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

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Business and General Conditions

Business activities of the Bank

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:

- strategic business model of an integrated universal 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
- 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, 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 and Foreign Public Bodies, 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, domestic public bodies and municipal corporations. 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.

In the S-Group, Private Customers and SME Business 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 Verbund 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 Verbundbank, providing central banking services 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.

Helaba's Public Development and Infrastructure Business unit administers public development programmes for the state of Hesse through Wirtschafts- und Infrastrukturbank Hessen (WIBank), a legally dependent institution 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: the Rhine Savings Banks and Giro Association (Rheinischer Sparkassen- und Giroverband), the Westfalen-Lippe Savings Bank Association (Sparkassenverband Westfalen-Lippe) as well as two trust companies of the Reserve Fund of the Landesbanken central giro institutions and of the regional Savings Banks Support Fund (Sparkassenstützungsfonds). 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 %
Savings Bank and Giro Association Hesse-Thuringia	405	68.85
State of Hesse	48	8.10
Rhine Savings Bank and Giro Association	28	4.75
Westfalen-Lippe Savings Bank Association	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.

From the three leading rating agencies, Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and Standard & Poor's (S&P), Helaba has the following ratings for liabilities not subject to guarantor liability (as at 15 February 2013):

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

* Joint S-Group rating of 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 Verbund 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. In this process, the management at individual business level is applied to defined core portfolios of the Group and complemented by other management approaches. The annual planning process, from which a budgeted balance sheet 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 MainTower, 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.

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.

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.

- 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 deposits from 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 Helaba in 2012 amounted to € 26 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 government tabled an omnibus bill for the "ring-fencing of risks and for the planning, recovery and resolution of credit institutions". Under this bill, trading activities will under certain criteria require that trading activities are legally segregated from the other business areas in separate subsidiaries. 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. In the lending business with customers, the volume of new medium-term and long-term business written by Helaba amounted to € 14.1 bn (2011: € 13.5 bn). Loans and advances to customers at Helaba Bank increased, partly due to the acquisition of NRW-Verbundbank in mid-2012, by € 6.2 bn, or 8.4 %, to € 81.0 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 Verbund 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 revenue reserves 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 German Solvency Regulation (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).

Net Assets, Financial Position and Results of Operations

Key performance data for 2012

	2012	2011	Changes	
	€ m	€ m	€ m	%
Business volume	205,588	174,329	31,259	17.9
Total assets	182,647	151,350	31,297	20.7
Operating result before provisions for losses on loans and advances	703	475	228	48.0
Net additions to provisions for losses on loans and advances/net measurement gains/losses	–279	–193	86	44.6
Net income for the year	288	202	86	42.6

The Verbundbank business of the former WestLB was acquired in the financial year under review. As at 1 July 2012, Helaba acquired the Verbundbank portfolio of NRW-Verbundbank with total assets of approximately € 43 bn. The technical transfer of the Verbundbank portfolio was completed and the transaction was entered in the Commercial Register on 17 September 2012. Since beneficial ownership was transferred on 1 July 2012, Helaba recognised the assets and liabilities and expenses and income transferred with effect from that date.

The assets and liabilities and rights and obligations contained in the Verbundbank portfolio were transferred to Helaba at a going concern value of zero, taking into account an amount receivable by Helaba from Erste Abwicklungsanstalt (EAA). The assets and liabilities acquired were initially recognised at fair values. The values of the assets and liabilities received were determined by valuers (most of them external) as part of the purchase price allocation. The amount receivable from EAA has not yet been finally determined; a partial amount of € 150 m was preliminarily settled in December 2012.

As in previous years, the Bank does not include expenses for servicing its silent partner contributions in the presentation of the results of operations. For this reason, the net interest income and also the operating result reported under the results of operations are € 65 m (2011: € 93 m) higher than in the income statement. The decline in expenses for servicing silent partner contributions resulted from the conversion at the end of 2011 of the State of Hesse's silent partner contribution into a capital contribution. Since that date, the capital contribution has been serviced as part of the profit distribution and therefore no longer adds to interest expense.

Results of operations
Helaba generated net income of € 288 m in 2012. This figure is significantly higher than the previous year's level, primarily because of a higher contribution to net income from net gains on the trading portfolio and a rise in net gains on banking book securities, and in spite of an increase in provisions for losses on loans and advances.

Results of operations

	2012	2011	Changes	
	€ m	€ m	€ m	%
Net interest income	1,034	1,023	11	1.1
Net commission income	129	120	9	7.5
Net income of the trading portfolio	326	3	323	>100.0
Other operating result	–35	–32	–3	–9.4
Operating result	1,454	1,114	340	30.5
General and administrative expenses	–751	–639	–112	–17.5
Operating result before provisions for losses on loans and advances	703	475	228	48.0
Net additions to provisions for losses on loans and advances/net measurement gains/losses	–279	–193	–86	44.6
Additions to/reversals of contingency reserves (section 340f HGB)	–5	–15	–10	–66.7
Operating result after provisions for losses on loans and advances	419	267	152	56.9
Extraordinary result	–13	–13	0	0.0
Income tax expense	–117	–52	–65	>100.0
Net income for the year	288	202	86	42.6

Net interest income, a key variable in determining Helaba's success, was € 1,034 m, after € 1,023 m in the previous year. The increase was mainly due to the contribution to income from the Verbundbank portfolio as well as non-recurring income. These increases more than offset declines in early termination fees and interest-related income. The net contribution to income from fund and equity investment distributions remained more or less steady.

Net commission income rose by € 9 m or 7.5 % year-on-year to € 129 m. The acquired Verbundbank business was the main contributor to the increase in net commission income.

All realised and unrealised contributions to income from trading transactions are reported under net income of the trading portfolio. The increase in net income from € 3 m in the previous year to € 326 m in 2012 is attributable to the improved market environment. The improved result includes the cost of a transfer to the special reserve under section 340e of the HGB, which took it to a total of € 85 m.

Net other operating expenses and income amounted to € –35 m (2011: € -32 m). This includes a non-recurring expense of € –4 m for the acquired Verbundbank business. Income and expenses from buildings and interest cost on provisions was largely stable in the year under review.

General and administrative expenses increased by € 112 m to € –751 m. They consist of personnel expenses of € –346 m (2011: € –311 m), equipment and material costs of € –391 m (2011: € –317 m) as well as depreciation of property and equipment and amortisation of intangible assets of € –14 m (2011: € –11 m). € 22 m of the increase in personnel expenses is attributable to expenses for the Verbundbank employees transferred; the rest of the increase is primarily due to a pay-scale increase in 2012. The acquisition of the 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 bank levy had a negative impact of € –26 m (2011: € –30 m). The expenses for the Association overhead allocation and the reserve fund increased.

At the end of the year, Helaba had 3,495 employees (2011: 3,119). The average number of employees rose from 3,115 to 3,291.

The operating result of € 1,454 m and general and administrative expenses of € –751 m combine to give an operating result before provisions for losses on loans and advances of € 703 m, a year-on-year increase of € 228 m or 48 %.

Net additions to provisions for losses on loans and advances and net measurement gains/losses are composed of the following items:

	2012	2011	Changes	
	€ m	€ m	€ m	%
Result of lending operations	–355	–170	–185	>100.0
Result of investment operations	–80	5	–85	<–100.0
Result of securities allocated to the liquidity reserve, fixed assets and banking book derivatives	156	–28	184	>100.0
Net additions to provisions for losses on loans and advances/net measurement gains/losses	–279	–193	–86	–44.6

The expense for provisions for losses on loans and advances rose in 2012. The net figure is € –355 m, significantly more than the amount of € –170 m incurred in the previous year. The increase was driven by both additions to specific allowances (net figure of € –255 m, compared with € –186 m in 2011) and increased expenses for provisions for loans and advances calculated on a portfolio basis (country-specific allowances and global allowances).

The result of equity investment operations was impacted in particular by adjustments to the carrying amounts of various equity investments.

The result of securities allocated to the liquidity reserve is the net amount of write-downs to the strict lower of cost or market value, disposal gains and losses and reversals of write-downs required under section 253 (5) of the HGB. The figure was impacted by the fact that spreads narrowed significantly during the period under review. Together with the redemption result of long-term securities and the net gains or losses on banking book derivatives, this resulted in a contribution to income of € 156 m, compared with € –28 m in the previous year.

An amount of € 5 m was transferred to contingency reserves under section 340f of the HGB, taking the operating result after net measurement gains/losses to € 428 m (2011: € 267 m). As in previous years, the changes implemented under the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) resulted in extraordinary expense of € 13 m in 2012, because the cost of switching additions to pension provisions to the calculation method specified by BilMoG is spread over several periods.

After tax expense of € 117 m, this results in net income of € 288 m for the year that allows Helaba to service all subordinated debt, profit participation rights and silent partner contributions, to add to its revenue reserves to strengthen Tier 1 capital and to report net retained profits.

Changes in assets

	2012	2011	Changes	
	€ m	€ m	€ m	%
Loans and advances to banks	34,088	18,131	15,957	88.0
Loans and advances to customers	80,905	74,699	6,206	8.3
Bonds and equities	22,024	13,118	8,906	67.9
Trading portfolio (assets)	39,213	40,693	–1,480	–3.6
Equity investments/shares in affiliated companies	2,201	2,241	–40	–1.8
Other assets	4,216	2,468	1,748	70.8
Total assets	182,647	151,350	31,297	20.7
Business volume	205,588	174,329	31,259	17.9

Total assets of Helaba rose from € 151.4 bn to € 182.6 bn in fiscal year 2012. This increase of more than 20 % was mainly due to the inclusion of the Verbundbank portfolio.

Loans and advances to banks grew by € 16.0 bn to € 34.1 bn. Of this amount, € 2.8 bn is attributable to the Verbundbank portfolio. There was also an increase in refinancing funds made available to the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. This item includes the cash reserve of € 8.7 bn.

Loans and advances to customers grew by € 6.2 bn to € 80.9 bn. Again, the rise can largely be attributed to the new Verbundbank portfolio (+ € 5.1 bn). Mortgage loans, other loans and advances and Bausparkasse building loans remained virtually steady.

The volume of bonds and equities allocated to the investment and liquidity portfolio continued to rise in the past financial year, increasing by € 8.9 bn to € 22.0 bn. At € 20.7 bn, bonds and other fixed-income securities were the main investment focus (2011: € 11.8 bn). The acquired Verbundbank portfolio accounted for € 7.8 bn of this volume. This figure also includes asset-backed securities, so that the proportion of these securities in the bond portfolio rose from € 0.7 bn in the previous year to € 1.4 bn in 2012. Equities and other variable-income securities amounted to € 1.4 bn (2011: € 1.3 bn).

In spite of the acquired Verbundbank portfolio of € 2.9 bn, the trading portfolio (assets) declined by € 1.5 bn to € 39.2 bn. At € 20.6 bn, bonds and other fixed-income securities were the main category of trading assets (2011: € 24.5 bn); equities and other variable-income securities only accounted for € 0.2 bn (2011: € 0.1 bn). Trading receivables of € 5.4 bn were down on the previous year's figure (€ 6.9 bn). Derivatives in the trading portfolio (assets) amounted to € 12.9 bn (2011: € 9.1 bn).

The decline in the carrying amounts of equity investments and affiliated companies is mainly attributable to write-downs of the carrying amounts of subsidiaries.

The business volume, which includes off-balance-sheet business in addition to total assets, rose from € 174.3 bn to € 205.6 bn. Contingent liabilities consisting of sureties, indemnities and guarantees grew by € 5.3 bn to € 6.0 bn. This includes € 0.9 bn (2011: € 1.3 bn) in credit default swaps, which are treated like guarantees and not allocated to the trading portfolio.

The placement and acceptance obligations and the irrevocable loan commitments declined by € 0.8 bn to € 16.9 bn.

Changes in liabilities

	2012	2011	Changes	
	€ m	€ m	€ m	%
Deposits from banks	42,785	34,987	7,798	22.3
Deposits from customers	30,844	26,402	4,442	16.8
Securitised liabilities	58,520	38,841	19,679	50.7
Trading portfolio (liabilities)	36,392	38,674	–2,282	–5.9
Own funds	10,204	9,034	1,170	13.0
Other liabilities	3,902	3,412	490	14.4
Total liabilities	182,647	151,350	31,297	20.7

Deposits from banks rose to € 42.8 bn year-on-year (2011: € 35.0 bn). The rise is almost fully attributable to the acquisition of Verbundbank (+ € 7.7 bn). They relate primarily to deposits from affiliated Sparkassen.

