

Group Management Report and  
Consolidated Financial Statements of  
Landesbank Hessen-Thüringen  
Girozentrale 2013

# Group Management Report

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# Group Management Report

## Basic Information About the Group

### Business model of the Group

The business and earnings performance of Landesbank Hessen-Thüringen Girozentrale (Helaba) has been very stable in recent years. A credit institution organised under public law, Helaba has the long-term strategic business model of an integrated full-service bank with a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkasse organisation. Helaba's success is founded in part on this business model and in part on its

- 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 S-Group 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 business units: Wholesale Business; S-Group Business, Private Customers and SME Business; and Public Development and Infrastructure Business. Business is conducted both from the bank headquarters in Frankfurt am Main and Erfurt and from the branches in Düsseldorf, Kassel, Paris, London and New York. These are joined by representative and sales offices, subsidiaries and affiliates. 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, meaning that all product, customer and service units are managed on a standardised basis throughout the Group.

Helaba's activities in the Wholesale Business unit concentrate on the six core business divisions of Real Estate, Corporate Finance, Financial Institutions and Public Finance, Global Markets, Asset Management and Transaction Banking. In sales, Helaba follows two different approaches, firstly targeting product customers from the various product fields and, secondly, directing customer sales efforts across all products at major companies and the upper SME segment, institutional customers, municipal corporations and central, regional and local public authorities.

In the S-Group Business, 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 S-Group rating. In summer 2012, comprehensive co-operation and business agreements were entered into with the Sparkassen and their associations in North Rhine-Westphalia. In addition, there are sales co-operation agreements with the Sparkassen in Brandenburg. The co-operation agreements with the Sparkassen in North Rhine-Westphalia

and Brandenburg complement the S-Group Concept of the Sparkassen-Finanzgruppe Hessen-Thüringen, which continues in its current form. Helaba is one of the market leaders in the home loans and savings business in both Hesse and Thuringia through the legally dependent Landesbausparkasse Hessen-Thüringen (LBS). Frankfurter Sparkasse, a wholly owned and fully consolidated subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region with over 800,000 customers; it also has a presence in the nationwide direct banking market through 1822direkt. Frankfurter Bankgesellschaft (Schweiz) AG and its wholly owned subsidiary Frankfurter Bankgesellschaft (Deutschland) AG provide Helaba's products and services for Sparkassen in the private banking and wealth and asset management segment.

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

#### Owners, capital resources and executive bodies of the Bank

Since mid-2012, Helaba has had four further public owners in addition to Sparkassen- und Giroverband Hessen-Thüringen (SGVHT) and the states of Hesse and Thuringia, namely Rheinischer Sparkassen- und Giroverband, Sparkassenverband Westfalen-Lippe and two trust companies of the Reserve Fund of the Landesbanken and Girozentralen and of the regional Sparkassenstützungsfonds (savings banks support fund). The majority of Helaba's share capital of € 589 m is held by public owners from the Sparkasse organisation (88 %). The states of Hesse and Thuringia together hold an interest of 12 %.

#### Helaba's public ownership structure as at 31 December 2013

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

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

Helaba has the following ratings for liabilities not subject to guarantor liability (as at 15 March 2014) from the three leading rating agencies, Moody's Investors Service (Moody's), Fitch Ratings (Fitch) and Standard & Poor's (S&P):

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

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

The joint S-Group ratings Fitch and S&P have given to Helaba and the Sparkassen in Hesse and Thuringia are based on the joint business model of economic unity of the Sparkassen-Finanzgruppe Hessen-Thüringen and the institutional, liability and economic arrangements laid down in the Charters. 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, has 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. This is based on a multi-level Margin Accounting System and comprises both the management of absolute income and costs and the integrated management of contribution margins. The aim is to achieve a cost-income ratio of 60 %. The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Based on an HGB income statement produced in the Margin Accounting System at regular intervals in the course of the financial year, regular plan/actual comparisons are generated and variance analysis is performed. In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

One key indicator used to manage portfolios is the volume of new medium- and long-term business (more than one year). In particular to ensure risk and profitability focused management of new business, systematic advance calculations are performed for loan agreements.

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio (German Solvency Regulation (SolvV) until 2013/Capital Requirements Regulation (CRR) as of 2014). The profitability targets are managed through the return on equity and regulatory capital.

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

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

The thrust of Helaba's strategy in the S-Group Business, Private Customers and SME Business unit is to expand its position as a leading S-Group bank for the German Sparkasse organisation. Helaba is linked to the Sparkassen in Hesse and Thuringia through the S-Group Concept embedded in the Charter. It has extensive contractual collaboration agreements with the Sparkassen in North Rhine-Westphalia. The primary objective of the two agreements is to increase collaboration between the affiliated savings banks and the Helaba S-Group Bank. The aim is to achieve a consistent **S-Group ratio** in the target range of 60 % to 80 %. The S-Group ratio here is the volume of business conducted with Helaba and its subsidiaries as a percentage of the total products and services purchased by the Sparkassen in question.

 [See Glossary p.206](#)

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 this potential 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 a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

The business strategy and risk strategy specify the degree of flexibility available to employees. This then forms the basis of the remuneration system for employees not covered by collectively agreed terms of employment. The remuneration strategy takes into account the attainment of targets specified in operational planning when allocating the budget for variable remuneration, thereby ensuring that there is a link between the remuneration strategy and divisional strategic objectives. For the corporate centre units, budgets are allocated based on the results generated by the Bank as a whole and the attainment of qualitative targets. This system rules out the possibility of incentives for individual employees to enter into disproportionately high risks. The fixed salaries are based on market requirements.

As a public-law credit institution with a mandate to operate in the public interest, Helaba also assumes a degree of social and environmental responsibility – over and above its banking functions and objectives. Helaba has translated that responsibility into binding requirements that form part of its business strategy, thereby making the identification of environmental and social risks an integral part of the risk assessment and risk management processes. Helaba is to install a standard process to ensure that these risks are given adequate consideration when making lending decisions. Helaba does not finance the manufacture or trading of controversial types of weapon. It also undertakes not to enter into speculative transactions with agricultural commodities or develop investment products related to such commodities. Helaba contributes to climate protection by implementing energy-saving measures in its operations. In 2011, the MAIN TOWER, Helaba's Frankfurt head office, received the LEED Gold rating under the Leadership in Energy and Environmental Design (LEED) standards as an environmentally friendly and sustainable building that minimises resource

consumption. Frankfurter Sparkasse has a certified environmental management system in accordance with Regulation (EC) No. 76/2001 (EMAS II) as well as DIN EN ISO 14001. Helaba and Frankfurter Sparkasse act on their shared commitment to sustainability by buying power generated from renewable sources. Helaba makes key elements of its environmental profile transparent and creates incentives to further reduce consumption and emissions by calculating environmental indicators and publishing them on the Internet on an annual basis. Helaba and Frankfurter Sparkasse are among the signatories to the Diversity Charter, a voluntary commitment by companies to promote a corporate culture that is without prejudice and discrimination. Helaba also engages, either directly or through Frankfurter Sparkasse, in many areas of public life by sponsoring numerous cultural, educational, environmental, sports and social organisations and projects.

## Economic Report

### **Macroeconomic and sector-specific conditions in Germany**

The German economy started 2013 on a restrained note, but returned to growth as the year progressed. At 0.5 %, economic growth for the year as a whole was low, however, due to the weak first quarter. Foreign trade made a slightly negative contribution to growth, as exports barely increased while imports rose at a somewhat faster pace. Export activity suffered mainly as a result of the difficult economic environment in the countries of Europe hit by crisis, although these did show initial signs of improvement. On the other hand, growth in German consumer spending was above average. Consumers enjoyed rising real incomes, benefited from a more favourable jobs market and put less money into savings. Capital expenditure also picked up in the second half of the year. With the European sovereign debt crisis having abated, companies were more confident that the euro zone would survive. Low capital market interest rates and increasing capacity in use also improved the overall environment for capital formation. Residential construction has proven to be an exceptional sector of the economy for some time now, even if the long winter did slow activity here. House-building expanded on the back of strong demand for residential space in large towns and cities, very low mortgage rates, the lack of investment alternatives and more investment in the stock of housing.

Competitive conditions in the German banking industry are marked by sustained historically low interest rates and a regulatory environment that continues to undergo significant change. Added to this are the harmonisation and adjustment processes required in the run-up to European banking union. Competitive pressure is increasing significantly in certain business areas, especially in retail banking and SME business. This is giving rise to opportunities for credit institutions with stable funding 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/CRR)

The proposals from the Basel Committee on future capital and liquidity requirements (“**Basel III**”), originally submitted in 2010, were transposed into the EU legal framework in 2013 by means of a package of amendments to the banking and capital adequacy directive (Capital Requirements Directive IV, **CRD IV**) and a corresponding regulation (Capital Requirements Regulation, **CRR**), both of which came into effect on 1 January 2014. In Germany, the CRD IV Implementation Act of 28 August 2013 transposed the provisions of the EU Directive into German law.

 [See Glossary p.206](#)

 [See Glossary p.206](#)

The future capital requirements for credit institutions will become significantly tighter in terms of both quality and quantity. The new capital ratios will be phased in over the period up to 2019. Overall, Helaba already meets the future regulatory capital requirements. CRD IV provides for a transitional phase until the end of 2021 for capital instruments that are currently recognised as regulatory Tier 1 capital, but will not meet the future requirements for Common Equity Tier 1 capital (CET 1 capital). At Helaba, this affects silent participations amounting to € 953 m. It is not yet clear to what extent the supervisory authorities in Germany will impose additional capital add-ons on domestic systemically important banks and introduce counter-cyclical capital buffers in the next few years.

Back in January 2010, the Basel Committee agreed to introduce a short-term liquidity ratio known as the liquidity coverage ratio (LCR) as of 2015. The requirements were set out in greater detail in the course of the year. The ratio is now to be phased in over the period up to 2019. At the same time, the group of assets eligible as a liquidity buffer has been extended and the conditions of the crisis scenario to be assumed have been modified. The disclosure requirements for the LCR must be met as of 2015.

In January 2014, a revised consultative document was published for the second liquidity ratio, the net stable funding ratio (NSFR), which is scheduled to be introduced as of 2018 at the earliest. Compared with the original draft, this changed the assignment of funding types to the different weighting categories and introduced the option to also include funding with a maturity of less than twelve months. 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.





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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. In January 2014, the Basel Committee made changes to the rules, requiring certain off-balance sheet transactions, such as trade finance, to be only partly included and allowing netting of derivatives trades in certain circumstances. The leverage ratio is not expected to be mandatory until 2018 at the earliest and will initially be introduced as an additional decision criterion to be used at the supervisory authority's 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 supervision**

The single supervisory mechanism (SSM), a uniform system for the oversight of banks and other credit institutions in the euro zone (and in any other EU member states on a voluntary basis), came into force in November 2013. Under this mechanism, the European Central Bank (ECB) assumes responsibility for the prudential supervision of the 128 largest banks in the euro zone. The mechanism affects banks with total assets in excess of € 30 bn or whose total assets exceed 20 % of the respective country's gross domestic product. Due to its size, the Helaba Group is one of the institutions supervised by the ECB. The new supervisory regime is to come into effect in the fourth quarter of 2014.

The ECB is currently carrying out a three-stage review process (comprehensive assessment) of the banks that it will be supervising in the future. The first step was a risk analysis. This forms the basis for the second step, a balance sheet audit for selected portfolios that were determined by the ECB specifically for each bank. Once the results of the second stage are available, the third stage will follow in the form of a stress test. The results of the stress test are expected to be available in the autumn of 2014.

- **Recovery and resolution of credit institutions**

The German Act on Ring-fencing and on Recovery and Resolution Planning for Credit Institutions and Financial Groups (Gesetz zur Abschirmung von Risiken und zur Planung der Sanierung und Abwicklung von Kreditinstituten, RiskAbschG) came into force in June 2013. The Act comprises four Articles. Article 1 addresses recovery and resolution planning for credit institutions. Under the provisions in this article, credit institutions classified by BaFin as a potential risk to the financial system must prepare a recovery plan specifying the action that the institution can take to re-establish its financial stability in the event of a significant deterioration in its financial position. The Act is complemented by the Minimum Requirements for the Design of Recovery Plans (MaSan), which are currently still at the draft stage. Back in November 2012, BaFin submitted a request to Helaba to prepare a recovery plan by the end of 2013. The recovery plan drawn up during the course of 2013 was submitted to BaFin in November 2013.

In the USA in 2013, Helaba drew up a resolution plan in accordance with section 165 (d) of the Dodd-Frank Act.

At European level, the European Commission published its plans regarding bank recovery and resolution in the form of the Bank Recovery and Resolution Directive (BRRD) back in 2012. The BRRD is currently the subject of discussions towards a trilogue agreement between the European Parlia-

ment, the European Council and the European Commission, which are expected to be concluded by March 2014. National implementing legislation is required to bring the BRRD into force. In July 2013, the European Commission submitted a proposed regulation for an EU-wide single resolution mechanism (SRM), which would involve the introduction of a central EU resolution authority and a single resolution fund. On its entry into force, the regulation takes immediate effect in the EU countries. The draft SRM regulation will also be the subject of trilogue negotiations between the European Commission, the European Council and the European Parliament in the first quarter of 2014.

- Ring-fencing: segregated banking system

In Article 2 RiskAbschG, German banks are prohibited from entering into certain transactions, in particular proprietary business or lending and guarantee business with hedge funds, if certain thresholds are exceeded. These transactions may only be carried out if they have been transferred to legally independent companies. Helaba exceeds the specified threshold values but nevertheless believes that the business it operates should not be classified as prohibited.

At the end of January 2014, the European Commission published a draft EU regulation relating to the structural separation of credit institutions, which will be the subject of further negotiations at EU level in the course of this year. Changes are expected to be made to the draft now in place in the course of those negotiations.

- Deposit guarantee schemes

In the discussions ongoing at EU level since mid-2010 on the introduction of standard European-wide guarantee schemes for customer deposits, the trilogue negotiations between the European Parliament, the European Council and the European Commission were concluded in December 2013, with the Council of Ministers and the European Parliament yet to give their formal approval. Under the agreed arrangements, the target volume of deposit guarantee schemes will be a standard 0.8% of the protected deposits across the EU. Schemes that offer institutional protection, such as the existing joint liability scheme in the German Sparkasse and Landesbank organisation, may also continue as a fully fledged alternative to deposit protection in future. The funding volume of the Reserve Fund must be adapted in line with the new requirements.

- Bank levy in Germany

Since 2011, the German banking industry has been obliged to finance a fund for the restructuring of credit institutions in financial difficulties ("bank levy"). The contribution payable by a credit institution each year is determined on the basis of its contribution-relevant equity and liabilities (deductible items include liabilities due to customers and shareholders' equity) and its contribution-relevant derivatives. Because of its impact on profitability, the bank levy weighs on the German banking industry's ability to compete with foreign credit institutions, especially in the EU. The bank levy paid by the Helaba Group in 2013 amounted to € 48 m.

- Financial transaction tax in the EU

On 14 February 2013, the EU Commission presented a draft directive for the introduction of a financial transaction tax. It is to be implemented as part of "enhanced co-operation" within the eleven participating member states, including Germany. The key details and the exact timetable around the design of the financial transaction tax are as yet unclear, however.

- **European Market Infrastructure Regulation (EMIR)**

In July 2012, the EU adopted the European Market Infrastructure Regulation (EMIR) with the aim of establishing a stronger regulatory framework for the derivatives market. EMIR essentially requires financial and non-financial counterparties to clear OTC derivatives, all derivative transactions to be reported to a trade repository and risk-mitigation techniques to be introduced for derivatives not subject to the clearing obligation. A project to implement the necessary techniques was set up at Helaba back in 2012. In addition, Helaba has put in place processes to assume its customers' obligations with regard to both clearing and reporting to trade repositories.

### **Business performance**

Helaba's business and financial performance in financial year 2013 were influenced by the low level of real economic growth in Germany (0.5%), persistently low interest rates and the ongoing stabilisation of the euro zone's financial markets.

Helaba's operating business continued to perform well in this economic environment. The volume of new medium- and long-term lending business (more than one year) that Helaba entered into with customers increased by 15% to € 17.2 bn (2012: € 15.0 bn). Despite the increase in the volume of business, the average margin on new business continued to rise compared with the previous year. The high volume of new business enabled maturities and special repayments to be fully offset. Loans and advances to customers were unchanged year on year at € 91 bn. Added to this were loans and advances to affiliated Sparkassen in the amount of € 12 bn. The focus on lending in core business areas and to the Sparkassen as S-Group partners was in line with the customer-centric orientation of Helaba's business model. The degree of interconnectedness with the real economy, i.e. the percentage of the total accounted for by customer transactions, rose to 57.9% in 2013 (2012: 51.3%). The rise in the degree of interconnectedness was attributable not only to the high volume of new business, but also to the decline in total assets as a result of the systematic contraction of non-customer driven business.

Its good standing in the market enabled Helaba to raise the funds necessary to finance its new business at matching maturities in the money and bond markets without any difficulty. Unsecured bank bonds (€ 3.9 bn), public (€ 2.5 bn) and mortgage Pfandbriefe (€ 0.8 bn), and promissory notes and other loans (€ 1.8 bn) were the main vehicles used for medium- and long-term funding. Added to this were subordinated debt (€ 0.8 bn) and earmarked funds of the development institutions. Besides German and foreign institutional investors, the Sparkassen and their customers throughout Germany are a key part of Helaba's investor base.

Since mid-2012, Helaba has been the S-Group bank for 166 Sparkassen in four German states, or around 40% of all Sparkassen in Germany. Collaboration with the affiliated Sparkassen in Hesse and Thuringia increased from an already high level in 2013 and is now at the upper end of the target range. The aim of capturing S-Group ratios calculated uniformly for all regions in which Helaba acts as the Sparkasse central bank is being pursued through the establishment of a joint clearing house.

Due to various project assignments and reorganisations, the main tasks and job requirements for many employees changed during 2013. The employees were prepared for these new tasks by way of a structured training management system.

The business and the risk strategy specify the degree of flexibility available to employees. In 2013, Helaba tightened up the remuneration system for employees not covered by collectively agreed terms of employment and improved the framework for the allocation of budgets for variable remuneration.

To implement the requirement to identify environmental and social risks specified in its business strategy, Helaba has started to give thought to the organisation and content of a standard process aimed at ensuring that the relevant risks are given adequate consideration when making lending decisions.

The Bank has addressed the obligation to protect the environment also set out in its business strategy, among other things, by implementing measures to reduce the emissions produced by its company vehicles (amendment of the directive on company cars, procurement of an electric vehicle) and by continuing to calculate its consumption and emissions.

In financial year 2013, Helaba again generated a net profit that allowed it to service all subordinated debt, profit participation rights and silent partner contributions, to add to its retained earnings to strengthen Tier 1 capital and to report net retained profits.

Helaba had a comfortable capital position with a Tier 1 capital ratio of 12.8 % and a total capital ratio of 17.4 % as at 31 December 2013 (both in accordance with SolvV).

The cost-income ratio as at 31 December 2013 was 61.6 % and therefore slightly above the target range (< 60 %). The return on equity declined to 7.4 % (2012: 8.4 %).

## Financial Position and Financial Performance

### Changes to basis of consolidation

The changes to the basis of consolidation in 2013 did not have any material impact on financial position or financial performance. The changes related mainly to property companies in the area of real estate project development.

