for trading purposes, the cash inflows are measured at fair value and recognised as a liability under trading liabilities. The difference between the payment received and the repayment obligation is recognised as a component of remeasurement gains and losses under net trading income. Open market operations in which the focus is on liquidity management are recognised as liabilities due to banks. The agreed interest payments are reported under net interest income.

In the opposite scenario, cash outflows under reverse repos are reported as loans and advances within the trading assets and measured accordingly (provided that the reverse repos are entered into with the intention of trading). As in the case of repos, re-measurement gains and losses are reported in net trading income in line with the purpose of such transactions.

A distinction must be made between genuine repurchase agreements and securities lending. In the case of the latter, the Helaba Group acts as a lender and also as the borrower of securities.

In securities lending transactions, securities are loaned for a limited period; the borrower undertakes to transfer securities of the same type, quality and quantity back to the lender at the end of the period. The transaction therefore involves a non-cash loan as defined by section 607 of the Bürgerliches Gesetzbuch (German Civil Code, BGB). Any securities transferred to the borrower under a securities lending agreement continue to be recognised in the lender's portfolio of securities (trading assets, financial investments) and measured in accordance with the assigned measurement category. The borrower does not therefore measure or recognise the securities it has borrowed.

Any cash collateral furnished to the other party in connection with securities lending is recognised under loans and advances; any cash collateral received is reported under liabilities. Securities collateral furnished by the Helaba Group continues to be recognised in accordance with the accounting method originally selected.

All income and expenses arising in connection with securities lending, provided that such transactions are for trading purposes, are reported under net trading income. Otherwise, the amounts concerned are reported in net interest income.

Liabilities arising from short-selling of borrowed securities are recognised at fair value under trading liabilities.

(9) Accounting Treatment of Leases

A lease is classified as an operating lease if substantially all the risks and rewards incidental to ownership of the leased asset remain with the lessor. On the other hand, leases in which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee are classified as finance leases.

Leases in which the Helaba Group is the lessor
Where the Helaba Group enters into operating leases, the beneficial ownership in the leased asset remains with the Group company concerned. The leased assets are recognised in the statement of financial position under property and equipment or, in the case of land and buildings, under investment property. The leased assets are recognised in accordance with the principles described for the categories concerned. The lease income is recognised in profit or loss under other operating income/loss on a straight-line basis over the term of the lease unless an alternative distribution of the income is appropriate in individual cases. If a lease is classified as a finance lease, a receivable due from the lessee in an amount equivalent to the value of the net investment in the lease on the date of inception is recognised under loans and advances to customers or loans and advances to banks. The lease instalments received are split into an interest component recognised in profit or loss and a component covering repayment of principal. The interest component is reported in net interest income.

Leases in which the Helaba Group is the lessee
Lease instalments paid under operating leases are reported under general and administrative expenses. In 2012, there were no contractual arrangements classified as finance leases.

(10) Currency Translation

The provisions in IAS 21 are applied in translating transactions denominated in foreign currency in the financial statements of the companies included in the consolidated financial statements and in translating the financial statements of foreign operations with a functional currency that is different from the reporting currency.

All monetary items denominated in foreign currency and equity instruments (shares, equity investments) measured at fair value in foreign currency are translated at the closing rate (the spot rate on the reporting date). Non-monetary items measured at amortised cost (such as property and equipment) are measured using the exchange rate applicable on initial recognition. Currency translation differences, with the exception of differences resulting from equity instruments measured at fair value through other comprehensive income, are recognised in profit or loss.

In order to translate financial statements prepared in foreign currency for operations included in the consolidated financial statements (subsidiaries, branch offices), the temporal method is used initially to translate from the foreign currency into the functional currency where these currencies are different. Figures are then translated into the reporting currency (euros) using the modified closing-rate method. In this method, all monetary and non-monetary assets and liabilities are translated into the reporting currency using the ECB reference rate on the reporting date. Income and expenses for the reporting period are translated using the average rate for the period. All resulting currency translation differences are recognised in a separate equity item (currency translation reserve) until the foreign operation is derecognised or discontinued.

(11) Provisions for Losses on Loans and Advances

Specific loan loss allowances, specific loan loss allowances evaluated on a group basis and portfolio loan loss allowances are recognised to account for the risks arising in connection with the lending business recognised in the statement of financial position.

At every reporting date, the Helaba Group carries out an impairment test on financial instruments in the loans and receivables category recognised under loans and advances. In this process, all significant loans and advances are individually assessed. If there is objective evidence of impairment, the impairment loss requirement is calculated.

The following are examples of the main indicators that may point to the existence of impairment:

- payment in arrears by more than 90 days,
- account overdrawn without authorisation for more than 90 days,
- rating-related restructuring,
- legal enforcement action,
- criteria satisfied for submitting an application for, or initiating, insolvency proceedings,
- action to defer payments.

The recognition of a loan loss allowance is necessary if it is probable that not all the contractually agreed interest payments and repayments of principal will be made. The amount of a specific loan loss allowance is the difference between the carrying amount and the recoverable amount for the loan or advance. The recoverable amount equates to the present value of expected cash flows, including the recovery of collateral if applicable. The original effective interest rate for the loan or advance is used to discount the estimated cash flows; if loans or advances are subject to floating interest rates, the current interest rate is used.

If there are no changes to the expected payments, the present value increases as a result of unwinding the discount over the course of time. The amount resulting from unwinding the discount forms a part interest income. If a specific loan loss allowance is increased or reversed, the addition or reversal is recognised under provisions for losses on loans and advances in profit or loss. These provisions reflect differences between the amount of actual and expected cash flows, changes in expectations regarding future cash flows and changes in variable interest rates since the previous reporting date. The effects of changes in exchange rates are also recognised in profit or loss.

Small loans and advances with indications of impairment are aggregated into narrowly defined portfolios with similar risk structures and measured using a uniform method. Data relating to the measurement of the credit risk, particularly the amounts at risk of default, collateral and historical default probabilities, is fed into the calculation of the specific loan loss allowances evaluated on a group basis. Country risk is implicitly factored into this calculation. This methodology is also used to recognise portfolio loan loss allowances. Portfolio loan loss allowances are recognised for loans and advances where there is no objective evidence of impairment or where no requirement for an impairment loss was identified in the individual assessments of the loans and advances concerned. The purpose of the portfolio loan loss allowance is to cover impairment that might already exist but has not yet been identified. In this case, anticipated losses are multiplied by factors that reflect the time between the occurrence and identification of impairment.

The provisions for losses on loans and advances reported in the statement of financial position are clearly shown as a deduction from the loans and advances to banks and loans and advances to customers. The provisions for losses on off-balance-sheet transactions (contingent liabilities and irrevocable loan commitments) are recognised as a separate provision for risks arising in connection with the lending business. The procedure for calculating the amount of this provision largely reflects the procedure used for determining allowances for the loans and advances recognised in the statement of financial position. However, the probability that a loan or advance will be drawn down is also taken into account in this case.

If loans or advances for which no specific loan loss allowances have been recognised become uncollectible, they are written off immediately. Any amounts subsequently recovered on loans or advances previously written off are recognised in profit or loss.

(12) Investment Property

Investment property is defined as property held to generate rental income in the long term or for capital appreciation, or both.

With regard to the classification of mixed-use property, in other words property in which some areas are rented out and other areas are used by Helaba itself, a check its first performed to determine whether the individual components can be sold or rented out separately and whether there is an active market for these components. If it is not possible for the property to be split, the property is only classified as investment property if the owner-occupancy area is insignificant in relation to the overall size of the property. Property in which Helaba Group companies themselves occupy a significant area is recognised in accordance with IAS 16 and reported under property and equipment.

Investment property is measured at amortised cost. Subsequent additional costs are only capitalised if they give rise to a further economic benefit. In contrast, maintenance costs are expensed as incurred. Borrowing costs are capitalised as part of the acquisition costs in accordance with the provisions in IAS 23. Buildings are depreciated on a straight-line basis over their estimated useful life. The component approach is used if material parts of the property differ significantly in terms of useful life.

The bands used for useful lives are as follows, depending on the type of property usage in each case:

- Residential and commercial property 60–80 years
- Office buildings, other office and business premises 40–60 years
- Special property 20–60 years

Any additional reductions in value are recognised through impairment losses. An impairment loss is reversed if the reason for the original impairment loss no longer exists.

Rental income, gains and losses on disposals, depreciation and other expenses directly attributable to investment property are reported in other operating income/loss.

Different procedures depending on size of property are used to determine the property fair values disclosed in Note (41). In the case of medium-sized and large properties, a valuation is carried out by an external property surveyor at least every three to five years. This valuation is reviewed and updated by an internal expert on an annual basis in the intervening years. The annual valuation of smaller properties is generally carried out internally.

The income approach is used to value the properties.

(13) Property and Equipment

Property and equipment comprises assets used by the Helaba Group itself, including the following: land and buildings, operating and office equipment, properties under construction (provided that they are not being constructed or developed for future use as investment property) and assets leased out to third parties under operating leases.

Property and equipment is measured at amortised cost. This cost comprises the purchase price and all directly assignable costs incurred in order to bring the asset to working condition. Subsequent additional costs are only capitalised if they give rise to a further economic benefit. In contrast, maintenance costs for property and equipment are expensed as incurred.

Where applicable, property and equipment is depreciated on a straight-line basis over its normal useful life with due regard to legal and contractual restrictions. This does not apply to low-value assets, which are written off in full in the year of acquisition.

The range of anticipated useful lives is as follows:

- Buildings 40–60 years
- Operating and office equipment 2–25 years
- Assets used for leasing 5–25 years

Impairment losses are recognised if there are indications of impairment and the carrying amount of an item of property or equipment is greater than the higher of value in use and fair value less costs to sell. If the reasons for an impairment loss no longer exist in subsequent years, the impairment loss is reversed up to a maximum of the carrying amount that would have been recognised including depreciation if the impairment loss had not been recognised.

The depreciation expense and impairment losses on property and equipment are included in general and administrative expenses. Gains and losses on the disposal of assets are reported in other operating income/loss.

(14) Intangible Assets

The main items reported under intangible assets are goodwill arising from acquisition accounting, software and intangible assets acquired as part of a business combination.

Goodwill is subject to an impairment test at least once a year and additionally if there are any indications of impairment. The impairment test is carried out for every cash-generating unit to which goodwill has been allocated. Goodwill is allocated to the identifiable groups of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets and that are intended to derive benefit from the synergies generated by the business combination. Various factors (including the nature of the control over the business activity exercised by the management) are involved in determining whether an asset or a group of assets generates cash inflows that are largely independent of those generated by other assets or groups of assets. In the impairment test, the recoverable amount is compared against the net carrying amount of the cash-generating unit including the carrying amounts of the allocated goodwill. The recoverable amount is the higher of value in use and fair value less costs to sell. If there are no recent comparable transactions or observable market prices available, the value is generally determined using a discounted earnings model which calculates the present value of anticipated future income surpluses. Income forecasts are taken from budgets and individual assumptions regarding growth trends in revenue and costs. The present value is calculated using current local long-term discount rates including a risk supplement comprising a market risk premium and a beta factor. If the goodwill is derived from an asset-related special purpose entity, the present value can also be calculated in relation to the specific asset. An asset is impaired if the carrying amount of the cash-generating unit exceeds the recoverable amount. In this case, an impairment loss in the amount of the difference is recognised. This impairment loss is reported in other operating income/loss.

Software is measured at amortised cost. Such assets are amortised in most cases over a period of three years. Acquired orders on hand are amortised according to contractual maturity. Amortisation expenses and impairment losses related to software and other intangible assets are included in general and administrative expenses. Gains and losses on disposals are reported under other operating income/loss.

(15) Non-Current Assets and Disposal Groups Classified as Held for Sale

Non-current assets held for sale, subsidiaries already acquired with a view to onward disposal, disposal groups as defined by IFRS 5 and the liabilities associated with these assets are reported in a separate item on the face of the statement of financial position. In the case of subsidiaries already acquired with a view to onward disposal, the income and expenses associated with this item (including changes in deferred taxes) are recognised in profit or loss under net income after tax from discontinued operations.

If non-current assets and disposal groups are to be recognised in this way in accordance with IFRS 5, it must be highly probable that the assets and disposal groups concerned will actually be sold within twelve months. A review is carried out at each reporting date to verify that this probability still applies and to check on the fair value less costs to sell.

Until the relevant criteria are satisfied, the assets are measured in accordance with the general recognition and measurement provisions. As soon as the criteria under IFRS 5 are satisfied, the assets are measured from then on at the lower of the carrying amount and fair value less costs to sell.

(16) Other Assets and Other Liabilities

Other assets include property held for sale as part of ordinary business activities. These assets comprise properties, both completed and under construction, that Helaba is itself developing and marketing. The properties are measured at the lower of cost and fair value less cost to sell, i.e. the estimated recoverable sales proceeds less anticipated remaining costs for completion and sale. Borrowing costs are capitalised provided that the relevant criteria are satisfied. Income and expenses in connection with property held for sale are reported under other operating income/loss.

Other assets and other liabilities are used for reporting any other assets or liabilities that, viewed in isolation, are of minor significance and that cannot be allocated to any other item in the statement of financial position.

(17) Provisions for Pensions and Similar Obligations

Company pension arrangements in the Helaba Group comprise various types of benefit plans. There are both defined contribution plans and defined benefit plans.

In the case of defined contribution plans, fixed contributions are paid to external pension providers. No provisions are generally recognised in connection with these defined contribution plans because the Group is not subject to any further payment obligations. However, there is one exception that arose in the context of an acquisition in which a commitment of this nature was identified as a liability as part of purchase price allocation. An appropriate provision has been recognised. The ongoing contributions for defined contribution plans are recognised in general and administrative expenses.

As regards defined benefit plans, Helaba operates a number of schemes involving total benefit commitments, final salary schemes and pension module schemes. Some of the pension obligations are covered by assets that represent plan assets as defined by IAS 19. These plan assets are offset against the pension obligations.

Defined benefit obligations are determined annually by external actuaries. The obligations are measured using the projected unit credit method based on biometric assumptions (2005 mortality tables published by Professor Heubeck), salary and pension increases expected in the future, and a current market discount rate. This discount rate is based on the coupon for investment-grade corporate bonds with a maturity matched to the weighted average maturity for the payment obligations. The relevant asset manager determines the expected return on plan assets separately for each plan in accordance with its structure on the basis of the expected returns for the asset classes concerned and factoring in the historical capital market trends.

The measurement parameters used in Germany are shown in the following table:

in %

	31.12.2012	31.12.2011
Discount rate	3.00–4.00	4.50–5.00
Salary increase trend	2.00–2.50	2.00
Pension increase trend	1.00–2.00	1.00–2.00
Employee turnover rate	0.00–3.00	0.00–3.00
Expected return on plan assets	3.25–5.72	3.25–5.95

The value ranges are derived from the different pension plans. Only the main pension schemes are included so that the percentage bands are as narrow and meaningful as possible.

In accordance with IAS 19, the defined benefit expense to be recognised in profit or loss is determined right at the start of a financial year. Variances between earlier actuarial assumptions and actual changes during the financial year, together with updates to measurement parameters at the end of the year, result in actuarial gains and losses. These actuarial gains and losses are recognised in other comprehensive income in exercise of the option under IAS 19.93A.

The defined benefit expense to be recognised in profit or loss comprises primarily the service cost and interest cost. The service cost represents the increase in the defined benefit obligations attributable to the amount of work contributed by employees in the financial year; it is reported under general and administrative expenses. The interest cost represents the increase in the present value of the defined benefit obligations as the fulfilment date approaches and the discounting period thus becomes shorter. The defined benefit expense is reduced by the expected income from plan assets. Both the interest cost and the expected return on plan assets are included in net interest income.

(18) Other Provisions

Other provisions are recognised in accordance with IAS 37 if the Helaba Group has incurred a present obligation (legal or constructive) as a result of a past event, it is probable that settlement will result in an outflow of resources and the amount can be reliably estimated. The timing or amount of the obligation is uncertain. The amount recognised as a provision is the best possible estimate as at the reporting date of the expense that will be necessary to settle the obligation. Non-current provisions are recognised at present value if the effect of discounting is material. Provisions are discounted using a standard market discount rate commensurate with the risk involved.

Other provisions also include personnel-related provisions, which are measured in accordance with IAS 19.

(19) Taxes on Income

Taxes on income are recognised and measured in accordance with IAS 12. Current income tax assets and liabilities are calculated using the latest tax rates that will be applicable when the tax concerned arises.

Deferred tax assets and liabilities are generally recognised for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position in accordance with IFRS and those in the corresponding tax base. They are measured using the tax rates that have been enacted as at the reporting date and that will be relevant for the date on which the deferred taxes are realised. Deferred tax liabilities are recognised for temporary differences that will result in a tax expense when the differences reverse. If a tax refund is anticipated on reversal of temporary differences and it is probable that this refund can be utilised, then deferred tax assets are recognised. Deferred tax assets are only recognised for tax loss carryforwards if it is sufficiently probable that they will be able to be utilised in the future. Deferred tax assets and liabilities are netted provided that they relate to the same type of tax, tax authority and maturity. They are not discounted. Deferred taxes on temporary differences in other comprehensive income are also recognised in other comprehensive income and in the revaluation reserve. Current and deferred tax assets and liabilities are reported separately in the disclosures within the notes relating to the income tax asset and liability items.

(20) Subordinate Capital

Issues of profit-sharing certificates, securitised and unsecuritised subordinate liabilities, together with silent partner contributions, which must be classified as debt in accordance with the criteria specified in IAS 32, are all reported as subordinate capital.

The financial instruments reported under subordinate capital are generally allocated to the other financial liabilities (OL) category and measured at amortised cost. A micro fair value hedge or the fair value option is used for some of the subordinate capital in order to avoid accounting mismatches.

Income Statement Disclosures

(21) Net Interest Income

in € m

	2012	2011
Interest income from		
Lending and money market transactions	3,486	3,509
Fixed-income securities	381	394
Hedging derivatives under hedge accounting	409	353
Derivatives not held for trading	1,084	727
Financial instruments to which the fair value option is applied	61	65
Home savings business	44	49
Current income from		
Equities and other non-fixed-income securities	4	12
Shares in affiliates	12	2
Equity investments	15	29
Interest income	**5,496**	**5,140**
Interest expense on		
Liabilities due to banks and customers	–1,796	–1,870
Securitised liabilities	–638	–866
Subordinate capital	–145	–170
Hedging derivatives under hedge accounting	–434	–233
Derivatives not held for trading	–866	–577
Financial instruments to which the fair value option is applied	–337	–225
Home savings business	–72	–72
Provisions	–63	–60
Interest expense	**–4,351**	**–4,073**
Total	**1,145**	**1,067**

The interest income on financial instruments not measured at fair value through profit or loss amounted to € 3,928 m (2011: € 3,983 m) while interest expense of € 2,651 m (2011: € 2,977 m) was attributable to these types of financial instruments.