Deposits from customers grew by € 4.4 bn to € 30.8 bn. Most of the increase is due to the new Verbundbank portfolio (+ € 5.4 bn). The deposits from customers include home savings deposits of € 3.6 bn (2011: € 3.3 bn).

Securitised liabilities increased by € 19.7 bn, primarily due to the new Verbundbank portfolio. The portfolio of bonds issued amounted to € 57.7 bn (2011: € 38.0 bn). The other securitised liabilities caption, which includes mainly the issuance programmes of short-term money market instruments, stood at € 0.8 bn (2011: € 0.8 bn).

The trading portfolio (liabilities) fell by € 2.3 bn to € 36.4 bn. The trading liabilities amounted to € 22.5 bn (2011: € 28.5 bn); derivatives in the trading portfolio (liabilities) amounted to € 13.9 bn (2011: € 10.1 bn). The trading liabilities to Sparkassen in Hesse and Thuringia declined to € 1.9 bn, compared with € 2.6 bn in the previous year.

Own funds

The own funds reported in the balance sheet (i.e. equity excluding net retained profits, including fund for general banking risks, profit participation rights and subordinated liabilities) amounted to € 10.2 bn as at 31 December 2012. The rise was not only driven by additions to reserves, but to a significant extent by the cash capital increase of € 1 bn implemented as part of the acquisition of NRW-Verbundbank.

The Bank's regulatory capital as at 31 December 2012 – i.e. before the annual financial statements were adopted and thus before additions to revenue reserves are taken into consideration and including € –263 m resulting from the comparison of expected losses with loan loss provisions at the end of 2011 – amounted to € 9.7 bn. The figure includes Tier 1 capital for solvency purposes of € 6.8 bn. The silent partner contributions and capital contributions eligible as Tier 1 capital amounted to € 3.0 bn.

The Bank's capital requirements under SolvV amounted to € 4.7 bn as at 31 December 2012. This results in a total capital ratio of 16.5 % for Helaba; the Tier 1 capital ratio for solvency purposes is 11.6 %.

The capital requirements specified by the German Solvency Regulation for the positions for which capital charges are required were met at all times in 2012.

As in previous years, Helaba further strengthened its equity as well as its regulatory capital by making allocations to revenue reserves.

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 the following in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities: the principle 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.

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, control 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 interests and as a result of restrictions on cross-border payment transactions or performance (goods and services). Credit 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 interest – 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.

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 interests, 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 interests 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 equity interests, with each of these Group companies evaluating the cumulative risk across the whole of its own organisation including its own equity interests. The starting point for determining inclusion is all direct equity interests 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 securities trading law and investment law, throughout the Group,
- evaluates the compliance risks for business processes associated with the capital market and
- assists 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 risk-bearing capacity as of the reporting date, plus historical and hypothetical stress scenarios whose implications for the risk-bearing capacity 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 containment 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 participations that have not been brought into line with the requirements for Tier 1 capital plus contingency reserves. Changes to risk provisions occurring during the fiscal 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 capital 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.

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 capital and the subordinated debt under IFRS. Cover assets pool components also undergo a correction under economic criteria. The gone-concern approach does not treat silent 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 % (2010: 15.3 %) and a core capital ratio of 11.2 % (2009: 10.1 %) on the 31 December 2012 reporting date. Even in conjunction with a simulated occurrence of the stress scenarios, the capital ratios attained by Helaba are considerably higher than the regulatory minimum requirements.

The injection of new capital in connection with the integration of the 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.

The Rhine Savings Banks and Giro Association (Rheinischer Sparkassen- und Giroverband, RSGV) and the Westfalen-Lippe Savings Bank Association (Sparkassenverband Westfalen-Lippe, SVWL) each also unilaterally set up an additional regional reserve fund for Helaba when they acquired an equity interest (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.

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 / 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 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 Helaba Bank totalling € 193.9 bn (2011: € 161.1 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 (Helaba Bank)
(Chart 1)

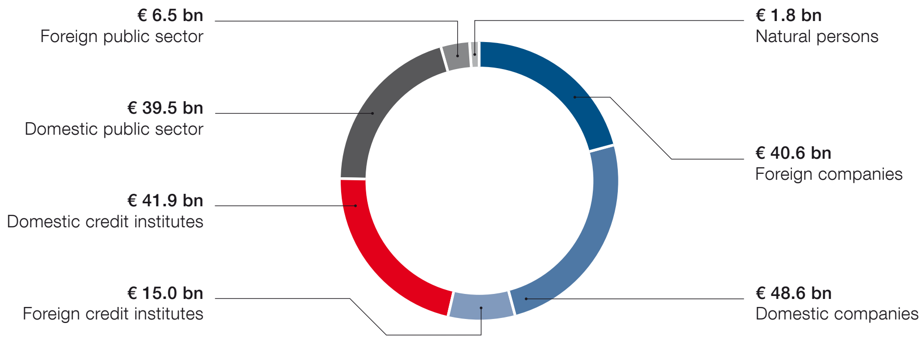
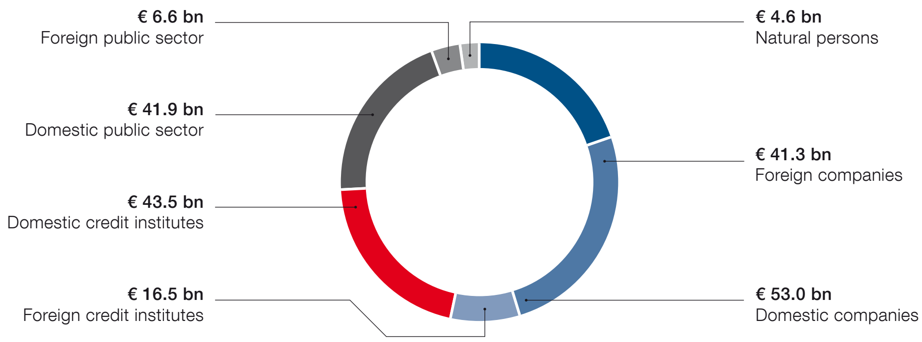


Chart 1a shows the total volume of lending as of 31 December 2012 comprising drawings and unutilised committed credit lines of the narrow Group companies (Helaba Bank with subsidiaries Helaba Dublin, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG) totalling € 207.4 bn (2011: € 174.9 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 1a)



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".

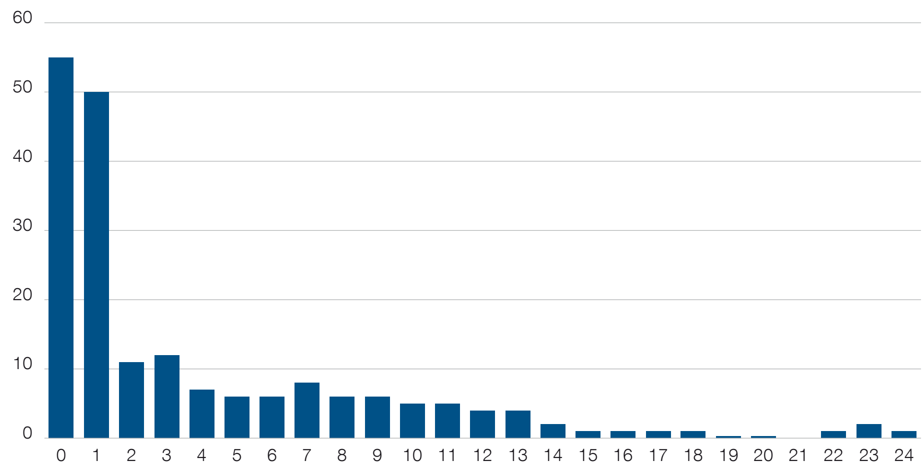
Helaba's lending activities as of 31 December 2012 focused, in line with the business model, on the banking sector, the public sector and the real estate and housing sector.

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.

Chart 2 shows the total volume of lending of Helaba Bank of € 193.9 bn broken down by risk rating. The NRW-Verbundbank portfolio contained therein has a low-risk structure overall.

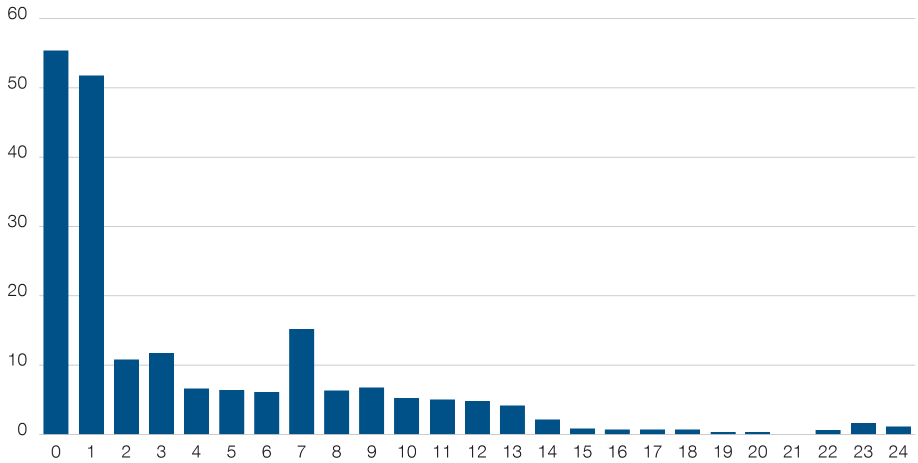
Total volume of lending by risk rating category
(Chart 2) in € bn



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 2a.

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

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.

County 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.

Helaba's total lending to borrowers based outside Germany amounted to €42.5 bn (2011: € 46.1 bn), most of which was accounted for in regional terms by Europe (83.5 %) and North America (14.1 %). As of 31 December 2012, 92.8 % (2011: 92.2 %) is assigned to country rating categories 0 and 1 and a further 5.7 % (2011: 6.5 %) 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 capital 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 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 interests 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 interest if all risk types of relevance for the equity interest 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 interests under commercial law.

The risk content of each individual equity interest 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 interests portfolio is essentially unchanged from the previous year. The regular impairment tests performed on the equity interests portfolio led in some cases to adjustments of the carrying amount for individual equity interests.

The risk situation has not been affected by the integration of NRW-Verbundbank, as no equity interests 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 business units 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 business units to which a limit has been assigned. Stop-loss limits and volume limits are also used independently in the trading units to limit market price risks.

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.

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

In the case of positions currently serviced by Portigon AG in connection with the acquisition of NRW-Verbundbank, the risk measurement systems of Portigon AG are used up to the point of transfer to Helaba's IT systems. Hedges concluded in Frankfurt am Main for the Verbundbank portfolio are allocated to the latter. The dominant risk type in the 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.

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)
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 Verbundbank 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)

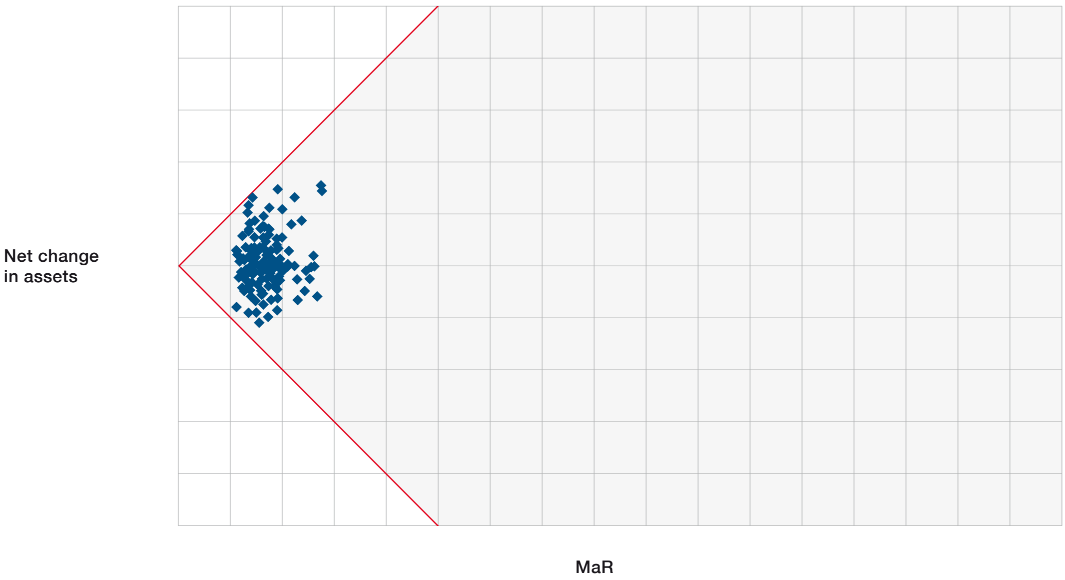
The annual average MaR for the trading book for Frankfurter Sparkasse amounts to € 0.0 m (2011: € 0.1 m). The average MaR for the trading book for Frankfurter Bankgesellschaft (Schweiz) AG is € 0.2 m (2011: € 0.9 m).