### Financial performance of the Group

	2013	2012	Change	
	in € m	in € m	in € m	in %
Net interest income	1,205	1,155	50	4.3
Provisions for losses on loans and advances	-281	-238	-43	-18.1
<b>Net interest income after provisions for losses on loans and advances</b>	<b>924</b>	<b>917</b>	<b>7</b>	<b>0.8</b>
Net fee and commission income	300	259	41	15.8
Net trading income	339	415	-76	-18.3
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	-20	-124	104	83.9
Net income from hedge accounting	19	3	16	>100.0
Net income or expense from financial investments and share of profit or loss of equity-accounted entities	2	-13	15	>100.0
Other net operating income	217	236	-19	-8.1
General and administrative expenses	-1,271	-1,181	-90	-7.6
<b>Profit before taxes</b>	<b>510</b>	<b>512</b>	<b>-2</b>	<b>-0.4</b>
Taxes on income	-156	-194	38	19.6
<b>Consolidated net profit</b>	<b>354</b>	<b>318</b>	<b>36</b>	<b>11.3</b>

The inclusion of NRW-Verbundbank on 1 July 2012 had a considerable impact on the Helaba Group's financial position and financial performance. In 2013, NRW-Verbundbank for the first time contributed to earnings for a full annual period. The resulting changes are discussed separately under financial performance by segment.

Helaba generated profit before taxes of € 510 m in financial year 2013, generally sustaining the very high level of € 512 m achieved in financial year 2012. After tax, consolidated net profit amounted to € 354 m (2012: € 318 m), a year-on-year increase of 11.3 %. The main reason behind this increase was the performance of the operating business, which was reflected, in particular, in higher net interest income and net fee and commission income. The main factors affecting net trading income were stable customer contributions and a further narrowing of credit spreads. Although the extraordinary high level of net trading income generated in financial year 2012 was not reached, the 2013 figure was nevertheless significantly in excess of the budget. Provisions for losses on loans and advances were greater than in 2012 and were also higher than the planned levels. Earnings performance was negatively impacted by the rise in general and administrative expenses. This increase was due to high one-time expenses related to the integration of NRW-Verbundbank and numerous regulatory implementation projects. The changes in the individual items in the income statement were as described on the next page.

Net interest income amounted to € 1,205 m, a year-on-year increase of 4 % (2012: € 1,155 m). This increase was driven by a modest increase in the interest margin in new business and by the contribution from the S-Group Bank operations for the whole of the financial year. Net interest income was adversely affected by the low level of interest rates in the home savings business and at Frankfurter Sparkasse. Frankfurter Sparkasse's retail business accounted for more than a quarter of net interest income.

The provisions for losses on loans and advances amounted to € 281 m (2012: € 238 m). Specific loan loss allowances and specific loan loss allowances evaluated on a group basis accounted for a net addition of € 271 m (2012: € 241 m). The portfolio loan loss allowance recognised to cover loans which are not at acute risk of default was reduced by € 27 m (2012: net reduction of € 29 m). The balance of direct write-downs, additions to provisions for risks from off-balance sheet lending business and amounts received in relation to loans and advances previously written down amounted to a net expense of € 36 m (2012: € 26 m). Net interest income after provisions for losses on loans and advances rose from € 917 m to € 924 m.

Net fee and commission income climbed substantially to € 300 m (2012: € 259 m). Net fee and commission income is mostly generated by Helaba, Frankfurter Sparkasse and Helaba Invest. Fees and commissions from Helaba's payment transactions, securities and securities deposit business, and from Helaba Invest's asset management activities grew particularly strongly. The contribution from Frankfurter Sparkasse was slightly higher than the level achieved in financial year 2012.

Net trading income amounted to € 339 m (2012: € 415 m). This decline was largely attributable to the decrease in interest-driven business to € 314 m (2012: € 375 m) and in net income from credit derivatives to a net expense of € 6 m (2012: net income of € 27 m). One-off effects in connection with the application of the new IFRS 13 standard also had a negative impact in the reporting year. Firstly, Helaba refined the parameters used in the valuation model for determining the credit value adjustments (CVAs) and introduced a debit value adjustment; secondly, the measurement of OTC derivatives was adjusted. Overall, this led to an additional trading expense of € 63 m. On the positive side however, there was a further narrowing of credit spreads, but not at the very high level seen in 2012. Helaba Bank was responsible for most of the Group's trading activities.

Gains and losses on non-trading derivatives and financial instruments to which the fair value option is applied improved from a loss of € 124 m in 2012 to a loss of € 20 m in financial year 2013. The inclusion of the liquidity component of foreign currencies (cross currency basis spread) in the measurement of derivatives had had a significant negative impact in 2012. If this liquidity component is taken into account, the net loss on remeasurement of the banking book derivatives used to manage interest amounted to € 41 m in 2013 compared with € 166 m in financial year 2012. The initial application of the new IFRS 13 standard for financial instruments measured at fair value had a positive effect (€ 28 m). On the other hand, there was a year-on-year decrease in the gains and losses on financial instruments in consolidated special and retail funds (which comprise both unrealised remeasurement gains or losses and realised proceeds from disposals) to a loss of € 2 m (2012: gain of € 56 m), although the prior-year figure had included the effects from the reversal of impairment losses. The net income from hedge accounting, in which the ineffective portion of micro hedges is reported, amounted to € 19 m (2012: € 3 m).

Net income from financial investments improved to € 4 m (2012: net expense of € 1 m). Realised gains and losses on the disposal of financial instruments classified as available for sale amounted to a net gain of € 28 m (2012: net gain of € 20 m), which was largely generated from the sale of bonds and other fixed-income securities. The net income from financial investments was reduced by impairment losses of € 24 m (2012: € 23 m). Of the total impairment losses on financial investments, € 15 m (2012: € 15 m) was attributable to Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG for Landesbank Berlin Holding AG and € 8 m to bonds relating to IVG Immobilien AG. The net income contribution from associates and joint ventures accounted for using the equity method amounted to an expense of € 2 m (2012: expense of 12 m).

Other net operating income declined from € 236 m to € 217 m, largely attributable to the fact that the 2012 figure included the disposal of a real estate asset used by Helaba itself and the 2013 figure included a restructuring provision. The restructuring provision reduced other net operating income by € 18 m and was related to the “Helaba PRO” programme initiated in 2013 with the objective of optimising costs. Most of the € 151 m (2012: € 142 m) of net income from investment property, which is also reported under other net operating income, came from the GWH Group. This figure comprised the balance of rental income, the net proceeds of disposals, operating costs and impairment losses.

General and administrative expenses rose by € 90 m to € 1,271 m. This figure comprised personnel expenses of € 592 m (2012: € 563 m), other administrative expenses of € 643 m (2012: € 531 m) as well as depreciation and impairment losses on property and equipment plus amortisation and impairment losses on intangible assets totalling € 36 m (2012: € 87 m). The increase in personnel expenses was mainly due to the transfer of NRW-Verbundbank employees and a pay-scale increase in 2013. The Group employed an average of 6,293 people in the year under review (2012: 6,075). Factors contributing to the increase in other administrative expenses included consulting expenses in connection with the integration of NRW-Verbundbank and costs incurred to ensure compliance with regulatory requirements. Contributions to the restructuring fund (the “bank levy”) amounted to € 48 m (2012: € 27 m). Expenses for the services of Portigon AG rose from € 31 m in 2012 to € 69 m in the year under review, while there was only a slight increase in contributions to associations and to the Reserve Fund. The main reason behind the reduction in depreciation, amortisation and impairment losses was that an impairment loss of € 51 m had been recognised in 2012 in respect of four ships leased out under operating leases.

The general and administrative expenses were covered by the total operating income of € 2,062 m (2012: € 1,931 m), producing a cost-income ratio of 61.6 % (2012: 61.2 %). Operating income includes net interest income before provisions for losses on loans and advances, net fee and commission income, net trading income, gains and losses on non-trading derivatives and financial instruments to which the fair value option is applied, net income from hedge accounting, net income from financial investments and share of profit or loss of equity-accounted entities as well as other net operating income. Helaba's return on equity before taxes slipped back from 8.4 % to 7.4 %.

The income tax expense amounted to € 156 m (2012: € 194 m). The drop in the tax expense was attributable for the most part to the inclusion of extraordinary items in 2012, principally the reversal of deferred tax assets in respect of loss carryforwards relating to Helaba in Germany. A lower level of tax-exempt income had also been recognised in 2012. Profit after taxes, that is to say consolidated net profit, therefore increased by 11 % to € 354 m even though profit before taxes was marginally lower year on year.

Of the consolidated net profit, € 2 m was attributable to non-controlling interests in consolidated subsidiaries (2012: € 1 m), with the result that the profit attributable to the shareholders of the parent company amounted to € 352 m (2012: € 317 m). Of this remaining amount, € 32 m has been earmarked to service the capital contributions of the Federal State of Hesse that are reported under equity and € 68 m has been earmarked for distribution to shareholders.

Comprehensive income for financial year 2013 fell from € 374 m to € 359 m. This figure includes other comprehensive income in addition to the consolidated net profit as reported in the income statement. Other comprehensive income amounted to € 5 m (2012: € 56 m). This figure was positively influenced by the remeasurement of the net liability under defined benefit plans caused by a slight increase in the discount rate. This resulted in an increase in comprehensive income before tax of € 23 m (2012: decrease of € 266 m). The average discount rate used to determine pension provisions was 3.7 % (2012: 3.5 %). In 2013, a net loss of € 24 m before taxes was recognised in other comprehensive income under gains and losses on available-for-sale financial instruments, whereas the equivalent figure recognized in 2012 was a net gain of € 369 m, mainly caused by the reversal of impairment losses.



## Statement of Financial Position

### Assets

	31.12.2013	31.12.2012	Change	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	23,146	32,161	-9,015	-28.0
Loans and advances to customers	90,747	90,821	-74	-0.1
Allowances for losses on loans and advances	-1,228	-1,205	-23	-1.9
Trading assets	32,273	37,954	-5,681	-15.0
Positive fair values of non-trading derivatives	4,691	6,992	-2,301	-32.9
Financial investments and shares in equity-accounted entities	24,292	28,003	-3,711	-13.3
Investment property, property and equipment and intangible assets	2,873	2,882	-9	-0.3
Income tax assets	347	753	-406	-53.9
Other assets	942	940	2	0.2
<b>Total assets</b>	<b>178,083</b>	<b>199,301</b>	<b>-21,218</b>	<b>-10.6</b>

### Equity and liabilities

	31.12.2013	31.12.2012	Change	
	in € m	in € m	in € m	in %
Liabilities due to banks	34,106	39,275	-5,169	-13.2
Liabilities due to customers	43,895	47,611	-3,716	-7.8
Securitised liabilities	48,245	57,168	-8,923	-15.6
Trading liabilities	33,742	36,148	-2,406	-6.7
Negative fair values of non-trading derivatives	3,489	4,982	-1,493	-30.0
Provisions	1,630	1,644	-14	-0.9
Income tax liabilities	121	637	-516	-81.0
Other liabilities	695	656	39	5.9
Subordinated capital	5,073	4,363	710	16.3
Equity	7,087	6,817	270	4.0
<b>Total equity and liabilities</b>	<b>178,083</b>	<b>199,301</b>	<b>-21,218</b>	<b>-10.6</b>

Helaba's consolidated total assets contracted by € 21.2 bn (10.6%) year on year to € 178.1 bn as at 31 December 2013. This contraction in total assets was largely attributable to the decrease in loans and advances to banks including cash reserve as well as to the reduction in the volume of trading assets resulting from remeasurement. Total business volume, which included off-balance sheet liabilities in banking business and fiduciary activities as well as assets, declined by 10.1% to € 200.2 bn (31 December 2012: € 222.7 bn).

Loans and advances to banks fell by 7.9% to € 21.4 bn (31 December 2012: € 23.2 bn), mainly because of a reduction in overnight and time deposits of € 1.1 bn to € 4.2 bn and a decrease of € 1.4 bn in the cash furnished as collateral to € 4.0 bn. Of the total loans and advances to banks, a sum of € 11.9 bn (31 December 2012: € 11.4 bn) was accounted for by funding made available to the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. The cash reserve, which consists essentially of balances with Deutsche Bundesbank, stood at € 1.7 bn on the reporting date (31 December 2012: € 8.9 bn).

Loans and advances to customers declined marginally to € 90.7 bn (31 December 2012: € 90.8 bn). The proportion of total assets was therefore 51.0% (31 December 2012: 45.6%). Of the total loans and advances to customers, an amount of € 0.4 bn (31 December 2012: € 0.7 bn) was accounted for by securities reclassified in 2008 (see Note (67)). Commercial real estate loans accounted for € 31.5 bn (31 December 2012: € 30.7 bn).

Allowances for losses on loans and advances remained unchanged on the level as at 31 December 2012 at € 1.2 bn. Of this total amount, € 266 m (31 December 2012: € 292 m) was accounted for by portfolio loan loss allowances recognised to cover lending exposures not at acute risk of default.

Trading assets recognised at fair value were down by € 5.7 bn year on year to € 32.3 bn. The portfolio of bonds and other fixed-income securities, which represented the lion's share of trading assets, grew to € 20.3 bn (31 December 2012: € 19.6 bn). In contrast, trading receivables contracted by € 2.1 bn to € 3.3 bn and the positive fair values of derivatives held for trading fell by € 4.4 bn to € 8.5 bn.

Financial investments, of which bonds constituted 97%, decreased by € 3.8 bn to € 24.2 bn.

Liabilities due to banks fell by € 5.2 bn to € 34.1 bn. Liabilities due to Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg accounted for € 5.9 bn (31 December 2012: € 8.4 bn).

Liabilities due to customers amounted to € 43.9 bn (31 December 2012: € 47.6 bn). This fall reflected, in particular, decreases in overnight and time deposits and borrowers' note loans raised. Frankfurter Sparkasse accounted for € 14.5 bn of the liabilities due to customers, unchanged on the amount as at 31 December 2012. Home savings deposits grew slightly to € 3.8 bn (31 December 2012: € 3.6 bn).

Securitised liabilities declined by € 8.9 bn to € 48.2 bn. This decrease was largely explained by a fall in the volume of unsecured bearer bonds, which had carrying amounts of € 31.5 bn as at the reporting date (31 December 2012: € 39.9 bn).

Trading liabilities contracted from € 36.1 bn as at 31 December 2012 to € 33.7 bn as at the reporting date. The portfolio of liabilities held for trading, which represented the bulk of the trading liabilities, grew to € 21.5 bn (31 December 2012: € 17.9 bn). In contrast, negative fair values of derivatives declined by € 4.3 bn to € 9.5 bn and issued money market instruments by € 1.6 bn to € 2.6 bn.

As at the reporting date, subordinated capital amounted to € 5.1 bn (31 December 2012: € 4.4 bn).

### Equity

As at 31 December 2013, the Helaba Group's equity amounted to € 7.1 bn (31 December 2012: € 6.8 bn). The increase was mainly attributable to the comprehensive income of € 359 m (2012: € 374 m). Retained earnings included cumulative actuarial losses on pension obligations after deferred taxes of € 152 m recognised directly in equity (31 December 2012: € 169 m). The improvement was mainly attributable to an increase in the discount rate. The revaluation reserve after deferred taxes recognised directly in equity decreased from € 162 m to € 148 m, chiefly as a result of measurement losses. Equity also included a currency translation reserve of € –1 m (31 December 2012: € 4 m) and a cash flow hedge reserve of € –17 m (31 December 2012: € –23 m).

### Financial performance by segment

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

The contributions of the individual segments to the profit before taxes of € 510 m in 2013 (2012: € 512 m) were as follows:

in € m

	Income after provisions for losses on loans and advances	
	2013	2012
Real Estate	261	312
Corporate Finance	160	61
Financial Markets	213	180
Asset Management	10	19
S-Group Business	19	9
Public Development and Infrastructure Business	21	17
Frankfurter Sparkasse	120	155
Other	–337	–215
Consolidation/reconciliation	43	–26
<b>Group</b>	<b>510</b>	<b>512</b>

### Real Estate segment

The Real Estate Lending and Real Estate Management business lines are reported in the Real Estate segment. The equity investments operating in the real estate sector (OFB Group and the GWH Group) are included in this segment.

In Real Estate Lending, the volume of new medium-/long-term business increased by around 20 % year on year with margins on new business at a satisfactory level. As a result, the interest margin for the portfolio rose slightly compared with 2012. The increased new business activity also led to higher transaction-related income, with net interest income, which dominates this segment, rising by 12 % to € 390 m (2012: € 348 m).

Provisions for losses on loans and advances amounted to € 165 m, largely caused by the recognition of allowances for an individual exposure above the level of 2012.

Net gains from non-trading derivatives and financial instruments to which the fair value option is applied increased by € 16 m year on year. The figure includes a positive contribution from interest rate hedges entered into by the real estate subsidiaries. Other net operating income, which reflects to a significant extent the contribution to profit of the equity investments operating in the real estate sector, declined by € 44 m to € 182 m because the figure for 2012 had included a one-off item related to the disposal of a property. General and administrative expenses amounted to € 181 m, marginally below the equivalent figure for 2012.

Profit before taxes for the segment amounted to € 261 m, down by 16% compared with 2012 (€ 312 m) as a result of the higher provisions for losses on loans and advances.

#### **Corporate Finance segment**

The Corporate Finance segment comprises the earnings of the Corporate Finance business line, the share of profit or loss of the equity-accounted HANNOVER LEASING Group and other consolidated equity investments.

The Corporate Finance segment's net interest income is generated to a significant extent through corporate finance arrangements. The volume of new medium-term and long-term business closed in the Corporate Finance business line was encouraging, particularly in the fourth quarter, with the total volume for the year reaching € 4.3 bn, up by 6% compared with 2012. Net interest income rose by 9% from € 279 m to € 305 m. A major contributing factor was the inclusion for the full year of loans and advances to municipal and corporate customers acquired from WestLB/Portigon. Given the acquisition date of 1 July 2012, the net interest income from these loans and advances had only been included in the 2012 figure on a pro rata basis.

Provisions for losses on loans and advances amounted to € 121 m, up by 11% year on year (2012: € 108 m).

The gains and losses from non-trading derivatives and financial instruments to which the fair value option is applied, financial investments, and share of profit or loss of equity-accounted entities, as well as other net operating income are attributable to a significant extent to HANNOVER LEASING and the other equity investments. The contribution to earnings from these items rose by € 39 m year on year.

General and administrative expenses fell significantly by € 46 m compared with 2012, largely as a consequence of impairment losses on property and equipment in consolidated property companies that were recognised in 2012 but not in 2013.

At € 160 m, the segment's profit before taxes was significantly better than in 2012 (€ 61 m).

#### **Financial Markets segment**

The Financial Markets segment brings together the earnings of the Capital Markets, Asset/Liability Management, Sales Public Authorities, and Financial Institutions and Public Finance business lines.

The segment's net interest income is primarily the result of the lending business with domestic and foreign local and regional authorities and money market trading with customers. Municipal lending in Germany showed dynamic growth in financial year 2013, with medium-/long-term lending business of € 1.5 bn being written. In contrast, new business with foreign financial institutions and public authorities was only transacted on a selective basis in 2013. Net interest income therefore declined slightly.

In capital market operations, income from customer business increased by around 25 % compared with 2012. This was driven, among other things, by primary market activities with corporate customers and municipal authorities. In 2013, narrowing spreads again contributed to the net income, although to a significantly lesser extent than in 2012. Net trading income fell by € 86 m to € 312 m (2012: € 398 m), but nevertheless remained at a comparatively high level.