The interest income from lending and money market transactions includes interest of € 15 m (2011: € 27 m) from financial assets reclassified to the LaR category.

The interest income from lending and money market transactions includes unwinding effects arising from the interest cost on impaired loans and advances, given otherwise unchanged payment expectations, in the same amount (€ 40 m) as in the previous year.

The interest income from the home savings business relates to home loans granted by Landesbausparkasse Hessen-Thüringen (LBS Hessen-Thüringen). LBS Hessen-Thüringen’s expenses on home savings deposits are therefore reported under interest expense.

Current income from equities and other non-fixed-income securities includes dividends and distributions from financial instruments to which the fair value option is applied amounting to € 3 m (2011: € 4 m).

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

Interest expense on provisions includes expenses of € 57 m from the interest cost on pension obligations (2011: € 55 m). Accordingly, the expected return on plan assets of € 10 m (2011: € 9 m) is included in interest income.

(22) Provisions for Losses on Loans and Advances

in € m

	2012	2011
Additions	**–352**	**–417**
Allowances for losses on loans and advances	–321	–383
Provisions for credit risks	–31	–34
Reversals	**132**	**146**
Allowances for losses on loans and advances	109	126
Provisions for credit risks	23	20
Direct write-downs of loans and advances	**–28**	**–11**
Recoveries on loans previously written off	**10**	**9**
Total	**–238**	**–273**

In the financial year under review, the provisions for losses on loans and advances included direct write-downs of € 1 m for financial assets reclassified to the LaR measurement category in 2008 (2011: € 0 m).

(23) Net Fee and Commission Income

in € m

	2012	2011 [1]
Lending and guarantee business	26	29
Payment transactions and foreign trade business	86	74
Asset management and fund design	58	56
Securities and securities deposit business	38	37
Placement and underwriting obligations	20	19
Management of public-sector subsidy and development programmes	30	29
Home savings business	–10	–8
Trustee business	4	4
Other	11	14
Total	**263**	**254**

[1] Prior-year figures restated: amount of € 8 m reclassified from other net commission income to foreign trade business.

The placement and underwriting obligations relate primarily to commissions on the placement of short-term money market instruments.

Commissions on trading activities are reported under net trading income or loss.

(24) Net Trading Income or Loss

in € m

	2012	2011
Share-price-related business	**4**	**1**
Equities	–12	118
Equity derivatives	16	–117
Interest-rate-related business	**375**	**–4**
Primary interest-rate-related business	640	326
Interest-rate derivatives	–265	–330
Currency-related business	**32**	**–17**
Foreign exchange	122	–129
FX derivatives	–90	112
Net income from credit derivatives	**27**	**–**
Commodity-related business	**2**	**–**
Net commission income/expense	**–29**	**–24**
Total	**411**	**–44**

Net trading income or loss includes disposal and remeasurement gains or losses on derivative and non-derivative financial instruments held for trading, current interest and dividends resulting from trading assets as well as commissions in connection with trading activities.

The net income from primary interest-related business consists mainly of the contributions to income of fixed-income securities, promissory note loans, money trading transactions as well as issued money market instruments.

The net income from currency-related business also includes foreign currency translation differences.

The net income from commodity-related business relates to hedging transactions recognised by the Bank for precious metals held by the S-Group bank.

(25) Net Income or Loss from Derivatives and Financial Instruments Not Held for Trading to which the Fair Value Option is Applied

in € m

	2012	2011
Net income (loss) from derivatives not held for trading	145	423
Net income (loss) from financial instruments to which the fair value option is applied	–259	–143
Total	**–114**	**280**

This caption includes the net income or loss from economic hedges (hedged items and derivatives). It also includes the realised and unrealised gains or losses on other financial instruments designated voluntarily at fair value. Interest and dividend income from financial instruments to which the fair value option is applied is recognised in net interest income. € 39 m (2011: € 16 m) of the net income or loss from derivatives not held for trading is attributable to credit derivatives. The net income attributable to FVO financial instruments held by consolidated special and retail funds and to non-trading derivatives amounts to € 56 m (2011: net loss of € 0.4 m).

(26) Net Income on Hedge Accounting

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

in € m

	2012	2011
Remeasurement gains (losses) on hedging instruments	210	28
Remeasurement gains (losses) on hedged items	–207	–16
Total	**3**	**12**

(27) Net Income or Loss from Financial Investments

The net loss from financial investments includes the net disposal and remeasurement gains or losses on available-for-sale financial investments.

in € m

	2012	2011
Net disposal gains (losses) on available-for-sale financial investments	**20**	**63**
Equity investments	1	34
Bonds and other fixed-income securities	18	29
Equities and other non-fixed-income securities	1	–
Remeasurement gains (losses) on available-for-sale financial investments	**–21**	**–86**
Impairment losses	–23	–86
Reversals of impairment losses	2	–
Total	**–1**	**–23**

Of the impairment losses, an amount of € 6 m (2011: € 59 m) is attributable to bonds and other fixed-income securities and € 17 m (2011: € 27 m) to equity investments and shares in affiliates.

(28) Net Income or Loss from Equity-Accounted Companies

The net income or loss from equity-accounted companies is attributable to all earnings contributions of equity-accounted joint ventures and associated companies, which are recognised in the income statement.

in € m

	2012	2011
Net income (loss) from equity-accounted joint ventures	9	–
Net income (loss) from equity-accounted associates	–24	–5
Gains on the disposal of equity-accounted joint ventures	–	12
Gains on the disposal of equity-accounted associates	3	–
Total	**–12**	**7**

In addition to the share of period profit or loss, this item includes the contributions to earnings resulting from amortising the hidden reserves and charges realised as part of the purchase price allocation.

Changes in the equity of equity-accounted companies are recognised directly in consolidated shareholders' equity.

The net income (loss) from equity-accounted joint ventures is attributable to CORPUS SIREO Holding GmbH & Co. KG, which was classified as an associate in the previous year (also see Note (2)).

As in the previous year, the net income (loss) from equity-accounted companies does not include any impairment losses.

(29) Other Net Operating Income

in € m

	2012	2011
Other operating income	**503**	**479**
Rental and lease income (operating leases)	358	349
Income from the disposal of non-financial assets	62	41
Income from the reversal of provisions	8	16
Income from non-banking services	31	28
Income from the recognition of negative goodwill in profit or loss	1	–
Income from the deconsolidation of subsidiaries	3	–
Miscellaneous other operating income	40	45
Other operating expenses	**–267**	**–270**
Operating costs of property not used for owner occupancy	–148	–149
Expenses from the disposal of non-financial assets	–1	–
Depreciation, amortisation and impairment losses on non-financial assets	–44	–41
Expenses from the deconsolidation of subsidiaries	–1	–
Miscellaneous other operating expenses	–73	–80
Total	**236**	**209**

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

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

in € m

	2012	2011
Income from investment property	**332**	**326**
Rental income	317	314
Income from disposals	15	12
Expenses from investment property	**–190**	**–188**
Operating expenses from investment property	–146	–147
thereof: From property leased to third parties	–146	–147
Depreciation and impairment losses	–44	–40
Other expenses	–	–1
Total	**142**	**138**

As in the previous year, depreciation and impairment losses of € 1 m were recognised on property held for sale.

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(30) General and Administrative Expenses

in € m

	2012	2011[1)]
Personnel expenses	**–563**	**–513**
Wages and salaries	–462	–423
Social security	–64	–60
Expenses for pensions and other benefits	–37	–30
Other administrative expenses	**–531**	**–449**
Buildings and premises	–80	–75
IT costs	–134	–128
Mandatory contributions, audit and consultancy fees	–170	–138
Cost of advertising, public relations and representation	–39	–37
Cost of business operations	–108	–71
Depreciation, amortisation and impairment losses	**–87**	**–35**
Depreciation of and impairment losses on property and equipment	–73	–24
Amortisation of and impairment losses on other intangible assets	–14	–11
Total	**–1,181**	**–997**

[1)] Prior-year figures restated: amount of € 6 m reclassified from consultancy fees to cost of business operations.

The mandatory contributions include contributions to the restructuring fund for credit institutions of € 27 m (2011: € 31 m).

The increase in depreciation of and impairment losses on property and equipment is primarily due to impairment losses recognised on ships leased to third parties of the four ship holding companies that have been fully consolidated since the beginning of the financial year.

The other increases are mainly attributable to NRW-Verbundbank, which has been included in the consolidated financial statements since 1 July 2012.

(31) Income Tax

in € m

	2012	2011
Current taxes	–166	–111
Deferred taxes	–28	16
Total	**–194**	**–95**

The current tax expense incurred in the year under review is primarily due to Frankfurter Sparkasse (€ 55 m), the Bank in Germany (€ 49 m) and the New York branch (€ 45 m). It includes income relating to previous years of € 14 m (2011: expenses of € 5 m).

Because of the use of tax losses not taken into account previously, the current tax expense was reduced by € 15 m (2011: € 33 m) in the year under review.

Deferred tax expense recognised in the year under review related mainly to the occurrence or recognition of temporary differences (tax income of € 23 m) and the use or occurrence of tax loss carryforwards (net tax expense of € 50 m). Changes in tax rates resulted in tax expense of € 1 m in the year under review.

The following table shows the reconciliation of expected to actual income tax. The expected tax expense is calculated by multiplying the profit before income taxes by the applicable Group income tax rate, which stands unchanged at 30 %. It is made up of corporate income tax (15.0 %) plus solidarity surcharge (5.5 % of corporate income tax) and an average trade tax rate.

in € m

	2012	2011
Profit before tax	**512**	**492**
Applicable corporate income tax rate in %	30	30
Expected income tax expense in the financial year	**–154**	**–148**
Effect of variance in tax rates	–19	–15
Effect of changes in the tax rate	–1	4
Effect of prior-period taxes recognised in the financial year	6	–5
Non-taxable income	9	36
Non-deductible operating expenses	–15	–19
Trade tax add-backs and deductions	4	–1
Impairment losses and adjustments	–17	55
Other effects	–7	–2
Income tax expense	**–194**	**–95**

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In addition to income taxes recognised in the income statement, other deferred taxes are recognised under the individual components of other comprehensive income. The following table shows a breakdown of the gains and losses recognised directly in equity as well as the related deferred taxes.

in € m

	Before tax		Taxes		After tax	
	2012	2011	2012	2011	2012	2011
Items not reclassified to the income statement:						
Actuarial gains and losses from defined benefit obligations	–266	–54	78	15	–188	–39
Items subsequently reclassified to the income statement:						
Gains and losses on financial investments held for sale	369	–9	–119	12	250	3
Change due to currency translation	–1	5	–	–	–1	5
Gains and losses from cash flow hedging	–7	–10	2	2	–5	–8
Total	**95**	**–68**	**–39**	**29**	**56**	**–39**

(32) Segment Reporting

in € m

	Real Estate		Corporate Finance		Financial Markets		Asset Management	
	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	348	329	279	261	75	107	24	37
Provisions for losses on loans and advances	–93	–110	–108	–38	–6	2	–	–10
Net interest income after provisions for losses on loans and advances	**255**	**219**	**171**	**223**	**69**	**109**	**24**	**27**
Net fee and commission income	18	18	19	18	29	30	59	53
Net trading income or loss	–	–	1	–2	394	–59	–	4
Net income (loss) from derivatives and financial instruments not held for trading to which the fair value option is applied	–5	–8	7	–3	–179	93	2	–1
Net hedging income or loss	–	–	–	–	3	–1	–	–
Net income or loss from financial investments	–	–4	–2	–	9	–31	–	29
Net income or loss from equity-accounted companies	5	12	–23	–12	–	–	–	–
Other net operating income	226	206	31	13	–	3	3	5
Total income	**499**	**443**	**204**	**237**	**325**	**144**	**88**	**117**
General and administrative expenses	–187	–188	–143	–87	–135	–124	–69	–65
Profit before tax	**312**	**255**	**61**	**150**	**190**	**20**	**19**	**52**
Assets (€ bn)	31.6	34.0	28.7	25.4	85.9	74.5	1.4	1.5
Liabilities (€ bn)	2.7	2.9	5.5	5.6	125.4	105.7	1.5	1.4
Risk-weighted assets (€ bn)	19.0	21.6	16.6	13.7	11.6	10.4	0.7	0.8
Allocated capital (€ m)	1,966	2,057	1,674	1,275	1,100	909	63	73
Return on allocated capital (%)	15.9	12,4	3.6	11.7	17.2	2.1	30.2	70.6
Expense/income ratio before provisions for losses on loans and advances (%)	31.7	34.0	45.8	31.7	41.0	87.3	78.1	51.6

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in € m

	S-Group Business		Public Development and Infrastructure Business		Frankfurter Sparkasse		Other/ reconciliation		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	102	89	43	40	303	297	–29	–93	1,145	1,067
Provisions for losses on loans and advances	–5	–8	–	–	–	12	–26	–121	–238	–273
Net interest income after provisions for losses on loans and advances	**97**	**81**	**43**	**40**	**303**	**309**	**–55**	**–214**	**907**	**794**
Net commission income	18	18	32	32	68	72	20	13	263	254
Net trading income or loss	16	13	–	–	–	–	–	–	411	–44
Net income (loss) from derivatives and financial instruments not held for trading to which the fair value option is applied	1	–1	–	–	21	–4	39	204	–114	280
Net gain (loss) from hedging activities	–	–	–	–	–	–	–	13	3	12
Net income or loss from financial investments	–	–	–	–	–8	–44	–	27	–1	–23
Net income (loss) from equity-accounted companies	–	–	–	–	6	7	–	–	–12	7
Other net operating income	2	2	–	–6	12	15	–38	–29	236	209
Total income	**134**	**113**	**75**	**66**	**402**	**355**	**–34**	**14**	**1,693**	**1,489**
General and administrative expenses	–125	–118	–58	–57	–247	–244	–217	–114	–1,181	–997
Profit before tax	**9**	**–5**	**17**	**9**	**155**	**111**	**–251**	**–100**	**512**	**492**
Assets (€ bn)	15.6	13.3	10.0	9.2	18.8	18.3	7.3	–12.3	199.3	164.0
Liabilities (€ bn)	23.5	23.6	10.0	9.2	18.8	18.3	11.9	–2.7	199.3	164.0
Risk-weighted assets (€ bn)	1.8	1.0	1.1	1.0	4.0	4.0	6.0	4.8	60.8	57.3
Allocated capital (€ m)	167	87	102	85	382	354	619	518	6,073	5,358
Return on allocated capital (%)	5.2	–	16.4	11.2	40.6	31.3	–	–	8.4	9.2
Expense/income ratio before provisions for losses on loans and advances (%)	89.9	97.4	77.6	85.7	61.4	71.3	–	84.2	61.2	56.6

IFRS 8 is the basis for preparing the segment report. The segment definition is based on the internal divisional structure of the Bank and follows the management approach. Equity investments are assigned to the segments on the basis of their specific focus.

The segment report is broken down into the seven operating segments explained in the following:

- Real estate lending and real estate management business lines are shown in the Real Estate segment. The services Helaba provides for real estate customers are thus pooled in one operating segment. The range of products covers traditional real estate financing in Germany and abroad, residential investments, planning and support for own and third-party real estate as well as private-public partnership projects right through to facility management. The OFB Group and the GWH Group are included in this operating segment.
- The Corporate Finance segment comprises the corporate finance business line. Financing solutions tailored specifically to meet the needs of corporate customers are pooled in this segment. These include structured finance, investment finance, **asset-backed securities**, leasing finance as well as the structuring and distribution of fund concepts. The contribution to earnings of the HANNOVER LEASING Group are allocated to this operating segment as an equity-accounted investment.

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- The Financial Markets segment brings together the earnings of Capital Markets, Asset/Liability Management, Sales Public Authorities, Financial Institutions and Public Finance as well as various special purpose entities. The treasury as well as trading and sales activities of Helaba are pooled in this segment. The product portfolio contains traditional capital market products, financial instruments for managing interest rate risk, currency risk, credit risk and liquidity management as well as financing solutions tailored to meet the needs of financial institutions, companies and the public sector.
- The Asset Management segment comprises Helaba Invest Kapitalanlagegesellschaft mbH and Frankfurter Bankgesellschaft (Schweiz) AG. The product portfolio of this segment accordingly includes services relating to traditional asset management and administration, private banking as well as the management of special and retail funds for institutional investors as well as providing support for **master investment** trust clients and **portfolios held directly**.

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- The S-Group bank and Landesbausparkasse Hessen-Thüringen are shown in the S-Group Business segment. This segment deals primarily with providing support for the Sparkassen and their customers for whom products are developed and provided.
- The Public Development and Infrastructure Business segment mainly comprises Wirtschafts- und Infrastrukturbank Hessen. This segment thus pools the results of Helaba's activities in connection with development and infrastructure measures in the fields of housing, municipal and urban development, agriculture as well as environmental protection.
- The Frankfurter Sparkasse segment shows the results of the credit institution of the same name as a sub-group including the corresponding consolidated subsidiaries. The product portfolio comprises the traditional products of a retail bank in lending, borrowing and service business as well as the capital market products for the investment of own funds, refinancing and liquidity management.

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

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

The net income from trading, from derivatives and financial instruments not held for trading to which the fair value option is applied, from hedges, financial investments and equity-accounted companies is determined in accordance with external accounting rules under IFRSs.

The directly attributable costs plus the corporate centre costs, which are based on market prices and volume drivers agreed as part of internal management accounting and allocated according to the user-pays principle are reported under general and administrative expenses.

Assets included in the statement of financial position are reported under assets, and equity and liabilities under equity and liabilities of the respective units. Contribution margin accounting is used for allocating these items to the operating segments. The risk exposure item comprises the risk exposure of the banking and trading book, including the market price risk exposure in accordance with the German Solvency Regulation (Solvabilitätsverordnung, SolvV). The average shareholders' equity shown in the statement of financial position is broken down according to risk exposures and in relation to the real estate and other non-bank activities, in accordance with the assets reported in the statement of financial position.

The net income before provisions for losses on loans and advances is expressed as a percentage of the allocated capital so that the profitability ratios can be calculated. The expense-income ratio is calculated as the ratio between general and administrative expenses and income.

The other/reconciliation column shows the contributions to income and expenses that cannot be attributed to the segments. In particular, this column includes the net income from the transactions business as well as the costs of the central units that cannot be allocated to the individual segments in line with the user-pays principle. Moreover, the profit generated by centrally investing own funds as well as through strategic planning decisions are shown in this segment. Consolidation adjustments between the segments are also shown at this point.

Reconciliation effects between the segment results and the consolidated income statement relate mainly to net interest income. Since the contribution margin statement shows net interest income on the basis of the market interest rate method, differences also result in the case of non-recurring income and net interest income attributable to other periods.