Backtesting

Helaba carries out clean backtesting 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 backtesting outlier.

Chart 6 shows the backtesting 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.

Backtesting 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 backtesting, which involves comparing the forecast risk figure with the actual change in value.

Stress testing 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.

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 (Liquiditätsverdordnung; 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. Backtesting studies have shown that the liquidity held available has always exceeded the actual liquidity drawn over the financial market crisis of recent years.

A total of € 1.4 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the balance sheet 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 co-operative arrangements is to reach agreement on functional implementation matters and develop a standard technical 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.

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.

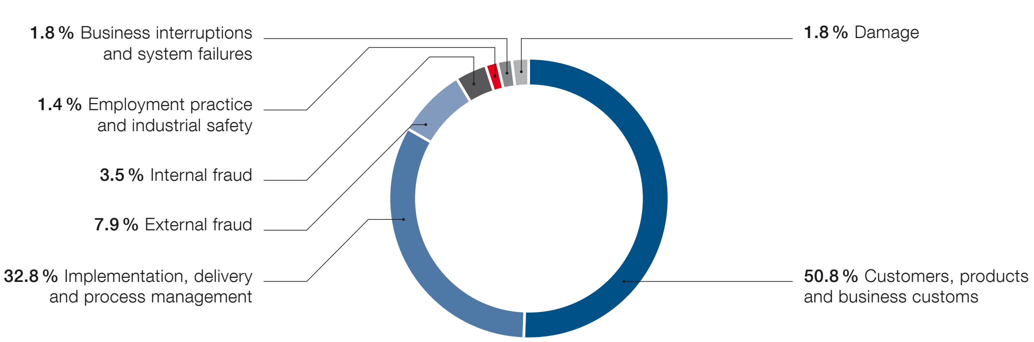
Operational risks are avoided or limited using insurance arrangements that cover specific losses up to agreed maximum limits and also by means of established measures in internal processes and other workflows.

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 have to be involved in the event of any discrepancies or new provisions. 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.

Legal Services drafts agreements, general terms and conditions of business and other relevant legal declarations as part of its legal consulting support services in collaboration 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 business unit or units 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 and WIBank. An additional reporting unit has been established on a temporary basis for the balances and posting group of the Verbundbank portfolio acquired. This is serviced by an external service provider. The Verbundbank 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 Bank's single entity financial statements under HGB. 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).

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

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

The procedure to be followed in accounting is set out in a number of different complementary forms of documentation. Accounting manuals for HGB and IFRS define stipulations for the accounting methods to be used, while cross-unit and unit-specific work instructions specify the procedure to be followed in the various processes and sub-processes in successively greater detail. 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. 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 or the state of competition in the relevant market environment and in the general business climate.

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 balance sheet.

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 group of consolidated companies 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 interests 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 subordinated debt, 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. 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 common 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 participations 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 Verbund 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 Verbundbank 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 business areas 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 Balance Sheet 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 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 are already pointing to a firm change in economic fortunes. 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 once again. 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 breadth 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 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 changed regulatory environment.

Probable development of the Bank
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 quietened down 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 up slightly year-on-year at € 1.07 bn.

Medium- and long-term new business is expected to increase by around 10 % year-on-year to € 15.5 bn. Most of this growth stems from the enhanced potential of the Verbundbank 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. The overall result for 2013, however, is expected to fall short of the 2012 figure, which was significantly affected by write-down reversals. 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 7.5 % 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 will rise by around 23 % 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. Material costs excluding the effects of the integration process will be essentially unchanged despite significant expenditure on compliance with regulatory requirements. Cost items such as the German bank levy, payments to associations and contributions to deposit guarantee schemes will also all increase significantly.

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.

The Bank expects that with its operating result largely unchanged and charges from provisions for losses on loans and advances falling, its results will fall short of the previous year's figure due to the additional costs occasioned by 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 administrative expenses down in 2014 to produce a rising net profit before taxes.

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 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, 8 March 2013

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Fenk	Gröb	Groß
Dr. Hosemann	Krick	Dr. Schraad	

Annual Accounts of
Landesbank Hessen-Thüringen

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

as at 31 December 2012

Assets — in € thousands

	See note no.				2012	2011
Cash reserve						
a) Cash				7,478		1,965
b) Balance with central banks				8,701,743		5,426
					8,709,221	7,391
thereof: With Deutsche Bundesbank		8,233,337				(5,426)
Loans and advances to banks	(2), (43)					
a) Mortgage loans				–		1,771
b) Municipal loans				14,838,979		11,139,366
c) Other loans and advances				10,540,510		6,990,081
					25,379,489	18,131,218
thereof: Payable on demand		5,835,913				4,773,054
Against securities pledged as collateral		–				
thereof: Bausparkasse home savings loans		1				(–)
Loans and advances to customers	(3), (43)				**80,904,988**	74,698,534
a) Mortgage loans				14,610,271		14,853,289
b) Municipal loans				23,139,727		17,022,794
c) Other loans and advances				42,236,463		41,796,051
thereof: Against securities pledged as collateral		–				
d) Bausparkasse building loans						
da) From allotments (home savings loans)			460,734			568,148
db) For interim and bridge-over financing			452,105			451,871
dc) Other			5,688			6,381
				918,527		1,026,400
thereof: Secured by mortgage charges		603,724				(707,245)
Bonds and other fixed-income securities	(4)					
a) Money market instruments						
aa) Public-sector issuers			–			–
thereof: Eligible as collateral with Deutsche Bundesbank		–				–
ab) Other issuers			–	–		–
thereof: Eligible as collateral with Deutsche Bundesbank		–				–
b) Bonds and notes						
ba) Public-sector issuers			10,342,267			2,341,757
thereof: Eligible as collateral with Deutsche Bundesbank		10,237,082				(2,199,502)
bb) Other issuers			10,308,863			9,427,329
				20,651,130		11,769,086
thereof: Eligible as collateral with Deutsche Bundesbank		9,142,791				(8,388,710)
c) Own bonds				–		–
					20,651,130	11,769,086
Nominal amount		–				–
Carried forward:					**135,644,828**	104,606,229

Liabilities

in € thousands

	See note no.				2012	2011
Deposits from banks	(15), (18), (43)					
a) Issued registered mortgage Pfandbriefe				97,715		240,071
b) Issued registered public Pfandbriefe				1,594,512		1,685,202
c) Other amounts due				41,068,865		33,040,503
thereof: Payable on demand		8,053,995				(1,919,946)
Provided to lenders as collateral for raised loans:						
Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
d) Home savings deposits				24,118		20,661
					42,785,210	34,986,437
thereof: On allotted contracts		4,969				(4,870)
Deposits from customers	(19), (43)					
a) Issued registered mortgage Pfandbriefe				2,474,427		2,692,562
b) Issued registered public Pfandbriefe				6,044,857		4,359,718
c) Deposits from home savings business and savings deposits						
ca) Home savings deposits			3,594,532			3,332,722
thereof: On terminated contracts		38,272				(38,053)
On allotted contractss		79,987				(73,456)
cb) Savings deposits with an agreed period of notice of three months			–			–
cc) Savings deposits with an agreed period of notice of more than three months			0			0
				3,594,532		3,332,722
d) Other amounts due				18,730,640		16,017,052
					30,844,456	26,402,054
thereof: Payable on demand		6,725,419				(2,565,646)
Provided to lenders as collateral for raised loans:						
Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
Securitised liabilities	(20), (31)					
a) Bonds issued						
aa) Mortgage Pfandbriefe			3,130,157			2,811,904
ab) Public-sector Pfandbriefe			13,249,319			7,978,008
ac) Other debt instruments			41,306,312			27,213,371
				57,685,788		38,003,283
b) Other securitised liabilities				834,399		837,375
					58,520,187	38,840,658
thereof: Money market instruments		834,399				(837,374)
Trading portfolio	(21), (34), (43)				**36,392,233**	38,674,087
Carried forward:					**168,542,086**	138,903,236

Assets in € thousands

	See note no.				2012	2011
Brought forward:					**135,644,828**	104,606,229
Shares and other variable-income securities	(5)				**1,373,490**	1,349,282
Trading portfolio	(6), (14), (34), (43)				**39,212,764**	40,693,417
Equity investments	(7), (17), (43)				**246,782**	242,212
thereof: In banks		55,019				(55,019)
In financial services institutions		16,363				(17,947)
Shares in affiliates	(8), (17), (43)				**1,953,625**	1,998,271
thereof: In banks		959,952				(999,565)
In financial services institutions		–				–
Trust assets	(9)				**901,654**	895,804
thereof: Trustee loans		617,386				(628,574)
Intangible assets	(10), (17)					
a) Internally generated industrial property rights and similar rights and assets						
b) Purchased concessions, industrial property rights and similar rights and licences in such rights and assets				20,520		17,685
c) Goodwill				–		
d) Prepayments				–		
					34,837	17,685
Property and equipment	(11), (17)				**52,427**	50,974
Other assets	(12)				**1,694,905**	1,285,254
Prepaid expenses	(13)					
a) From issuing and lending operations				1,489,156		180,303
b) Others				42,723		30,976
					1,531,880	211,279
Total assets					**182,647,192**	**151,350,407**

Liabilities

in € thousands

	See note no.				2012	2011
Brought forward:					**168,542,086**	138,903,236
Trust liabilities	(22)				**901,654**	895,804
thereof: Trustee loans		617,386				(628,574)
Other liabilities	(23)				**749,387**	1,251,476
Deferred items	(24)					
a) From issuing and lending operations				897,227		207,314
b) Other				114,792		76,263
					1,012,019	283,577
Provisions	(25)					
a) Provisions for pensions and similar obligations				637,573		553,463
b) Provisions for taxes				142,674		91,989
c) Other provisions				358,264		287,886
					1,138,511	933,338
Fund for providing home savings protection					**9,020**	9,020
Subordinate liabilities	(26)				**2,298,741**	2,308,024
Profit participation rights	(28)				**708,804**	728,804
thereof: Due within two years		–				(20,000)
Fund for general banking risks	(28)				**510,256**	445,310
thereof: Special reserve under section 340e of the HGB		64,946				(20,054)
Equity	(28)					
a) Subscribed capital						
aa) Share capital			588,889			477,000
ab) Capital contribution			1,920,000			1,920,000
ac) Silent partner contributions			1,053,337			1,053,337
				3,562,226		3,450,337
b) Capital reserves				1,546,412		658,301
c) Revenue reserves				1,578,076		1,444,951
d) Net retained profits				90,000		38,229
					6,776,714	5,591,818
Total liabilities and equity					**182,647,192**	**151,350,407**
Contingent liabilities	(29)					
Liabilities from guarantees and indemnity agreements					**6,033,982**	5,295,413
Other obligations	(30)					
a) Placement and acceptance obligations				2,072,154		2,318,680
b) Irrevocable loan commitments				14,834,997		15,365,741
					16,907,151	17,684,421