The net loss from non-trading derivatives and financial instruments to which the fair value option is applied improved by € 140 m to € 49 m. In 2012, changes in the fair value of cross currency swaps had had a significant negative impact on this figure. Net income from hedge accounting amounted to € 19 m.

General and administrative expenses in the Financial Markets segment rose by € 30 m to € 165 m (2012: € 135 m). This relatively sharp cost increase was also related to the acquisition of portfolios from NRW-Verbundbank. The rise in general and administrative expenses was driven by additional customer support personnel in the capital markets and municipal lending business, the high-cost IT integration of trading and data systems and the cost of implementing the requirements to process OTC derivatives transactions through centralised clearing using a central counterparty (CCP).

 See Glossary p. 206

Profit before taxes for the segment amounted to € 213 m, up by around 18 % compared with 2012.

#### **Asset Management segment**

The Asset Management segment comprises Helaba Invest Kapitalanlagegesellschaft mbH as well as the Frankfurter Bankgesellschaft Group (FBG).

Net interest income in the Asset Management segment declined by approximately 45 % to € 13 m (2012: € 24 m). The drop was due to the planned reduction in credit finance for private customers in the Frankfurter Bankgesellschaft Group and a decline in interest income from the deposit business because of the low interest rates. The expansion in customer business in private banking and wealth management was reflected in a slight € 2 m increase in fees and commissions in the Frankfurter Bankgesellschaft Group.

In Helaba Invest's asset management business, assets under control rose by about 7 %, thus contributing to a rise in net fee and commission income of € 1 m.

Despite an increase in headcount (Helaba Invest) and impairment losses on IT assets (FBG), general and administrative expenses in the segment remained at the 2012 level (€ 69 m).

As a result of the fall in net interest income, the segment's profit before taxes of € 10 m was down year on year (2012: € 19 m).

### **S-Group Business segment**

The S-Group Bank and Landesbausparkasse Hessen-Thüringen (LBS) are reported in the S-Group Business segment.

The integration of NRW-Verbundbank and the acquisition of the Sparkasse central bank function for all Sparkassen in the states of North Rhine-Westphalia (NRW) and Brandenburg mean that the S-Group Bank has reported income from acquired and new business with this group of customers since 1 July 2012. As a result, the S-Group Bank's net interest income rose by around 16% to € 41 m (2012: € 35 m), driven primarily by the meta loans and the certificates business. Despite expansion in the meta loans business, provisions for losses on loans and advances as at 31 December 2013 remained at approximately € 5 m, the same level as twelve months previously. As a consequence of the acquisition of the payment transactions business, net fee and commission income in the segment climbed to € 35 m (2012: € 18 m). Net trading income (net customer income with Sparkassen) amounted to € 23 m, which also represented a year-on-year increase (2012: € 16 m).

The S-Group Bank's general and administrative expenses increased by 15% to € 95 m (2012: € 83 m) because of the transfer of the NRW-Verbundbank employees allocated to this segment (increase of 177) and the associated cost of materials and system costs.

Following the introduction of a new generation of tariffs, the growth in gross new business at LBS Hessen-Thüringen was a little more subdued, as expected. Total assets as at 31 December 2013 were 6.0% higher than at the end of 2012. With returns on investments at historic lows, net interest income fell by 9% to € 61 m (2012: € 67 m). The action initiated to cut costs helped to keep general and administrative expenses at LBS slightly below the 2012 level at € 42 m (2012: € 43 m).

Profit before taxes in the S-Group Business segment was above the 2012 level at € 19 m (2012: € 9 m).

### **Public Development and Infrastructure Business segment**

The Public Development and Infrastructure Business segment mainly comprises the Wirtschafts- und Infrastrukturbank Hessen (WIBank) business line.

As a result of extended support for infrastructure, residential construction and economic development, net interest income in the segment rose by 9% year on year to € 47 m (2012: € 43 m). The increase in net fee and commission income of € 2 m to € 34 m (2012: € 32 m) was due to the addition of new agricultural development activities and of the regional aircraft noise abatement fund. In addition to consistent ongoing support for existing programmes, WIBank assisted the State of Hesse in 2013 in implementing the Municipal Protection Shield, a scheme to prevent excessive debt in local and regional authorities and to ensure that these authorities are in a position to continue providing their services over the long term.

General and administrative expenses were slightly higher than those in 2012 at € 60 m.

The segment's profit before taxes saw a year-on-year increase at € 21 m (2012: € 17 m).

**Frankfurter Sparkasse segment**

The Frankfurter Sparkasse segment presents the results of the credit institution of the same name as a sub-group including the associated consolidated subsidiaries.

Net interest income in the Frankfurter Sparkasse segment fell by 3% to € 293 m (2012: € 303 m). This was due to a decline in income from treasury positions because of the low interest rates.

Provisions for losses on loans and advances amounted to € 10 m, significantly below the budgeted figure. No such provisions had been recognised in 2012.

Net fee and commission income was slightly higher than in 2012 at € 70 m (2012: € 68 m). Net income from financial investments included impairment losses related to Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG for Landesbank Berlin Holding AG. However, in 2013, these impairment losses were almost fully offset by gains on the sale of securities.

General and administrative expenses increased marginally to € 248 m (2012: € 247 m).

Profit before taxes in the segment was down on the 2012 level at € 120 m (2012: € 155 m).

**Other segment**

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, this segment includes the net income from the transaction banking business as well as the costs of the central units that cannot be allocated to the individual segments in line with the user-pays principle.

Given the low interest rates, the investment of own funds generated a significantly lower level of interest income than in 2012.

General and administrative expenses included an increase of approximately € 11 m in personnel costs resulting from the transfer of S-Group Bank employees in the cash management, custody services and corporate centre functions. Substantial costs were also incurred in these functions in connection with projects to integrate the S-Group Bank.

In addition to the costs of the corporate centre, the Other segment includes further central structural costs that cannot be allocated to the operating segments. These costs include the fees agreed for the services of Portigon in the transitional phase up to mid-2014. In 2013, these fees amounted to € 68 m (2012: pro rata amount of € 38 m). In 2013, the segment also included the bank levy amounting to € 47 m (2012: € 26 m). Expenses for major regulatory projects (Minimum Requirements for Recovery Plans (Mindestanforderungen an Sanierungspläne, MaSan), IFRS 9) were also reported under this segment.

Other net operating income in 2013 included the recognition of an impairment loss of € 16 m on the goodwill related to NRW-Verbundbank and a provision of € 18 m related to the ongoing cost reduction programme.

The loss before taxes for the segment amounted to € 337 m (2012: loss of € 215 m) and, compared with 2012, was therefore significantly impacted by the low interest rates, effects from the acquisition of NRW-Verbundbank on 1 July 2012 and central structural costs.

#### **Consolidation/reconciliation**

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

The profit before taxes under consolidation/reconciliation amounted to € 43 m in 2013 (2012: loss of € 26 m).

## Report on Events After the Reporting Date

There were no significant events after the end of the financial year on 31 December 2013.

## 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. Drafted in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities, the risk strategy lays down the principal elements of the approach adopted to dealing with risk, the objectives of risk containment and the measures employed to achieve these objectives at Helaba and at the Group companies included in Group-wide risk management. Once adopted, 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 situation and regulatory capital position 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 primary risks defined in the risk inventory process 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 subsidiary companies 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 and the avoidance of legal or regulatory breaches 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 responsibilities**

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 the maintenance of this balance is monitored continuously 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. Proper notification 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, in particular, of the systems used also has to be considered. The expenditure incurred in connection with risk control (and also risk management) is reasonable given the pertinent regulatory requirements and 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's regulatory capital backing and the determination of the regulatory capital have been based since 2007 on the provisions of the German Solvency Regulation (Solvabilitätsverordnung – SolvV). The EU Capital Requirements Regulation (CRR) will govern the regulatory capital backing and determination of capital requirements from 2014.

### **Risk-awareness**

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

### **Auditing**

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

## **Risk Classification**

### **Risk types**

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

- The default risk or credit risk is the potential economic loss as a result of non-payment by or a deterioration in the creditworthiness of borrowers (traditional lending business), issuers, counterparties or equity investments and as a result of restrictions on cross-border payment transactions or performance (country risk). The potential economic loss is determined using internal or external credit assessments and risk parameters assessed by Helaba itself or set out in regulatory specifications. The default risk does not include credit standing risks, which are mapped in the market price risk under the credit spread risk and the incremental risk.
- The equity risk – a type of residual risk representing the potential economic loss as a result of non-payment by or a deterioration in the creditworthiness of an equity investment – that is not managed at the level of the individual risk types also forms part of the default risk. Such developments can lead to a decline in the value of the holding, to 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 organisation's 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 transactions not included in the statement of financial position 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 risk type includes legal risk, which is defined as the risk of losses as a result of infringements of legal provisions in force and claims that cannot be legally enforced. Legal risks include the risk of a change in the legal position (changed case law or amended legislation) leading to losses from transactions concluded in the past.
- 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. Damage to Helaba's reputation could also trigger a change in customer behaviour.
- 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 can occur both within a single risk type and 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 measurement 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 entire Board of Managing Directors or of the Supervisory Board or one of its committees must be obtained for decisions on matters of particular significance such as acquiring, changing or disposing of equity investments, granting loans above a certain threshold and defining the cumulative limit for market price risks. The Bank's Charter, moreover, requires that any decision to take on or make changes to strategic equity investments involving a stake in excess of 25 % also be approved by the Board of Public Owners.

### Risk management and Helaba Group companies

Companies belonging to the Group are incorporated into risk management activities at Group level by taking account 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 Helaba's direct equity investments, with each of these Group companies measuring the cumulative risk across its own organisation including its own equity investments. The starting point for determining inclusion is all direct equity investments of Helaba 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 own 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 segregated at all levels including the Board of Managing Directors.

This clear separation 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 including equity risks	Front office units, Capital Markets, Asset/Liability Management	Credit Risk Controlling (portfolio level), Credit Risk Management (individual exposure level), Group Strategy and Central Staff Division (residual equity 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, Group companies exposed to real estate risks	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 on the next page.

**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 advises the operating units and monitors and evaluates the principles, processes and practices applied against various criteria including, in particular, the requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), German Investment Services Conduct of Business and Organisation Regulation (Wertpapierdienstleistungs-Verhaltens- und Organisationsverordnung – WpDVerOV) and German WpHG Employee Notification Regulation (WpHG-Mitarbeiteranzeigeverordnung – WpHGMAAnzV), statements of the German Federal Financial Supervisory Authority (BaFin) and pertinent statements of the European Securities and Markets Authority (ESMA). The Capital Market Compliance Office evaluates inherent risks and checks compliance with the relevant regulatory requirements. It also performs regular risk-oriented monitoring activities using a monitoring plan based on a prior risk analysis, paying particular attention in this regard to the rules prohibiting insider dealing, and identifies and regulates conflicts of interest throughout the Group that pose a potential risk.

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 reflect the pertinent 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 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 primary risks within the Helaba Group are always covered by risk cover pools and that its risk-bearing capacity is thus assured. Significant enhancements to Helaba's calculation of risk-bearing capacity were introduced in 2013.

The calculation of risk-bearing capacity across risk types takes into account risk exposures in relation to default risks, market price risks, operational risks, business risks and real estate risks. Risk exposures are calculated along with the regulatory expected loss (EL) and regulatory capital requirement as part of an economic assessment using the regulatory measurement specifications. A capital deduction from the regulatory EL/impairment comparison is taken into account when quantifying Tier 1 and total capital.

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

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

The scenarios applied comprise a base scenario, which maps the risk-bearing capacity as at 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 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 satisfied even if expected and unexpected losses are incurred. In these cases, risk exposures are quantified at a 95.0 % **confidence level**. 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 exceptional and heavy losses being incurred (expected and unexpected losses at a confidence level of 99.9 %).

 [See Glossary p.206](#)

The going-concern approach involves comparing the total economic risk exposures according to the calculation of risk-bearing capacity against a sustainable result before risks, the cost of servicing the silent participations that have not been brought into line with the requirements for Tier 1 and total own funds not committed for regulatory purposes (minus an internally defined risk buffer, depending on the scenario). The going-concern approach also quantifies the implications of the stress scenarios for the regulatory capital requirement and regulatory own funds in order to analyse the impact on the regulatory capital ratios.



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 divisions and Group units on the basis of the associated anticipated development in the total and Tier 1 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. In addition, the economic risk exposures are limited to ensure that, if the allocated regulatory capital is utilised at the same time as the economic risk exposures, the capital does not fall below the internally specified minimum capital requirements even if economic risks materialise.



See Glossary p. 206

The gone-concern approach draws on an economic cover pool based on the IFRS accounts to cover the internal capital requirement. This pool comprises the cumulative consolidated net income on the reporting date, the equity and the subordinated debt under IFRS. Cover pool components are also adjusted in accordance with economic criteria. The gone-concern approach does not treat silent reserves as a cover pool component.

The risk-bearing capacity assessment for the Group, which covers all risk types, reveals that the existing risk cover pools once again exceeded the quantified risk exposures by a substantial margin at the end of 2013, underlining Helaba's consistently conservative approach to risk.

The base scenario of the going-concern approach shows a capital buffer of € 3.2 bn with respect to economic risk exposures taking account of an internal risk buffer. The capital buffer with respect to economic risk exposures under the gone-concern approach amounts to € 7.3 bn (2012: € 6.8 bn).

The Helaba Group had a regulatory total capital ratio of 17.4 % (2012: 15.9 %) and a Tier 1 ratio of 12.8 % (2012: 11.2 %) as at 31 December 2013. The capital ratios Helaba has established exceed the regulatory minimum requirements by a significant margin even under the simulated stress scenarios.

Helaba additionally conducts two inverse stress tests to investigate what nature of event could jeopardise its continued existence. The associated scenarios, "minimum capital requirements not met" and "illiquid", examine the implications of a variety of economic developments that could result in Helaba being unable to maintain the required regulatory total capital ratio or using up all of its liquidity reserves. There is currently no indication of these scenarios becoming a reality.

#### **Other deposit security mechanisms**

There are other deposit security mechanisms in addition to the risk cover pool. Helaba is a member of the Reserve Fund of the Landesbanken and Girozentralen and is thus included in the nationwide Joint Liability Scheme, which protects the affiliated institutions themselves and their liquidity and solvency and comprises the aforementioned reserve 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.

The European Parliament, the European Council and the European Commission reached agreement on the content of the future EU deposit guarantee scheme directive in December 2013. The Reserve Fund of the Landesbanken and Girozentralen and the other institutional protection facilities of the nationwide Joint Liability Scheme will have to be modified in some respects but will be able to continue under the future directive.

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 0.5 % of the affiliated institutions' weighted regulatory risk assets in accordance with the SolvV and amounted to € 514 m at the end of 2013. The Sparkassen- und Giroverband Hessen-Thüringen has undertaken to make up the shortfall between the amount actually paid in and the full amount should the fund be required before such time as the full amount has been contributed.

Rheinischer Sparkassen- und Giroverband (RSGV) and Sparkassenverband Westfalen-Lippe (SVWL) each also unilaterally set up an additional regional reserve fund for Helaba when they acquired an equity 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 core activities 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 German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – 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.

**Basel II/Basel III**

The capital adequacy framework (pillar 1 of Basel II/EU Capital Requirements Directive), which introduced far-reaching provisions on banking regulation and was implemented in Germany through the SolvV, expires at the end of 2013. The new EU Capital Requirements Regulation (CRR), which is based on Basel III, comes into force on 1 January 2014. The CRR will in future govern the capital adequacy and capital backing requirements for the institutions previously subject to the SolvV. The introduction of the CRR will mean additional and tougher regulations on capital adequacy and capital backing.

Helaba currently uses the Foundation Approach for internal ratings. The corresponding regulatory requirements as set out in Basel II/SolvV and, in future, Basel III/CRR are implemented in Helaba's procedures and systems with the internal rating methods (default rating) for the lending portfolio, the Collateral Management System, the credit loss database, which is used to record and analyse the default portfolio, the specific loan loss allowances and a central risk data pool.

**Risk monitoring using the global limit system**

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

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

The approved total limits are allocated to individual borrowers, product categories and the operating divisions 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.

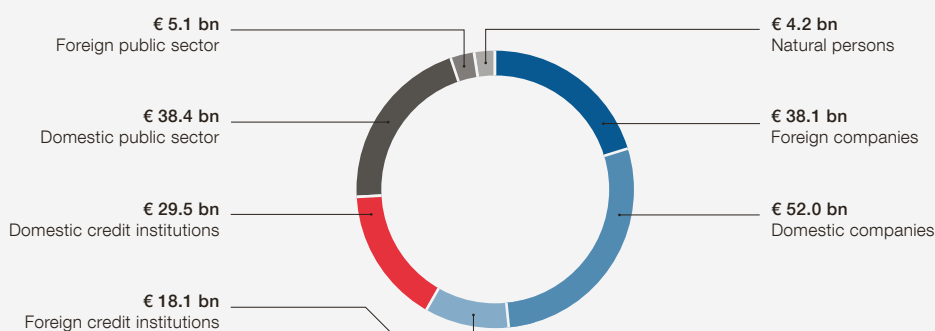
Swaps, forward transactions and options are counted towards the total limit at their credit equivalent amounts calculated in accordance with the German Regulation governing large exposures and loans (GroMiKV). All other trading book positions (for example money market trading and securities) are valued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

Chart 1 shows the total volume of lending as at 31 December 2013 comprising drawings and unutilised committed credit lines of the narrow Group companies (Helaba Bank with subsidiaries Helaba Asset Services<sup>1)</sup>, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG) totalling € 185.4 bn (2012: € 207.4 bn), broken down by customer group. The decrease in the total volume of lending in 2013 results primarily from the reduction of the Bank's excess liquidity.

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

(Chart 1)



Helaba's lending activities as of 31 December 2013 focused, in line with the business model, on the banking sector, the public sector and the real estate and housing sector.

**Creditworthiness/risk appraisal**

The Bank employs 15 rating systems developed together with the German Savings Banks Association (Deutscher Sparkassen- und Giroverband – DSGV) or other Landesbanken and three rating systems developed internally. Based on statistical models, these systems classify loan exposures, irrespective of the customer or object group, by the fixed probability of default (PD) using a 25-point cardinal default rating scale.

Because the calculation of the customer- or transaction-specific probability of default (PD) alone does not permit an assessment to be made of the loss risk potential of a transaction, other relevant factors that mitigate or increase risk for a particular credit transaction (in particular maturity, collateralisation and 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. The default rating is used as the basis for the EL-relevant adjustments for determining the risk rating.

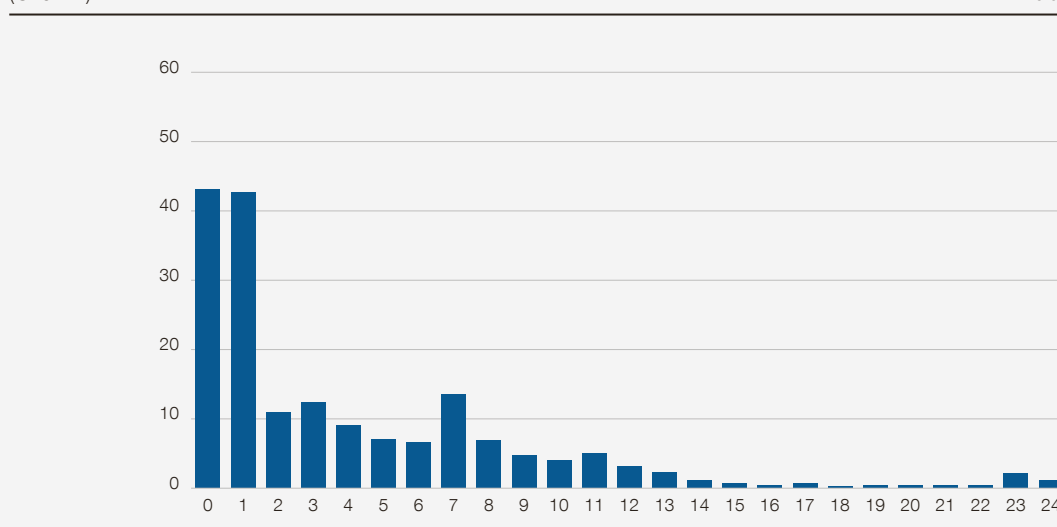
<sup>1)</sup> Helaba Asset Services operated under the name Helaba Dublin Landesbank Hessen-Thüringen International prior to returning its Irish banking licence in December 2013.