Income after provisions for losses on loans and advances is attributable to products and services as follows:

in € m

	Income after provisions for losses on loans and advances	
	2012	2011
Real estate loans	301	274
Real estate management	15	22
Real estate services	183	147
Corporate loans	204	237
Treasury products	–117	107
Trading products	393	–27
Loans to financial institutions	49	64
Fund management/asset management	88	117
Home savings business	63	60
Savings banks S-Group business	71	53
Public development and infrastructure business	75	66
Retail	402	355
Other products/reconciliation	–34	14
Group	**1,693**	**1,489**

The breakdown by region is as follows:

in € m

	Income after provisions for losses on loans and advances	
	2012	2011
Germany	1,533	1,440
Europe (excluding Germany)	164	67
Rest of world (excluding Europe)	135	141
Other	–139	–159
Group	**1,693**	**1,489**

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Statement of Financial Position Disclosures

(33) Cash Reserve

in € m

	31.12.2012	31.12.2011
Cash	78	59
Balances with central banks	8,847	292
Total	**8,925**	**351**

€ 8,353 m (2011: € 273 m) of the balances with central banks relates to balances with Deutsche Bundesbank.

(34) Loans and Advances to Banks

in € m

	31.12.2012	31.12.2011
Affiliated savings banks	11,432	6,740
Central giro institutions	405	428
Banks	11,399	8,127
Total	**23,236**	**15,295**
thereof:		
Domestic banks	17,829	10,669
Foreign banks	5,407	4,626

in € m

	31.12.2012	31.12.2011
Loans and advances payable on demand	9,163	4,966
Other loans and advances	14,073	10,329
Total	**23,236**	**15,295**
thereof:		
Overnight and time deposits	5,294	165
Cash collateral provided	5,374	4,721
Forwarding loans	4,792	4,565
Promissory note loans	1,041	351

(35) Loans and Advances to Customers

in € m

	31.12.2012	31.12.2011
Corporate customers	65,200	62,310
Retail customers	5,978	6,418
Public sector	19,643	15,313
Total	**90,821**	**84,041**
thereof:		
Domestic customers	59,158	51,921
Foreign customers	31,663	32,120

in € m

	31.12.2012	31.12.2011 [1]
Loans and advances payable on demand	1,826	1,540
Other loans and advances	88,995	82,501
Total	**90,821**	**84,041**
thereof:		
Commercial real estate loans	30,691	32,094
Mortgage lending	3,567	3,497
Bausparkasse building loans	945	1,053
Forwarding loans	2,565	2,756
Infrastructure loans	4,029	3,656
Consumer loans	126	212
Promissory note loans	4,341	531
Financial assets from credit substitute business	1,627	1,075
Receivables from finance leases	7	8
Receivables purchased before maturity	50	68

[1] Prior-year figures restated: amount of € 128 m reclassified from consumer loans to commercial real estate loans.

Other loans and advances to customers, which amounted to € 42,873 m (2011: € 39,091 m), relate primarily to repayment and roll-over loans in the Corporate Finance business.

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(36) Provisions for Losses on Loans and Advances

The provisions for losses on loans and advances break down as follows as at the reporting date:

in € m

	31.12.2012	31.12.2011
Allowance on loans and advances to banks	**16**	**91**
Specific loan loss allowances	1	–
Specific loan loss allowances evaluated on a group basis	–	1
Portfolio loan loss allowances	15	90
Allowance on loans and advances to customers	**1,189**	**1,165**
Specific loan loss allowances	803	839
Specific loan loss allowances evaluated on a group basis	109	90
Portfolio loan loss allowances	277	236
Provisions for credit risks	**89**	**71**
Total	**1,294**	**1,327**

The allowances for losses on loans and advances are shown separately on the assets side of the statement of financial position. The provisions for losses on loans and advances for business not reported in the statement of financial position are recognised as a provision and explained under that item. The allowances for losses on loans and advances changed as follows:

in € m

	Specific allowances		Specific allowances on a group basis		Portfolio allowances		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
As at 1.1.	**839**	**900**	**91**	**105**	**326**	**248**	**1,256**	**1,253**
Changes in basis of consolidation	32	–	–	–	8	–	40	–
Changes due to currency translation	–2	8	–	–	–	–	–2	8
Use	–240	–218	–23	–11	–	–	–263	–229
Reversals	–79	–123	–1	–3	–29	–	–109	–126
Reclassifications	2	7	13	–	–13	–	2	7
Unwinding	–40	–40	–	–	–	–	–40	–40
Additions	292	305	29	–	–	78	321	383
As at 31.12.	**804**	**839**	**109**	**91**	**292**	**326**	**1,205**	**1,256**

The allowances for losses on loans and advances to customers break down into customer groups as follows:

in € m

	31.12.2012	31.12.2011
Public sector	4	1
Financial institutions	23	8
Property and housing	551	631
Energy and water utilities	41	30
Manufacturing	210	184
Other services	179	136
Natural persons	104	119
Insurance	4	1
Investment companies	35	12
Other	38	43
Total	**1,189**	**1,165**

(37) Trading Assets

in € m

	31.12.2012	31.12.2011
Bonds and other fixed-income securities	**19,573**	**21,844**
Money market instruments	1,079	619
Other issuers	1,079	619
Bonds and notes	18,494	21,225
Public-sector issuers	5,168	3,891
Other issuers	13,326	17,334
Equities and other non-fixed-income securities	**79**	**115**
Positive fair values of derivatives	**12,873**	**9,052**
Share-price derivatives	209	61
Interest-rate derivatives	11,657	7,839
Currency derivatives	959	1,034
Credit derivatives	39	113
Commodity derivatives	9	5
Loans held for trading	**5,429**	**6,949**
Total	**37,954**	**37,960**

The financial instruments under assets held for trading are exclusively allocated to the at fair value (aFV) category (held-for-trading (HfT) sub-category) and are measured at fair value. Loans held for trading mainly comprise promissory note loans, repo and money trading transactions.

€ 18,676 m (2011: € 20,267 m) of the bonds and other fixed-income securities and of the equities and other non-fixed-income securities are listed.

(38) Positive Fair Values of Derivatives Not Held for Trading

in € m

	31.12.2012	31.12.2011
Hedging derivatives under hedge accounting	2,203	1,448
Other non-trading derivatives	4,789	2,837
Total	**6,992**	**4,285**

The hedging derivatives under hedge accounting are used within the framework of qualifying micro fair value hedges under IAS 39. As other derivatives not held for trading, this item comprises derivative financial instruments used as economic hedges as part of hedge management, although fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39.

(39) Financial Investments

Financial investments are composed of bonds and other fixed-income securities as well as equities and other non-fixed-income securities of the available-for-sale (AfS) and fair-value-option (FVO) categories. In addition, since 31 December 2012, this item has included the purchased receivables from endowment insurance policies as a result of the full consolidation of a special purpose entity. Shares in unconsolidated affiliates and equity investments are always measured at fair value and measurement gains or losses are recognised in equity if they are allocated to the AfS category and through profit or loss if they are allocated to the FVO category. If fair value cannot be reliably determined, they are measured at cost less any impairment.

Financial investments can be broken down as follows:

in € m

	31.12.2012	31.12.2011
Bonds and other fixed-income securities	**27,154**	**18,182**
Public-sector issuers	13,522	4,462
Other issuers	13,632	13,720
Equities and other non-fixed-income securities	**134**	**111**
Shares	51	34
Other non-fixed-income securities	83	77
Shares in unconsolidated affiliates	**35**	**28**
Measured at fair value	27	20
Measured at cost	8	8
Equity investments	**420**	**434**
Measured at fair value	395	408
Measured at cost	25	26
Purchase of receivables from endowment insurance policies	**194**	**–**
Measured at fair value	194	–
Total	**27,937**	**18,755**

The other non-fixed-income securities mainly comprise shares in collective investment undertakings.

The carrying amount of listed financial investments amounted to:

in € m

	31.12.2012	31.12.2011
Bonds and other fixed-income securities	26,177	17,322
Equities and other non-fixed-income securities	59	43
Total	**26,236**	**17,365**

Equity investments also include shares in joint ventures and associates not accounted for using the equity method because of immateriality. The overview below contains summarised financial information about these joint ventures and associates:

in € m

	31.12.2012	31.12.2011
Total		
Total assets	818	694
Total liabilities	588	547
Income	114	106
Net profit or loss for the period	17	17
Proportionate		
Total assets	340	271
Total liabilities	226	199
Income	42	39
Net profit or loss for the period	6	6

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The overview below shows the development of investments in unconsolidated affiliates and equity investments:

in € m

	Investments in unconsolidated affiliates		Equity investments		Total	
	2012	2011	2012	2011	2012	2011
Cost						
As at 1.1.	**42**	**47**	**471**	**783**	**513**	**830**
Changes in basis of consolidation	3	–	–1	–	2	–
Changes due to currency translation	–	–	–3	5	–3	5
Additions	1	–	31	58	32	58
Reclassifications	–	–	–	–	–	–
Disposals	–2	–5	–40	–375	–42	–380
As at 31.12.	**44**	**42**	**458**	**471**	**502**	**513**
Remeasurement gains/losses recognised directly in equity						
As at 1.1.	**6**	**5**	**41**	**37**	**47**	**42**
Changes in basis of consolidation	–	–	–	–	–	–
Changes due to currency translation	–	–	–1	1	–1	1
Remeasurement gains/losses recognised directly in equity (AfS)	5	1	11	31	16	32
Disposals	–	–	2	–28	2	–28
As at 31.12.	**11**	**6**	**53**	**41**	**64**	**47**
Accumulated impairment losses and reversals of impairment losses						
As at 1.1.	**–20**	**–19**	**–78**	**–117**	**–98**	**–136**
Changes in basis of consolidation	–	–	–	–	–	–
Changes due to currency translation	–	–	–	–1	–	–1
Impairment losses	–	–1	–17	–26	–17	–27
Remeasurement gains/losses recognised through profit or loss (FVO)	–	–	–	2	–	2
Disposals	–	–	4	64	4	64
As at 31.12.	**–20**	**–20**	**–91**	**–78**	**–111**	**–98**
Carrying amounts as at 31.12.	**35**	**28**	**420**	**434**	**455**	**462**

The changes in fair value reported under accumulated impairment losses and reversals of impairment losses are mainly attributable to the impairment loss of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG.

Equity investment disposals are primarily due to disposals of private equity funds.

For the following companies, there were restrictions as at the reporting date on current dividend distributions because of contractual arrangements or rules in the articles of association:

- Bürgschaftsbank Thüringen GmbH, Erfurt,
- Bürgschaftsbank Hessen GmbH, Wiesbaden,
- Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel,
- Hessenkapital I GmbH, Frankfurt am Main,
- Hessenkapital II GmbH, Frankfurt am Main,
- Mittelhessenfonds GmbH, Frankfurt am Main,
- Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt,
- Palladium Praha s.r.o., Prague, Czech Republic.

(40) Shares in Equity-Accounted Companies

In the period under review, a total of 23 (2011: 21) joint ventures and four associates (2011: 4) were accounted for using the equity method.

The equity-accounted investments can be broken down as follows:

in € m

	31.12.2012	31.12.2011
Shares in joint ventures	50	12
Shares in associates	16	38
Total	**66**	**50**

There are no listed companies among the equity-accounted companies. The shares in CORPUS SIREO Holding GmbH & Co. KG amounting to € 38 m (2011: € 33 m) had to be classified as a joint venture in 2012 because it was under joint control.

The table below contains summarised financial information about equity-accounted joint ventures and associates based on the single-entity or consolidated financial statements of the equity-accounted companies and is presented in relation to the equity interests the Helaba Group holds in the assets, liabilities, income and net profit or loss.

in € m

	31.12.2012	31.12.2011
Shares in joint ventures – total		
Total assets	837	146
Total liabilities	668	129
Income	147	30
Net profit or loss for the period	12	–2
Shares in joint ventures – proportionate		
Total assets	262	78
Total liabilities	212	66
Income	52	15
Net profit or loss for the period	4	–1

in € m

	31.12.2012	31.12.2011
Shares in associates – total		
Total assets	1,175	2,033
Total liabilities	1,158	1,886
Income	188	348
Net profit or loss for the period	–20	–5
Shares in associates – proportionate		
Total assets	563	718
Total liabilities	559	678
Income	90	129
Net profit or loss for the period	–11	–4

(41) Investment Property

in € m

	31.12.2012	31.12.2011
Land and buildings leased to third parties	2,346	2,350
Undeveloped land	50	57
Vacant buildings	4	4
Property under construction	23	25
Total	**2,423**	**2,436**

The figure shown for investment property includes an amount of € 1,794 m (2011: € 1,804 m) that is attributable to residential property of the GWH Group.

The table below shows the changes in investment property:

in € m

	2012	2011
Cost		
As at 1.1.	**2,705**	**2,697**
Additions	63	90
Reclassifications to inventories	–3	–1
Reclassifications to non-current assets and disposal groups held for sale	–	–44
Disposals	–36	–37
As at 31.12.	**2,729**	**2,705**
Accumulated depreciation and impairment losses		
As at 1.1.	**–269**	**–256**
Depreciation	–39	–39
Impairment losses	–5	–1
Reclassifications to non-current assets and disposal groups held for sale	–	20
Disposals	7	7
As at 31.12.	**–306**	**–269**
Carrying amounts as at 31.12.	**2,423**	**2,436**

The fair values of the properties amounted to € 3,047 m (2011: € 3,019 m) as at the reporting date.

There is a contractual obligation to acquire, construct, or develop investment property in an amount of € 12 m (2011: € 7 m).

(42) Property and Equipment

in € m

	31.12.2012	31.12.2011
Owner-occupied land and buildings	151	254
Operating and office equipment	58	61
Leased assets	57	–
Total	**266**	**315**

Property and equipment changed as follows:

in € m

	Owner-occupied land and buildings		Operating and office equipment		Leased assets		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Cost								
As at 1.1.	**368**	**364**	**213**	**229**	**–**	**–**	**581**	**593**
Changes in basis of consolidation	–	–	–	–2	115	–	115	–2
Changes due to currency translation	–	–	–	–	–2	–	–2	–
Additions	–	4	14	19	–	–	14	23
Disposals	–142	–	–23	–33	–	–	–165	–33
As at 31.12.	**226**	**368**	**204**	**213**	**113**	**–**	**543**	**581**
Accumulated depreciation and impairment losses								
As at 1.1.	**–114**	**–101**	**–152**	**–175**	**–**	**–**	**–266**	**–276**
Changes in basis of consolidation	–	–	–	1	–	–	–	1
Depreciation	–5	–5	–12	–11	–5	–	–22	–16
Impairment losses	–	–8	–	–	–51	–	–51	–8
Disposals	44	–	18	33	–	–	62	33
As at 31.12.	**–75**	**–114**	**–146**	**–152**	**–56**	**–**	**–277**	**–266**
Carrying amounts as at 31.12.	**151**	**254**	**58**	**61**	**57**	**–**	**266**	**315**

The disposals of owner-occupied land and buildings relate to an office property in Frankfurt.

For leased assets, the changes in the basis of consolidation relate to ships leased to third parties under operating leases. They were acquired as part of the first-time consolidation of special purpose entities. In view of the current occupancy and market situation, an impairment loss of € 51 m was recognised. Please refer to Note (2).

(43) Intangible Assets

in € m

	31.12.2012	31.12.2011
Goodwill	152	136
Purchased software	41	31
Total	**193**	**167**

With the exception of goodwill, the Helaba Group's intangible assets are amortised over their finite useful lives.

The goodwill is mainly attributable to the acquisition of Frankfurter Sparkasse in 2005, the takeover of NRW-Verbundbank in the year under review and a foreign real estate company, which has been consolidated since 2009.

The intangible assets changed as follows:

in € m

	Goodwill		Purchased software		Other intangible assets		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Cost								
As at 1.1.	**250**	**252**	**129**	**121**	**1**	**2**	**380**	**375**
Changes in basis of consolidation	16	–2	–	–2	–	–	16	–4
Changes due to currency translation	–	–	–	1	–	–	–	1
Additions	–	–	25	17	–	–	25	17
Disposals	–	–	–1	–8	–	–1	–1	–9
As at 31.12.	**266**	**250**	**153**	**129**	**1**	**1**	**420**	**380**
Accumulated amortisation and impairment losses								
As at 1.1.	**–114**	**–114**	**–98**	**–96**	**–1**	**–1**	**–213**	**–211**
Changes in basis of consolidation	–	–	–	1	–	–	–	1
Amortisation			–14	–11	–	–	–14	–11
Disposals	–	–	–	8	–	–	–	8
As at 31.12.	**–114**	**–114**	**–112**	**–98**	**–1**	**–1**	**–227**	**–213**
Carrying amounts as at 31.12.	**152**	**136**	**41**	**31**	**–**	**–**	**193**	**167**

As in the previous year, there are no contractual obligations to acquire intangible assets.

The impairment test on the goodwill (€ 99 m) from the acquisition of Frankfurter Sparkasse is conducted on the basis of an estimated capitalised value of potential earnings for the cash flows derived from the savings bank's current business plan. Separate values are taken into account for specific assets (shares in other companies). Present value is calculated on the basis of the current market interest rate of 2.5 % plus a market risk premium of 6.0 %. In addition, a growth discount of 1 % is applied from the end of the detailed planning phase. As at 31 December 2012, this results in a value above the carrying amount of the cash-generating unit.

For the foreign real estate company, the impairment test on goodwill (€ 37 m) is primarily based on the measurement of the property within the legal structure of the company and the local tax situation. For the purpose of the impairment test, the value of the property is determined on the basis of expected rental income and costs as well as an interest rate that reflects local conditions. This results in a current value that is higher the carrying amount recognised in the Group.

(44) Income Tax Assets

in € m

	31.12.2012	31.12.2011
Current income tax assets	40	91
Deferred tax assets	713	545
Total	**753**	**636**

The deferred income tax assets comprise the following items:

in € m

	31.12.2012	31.12.2011
Loans and advances to banks and customers	75	44
Trading assets/liabilities and derivatives	1,728	1,210
Financial investments	66	143
Other assets	70	61
Liabilities due to banks and customers	671	171
Provisions for pensions	203	133
Other provisions	38	48
Other liabilities	55	69
Tax loss carryforwards	15	65
Deferred tax assets, gross	**2,921**	**1,944**
Netted against deferred tax liabilities	−2,208	−1,399
Total	**713**	**545**
thereof: Non-current	686	495

The calculation of deferred tax assets of the domestic and foreign reporting units was based on individual tax rates. In Germany, the Bank's combined income tax rate as from 2012 is 31.6 % (2011: 31.6 %), with an average municipality trade tax multiplier of 451 % (2011: 450 %).

Deferred taxes on loss carryforwards are capitalised only to the extent that it is reasonably certain that they will be realised. Realisability requires that sufficient taxable profits will be available in the foreseeable future to offset the tax loss carryforwards. As at the reporting date, deferred taxes of € 15 m (2011: € 65 m) were recognised on losses that can be carried forward indefinitely.