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

for the period 1 January to 31 December 2012

in € thousands

	See note no.				2012	2011
Interest income from	(36)					
a) Lending and money market transactions			3,499,465			3,582,102
thereof: Bausparkasse interest income:						
aa) From home savings loans		23,235				(27,338)
ab) From interim and bridge-over loans		20,246				(21,429)
ac) From other loans		241				(302)
b) Fixed-income and book-entry securities			317,343			302,684
				3,816,808		3,884,786
Interest expense				3,012,818		3,126,503
thereof: On home savings deposits		71,535				(71,519)
					803,990	758,283
Current income from	(36)					
a) Shares and other variable-income securities				39,134		32,482
b) Equity investments				20,005		22,543
c) Shares in affiliates				47,130		58,733
					106,269	113,758
Income from profit pooling, profit and loss transfer or partial profit and loss transfer agreements					**58,757**	58,887
Commission income	(36), (37)			190,920		173,803
thereof: Bausparkasse commission income:						
a) On contracts signed and arranged		25,147				(23,185)
b) From loans granted after allotment of home savings contract		1,101				(1,425)
c) From the commitment and administration of interim and bridge-over loans		1				(2)
Commission expense				61,844		54,196
thereof: On Bausparkasse contracts signed and arranged		33,891				(31,631)
					129,076	119,607
Net income of the trading portfolio	(36)				**325,645**	2,591
Other operating income	(36), (38)				**59,067**	69,510
Carried forward:					**1,482,804**	1,122,636

in € thousands

	See note no.				2012	2011
Brought forward:					**1,482,804**	1,122,636
General administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			276,583			248,996
ab) Social security contributions and pension and welfare expenses			69,180			61,516
				345,763		310,512
thereof: For pensions		30,419				(25,763)
b) Other administrative expenses				391,154		317,449
					736,917	627,961
Depreciation, amortisation and write-downs of property and equipment and intangible assets					**13,732**	10,792
Other operating expenses	(38)				**92,708**	97,414
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions	(39)				**212,574**	227,663
Income from the reversal of write-downs of allowances on loans and advances and certain securities and from the reversal of loan loss provisions					**–**	–
Additions to the fund for general banking risks					**–**	–
Write-downs of and allowances on equity investments and shares in affiliates and securities treated as fixed assets					**71,768**	–
Income from the reversal of write-downs of equity investments and shares in affiliates and securities treated as fixed assets					**–**	19,775
Expenses from loss absorption					**1**	97
Result from ordinary activities					**355,104**	178,484
Exceptional income				–		–
Exceptional expenses				13,423		13,346
Extraordinary result	(40)				**–13,423**	13,346
Taxes on income	(41)			117,491		52,475
Other taxes, unless shown under “Other operating expenses”				1,065		4,043
					118,556	56,518
Net income for the year					**223,125**	108,620
Allocations to revenue reserves					**133,125**	70,391
Net retained profits					**90,000**	38,229

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

Frankfurt am Main / Erfurt, as at 31 December 2012

The annual financial statements of Landesbank Hessen-Thüringen Girozentrale (Helaba) are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB) in conjunction with the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). The structure of the balance sheet and income statement reflects the requirements of the RechKredV. They have been extended to include the accounts prescribed for Pfandbriefbanken and Bausparkassen. The disclosures with regard to Bausparkassen operations to be included in the notes are included in the separately published annual financial statements of LBS.

(1) Accounting Policies

Assets and liabilities are measured in accordance with the provisions of sections 252 et seqq. of the HGB, with due consideration being given to the special provisions for credit institutions (sections 340 et seqq. of the HGB). Receivables are reported at their nominal amounts and liabilities at their settlement amounts. Outside the trading portfolio and outside the securities allocated to the liquidity reserve, differences presented as interest between the nominal amount and payment amount or cost are shown as prepaid expenses or deferred income and reversed to the relevant periods over the term of the asset or liability. Bonds and similar liabilities issued at a discount as well as securities and receivables acquired on a discounted basis are shown at their present values.

In connection with NRW-Verbundbank, which was acquired from WestLB, the assets and liabilities and rights and obligations contained in the portfolio were transferred to Helaba during the financial year. Since beneficial ownership was transferred on 1 July 2012, Helaba has to recognise the assets and liabilities and expenses and income transferred with effect from that date. The assets and liabilities acquired were initially recognised at their fair values.

The recognition of specific allowances or provisions has taken account of all identifiable risks. In addition to the fund for general banking risks shown in the balance sheet, global allowances and contingency reserves in accordance with section 340f of the HGB have been recognised for latent (credit) risks.

The items included under bonds and other fixed-income securities and equities and other variable-income securities are measured at the strict lower of cost or market, with the exception of valuation units in accordance with section 254 of the HGB and the investment portfolio. Accordingly, they have to be reported at fair value if this is lower than their (amortised) cost. In active markets, fair value corresponds to the exchange or market price on the reporting date. The analysis of the securities portfolio established an active market for all securities. Any reversals of write-downs required by law were made.

To facilitate the presentation of a true and fair view of the net assets, the treatment of securities lending transactions was changed in the year under review with regard to beneficial ownership retained by the Bank in the case of lent securities. The Bank continues to recognise the lent securities in the balance sheet as true securities repo transactions in accordance with section 340b of the HGB. Borrowed securities are no longer recognised in the balance sheet. As a result of changing the accounting treatment, the amount reported under trading liabilities as at the reporting date was € 1.0 bn lower.

The investment portfolio comprises the securities reclassified in 2008, some residual items from the investment portfolio of the subsidiary Helaba Dublin, which were acquired by the Bank in 2010, and the securities transferred as a result of the acquisition of NRW-Verbundbank in the year under review. These are regularly tested for permanent impairment.

Investments and shares in affiliated companies are shown at cost. In the case of impairment expected to be permanent, write-downs are recognised to their lower fair value. If the reasons for an impairment write-down recognised in previous years are no longer applicable, the write-down is reversed and the asset is recognised at fair value, but not exceeding amortised cost.

Fixed assets and intangible assets with finite useful lives are carried at depreciated or amortised cost less any impairment write-downs to the lower fair values. Depreciation and amortisation are charged over the useful life of the asset. Low-value assets are fully depreciated or amortised in the year of acquisition. The Bank does not capitalise internally generated intangible assets. In connection with the NRW-Verbundbank acquired from WestLB, goodwill is reported for the first time in the year under review. The goodwill will be amortised over its useful life of four years, using the straight-line method.

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

The valuation parameters are shown in the table below:

	31.12.2012
Interest rate	5.06 %
Salary trend	2.00 %
Pension progression	1.00 – 2.00 %
Fluctuation rate	3.00 %

Some pension obligations are covered by assets (securities) that are exempt from attachment by any other creditors. These assets can only be used to settle liabilities from retirement benefit obligations (plan assets). They are measured at their fair values in accordance with section 253 (1) sentence 4 of the HGB. The extent of the obligation is determined by fixing the limit of the guaranteed benefit commitment at the fair value of the corresponding securities on the reporting date. The assets and the corresponding pension obligations are offset against each other.

The pension cost to be recognised in the income statement includes mainly provision expense and interest expense. The provision expense represents the increase in pension obligations attributable to the service provided by employees in the financial year; it is disclosed under general and administrative expenses. The interest expense is defined as the increase in the present value of the pension obligations that results from the settlement date approaching and the discounting period thus becoming shorter. The interest expense is netted against the return on plan assets. Both the interest expense and the return on plan assets are included in the other operating result.

Tax provisions and other provisions have to be recognised in accordance with the principles of prudent business judgement at the settlement amount of the uncertain liabilities or the expected losses from executory contracts, with due consideration for expected price and cost increases. Medium-term and long-term provisions (with a remaining maturity of >1 year) are discounted using the rates published by the Bundesbank in accordance with section 253 (2) of the HGB. In determining the change resulting from adding interest cost, it is assumed that any change in the discount rate will only occur at the end of the period. The effect of adding interest cost is reported under other operating expenses.

Foreign currency assets and liabilities as well as spot transactions not settled on the reporting date are translated using the spot exchange rate. In the case of foreign currency futures in the trading portfolio, any measurement gains/losses from changes in spot rates are eliminated before the swap spreads are accrued and the residual spreads are measured. The Bank applies the principle of special cover in accordance with section 340h of the HGB. All currency gains or losses are recognised in the income statement. The net positions for each currency are determined on a daily basis.

Derivatives (interest rate, equity, currency, credit and commodity futures and options as well as swap agreements) are allocated to the trading portfolio or the non-trading portfolio at the time they are entered into. Under commercial law accounting, derivative financial instruments are recognised on the basis of the relevant comments and accounting guidance of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) and in accordance with generally accepted accounting principles. In the case of structured financial instruments whose derivative arrangements have a different risk profile to the underlying, these derivatives are split off, allocated to the trading portfolio and measured separately.

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

Changes in value, realised gains and losses, commissions and current income from financial instruments held for trading as well as interest expense for refinancing trading activities are reported under net trading income or net trading expense.

In accordance with section 340e (4) of the HGB, an amount equivalent to at least 10 % of the net trading income is paid into the separate account in the special reserve for general banking risks as at the reporting date. Such additions are made until the portfolio reaches 50 % of the average annual net trading income generated in the last five years before the date of the calculation, or until an amount is reversed in order to settle net trading expense. The additions/reversals are credited/charged to net trading income/net trading expense. Helaba made a transfer to the reserve in the year under review.

Derivatives not held for trading and derivatives held in valuation units are used for managing the general interest rate risk in the banking book. An overall assessment of all interest-bearing on-balance-sheet assets and liabilities, including interest rate derivatives, is performed for the general interest rate risk when measuring the banking book. To determine market price risk, receivables, interest-bearing securities, liabilities and derivatives of the banking book are not measured individually in accordance with the imparity principle, but treated as part of a refinancing group. In the year under review, it was not necessary to recognise a provision for potential losses from the refinancing group – using periodic (income-statement-oriented) analysis.

Current income from non-trading swap transactions is accrued on a pro-rata basis and reported under other assets or other liabilities.

In its banking book, Helaba has created valuation units in accordance with section 254 of the HGB, comprising securities held in the liquidity reserve and the corresponding interest rate swaps entered into for hedging purposes (asset swaps). The purpose of all valuation units is to hedge the interest rate risk.

Deferred taxes are not recognised because the existing asset surplus is not recognised in the balance sheet as a result of using the option allowed in section 274 of the HGB. The deferred tax assets are mainly attributable to temporary differences from risk provisions not recognised for tax purposes and from other provisions and pension provisions. The company-specific tax rates have been used for measuring deferred taxes. In Germany, the Bank has a combined income tax rate of 31.6 % with an average municipality trade tax multiplier of 451 %. Deferred taxes in the international reporting units are measured using the statutory tax rates applicable in those jurisdictions.

(2) Loans and Advances to Banks

in € m

	31.12.2012	31.12.2011
This item includes:		
Loans and advances to affiliated Sparkassen	11,430	9,201
Loans and advances to affiliated companies	5,431	3,404
Loans and advances to other long-term investees and investors	4	13
The sub-item – other loans and advances – comprises:		
Subordinate loans and advances	45	45
thereof: To other long-term investees and investors	1	0
Payable on demand	5,836	4,773
Remaining maturities		
Up to three months	9,075	3,835
More than three months and up to one year	2,199	896
More than one year and up to five years	5,891	5,121
More than five years	2,379	3,507
Cover funds	5,654	3,897

(3) Loans and Advances to Customers

in € m

	31.12.2012	31.12.2011
This item includes:		
Loans and advances to affiliated companies	2,742	2,800
Loans and advances to other long-term investees and investors	1,017	1,076
Subordinate loans and advances	840	1,086
thereof: To other long-term investees and investors	24	23
Remaining terms:		
Up to three months	5,268	4,819
More than three months and up to one year	9,482	8,712
More than one year and up to five years	36,739	32,538
More than five years	26,819	26,612
With indefinite term	2,596	2,018
Cover funds	28,921	24,012

(4) Bonds and Other Fixed-Income Securities

in € m

	31.12.2012	31.12.2011
Securitised receivables		
From affiliated companies	–	–
From other long-term investees and investors	745	743
The marketable securities comprise		
Listed securities	20,244	11,447
Unlisted securities	438	289
Remaining maturities		
Amounts due in the following year	5,835	967
Subordinate assets	229	266
Repo transactions as part of open market transactions	4,000	1,000
Carrying amount of investment securities	1,369	693
Fair value of investment securities	1,347	622
Temporary impairment of investment securities	31	70

(5) Shares and Other Variable-Income Securities

in € m

	31.12.2012	31.12.2011
The marketable securities comprise		
Listed securities	0	3
Unlisted securities	48	66

This item comprises units in seven securities investment funds held exclusively by Helaba (mixed funds or pure fixed-income funds) with a total carrying amount of € 1.28 bn. In line with Helaba's long-term investment intention, these investment funds mainly invest in interest-bearing securities. Further units relate to 40 % of a retail fund (carrying amount: € 22.9 m) with a global equity-market-oriented investment strategy. As of the balance sheet date, all units were measured at the lower fair value, if applicable. There were no material price reserves on the balance sheet date. The total income from dividend payments received in 2012 amounted to € 38.3 m.

(6) Trading Portfolio (Assets)

in € m

	31.12.2012	31.12.2011
Derivative financial instruments	12,935	9,121
Loans and advances	5,429	6,931
Bonds and other fixed-income securities	20,606	24,527
Shares and other variable-income securities	243	115
Other assets	0	0
Subordinate assets	12	13

(7) Equity Investments

in € m

	31.12.2012	31.12.2011
The securities comprise		
Marketable securities	19	19
Listed securities	–	–

Four equity investments with a total carrying amount of € 61 m (fair value: € 59 m) were not reported at their temporarily lower fair values. The variance is primarily attributable to two equity interests, although their portfolios performed positively.