The breakdown of the total volume of lending of € 185.4 bn for the narrow Group companies (Helaba Bank plus subsidiaries Helaba Asset Services, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG) by risk rating category is as shown in Chart 2.

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

(Chart 2)

in € bn



### Collateral

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

in accordance with the strict domicile principle is accordingly transferred, subject to certain conditions, to the country of 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.

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 Asset Services, 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 2013, utilisation was less than three times the liable capital.

Country limits are defined for all countries apart from a handful of euro zone countries and certain 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 Economics department, which reports directly to the Board of Managing Directors (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 Management then submits a second opinion, the definitive limit proposal for the Credit Committee of the Board of Managing Directors, on the basis of this overall assessment. Limits for the individual countries are ultimately defined by the Credit Committee of 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.

The transfer, conversion and event risks from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 42.9 bn (2012: € 44.4 bn), most of which was accounted for by borrowers in Europe (82.7%) and North America (14.4%). As at 31 December 2013, 91.7% (2012: 92.8%) of these risks were assigned to country rating classes 0 and 1 and a further 6.8% (2012: 5.7%) came from rating categories 2–9. Just 0.3% (2012: 0.1%) fell into rating categories of 14 or poorer.

### Exposure in selected European countries

Helaba's net exposure to borrowers in GIIPS countries across the narrow Group companies amounted as at 31 December 2013 to € 5.2 bn (2012: € 6.7 bn). This figure breaks down as follows:

in € m

	Greece		Ireland		Italy	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>Country rating internal (LCR)</b>	<b>23</b>	<b>23</b>	<b>8</b>	<b>8</b>	<b>11</b>	<b>9</b>
<b>Country rating external (S&amp;P/Moody's)</b>	<b>B-/Caa3</b>	<b>SD/C</b>	<b>BBB/Ba1</b>	<b>BBB+/Ba1</b>	<b>BBB/Baa2</b>	<b>BBB+/Baa2</b>
Sector						
Government	0	0	0	38	260	266
Banks	3	3	15	48	872	1,297
Other financial institutions	0	0	0	19	14	23
Corporates	177	0	275	216	213	332
Other (including natural persons)	0	0	4	7	34	44
<b>Direct gross exposure</b>	<b>180</b>	<b>3</b>	<b>294</b>	<b>328</b>	<b>1,393</b>	<b>1,962</b>
Less collateral	-177	0	-121	-120	-71	-160
<b>Direct net exposure</b>	<b>3</b>	<b>3</b>	<b>173</b>	<b>208</b>	<b>1,322</b>	<b>1,802</b>

in € m

	Portugal		Spain	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>Country rating internal (LCR)</b>	<b>14</b>	<b>14</b>	<b>11</b>	<b>9</b>
<b>Country rating external (S&amp;P/Moody's)</b>	<b>BB/Ba3</b>	<b>BB/Ba3</b>	<b>BBB-/Baa3</b>	<b>BBB-/Baa3</b>
Sector				
Government	3	25	1,060	1,207
Banks	22	20	762	1,016
Other financial institutions	0	0	545	894
Corporates	34	31	1,256	1,434
Other (including natural persons)	4	7	111	135
<b>Direct gross exposure</b>	<b>63</b>	<b>83</b>	<b>3,734</b>	<b>4,686</b>
Less collateral	0	17	-67	-93
<b>Direct net exposure</b>	<b>63</b>	<b>100</b>	<b>3,667</b>	<b>4,593</b>

Total net exposure to borrowers in Malta, Slovakia, Slovenia and Cyprus as at 31 December 2013 amounted to € 0.2 bn, of which € 0.1 bn was attributable to Slovakia (2012: € 0.2 bn, of which € 0.1 bn for Slovakia).

### **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 the relevant Credit Risk Management unit.

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 loss given defaults (LGDs) specified by the regulator. The equity to be held available in accordance with the SolvV (and in future the CRR) 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.

Default risks are quantified in the going-concern approach (HGB) for the calculation of risk-bearing capacity with an economic risk exposure of € 806 m as at 31 December 2013 (2012: € 948 m). The reduction in 2013 reflects adjustments to methodology and the smaller portfolio volume.

### **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.

### **Allowance for losses on loans and advances**

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



### **Equity risks**

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

The risk content of each individual equity investment is classified with regard to value using a two-phase catalogue of criteria (traffic-signal method). In addition, the risk assessment is based on the appraisal and development of the rating of the company concerned within the framework of the Bank's internal rating method. Equity risks are reported quarterly to the Risk Committee of the Board of Managing Directors and the Risk and Credit Committee of the Supervisory Board (until 31 December 2013: the Credit Committee of the Supervisory Board).

The total carrying amount of the equity investments portfolio is essentially unchanged from the previous year. Equity risks are quantified in the going-concern approach for the calculation of risk-bearing capacity with an economic risk exposure of € 31 m as at 31 December 2013 (2012: € 34 m).

## **Market Price Risks**

### **Risk containment**

Helaba manages market price risks for the trading book and the banking book as part of its overall bank management. Clearly defined responsibilities and business processes 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 Asset Services. Market price risks are quantified using Helaba's own methods.

Trading activities focus for strategic purposes on customer-driven business, which is supported by a demand-led product range. Responsibility for containing trading book exposures rests with the Capital Markets unit, while the Asset/Liability Management unit has responsibility for funding and for the management of the interest rate and liquidity risks in the banking book. 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 Risk Committee allocates limits to the risk-incurring divisions and the various types of market price risk within the scope of the defined cumulative limit for market price risks. In addition separate limits are defined for the trading book and the banking book. Responsibility for the onward allocation of limits to Helaba's subordinate organisational units and its various sites rests with the divisions to which a limit has been assigned. Stop-loss limits and volume limits are also used independently in the trading units to limit market price risks.

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

#### **Risk monitoring**

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

Continuous functional and technical development of the methods and systems used and intensive data entry play a key role in ensuring that Helaba's market price risks are recorded properly. The mapping of credit spread risks was expanded again in the year under review. 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 backed up by stress tests, the measurement of residual risks, sensitivity analyses for credit spread risks and the assessment of incremental risks for the trading book. The **money-at-risk (MaR)** figure corresponds to what is deemed, with a certain confidence level, to be the upper threshold of the potential loss of a portfolio or position due to market fluctuations within a prescribed holding period.

 [See Glossary p.206](#)

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 provides a measure of the maximum loss that will not be exceeded, with a probability of 99 %, on the basis of the underlying historical observation period of one year and 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 at the end of 2013 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market price risk types. The number of rating and sector-specific yield curves applied in this connection was increased at the beginning of 2013 as part of continuous improvement measures. Euro positions account for 83 % (2012: 84 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions for 11 % (2012: 9 %). 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 € 6 m in the trading book (2012: € 5 m) and € 8 m in the banking book (2012: € 11 m). The newly introduced residual risk amounts to € 27 m for the Group. The incremental risk in the trading book amounts, with a time horizon of one year and a confidence level of 99.9 %, to € 171 m (2012: € 247 m). The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 350 m (2012: € 286 m) for the Group from market price risks. Changes to models in response to regulatory requirements largely account for the increase.

#### Group MaR by risk type

(Chart 3)

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>Total</b>	<b>83</b>	<b>62</b>	<b>65</b>	<b>47</b>	<b>2</b>	<b>2</b>	<b>16</b>	<b>13</b>
Trading book	28	16	26	13	0	2	1	1
Banking book	66	50	48	36	2	0	15	14

It is anticipated that the residual positions still serviced by Portigon AG in connection with the acquisition of NRW-Verbundbank will remain subject to the risk measurement systems of Portigon AG until the second quarter of 2014. All risk measurement 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.

#### Internal model in accordance with the SolvV

Helaba calculates the regulatory capital required for the general interest rate risk using an **internal model** in accordance with the SolvV. This model, which consists of the risk measurement systems MaRC<sup>2</sup> (linear interest rate risk) and ELLI (interest option risk), has been approved by the banking regulator. Rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for evaluation purposes in the context of linear risk measurement.



See Glossary p. 206

See Glossary p. 206



See Glossary p. 206

### 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 prescribed by the regulatory authorities for internal risk management. Chart 4 shows the MaR for the trading book (Helaba Bank, including subsidiary Helaba Asset Services) for the 2013 financial year. The average MaR for 2013 as a whole amounted to € 33 m (2012: € 17 m), the maximum MaR was € 44 m (2012: € 22 m) and the minimum MaR was € 26 m (2012: € 13 m). The increase in risk as compared with 2012 results essentially from the addition of new yield curves (the introduction of additional rating- and sector-dependent risk factors) for risk measurement at the beginning of 2013.

#### Daily MaR of the trading book in financial year 2013

(Chart 4)



Helaba's international branch offices and its subsidiary Helaba Asset Services, 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 plus subsidiary Helaba Asset Services).

#### Average MaR for the trading book in financial year 2013

(Chart 5)

o MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Interest rate risk	29	15	28	18	36	13	27	13	30	15
Currency risk	1	1	2	1	1	2	0	2	1	2
Equities risk	2	1	2	1	1	1	1	2	2	1
<b>Total risk</b>	<b>32</b>	<b>16</b>	<b>32</b>	<b>19</b>	<b>38</b>	<b>16</b>	<b>28</b>	<b>16</b>	<b>33</b>	<b>17</b>

Number of trading days: 249 (2012: 250)

The annual average MaR for the trading book for Frankfurter Sparkasse amounts to € 0 m (2012: € 0 m). The average MaR for the trading book for Frankfurter Bankgesellschaft (Schweiz) AG is € 0 m (2012: € 0 m).

#### Back-testing

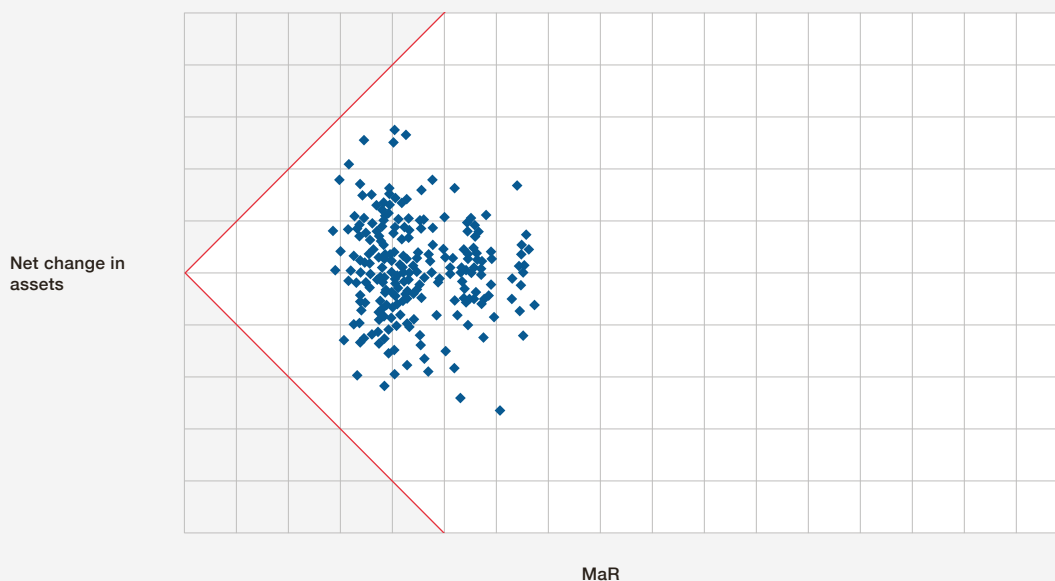
Helaba carries out clean **back-testing** daily for all market price risk types to check the forecasting quality of the risk models. This involves determining the MaR figure for a holding period of one trading day with a one-tailed confidence level of 99 % and a historical observation period of one year.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

Chart 6 shows the back-testing results of the Helaba risk models for the trading book (Helaba Bank plus Helaba Asset Services) across all types of market price risk in financial year 2013. No negative outliers occurred (2012: no negative outliers).

 See Glossary p. 206

**Back-testing for the trading book in financial year 2013**

(Chart 6)



The internal model for the general interest rate risk, which consists of the model components MaRC<sup>2</sup> and ELLI, produced no negative outliers in 2013 (2012: no negative outliers). Helaba similarly recorded no outliers in its daily dirty back-testing, which involves comparing the forecast risk figure with the actual change in value (2012: no negative outliers).

**Stress test programme**

A proper analysis of the effects of extraordinary but not unrealistic market situations requires the use of stress tests in addition to the daily risk measurement routine. Various portfolios are remeasured 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 extreme changes in market values on the trading and banking books. These stress tests are based on the scenarios of the Financial Sector Assessment Program (FSAP) 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 2013, such an interest rate shock would, in the unfavourable scenario, result in a negative change in value of € 252 m in the Helaba Group banking book (2012: € 96 m). Of this figure, € 233 m (2012: € 79 m) is attributable to local currency and € 19 m (2012: € 17 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 2013.

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. 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 buffer 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 conducted. 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 as required in order to assure its short-term liquidity. The current liquidity situation is managed with reference to a short-term liquidity status indicator, 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 mark-downs 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.

Helaba has been authorised by BaFin to use its own liquidity risk measurement and management procedure, in accordance with Section 10 of the German Regulation on the Liquidity of Institutions (Liquiditätsverordnung – LiqV), since February 2011. 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. Residual positions still 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 2013.

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 30 % (2012: 41 %). This increases to 37 % (2012: 50 %) if Frankfurter Sparkasse is included. The average utilisation rate in 2013 was 41 % (2012: 16 %). The liquidity risk ratio for the NRW-Verbundbank portfolio amounted to 3.56 as at 31 December 2013 (2012: 8.53).

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

The Bank set up a project in financial year 2013 to effect compliance with the regulatory liquidity requirements set out in Basel III and the CRR to run in parallel with its internal short-term liquidity management. The indicators (liquidity coverage ratio and net stable funding ratio) are determined as part of liquidity management.



Loan and liquidity commitments not included in the statement of financial position, which are maintained in a central database, are reviewed regularly with regard to their drawing potential and features of relevance to liquidity and are integrated into liquidity management. Guarantees and warranties are also considered. Liquidity costs are calculated and allocated to the relevant business lines as a function of the internal risk classification. A scenario calculation that includes a market disturbance has been used since 2002 for the calculation and advance planning of the liquidity to be held available. Back-testing investigations have shown that the liquidity maintained has exceeded the liquidity actually drawn at all times during the recent years of the financial market crisis.

A total of € 1.8 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents a year-on-year increase of € 0.5 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 2012).

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. Responsibility for monitoring rests with the Risk Controlling Treasury unit. The funding matrix at year-end shows an aggregate funding requirement across all currencies and locations of € 0.9 bn set against a limit of € 10 bn (2012: € 2.6 bn). 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). Any liquidity shortfalls or surpluses arising are funded or invested temporarily 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. The scaled MaR suggests no significant market liquidity risk as at 31 December 2013. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

### **Definition of risk tolerance**

The Board of Managing Directors defines the risk tolerance for liquidity risk at least annually. This covers the limit applicable for short-term and structural liquidity risk, liquidity building for liquidity risks not included in the statement of financial position 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 national banking authority with regard to regulatory capital backing. This approach is used to identify, measure 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 Banks (Bundesverband Öffentlicher Banken Deutschlands – VöB) to consider issues surrounding operational risks. The aim of these co-operative arrangements is to reach agreement on disciplinary implementation matters and develop a technical standard solution. The IT system used by Helaba to manage operational risks is accordingly upgraded and expanded with new functionalities regularly in conjunction with representatives of other banks. Collaboration in another working group has led to the creation of a joint data syndicate with other banks, primarily Landesbanken, through which Helaba has been sharing information about losses attributable to operational risks since 2006.

### **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 and is updated regularly in line with expert recommendations.

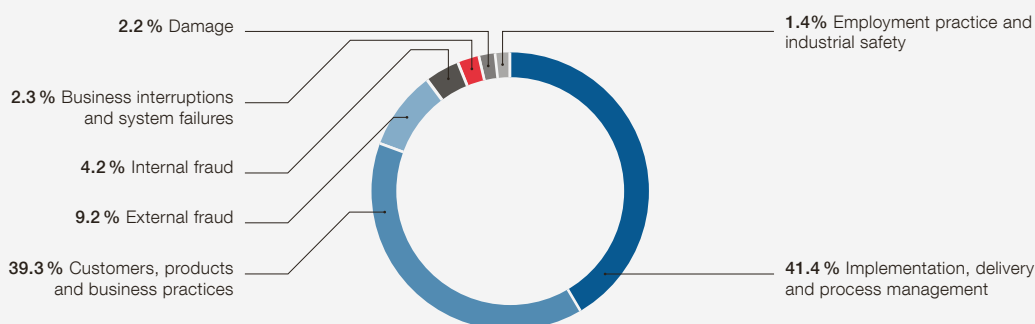
Operational risks are avoided or limited using insurance arrangements that cover specific losses up to agreed maximum limits and also by means of established measures in internal processes and other workflows.

### 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 2013:

**Expected loss as of 31 December 2013 by loss event**  
(Chart 7)



The expected loss amounted to € 28 m (2012: € 37 m) as at 31 December 2013. 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 added 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. Risk scenarios relating to migration, servicing by Portigon AG, business with existing customers and the takeover of new products were mapped in the course of operational risk containment activities and the risks quantified were incorporated into risk reporting and the risk-bearing capacity as at 31 December 2013.

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**

Operational risks are quantified for internal containment purposes on the basis of 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. The unexpected loss under the going-concern approach amounted to € 138 m (2012: € 137 m) as at 31 December 2013.

### **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 department assists the specialist units responsible for the activities and processes to create and publish the regulations.

### **Legal risks**

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

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

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

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

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

#### **Outsourcing risks**

Risks associated with significant outsourcing arrangements, which are linked to the defined objectives of the divisions concerned, can arise in any unit that has outsourced services. 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 Dezernt (board member) in order to limit the risks associated with outsourcing. 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 concluded for the IT services outsourced to external service providers (Finanz Informatik and Finanz Informatik Technologie Service for application and data centre operation and HP for desktop services) contain provisions relating to preventive measures and measures to limit risks. The documented procedures for safeguarding operation and the technical restoration of data processing are tested regularly together with specialist units of Helaba.

### 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. The Helaba Group's accounting process involves individual reporting units in which self-contained posting groups are maintained and local (partial) financial statements in accordance with HGB and IFRS are prepared. Helaba's reporting units are the Bank (Germany), the branch offices outside Germany, LBS, WIBank and all consolidated companies and sub-groups and companies and sub-groups accounted for using the equity method. An additional reporting unit has been established on a temporary basis for the balances and posting group of the NRW-Verbundbank portfolio acquired. This is serviced by an external service provider. The NRW-Verbundbank portfolio balances are to be migrated to Helaba's systems gradually over the period up to mid-2014.