Overall, no deferred tax assets were recognised on corporate income tax loss carryforwards of € 60 m (2011: € 63 m) or on trade tax loss carryforwards of € 74 m (2011: € 132 m), because no taxable profits are expected with reasonable certainty for the foreseeable future.

As at the reporting date, deferred income tax assets of € 78 m (2011: € 84 m) were recognised directly in equity.

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(45) Available-for-Sale Non-Current Assets and Disposal Groups

The available-for-sale non-current assets of € 8 m held as at 31 December 2011 were disposed of in the first half of 2012.

(46) Other Assets

in € m

	31.12.2012	31.12.2011
Property held for sale	88	158
Completed property	46	121
Property under construction	42	37
Advance payments and payments on account	75	40
Trade accounts receivable	38	55
Other taxes receivable (excl. income taxes)	3	13
Other assets	736	676
Total	**940**	**942**

(47) Liabilities Due to Banks

in € m

	31.12.2012	31.12.2011
Affiliated savings banks	8,382	2,640
Central giro institutions	1,873	2,268
Banks	29,020	26,625
Total	**39,275**	**31,533**
thereof:		
Domestic banks	34,720	25,400
Foreign banks	4,555	6,133

in € m

	31.12.2012	31.12.2011 [1]
Amounts payable on demand	7,829	1,939
Amounts due with an agreed maturity or period of notice	31,446	29,594
Total	**39,275**	**31,533**
thereof:		
Promissory note loans raised	9,761	9,660
Forwarding loans	7,570	7,543
Issued registered bonds	2,824	2,754
Overnight and time deposits	5,659	3,974
Current accounts	5,482	1,464

[1] Prior-year figures restated: increase of € 300 m in overnight and time deposits.

(48) Liabilities Due to Customers

in € m

	31.12.2012	31.12.2011
Corporate customers	27,118	22,423
Retail customers	15,714	15,258
Public sector	4,779	4,226
Total	**47,611**	**41,907**
thereof:		
Domestic customers	44,311	38,424
Foreign customers	3,300	3,483

in € m

	31.12.2012	31.12.2011
Amounts payable on demand	18,672	13,378
Amounts due with an agreed maturity or period of notice	28,939	28,529
Total	**47,611**	**41,907**
thereof:		
Current accounts	9,325	5,064
Overnight and time deposits	13,571	14,660
Savings deposits	2,368	2,588
Home savings deposits	3,595	3,333
Issued registered bonds	11,598	9,092
Promissory note loans raised	6,281	6,607

(49) Securitised Liabilities

in € m

	31.12.2012	31.12.2011
Bonds issued	**56,334**	**36,406**
Mortgage Pfandbriefe	3,139	2,802
Public Pfandbriefe	13,318	7,692
Other debt instruments	39,877	25,912
Other securitised liabilities	**834**	**837**
Total	**57,168**	**37,243**

As in the previous year, the other securitised liabilities relate exclusively to money market instruments. For detailed disclosures on issuance activities see Note (69).

(50) Trading Liabilities

in € m

	31.12.2012	31.12.2011
Negative fair values of derivatives	**13,845**	**10,093**
Share-price derivatives	90	50
Interest-rate derivatives	12,897	8,886
Currency derivatives	815	1,005
Credit derivatives	36	147
Commodity derivatives	7	5
Issued money market instruments	**4,230**	**2,500**
Deposits held for trading	**18,073**	**24,605**
Total	**36,148**	**37,198**

This item exclusively comprises financial instruments classified as at fair value (aFV) (held-for-trading (HfT) sub-category). The trading liabilities mainly comprise money trading transactions.

(51) Negative Fair Values of Non-Trading Derivatives

in € m

	31.12.2012	31.12.2011
Hedging derivatives under hedge accounting	1,230	871
Other non-trading derivatives	3,752	3,045
Total	**4,982**	**3,916**

The hedging derivatives under hedge accounting are used within the framework of qualifying micro fair value hedges under IAS 39. As other derivatives not held for trading, this item comprises derivative financial instruments used as economic hedges as part of hedge management, although fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39.

(52) Provisions

in € m

	31.12.2012	31.12.2011
Provisions for pensions and similar obligations	**1,268**	**937**
Other provisions	**376**	**342**
Personnel provisions	101	93
Provisions for losses on loans and advances	89	71
Restructuring provisions	–	2
Other provisions	186	176
Total	**1,644**	**1,279**

A discount rate of 3.5 % has been used in most cases for calculating the pension provisions in Germany (2011: 5 %). The discount rate is based on the interest rate for prime-rated corporate bonds. A reference interest rate is applied that takes into account a large number of AA-rated bonds and has been adjusted for statistical outliers. Helaba determines the discount rate largely on the basis of Mercers interest rate recommendation. To derive the Mercer discount rate, the database was expanded in 2012; see Note (1).

Of the present value of the pension obligations, 70 % (2011: 69 %) is attributable to Landesbank Hessen-Thüringen and 23 % (2011: 23 %) to Frankfurter Sparkasse.

The main defined benefit obligations at Landesbank Hessen-Thüringen are as follows:

A total defined benefit obligation based on final salary applies to employees entitled to pension benefits who joined the Bank on or before 31 December 1985; the amounts to be paid as retirement benefits are calculated as a percentage of the last pensionable remuneration payments in relation to the number of years in service.

The retirement benefit system in place between 1986 and 1998 is a final salary scheme, under which the salary components above the contribution assessment ceiling of the statutory pension insurance scheme for wage earners and salaried employees are weighted differently to those below the ceiling.

For the defined benefit obligation in force since 1999, the retirement pension is calculated by adding all the pension credits accrued during the pensionable period of service. The pension credits are determined by multiplying the pensionable remuneration of the respective calendar year by an age-dependent factor.

In addition, there are primarily individual benefit obligations for members of the Board of Managing Directors and employee-funded benefit obligations and support payment commitments.

At Frankfurter Sparkasse, all employees are entitled to a pension from the pension fund. For employees of the former Stadtsparkasse Frankfurt, this entitlement exists vis-à-vis the supplementary pension fund of the City of Frankfurt. Vested pension rights in excess of the maximum pension of the pension fund of Frankfurter Sparkasse are covered by a top-up commitment. There is also an employee-financed benefit obligation.

As a result of the takeover of the S-Group bank business, the transfer of the business unit in accordance with section 613a BGB meant that the pension obligations of Portigon AG to the new employees were also transferred to Helaba.

Employees who, as a result of the break-up of Westdeutsche Landesbank Girozentrale into the public-law Landesbank NRW (currently NRW.Bank) and the private-law WestLB AG (currently Portigon AG) in 2002, were assigned to NRW.Bank were put on special leave so that they could enter into a second employment relationship with Portigon AG. The pension commitments are continued unchanged by NRW.Bank. Economically, however, the costs are charged to the employer, Portigon AG and thus its legal successor Helaba, because NRW.Bank has to be reimbursed for the benefit payments it has to make.

For the vested pension rights of the other employees, the accrued entitlement is determined at the time of transfer of the business unit and the corresponding obligation is transferred to Helaba. The externally financed vested pension rights vis-à-vis BVV Versorgungskasse des Bankgewerbes e.V., Berlin are exempted from contributions as from the date of the transfer of the business unit. As from the date of transfer of the business unit, the employees are registered with Helaba's company pension scheme under the service agreement in force since 1999.

The provisions for pensions and similar obligations reported in the statement of financial position are calculated as follows:

in € m

	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Present value of the defined benefit obligation (DBO)	1,538	1,156	1,077	950	927
thereof: Fully funded	278	226	208	169	161
thereof: Unfunded	1,260	930	869	781	766
Fair value of plan assets	–304	–271	–247	–227	–186
Amount not recognised as an asset under IAS 19.58 b)	25	45	44	59	24
Net defined benefit obligation (DBO)	**1,259**	**930**	**874**	**782**	**765**
Asset surplus from defined benefit obligation	9	7	8	7	7
Recognised pension provisions	**1,268**	**937**	**882**	**789**	**772**

Of the recognised pension provisions, € 84 m (2011: € 69 m) is attributable to a contribution commitment identified as a liability during the purchase price allocation made as part of a company acquisition.

The present value of the defined benefit obligation (DBO) changed as follows:

in € m

	2012	2011
Defined benefit obligation as at 1.1.	**1,156**	**1,077**
Current service cost	23	19
Interest cost	57	55
Employee contributions	4	3
Benefits paid	−52	−51
Actuarial gains (−)/losses (+)	306	52
Changes in basis of consolidation	43	–
Changes due to currency translation	1	2
Past service cost	–	−1
Defined benefit obligation as at 31.12.	**1,538**	**1,156**

The plan assets changed as follows:

in € m

	2012	2011
Fair value of plan assets as at 1.1.	**271**	**247**
Expected return on plan assets	10	9
Employer contributions	7	19
Employee contributions	4	3
Benefits paid	−9	−8
Actuarial gains (+)/losses (−)	20	−1
Changes due to currency translation	1	2
Fair value of plan assets as at 31.12.	**304**	**271**

The plan assets are composed of the following items:

in € m

	31.12.2012	31.12.2011
Equity instruments	25	23
Debt instruments	215	187
Other assets	64	61
Fair value of plan assets	**304**	**271**

The plan assets include € 14 m (2011: € 12 m) of Group-owned financial instruments; as in the previous year, no investments were made in owner-occupied property or other assets.

For the next financial year, Helaba expects to make contributions to plan assets of € 7 m.

The actuarial gains or losses on pension obligations in the respective financial years are composed of the following items:

in € m

	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Experience-based gains (+)/losses (–) on the defined benefit obligation (DBO)	–17	16	–4	19	–4
Gains (+)/losses (–) on the defined benefit obligation (DBO) due to changed assumptions	–289	–68	–88	12	72
Experience-based gains (+)/losses (–) on plan assets	20	–1	–3	2	–4
Change in the amount not recognised as an asset under IAS 19.58 b)	20	–1	15	–35	–14
Actuarial gains (+)/losses (–) on defined benefit obligations	**–266**	**–54**	**–80**	**–2**	**50**

As at the reporting date, the accumulated actuarial gains and losses on the defined benefit obligation amounted to € –237 m (2011: € 29 m), or € –169 m (2011: € 19 m) after deducting deferred taxes.

The income and expenses recognised in the income statement in connection with the defined benefit obligation are composed of the following items:

in € m

	31.12.2012	31.12.2011
Current service cost	23	19
Interest cost	57	55
Expected return on plan assets	–10	–9
Past service cost	–	–1
Total expenses and income	**70**	**64**

The actual return on plan assets amounted to € 30 m (2011: € 8 m).

€ 4 m (2011: € 4 m) was spent for defined benefit plans in the year under review.

The other provisions changed as follows:

in € m

	Personnel provisions		Provisions for losses on loans and advances		Restructuring provisions		Other provisions		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
As at 1.1.	**93**	**97**	**71**	**66**	**2**	**4**	**176**	**141**	**342**	**308**
Changes in basis of consolidation	1	–	12	–	–	–	11	–	24	–
Changes due to currency translation	–	–	–	–	–	–	–	1	–	1
Use	–62	–61	–	–2	–	–	–102	–58	–164	–121
Reversals	–1	–2	–23	–20	–	–	–7	–14	–31	–36
Reclassifications	2	2	–2	–7	–2	–2	–	–	–2	–7
Interest cost	2	1	–	–	–	–	4	4	6	5
Additions	66	56	31	34	–	–	104	102	201	192
As at 31.12.	**101**	**93**	**89**	**71**	**–**	**2**	**186**	**176**	**376**	**342**

The personnel provisions relate primarily to provisions for partial and early retirement, long-service bonuses and special payments to employees. The other provisions are mainly for obligations under real estate projects, lease agreements and litigation risks.

Additions to and reversals of personnel provisions are normally reported under personnel expenses, those relating to provisions for losses on loans and advances under provisions for losses on loans and advances and those relating to other provisions under other operating income/loss. Interest costs are included in net interest income.

Other provisions amounting to € 249 m are non-current (2011: € 155 m).

(53) Income Tax Liabilities

in € m

	31.12.2012	31.12.2011
Current income tax liabilities	151	104
Deferred income tax liabilities	486	253
Total	**637**	**357**

The deferred income tax liabilities comprise the following items:

in € m

	31.12.2012	31.12.2011
Loans and advances to banks and customers	300	181
Trading assets/liabilities and derivatives	2,041	1,252
Financial investments	244	136
Other assets	85	55
Liabilities due to banks and customers	1	1
Provisions for pensions	1	16
Other provisions	12	6
Other liabilities	10	5
Deferred tax liabilities, gross	**2,694**	**1,652**
Netted against deferred tax assets	–2,208	–1,399
Total	**486**	**253**
thereof: Non-current	45	31

For the measurement of temporary differences, which give rise to deferred income tax liabilities, please refer to deferred income tax assets (see Note (44)).

As at the reporting date, deferred income tax liabilities of € 64 m (2011: € 31 m) were recognised directly in equity.

(54) Other Liabilities

in € m

	31.12.2012	31.12.2011
Trade accounts payable	178	131
Liabilities to employees	23	23
Advance payments and payments on account	251	212
Other taxes payable (excl. income taxes)	71	103
Other liabilities	133	123
Total	**656**	**592**

(55) Subordinate Capital

in € m

	31.12.2012	31.12.2011
Subordinate liabilities	2,445	2,524
thereof: Accrued interest	10	11
Profit participation rights	798	821
thereof: Accrued interest	37	38
Silent partner contributions	1,120	1,121
thereof: Accrued interest	50	50
Total	**4,363**	**4,466**
thereof:		
Securitised subordinated debt	3,067	3,139

The silent partner contributions shown under this item do not meet the equity criteria of IAS 32.

(56) Equity

in € m

	31.12.2012	31.12.2011
Subscribed capital	2,509	2,397
Capital reserves	1,546	658
Retained earnings	2,642	2,554
Revaluation reserve	162	−88
Currency translation reserve	4	5
Cash flow hedge reserve	−23	−19
Non-controlling interest	−23	−13
Total	**6,817**	**5,494**

In 2012, Helaba strengthened its capital base by adding new co-owners and increasing common equity Tier 1 capital by € 1,000 m. Following the capital increase, the Sparkassen- und Giroverband Hessen-Thüringen is still Helaba's largest co-owner, holding 68.85 %. The State of Hesse holds 8.1 % of the share capital and the Free State of Thuringia 4.05 %. The new co-owners, each of which holds 4.75 %, are the Rheinischer Sparkassen- und Giroverband, the Westfälisch-Lippischer Sparkassenverband, Fides Alpha GmbH and Fides Beta GmbH.

In addition to the share capital paid in according to the Charter amounting to € 477 m and the equity-equivalent silent partner contributions paid in by the State of Hesse amounting to € 1,920 m, the subscribed capital of € 2,509 m (2011: € 2,397 m) now also comprises the share capital of € 112 m paid in by the new co-owners in 2012.

The capital reserve comprises the premiums from issuing share capital to the owners. The new co-owners added € 888 m to the capital reserve in the year under review.

The retained earnings comprise the profits retained by the parent company and the consolidated subsidiaries as well as amounts from the amortised results of acquisition accounting and other consolidation adjustments. In addition, retained earnings also include actuarial gains and losses on defined benefit obligations, which have to be recognised directly in equity, as well as the appropriate deferred taxes.

The revaluation reserve contains the remeasurement gains or losses, after deferred taxes, on available-for-sale financial instruments recognised in equity. The gains or losses are only recognised in the income statement when the asset is sold or derecognised.

The currency translation reserve is used to recognise, directly in equity, currency translation differences from the translation of the financial statements of economically independent foreign operations (subsidiaries; branches) into the Group currency (see Note (10)); the items are held there until disposal. In addition, the currency translation gains or losses on hedges of a net investment in a foreign operation are reported under the currency translation reserve in accordance with Note (5).

The cash flow hedge reserve contains the effective portion of the fair value change of hedging instruments in cash flow hedges in accordance with Note (5).

Further Information Concerning Financial Instruments

(57) Provision of Collateral

Assets pledged as security
The collateral is provided on terms which are customary for the relevant repurchase agreements, securities and financing transactions. The following assets were pledged or transferred as security for own liabilities as of the reporting date (carrying amounts):

in € m

	31.12.2012	31.12.2011 [1]
Trading assets	4,112	3,521
Loans and advances to banks	5,391	4,779
Loans and advances to customers	399	278
Financial investments	3,347	2,308
Other assets	4	8
Financial assets	**13,253**	**10,894**
Investment property	168	164
Property and equipment	–	45
Non-financial assets	**168**	**209**
Total	**13,421**	**11,103**

[1] Prior-year figures restated: reduction of € 4,300 m in trading assets, increase of € 36 m in loans and advances to banks, increase of € 2 m in loans and advances to customers, reduction of € 19 m in financial investments.

Financial collateral was provided in connection with the following business transactions.

in € m

	31.12.2012	31.12.2011
Collateral for refinancing transactions with central banks	4,551	1,015
Collateral for transactions via exchanges and clearing houses	1,047	1,460
Securities pledged in connection with repo transactions	1	1,653
Cash collateral	5,780	5,051
Other collateral	1,874	1,715
Total	**13,253**	**10,894**

Cash collateral is provided mainly as liquid collateral in connection with OTC derivatives transactions was well as transactions on derivatives exchanges or with central counterparties. Other collateral provided mainly serves as security for transactions with the European Investment Bank.

In addition, the Bank holds receivables backed by property charges and municipal receivables as well as other items of collateral in its cover funds in accordance with Sections 12 and 30 PfandBG. As of 31 December 2012, the cover funds amounted to € 35,671 m (2011: € 29,086 m) with mortgage and public Pfandbriefe of € 26,078 m in circulation (2011: € 20,078 m). These also include registered securities, which are shown under liabilities due to banks and liabilities due to customers.

Assets received as security
Collateral is received on terms that are customary for the relevant repo transactions, securities and financing transactions.

The fair value of collateral received in connection with genuine repurchase agreements, which permit Helaba to sell on or pledge such collateral if the party providing the collateral does not default amounts to € 398 m (2011: € 514 m). Such collateral with a fair value of € 254 m (2011: € 193 m) has been sold on, or has been the subject of onward pledging.

Liquid collateral of € 974 m (2011: € 692 m) was received as security for OTC transactions, and is recognised under liabilities due to banks and liabilities due to customers.

Please see Note (71) for information regarding collateral received in connection with lending operations.

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(58) Transfer of Financial Assets without Derecognition

In connection with securities repurchase and lending transactions, the Helaba Group transfers financial assets, but retains both the main credit rating, interest rate and currency risks as well as the opportunities for capital appreciation associated with the ownership of those assets. Thus, the requirements for derecognition in accordance with IAS 39 are not fulfilled, and the financial assets continue to be recognised in the consolidated statement of financial position and measured in accordance with the corresponding measurement category.