(8) Shares in Affiliated Companies

in € m

	31.12.2012	31.12.2011
The securities comprise		
Marketable securities	112	151
Listed securities	–	–

(9) Trust Assets

in € m

	31.12.2012	31.12.2011
This item includes:		
Loans and advances to banks	62	28
Loans and advances to customers	555	600
Shares and other variable-income securities	–	2
Equity investments	69	52
Shares in affiliated companies	203	203
Other assets	13	11

(10) Intangible Assets

in € m

	31.12.2012	31.12.2011
Purchased standardised software	21	18
Goodwill	14	–

(11) Property and Equipment

in € m

	31.12.2012	31.12.2011
This item includes:		
Land and buildings used for own operations	15	16
Operating and office equipment	30	28

(12) Other Assets

The figure reported in the balance sheet mainly comprises interest receivables under non-trading swap agreements, netting claims against investment funds as well as option premiums paid.

(13) Prepaid Expenses

in € m

From issuing and lending operations	31.12.2012	31.12.2011
This item includes:		
Premiums on loans and advances	15	24
Discounts on deposits and bonds issued	1,474	156

(14) Bona Fide Transactions Under Repurchase Agreements

in € m

	31.12.2012	31.12.2011
Trading assets used in repo transactions	1	955

(15) Assets Pledged as Collateral

in € m

	31.12.2012	31.12.2011
Assets of the following amounts were transferred for the following liabilities:		
Deposits from banks	5,910[1)]	5,773[1)]
Trading liabilities	5,702[1)]	5,328[1)]

1) Includes € 0 m (2011: € 698 m) in securities acquired under repo transactions and transferred on to credit institutions in connection with bona fide transactions under repo agreements.

(16) Assets Denominated in Foreign Currency

in € m

	31.12.2012	31.12.2011
	24,587	31,726

(17) Statement of Changes in Fixed Assets

in € m

Fixed assets	Intangible assets	Property and equipment	Bonds and other fixed-income securities	Equity investments	Shares in affiliated companies	Total
Cost on 1.1.2012	81	139	693	297	2,019	3,229
Additions	26	7	953	28	6	1,020
Disposals	–	9	277	25	3	314
Exchange rate changes	–	–	–	–1	–1	–2
Accumulated depreciation, amortisation and write-downs	72	84	–	52	68	276
Carrying amount on 31.12.2012	**35**	**53**	**1,369**	**247**	**1,953**	**3,657**
Carrying amount in previous year	**18**	**51**	**693**	**242**	**1,998**	**3,018**
Depreciation, amortisation and write-downs in 2012	8	5	1	5	47	66

(18) Deposits From Banks

in € m

	31.12.2012	31.12.2011
This item includes:		
Deposits from affiliated Sparkassen	13,135	7,405
Deposits from affiliated companies	5,898	5,814
Deposits from other long-term investees and investors	9	311
Payable on demand	8,054	1,920
Remaining maturities of sub-item with agreed maturities or periods of notice of		
Up to three months	2,002	3,397
More than three months and up to one year	4,664	5,445
More than one year and up to five years	16,608	13,897
More than five years	11,433	10,312

(19) Deposits From Customers

in € m

	31.12.2012	31.12.2011
This item includes:		
Deposits from affiliated companies	666	1,082
Deposits from other long-term investees and investors	58	25
Payable on demand	6,725	2,566
Remaining maturities of the sub-item – other liabilities with agreed maturities or periods of notice –		
Up to three months	2,337	2,920
More than three months and up to one year	1,788	1,686
More than one year and up to five years	4,994	7,176
More than five years	11,403	8,720

(20) Securitised Liabilities

in € m

	31.12.2012	31.12.2011
This item includes:		
Deposits from affiliated companies	17	16
Deposits from other long-term investees and investors	–	–
Remaining maturities of the sub-item – bonds issued –		
Amounts due in the following year	9,008	8,242
Remaining maturities of the sub-item – other securitised liabilities –		
Up to three months	678	678
More than three months and up to one year	156	160
More than one year and up to five years	–	–
More than five years	–	–

(21) Trading Portfolio (Liabilities)

in € m

	31.12.2012	31.12.2011
Derivative financial instruments	13,881	10,145
Deposits	22,511	28,529

(22) Trust Liabilities

in € m

	31.12.2012	31.12.2011
Trust liabilities are broken down as follows:		
Deposits from banks	6	8
Deposits from customers	817	826
Other liabilities	79	62

(23) Other Liabilities

in € m

	31.12.2012	31.12.2011
Major items are:		
Interest obligations arising from swap agreements in the non-trading portfolio	583	395
Option premiums received for the non-trading portfolio	6	6
Currency translation differences	2	622
Interest on profit participation rights and silent partner contributions	101	130

(24) Deferred Income

in € m

From issuing and lending operations	31.12.2012	31.12.2011
This item comprises mainly:		
Discounts on lending operations	875	184
Premiums on deposits	23	23

(25) Provisions

Due to the application of section 67 (1) sentence 1 of the Act Introducing the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB), there was a shortfall of € 159 m in the pension provisions reported as at the balance sheet date (2011: € 172 m).

Cost of the assets offset against provisions in accordance with section 246 (2) sentence 2 of the HGB amounted to € 23 m (2011: € 22 m), fair value was € 24 m (2011: € 22 m). The settlement amount of the offset liabilities amounted to € 29 m (2011: € 28 m). In the income statement, income from these assets amounting to € 1.1 m (2011: € 0.3 m) was offset against expenses from the corresponding liabilities amounting to € 1.5 m (2011: € 0 m).

The other provisions were recognised mainly for personnel-related items as well as for credit and country risks in the off-balance-sheet lending business. Further provisions are attributable to liabilities for which the actual amount or the reason is uncertain.

(26) Subordinate Liabilities

Subordinate borrowings exceeding 10 % of the overall position in each case are as follows:

Currency amount in millions	Currency	Current interest rate in %	Due in	Early repayment obligation
650	EUR	5.50	2015	–
250	EUR	1.02	2016	–

The conditions relating to the subordinate nature of these funds meet the requirements of the German Banking Act (Kreditwesengesetz) for recognition as liable capital. There is no agreement to convert these items into capital or other forms of debt and there are no plans to do so.

The reported figure includes pro-rata interest of € 9 m (2011: € 10 m). For subordinate borrowings, the interest expense in the year under review amounted to € 85 m (2011: € 93 m).

(27) Liabilities Denominated in Foreign Currency

in € m

	31.12.2012	31.12.2011
	13,103	16,709

(28) Own Funds

in € m

	31.12.2012	31.12.2011
Subscribed capital	3,562	3,450
a) Share capital	589	477
b) Capital contribution	1,920	1,920
c) Silent partner contributions	1,053	1,053
Capital reserves	1,546	658
Revenue reserves	1,578	1,446
Including profit participation rights,	709	729
fund for general banking risks	510	445
as well as subordinate liabilities,	2,299	2,308
the liable capital reported in the balance sheet amounted to	10,204	9,036

As part of the acquisition of NRW-Verbundbank, Helaba received a cash capital increase of €1 bn, of which € 112 m was attributable to the share capital and € 888 m to capital reserves.

The revenue reserves as at 31 December 2012 included an addition to reserves of € 133 m from net income for 2012.

An amount € 85 m in the fund for general banking risks is attributable to the special reserve under section 340e of the HGB and is therefore subject to a distribution restriction.

(29) Contingent Liabilities

in € m

	31.12.2012	31.12.2011
The liabilities attributable to guarantees and indemnities include credit guarantees of	3,234	2,777

The contingent liabilities reported in the balance sheet comprise in particular letters of credit, sureties, guarantees and indemnities in the lending business. We assume that borrowers will largely meet their obligations and that the facilities are not expected to be utilised. Guarantee credits are subject to the Bank's process for determining provisions for losses on loans and advances. In isolated cases, where the borrower's default is probable, we recognised the corresponding loan loss provisions.

(30) Other Obligations

in € m

	31.12.2012	31.12.2011
There are:		
Placement and acceptance obligations	2,072	2,319
Irrevocable loan commitments for open-account loans	14,835	15,366

On the basis of financial standing analysis, it is largely assumed that borrowers will meet their obligations and that the facilities are not expected to be utilised. In isolated cases, where the borrower's default is probable, the corresponding loan loss provisions were recognised.

(31) Pfandbriefe and Statement of Cover Assets

Overview in accordance with section 28 (1) no. 1 of the PfandBG

in € m

	Nominal amount		Net present value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Mortgage Pfandbriefe				
Cover pool	8,726	8,964	9,316	9,486
Pfandbriefe in circulation	5,624	5,659	6,120	6,057
Surplus cover	3,102	3,305	3,196	3,429
Net present value at risk according to the German Present Value Regulation (Barwertverordnung)	–	–	3,072	3,253
Public Pfandbriefe				
Cover pool	26,945	20,122	29,612	21,652
Pfandbriefe in circulation	20,454	14,419	22,785	15,601
Surplus cover	6,490	5,704	6,827	6,051
Net present value at risk according to the German Present Value Regulation (Barwertverordnung)	–	–	6,584	5,673

There was one derivative held to cover issued Pfandbriefe at the end of the year.

The net present value at risk according to the German Present Value Regulation specifies the present value of the net coverage after stress test. The internal MaRC² model was used to simulate interest rate risks; the dynamic procedure was used to simulate currency risks.

Breakdown of cover assets by fixed-interest period and breakdown of Pfandbriefe by remaining maturity under section 28 (1) no. 2 of the PfandBG

in € m

	Cover pool		Pfandbrief	
	31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**
Fixed-interest periods/remaining maturities				
Mortgage Pfandbriefe				
Up to 1 year	**2,777**	1,842	**933**	1,224
From 1 to 2 years	**1,386**	1,888	**1,486**	848
From 2 to 3 years	**1,442**	1,352	**111**	1,468
From 3 to 4 years	**796**	1,333	**365**	111
From 4 to 5 years	**1,189**	580	**760**	65
From 5 to 10 years	**1,074**	1,833	**1,493**	1,453
More than 10 years	**63**	136	**476**	491
Public Pfandbriefe				
Less than 1 year	**4,589**	2,891	**4,065**	2,467
From 1 to 2 years	**3,606**	3,083	**1,864**	3,601
From 2 to 3 years	**5,179**	2,248	**2,373**	1,300
From 3 to 4 years	**2,437**	3,043	**4,068**	900
From 4 to 5 years	**1,755**	1,600	**1,817**	1,731
From 5 to 10 years	**6,387**	4,992	**3,729**	2,822
More than 10 years	**2,992**	2,265	**2,539**	1,598

Further cover assets under section 28 (1) no. 4 of the PfandBG

in € m

	Further cover	
	31.12.2012	**31.12.2011**
Mortgage Pfandbriefe		
Cover pool	**8,726**	8,964
thereof: Further cover	**200**	359
Public Pfandbriefe		
Cover pool	**26,945**	20,122
thereof: Further cover	**351**	111

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

in € m

	31.12.2012	31.12.2011
Commercial	**6,962**	7,006
Residential	**1,564**	1,600
Further cover	**200**	359

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

Residential breakdown:

	Flats		Single-family houses		Multi-family houses		Building land and building shells		Total	
Country	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Germany	**62**	72	**78**	91	**1,424**	1,436	**0**	1	**1,564**	1,600

Commercial breakdown:

	Office buildings		Retail buildings		Industrial buildings		Other buildings		Building land/building shells		Total	
Country	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Germany	**3,232**	3,553	**2,376**	2,134	**185**	176	**299**	318	**13**	39	**6,105**	6,220
France	**129**	143		–		–		0		–	**129**	143
Luxembourg	**73**	233		–		–		–		–	**73**	233
Sweden	**58**	74		–		–	**7**	7		–	**65**	81
The Netherlands	**190**	191	**9**	43		–		–		–	**199**	234
UK	**18**	95	**182**	–		–		–		–	**200**	95
USA	**191**	–	**–**	–	**–**	–	**–**	–	**–**	–	**191**	–
Total	**3,891**	4,289	**2,567**	2,177	**185**	176	**306**	325	**13**	39	**6,962**	7,006

Breakdown of the cover pool for mortgage Pfandbriefe by size

in € m

	31.12.2012	31.12.2011
Up to € 0.3 m	**236**	284
Up to € 5 m	**1,243**	1,381
More than € 5 m	**7,047**	6,940
Further cover	**200**	359

The total amount of payments more than 90 days past due was € 0.1 m (2011: € 0.1 m), and related to domestic debtors. There were no instances of receivership or forced sales in the year under review, nor was it necessary to take charge of any land in order to avoid losses.