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

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

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

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

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

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

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

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

## Business Risk

The business risk is the potential economic loss attributable to possible changes in customer behaviour, in competitive conditions in the market or in general economic conditions. Damage to Helaba's reputation could also trigger a change in customer behaviour.

The reputation risk involves the possibility of a deterioration in Helaba's public reputation in respect of its competence, integrity and trustworthiness as a result of perceptions of the individuals having a business or other relationship with the Bank. The material consequences of reputation risks impact on the business and liquidity risk and are accordingly considered under these two risk types. The necessary capital requirements for the calculation of risk-bearing capacity are maintained via the business risk. The short-term liquidity risk takes into account any liquidity squeezes resulting from a loss of reputation.

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.

Business risks increased by € 48 m to € 143 m in the year to 31 December 2013 as a result of model adjustments, the inclusion of Group companies (€ 38 m) and the operational planning 2013 addition (€ 10 m).

### 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 or in consultation with the Taxes department and in this way tax risks are either avoided or covered by appropriate provisions in the statement of financial position.

## Real Estate Risks

Real estate risks comprise the real estate portfolio risk – the potential economic loss from fluctuations in the value of an entity's own real estate – and the real estate project management risk associated with 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.



Risks associated with fluctuations in market values currently arise primarily in relation to the portfolio properties of the GWH Group (GWH Wohnungsgesellschaft mbH Hessen) and properties owned by Helaba. Risks in project development business, which are associated with deadline, quality, cost and marketing factors, arise primarily in the operationally independent subsidiaries of the OFB Group (OFB Projektentwicklung GmbH) and the GWH Group (in its real estate development business) and also in real estate project companies held directly or indirectly by Helaba.

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

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

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

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

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

The risks associated with real estate projects and real estate portfolios decreased slightly in 2013 to € 19 m (2012: € 23 m). These risks continue to be fully covered by the expected income from this business.

## 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.

## Outlook and Opportunities

### Global economic conditions

The global economic upturn is set to continue in 2014, with stimulus coming primarily from the industrialised nations. The pace continues to be set by the US economy, which is gaining noticeable momentum. Emerging markets are showing signs of a slight revival, albeit without any major impact on global growth. In the euro zone, the economy has finally turned around, but is unlikely to show more than a moderate improvement. Overall, therefore, global economic growth may strengthen by around half a percentage point year on year in 2014 to more than 3 % in real terms.

Within the euro zone, Germany remains out front. Here, conditions are currently so good that economic growth could reach around 2 % in real terms in 2014. Domestic demand in particular should be a contributor to this: capital expenditure is gaining momentum and residential construction is profiting from sustained high approvals. Incomes and employment will remain on an upward trajectory, as a result of which consumption may make a significant contribution to growth. Foreign trade is likely to benefit from perkier global trade. Following the reduction in the budget deficit in 2013, the public-sector budget is expected to at least be in balance in 2014. For the first time after a long recession, troubled European countries such as Italy and Spain should show positive economic growth for the year as a whole. France is likely to grow only at a below-average rate compared with the euro zone in 2014, as the country's competitiveness is still weak.

The combination of moderate growth and low inflation risk allows the leading central banks to keep their monetary policy expansive and change course only very carefully. The US Federal Reserve started to taper its purchases of bonds at the beginning of 2014 and will stop them by the end of the year. The first rise in benchmark rates is not expected until 2015, however. In the euro zone, on the other hand, the ECB will fix the benchmark rate and inject additional liquidity in an attempt to stimulate the flow of credit in the periphery. Although long-term interest rates in Germany will therefore remain low, the influence of the US bond market is likely to result in a slight rise by the end of the year.

### Opportunities

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 divisions. The positive operating results generated have enabled Helaba to service all subordinated liabilities, profit participation rights and silent participations in full and pay regular dividends. The key factors behind Helaba's success remain its conservative risk profile, backed up by effective risk management, and the strategic business model for the Group as a whole based on the concept of a full-service bank with its own retail, public development and infrastructure business, a strong base in the region, a very close relationship with the Sparkassen and robust capital and liquidity backing. Helaba was able to lift its operating result year on year despite the long period of low interest rates combined with a sharp increase in the structural costs of banking due to changes in the national and international regulatory environment. Net income for the year is down on the prior-year figure, however, due to a rise in general and administrative expenses.

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

Helaba's equity strategy centres on building up Common Equity Tier 1 (CET 1) capital in response to the much more stringent capital requirements – in both qualitative and quantitative terms – under Basel III and CRD IV/CRR. Helaba already meets the future regulatory capital requirements and is therefore well placed to seize any business opportunities that arise.

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. Helaba believes these developments in principle present it with a good opportunity to increase its potential business volume and earnings while retaining its conservative risk standards and ensuring compliance with the new regulatory requirements.

The takeover of the S-Group business and payment transactions of the now defunct WestLB, which was completed in mid-2012, moreover, paves the way for a marked strengthening of Helaba's market position in these segments. In the fast-growing payment transactions business division, Helaba is now the number two in the German market measured by the volume of payment transactions processed. In addition to economies of scale, this market position opens up fresh earnings potential not only among merchants and network operators, but among international clearing houses and payment service providers as well. The Bank's institutional roots in the German Sparkasse organisation have also grown even stronger as a result of its changed public ownership structure.

This enables Helaba to establish itself as a leading provider of international trade finance and payment transactions in the Sparkassen-Finanzgruppe and lift business volumes and income in this segment. There are further opportunities to increase collaboration with the Sparkassen throughout Germany in real estate business, a core business division in which Helaba possesses considerable expertise along the entire length of the value chain.

The process of consolidation in the Landesbank sector seems likely to continue over the coming years. Further enhancing its position as a leading S-Group bank for the German Sparkassen is one of Helaba's strategic objectives. The pressure on profitability created by the level of competition in retail banking and exacerbated by the current period of low interest rates will lead to greater task sharing within the S-Group.

Helaba finds itself well placed to meet the challenges of the future over the long term with its established strategic business model. It 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 bring about further improvements in its sustainable earning power and enhance its enterprise value while maintaining a conservative view of its risk-bearing capacity and taking account of the changes in the regulatory environment and marked increase in the structural costs of banking.

Helaba's medium-term business and income planning accordingly aims to adjust its portfolios in the core business divisions 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 a strong regional focus on Germany and neighbouring European core countries while maintaining the branch offices in London, New York and Paris in order to safeguard the depth of service for customer and S-Group business and to secure access to the funding markets, especially for the US dollar and sterling,
- to comprehensively fine-tune processes and resources so as to offset the increase in costs resulting, among other things, from the rising structural costs of banking (and Helaba set up an internal project for this purpose in 2013),
- to achieve a moderate business-led increase in risk-weighted assets (although this will be partially offset by the planned contraction in the assets taken over from NRW-Verbundbank) while at the same time complying with the target capital ratios specified in the equity strategy.

Helaba's projected strategy for profitability aims to bring about further improvements in its sustainable earning power and enhance its enterprise value while satisfying the risk strategy requirements, avoiding concentrations of risk and income, and taking account of the changed regulatory environment.

**Probable development of the Group**

Following a period of weakness at the beginning of 2013, the global economy regained some momentum during the last two quarters. There was a similar trend in the euro zone and also in Germany. 2014 is expected to see this upturn continue in the euro zone and in Germany in particular. Economic research institutes forecast real GDP growth of 1.8% in Germany in 2014. Helaba's economic analyses anticipate similar growth rates in Germany (2.0%) in 2014.

Faced with these conditions, Helaba expects its proven and refined business model to again maintain operating earnings in 2014 at essentially the same level as in the last few years.

In real estate lending business in Germany, Helaba expects a stable market environment accompanied by fierce competition again in 2014. Internationally, Helaba continues to focus on liquid markets. The volume of new medium-/long-term lending business is budgeted to be around 10% down on the previous year to € 7.7 bn in 2014. Income is expected to be marginally up on the previous year due to growth in the portfolio, with margins on new business slightly lower but satisfactory. Budgets for 2014 income from the equity investments in the real estate business are at the level of income achieved in 2013. Profit before taxes in this segment is forecast to be around 20% higher than the corresponding figure in 2013 in view of lower provisions for losses on loans and advances.

In the Corporate Finance segment, demand for credit is expected to be subdued in 2014 despite the economic upturn. The volume of new medium-/long-term lending business is therefore budgeted to be on a par with 2013 at € 4.1 bn in 2014. Income is budgeted to be marginally up on the previous year, with portfolios showing slight growth overall. In addition, provisions for losses on loans and advances are expected to be lower, with the result that profit before taxes in 2014 is forecast to exceed that in 2013 by around 25%.

The Financial Market segment encompasses the interest-related business with domestic and foreign local and regional authorities. Municipal lending business in Germany will again be influenced by the debate surrounding public-sector debt in 2014. The volume of medium-/long-term lending business entered into with this customer group is budgeted to be around 10% down on the previous year to € 1.3 bn in 2014. Business with foreign financial institutions and public-sector authorities will continue to be conducted in 2014 on a selective basis only.

In capital market operations, the aim is to increase market share in all customer groups in 2014. In primary market business, a figure in the € 13 bn range is being targeted. Income in customer business is to be increased by around 15% in 2014. Narrowing credit spreads also helped to generate the significant net income in 2013. This trend in credit spreads is not expected to continue in 2014. Earnings in capital market operations are therefore anticipated to be sharply lower year on year, but sustainable over the long term.

Given these developments, profit before taxes in the Financial Markets segment is budgeted to be substantially lower in 2014 than the figure achieved in 2013.

The Asset Management segment comprises Helaba Invest Kapitalanlagegesellschaft mbH as well as the Frankfurter Bankgesellschaft Group. In asset management, the expansion of the volume-driven fund management and service business is expected to bring a moderate increase in income. New business will be focused on simple special fund portfolios and on the sale of retail funds managed by Helaba. Frankfurter Bankgesellschaft's business will continue to be adversely affected in 2014 by the low level of interest rates. Overall, income and profit before taxes in the segment are expected to remain at the previous year's level in 2014.

The S-Group Bank and Landesbausparkasse Hessen-Thüringen (LBS) are reported in the S-Group Business segment. Collaboration in S-Group business with the Sparkassen in the core business regions of Hesse and Thuringia will be continued within the framework set by the S-Group Concept. S-Group co-operation will continue to take place at a high level, and will be strengthened further in 2014 by way of corresponding sales and market initiatives. A significant rise in income is anticipated in 2014 following the developments in 2013, marked in particular by the integration of S-Group Bank activities in the core regions of North Rhine-Westphalia and Brandenburg. In 2014, the S-Group ratio is again forecast to be at the upper end of the target range (60 % to 80 %).

Plans for 2014 include stepping up the international offering for the Sparkassen. In meta loans business with the Sparkassen, new on- and off-balance sheet business is to be increased significantly in 2014 on the basis of improved processes. Sales activities are conducted with the involvement of the subsidiaries Helaba Invest Kapitalanlagegesellschaft mbH and Frankfurter Bankgesellschaft (Schweiz) AG. The planned growth in income will be driven by a sharper, needs-oriented focus in the range of products and services for Sparkassen proprietary business. In the business with private customers, the increase in 2013 is expected to form the basis for further growth in the sales volume of certificates from € 3.1 bn to € 3.7 bn. The greater range of products will lead to increased costs in 2014.

Given the persistent low level of interest rates, LBS Hessen-Thüringen expects income to remain static in 2014. Overall, profit before taxes in the S-Group Business segment is predicted to remain at the level achieved in 2013.

Helaba's Public Development and Infrastructure Business segment 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. Its performance in 2014 will be influenced by ongoing administration and disbursements under the Municipal Protection Shield and as part of the new EU funding period running from 2014 until 2020. For new business in 2014, we anticipate loans in the order of € 1.7 bn compared with € 3.3 bn in 2013. Income will rise marginally in 2014 due to the growing volume of business. The expansion of the public development programmes is resulting in particular in an increase in IT expenses. This is due mainly to the refining of existing processes and implementation of new processes. During 2014, the refined agricultural development activities will come on stream and will be of considerable importance, together with the start of the new EU funding period, which will result in changes to the development programmes that WIBank handles for the State of Hesse. Profit before taxes in the segment in 2014 is likely to be slightly below the level achieved in 2013.

In the Frankfurter Sparkasse segment, no increase in net interest income is anticipated in 2014 because of the low interest rates. The segment is budgeting for a slight increase in provisions for losses on loans and advances compared with the low level of such provisions recognised in 2013. General and administrative expenses will rise by approximately 5 % as a consequence of changes to the pay scale and upcoming replacement of cards. Overall, profit before taxes in the segment is therefore expected to be down by around 25 % year on year in 2014.

A significant fall in costs is forecast in the Other segment in 2014. This decrease is expected to materialise following the imminent successful conclusion of the migration of NRW-Verbundbank from Portigon to Helaba systems. This will lead to an increase in the profit before taxes in this segment. However, the low interest rates will continue to have a negative impact on the investment of own funds in this segment.

Total new medium- and long-term lending business (including Frankfurter Sparkasse) is budgeted at € 16.6 bn for 2014. Total assets are expected to increase slightly in 2014 by € 4 bn to € 182 bn. The proportion of total assets accounted for by loans and advances to customers is forecast to rise again in 2014.

However, overall net interest income for the Group is likely to be down by around 2 % year on year in 2014. The negative impact from low interest rates and the need to increase Tier 2 capital will offset the increasing contributions from customer business. The 2013 figures included one-off income amounts related to repayments prior to maturity, but no such income is anticipated in 2014.

Provisions for losses on loans and advances are expected to be significantly lower in 2014.

Net fee and commission income has been budgeted at roughly 10 % higher than in 2013, mainly because of the growth in customer business.

It is unlikely that there will be any further contribution to earnings from the narrowing of credit spreads in 2014, so the budget for net trading income is set considerably lower than in 2013, but nevertheless remains at a sustainable level.

Other net operating income is expected to be down by approximately 10 % year on year in 2014.

Helaba is planning to increase headcount in only a few places in 2014. The implementation of a programme to improve efficiency and fine-tune resources will result in transformations within the workforce that will be reflected in a decline in headcount overall. Personnel expenses will fall slightly in 2014 despite a pay-scale increase.

The imminent conclusion of the migration of NRW-Verbundbank in mid-2014 will have a beneficial impact on other administrative expenses with the result that overall general and administrative expenses will fall by approximately 2 %.

The budgeted consolidated net profit for 2014 is therefore approximately € 50 m below the corresponding figure for 2013.

The cost-income ratio is expected to be 64.7 % in 2014. Return on equity is forecast at 6.5 %. Subsequent trends in this ratio will be influenced by the capital requirements.

The Bank's aim for 2015 is to continue developing its business divisions while systematically increasing income from customer business. At the same time, it will achieve a sustained reduction in costs by implementing the cost-cutting programme. Overall, Helaba plans to lift earnings over the medium term.

Risks to the Bank's earnings performance stem from the sustained high indebtedness of national and international public-sector institutions. Negative developments in individual market segments cannot be ruled out even if the economic trend is robust overall. On the expenses side, implementing cost management in order to control the high structural costs of banking poses the biggest challenge.

#### **Overall assessment**

In financial year 2013, Helaba was able to generate profit before taxes of € 510 m, roughly at the record level achieved in 2012 (€ 512 m), despite a 10 % fall in business volume and total assets. Consolidated net profit amounted to € 354 m, up by € 36 m or 11 % year on year. The key factor in this growth in profits was the further expansion in the operating business with customers, including the S-Group business with Sparkassen. NRW-Verbundbank, which had been acquired in the middle of 2012, also contributed to the growth. The full integration of this business was largely completed during the year under review. Helaba offers a broad spectrum of products and services and is a leading S-Group bank in the German Sparkasse organisation, acting as the central bank for 40 % of all Sparkassen in Germany.

Helaba remains well-placed for the future, despite the large number of regulatory requirements, thanks to its strategic business model and the strong focus on the needs of the real economy and the S-Group. It 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 its risk-bearing capacity and taking account of the increase in banking structural costs as a result of regulatory requirements.

Frankfurt am Main/Erfurt, 18 March 2014

#### **Landesbank Hessen-Thüringen Girozentrale**

The Board of Managing Directors

Brenner	Fenk	Groß
Dr. Hosemann	Krick	Dr. Schraad



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# Income Statement

for the period 1 January to 31 December 2013

	Notes	2013	2012 <sup>1)</sup>	Change	
		in € m	in € m	in € m	in %
Interest income		4,860	5,496	-636	-11.6
Interest expenses		-3,655	-4,341	686	15.8
<b>Net interest income</b>	(4), (21)	<b>1,205</b>	<b>1,155</b>	<b>50</b>	<b>4.3</b>
Provisions for losses on loans and advances	(11), (22)	-281	-238	-43	-18.1
<b>Net interest income after provisions for losses on loans and advances</b>		<b>924</b>	<b>917</b>	<b>7</b>	<b>0.8</b>
Fee and commission income		496	430	66	15.3
Fee and commission expenses		-196	-171	-25	-14.6
<b>Net fee and commission income</b>	(23)	<b>300</b>	<b>259</b>	<b>41</b>	<b>15.8</b>
Net trading income	(4), (24)	339	415	-76	-18.3
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	(4), (5), (25)	-20	-124	104	83.9
Net income from hedge accounting	(5), (26)	19	3	16	>100.0
Net income or expense from financial investments	(4), (27)	4	-1	5	>100.0
Share of profit or loss of equity-accounted entities	(3), (28)	-2	-12	10	83.3
Other net operating income	(12), (29)	217	236	-19	-8.1
General and administrative expenses	(30)	-1,271	-1,181	-90	-7.6
<b>Profit before taxes</b>		<b>510</b>	<b>512</b>	<b>-2</b>	<b>-0.4</b>
Taxes on income	(19), (31)	-156	-194	38	19.6
<b>Consolidated net profit</b>		<b>354</b>	<b>318</b>	<b>36</b>	<b>11.3</b>
thereof: Attributable to non-controlling interests		2	1	1	100.0
thereof: Attributable to shareholders of the parent company		352	317	35	11.0

<sup>1)</sup> Prior-year figures restated. See Note (1).