The following table shows the carrying amounts of the transferred assets that do not qualify for derecognition, broken down by the type of underlying transaction, as well as the corresponding liabilities.

in € m

	31.12.2012	31.12.2011
Carrying amount of the financial assets transferred in connection with securities repurchase transactions but not derecognised	**1**	**1,653**
Trading assets	1	1,518
Financial investments	–	135
Carrying amount of the liabilities from securities repurchase transactions	**1**	**1,634**
Carrying amount of the financial assets transferred in connection with securities lending transactions but not derecognised	**255**	**410**
Trading assets	20	–
Financial investments	235	410
Carrying amount of the cash collateral received from securities lending transactions	**–**	**–**

All of the financial assets listed above are securities owned by the Helaba Group. In the context of securities repurchase and lending transactions, securities accepted from third parties as part of reverse repos or borrowed securities, which may not be recognised in the consolidated statement of financial position, may also be transferred. The pledgee or lender, as the case may be, may sell on or pledge the transferred securities at any time. Nevertheless, the Helaba Group generally continues to receive the contractually agreed cash flows from these securities.

The liabilities from securities repurchase transactions result from the amount paid by the pledgee for the transferred securities. This amount corresponds, at the conclusion of the transaction, to the fair value of the transferred securities less a safety margin. When the securities are transferred back at the end of the term of the securities repurchase agreement, this amount, plus agreed interest, must be repaid to the pledgee. The liabilities from securities repurchase transactions are recognised under trading liabilities or under liabilities due to banks and liabilities due to customers.

The corresponding liabilities in connection with securities lending transactions arise out of the obligation to repay the cash collateral received. The main counterparties in the securities lending transactions concluded by the Helaba Group comprise affiliated and non-affiliated Sparkassen. Additional cash collateral is generally demanded only from counterparties outside the Sparkassen-Finanzgruppe.

Given that they are assigned to the measurement categories “held for trading” (HfT) or “available for sale” (AfS), the carrying amount of the transferred securities corresponds to their fair value. The fair value of the liabilities from securities repurchase transactions amounts to € 1 m (2011: € 1,634 m) and thus corresponds to the fair value of the securities. As of 31 December 2011, the fair value of the corresponding liabilities from securities repurchase transactions was € 19 m lower than the fair value of the securities. The fair value of the cash collateral received in connection with securities lending transactions always equals its carrying amount. However, only unsecured securities lending transactions were concluded.

(59) Transfer of Financial Assets with Derecognition

Contracts for the sale and acquisition of shares in companies (participations and affiliates) include the warranties customary with such transactions, in particular in respect of tax and legal aspects. Provisions in the amount of € 7 m were set up to cover these.

(60) Subordinate Assets

The following statement of financial position items include subordinate assets:

in € m

	31.12.2012	31.12.2011
Loans and advances to banks	**72**	**71**
thereof:		
From other long-term investees and investors	1	1
Loans and advances to customers	**962**	**1,293**
thereof:		
From other long-term investees and investors	24	23
Trading assets	**12**	**13**
Financial investments	**42**	**48**
Total	**1,088**	**1,425**

Assets are recognised as subordinate if, in the case of liquidation or insolvency of the debtor, they can be satisfied only after the claims of the other creditors have been satisfied.

(61) Foreign Currency Volumes

in € m

	Foreign currency assets		Foreign currency liabilities	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
USD	15,878	18,707	9,239	9,964
GBP	6,673	6,606	2,416	1,600
CHF	2,924	3,077	776	2,071
JPY	1,105	1,482	1,166	1,498
Other currencies	1,141	1,410	411	305
Total	**27,721**	**31,282**	**14,008**	**15,438**

The foreign currency assets and liabilities shown under this item relate to non-derivative financial instruments. Any resultant open foreign currency positions are essentially closed through the deployment of derivatives.

(62) Breakdown of Maturities

in € m

	Payable on demand	Less than three months	Three months to one year	One year to five years	More than five years
Non-derivative financial liabilities	**28,412**	**24,371**	**29,872**	**69,833**	**34,288**
Trading liabilities	1,343	9,314	10,953	512	181
Liabilities due to banks	8,215	4,918	3,933	18,296	10,502
Liabilities due to customers	18,755	3,527	6,184	9,858	16,233
Securitised liabilities	99	6,590	8,340	37,349	6,759
Subordinate capital	–	22	462	3,818	613
Derivative financial liabilities	**11,831**	**291**	**850**	**3,509**	**2,422**
Trading liabilities	11,830	12	48	714	1,241
Negative fair values of non-trading derivatives	1	279	802	2,795	1,181
Irrevocable loan commitments	**2,262**	**572**	**1,858**	**8,414**	**2,259**
Total	42,505	25,234	32,580	81,756	38,969

The following amounts were applicable as of 31 December 2011:

in € m

	Payable on demand	Less than three months	Three months to one year	One year to five years	More than five years
Non-derivative financial liabilities	**18,549**	**26,029**	**28,667**	**52,868**	**27,937**
Trading liabilities	3,041	13,215	10,349	500	–
Liabilities due to banks	1,943	2,440	4,689	15,526	10,437
Liabilities due to customers	13,565	5,318	5,759	10,598	12,359
Securitised liabilities	–	5,030	7,339	22,633	3,862
Subordinate capital	–	26	531	3,611	1,279
Derivative financial liabilities	**10,093**	**317**	**615**	**2,262**	**938**
Trading liabilities	10,093	–	–	–	–
Negative fair values of non-trading derivatives	–	317	615	2,262	938
Irrevocable loan commitments[1)]	**722**	**789**	**2,520**	**9,456**	**2,279**
Total	**29,364**	**27,135**	**31,802**	**64,586**	**31,154**

[1)] Prior-year figures restated: reclassification between different maturity categories as well as an increase of € 250 m in the maturity category “Three months to one year”.

For the breakdown of the remaining terms of financial liabilities, the undiscounted cash flows were spread over the individual maturity buckets in accordance with the contractually agreed maturity dates. If there was no fixed contractual agreement for the date of repayment, the earliest possible time or termination date has been used. This applies in particular to overnight money raised and sight deposits as well as savings deposits with an agreed period of notice.

The non-derivative financial liabilities presented under trading liabilities have been included in the breakdown of remaining terms with their carrying amounts, and the irrevocable loan commitments have been included at their nominal value. Trading derivatives were allocated with their carrying amount to the shortest maturity bucket; the irrevocable loan commitments were allocated to the earliest bucket in which the commitment can be drawn down. Liabilities from warranties and guarantee agreements in accordance with Note (72) can be utilised at any time up to the maximum guaranteed amount.

(63) Derivative Transactions

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

Derivatives can be concluded in the form of standard contracts on the stock exchange or individually negotiated as OTC derivatives.

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

The nominal and fair values of derivative transactions as of the reference dates are as follows:

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Equity-/index-related transactions	**2,101**	**962**	**209**	**62**	**90**	**52**
OTC products	**1,310**	**228**	**190**	**30**	**69**	**11**
Equity options	1,298	228	189	30	68	11
Calls	956	150	189	30	–	–
Puts	342	78	–	–	68	11
Other transactions	12	–	1	–	1	–
Listed products	**791**	**734**	**19**	**32**	**21**	**41**
Equity/index futures	153	144	–	–	1	2
Equity/index options	638	590	19	32	20	39
Interest-related transactions	**495,672**	**511,223**	**18,365**	**12,000**	**17,617**	**12,154**
OTC products	**431,177**	**406,990**	**18,358**	**11,976**	**17,606**	**12,122**
Forward rate agreements	12,875	19,493	–	3	1	5
Interest rate swaps	360,103	333,357	17,142	10,745	15,566	10,316
Interest rate options	58,194	54,031	1,216	1,228	2,039	1,801
Calls	25,399	24,447	1,212	1,222	–	–
Puts	32,795	29,584	4	6	2,039	1,801
Other interest contracts	5	109	–	–	–	–
Listed products	**64,495**	**104,233**	**7**	**24**	**11**	**32**
Interest rate futures	29,159	36,346	6	13	10	21
Interest rate options	35,336	67,887	1	11	1	11
Currency-related transactions	**60,513**	**59,289**	**1,238**	**1,145**	**1,040**	**1,569**
OTC products	**60,513**	**59,289**	**1,238**	**1,145**	**1,040**	**1,569**
Currency spot and future transactions	36,926	37,638	417	627	378	747
Cross-currency swaps	21,865	19,409	803	499	644	799
Currency options	1,722	2,242	18	19	18	23
Calls	856	1,131	18	19	–	–
Puts	866	1,111	–	–	18	23
Credit derivatives	**6,446**	**9,030**	**44**	**125**	**73**	**229**
OTC products	**6,446**	**9,030**	**44**	**125**	**73**	**229**
Commodity-related transactions	**280**	**88**	**9**	**5**	**7**	**5**
OTC products	**195**	**88**	**9**	**5**	**7**	**5**
Commodity swaps	137	85	5	5	5	5
Commodity options	58	3	4	–	2	–
Total	**565,012**	**580,592**	**19,865**	**13,337**	**18,827**	**14,009**

Nominal amounts, broken down by remaining term:

in € m

	Equity-/index-related transactions		Interest-related transactions		Currency-related transactions	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Up to three months	299	199	89,233	129,535	25,363	27,417
More than three months and up to one year	739	145	84,694	114,951	13,369	10,464
More than one year and up to five years	1,051	618	184,274	156,173	17,640	17,948
More than five years	12	–	137,471	110,564	4,141	3,460
Total	**2,101**	**962**	**495,672**	**511,223**	**60,513**	**59,289**

in € m

	Credit derivatives		Commodity-related transactions		Total	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Up to three months	775	276	75	12	115,745	157,439
More than three months and up to one year	1,225	2,275	82	30	100,109	127,865
More than one year and up to five years	4,319	5,297	97	46	207,381	180,082
More than five years	127	1,182	26	–	141,777	115,206
Total	**6,446**	**9,030**	**280**	**88**	**565,012**	**580,592**

Derivatives have been concluded with the following counterparties:

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Banks in OECD countries	350,212	387,598	11,763	8,746	14,481	12,083
Banks outside OECD countries	19	–	–	–	4	–
Other counterparties (including stock exchanges)	137,026	169,615	3,638	3,020	1,591	1,404
Public institutions in OECD countries	77,755	23,379	4,464	1,571	2,751	522
Total	**565,012**	**580,592**	**19,865**	**13,337**	**18,827**	**14,009**

(64) Carrying Amounts and Results, Broken Down by Measurement Category

The following table sets out the carrying amounts of assets and liabilities as of 31 December 2012 in accordance with the measurement categories of IAS 39. The figures shown in the statement of financial position are also detailed.

in € m

	LaR/OL	AfS	HfT	FVO	Total
Assets					
Cash reserve	8,925				8,925
Loans and advances to banks	22,941			295	23,236
Loans and advances to customers	90,103			718	90,821
Trading assets			37,954		37,954
Positive fair values of non-trading derivatives			6,992		6,992
Financial investments		25,632		2,305	27,937
Total	**121,969**	**25,632**	**44,946**	**3,318**	**195,865**
Equity and liabilities					
Liabilities due to banks	38,580			695	39,275
Liabilities due to customers	44,652			2,959	47,611
Securitised liabilities	45,799			11,369	57,168
Trading liabilities			36,148		36,148
Negative fair values of non-trading derivatives			4,982		4,982
Subordinate capital	3,840			523	4,363
Total	**132,871**		**41,130**	**15,546**	**189,547**

As was the case in the previous year, the financial assets shown under other assets and the financial liabilities shown under other liabilities have been allocated to the categories LaR and OL respectively.

The following amounts were applicable as of 31 December 2011:

in € m

	LaR/OL	AfS	HfT	FVO	Total
Assets					
Cash reserve	351				351
Loans and advances to banks	15,265			30	15,295
Loans and advances to customers	83,899			142	84,041
Trading assets			37,960		37,960
Positive fair values of non-trading derivatives			4,285		4,285
Financial investments		16,497		2,258	18,755
Total	**99,515**	**16,497**	**42,245**	**2,430**	**160,687**
Equity and liabilities					
Liabilities due to banks	31,076			457	31,533
Liabilities due to customers	39,748			2,159	41,907
Securitised liabilities	33,143			4,100	37,243
Trading liabilities			37,198		37,198
Negative fair values of non-trading derivatives			3,916		3,916
Subordinate capital	3,951			515	4,466
Total	**107,918**		**41,114**	**7,231**	**156,263**

The following table sets out the contributions to earnings of financial instruments in each measurement category for the financial year 2012:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	3,519	–2,651	409		–272	193	1,198
Provisions for losses on loans and advances	–238						–238
Net trading income				411			411
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied					–259	145	–114
Net income from hedge accounting	–48	–159				210	3
Net income from financial investments			–1				–1
Contributions to net income recognised under other comprehensive income			369				369
Total	**3,233**	**–2,810**	**777**	**411**	**–531**	**548**	**1,628**

The following amounts were applicable in the financial year 2011:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	3,550	–2,977	433		–157	269	1,118
Provisions for losses on loans and advances	–273						–273
Net trading income				–44			–44
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied					–143	423	280
Net income from hedge accounting	–4	–12				28	12
Net income from financial investments			–23				–23
Contributions to net income recognised under other comprehensive income			–9				–9
Total	**3,273**	**–2,989**	**401**	**–44**	**–300**	**720**	**1,061**

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Net interest income as per the income statement includes interest from financial instruments as well as interest expenses attributable to pension obligations and other long-term provisions, the expected return on plan assets and net interest income from finance leases.

(65) Fair Values of Financial Instruments

The following overview compares the fair values of financial assets and liabilities with their corresponding carrying amounts. In addition, other financial assets and liabilities whose fair values correspond to their carrying amounts are shown under other assets and other liabilities.

in € m

	Fair value		Carrying amount		Difference	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Assets						
Cash reserve	8,925	351	8,925	351	–	–
Loans and advances to banks[1]	23,483	15,627	23,220	15,204	263	423
Loans and advances to customers[1]	95,504	86,546	89,632	82,876	5,872	3,670
Trading assets	37,954	37,960	37,954	37,960	–	–
Positive fair values of non-trading derivatives	6,992	4,285	6,992	4,285	–	–
Financial investments	27,937	18,755	27,937	18,755	–	–
Total	**200,795**	**163,524**	**194,660**	**159,431**	**6,135**	**4,093**
Equity and liabilities						
Liabilities due to banks	39,583	32,303	39,275	31,533	308	770
Liabilities due to customers	49,626	43,565	47,611	41,907	2,015	1,658
Securitised liabilities	57,651	37,213	57,168	37,243	483	–30
Trading liabilities	36,148	37,198	36,148	37,198	–	–
Negative fair values of non-trading derivatives	4,982	3,916	4,982	3,916	–	–
Subordinate capital	4,401	4,317	4,363	4,466	38	–149
Total	**192,391**	**158,512**	**189,547**	**156,263**	**2,844**	**2,249**

[1] Net carrying amount after provisions for losses on loans and advances

The fair value is defined as the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing and independent business partners (except in the case of emergency settlement).

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

If an observable market price does not exist for a financial instrument, recognised and customary valuation techniques are used for measurement purposes, with all input data (e. g. yield curves, volatilities, spreads) being based on observable market data and taken from external sources. These methods mainly comprise discounted-cash-flow-based forward pricing and swap pricing models or option price models (e. g. Black-Scholes and variants thereof). These measurement methods are normally used for OTC derivatives (including credit derivatives) and financial instruments that are recognised at fair value and not traded on an active market (level 2).

In those cases in which not all input parameters are directly observable on the market, the fair values are calculated using realistic assumptions based on market conditions. This measurement method is used in particular for complex structured (derivative) spread products in which correlations not directly observable on the market constitute a major measurement factor. If no market prices are available for non-derivative financial instruments, arranger prices are used. Unlisted equity investments recognised at fair value are also measured on the basis of input parameters that cannot be observed, particularly the surpluses derived from corporate planning (level 3).

The increase in the financial investments assigned to level 2 concerns bonds in connection with the takeover of NRW-Verbundbank. As these bonds are held in full by Helaba, their market price has been discounted. The other increases in level 2 are mainly attributable to the NRW-Verbundbank takeover. There were no major shifts between level 1 and level 2.

In the following table, the financial instruments measured at fair value and recognised on the assets side of the statement of financial position are broken down according to the hierarchy of the input data:

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Non-derivative financial instruments	**39,874**	**40,486**	**13,299**	**6,660**	**825**	**655**	**53,998**	**47,801**
Loans and advances to banks	–	–	295	30	–	–	295	30
Loans and advances to customers	–	–	718	142	–	–	718	142
Trading assets	18,867	22,494	6,184	6,383	30	31	25,081	28,908
Financial investments	21,007	17,992	6,102	105	795	624	27,904	18,721
Derivatives	**26**	**56**	**19,799**	**13,278**	**40**	**3**	**19,865**	**13,337**
Positive fair values of the trading portfolio	25	54	12,810	8,995	38	3	12,873	9,052
Positive fair values of non-trading derivatives	1	2	6,989	4,283	2	–	6,992	4,285
Total	**39,900**	**40,542**	**33,098**	**19,938**	**865**	**658**	**73,863**	**61,138**

The financial instruments recognised as liabilities in the statement of financial position are broken down as follows:

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Non-derivative financial instruments	**1,372**	**2,181**	**36,401**	**32,091**	**76**	**64**	**37,849**	**34,336**
Liabilities due to banks	–	–	695	457	–	–	695	457
Liabilities due to customers	–	–	2,940	2,141	19	18	2,959	2,159
Securitised liabilities	28	–	11,297	4,054	44	46	11,369	4,100
Trading liabilities	1,344	2,181	20,946	24,924	13	–	22,303	27,105
Subordinate capital	–	–	523	515	–	–	523	515
Derivatives	**32**	**73**	**18,781**	**13,927**	**14**	**9**	**18,827**	**14,009**
Negative fair values of the trading portfolio	26	66	13,809	10,024	10	3	13,845	10,093
Negative fair values of non-trading derivatives	6	7	4,972	3,903	4	6	4,982	3,916
Total	**1,404**	**2,254**	**55,182**	**46,018**	**90**	**73**	**56,676**	**48,345**

The asset holdings of non-derivative financial instruments in level 3 are broken down as follows:

in € m

	31.12.2012	31.12.2011
Bonds and other fixed-income securities	**156**	**182**
Bonds	42	53
Promissory notes	26	27
Asset-backed securities	88	102
Unlisted equity investments	**424**	**429**
Investment funds	**51**	**44**
Purchase of receivables from endowment insurance policies	**194**	**–**
Total	**825**	**655**

Holdings of bonds and other fixed-income securities in level 3 are broken down over the various ratings as follows:

in € m

	31.12.2012	31.12.2011
AAA	1	14
AA	15	13
A	50	91
BBB and below	55	19
No external rating	35	45
Bonds and other fixed-income securities	**156**	**182**

In marking the level 3 holdings to the model, parameters were used to determine a price that rational investors would accept. Alternatively, more positive or more negative factors could be used for individual input factors. This is applicable mainly for the assessment and definition of credit spreads. In the case of bonds and other fixed-income securities, the prices calculated in this way were up to € 2 m (2011: € 2 m) higher or lower.