Interest arrears from mortgage operations

in € m

	31.12.2012	31.12.2011
Commercial	**0.0**	0.0
Residential	**0.0**	0.0
Total	**0.0**	0.0

Breakdown of the cover pool for public Pfandbriefe by issuer

	Central government		Regional authorities		Municipal authorities		Public-law credit institutions/other		Total	
Country	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Germany	753	728	4,073	2,265	12,609	8,422	7,500	7,211	24,935	18,625
France incl. Monaco	–	–	60	66	23	–	24	–	107	66
UK incl. Northern Ireland	241	1	–	–	–	–	–	–	241	1
The Netherlands	–	–	–	–	10	–	–	–	10	–
Spain	–	–	1,005	1,261	–	–	–	6	1,005	1,267
Austria	1	2	50	–	23	–	165	50	239	52
Switzerland	–	–	366	–	41	–	–	–	407	–
Total	995	731	5,554	3,592	12,706	8,422	7,689	7,266	26,944	20,011

The payments at least 90 days past due totalled € 0 thousand for public Pfandbriefe (2011: € 0 thousand).

(32) Non-Trading Derivative Financial Instruments

The disclosures relating to derivative financial instruments are broken down into trading and non-trading portfolios.

Transactions with non-trading derivative products are presented in accordance with the disclosure requirements of section 285 no. 19 of the HGB in conjunction with section 36 of the RechKredV. Non-trading derivative financial instruments are entered into to hedge or manage risks attributable to banking book transactions (asset/liability management).

The nominal volume of non-trading derivative transactions increased by 28.9 % year-on-year, primarily due to the acquisition of NRW-Verbundbank.

Non-trading derivative transactions – disclosure of volumes –

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2012	31.12.2011	31.12.2012	31.12.2012
Interest rate risk				
Interest rate swaps	111,333	76,906	6,934	3,827
Forward Rate Agreements	–	–	–	–
Interest rate options	9,986	5,297	13	971
Calls	1,103	177	13	0
Puts	8,883	5,120	0	971
Caps, floors	3,872	3,125	76	4
Market contracts	4,455	11,533	0	5
Other interest rate futures	–	–	–	–
Interest rate risk – total –	**129,646**	**96,861**	**7,023**	**4,807**
Currency risk				
Currency futures	6,691	5,876	53	2
Currency swaps/cross-currency swaps	11,022	11,023	224	220
Currency options	4	–	–	–
Calls	3	–	–	–
Puts	1	–	–	–
Currency risk – total –	**17,717**	**16,899**	**277**	**222**
Equity and other price risks				
Equity options	–	2	–	–
Calls	–	2	–	–
Puts	–	–	–	–
Market contracts	–	–	–	–
Equity, other price risks – total –	**–**	**2**	**–**	**–**
Credit derivatives				
Calls	118	87	4	2
Puts	878	1,286	0	35
Credit derivatives – total –	996	1,373	4	37
Grand total	**148,359**	**115,135**	**7,304**	**5,066**

In addition to the nominal volumes, the positive and negative fair values are shown separately. Netting or collateral agreements are not taken into consideration.

Positive fair values/present values that can be used as an indication of the potential counterparty default risks associated with these transactions amount to 4.9 % of the nominal value (2011: 3.9 %). Since these transactions form part of hedging transactions, the fair values always have to be analysed in connection with the hedged items.

The fair values are in some cases offset by unrealised premium cash flows and special cash flows as well as interest accrued on derivatives which are shown in the balance sheet under other assets/liabilities as well as prepaid expenses/deferred income. The total amount of assets related to derivatives is € 2,659 m, while liabilities related to derivatives amounted to € 1,370 m.

Non-trading derivative transactions – breakdown by maturity –

in € m

	Interest rate risk		Currency risks		Credit derivatives		Equity and other price risks	
Nominal amounts	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Remaining maturities								
Up to three months	11,943	14,510	6,932	6,284	57	20	–	–
Up to one year	16,938	8,226	2,880	1,869	53	335	–	–
Up to five years	65,728	48,448	6,382	6,566	886	246	–	2
More than five years	35,037	25,677	1,523	2,180	–	772	–	–
Total	**129,646**	**96,861**	**17,717**	**16,899**	**996**	**1,373**	**–**	**2**

The volume of interest rate transactions rose in all maturity bands due to the acquisition of NRW-Verbundbank. Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 22.3 % of total business in this risk category (2011: 23.5 %). The moderate increase in volume reported for transactions exposed to currency risks is attributable to short-term maturities.

Non-trading derivative transactions – breakdown by counterparty –

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2012	31.12.2011	31.12.2012	31.12.2012
Banks in OECD countries	98,943	96,851	5,064	4,347
Banks outside OECD countries	19	–		4
Public institutions in OECD countries	36,944	18	1,856	547
Other counterparties	12,453	18,266	384	168
Total	**148,359**	**115,135**	**7,304**	**5,066**

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

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

The rise in the figure for public institutions in OECD countries is primarily due to the Verbundbank's transactions with EAA.

Some of the transactions with other counterparties relate to market contracts; as a proportion of nominal volume, they account for 35.6 % (2011: 63.1 %).

(33) Derivative Financial Instruments Held For Trading

Transactions with derivative products are presented in accordance with the disclosure requirements of section 285 no. 20 of the HGB in conjunction with section 36 of the RechKredV.

The nominal volume of derivative trades was down 10.2 % on the previous year. The decline was largely due to the maturity of exchange-traded interest rate futures and option contracts as well as forward rate agreements. The volume of equity-related transactions increased as a result of the acquisition of NRW-Verbundbank; the volume of credit derivatives was reduced further.

Derivative trades – disclosure of volumes –

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2012	31.12.2011	31.12.2012	31.12.2012
Interest rate risk				
Interest rate swaps	255,022	262,032	10,581	11,866
Forward Rate Agreements	12,875	19,493	0	1
Interest rate options	21,551	21,326	939	941
Calls	10,836	10,484	935	0
Puts	10,715	10,842	4	941
Caps, floors	23,207	24,556	192	124
Market contracts	59,755	92,425	6	5
Other interest rate futures	5	109	0	0
Interest rate risk – total –	**372,415**	**419,941**	**11,718**	**12,937**
Currency risk				
Currency futures	30,029	31,621	366	377
Currency swaps/cross-currency swaps	10,843	8,324	576	420
Currency options	1,718	2,242	18	18
Calls	853	1,131	18	0
Puts	865	1,111	0	18
Currency risk – total –	**42,590**	**42,187**	**960**	**815**
Equity and other price risks				
Equity options	1,311	227	190	66
Calls	969	149	190	0
Puts	342	78	0	66
Market contracts	705	635	19	20
Equity, other price risks – total –	**2,016**	**862**	**209**	**86**
Credit derivatives				
Calls	2,699	3,382	18	20
Puts	2,754	4,275	21	16
Credit derivatives – total –	**5,453**	**7,657**	**39**	**36**
Commodity risks				
Commodity swaps	137	85	5	5
Commodity options	142	3	4	2
Commodity risks – total –	279	88	9	7
Grand total	**422,753**	**470,735**	**12,935**	**13,881**

In addition to the nominal volumes, the positive and negative fair values are shown separately. Netting or collateral agreements are not taken into consideration.

Positive fair values/present values that can be used as an indication of the potential counterparty default risks associated with these transactions amount to 3.1 % of the nominal value (2011: 1.9 %).

Derivative trades – breakdown by maturity –

in € m

Nominal amounts	Interest rate risk 31.12.2012	Interest rate risk 31.12.2011	Currency risks 31.12.2012	Currency risks 31.12.2011	Equity and other price risks 31.12.2012	Equity and other price risks 31.12.2011	Credit derivatives 31.12.2012	Credit derivatives 31.12.2011	Commodity derivatives 31.12.2012	Commodity derivatives 31.12.2011
Remaining maturities										
Up to three months	77,733	115,021	18,330	21,047	242	149	718	256	75	12
Up to one year	68,495	107,653	10,383	8,478	709	115	1,172	1,939	82	30
Up to five years	121,467	110,655	11,259	11,382	1,052	598	3,436	5,052	96	46
More than five years	104,720	86,612	2,618	1,280	13	–	127	410	26	–
Total	**372,415**	**419,941**	**42,590**	**42,187**	**2,016**	**862**	**5,453**	**7,657**	**279**	**88**

The volume of short-term interest rate transactions declined because of instruments reaching maturity, while the volume of medium to long-term transactions increased moderately. Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 39.3 % of total business in this risk category (2011: 53.0 %). The volume of short and medium-term equity-related transactions increased.

Derivative trades – breakdown by counterparty –

in € m

	Nominal amounts 31.12.2012	Nominal amounts 31.12.2011	Positive fair values 31.12.2012	Negative fair values 31.12.2012
Banks in OECD countries	256,959	295,761	6,961	10,275
Banks outside OECD countries	–	0	–	–
Public institutions in OECD countries	40,840	23,360	2,602	2,205
Other counterparties	124,954	151,614	3,372	1,401
Total	**422,753**	**470,735**	**12,935**	**13,881**

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

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

A significant proportion of transactions with other counterparties relate to market contracts; they account for 48.4 % of nominal volume (2011: 61.4 %).

The percentage of trading derivatives in relation to the total volume of derivatives declined slightly year-on-year to 74.0 % (2011: 80.3 %).

As in previous years, interest rate contracts accounted for most of the trading activities. 74.2 % of the total portfolio is attributable to trading derivatives (2011: 81.3 %). 70.6 % of the currency risk contracts and 84.6 % of the credit derivatives relate to the trading portfolio.

(34) Trading Products

in € m

	Assets		Liabilities		Net income of the trading portfolio	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Derivative financial instruments						
Interest rate trading	11,718	7,902	12,937	8,931	–276	–281
Equity trading	209	61	86	50	–36	–116
Currency trading	960	1,040	815	1,012	25	–66
Credit derivatives	39	113	36	147	27	–1
Commodities	9	5	7	5	2	0
Receivables/liabilities						
Promissory note loans	2,185	2,316	–	–	92	137
Overnight and time deposits	2,296	3,998	17,488	23,160	–191	–249
Repos/reverse repos/securities lending	752	395	1	2,600	0	–17
Issued money market instruments/securitised liabilities	–	–	4,600	2,502	–38	–45
Other	196	222	166	88	–5	–1
Bonds and other fixed-income securities	20,606	24,526	256	179	775	549
Shares and other variable-income securities	243	115	–	–	45	118
Other						
Commissions					29	–25
Fund for general banking risk in accordance with section 340e of the HGB					–65	0
Total	**39,213**	**40,693**	**36,392**	**38,674**	**326**	**3**

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

The valuation units of Helaba consist of asset-swap combinations in the form of micro valuation units. The hedges relate exclusively to interest rate risks. The net hedge presentation method is used to present changes in value that offset each other between the hedged item and the hedging instrument. The hedged items are always hedged at 100 % of the nominal volume for the entire remaining maturity. The fact that key factors affecting value match ensures the prospective effectiveness of the valuation units. The prospective effectiveness is mainly determined using regression analysis; the critical term match method is used in individual cases. The offsetting changes in value and cash flows cancelled each other out to a large extent on the balance sheet date and are expected to continue to do so in future. The changes in value arising from the hedged risks will cancel each other out completely by the envisaged end of the valuation units (the time at which the hedged item and the hedging instrument mature).

As at 31 December 2012, the carrying amount of the securities included in valuation units was € 6,250 m.

A provision for potential losses is recognised for measurement effects from the hedged risk that are not fully offset; a write-down is recognised for rating-related impairment of the hedged items. No write-downs were recognised in the year under review, but some write-downs were reversed.

in € m

	31.12.2012	31.12.2011
Rating-related reversals of write-downs (2011: write-downs) on securities	85	−87
Provision for potential losses of interest rate-related measurement effects that were not fully offset	−5	−3

(36) Breakdown by Geographical Market

Total interest income, current income from equities and other variable-income securities, equity investments and shares in affiliated companies, commission income, net trading income as well as other operating income are attributable to the following markets:

in € m

	31.12.2012	31.12.2011
Domestic	4,032	3,908
European Union, excl. Germany	255	229
Other	209	202

(37) Commission Income

This item mainly comprises commission income from sureties and guarantees. Further components are commission income from services provided to third parties for the administration and arrangement of securities transactions and other banking services.