# Statement of Comprehensive Income

for the period 1 January to 31 December 2013

	Notes	2013	2012	Change	
		in € m	in € m	in € m	in %
<b>Consolidated net profit according to the income statement</b>		<b>354</b>	<b>318</b>	<b>36</b>	<b>11.3</b>
<b>Items that will not be reclassified to the income statement:</b>					
<b>Remeasurement of net defined benefit liability</b>	(51)	23	-266	289	>100.0
<b>Taxes on income on items that will not be reclassified to the income statement</b>		-6	78	-84	>-100.0
<b>Subtotal</b>		<b>17</b>	<b>-188</b>	<b>205</b>	<b>&gt;100.0</b>
<b>Items that will be subsequently reclassified to the income statement:</b>					
<b>Gains or losses on available-for-sale financial assets</b>					
Measurement gains (+) or losses (-) on available-for-sale financial assets		-34	375	-409	>-100.0
Gains (-) or losses (+) reclassified to the income statement upon disposal or impairment of the assets		10	-6	16	>100.0
<b>Changes due to currency translation</b>					
Gains (+) or losses (-) on currency translation of foreign operations		-5	-1	-4	>-100.0
<b>Gains or losses on cash flow hedges</b>					
Measurement gains (+) or losses (-) on cash flow hedges		8	-7	15	>100.0
<b>Taxes on income on items that will be reclassified to the income statement</b>	(31)	9	-117	126	>100.0
<b>Subtotal</b>		<b>-12</b>	<b>244</b>	<b>-256</b>	<b>&gt;-100.0</b>
<b>Other comprehensive income after taxes</b>		<b>5</b>	<b>56</b>	<b>-51</b>	<b>-91.1</b>
<b>Comprehensive income for the reporting period</b>		<b>359</b>	<b>374</b>	<b>-15</b>	<b>-4.0</b>
thereof: Attributable to non-controlling interests		3	-	3	-
thereof: Attributable to shareholders of the parent company		356	374	-18	-4.8

# Statement of Financial Position

as at 31 December 2013

## Assets

	Notes	31.12.2013	31.12.2012	Change	
		in € m	in € m	in € m	in %
Cash reserve	(33)	1,750	8,925	-7,175	-80.4
Loans and advances to banks	(4), (34)	21,396	23,236	-1,840	-7.9
Loans and advances to customers	(4), (35)	90,747	90,821	-74	-0.1
Allowances for losses on loans and advances	(11), (36)	-1,228	-1,205	-23	-1.9
Trading assets	(4), (37)	32,273	37,954	-5,681	-15.0
Positive fair values of non-trading derivatives	(4), (5), (38)	4,691	6,992	-2,301	-32.9
Financial investments	(4), (39)	24,200	27,937	-3,737	-13.4
Shares in equity-accounted entities	(3), (40)	92	66	26	39.4
Investment property	(12), (41)	2,426	2,423	3	0.1
Property and equipment	(13), (42)	265	266	-1	-0.4
Intangible assets	(14), (43)	182	193	-11	-5.7
Income tax assets	(19), (44)	347	753	-406	-53.9
Other assets	(16), (45)	942	940	2	0.2
<b>Total assets</b>		<b>178,083</b>	<b>199,301</b>	<b>-21,218</b>	<b>-10.6</b>

## Equity and liabilities

	Notes	31.12.2013	31.12.2012	Change	
		in € m	in € m	in € m	in %
Liabilities due to banks	(4), (46)	34,106	39,275	-5,169	-13.2
Liabilities due to customers	(4), (47)	43,895	47,611	-3,716	-7.8
Securitised liabilities	(4), (48)	48,245	57,168	-8,923	-15.6
Trading liabilities	(4), (49)	33,742	36,148	-2,406	-6.7
Negative fair values of non-trading derivatives	(4), (5), (50)	3,489	4,982	-1,493	-30.0
Provisions	(17), (18), (51)	1,630	1,644	-14	-0.9
Income tax liabilities	(19), (52)	121	637	-516	-81.0
Other liabilities	(16), (53)	695	656	39	5.9
Subordinated capital	(20), (54)	5,073	4,363	710	16.3
Equity	(55)	7,087	6,817	270	4.0
Subscribed capital		2,509	2,509	-	-
Capital reserves		1,546	1,546	-	-
Retained earnings		2,921	2,642	279	10.6
Revaluation reserve		148	162	-14	-8.6
Currency translation reserve		-1	4	-5	>-100.0
Cash flow hedge reserve		-17	-23	6	26.1
Non-controlling interests		-19	-23	4	17.4
<b>Total equity and liabilities</b>		<b>178,083</b>	<b>199,301</b>	<b>-21,218</b>	<b>-10.6</b>

# Statement of Changes in Equity

for the period 1 January to 31 December 2013

in € m

	Equity attributable to shareholders of the parent company						Subtotal	Non-con- trolling interests	Total equity
	Sub- scribed capital	Capital reserves	Retained earnings	Re- valuation reserve	Currency trans- lation reserve	Cash flow hedge reserve			
<b>Equity at 1.1.2012</b>	<b>2,397</b>	<b>658</b>	<b>2,554</b>	<b>-88</b>	<b>5</b>	<b>-19</b>	<b>5,507</b>	<b>-13</b>	<b>5,494</b>
Changes in the basis of consolidation			-3				-3	-10	-13
Capital increase	112	888					1,000		1,000
Dividend payment			-38				-38		-38
Comprehensive income for the reporting period	-	-	129	250	-1	-4	374	-	374
<b>Equity at 1.1.2013</b>	<b>2,509</b>	<b>1,546</b>	<b>2,642</b>	<b>162</b>	<b>4</b>	<b>-23</b>	<b>6,840</b>	<b>-23</b>	<b>6,817</b>
Changes in the basis of consolidation			-				-	1	1
Capital increase							-		-
Dividend payment			-90				-90		-90
Comprehensive income for the reporting period			369	-14	-5	6	356	3	359
<b>Equity at 31.12.2013</b>	<b>2,509</b>	<b>1,546</b>	<b>2,921</b>	<b>148</b>	<b>-1</b>	<b>-17</b>	<b>7,106</b>	<b>-19</b>	<b>7,087</b>

The change in retained earnings in 2013 included changes from the remeasurement of pension provisions resulting in an increase in retained earnings of € 17 m (31 December 2012: decrease of € 188 m) after taxes.

# Cash Flow Statement

for the period 1 January to 31 December 2013

in € m

	2013	2012
<b>Consolidated net profit</b>	<b>354</b>	<b>318</b>
Non-cash items in consolidated net profit and reconciliation to cash flow from operating activities:		
Depreciation, amortisation and impairment losses on non-current assets, allowances for losses on loans and advances, and reversals of such impairment losses and allowances	597	302
Additions to/reversals of provisions	195	244
Other non-cash expense/income	-870	-303
Gain or loss on the disposal of non-current assets	-45	-74
Other adjustments	-1,053	-979
<b>Subtotal</b>	<b>-822</b>	<b>-492</b>
Changes in assets and liabilities from operating activities after adjustment for non-cash items:		
Loans and advances to banks	1,813	-4,076
Loans and advances to customers	-40	13,660
Trading assets/liabilities	4,025	2,008
Other assets from operating activities	538	303
Liabilities due to banks	-5,153	-733
Liabilities due to customers	-3,628	-164
Securitised liabilities	-8,378	-4,523
Other liabilities from operating activities	-169	-30
Interest and dividends received	4,809	5,477
Interest paid	-4,039	-5,630
Income tax payments	-265	-69
<b>Cash flow from operating activities</b>	<b>-11,309</b>	<b>5,731</b>
Proceeds from the disposal of:		
Financial investments	9,088	6,459
Property and equipment	1	142
Investment property	50	44
Payments for the acquisition of:		
Financial investments	-5,613	-4,554
Property and equipment	-18	-14
Investment property	-42	-63
Intangible assets	-23	-25
Effect of changes in basis of consolidation:		
Payments for the acquisition of subsidiaries and associates	-12	-18
Proceeds from the disposal of subsidiaries and associates	-	3
<b>Cash flow from investing activities</b>	<b>3,431</b>	<b>1,974</b>



in € m

	2013	2012
Proceeds from capital increase	–	1,000
Dividend payments	–90	–38
Servicing of silent participations	–	–28
Other financing activities (subordinated capital)	757	–84
<b>Cash flow from financing activities</b>	<b>667</b>	<b>850</b>
<b>Cash and cash equivalents at 1.1.</b>	<b>8,925</b>	<b>351</b>
Cash flow from operating activities	–11,309	5,731
Cash flow from investing activities	3,431	1,974
Cash flow from financing activities	667	850
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	36	19
<b>Cash and cash equivalents at 31.12.</b>	<b>1,750</b>	<b>8,925</b>
thereof:		
Cash on hand	81	78
Balances with central banks	1,669	8,847

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

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

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

Cash flow from financing activities includes inflows and outflows related to subordinated capital. The dividends paid out in the financial year and the servicing of the silent participations reported as equity are also recognised under this cash flow category.

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

# Notes

## Accounting Policies

### (1) Basis of Presentation

#### **Basis of accounting**

The consolidated financial statements of the Helaba Group for the year ended 31 December 2013 have been prepared pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the **International Financial Reporting Standards (IFRSs)** as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

 [See Glossary p. 206](#)

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

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

The IFRSs and International Financial Reporting Standards Interpretations (IFRICs) that were in force as at 31 December 2013 have been applied in full. The relevant requirements of German commercial law as specified in section 315a HGB have also been observed.

#### **IFRSs applied for the first time**

The 2013 financial year was the first year in which mandatory application was required for the following IFRSs and IFRICs adopted by the EU and of significance for Helaba:

- IFRS 13 Fair Value Measurement
- Amendments to IAS 19 Employee Benefits
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets
- Annual improvements to the International Financial Reporting Standards – cycle 2009–2011.

The amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income, for which application was mandatory for the first time in the 2013 financial year, had been voluntarily adopted by Helaba in 2012. These amendments required entities to group the items reported under other comprehensive income into two categories depending on whether the items concerned would be reclassified in the future to the income statement or not.

The amendments also confirmed that it would continue to be permissible to present the components of other comprehensive income and of the income statement either in one overall statement or in two separate statements.

With the exception of IFRS 13, the adoption of the new or amended standards had no or only an immaterial impact on the consolidated financial statements.

As a result of the new IFRS 13 Fair Value Measurement, which has to be applied prospectively, the definition of fair value has been refined. The standard sets out details as to how fair value is to be determined if another IFRS stipulates or permits fair value measurement or specifies a requirement for disclosures about fair value measurement. The respective disclosures in the notes have also been harmonised and expanded. Appropriate additions have been made to Notes (41) and (65).

Fair value is now defined as the price that independent market participants would receive to sell an asset or pay to transfer a liability in an orderly transaction at the measurement date (exit price). The standard emphasises that fair value is a market-specific, not an entity-specific measurement. As before, the three-level fair value hierarchy under IFRS 7 has to be used for measurement.

For the first-time application of the standard, Helaba has refined the parameterisation of the measurement model for determining credit value adjustment (CVA) and introduced debit value adjustment (DVA). The implementation of the measurement requirements of IFRS 13 as at 1 January 2013 led to an increase of € 61 m in the CVA discount, which was recognized as an expense under net trading income in the income statement, and to the first-time determination of a DVA discount of € 37 m, which was recognised as income also under net trading income in the income statement. In the statement of financial position, the implementation of the requirements under this standard led to decreases of € 60 m in trading assets, € 1 m in positive fair values of non-trading derivatives, € 34 m in trading liabilities and € 3 m in negative fair values of non-trading derivatives.

If an asset or a liability to be measured at fair value has a bid price and an ask price, IFRS 13 requires fair value to be determined using the price within the bid-ask spread that is most representative of fair value in the circumstances. This applies to all levels of the fair value hierarchy. The use of bid prices for asset positions and of ask prices for liability positions is permitted, but is not a mandatory requirement. IFRS 13 does not preclude the use of mid-market pricing, which can be used by market participants as a practical expedient for fair value measurement. Helaba generally measures derivatives at mid-market prices. Securities (trading assets and available-for-sale portfolios) are offered for sale at prices that guarantee the sale of the positions concerned. This normally means that such securities are measured at bid prices. The risk control function verifies the pricing independently of trading functions. Up to the end of 2012, the Bank applied a mark-down if the measurement price of a security was above the bid price. This ensured that all positions were in fact measured at bid prices. Helaba discontinued this approach in 2013. On the date of the switch in methodology, the change had a positive effect on reported profit in an amount of € 28 m recognised under net gains in non-trading derivatives and financial instruments to which the fair value option is applied and in an amount of € 8 m recognised under net trading income. It also led to an increase of € 15 m in the revaluation reserve under equity. In the statement of financial position, the corresponding trading assets rose by € 8 m and financial investments by € 15 m, whereas securitised liabilities declined by € 28 m.

The revised IAS 19, which is to be applied retrospectively, removes the previous accounting policy choice for recognition of remeasured pension obligations that result from variances between the actuarial assumptions at the beginning of the year and actual changes in the course of the financial year as well as from updating the measurement parameters at the end of the financial year. These gains and losses must now be recognised in full in other comprehensive income as soon as they occur. This is in line with the approach already adopted by Helaba, so that no adjustment was necessary in this regard.

The revised standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with the concept of net interest on the net defined benefit liability (asset). This is determined by discounting the net defined benefit liability or asset (defined benefit obligation less plan assets) using a standard discount rate. The surplus that resulted for 2012 was almost completely offset because of an asset ceiling, so that the prior-year values were not adjusted. The expected return on plan assets of € 10 m reported under interest income in 2012 has been reclassified to interest expense so that a net amount can be reported (see Note (21)).

Another change resulting from the revised standard relates to provisions for top-up payments under early retirement agreements. They are no longer classified as termination benefits and recognised as a provision in full when the agreement is signed, but recognised in accordance with IAS 19 proportionally over the remaining period of service, normally until the end of the active phase. The effects of this change amounted to less than € 1 m, and the 2012 figures were therefore not restated.

Amendments to IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities, require additional disclosures that are intended to provide investors with a better comparison between IFRS financial statements and US GAAP financial statements. The additional disclosures are set out in Note (59).

#### **New financial reporting standards**

Under IASB requirements, the following standards also ought to have been applicable for the first time in the 2013 financial year. However, when adopting the standards, the EU postponed mandatory initial application until financial years beginning on or after 1 January 2014. Helaba did not apply these standards in 2013.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 27 Separate Financial Statements
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities – Transition Guidance

On 12 May 2011, the IASB published IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. IFRS 10 Consolidated Financial Statements is the result of an IASB project to bring together and replace the standards in the previous IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. In the timetable specified by the IASB, the new standards were to be applied in financial years that began on or after 1 January 2013. However, as part of the process of adoption of these standards by the EU, mandatory initial application was postponed until financial years beginning on or after 1 January 2014. Under the provisions specified in IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All present facts and circumstances must be used as the basis for establishing whether control exists. An investor must reassess whether it controls an investee if facts and circumstances change. On the one hand, initial application will mean that certain companies consolidated in accordance with the current SIC-12 because substantially all the risks and rewards from financing lie with the Helaba Group will no longer be included in the basis of consolidation. On the other hand, other companies not currently consolidated in accordance with SIC-12 may become subject to consolidation requirements as a result of the opportunity for influence conferred by contractual arrangements or as a result of an assessment of the principal-agent relationship. It will only be possible to assess the actual impact on the consolidated statement of financial position and income statement when the consolidation reports have been submitted. Overall, Helaba expects the changes to have a positive impact on equity. Based on current analysis of the situation, 14 special purpose entities or related intermediary holding companies will be excluded from the basis of consolidation and 22 property companies or related intermediary holding companies, together with one funding company for a securitisation vehicle, will be consolidated for the first time.

The amendments to IAS 36 Impairment of Assets – Recoverable Amounts Disclosures for Non-Financial Assets have been adopted by the EU and were to be applied on a mandatory basis only in financial years beginning on or after 1 January 2014. Helaba nevertheless opted to apply these amendments at an earlier date. The amendments adjust the requirement introduced by IFRS 13 Fair Value Measurement to disclose the recoverable amount for each cash-generating unit to which significant goodwill or a significant intangible asset with an indefinite useful life has been assigned. The aim of these amendments is to clarify that these disclosures only need to be made for cash-generating units for which an impairment loss or a reversal of an impairment loss has been recognised in the current reporting period. The amendments also introduce new disclosure requirements to be satisfied if an impairment loss or a reversal of an impairment loss has been recognised for an asset or a cash-generating unit and the recoverable amount has been determined on the basis of fair value less costs to sell.

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

On 12 November 2009, the IASB published a new standard (IFRS 9) governing the classification and measurement of financial instruments. It then extended this standard on 28 October 2010 to include provisions covering the recognition of financial liabilities. On 19 November 2013, the IASB added a new general hedge accounting model to the provisions in IFRS 9. The publication of these requirements represented the conclusion of phase 1 (classification and measurement) and phase 3 (hedge accounting) of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard. The IASB plans to extend IFRS 9 to include new provisions addressing the issue of impairment methodology (phase 2). It is also proposing to introduce limited amendments to the provisions for classifying and measuring financial instruments (phase 1). At a meeting of the IASB held in February 2014, a provisional decision was made to specify that the amendments would have to be applied for the first time in financial years beginning on or after 1 January 2018.

**Amendments to recognised amounts, changes to estimates, correction of errors**

To take account of current market trends, OTC derivatives were moved over to overnight index swap (OIS) discounting. For unsecured derivatives, funding costs were also included in the measurement. The difference in measurement between discounting based on the three-month interbank swap curve and the OIS curve was recognised in respect of the funding costs. The measurement refinement had a negative impact on net trading income of € 39 m and reduced trading assets by the same amount. From a technical perspective, the switch was carried out in two stages, which is why there was no significant effect from the switch recognised in the 2013 half-yearly financial statements.

Given the change in volume, the Bank has amended the method for recognising cash settlements in connection with interest rate caps and floors, including the associated accrued interest, in order to document the close economic relationship between hedged items with interest rate caps/floors and corresponding hedges with caps/floors. In prior years, the hedged item was recognised under net interest income, whereas the cash settlement and the accrued interest on the hedge were reported under gains and losses on non-trading derivatives and financial instruments to which the fair value option is applied. In financial year 2013, the cash settlements and the accrued interest on the hedge were recognized for the first time in net interest income. The figures for 2012 have been restated accordingly (see Notes (21), (25), (32) and (64)).

In 2012, net fee and commission income included income of € 4 m that has been reclassified to net trading income (see Notes (23), (24), (32) and (64)).

There was no impact on consolidated net profit or on equity from the restated prior-year figures specified above. The impact on the 2012 income statement is summarised in the following table:

in € m

	2012 restated	Adjustment	2012 reported
Interest income	5,496	–	5,496
Interest expenses	–4,341	10	–4,351
<b>Net interest income</b>	<b>1,155</b>	<b>10</b>	<b>1,145</b>
Provisions for losses on loans and advances	–238	–	–238
<b>Net interest income after provisions for losses on loans and advances</b>	<b>917</b>	<b>10</b>	<b>907</b>
Fee and commission income	430	–4	434
Fee and commission expenses	–171	–	–171
<b>Net fee and commission income</b>	<b>259</b>	<b>–4</b>	<b>263</b>
Net trading income	415	4	411
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	–124	–10	–114
<b>Profit before taxes</b>	<b>512</b>	<b>–</b>	<b>512</b>

### Principles of recognition and measurement

The consolidated financial statements are based on the ‘going concern’ principle. Like Helaba, the entities included in the consolidated financial statements (via full consolidation or by using the equity method) have generally also prepared their separate annual financial statements to a reference date of 31 December 2013. Even in exceptions, which mostly relate to collective investment undertakings, figures as at 31 December 2013 have been included. Unless otherwise stated, accounting policies have been applied uniformly throughout the Group and consistently in accordance with the reporting period shown. If the Group has elected to exercise any options, this is described in the following notes.

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

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

tax assets, provisions and other obligations. These assumptions, estimates and assessments affect the assets and liabilities reported as at the reporting date and the income and expenses reported for the year.

The main accounting policies are described below.

## (2) Basis of Consolidation

In addition to the parent company Helaba, a total of 123 companies are consolidated in the Helaba Group (2012: 118 companies). Of this total, 91 (2012: 91) companies are fully consolidated and 32 (2012: 27) companies are included using the equity method. The fully consolidated companies are subsidiaries and special purpose entities, including collective investment undertakings.

The consolidated financial statements do not include 51 subsidiaries, 19 joint ventures and 15 associates that are of minor significance for the presentation of the financial position and financial performance of the Helaba Group. The shares in these companies are reported under financial investments.