Simulations of capitalised earnings value have been carried out for unlisted shares. The enterprise values determined in this way have been used to identify alternative values that were up to € 34 m (2011: € 35 m) lower or up to € 32 m (2011: € 32 m) higher.

The other holdings attributed to level 3 do not indicate any major sensitivities.

The following tables show the development of holdings of financial instruments that are measured at fair value and allocated to level 3 as well as the measurement result of the financial instruments still held in the portfolio as of 31 December:

in € m

	Trading assets		Financial investments		Positive fair values of the trading portfolio		Positive fair values of non-trading derivatives	
Assets	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Carrying amounts as of 1.1.	**31**	**74**	**624**	**968**	**3**	**2**	**–**	**–**
Profits/losses recognised in the income statement								
Net trading income	–	2			1	1		
Gain or loss on non-trading derivatives and financial instruments of the FVO			8	6			2	–
Net income from financial investments			–16	–19				
Profits or losses recognised in other comprehensive income			31	8				
Additions	–	–	43	65	–	–	–	–
Disposal/liquidations	–1	–45	–85	–389	2	–	–	–
Changes in basis of consolidation	–	–	197	–	32	–	–	–
Changes due to currency translation	–	–	–7	5	–	–	–	–
Transfers from level 1 or 2	–	–	–	1	–	–	–	–
Transfers to level 1 or 2	–	–	–	–21	–	–	–	–
Carrying amounts as of 31.12.	**30**	**31**	**795**	**624**	**38**	**3**	**2**	**–**
Gains or losses on financial assets recognised in the income statement	–	2	–2	–11	1	1	2	2

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in € m

Equity and liabilities	Liabilities due to customers 2012	Liabilities due to customers 2011	Securitised liabilities 2012	Securitised liabilities 2011	Trading liabilities 2012	Trading liabilities 2011	Negative fair values of the trading portfolio 2012	Negative fair values of the trading portfolio 2011	Negative fair values of non-trading derivatives 2012	Negative fair values of non-trading derivatives 2011
Carrying amounts as of 1.1.	**18**	**–**	**46**	**48**	**–**	**–**	**3**	**2**	**6**	**6**
Profits and losses recognised in the income statement										
Net interest income	−1	–	–	–					–	–
Net trading income					–	–	1	1		
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	2	3	2	−2					−2	2
Disposal/liquidations	–	–	−311	–	−134	–	−6	–	–	−2
Changes in basis of consolidation	–	–	307	–	147	–	12	–	–	–
Transfers from level 1 or 2	–	15	–	–	–	–	–	–	–	–
Carrying amounts as of 31.12.	**19**	**18**	**44**	**46**	**13**	**–**	**10**	**3**	**4**	**6**
Gains or losses on financial liabilities recognised in the income statement	–	–	–	–	–	–	−1	−1	3	−2

(66) Reclassification of Financial Assets

In line with the amendments to IAS 39 and IFRS 7 “Reclassification of Financial Assets”, the Helaba Group reclassified certain trading assets and financial assets available for sale as loans and receivables (LaR) in the second half of 2008. This reclassification procedure also included assets which, on 1 July 2008, were clearly not intended to be sold or traded in the immediate future and which instead were intended to be held for the foreseeable future. In accordance with the amended IAS 39, such assets were reclassified with effect from 1 July 2008 using the fair value determined on this reference date. No further reclassifications have been carried out since that time.

The reclassification also resulted in a change in the line item in which the assets are shown in the statement of financial position. The following table shows the carrying amounts and the fair values of the reclassified assets.

in € m

	31.12.2012 Carrying amount	31.12.2012 Fair value	31.12.2011 Carrying amount	1.7.2008 Carrying amount
Trading assets, reclassified as loans and advances to customers	173	172	256	437
Financial investments, reclassified as loans and advances to customers	538	560	819	1,722
Total	**711**	**732**	**1,075**	**2,159**

At the time of reclassification, the effective interest rates of the reclassified trading assets were between 4.5 % and 6.5 %, with expected attainable cash flows of € 452 m. The effective interest rates of the reclassified financial assets available for sale were between 3.2 % and 9.3 %, with expected attainable cash flows of € 1,794 m.

Had these reclassifications not been performed, this would have resulted in 2012 in additional unrealised measurement gains of € 8 m (2011: measurement losses € 10 m) for trading assets and additional unrealised measurement gains of € 50 m (2011: € 11 m) for financial assets in other comprehensive income.

Following reclassification, the assets made the following contributions to the income statement of the Group (before taxes) in 2012:

in € m

	2012	2011
Net interest income	11	10
Amortisation and realised gain/loss on repayment and disposal	4	4
Provisions for losses on loans and advances	–1	–
Profit before tax on reclassified assets	**14**	**14**

(67) Information Concerning Liabilities for which the Fair Value Option is Applied

In respect of liabilities for which the FVO was applied, the rating-related changes in fair value amounted to € 39 m in the reporting period (2011: € 9 m). The cumulative rating-related change in the fair values for the liabilities recognised as of the reporting date was € 35 m (2011: € 1 m). The carrying amounts of € 15,546 m contrasted with repayments in the amount of € 16,234 m.

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(68) Disclosures in Relation to Issuing Activities

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

in € m

	Issued money market securities of the trading portfolio		Securitised liabilities		Securitised subordinate capital		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
As of 1.1.	**2,500**	**8,383**	**37,243**	**40,389**	**3,139**	**3,158**	**42,882**	**51,930**
Changes in basis of consolidation	–	–	24,753	–	–	–	24,753	–
Changes due to currency translation	–15	261	–24	112	–9	6	–48	379
Additions from issues	18,621	23,421	15,456	15,139	–	–	34,077	38,560
Disposals due to repayment	–16,705	–28,598	–19,216	–17,043	–50	–40	–35,971	–45,681
Disposals due to repurchases	–171	–955	–708	–1,363	–	–	–879	–2,318
Changes in accrued interest	–1	–2	34	–37	–1	–2	32	–41
Changes in value recognised through profit or loss	1	–10	–370	46	–12	17	–381	53
As of 31.12.	**4,230**	**2,500**	**57,168**	**37,243**	**3,067**	**3,139**	**64,465**	**42,882**

In the course of its issuing activities, the Helaba Group places short-term money market papers as well as long-term bonds and subordinated funds on the money and capital markets.

Additions from issues and disposals due to repayment also comprise the placement volume of short-term money market papers that could be repaid by as early as the end of the financial year. The changes in value recognised through profit or loss result from measurement effects from financial liabilities held as at the reporting date which were either accounted for as hedged items or allocated to the FVO.

(69) Information Concerning Risk Management

The Group's risk strategy focuses on the assumption of risks with a view to making profits and takes account of the company's economic and regulatory equity. The identified risks are continuously measured and monitored for risk management purposes. The methods used are subject to constant improvement. With regard to the organisation of risk management, the individual risk types as well as risk concentrations, please refer to the opportunity and risk report, which forms an integral part of the management report.

(70) Credit Risks Attributable to Financial Instruments

No impairments were recognised for those receivables in the amount of € 298 m (2011: € 504 m) which are measured at amortised cost and were overdue as of the reporting date. This was because Helaba had noted no material change in the rating of the debtors and expects that the outstanding amounts will indeed be repaid.

A financial asset is classified as overdue if the party to the agreement fails to make the contractually agreed payments in respect of the financial instrument on time and an automatic reminder procedure is triggered because of that. In this respect, it is sufficient if certain contractually agreed part payments (interest or partial repayments) are overdue.

The following table shows the unimpaired receivables overdue as of the reporting date, broken down by the length of the overdue period:

in € m

	Overdue by ≤ one month	Overdue by > one month and ≤ three months	Overdue by > three months and ≤ one year	Overdue by > one year	Total
Loans and advances to banks (LaR)	15	–	–	–	15
Loans and advances to customers (LaR)	66	78	49	87	280
Trade accounts receivable (LaR)	1	1	1	–	3
Total	**82**	**79**	**50**	**87**	**298**

The following amounts were applicable as of 31 December 2011:

in € m

	Overdue by ≤ one month	Overdue by > one month and ≤ three months	Overdue by > three months and ≤ one year	Overdue by > one year	Total
Loans and advances to customers (LaR)	85	170	78	166	499
Trade accounts receivable (LaR)	1	2	1	1	5
Total	**86**	**172**	**79**	**167**	**504**

Trade accounts receivable (LaR), which are reported under “Other assets” in the statement of financial position, are mainly attributable to real estate project management and residential construction business.

The following table shows the carrying amounts of receivables in the LaR category that have been impaired by the creation of specific loan loss allowances or specific loan loss allowances evaluated on a group basis. The table also shows the gross carrying amounts before impairment of available-for-sale financial assets.

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in € m

	Carrying amount before impairment		Amount of impairment		Carrying amount after impairment	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Loans and advances to banks (LaR)	8	1	1	1	7	–
Loans and advances to customers (LaR)	2,551	2,021	912	929	1,639	1,092
Financial investments (AfS)	246	306	121	166	125	140
Total	**2,805**	**2,328**	**1,034**	**1,096**	**1,771**	**1,232**

With the exception of loans and advances to banks and loans and advances to customers, the maximum credit risk in accordance with IFRS 7.36 (a) as of the closing date is equivalent to the carrying amount of the financial assets as detailed in Note (65) plus the contingent liabilities and irrevocable loan commitments as per Note (72). For loans and advances to banks and loans and advances to customers, the maximum credit risk is equivalent to the carrying amount less the allowances for losses on loans and advances (see Note (36)). These are amounts which do not take account of the deduction of collateral or other agreements that reduce risk.

In order to secure its loans, the Helaba Group holds, in particular, property charges in relation to real estate, guarantees and warranties as well as securities. Financial collateral arrangements that are customary in the industry are also used. The estimated fair value of the collateral is based on a valuation of that collateral. Depending on the type and volume of the loans in question, the collateral is constantly monitored and updated in accordance with the credit guidelines.

The following table shows the estimated fair values of the collateral held in respect of traditional lending operations as of the reporting date:

in € m

	Carrying amount		Fair value of collateral	
	31.12.2012	31.12.2011 [1]	31.12.2012	31.12.2011
Loans and advances to banks	23,236	15,295	122	124
Loans and advances to customers	90,821	84,041	35,080	34,921
Contingent liabilities	4,951	3,582	290	267
Irrevocable loan commitments	15,365	15,766	995	1,013
Total	**134,373**	**118,684**	**36,487**	**36,325**

[1] Prior-year figures restated: increase of € 250 m in the carrying amount for irrevocable loan commitments

Following liquidation of the collateral in connection with a real estate loan, only a minor share in a property company remained as of 31 December 2012.

For further information on credit risks, please refer to the opportunity and risk report, which forms an integral part of the management report.

Off-Balance-Sheet Transactions and Obligations

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

The Helaba Group's contingent liabilities and other obligations are mainly potential future liabilities of the Group attributable to guarantees that have been provided and also to credit lines that have been granted to customers but not yet drawn down. The figures shown reflect potential liabilities and assume that the credit lines extended are utilised in full and that the guarantees granted are utilised. The provisions for off-balance-sheet obligations have been deducted from the figures.

in € m

	31.12.2012	31.12.2011 [1]
Contingent liabilities	**4,951**	**3,582**
Liabilities from guarantees and warranty agreements	4,951	3,582
Other obligations	**17,601**	**18,269**
Placement and acceptance obligations	2,072	2,319
Irrevocable loan commitments	15,365	15,766
Obligations to provide further capital	39	41
Contribution obligations	67	98
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	12	33
Contractual obligations in connection with investment property	12	7
Other obligations	34	5
Total	**22,552**	**21,851**

[1] Prior-year figures restated: increase of € 250 m in irrevocable loan commitments.

On the reporting date, an amount of € 57 m of the contribution obligations was attributable to 25 commercial partnerships, while € 10 m was attributable to two corporations. No contribution obligations existed in respect of affiliated companies.

In its capacity as the legal successor of one of its subsidiaries, the Bank assumed the obligations arising from the integration of that subsidiary. The latter was involved in a demerger, which resulted in the temporary assumption of liabilities under the German Transformation Act (Umwandlungsgesetz, UmwG). No actual burden is currently expected.

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

If a claim is made against a former guarantor of DekaBank under the grandfathering provisions applicable to the guarantor liability in accordance with the Brussels Accord I, Helaba will be obliged to pay pro-rata internal liability compensation.

The Bank is a member of the deposit guarantee schemes of the German Sparkassen organisation through its membership of the security reserve of the Landesbanken and Girozentralen in Germany. Frankfurter Sparkasse AG is a member of the Sparkassen Support Fund of the Sparkassen- und Giroverband Hessen-Thüringen. The purpose of these deposit guarantee schemes is to guarantee the institution, i.e. to protect the continued existence of the affiliated institutions. There is an obligation to make additional payments if protection has to be provided.

In addition, Helaba is a member of the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen. This fund provides additional protection on top of the existing deposit guarantee schemes, thus safeguarding not only the institutions but also their creditors. Helaba and the Sparkassen make successive contributions to the fund until 0.5 % of the assessment base (the banks' risk assets) has been reached. An institution's obligation to pay contributions 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 any shortfall should a claim be made against the fund before the full amount has been contributed in cash.

The Bank remains jointly liable for ensuring that the other members of Deutscher Sparkassen- und Giroverband e.V. (DSGV) fulfil their obligations to make additional contributions.

Certain banks affiliated with the Group have additional obligations as members of deposit protection schemes in accordance with the provisions applicable to such arrangements.

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

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

(72) Letters of Comfort

Company	Registered offices
Gateway Gardens Projektentwicklungs-GmbH	Frankfurt am Main
Grundstücksgesellschaft Gateway Gardens GmbH	Frankfurt am Main
Grundstückgesellschaft Westhafen GmbH	Frankfurt am Main

(73) Volume of Managed Funds

The investment assets managed by Helaba Invest Kapitalanlagegesellschaft mbH and LB(Swiss) Investment AG are broken down as follows:

in € m

	31.12.2012	31.12.2011
Public funds, 72 (2011: 74)	4,015	3,587
Special funds, 226 (2011: 220)	79,582	69,265
Total	**83,597**	**72,852**

(74) Fiduciary Transactions

in € m

	31.12.2012	31.12.2011
Trust assets	**1,060**	**1,222**
Loans and advances to banks	216	317
Loans and advances to customers	560	623
Equity investments	272	269
Other assets	12	13
Trust liabilities	**1,060**	**1,222**
Liabilities due to banks	4	6
Liabilities due to customers	738	901
Other liabilities	318	315

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

Other disclosures

(75) Information Concerning Leasing

Leases in which the Helaba Group is the lessor
The following table provides details of finance leases:

in € m

	31.12.2012	31.12.2011
Gross investment value	**9**	**10**
Up to one year	1	1
More than one year and up to five years	5	4
More than five years	3	5
Unrealised financial income	**–2**	**–2**
Net investment value	**7**	**8**
Up to one year	1	1
More than one year and up to five years	3	3
More than five years	3	4

The gross investment value is equivalent to the sum of the minimum leasing payments from the finance lease and the non-guaranteed residual values to which the lessor is entitled. The minimum leasing payments include the guaranteed residual values to be paid by the lessee. The unrealised financial income corresponds to the difference between the gross investment value and the net investment value.

As was the case in the previous year, no cumulative impairments were recognised for finance leases. As in 2011, no contingent rental payments from finance leases were recognised as income in the year under review.

The following minimum lease payments are expected in the course of the next few years from operating leases that cannot be terminated:

in € m

	31.12.2012	31.12.2011 [1]
Up to one year	109	94
More than one year and up to five years	115	147
More than five years	29	50
Total	**253**	**291**

[1] Decrease of € 43 m in minimum lease payments in the previous year

The operating leases mainly comprise subtenancy agreements for buildings that have been leased as well as tenancy agreements from letting own land and buildings. In the year under review, rent payments of € 6 m due to operating leases were recognised as income (2011: € 1 m).

Leases in which the Helaba Group is the lessee
Of the figure shown for general and administrative expenses, € 49 m (2011: € 38 m) is attributable to payments for operating leases in which Helaba is the lessee. This mainly relates to land and buildings as well as operating and business equipment.

The leased properties are predominantly office buildings used for banking operations, unless they are subject to different commercial use as part of subtenancy arrangements. The tenancy agreements have fixed terms with current residual terms of up to 15 years. Price adjustment clauses exist in various forms; no contingent rental payments have been agreed.

The following minimum lease payments for operating leases that cannot be terminated are expected to be made over the next few years:

in € m

	31.12.2012	31.12.2011
Up to one year	56	49
More than one year and up to five years	182	167
More than five years	160	171
Total	**398**	**387**

As of the reporting date, future minimum rental payments of € 51 m are expected from subtenancy arrangements that cannot be terminated (2011: € 51 m). In the year under review, a figure of € 15 m was received from subtenancy arrangements (2011: € 13 m); this figure is shown under other operating income.

In financial year 2012, no finance leases were in place in which the Helaba Group was the lessee.

(76) Information Concerning Equity Management and Regulatory Ratios

Equity management at the Helaba Group comprises the planning of regulatory own funds as part of the planning process, the allocation of own funds, monitoring the development of risk positions and compliance with capital limits, monitoring and determining the plausibility of the remaining capital cushion as well as factoring in a theoretical cost of capital rate during direct costing. The aim of equity management is to allocate equity to the various divisions of the Group, with due consideration being given to risk and return, and also in compliance with the regulatory requirements in respect of capital backing.

The Helaba Group's regulatory own funds are determined in accordance with Sections 10 and 10a KWG. Accordingly, the Group must maintain adequate own funds in order to comply with its obligations to its creditors.

The Solvency Ordinance requires institutions to quantify their counterparty risks, market risks and operational risks and to back these risks with own funds.

In accordance with the Solvency Ordinance, the regulatory own funds of the Helaba Group consist of core capital, supplementary capital and Tier 3 funds, and are broken down as follows as of the reporting deadline (31 December 2012):

in € m

	31.12.2012	31.12.2011
Ordinary capital	589	477
Sundry capital	1,920	1,920
Other capital	1,053	1,053
Open reserves and consolidation effects	2,954	1,996
Special item for general banking risks in accordance with Section 340g HGB	479	448
Deductions in accordance with Section 10 (2a) KWG	–40	–36
Tier 1 capital	**6,955**	**5,858**
Capital in accordance with Section 10 (5) KWG	707	724
Longer-term subordinate liabilities	2,290	2,314
Other components and consolidation effects	4	4
Tier 2 capital	**3,001**	**3,042**
Deductions in accordance with Section 10 (6) and (6a) KWG	–273	–121
Liable equity	**9,683**	**8,779**
Available Tier 3 capital used	–	–
Own funds, total	**9,683**	**8,779**

Once the financial statements for 2012 have been adopted, the regulatory own funds will be enhanced through additions to provisions for banking risks in accordance with Section 340f HGB, and to the special reserve in accordance with Section 340g HGB as well as through the recognition of impairments and additions to the reserves.