(38) Other Operating Income and Expenses

Under other operating income, the Bank reports, among other things, rental and leasing income of € 26 m (2011: € 26 m) and cost reimbursements on commissioned work undertaken for third parties of € 14 m (2011: € 15 m).

The interest cost on provisions amounted to € 52 m (2011: € 44 m). The costs of buildings not occupied by the Group amounted to € 7 m in the year under review (2011: € 7 m).

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

This caption is used to report provisions for losses on loans and advances. For reporting write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions, we used the option of cross-compensation in accordance with section 340f of the HGB.

(40) Extraordinary Result

Similar to the previous year, the extraordinary result is attributable exclusively to additions to provisions amounting to € 13 m. In 2012, the Bank used the option of adding 1/15 of the difference attributable to the remeasurement of provisions to the provision for current pensions or vested pension rights on the basis of the first-time adoption of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG).

(41) Taxes on Income

Taxes on income mainly comprise taxes on taxable results in Germany and in the USA (New York branch).

(42) Other Financial Obligations

On the balance sheet date, the Bank's contribution obligations to the subscribed capital of 16 companies totalled € 48 m, of which € 16 m was attributable to affiliated companies. For three companies, the Bank has a contractual obligation to make additional payments of up to € 40 m.

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

The Bank is also jointly liable for ensuring that other shareholders belonging to the Germans Savings Banks and Giro Association (DSGV) meet their obligations to make additional contributions. 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 is 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. This deposit guarantee scheme is designed to protect institutions, i.e. its purpose is to protect member institutions as going concerns. There is an obligation to make additional payments if protection has to be provided.

In addition, Helaba is a member of the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen (Savings Bank and Giro Association Hesse-Thuringia). This fund provides additional protection on top of the existing deposit protection schemes; it provides protection not only to institutions but also to creditors. Helaba and the Sparkassen make successive contributions to the fund until 5 ‰ of the assessment base (eligible positions under the German Solvency Regulation) 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.

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

Securities with a value of € 4.5 bn have been pledged for settling clearing transactions and for off-balance-sheet draw-down risks. The market value of secured money trading securities was € 0 bn. In accordance with international requirements, securities with an equivalent market value of € 0.6 bn had been pledged as collateral.

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

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

Further obligations in accordance with section 285 no. 3 of the HGB are attributable particularly to long-term property rental and lease agreements for properties used for banking operations. Payment obligations for rental and lease installments of € 44.9 m are expected for 2012 for the properties used by Helaba with contract terms and termination periods of 3.5 to 14.5 years. Other financial obligations arise from various rental, usage and service agreements as well as consultancy agreements to a normal extent.

The OPUSALPHA asset-backed commercial paper program initiated by Helaba is used as the basis for securitising receivables attributable to operations by and for customers. In addition to the customer transactions, OPUSALPHA contains an ABS portfolio (securitised receivables with a fair value of € 90 m (2011: € 92 m)), which in accordance with IAS 27/SIC 12 is consolidated in the consolidated financial statements because Helaba is entitled to most of the risks and rewards. The line of liquidity provided for OPUSALPHA amounted to € 1.9 bn (2011: € 1.5 bn); of this figure, € 1.4 bn had been drawn down on 31 December 2012 (31 December 2011: € 1.3 bn).

On the basis of indemnity agreements, the Bank has undertaken vis-à-vis several subsidiaries to exempt them from risks arising from certain transactions.

As at the balance sheet date, there were conditional and unconditional forward contracts

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

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

(43) Related Party Disclosures

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

The Helaba Group had the following receivables from and liabilities to related parties as well as obligations not recognised in the balance sheet as at 31 December 2012:

in € m

	31.12.2012	31.12.2011
Loans and advances to banks	**2,668**	**3,449**
Affiliates	2,624	3,404
Investments in joint ventures and associates	4	5
Shareholders of Helaba	40	40
Other related persons		–
Loans and advances to customers	**4,858**	**5,320**
Affiliates	2,727	2,800
Investments in joint ventures and associates	673	713
Shareholders of Helaba	1,458	1,734
Other related persons	232	73
Shares and other variable-income securities	**1,818**	**1,280**
Affiliates	1,299	1,280
Investments in joint ventures and associates	–	–
Shareholders of Helaba	519	–
Other related persons	–	–
Trading assets	**814**	**285**
Affiliates	0	–
Investments in joint ventures and associates	20	5
Shareholders of Helaba	794	280
Other related persons		–
Equity investments	**38**	**44**
Affiliates	–	–
Investments in joint ventures and associates	38	44
Shareholders of Helaba	–	–
Other related persons	–	–
Shares in affiliates	**1,954**	**1,998**
Affiliates	1,954	1,998
Investments in joint ventures and associates	–	–
Shareholders of Helaba	–	–
Other related persons	–	–
Other assets	**2**	**2**
Affiliates	2	2
Investments in joint ventures and associates	–	–
Shareholders of Helaba	–	–
Other related persons		–
Deposits from banks	**6,098**	**6,004**
Affiliates	5,899	5,814
Investments in joint ventures and associates	0	0
Shareholders of Helaba	199	190
Other related persons		–

in € m

	31.12.2012	31.12.2011
Deposits from customers	**1,479**	**1,806**
Affiliates	674	1,082
Investments in joint ventures and associates	50	32
Shareholders of Helaba	751	688
Other related persons	4	4
Trading liabilities	**31**	**344**
Affiliates	6	12
Investments in joint ventures and associates	6	10
Shareholders of Helaba	19	322
Other related persons		–
Other liabilities	**4**	**4**
Affiliates	4	4
Investments in joint ventures and associates		–
Shareholders of Helaba		–
Other related persons		–
Contingent liabilities	**193**	**343**
Affiliates	90	82
Investments in joint ventures and associates	65	65
Shareholders of Helaba	38	21
Other related persons	172	175

Allowances of € 67 m (2011: € 13 m) were recognised on receivables from subsidiaries and joint ventures. In addition, interest exemptions were granted on receivables amounting to € 35 m. One receivable from a joint venture amounting to € 9 m was forgiven.

Receivables from other related persons comprise loans of € 0.1 m to members of the Board of Managing Directors (2011: € 0.2 m) and loans of € 1.7 m to members of the Supervisory Board (2011: € 2.0 m).

The total remuneration of the Board of Managing Directors paid by the Bank amounted to € 4.4 m (2011: € 5.0 m). As in the previous year, a total of € 0.6 m was paid to the Supervisory Board and € 0.1 m was paid to the Advisory Board. In addition, a total of € 2.0 m (2011: € 1.3 m) was paid to the members of the Supervisory Board as employees. An amount of € 3.0 m was paid to former members of the Board of Managing Directors and their surviving dependants (2011: € 3.2 m). Provisions of € 43.9 m were recognised for pension obligations for this group of persons (2011: € 37.3 m).

(44) Average Number of Employees During the Year

	Female	Male	Total
Bank	1,051	1,513	2,564
Landesbausparkasse	179	130	309
WIBank – Wirtschafts- und Infrastrukturbank Hessen	244	174	418
Bank as a whole	1,474	1,817	3,291

The number of employees transferred from the Verbundbank is an average of 181.

(45) Executive Bodies of the Bank

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
Saar Savings Bank Association
Saarbrücken
– since 17 September 2012 –
– Fifth Vice-Chairman
since 24 September 2012 –

Prof. 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 Board
Deutsche Lufthansa AG
Frankfurt am Main

Christoph Matschie
Minister
Minister 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 (ret.)
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 Board
Software AG
Darmstadt

Employee Representatives

Wilfried Abt
Department Director
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
Senior Bank Executive
Frankfurt am Main

Ursula Bergermann
Bank Deputy Manager
Erfurt
– until 30 September 2012 –

Brigitte Berle
Bank employee
Frankfurt am Main
– since 1 July 2012 –

Isolde Burhenne
Bank Deputy Manager
Frankfurt am Main

Wilfried Carl
Deputy
Department Director
Kassel
– since 1 October 2012 –

Gabriele Fuchs
Bank employee
Frankfurt am Main

Anke Glombik
Senior Bank Executive
Erfurt
– since 1 September 2012 –

Thorsten Kiwitz
Deputy
Department Director
Frankfurt am Main

Annette Langner
Bank employee
Frankfurt am Main
– since 1 September 2012 –

Susanne Noll
Bank employee
Frankfurt am Main

Hans Peschka
Deputy
Department Director
Frankfurt am Main

Erich Roth
Bank employee
Frankfurt am Main

Birgit Sahliger-Rasper
Bank employee
Frankfurt am Main

Wolf-Dieter Tesch
Bank Deputy Manager
Frankfurt am Main

Credit Committee 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
– Vice-Chairman –

Wilfried Abt
Department Director
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

Accounts Audit Committee of the Supervisory Board

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

Stephan Ziegler
Chief Executive Officer
Nassauische Sparkasse
Wiesbaden
– First Vice-Chairman –

Hans Peschka
Deputy
Department Director
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main
– Second Vice-Chairman –

Frank Beck
Senior Bank Executive
Landesbank Hessen-Thüringen
Girozentrale
Frankfurt am Main

Ursula Bergermann
Bank Deputy Manager
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.

The Board of Managing Directors

Hans-Dieter Brenner
– Chairman –

Johann Berger
(until 30 September 2012)
– Vice-Chairman –

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

(46) List of Shareholdings

List of shareholdings in accordance with section 285 no. 11 and section 340a (4) no. 2 of the HGB