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

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

### Changes in the group of fully consolidated entities

#### Additions

Aeskulap Projekt GmbH & Co. KG, Frankfurt am Main	This entity, which was established in the previous year, ceased to be immaterial when it started its operations in June 2013.
HI-HTNW Fonds, Frankfurt am Main	Investment fund launched in March 2013
HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	Company acquired in prior year; consolidated after the acquisition of shares in Montindu S.A./N.V., Brussels
Montindu S.A./N.V., Brussels, Belgium	Shares acquired in June 2013
Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	This entity, which was acquired in the previous year, ceased to be immaterial when it started its operations in June 2013.
Projektentwicklung Königstor GmbH & Co. KG, Kassel	Entity acquired in June 2013
Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	This entity, which was established in the previous year, ceased to be immaterial when it started its operations in September 2013.



The first-time consolidation of HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main, and of Montindu S.A./N.V., Brussels, in the second quarter was due to the acquisition of the shares in the real estate company Montindu S.A./N.V., Brussels, by the Bank (99.97 %) and by HTB Grundstücksverwaltungsgesellschaft mbH (0.03 %). Before the shares were acquired, HTB Grundstücksverwaltungsgesellschaft mbH was only of minor significance and therefore not included in the basis of consolidation. The other entities are real estate project entities.

#### Deconsolidations

AGENORAS Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Frankfurt am Main	Entity became immaterial after the sale of the project's real estate had been completed
Arosa Finance Limited, Dublin, Ireland	Business operations scaled back in July 2013
BGT Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH & Co. KG für Citybauten, Frankfurt am Main	Entity merged with Helaba in December 2013
Fellnerstraße 5 GmbH & Co. KG, Frankfurt am Main	Entity became immaterial after the sale of the project's real estate had been completed
FMZ Fulda Verwaltung GmbH, Fulda	Entity became immaterial after the sale of the project's real estate had been completed
IKT Westhafen GmbH & Co. KG, Frankfurt am Main	Entity became immaterial after the sale of the project's real estate had been completed
Westhafenkontor GmbH & Co. KG, Frankfurt am Main	Entity became immaterial after the sale of the project's real estate had been completed

The deconsolidation of the entities listed above resulted in a net deconsolidation loss of less than € 1 m.

#### Changes in the group of equity-accounted entities

##### Additions

Erste ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	Established in April 2013
Galerie Lippe GmbH & Co. KG, Frankfurt am Main	Acquired in August 2013
GOB Projektentwicklung E & A GmbH & Co. Siebte Rhein-Main KG, Eschborn	Added as a result of absorbing GOB Projektentwicklung E & A GmbH & Co. Vierte Rhein-Main KG in August 2013
Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	Established in September 2013
Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	Established in September 2013
Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	Established in September 2013
OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	Acquired in June 2013
Stresemannquartier GmbH & Co. KG, Berlin	Acquired in December 2013
Zweite ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	Established in April 2013

#### Deconsolidations

BS Projektverwaltung GmbH, Frankfurt am Main	Company deconsolidated after it became immaterial
G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	Company deconsolidated after it became immaterial
gatelands Verwaltungs GmbH, Schönefeld	Company deconsolidated after it became immaterial
GOB Projektentwicklung E & A GmbH & Co. Vierte Rhein-Main KG, Eschborn	Merged into GOB Projektentwicklung E & A GmbH & Co. Siebte Rhein-Main KG in August 2013

The net deconsolidation gain amounted to less than € 1 m and was reported under share of profit or loss of equity-accounted entities.

### (3) Principles of Consolidation

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

The annual financial statements of the consolidated entities (including those entities accounted for using the equity method) are generally prepared to the same accounting reference date as the Helaba annual financial statements and consolidated financial statements. Different accounting reference dates are only used in a small number of minor exceptional cases involving collective investment undertakings. However, even in these cases, the entities are consolidated with values recognised as at 31 December 2013.

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

Any shares in subsidiaries not attributable to the parent company are reported as a share of equity attributable to non-controlling interests within the consolidated equity; the equivalent net profit and comprehensive income is reported respectively as net profit attributable to non-controlling interests on the face of the consolidated income statement and comprehensive income attributable

to non-controlling interests on the face of the statement of comprehensive income. Non-controlling interests are determined at the time of addition on the basis of the fair values of the assets and liabilities attributable to these non-controlling interests.

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

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

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

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

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

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

## (4) Financial Instruments

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

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

### **Loans and receivables (LaR)**

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

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

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

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

### **Financial assets or liabilities at fair value through profit or loss (aFV)**

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

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

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

In the case of financial instruments measured at fair value, differences may arise between the transaction price and the fair value (day-one profit or loss). Any day-one profit or loss is normally recognized immediately in profit or loss. If the calculation of the fair value is not based on observable measurement parameters, the day-one profit or loss must be recognised in profit or loss over the maturity of the asset concerned.

#### **Held-to-maturity financial assets (HtM)**

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

#### **Available-for-sale financial assets (AFS)**

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

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

If the fair value of an asset is expected to be permanently lower than the amortised cost as a result of impairment caused by a change in credit quality, the revaluation reserve is adjusted for the impairment loss amount, the adjustment being recognised in profit or loss under net income from financial investments. Reversals of impairment losses on debt instruments are recognised in profit or loss, whereas reversals of impairment losses on equity instruments measured at fair value are

recognised in other comprehensive income. Impairment losses on equity instruments measured at cost are not reversed. The criteria for establishing whether an asset is impaired comprise both timing and value components.

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

#### **Other financial liabilities (OL)**

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

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

### **(5) Hedge Accounting**

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

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

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

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

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

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

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

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

#### **Positive and negative fair values of non-trading derivatives**

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

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

## (6) Structured Products

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

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

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

## (7) Financial Guarantees

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

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

## (8) Repurchase Agreements and Securities Lending

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

 [See Glossary p.206](#)

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

Given the buyer's absolute obligation to return the securities at a future point, the seller does not derecognise the securities and they continue to be measured in the consolidated financial statements in accordance with their measurement category as specified in IAS 39 and be reported under



trading assets or within the portfolio of financial investments. Correspondingly, securities bought by the Helaba Group under reverse repos are not reported in the consolidated financial statements because there has been no addition to assets from an economic perspective.

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

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

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

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

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

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

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

## (9) Accounting Treatment of Leases

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

**Leases in which the Helaba Group is the lessor**

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

**Leases in which the Helaba Group is the lessee**

Lease instalments paid under operating leases are reported under general and administrative expenses. In 2013, there were no contractual arrangements classified as finance leases.

**(10) Currency Translation**

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

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

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

## (11) Provisions for Losses on Loans and Advances

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

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

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

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

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

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

Small loans and advances with indications of impairment are aggregated into narrowly defined portfolios with similar risk structures and measured using a uniform method. Data relating to the measurement of the credit risk, particularly the amounts at risk of default, collateral and historical default probabilities, is fed into the calculation of the specific loan loss allowances evaluated on a group basis. Country risk is implicitly factored into this calculation. This methodology is also used for determining portfolio loan loss allowances, which are recognised for loans and advances where there is no objective evidence of impairment or where no requirement for an impairment loss was identified in the individual assessments of the loans and advances concerned. The purpose of the

portfolio loan loss allowance is to cover impairment that might already exist but has not yet been identified. In this case, anticipated losses are multiplied by factors that reflect the time between the occurrence and identification of impairment.

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

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

## (12) Investment Property

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

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

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

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

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

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

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

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

The income approach is used to value the properties.

### (13) Property and Equipment

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

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

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

The range of anticipated useful lives is as follows:

- |                                  |             |
|----------------------------------|-------------|
| ▪ Buildings                      | 40–80 years |
| ▪ Operating and office equipment | 2–25 years  |
| ▪ Assets used for leasing        | 5–25 years  |

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

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

## (14) Intangible Assets

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

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

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

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

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

If non-current assets and disposal groups are to be recognised in this way in accordance with IFRS 5, it must be highly probable that the assets and disposal groups concerned will actually be sold within twelve months.

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

## (16) Other Assets and Other Liabilities

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

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

## (17) Provisions for Pensions and Similar Obligations

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

In the case of defined contribution plans, fixed contributions are paid to external pension providers. No provisions are generally recognised in connection with these defined contribution plans because the Group is not subject to any further payment obligations. The ongoing contributions for defined contribution plans are recognised in general and administrative expenses.

As regards defined benefit plans, Helaba operates a number of schemes involving total benefit commitments, final salary schemes and pension module schemes. Some of the pension obligations are covered by assets that represent plan assets as defined by IAS 19. These plan assets are offset against the pension obligations. If this gives rise to an asset surplus, the carrying amount of the net asset value is limited to the present value of the associated economic benefits available to the Group during the term of the pension plan or following settlement of the obligations (asset ceiling). Economic benefits may be available, for example, in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit obligations are determined annually by external actuaries. The obligations are measured using the projected unit credit method based on biometric assumptions, salary and pension increases expected in the future, and a current market discount rate. This discount rate is based on the coupon for investment-grade corporate bonds in the same currency with a maturity matched to the weighted average maturity for the payment obligations. In Germany, a reference discount rate is applied that takes into account a large number of AA-rated bonds and has been adjusted for statistical outliers. Helaba determines this discount rate largely on the basis of Mercers interest rate recommendation.

In accordance with IAS 19, the defined benefit expense to be recognised in profit or loss is largely determined right at the start of a financial year. The pension expense to be recognised in the income statement includes mainly the net interest component and the current service cost.

The net interest component comprises both the expense arising from unwinding the discount on the present value of the pension obligation and the imputed interest income on the plan assets. The net interest is determined by multiplying the net defined benefit liability (present value of the defined benefit obligation less plan assets) at the start of the period by the applicable discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. If a surplus of plan assets arises, the net interest component also includes the net interest on the effect of the asset ceiling. The net interest expense is included as part of the net interest income figure reported on the income statement.

The current service cost represents the increase in pension obligations attributable to the service provided by employees in the financial year; it is reported under general and administrative expenses.

If the present value of a defined benefit obligation changes as a result of the amendment or curtailment of a plan, the resulting effects are recognised in profit or loss under general and administrative expenses as a past service cost. The amount concerned is recognised on the date the amendment or curtailment occurs. Any gain or loss arising from the settlement of defined benefit obligations is treated in the same way.

Any variances between the actuarial assumptions at the start of the period and actual trends during the financial year, together with any updates made to the measurement parameters at the end of the financial year, result in remeasurement effects, which are then reported in other comprehensive income.

If the Helaba Group is involved in joint defined benefit plans with a number of other employers and these defined benefit plans cannot be recognised as such because there is insufficient reliable information available, the plans are reported as defined contribution plans accompanied by supplementary information.

## (18) Other Provisions

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

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



## (19) Taxes on Income

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

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

## (20) Subordinated Capital

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

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

## Income Statement Disclosures

### (21) Net Interest Income

in € m

	2013	2012 <sup>1)</sup>
<b>Interest income from</b>		
Lending and money market transactions	3,094	3,476
Fixed-income securities	328	381
Hedging derivatives under hedge accounting	261	409
Derivatives not held for trading	1,059	1,094
Financial instruments to which the fair value option is applied	47	61
Home savings business	38	44
<b>Current income from</b>		
Equity shares and other variable-income securities	5	4
Shares in affiliates	4	12
Equity investments	24	15
<b>Interest income</b>	<b>4,860</b>	<b>5,496</b>
<b>Interest expense on</b>		
Liabilities due to banks and customers	-1,531	-1,796
Securitised liabilities	-450	-638
Subordinated capital	-138	-145
Hedging derivatives under hedge accounting	-310	-434
Derivatives not held for trading	-820	-866
Financial instruments to which the fair value option is applied	-283	-337
Home savings business	-75	-72
Provisions	-48	-53
<b>Interest expense</b>	<b>-3,655</b>	<b>-4,341</b>
<b>Total</b>	<b>1,205</b>	<b>1,155</b>

<sup>1)</sup> Prior-year figures restated: amount of € 10 m relating to income from plan assets as defined by IAS 19 reclassified from interest income from lending and money market transactions to interest expense on provisions. As a result of a change to the recognition method, an amount of € 10 m was also reclassified from gain or loss on non-trading derivatives to interest income from non-trading derivatives.

The interest income from financial instruments not measured at fair value through profit or loss amounted to € 3,488 m (2012: € 3,928 m) while interest expense of € 2,194 m (2012: € 2,651 m) was attributable to these types of financial instruments.

The interest income from lending and money market transactions included interest of € 11 m (2012: € 15 m) from financial assets reclassified to the loans and receivables category.

The interest income from lending and money market transactions included unwinding effects arising from the interest cost on impaired loans and advances, given otherwise unchanged payment expectations, in the amount of € 44 m (2012: € 40 m).

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

Current income from equity shares and other variable-income securities included dividends and distributions from financial instruments to which the fair value option is applied amounting to € 4 m (2012: € 3 m).

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

Interest expense on provisions included net interest expense arising from pension obligations amounting to € 44 m (2012: € 47 m).

## (22) Provisions for Losses on Loans and Advances

	in € m	
	2013	2012
<b>Additions</b>	<b>-367</b>	<b>-352</b>
Allowances for losses on loans and advances	-347	-321
Provisions for lending business risks	-20	-31
<b>Reversals</b>	<b>126</b>	<b>132</b>
Allowances for losses on loans and advances	102	109
Provisions for lending business risks	24	23
<b>Loans and advances directly written off</b>	<b>-47</b>	<b>-28</b>
<b>Recoveries on loans and advances previously written off</b>	<b>7</b>	<b>10</b>
<b>Total</b>	<b>-281</b>	<b>-238</b>

In the financial year under review, the provisions for losses on loans and advances included direct write-offs of € 1 m for financial assets reclassified to the LaR measurement category in 2008 (2012: € 1 m) and reversals amounting to € 2 m (2012: € 0 m).

## (23) Net Fee and Commission Income

	in € m	
	2013	2012 <sup>1)</sup>
Lending and guarantee business	28	26
Payment transactions and foreign trade business	104	82
Asset management and fund design	66	58
Securities and securities deposit business	50	38
Placement and underwriting obligations	19	20
Management of public-sector subsidy and development programmes	31	30
Home savings business	-11	-10
Trustee business	4	4
Other	9	11
<b>Total</b>	<b>300</b>	<b>259</b>

<sup>1)</sup> Prior-year figures restated: payment transactions and foreign trade business included income of € 4 m that was reclassified to net trading income.

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

## (24) Net Trading Income

	in € m	
	2013	2012 <sup>1)</sup>
<b>Share-price-related business</b>	<b>12</b>	<b>4</b>
Equities	26	-70
Equity derivatives	18	16
Issued equities/index certificates	-32	58
<b>Interest-rate-related business</b>	<b>314</b>	<b>375</b>
Primary interest-rate-related business	263	640
Interest-rate derivatives	51	-265
<b>Currency-related business</b>	<b>43</b>	<b>34</b>
Foreign exchange	121	124
FX derivatives	-78	-90
<b>Net income or expense from credit derivatives</b>	<b>-6</b>	<b>27</b>
<b>Commodity-related business</b>	<b>9</b>	<b>4</b>
<b>Net fee and commission income or expense</b>	<b>-33</b>	<b>-29</b>
<b>Total</b>	<b>339</b>	<b>415</b>

<sup>1)</sup> Prior-year figures restated: net fee and commission income included income of € 4 m that was reclassified as follows: € 2 m to net trading income from currency-related business (foreign exchange) and € 2 m to net trading income from commodity-related business; in addition, income from issued equities/index certificates reported in 2012 under equities is now reported as a separate item.

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

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

Income from the currency-related business included currency translation differences of € 3 m (2012: € 4 m).

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

## (25) Gain or Loss on Non-Trading Derivatives and Financial Instruments to which the Fair Value Option is Applied

	in € m	
	2013	2012 <sup>1)</sup>
Gain or loss on non-trading derivatives	-273	135
Gain or loss on financial instruments to which the fair value option is applied	253	-259
<b>Total</b>	<b>-20</b>	<b>-124</b>

<sup>1)</sup> Prior-year figures restated: as a result of a change to the recognition method, an amount of € 10 m was reclassified from gain or loss on non-trading derivatives to interest income from non-trading derivatives.

This item includes the net gain or loss from economic hedges (hedged items and derivatives). It also includes the realised and unrealised gains or losses on other financial instruments designated voluntarily at fair value. Interest and dividend income from financial instruments to which the fair value option is applied is recognised in net interest income. Of the net loss from non-trading derivatives, credit derivatives accounted for a gain of € 18 m (2012: gain of € 39 m). The portion of the net gain (loss) attributable to FVO financial instruments held by consolidated special and retail funds and to non-trading derivatives amounted to a net loss of € 2 m (2012: net gain of € 56 m).

## (26) Net Income from Hedge Accounting

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

	in € m	
	2013	2012
Remeasurement gains (losses) on hedging instruments	-72	210
Remeasurement gains (losses) on hedged items	91	-207
<b>Total</b>	<b>19</b>	<b>3</b>

## (27) Net Income or Expense from Financial Investments

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

	in € m	
	2013	2012
<b>Net disposal gains (losses) on available-for-sale financial investments</b>	<b>28</b>	<b>20</b>
Equity investments	1	1
Bonds and other fixed-income securities	24	18
Equity shares and other variable-income securities	2	1
Acquired rights under endowment insurance policies	1	–
<b>Remeasurement gains (losses) on available-for-sale financial investments</b>	<b>–24</b>	<b>–21</b>
Impairment losses	–24	–23
Reversals of impairment losses	–	2
<b>Total</b>	<b>4</b>	<b>–1</b>

Of the impairment losses, an amount of € 8 m (2012: € 6 m) was attributable to bonds and other fixed-income securities and € 16 m (2012: € 17 m) to equity investments and shares in affiliates.

## (28) Share of Profit or Loss of Equity-Accounted Entities

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

	in € m	
	2013	2012
Share of profit or loss of equity-accounted joint ventures	8	9
Share of profit or loss of equity-accounted associates	–10	–24
Gains on the disposal of equity-accounted associates	–	3
<b>Total</b>	<b>–2</b>	<b>–12</b>

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

Changes in the equity of equity-accounted entities are recognised directly in consolidated equity.

The share of profit or loss of equity-accounted entities included expenses in connection with impairment losses amounting to € 6 m (2012: € 0 m).

## (29) Other Net Operating Income

	in € m	
	2013	2012
<b>Other operating income</b>	<b>522</b>	<b>503</b>
Rental and lease income (operating leases)	379	358
Income from the disposal of non-financial assets	26	62
Income from the reversal of provisions	13	8
Income from non-banking services	31	31
Reversal of impairment losses on non-financial assets	6	–
Income from the recognition of negative goodwill in profit or loss	–	1
Income from the deconsolidation of subsidiaries	–	3
Miscellaneous other operating income	67	40
<b>Other operating expenses</b>	<b>–305</b>	<b>–267</b>
Operating costs of property not used for owner occupancy	–155	–148
Expenses from the disposal of non-financial assets	–	–1
Depreciation, amortisation and impairment losses on non-financial assets	–43	–44
Goodwill impairment losses	–16	–
Expenses from the deconsolidation of subsidiaries	–	–1
Restructuring expenses	–18	–
Miscellaneous other operating expenses	–73	–73
<b>Total</b>	<b>217</b>	<b>236</b>

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

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

	in € m	
	2013	2012
<b>Income from investment property</b>	<b>347</b>	<b>332</b>
Rental income	330	317
Income from disposals	17	15
<b>Expenses from investment property</b>	<b>–196</b>	<b>–190</b>
Operating expenses from investment property	–153	–146
thereof: From property leased to third parties	–153	–146
Depreciation and impairment losses	–42	–44
Other expenses	–1	–
<b>Total</b>	<b>151</b>	<b>142</b>

There was no requirement to recognise depreciation and impairment losses on property held for sale in 2013 (2012: € 1 m).