The following capital requirements and ratios are applicable as of the reporting date:

in € m

	31.12.2012	31.12.2011
Default risks	4,158	3,908
Market risks	422	407
Operational risks	284	268
Capital requirements	**4,864**	**4,583**
Tier 1 capital ratio	11.2 %	10.1 %
Total ratio	15.9 %	15.3 %

The Tier 1 and equity ratios comply with the target ratios formulated by Helaba in its equity planning. The regulatory capital backing requirements are also met.

(77) Related Party Disclosures

In the course of the ordinary activities of Helaba, transactions with parties deemed to be related in accordance with IAS 24 are conducted on an arm's-length basis. The following information relates to the transactions with non-consolidated affiliated companies, with associates and equity investments in joint ventures of the Helaba Group as well as their subordinate subsidiaries.

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

As of 31 December 2012, the Helaba Group had the following receivables from and liabilities to related parties as well as obligations not recognised in the statement of financial position:

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in € m

	31.12.2012	31.12.2011 [1]
Loans and advances to banks	**44**	**45**
Investments in joint ventures and associates	4	5
Shareholders of Helaba	40	40
Loans and advances to customers	**2,418**	**2,709**
Non-consolidated subsidiaries	6	8
Investments in joint ventures and associates	598	758
Shareholders of Helaba	1,589	1,865
Other related parties	225	78
Trading assets	**884**	**420**
Investments in joint ventures and associates	20	11
Shareholders of Helaba	864	409
Financial investments	**580**	**65**
Non-consolidated subsidiaries	22	21
Investments in joint ventures and associates	38	44
Shareholders of Helaba	520	–
Other assets	**170**	**1**
Non-consolidated subsidiaries	–	1
Shareholders of Helaba	170	–
Liabilities due to banks	**311**	**193**
Non-consolidated subsidiaries	1	3
Shareholders of Helaba	310	190
Liabilities due to customers	**889**	**854**
Non-consolidated subsidiaries	22	59
Investments in joint ventures and associates	82	69
Shareholders of Helaba	772	708
Other related parties	13	18
Trading liabilities	**65**	**417**
Non-consolidated subsidiaries	5	12
Investments in joint ventures and associates	6	12
Shareholders of Helaba	54	393
Subordinate capital	**84**	**84**
Shareholders of Helaba	84	84
Other liabilities	**49**	**38**
Investments in joint ventures and associates	47	38
Shareholders of Helaba	2	–
Contingent liabilities	**307**	**261**
Investments in joint ventures and associates	67	65
Shareholders of Helaba	68	21
Other related parties	172	175

[1] Prior-year figures restated. See Note (1).

Impairments for capitalised receivables due from related parties amounted to € 4 m. Loans to a joint venture in the amount of € 9 m were waived. As was the case in 2011, no loans were derecognised in 2012.

Transactions with related parties that are not shown as receivables, deposits or liabilities mainly comprise purchases and sales of securities and investment fund units as well as the business of placing closed funds that is transacted by a subsidiary. The resultant income and expenses are of only minor significance (in total: less than € 1 m).

Receivables from other related parties comprise loans of € 1 m to members of the Board of Managing Directors (2011: € 1 m) and loans of € 3 m to members of the Supervisory Board (2011: € 2 m).

The emoluments of the Board of Managing Directors of Helaba are broken down as follows:

in € m

	31.12.2012	31.12.2011
Short-term benefits	4	5
Post-employment benefits	–	–
Other long-term benefits	3	1
Benefits payable on termination of employment	–	–

In addition, a figure of € 0.6 m (2011: € 0.4 m) was paid into the pension provisions for members of the Board of Managing Directors (service cost).

As in the previous year, a total of € 0.6 m was paid to the Supervisory Board and € 0.1 m to the Advisory Board. In addition, the employee representatives on the Supervisory Board received a combined amount of € 2 m in salary payments as company employees. As in 2011, an amount of € 3 m was paid to former members of the Board of Managing Directors and their surviving dependants. Provisions of € 44 m were recognised for pension obligations for this group of persons (2011: € 39 m).

(78) Auditors’ Fees

The following fees for services rendered by Group companies of PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft were invoiced for the financial year:

in € m

	31.12.2012	31.12.2011
Audit fees	4	3
Other services	3	4
Total	**7**	**7**

(79) Information Concerning Employees

Average number of staff during the year

	Female		Male		Total	
	2012	2011	2012	2011	2012	2011
Bank	1,051	965	1,513	1,430	2,564	2,395
WIBank	244	236	174	175	418	411
Landesbausparkasse	179	175	130	134	309	309
Bank as a whole	**1,474**	**1,376**	**1,817**	**1,739**	**3,291**	**3,115**
Group subsidiaries	1,415	1,432	1,369	1,341	2,784	2,773
Group	**2,889**	**2,808**	**3,186**	**3,080**	**6,075**	**5,888**

(80) Members of the Supervisory Board

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

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

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

Hans Martz
Chief Executive Officer
Sparkasse Essen
Essen
– since 17 September 2012 –
– Third Vice-Chairman
since 1 December 2012 –

Franz Josef Schumann
President
Sparkassenverband Saar
Saarbrücken
since 17 September 2012
– Fifth Vice-Chairman,
since 24 September 2012 –

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

Ingo Buchholz
Chief Executive Officer
Kasseler Sparkasse
Kassel

Dirk Diedrichs
Secretary of State
Ministry of Finance of the
State of Thuringia
Erfurt

Georg Fahrenschon
President
Deutscher Sparkassen- und
Giroverband e.V.
Berlin
– since 17 September 2012 –

Robert Fischbach
Chief Administrative Officer
County District of
Marburg-Biedenkopf
Marburg

Martin Fischer
Chief Executive Officer
Sparkasse Jena-Saale-Holzland
Jena
– until 30 June 2012 –

Volker Goldmann
Chief Executive Officer
Sparkasse Bochum
Bochum
– since 20 September 2012 –

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

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

Gerhard Möller
Mayor
City of Fulda
Fulda

Frank Nickel
Chief Executive Officer
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
Mayor
City of Frankfurt am Main
Frankfurt am Main
– until 30 June 2012 –

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

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

Dr. Eric Tjarks
Chief Executive Officer
Sparkasse Bensheim
Bensheim
– since 1 January 2012 –

Egon Vaupel
Mayor
City of Marburg
Marburg
– since 1 January 2012 –

Dr. Norbert Vornehm
Mayor
City of Gera
Gera
– until 30 June 2012 –

Thomas Wagner
Chief Executive Officer
Sparkasse Altenburger Land
Altenburg
– since 1 July 2012 –

Alfred Weber
Chief Executive Officer
Kreissparkasse Saalfeld-Rudolstadt
Saalfeld

Stephan Ziegler
Chief Executive Officer
Nassauische Sparkasse
Wiesbaden

Ulrich Zinn
Chief Executive Officer
Sparkasse Grünberg
Grünberg

Arnd Zinnhardt
Member of the Group
Executive Board
Software AG
Darmstadt

Employee representatives:

Wilfried Abt
Vice President
Frankfurt am Main
– Fourth Vice-Chairman,
until 30 June 2012 –

Thorsten Derlitzki
Bank employee
Frankfurt am Main
– Fourth Vice-Chairman,
since 1 July 2012 –

Frank Beck
Vice President
Frankfurt am Main

Ursula Bergermann
Senior Vice President
Erfurt
– until 30 September 2012 –

Brigitte Berle
Bank employee
Frankfurt am Main
– since 1 July 2012 –

Isolde Burhenne
Vice President
Frankfurt am Main

Wilfried Carl
Vice President
Kassel
– since 1 October 2012 –

Gabriele Fuchs
Bank employee
Frankfurt am Main

Anke Glombik
Vice President
Erfurt
– since 1 September 2012 –

Thorsten Kiwitz
Vice President
Frankfurt am Main

Annette Langner
Bank employee
Frankfurt am Main
– since 1 September 2012 –

Susanne Noll
Bank employee
Frankfurt am Main

Hans Peschka
Vice President
Frankfurt am Main

Erich Roth
Bank employee
Frankfurt am Main

Birgit Sahliger-Rasper
Bank employee
Frankfurt am Main

Wolf-Dieter Tesch
Senior Vice President
Frankfurt am Main

(81) Credit Committee of the Supervisory Board

Gerhard Grandke
Executive President
Sparkassen- und Giroverband
Hesse-Thuringia
Frankfurt am Main/Erfurt
– Chairman –

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

Wilfried Abt
Vice President
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main
– until 30 June 2012 –

Thorsten Derlitzki
Bank employee
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main
– since 1 July 2012 –

Martin Fischer
Chief Executive Officer
Sparkasse Jena-Saale-Holzland
Jena
– until 30 June 2012 –

Volker Goldmann
Chief Executive Officer
Sparkasse Bochum
Bochum
– since 1 December 2012 –

Claus Kaminsky
Mayor
City of Hanau
Hanau

Frank Lortz
Member of the State Parliament
of Hesse
Wiesbaden

Hans Martz
Chief Executive Officer
Sparkasse Essen
Essen
– since 1 October 2012 –

Gerhard Möller
Mayor
City of Fulda
Fulda

Siegmar Müller
Chief Executive Officer
Sparkasse Germersheim-Kandel
Kandel
– since 1 October 2012 –

Frank Nickel
Chief Executive Officer
Sparkasse Werra-Meissner
Eschwege
– since 1 April 2012 –

Honorary Consul General
Dirk Pfeil
Management consultant
Frankfurt am Main

Clemens Reif
Member of the State Parliament
of Hesse
Wiesbaden

Dr. Karl-Peter Schackmann-Fallis
Executive Member of the Board
Deutscher Sparkassen- und
Giroverband e. V.
Berlin
– since 1 October 2012 –

Fritz Schröter
Member of the State
Parliament of Thuringia
Erfurt

Alfred Weber
Chief Executive Officer
Kreissparkasse Saalfeld-Rudolstadt
Saalfeld
– since 1 September 2012 –

Ulrich Zinn
Chief Executive Officer
Sparkasse Grünberg
Grünberg

(82) Accounts Audit Committee of the Supervisory Board

Gerhard Grandke
Executive President
Sparkassen- und Giroverband
Hesse-Thuringia
Frankfurt am Main/Erfurt
– Chairman –

Stephan Ziegler
Chief Executive Officer
Nassauische Sparkasse
Wiesbaden
– First Vice-Chairman –

Hans Peschka
Vice President
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main
– Second Vice-Chairman –

Frank Beck
Vice President
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main

Ursula Bergermann
Senior Vice President
Landesbank Hessen-Thüringen
Girozentrale
Erfurt
– until 30 September 2012 –

Brigitte Berle
Bank employee
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main
– since 1 October 2012 –

Dirk Diedrichs
Secretary of State
Ministry of Finance of the
State of Thuringia
Erfurt

Dr. Werner Henning
Chief Administrative Officer
County District of Eichsfeld
Heiligenstadt

Frank Nickel
Chief Executive Officer
Sparkasse Werra-Meissner
Eschwege

Dr. Thomas Schäfer
Minister of State
Ministry of Finance of the
State of Hesse
Wiesbaden

Alexander Wüerst
Chief Executive Officer
Kreissparkasse Köln
Cologne
– since 1 December 2012 –

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

(83) Members of the Board of Managing Directors

Hans-Dieter Brenner
Chairman

Johann Berger
Vice-Chairman
– until 30 September 2012 –

Jürgen Fenk
– since 1 October 2012 –

Klaus-Dieter Gröb

Thomas Groß
– since 15 October 2012 –

Dr. Detlef Hosemann

Rainer Krick

Gerrit Raupach
– until 30 September 2012 –

Dr. Norbert Schraad

(84) Positions on Supervisory Boards and Other Executive Bodies

Offices held by the members of the Board of Managing Directors

Office holder	Corporation	Function
Hans-Dieter Brenner	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	Member
Jürgen Fenk	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
Klaus-Dieter Gröb	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	Thüringer Aufbaubank, Erfurt	Member
Thomas Groß	Frankfurter Sparkasse, Frankfurt am Main	Member
Dr. Detlef Hosemann	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
	Frankfurter Sparkasse, Frankfurt am Main	Member
	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice-Chairman
Rainer Krick	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Vice-Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice-Chairman

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Offices held by other employees

Office holder	Corporation	Function
Herbert Hans Grüntker	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Chairman
Jörg Hartmann	AKA Ausfuhrkredit-Gesellschaft 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
Holger Mai	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Chairman
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. Michael Reckhard	Bürgschaftsbank Hessen GmbH, Wiesbaden	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, Ireland	Member
Erich Vettiger	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Member

(85) List of Shareholdings of Landesbank Hessen-Thüringen Girozentrale in Accordance with Section 315a in Conjunction with Section 313 (2) HGB

Fully consolidated subsidiaries

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG: Total	thereof: Direct	Voting rights if different from holding in %	Equity in € m	Result in € thousands	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7.1	0	1)
2	AGENORAS Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Frankfurt am Main	89.80			0.0	7	2)
3	Airport Office One GmbH & Co. KG, Schönefeld	100.00			0.0	–6	2)
4	Arosa Finance Limited, Dublin, Ireland	0.00			0.0	–79	3)
5	ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	0.00			–3.1	–3,136	3)
6	BGT Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH & Co. KG für Citybauten, Frankfurt am Main	100.00	100.00		116.9	29,945	2)
7	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00			0.0	0	1), 4)
8	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		7.2	821	2)
9	CAMPANULA Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	33.00			–4.4	–675	3)
10	CORDELIA Verwaltungsgesellschaft mbH, Pullach	90.00	90.00		0.0	0	1), 3)
11	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36.7	1,677	
12	Erste Veritas Frankfurt GmbH & Co. KG, Kriftel	100.00			70.4	–10	2)
13	EGERIA Verwaltungsgesellschaft mbH, Pullach	90.00	90.00		–0.2	0	1), 3)
14	Fachmarktzentrum Fulda GmbH & Co. KG, Fulda	100.00			0.2	1,845	2)
15	Fellnerstraße 5 GmbH & Co. KG, Frankfurt am Main	100.00			0.1	–1	2)
16	FMZ Fulda Verwaltung GmbH, Fulda	100.00			0.0	92	
17	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			9.8	–272	
18	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		101.6	3,612	
19	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		770.7	60,000	
20	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	100.00			0.2	0	1)
21	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00			0.3	0	1), 4)
22	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			0.3	0	1), 4)
23	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00			0.0	–168	
24	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			0.0	–128	2)
25	Grundstücksverwaltungsgesellschaft Kaiserlei mbH, Frankfurt am Main	100.00			0.1	–23	
26	G+S Bauen und Wohnen GmbH, Frankfurt am Main	100.00			2.6	3	
27	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00			23.4	0	1)
28	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		60.9	4,719	

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Fully consolidated subsidiaries

		Holding in % as per Section 16 (4) AktG		Voting rights if different from holding	Equity	Result	
No.	Name and location of the company	Total	thereof: Direct	in %	in € m	in € thousands	
29	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	1)
30	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00			357.5	46,489	
31	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		2.4	–3,156	2)
32	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	39.69	39.69		16.5	43	3)
33	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	57.97	57.97		18.2	623	3)
34	HANNOVER LEASING Private Invest Beteiligungs GmbH, Pullach	100.00			48.7	–703	3)
35	HANNOVER LEASING Private Invest II GmbH & Co. KG, Pullach	91.25			51.4	–71	3)
36	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	54.51			28.5	3,396	3)
37	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–100	2)
38	Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	100.00	100.00		5.5	14	2)
39	Helaba Dublin Landesbank Hessen-Thüringen International, Dublin, Ireland	100.00	100.00		151.3	3,005	
40	Helaba International Finance plc, Dublin, Ireland	100.00	100.00		5.4	185	
41	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	1)
42	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2.5	–17	2)
43	Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz	95.00	95.00	24.00	–12.7	1,667	3)
44	IKT Westhafen GmbH & Co. KG, Frankfurt am Main	100.00			0.1	68	2)
45	KADENZA Verwaltungsgesellschaft mbH, Pullach	0.00			6.6	20	
46	LB(Swiss) Investment AG, Zurich, Switzerland	100.00			8.9	1,204	
47	LHT MSIP, LLC, Wilmington, USA	100.00			5.0	305	
48	LHT Power Three LLC, Wilmington, USA	100.00	100.00		43.4	1,811	
49	LHT TCW, LLC, Wilmington, USA	100.00			19.2	1,167	
50	LHT TPF II, LLC, Wilmington, USA	100.00			17.7	435	
51	Main Capital Funding II Limited Partnership, St. Helier, Jersey	0.00			0.9	157	3)
52	Main Capital Funding Limited Partnership, St. Helier, Jersey	0.00			0.2	33	3)
53	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00			0.0	0	1)
54	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99			4.4	702	
55	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	90.70			18.6	1,181	
56	MS "EAGLE STRAIT" GmbH & Co. KG, Hamburg	0.00			0.1	–334	3)
57	MS "EMERALD STRAIT" GmbH & Co. KG, Hamburg	0.00			–0.4	566	3)
58	MS "ENDEAVOUR STRAIT“ GmbH & Co. KG, Hamburg	0.00			0.4	–39	3)
59	MS "ESSEX STRAIT" GmbH & Co. KG, Hamburg	0.00			–2.9	–204	3)
60	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			4.9	524	
61	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	1), 4)
62	OPUSALPHA FUNDING LTD, Dublin, Ireland	0.00			0.0	0	3)
63	OPUSALPHA PURCHASER LTD, Dublin, Ireland	0.00			0.0	0	3)
64	Palladium Praha s.r.o., Prague, Czech Republic	83.00			–106.4	–12,510	3)

Fully consolidated subsidiaries

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG: Total	thereof: Direct	Voting rights if different from holding in %	Equity in € m	Result in € thousands	
65	Palladium SC GmbH & Co. Beteiligungs KG, Pullach	0.00			–36.5	–7,715	3)
66	Projektentwicklungs-GmbH & Co. Schule an der Wascherde KG, Kassel	100.00			0.0	–41	2)
67	Projektgesellschaft Gesundheitszentrum Frauengasse – Jena mbH & Co. KG, Frankfurt am Main	100.00			0.0	–2	2)
68	PVG GmbH, Frankfurt am Main	100.00	100.00		0.0	53	
69	Schlossgalerie Eschwege GmbH & Co. KG, Frankfurt am Main	100.00			0.1	842	2)
70	STRATUS Verwaltungsgesellschaft mbH, Pullach	94.80			–6.9	–288	3)
71	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		0.2	196	
72	VANESSA Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	0.00			–15.3	–4,252	3)
73	Vermögensverwaltung "Emaillierwerk" GmbH, Fulda	100.00			0.4	1,533	
74	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			0.3	0	1)
75	Westhafen Tower GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	100.00			0.0	0	2)
76	Westhafenkontor GmbH & Co. KG, Frankfurt am Main	100.00			0.0	317	2)