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG: Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7.1	0	1)
2	AARON Grundstücksverwaltungsgesellschaft mbH, Oberursel	50.00	50.00		–2.1	–1,351	
3	Aeskulap Projekt GmbH & Co. KG i. Gr., Frankfurt am Main	100.00			n. a.	n. a.	
4	AGENORAS Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.0	2	
5	AGENORAS Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Frankfurt am Main	89.80			0.0	7	
6	Airport Office One GmbH & Co. KG, Schönefeld	100.00			0.0	–6	
7	BGT Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH & Co. KG für Citybauten, Frankfurt am Main	100.00	100.00		116.9	29,945	
8	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0	1)
9	BHT Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	66.67	0.6	68	
10	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00			0.1	0	1)
11	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	
12	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		0.6	97	
13	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt MGK Marstall-Gebäude Kassel KG, Kassel	50.00	50.00	66.67	0.3	40	
14	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00		1.1	139	
15	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt TFK II Tiefgarage Kassel 2. BA KG, Kassel	33.33	33.33	66.67	1.0	173	
16	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG, Munich	100.00		0.21	–0.4	3	
17	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Frankfurt am Main	100.00	100.00		0.8	523	
18	Brillant Verwaltungsgesellschaft mbH i.L., Düsseldorf	100.00	100.00		n. a.	n. a.	
19	BS Projektverwaltung GmbH, Frankfurt am Main	50.00			0.0	1	
20	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.25	21.25		13.4	831	
21	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		19.5	1,529	
22	Bürogebäude Darmstädter Landstraße GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.2	–1	
23	Büroquartier GSR Wiesbaden GmbH & Co. KG i.Gr., Frankfurt am Main	100.00			n. a.	n. a.	
24	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.4	31	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
25	CAMPANULA Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	33.33			–4.4	–675	
26	CEREUS Verwaltungsgesellschaft mbH & Co Vermietungs KG, Pullach	33.33			2.8	–477	
27	Comtesse BTH Limited, London, UK	5.44	5.44	25.10	26.8	1,477	
28	CORDELIA Verwaltungsgesellschaft mbH, Pullach	90.00	90.00		–0.0	0	1)
29	CORPUS SIREO Holding GmbH, Cologne	25.00			0.3	172	
30	CORPUS SIREO Holding GmbH & Co. KG, Cologne	25.00			130.1	34,888	
31	CP Campus Projekte GmbH, Frankfurt am Main	50.00			0.4	–294	
32	CPC Cellular Process Chemistry GmbH, Frankfurt am Main	33.33			0.0	–782	
33	Div Deutsche Immobilienfonds Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.1	0	1)
34	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36.7	1,677	
35	Dritte Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	100.00			0.0	3	
36	EGERIA Verwaltungsgesellschaft mbH, Pullach	90.00	90.00		–0.2	0	1)
37	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			0.0	–487	
38	Erste Veritas Frankfurt GmbH & Co. KG, Kriftel	100.00			70.4	–10	
39	Fachmarktzentrum Fulda GmbH & Co. KG, Fulda	100.00			0.2	1,845	
40	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	10	
41	Fellnerstraße 5 GmbH & Co. KG, Frankfurt am Main	100.00			0.1	–1	
42	FMZ Fulda Verwaltung GmbH, Fulda	100.00			0.0	92	
43	Francilienne Investments I S.à.r.l., Luxembourg, Luxembourg	23.41			0.2	–10	
44	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			9.8	–272	
45	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		101.6	3,612	
46	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		770.7	60,000	
47	Franziskanerhof Bonn GmbH & Co. KG, Frankfurt am Main	100.00			0.4	37	
48	Franziskanerhof Bonn Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.0	1	
49	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	100.00			0.2	0	1)
50	G & O Alpha Hotelentwicklung GmbH, Eschborn	50.00			0.1	–221	
51	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Eschborn	50.00			0.0	–97	
52	G & O Alpha Verwaltungsgesellschaft mbH, Eschborn	50.00			0.1	8	
53	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Eschborn	50.00			0.4	–4	
54	G & O Gateway Gardens Dritte GmbH & Co. KG, Eschborn	50.00			0.0	–2	
55	G & O Gateway Gardens Erste GmbH & Co. KG, Eschborn	50.00			0.4	6,564	
56	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.0	0	
57	G+S Bauen und Wohnen GmbH, Frankfurt am Main	100.00			2.6	3	
58	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00			23.4	0	1)
59	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld/Waltersdorf district	75.00			0.0	848	
60	gatelands Verwaltungs GmbH, Schönefeld	75.00			0.0	2	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
61	GbR VÖB-ImmobilienAnalyse, Bonn	0.00		20.00	n. a.	n. a.	
62	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00			0.3	0	1)
63	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			0.3	0	1)
64	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00			0.2	4	
65	GOB Dritte E & A Grundbesitz GmbH, Eschborn	47.00			0.0	–3	
66	GOB Projektentwicklung E & A GmbH & Co. Vierte Rhein-Main KG, Eschborn	50.00			0.0	–11	
67	GOB Projektentwicklungsgesellschaft E & A mbH, Eschborn	50.00			0.0	2	
68	GOB Werfthaus GmbH & Co. KG, Eschborn	50.00			0.1	0	
69	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33			6.8	653	
70	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00			0.0	–168	
71	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			0.0	–128	
72	Grundstücksverwaltungsgesellschaft Kaiserlei mbH, Frankfurt am Main	100.00			0.1	–23	
73	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		60.9	4,719	
74	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	1)
75	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00			357.5	46,489	
76	HaemoSys GmbH, Jena	38.33			–4.8	–524	
77	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		2.4	–3,156	
78	HANNOVER LEASING GmbH & Co. KG, Pullach	49.34	49.34		23.0	0	
79	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	39.69	39.69		16.5	43	
80	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	57.97	57.97		18.2	623	
81	HANNOVER LEASING Private Invest Beteiligungs GmbH, Pullach	100.00			48.7	–703	
82	HANNOVER LEASING Private Invest II GmbH & Co. KG, Pullach	91.25			51.4	–71	
83	HANNOVER LEASING Verwaltungsgesellschaft mbH, Pullach	49.34	49.34		0.1	4	
84	HANNOVER LEASING Wachstumswerte Asien GmbH & Co. KG, Pullach	54.51			28.5	3,396	
85	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–100	
86	Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	100.00	100.00		5.5	14	
87	Helaba Dublin Landesbank Hessen-Thüringen International, Dublin, Ireland	100.00	100.00		151.3	3,005	
88	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.6	0	1)
89	Helaba International Finance plc, Dublin, Ireland	100.00	100.00		5.4	185	
90	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	1)
91	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		0.9	36	
92	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Wiesbaden	50.00	50.00		0.5	317	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG – Total	Holding in % as per Section 16 (4) AktG – Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
93	HELY Immobilien GmbH, Frankfurt am Main	50.00	50.00		0.0	0	
94	HELY Immobilien GmbH & Co. Grundstücksgesellschaft KG, Frankfurt am Main	50.00	50.00		–15.8	–78	
95	Hessen Kapital I GmbH, Frankfurt am Main	100.00	100.00		34.6	–585	
96	Hessen Kapital II GmbH, Frankfurt am Main	100.00	100.00		3.8	292	
97	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		51.4	6,721	
98	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2.5	–17	
99	Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz	95.00	95.00	24.00	–12.7	1,667	
100	Horus Projektentwicklungsgesellschaft mbH, Pöcking	50.00			0.0	–2,301	
101	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	15	
102	IHB Investitions- und Handels-Aktiengesellschaft, Frankfurt am Main	100.00	100.00		3.5	491	
103	IKT Westhafen GmbH & Co. KG, Frankfurt am Main	100.00			0.1	68	
104	Innovationsfonds Hessen Beteiligungsgesellschaft mbH & Co. KG i. L., Frankfurt am Main	86.66	86.66		–0.2	11	
105	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH i.L., Frankfurt am Main	100.00	100.00		0.1	1	
106	Intelligent Crop Forecasting GmbH in Insolvenz, Darmstadt	27.67			n. a.	n. a.	
107	Kalypso Projekt GmbH & Co. KG i. Gr., Frankfurt am Main	100.00			n. a.	n. a.	
108	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	
109	LB(Swiss) Investment AG, Zurich, Switzerland	100.00			8.9	1,204	
110	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		2.0	89	
111	LHT MSIP, LLC, Wilmington, USA	100.00			5.0	305	
112	LHT Power Three LLC, Wilmington, USA	100.00	100.00		43.4	1,811	
113	LHT TCW, LLC, Wilmington, USA	100.00			19.3	1,167	
114	LHT TPF II, LLC, Wilmington, USA	100.00			17.7	435	
115	Liparit Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Benary Vermietungs KG, Mainz	21.62			0.4	1,267	
116	Logistikzentrum Rodgau GmbH, Schönefeld	25.00			–0.5	251	
117	Marienbader Platz Projektentwicklungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	6	
118	Marienbader Platz Projektentwicklungsgesellschaft mbH & Co. Bad Homburg v.d.H. KG, Frankfurt am Main	50.00			0.3	48	
119	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00			0.0	0	1)
120	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99			4.4	702	
121	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Frankfurt am Main	32.53	32.53		7.2	476	
122	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	90.70			18.6	1,181	
123	MIG Immobiliengesellschaft mbH i.L., Mainz	22.73	22.73		0.1	6,754	
124	Mittelhessenfonds GmbH, Frankfurt am Main	100.00	100.00		–1.4	–262	
125	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		18.8	1,308	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG – Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
126	Multi Park Mönchhof GmbH & Co. KG, Walldorf/Baden	50.00			0.1	113	
127	Multi Park Verwaltungs GmbH, Walldorf/Baden	50.00			0.0	1	
128	Neunte P Projektgesellschaft mbH & Co. KG, Heiligenroth	100.00			n. a.	n. a.	
129	NIBU Grundstücksverwaltungsgesellschaft mbH & Co. KG, Frankfurt am Main	100.00	100.00		6.0	477	
130	Norman Berry Drive, LLC, Norcross, Georgia, USA	100.00	100.00		n. a.	n. a.	
131	Nötzli, Mai & Partner Family Office AG, Zurich, Switzerland	100.00			n. a.	n. a.	
132	OFB & Procom Einzelhandelsentwickung GmbH, Frankfurt am Main	50.00			0.0	–2	
133	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00			0.0	–3	
134	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			4.9	524	
135	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	
136	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00			0.0	0	
137	Office One Verwaltung GmbH, Schönefeld	100.00			0.0	0	
138	Palladium Praha s.r.o., Prague, Czech Republic	83.00			–106.4	–12,510	
139	Projekt Feuerbachstraße GmbH & Co. KG, Frankfurt am Main	70.00			0.6	–115	
140	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00			0.0	0	1)
141	Projektentwicklung BS GmbH & Co. KG, Frankfurt am Main	50.00			0.0	–1,183	
142	Projektentwicklung Taunusstein GmbH & Co. KG, Frankfurt am Main	100.00			0.0	–1	
143	Projektentwickungs-GmbH & Co. Schule an der Wascherde KG, Kassel	100.00			0.0	–41	
144	Projektgesellschaft Darmstadt Goethestraße 36 mbH & Co. Bauträger KG i. L., Frankfurt am Main	51.00			0.1	26	
145	Projektgesellschaft Darmstadt Goethestraße 36 mbH i. L., Frankfurt am Main	51.00			0.0	1	
146	Projektgesellschaft Gesundheitszentrum Frauengasse – Jena mbH & Co. KG, Frankfurt am Main	100.00			0.0	–2	
147	PVG GmbH, Frankfurt am Main	100.00	100.00		–0.0	–515	
148	Riedemannweg 59-60 GbR, Berlin	32.00	32.00		–4.4	149	
149	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe bR, Erfurt	60.00	60.00	33.00	0.3	17	
150	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.1	55	
151	Schlossgalerie Eschwege GmbH & Co. KG, Frankfurt am Main	100.00			0.1	842	
152	Second Millennium GmbH i. L., Frankfurt am Main	100.00	100.00		0.0	–1	
153	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			0.0	0	
154	Sparkassen Markt Service GmbH, Darmstadt	50.00			5.3	425	
155	SQO Stadt Quartier Offenburg GmbH & Co. KG i.Gr., Frankfurt am Main	100.00			n. a.	n. a.	
156	STRATUS Verwaltungsgesellschaft mbH, Pullach	94.80			–7.0	–288	
157	sys-T-matic Automations AG in Insolvenz, Schaafheim	30.00			n. a.	n. a.	
158	TE Atlas GmbH i.L., Frankfurt am Main	100.00	100.00		0.0	2	
159	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.3	86	
160	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.0	–5	

List of shareholdings

No.	Name and location of the company	Holding in % as per Section 16 (4) AktG Total	Thereof directly	Voting rights if different from capital holding %	Capital € m	Result in € thousands	
161	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		0.2	196	
162	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH), Frankfurt am Main	66.67	66.67	66.66	2.2	508	
163	TFK Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG, Kassel	33.33	33.33	66.67	1.3	158	
164	Uknow GmbH, Heidenrod	25.09			–0.4	13	
165	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0	
166	Vermögensverwaltung “Emaillierwerk” GmbH, Fulda	100.00			0.4	1,533	
167	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			0.3	0	
168	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		–2.4	–427	
169	Vision Verpackungstechnik GmbH, Grünberg	25.14			–0.8	–483	
170	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00			0.0	35	
171	Westhafen Tower GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	100.00			0.0	0	
172	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00		33.33	0.1	899	1)
173	Westhafenkontor GmbH & Co. KG, Frankfurt am Main	100.00			0.0	317	
174	WoWi Media GmbH & Co. KG, Hamburg	23.72		19.24	6.5	5,517	

[1] The company transfers its net income in accordance with a profit and loss transfer agreement.
n/a: There are no adopted annual financial statements.

(47) List of Offices in supervisory Bodies in Accordance with Section 340a (4) No. 1 of the HGB

Offices held by the members of the Board of Managing Directors

Office holder	Corporation	Function
Hans-Dieter Brenner	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	Member
Jürgen Fenk	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
Thomas Groß	Frankfurter Sparkasse, Frankfurt am Main	Member
Klaus-Dieter Gröb	Frankfurter Sparkasse, Frankfurt am Main	1st Deputy Chairman
	Thüringer Aufbaubank, Erfurt	Member
Dr. Detlef Hosemann	GWH Immobilien Holding GmbH, Frankfurt am Main	Deputy Chairman
	Frankfurter Sparkasse, Frankfurt am Main	Member
	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
Rainer Krick	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Deputy Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Deputy Chairman

Offices held by other employees

Office holder	Corporation	Function
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
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

Frankfurt am Main/Erfurt, 8 March 2013

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Fenk	Gröb	Groß
Dr. Hosemann	Krick	Dr. Schraad	

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of Landesbank Hessen-Thüringen Girozentrale, and the management report includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the principal opportunities and risks associated with the expected development of Landesbank Hessen-Thüringen Girozentrale."

Frankfurt am Main/Erfurt, 8 March 2013

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Fenk	Gröb	Groß
Dr. Hosemann	Krick	Dr. Schraad	

Copy of the Auditors' Report

"Auditors' Report

We have audited the annual financial statements, consisting of the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, for the financial year from 1 January to 31 December 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the Articles of Association are the responsibility of the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 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 annual financial statements in conformity with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of Landesbank Hessen-Thüringen Girozentrale and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Frankfurt am Main, 11 March 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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