No.	Securities investment funds in accordance with InvG	Holding in %: Total	thereof: Direct		Fund volume in € m		
77	HI-LBS-FONDS I	100.00	100.00		28.0		3), 7)
78	HI-LBS 2-FONDS	100.00	100.00		28.1		3), 7)
79	HI-LBS 4-FONDS	100.00	100.00		28.3		3), 7)
80	HI-LBS 5-FONDS	100.00	100.00		28.5		3), 7)
81	HI-LBS 6-FONDS	100.00	100.00		28.6		3), 7)
82	HI-RENTPLUS-FONDS	100.00	100.00		376.6		3), 7)
83	HI-TURBO-FONDS	100.00	100.00		768.9		3), 7)
84	HI-HT-KOMP-Fonds	100.00			8.5		3), 7)
85	HI-Balanced 40	100.00			5.2		3),5),6)
86	HI A-FSP Fonds	100.00			141.1		3)
87	HI C-FSP Fonds	100.00			126.5		3)
88	HI FBI Fonds	100.00			133.0		3)
89	HI FBP Fonds	100.00			94.4		3)
90	HI FSP Fonds	100.00			162.0		3)
91	HI H-FSP Fonds	100.00			137.8		3)

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The following joint ventures as well as associated companies have also been accounted for using the equity method:

Joint ventures accounted for using the equity method:

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	thereof: Direct	Voting rights if different from holding in %	Equity in € m	Result in € thousands
92	BS Projektverwaltung GmbH, Frankfurt am Main	50.00			0.0	1
93	CORPUS SIREO Holding GmbH & Co. KG, Cologne	25.00			130.1	34,888
94	CP Campus Projekte GmbH, Frankfurt am Main	50.00			0.4	−294
95	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			0.0	−487
96	G & O Alpha Hotelentwicklung GmbH, Eschborn	50.00			0.1	−221
97	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Eschborn	50.00			0.0	−97
98	G & O Alpha Verwaltungsgesellschaft mbH, Eschborn	50.00			0.1	8
99	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Eschborn	50.00			0.4	−4
100	G & O Gateway Gardens Dritte GmbH & Co. KG, Eschborn	50.00			0.0	−2
101	G & O Gateway Gardens Erste GmbH & Co. KG, Eschborn	50.00			0.4	6,564
102	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00			0.0	848
103	gatelands Verwaltungs GmbH, Schönefeld	75.00			0.0	2
104	GOB Dritte E & A Grundbesitz GmbH, Eschborn	47.00			0.0	−3
105	GOB Projektentwicklung E & A GmbH & Co. Vierte Rhein-Main KG, Eschborn	50.00			0.0	−11
106	GOB Werfthaus GmbH & Co. KG, Eschborn	50.00			0.1	0
107	Horus Projektentwicklungsgesellschaft mbH, Pöcking	50.00			0.0	−2,301
108	Multi Park Mönchhof Dritte GmbH & Co. KG, Walldorf/Baden	50.00			0.1	960
109	Multi Park Mönchhof GmbH & Co. KG, Walldorf/Baden	50.00			0.1	113
110	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00			0.0	−3
111	Projektentwicklung BS GmbH & Co. KG, Frankfurt am Main	50.00			0.0	−1,183
112	Projekt Feuerbachstraße GmbH & Co. KG, Frankfurt am Main	70.00			0.6	−115
113	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00			0.0	35
114	Westhafen Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00		33.33	0.1	899

Associated companies accounted for using the equity method:

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	thereof: Direct	Voting rights if different from holding in %	Equity in € m	Result in € thousands
115	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33			6.8	653
116	HANNOVER LEASING GmbH & Co. KG, Pullach	49.34	49.34		23.0	0
117	Sparkassen Markt Service GmbH, Darmstadt	50.00			5.3	425
118	WoWi Media GmbH & Co. KG, Hamburg	23.72		19.24	6.5	5,517

Non-consolidated subsidiaries:

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	thereof: Direct	Voting rights if different from holding in %	Equity in € m	Result in € thousands	
119	Aeskulap Projekt GmbH & Co. KG i. Gr., Frankfurt am Main	100.00			n. a.	n. a.	
120	AGENORAS Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.0	2	
121	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	1)
122	BHT Baugrund Hessen-Thüringen Gesellschaft für Bauland-beschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	66.67	0.5	68	
123	BHT-Baugrund Hessen-Thüringen Gesellschaft für Bauland-beschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		0.6	97	
124	BHT-Baugrund Hessen-Thüringen Gesellschaft für Bauland-beschaffung, Erschließung und Kommunalbau mbH & Co. Objekt MGK Marstall-Gebäude Kassel KG, Kassel	50.00	50.00	66.67	0.3	40	
125	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		1.1	139	
126	BHT-Baugrund Hessen-Thüringen Gesellschaft für Bauland-beschaffung, Erschließung und Kommunalbau mbH & Co. Objekt TFK II Tiefgarage Kassel 2. BA KG, Kassel	33.33	33.33	66.67	1.0	173	
127	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Frankfurt am Main	100.00	100.00		0.8	523	
128	Brillant Verwaltungsgesellschaft mbH i. L., Düsseldorf	100.00	100.00		n. a.	n. a.	
129	Bürogebäude Darmstädter Landstraße GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.2	–1	
130	Büroquartier GSR Wiesbaden GmbH & Co. KG i. Gr., Frankfurt am Main	100.00			n. a.	n. a.	
131	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.4	31	
132	CEREUS Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	33.33			2.8	–477	
133	Div Deutsche Immobilienfonds Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.1	0	
134	Dritte Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	100.00			0.0	3	
135	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	10	
136	Franziskanerhof Bonn GmbH & Co. KG, Frankfurt am Main	100.00			0.3	37	
137	Franziskanerhof Bonn Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.0	1	
138	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00			0.2	4	
139	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.6	0	1)
140	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		0.9	36	
141	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	15	

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Non-consolidated subsidiaries:

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: Direct	Voting rights if different from holding in %	Equity in € m	Result in € thousands
142	IHB Investitions- und Handels-Aktiengesellschaft, Frankfurt am Main	100.00	100.00		3.5	491
143	Innovationsfonds Hessen Beteiligungsgesellschaft mbH & Co. KG i. L., Frankfurt am Main	86.66	86.66		–0.2	11
144	Innovationsfonds Hessen Verwaltungsgesellschaft mbH i. L., Frankfurt am Main	100.00	100.00		0.1	1
145	Kalypso Projekt GmbH & Co. KG i. Gr., Frankfurt am Main	100.00			n. a.	n. a.
146	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50.00	50.00	66.67	1.5	291
147	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		2.0	89
148	Neunte P Projektgesellschaft mbH & Co. KG, Heiligenroth	100.00			n. a.	n. a.
149	NIBU Grundstücksverwaltungsgesellschaft mbH & Co. KG, Frankfurt am Main	100.00	100.00		6.0	477
150	Norman Berry Drive, LLC, Norcross, Georgia, USA	100.00	100.00		n. a.	n. a.
151	Nötzli, Mai & Partner Family Office AG, Zurich, Switzerland	100.00			n. a.	n. a.
152	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00			0.0	0
153	Office One Verwaltung GmbH, Schönefeld	100.00			0.0	0
154	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00			0.0	0
155	Projektentwicklung Taunusstein GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–1
156	Projektgesellschaft Darmstadt Goethestraße 36 mbH & Co. Bauträger KG i. L., Frankfurt am Main	51.00			0.1	26
157	Projektgesellschaft Darmstadt Goethestraße 36 mbH i. L., Frankfurt am Main	51.00			0.0	1
158	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.1	55
159	Second Millennium GmbH i. L., Frankfurt am Main	100.00	100.00		0.0	–1
160	SQO Stadt Quartier Offenburg GmbH & Co. KG i. Gr., Frankfurt am Main	100.00			n. a.	n. a.
161	TE Atlas GmbH i. L., Frankfurt am Main	100.00	100.00		0.0	2
162	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.3	86
163	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.0	–5
164	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH), Frankfurt am Main	66.67	66.67	66.66	2.1	508
165	TFK Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG, Kassel	33.33	33.33	66.67	1.2	158
166	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0

Joint ventures not accounted for using the equity method

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	thereof: Direct	Voting rights if different from holding in %	Equity in € m	Result in € thousands
167	AARON Grundstücksverwaltungsgesellschaft mbH, Oberursel	50.00	50.00		−2.1	−1,351
168	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.0	0
169	GOB Projektentwicklungsgesellschaft E & A mbH, Eschborn	50.00			0.0	2
170	HELY Immobilien GmbH, Frankfurt am Main	50.00	50.00		0.0	0
171	HELY Immobilien GmbH & Co. Grundstücksgesellschaft KG, Frankfurt am Main	50.00	50.00		−15.8	−78
172	Hessen Kapital I GmbH, Frankfurt am Main	100.00	100.00		34.6	−585
173	Hessen Kapital II GmbH, Frankfurt am Main	100.00	100.00		3.8	292
174	Marienbader Platz Projektentwicklungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	6
175	Marienbader Platz Projektentwicklungsgesellschaft mbH & Co. Bad Homburg v.d.H. KG, Frankfurt am Main	50.00			0.3	48
176	Mittelhessenfonds GmbH, Frankfurt am Main	100.00	100.00		−1.4	−262
177	Multi Park Verwaltungs GmbH, Walldorf/Baden	50.00			0.0	1
178	OFB & Procom Einzelhandelsentwicklung GmbH, Frankfurt am Main	50.00			0.0	−2
179	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe bR, Erfurt	60.00	60.00	33.00	0.3	17
180	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			0.0	0

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Associated companies not accounted for using the equity method

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	thereof: Direct	Voting rights if different from holding in %	Equity in € m	Result in € thousands
181	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.25	21.25		13.4	831
182	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		19.5	1529
183	Comtesse BTH Limited, London, UK	5.44	5.44	25.10	26.8	1477
184	CORPUS SIREO Holding GmbH, Cologne	25.00			0.3	172
185	CPC Cellular Process Chemistry GmbH, Frankfurt am Main	33.33			0.0	−782
186	Francilienne Investments I S.à.r.l., Luxembourg, Luxembourg	23.41			0.2	−10
187	GbR VÖB-ImmobilienAnalyse, Bonn	0.00		20.00	n. a.	n. a.
188	HaemoSys GmbH, Jena	38.33			−4.8	−524
189	HANNOVER LEASING Verwaltungsgesellschaft mbH, Pullach	49.34	49.34		0.0	4
190	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Wiesbaden	50.00	50.00		0.5	317
191	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		51.4	6721
192	Intelligent Crop Forecasting GmbH in Insolvenz, Darmstadt	27.67			n. a.	n. a.
193	Liparit Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Benary Vermietungs KG, Mainz	21.62			0.4	1267
194	Logistikzentrum Rodgau GmbH, Schönefeld	25.00			−0.5	251
195	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Frankfurt am Main	32.53	32.53		7.2	476
196	MIG Immobiliengesellschaft mbH i. L., Mainz	22.73	22.73		0.1	6754
197	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		18.8	1308
198	Riedemannweg 59–60 GbR, Berlin	32.00	32.00		−4.4	149
199	sys-T-matic Automations AG in Insolvenz, Schaafheim	30.00			n. a.	n. a.
200	Uknow GmbH, Heidenrod	25.09			−0.4	13
201	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		−2.4	−427
202	Vision Verpackungstechnik GmbH, Grünberg	25.14			−0.8	−483

Holding of more than 20%

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	thereof: Direct	Voting rights if different from holding in %	Equity in € m	Result in € thousands
203	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG, Munich	100.00		0.21	−0.4	3

[1] A profit and loss transfer agreement has been signed with the company.
[2] Section 264b HGB has been applied with regard to the company's financial statements.
[3] The company is a special purpose entity.
[4] Section 264 (3) HGB has been applied with regard to the company's financial statements.
[5] A public special fund in accordance with the InvG
[6] Financial year end: 30 November
[7] Financial year end: 31 January
n.a. No financial statements have been adopted.

Responsibility Statement

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

Frankfurt am Main/Erfurt, 27 March 2013

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Fenk	Gröb	Groß
Dr. Hosemann	Krick	Dr. Schraad	

B-174

Copy of the Auditor's report

"We have audited the consolidated financial statements prepared by Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, consisting of the statement of financial position, the income statement and the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) is the responsibility of the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch, HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors (Institut der Wirtschaftsprüfer, 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the group 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 consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Frankfurt am Main, 27 March 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Glossary

Arranger
The arranger receives a mandate from the customer to structure a package of finance and provide credit.

Asset-backed securities (ABS)
Asset-backed securities are securities or borrower's notes that are backed by a pool of similar often unsecured – receivables ("assets") of the issuer.

Back-testing
Back-testing is a procedure for validating risk models. It compares the projected net asset change (risk) with the change in net assets that actually occurs during a trading day. The frequency with which the actual change of value exceeds the risk provides a measure of the quality of the risk model.

CCP
Central counterparty, a legal entity that interposes itself between the parties to a contract that is traded in one or more markets, becoming the buyer to every seller and the seller to every buyer.

Confidence level
Indicates the probability with which a loss limit will not be exceeded. Thus, a confidence level of 99 % means that the actual figure will exceed the projected loss in only 1 % of cases.

CORE1 direct debit
Within the SEPA direct debit scheme, CORE1 direct debits offer the option of a standard, shorter submission time of one target day.

Covered bonds
Bonds that are covered or secured by a debt. Holders of covered bonds have preferential recourse to the cover pool, which mainly comprises mortgages or public sector loans. Unlike securitisations, the credit risk in the cover pool remains on the issuer's balance sheet.

DTA
Data exchange format currently used as the standard for electronic processing of domestic payment transactions in Germany. DTA is an abbreviation for "Datenträgeraustauschverfahren" in German.

Duration
The period for which the capital invested in a fixed-income security or securities portfolio is bound. The duration is shorter than the residual maturity or average residual maturity, as interest payments on the capital invested prior to maturity reduce the amortisation period. Duration represents a measure of the interest-sensitivity of the bonds. In the case of zero-coupon bonds, the duration is equal to the term of the bond, meaning that zero-coupon bonds are particularly interest-sensitive.

ECA
Export Credit Agency; a government agency that provides export credit guarantees.

EMIR
In response to the crisis in the financial markets, the G20 summit in Pittsburgh in 2009 included a commitment to regulate the trade of OTC derivatives, the core elements of which were implemented through the European Market Infrastructure Regulation (EMIR). In force since 16 August 2012, EMIR regulates the clearing of OTC derivatives through central counterparties (CCPs) and sets out obligations to employ risk mitigation techniques and to report all derivatives transactions to a trade repository.

Forfaiting
The purchase of receivables without recourse against the seller in the event of non-payment by the debtor.

Group contractual trust arrangement/Group CTA
A model used for occupational retirement pension schemes in which an independent trustee manages the assets transferred to it by a number of companies and shields these assets in the event of a company becoming insolvent. The assets transferred are earmarked exclusively for the provision of employee retirement provisions. The trustee typically has the legal form of a registered association or similar.

Internal model
Banks may use their own risk models as an alternative to the standardised procedures for risk assessment described in Principle I. The German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank examine these models and confirm their suitability. The quality of the model is expressed by an add-on.

Internal Ratings-Based (IRB) Approach
Method of calculating capital requirements to cover credit risks.

International Financial Reporting Standards (IFRS)
The IFRS are a collection of standards and interpretations that together lay down rules for external reporting by companies. Developed by the International Accounting Standards Board (IASB), which is an independent private standardisation body, they incorporate the IFRS, the IAS, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the interpretations of its predecessor the Standing Interpretations Committee (SIC).

Investment grade/non-investment grade
Credit ratings in the financial sector are divided into investment grade and non-investment grade categories. Bonds with a rating of AAA to BBB (including Baa3 and BBB–) are considered investment grade, while those rated BB or lower are termed non-investment grade.

Leverage ratio
The leverage ratio is an alternative expression of risk-based metrics that presents the largely unweighted total assets figure as a proportion of regulatory capital. The use of leverage ratios is intended to protect the banking sector against excessive levels of debt and thereby decrease the risk of destabilising debt reduction measures. The leverage ratio thus supplements the Pillar 1 capital framework.

Liquidity coverage ratio (LCR)
Describes the ratio of highly-liquid assets (liquidity buffers) to net liquidity outflows over a period of 30 days.

Master investment trust company (Master-KAG)
The master investment trust company concept involves combining the fund administration activities for a number of an investor's special funds under one investment trust company known as the master investment trust company. This approach gives institutional investors holding multiple special funds an aggregate summary of the overall progress of their assets.

Money-at-risk (MaR)
This statistical risk-controlling indicator designates an upper loss limit that, with a certain probability, will not be exceeded during a predefined holding period (see also confidence level). The MaR is calculated using statistical and mathematical methods.

Monte Carlo simulation
This is a mathematical procedure for determining risks in which random scenarios are generated using the estimated distribution of risk factors. The applicable change in values is calculated for each random scenario. The amount at risk is determined from the distribution of value changes thus calculated in accordance with the desired confidence level.

Onboarding
The process of integrating a business unit (of a company) into a system (bringing it on board). In this context, onboarding refers to the service provided by Helaba to introduce its Client Clearing Plus customers to processes and systems and to develop these jointly with customers.

OTC derivatives
OTC derivatives refers to non-standardised instruments that are executed not on a regulated market (usually a stock exchange) but instead traded directly (over the counter).

Overlay management
Overlay management controls asset allocation at the level of the fund as a whole. The goal of overlay management can be to achieve an absolute return by managing market risks (Absolute Return Overlay), for example, or to generate additional returns through tactical asset allocation (Tactical Overlay).

Portfolios held directly
All assets held by a company directly without the involvement of a fund or other intermediate investment vehicle.

Public-private partnerships (PPP)
The public-private partnership (PPP) model provides for the mobilisation of private capital and expertise to complete public-sector works.

Repo agreement
A repo agreement is a repurchase agreement; also known as a Pensionsgeschäft in German.

Senior bonds
Corporate bonds that are first in line to be repaid in the event of bankruptcy. This type of bond has a higher (senior) priority compared to subordinate loans and advances.

Single Euro Payments Area (SEPA)
The EU single market for retail payments.

Syndication/Syndicated loan
A loan (syndicated loan) provided jointly by a group of banks (the syndicate). Syndication is a way of spreading the overall risk associated with a loan among several banks.

V PAY debit card
V PAY is Visa's debit card product.

Variance-covariance approach
Mathematical procedure for risk calculation that assumes a linear relationship between changes in risk factors and portfolio values. Assuming a Gaussian or normal distribution of the risk factors, the money-at-risk is expressed as a multiple of the standard deviation. Multiplying the factor sensitivities of the positions with the associated volatilities yields the individual factor risks. The individual factor risks of a portfolio are compounded to reveal the overall risk using correlations.