### (30) General and Administrative Expenses

	in € m	
	2013	2012 <sup>1)</sup>
<b>Personnel expenses</b>	<b>-592</b>	<b>-563</b>
Wages and salaries	-486	-465
Social security	-67	-64
Expenses for pensions and other benefits	-39	-34
<b>Other administrative expenses</b>	<b>-643</b>	<b>-531</b>
Buildings and premises	-79	-80
IT costs	-167	-134
Mandatory contributions, audit and consultancy fees	-207	-170
Cost of advertising, public relations and representation	-40	-39
Business operating costs	-150	-108
<b>Depreciation, amortisation and impairment losses</b>	<b>-36</b>	<b>-87</b>
Depreciation of and impairment losses on property and equipment	-19	-73
Amortisation of and impairment losses on software and other intangible assets	-17	-14
<b>Total</b>	<b>-1,271</b>	<b>-1,181</b>

<sup>1)</sup> Prior-year figures restated: reclassification of € 3 m from expenses for pensions and other benefits to wages and salaries.

The mandatory contributions included contributions to the restructuring fund for credit institutions of € 48 m (2012: € 27 m).

The increase in personnel expenses was largely attributable to the transfer of NRW-Verbundbank employees (who had only been included on a pro rata basis for part of 2012) and to a pay-scale increase. The rise in other administrative expenses was accounted for by consulting expenses in connection with the integration of NRW-Verbundbank and by project costs related to the implementation of regulatory requirements.

The main reason behind the fall in the depreciation and impairment loss expense on property and equipment was that the 2012 figure had included impairment losses on ships leased out by four fully consolidated ship holding companies.



**(31) Taxes on Income**

	in € m	
	2013	2012
Current taxes	-152	-166
Deferred taxes	-4	-28
<b>Total</b>	<b>-156</b>	<b>-194</b>

The current tax expense incurred in the year under review was primarily attributable to the Bank in Germany (€ 52 m), the New York branch (€ 47 m) and Frankfurter Sparkasse (€ 41 m). It included income relating to prior years amounting to € 12 m (2012: € 14 m).

Because of the use of tax losses not taken into account previously, the current tax expense was reduced by € 3 m in the year under review (2012: reduced by € 15 m).

Deferred tax expense recognised in the year under review related mainly to the occurrence or recognition of temporary differences (tax expense of € 4 m) and the use or occurrence of tax loss carryforwards (net tax expense of € 2 m). Changes in tax rates resulted in tax income of € 2 m in the year under review.

The reconciliation statement is based on the applicable tax rate for the parent company. This is a rate of 32 %, the rounded income tax rate applicable to Helaba Bank in Germany. In 2012, a flat rate of 30 % was used.

	in € m	
	2013	2012
<b>Profit before taxes</b>	<b>510</b>	<b>512</b>
Applicable corporate income tax rate in %	32	30
<b>Expected income tax expense in the financial year</b>	<b>-163</b>	<b>-154</b>
Effect of variance in tax rates	-	-19
Effect of changes in the tax rate	2	-1
Effect of prior-period taxes recognised in the financial year	4	6
Non-creditable income tax	-1	-
Non-taxable income	14	9
Non-deductible operating expenses	-22	-15
Trade tax add-backs and deductions	2	4
Impairment losses and adjustments	11	-17
Other effects	-3	-7
<b>Income tax expense</b>	<b>-156</b>	<b>-194</b>

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

in € m

	Before tax		Taxes		After tax	
	2013	2012	2013	2012	2013	2012
<b>Items that will not be reclassified to the income statement:</b>						
Remeasurement of net defined benefit liability	23	-266	-6	78	17	-188
<b>Items that will be subsequently reclassified to the income statement:</b>						
Gains or losses on available-for-sale financial assets	-24	369	10	-119	-14	250
Changes due to currency translation	-5	-1	-	-	-5	-1
Gains or losses on cash flow hedges	8	-7	-1	2	7	-5
<b>Total</b>	<b>2</b>	<b>95</b>	<b>3</b>	<b>-39</b>	<b>5</b>	<b>56</b>

## (32) Segment Reporting

in € m

	Real Estate		Corporate Finance		Financial Markets		Asset Management		S-Group Business	
	2013	2012	2013	2012	2013	2012 <sup>1)</sup>	2013	2012	2013	2012
Net interest income	390	348	305	279	70	75	13	24	102	102
Provisions for losses on loans and advances	-165	-93	-121	-108	-	-6	-1	-	-5	-5
<b>Net interest income after provisions for losses on loans and advances</b>	<b>225</b>	<b>255</b>	<b>184</b>	<b>171</b>	<b>70</b>	<b>69</b>	<b>12</b>	<b>24</b>	<b>97</b>	<b>97</b>
Net fee and commission income	20	18	18	19	26	25	62	59	35	18
Net trading income	-	-	3	1	312	398	2	-	22	16
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	11	-5	14	7	-49	-189	1	2	-1	1
Net income from hedge accounting	-	-	-	-	19	3	-	-	-	-
Net income from financial investments	-	-	1	-2	-	9	1	-	-	-
Share of profit or loss of equity-accounted entities	4	5	-12	-23	-	-	-	-	-	-
Other net operating income	182	226	49	31	-	-	1	3	3	2
<b>Total income</b>	<b>442</b>	<b>499</b>	<b>257</b>	<b>204</b>	<b>378</b>	<b>315</b>	<b>79</b>	<b>88</b>	<b>156</b>	<b>134</b>
General and administrative expenses	-181	-187	-97	-143	-165	-135	-69	-69	-137	-125
<b>Profit before taxes</b>	<b>261</b>	<b>312</b>	<b>160</b>	<b>61</b>	<b>213</b>	<b>180</b>	<b>10</b>	<b>19</b>	<b>19</b>	<b>9</b>
Assets (€ bn)	32.3	31.6	26.4	28.7	70.8	85.9	1.3	1.4	17.9	15.6
Liabilities (€ bn)	2.7	2.7	4.3	5.5	80.9	125.4	1.2	1.5	47.0	23.5
Risk-weighted assets (€ bn)	16.9	19.0	12.8	16.6	11.5	11.6	0.6	0.7	1.5	1.8
Allocated capital (€ m)	2,185	1,966	1,758	1,674	1,463	1,100	74	63	189	167
Return on allocated capital (%)	11.9	15.9	9.1	3.6	14.5	17.2	14.3	30.2	10.1	5.2
Cost-income ratio before provisions for losses on loans and advances (%)	29.8	31.7	25.6	45.8	43.7	41.0	85.6	78.1	85.0	89.9

<sup>1)</sup> Prior-year figures restated.

in € m

	Public Development and Infrastructure Business		Frankfurter Sparkasse		Other		Consolidation/reconciliation		Group	
	2013	2012	2013	2012	2013	2012 <sup>1)</sup>	2013	2012 <sup>1)</sup>	2013	2012 <sup>1)</sup>
Net interest income	47	43	293	303	-38	24	23	-43	1,205	1,155
Provisions for losses on loans and advances	-	-	-10	-	19	-29	2	3	-281	-238
<b>Net interest income after provisions for losses on loans and advances</b>	<b>47</b>	<b>43</b>	<b>283</b>	<b>303</b>	<b>-19</b>	<b>-5</b>	<b>25</b>	<b>-40</b>	<b>924</b>	<b>917</b>
Net fee and commission income	34	32	70	68	36	25	-1	-5	300	259
Net trading income	-	-	-	-	-	-	-	-	339	415
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	-	-	-1	21	6	27	-1	12	-20	-124
Net income from hedge accounting	-	-	-	-	-	-	-	-	19	3
Net income from financial investments	-	-	-	-8	-	-	2	-	4	-1
Share of profit or loss of equity-accounted entities	-	-	6	6	-	-	-	-	-2	-12
Other net operating income	-	-	10	12	-1	-4	-27	-34	217	236
<b>Total income</b>	<b>81</b>	<b>75</b>	<b>368</b>	<b>402</b>	<b>22</b>	<b>43</b>	<b>-2</b>	<b>-67</b>	<b>1,781</b>	<b>1,693</b>
General and administrative expenses	-60	-58	-248	-247	-359	-258	45	41	-1,271	-1,181
<b>Profit before taxes</b>	<b>21</b>	<b>17</b>	<b>120</b>	<b>155</b>	<b>-337</b>	<b>-215</b>	<b>43</b>	<b>-26</b>	<b>510</b>	<b>512</b>
Assets (€ bn)	13.8	10.0	18.0	18.8	12.0	21.8	-14.4	-14.5	178.1	199.3
Liabilities (€ bn)	13.8	10.0	18.0	18.8	23.9	26.1	-13.7	-14.2	178.1	199.3
Risk-weighted assets (€ bn)	1.1	1.1	3.9	4.0	6.2	6.6	-0.4	-0.6	54.1	60.8
Allocated capital (€ m)	140	102	496	382	791	790	-187	-171	6,909	6,073
Return on allocated capital (%)	14.8	16.4	24.1	40.6	-	-	-	-	7.4	8.4
Cost-income ratio before provisions for losses on loans and advances (%)	74.1	77.6	65.6	61.4	-	-	-	-	61.6	61.2

<sup>1)</sup> Prior-year figures restated.

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

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

- The Real Estate Lending and Real Estate Management business lines are reported in the Real Estate segment. The services Helaba provides for real estate customers are thus pooled in one operating segment. The range of products covers traditional real estate financing in Germany and abroad, residential investments, planning and support for own and third-party real estate as well as private-public partnership projects right through to facility management. The OFB Group and the GWH Group are included in this operating segment.
- The Corporate Finance segment comprises the Corporate Finance business line. Financing solutions tailored specifically to meet the needs of corporate customers are pooled in this segment. These include structured finance, investment finance, asset-backed securities, lease finance as well as the structuring and distribution of fund concepts. The contribution to earnings of the HANNOVER LEASING Group are allocated to this operating segment as an equity-accounted investment. Certain property companies of HANNOVER LEASING continue to be fully consolidated as special purpose entities of Helaba and are also reported in the Corporate Finance segment.
- The Financial Markets segment brings together the earnings of the Capital Markets, Asset/Liability Management, Sales Public Authorities, Financial Institutions and Public Finance business lines as well as various special purpose entities. The treasury as well as trading and sales activities of Helaba are pooled in this segment. The product portfolio contains traditional capital market products, financial instruments for managing interest rate risk, currency risk, credit risk and liquidity management as well as financing solutions tailored to meet the needs of businesses and the public sector.
- The Asset Management segment comprises Helaba Invest Kapitalanlagegesellschaft mbH as well as the Frankfurter Bankgesellschaft Group. The product portfolio of this segment therefore includes services relating to traditional asset management and administration, private banking and the management of special and retail funds for institutional investors as well as providing support for master investment trust clients.
- The S-Group Bank and Landesbausparkasse Hessen-Thüringen are brought together in the S-Group Business segment. This segment deals primarily with providing support for the Sparkassen and their customers for whom products are developed and provided.
- The Public Development and Infrastructure Business segment mainly comprises Wirtschafts- und Infrastrukturbank Hessen. This segment thus pools the earnings from Helaba's activities in connection with development and infrastructure work in the fields of housing, municipal and urban development, agriculture as well as environmental protection.
- The Frankfurter Sparkasse segment presents the results of the credit institution of the same name as a sub-group including the associated consolidated subsidiaries. The product portfolio comprises the traditional products of a retail bank in lending, borrowing and service business as well as capital market products for the investment of own funds, refinancing and liquidity management.

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

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

The net trading income, gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied, net income from hedge accounting and financial investments and share of profit or loss of equity-accounted entities is determined in the same way as the figures for external financial reporting under IFRSs.

The directly attributable costs plus corporate centre costs, which are allocated internally on the basis of arm's-length pricing agreements and volume drivers according to the user-pays principle, are reported under general and administrative expenses.

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

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

From 2013, the previous Other/reconciliation segment has been split into two separate segments: an Other segment and Consolidation/reconciliation. The figures for 2012 have been restated accordingly. The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, this segment includes the net income from the transaction banking business as well as the costs of the central units that cannot be allocated to the individual segments in line with the user-pays principle. Moreover, the profit generated by centrally investing own funds as well as through strategic planning decisions are shown in this segment.

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

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

in € m

	Income after provisions for losses on loans and advances	
	2013	2012 <sup>1)</sup>
Real estate loans	286	301
Real estate management	34	15
Real estate services	122	183
Corporate loans	257	204
Treasury products	7	-127
Trading products	324	393
Loans to financial institutions	47	49
Fund management/asset management	79	88
Home savings business	55	63
Sparkassen S-Group business	101	71
Public development and infrastructure business	81	75
Retail	368	402
Other products/reconciliation	20	-24
<b>Group</b>	<b>1,781</b>	<b>1,693</b>

<sup>1)</sup> Prior-year figures restated.

The breakdown by region is as follows:

in € m

	Income after provisions for losses on loans and advances	
	2013	2012
Germany	1,576	1,533
Europe (excluding Germany)	72	164
Rest of world (excluding Europe)	134	135
Other	-1	-139
<b>Group</b>	<b>1,781</b>	<b>1,693</b>

## Statement of Financial Position Disclosures

### (33) Cash Reserve

	in € m	
	31.12.2013	31.12.2012
Cash on hand	81	78
Balances with central banks	1,669	8,847
<b>Total</b>	<b>1,750</b>	<b>8,925</b>

Of the balances with central banks, an amount of € 543 m (31 December 2012: € 8,353 m) was accounted for by balances with Deutsche Bundesbank.

### (34) Loans and Advances to Banks

	in € m	
	31.12.2013	31.12.2012
Affiliated Sparkassen	11,929	11,432
Central giro institutions	479	405
Banks	8,988	11,399
<b>Total</b>	<b>21,396</b>	<b>23,236</b>
thereof:		
Domestic banks	17,463	17,829
Foreign banks	3,933	5,407

	in € m	
	31.12.2013	31.12.2012
Loans and advances repayable on demand	9,238	9,163
Other loans and advances	12,158	14,073
<b>Total</b>	<b>21,396</b>	<b>23,236</b>
thereof:		
Overnight and time deposits	4,211	5,294
Cash collateral provided	4,001	5,374
Forwarding loans	5,077	4,792
Promissory note loans	2,215	1,041



## (35) Loans and Advances to Customers

	in € m	
	31.12.2013	31.12.2012
Corporate customers	62,652	65,200
Retail customers	5,569	5,978
Public sector	22,526	19,643
<b>Total</b>	<b>90,747</b>	<b>90,821</b>
thereof:		
Domestic customers	61,875	59,158
Foreign customers	28,872	31,663

	in € m	
	31.12.2013	31.12.2012
Loans and advances repayable on demand	3,071	1,826
Other loans and advances	87,676	88,995
<b>Total</b>	<b>90,747</b>	<b>90,821</b>
thereof:		
Commercial real estate loans	31,479	30,691
Residential building loans	3,517	3,567
Bausparkasse building loans	898	945
Forwarding loans	2,517	2,565
Infrastructure loans	6,356	4,029
Consumer loans	114	126
Promissory note loans	3,218	4,341
Financial assets from credit substitute business	456	1,627
Receivables from finance leases	7	7
Receivables purchased before maturity	45	50

Other loans and advances to customers, which amounted to € 42,140 m (31 December 2012: € 42,873 m) related primarily to repayment and roll-over loans in the Corporate Finance business.

### (36) Allowances for Losses on Loans and Advances

in € m

	31.12.2013	31.12.2012
<b>Allowances on loans and advances to banks</b>	<b>2</b>	<b>16</b>
Specific loan loss allowances	1	1
Portfolio loan loss allowances	1	15
<b>Allowances on loans and advances to customers</b>	<b>1,226</b>	<b>1,189</b>
Specific loan loss allowances	868	803
Specific loan loss allowances evaluated on a group basis	93	109
Portfolio loan loss allowances	265	277
<b>Provisions for lending business risks</b>	<b>77</b>	<b>89</b>
<b>Total</b>	<b>1,305</b>	<b>1,294</b>

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

in € m

	Specific allowances		Specific allowances on a group basis		Portfolio allowances		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>As at 1.1.</b>	<b>804</b>	<b>839</b>	<b>109</b>	<b>91</b>	<b>292</b>	<b>326</b>	<b>1,205</b>	<b>1,256</b>
Changes in basis of consolidation	-	32	-	-	-	8	-	40
Changes due to currency translation	-6	-2	-	-	-	-	-6	-2
Use	-158	-240	-21	-23	-	-	-179	-263
Reversals	-60	-79	-16	-1	-26	-29	-102	-109
Reclassifications	7	2	-	13	-	-13	7	2
Unwinding	-44	-40	-	-	-	-	-44	-40
Additions	326	292	21	29	-	-	347	321
<b>As at 31.12.</b>	<b>869</b>	<b>804</b>	<b>93</b>	<b>109</b>	<b>266</b>	<b>292</b>	<b>1,228</b>	<b>1,205</b>

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

	in € m	
	31.12.2013	31.12.2012
Public sector	2	4
Financial institutions	26	23
Property and housing	569	551
Energy and water utilities	36	41
Manufacturing	300	210
Other services	169	179
Natural persons	81	104
Insurance	4	4
Investment companies	23	35
Other	16	38
<b>Total</b>	<b>1,226</b>	<b>1,189</b>

### (37) Trading assets

	in € m	
	31.12.2013	31.12.2012
<b>Bonds and other fixed-income securities</b>	<b>20,348</b>	<b>19,573</b>
Money market instruments	786	1,079
Public-sector issuers	33	–
Other issuers	753	1,079
Bonds and notes	19,562	18,494
Public-sector issuers	6,303	5,168
Other issuers	13,259	13,326
<b>Equity shares and other variable-income securities</b>	<b>172</b>	<b>79</b>
<b>Positive fair values of derivatives</b>	<b>8,469</b>	<b>12,873</b>
Share-price derivatives	116	209
Interest-rate derivatives	7,491	11,657
Currency derivatives	811	959
Credit derivatives	43	39
Commodity derivatives	8	9
<b>Loans held for trading</b>	<b>3,284</b>	<b>5,429</b>
<b>Total</b>	<b>32,273</b>	<b>37,954</b>

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

Of the total bonds and other fixed-income securities and of the total equity shares and other variable-income securities, securities with a value of € 19,734 m were listed (31 December 2012: € 18,676 m).

### (38) Positive Fair Values of Non-Trading Derivatives

	in € m	
	31.12.2013	31.12.2012
Hedging derivatives under hedge accounting	1,326	2,203
Other non-trading derivatives	3,365	4,789
<b>Total</b>	<b>4,691</b>	<b>6,992</b>

The hedging derivatives under hedge accounting are used within the framework of qualifying micro fair value hedges under IAS 39. Other non-trading derivatives comprise derivative financial instruments used as economic hedges as part of hedge management, although fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39.

### (39) Financial Investments

Financial investments consist of bonds and other fixed-income securities as well as equity shares and other variable-income securities classified as available for sale or to which the fair value option has been applied. In addition, since 2012, this item has included the purchased receivables from endowment insurance policies as a result of the full consolidation of a special purpose entity. Shares in non-consolidated affiliates and equity investments are always measured at fair value. If such shares or equity investments are classified as available for sale, measurement gains or losses are recognised in other comprehensive income. Alternatively, if the fair value option is applied, the gains or losses are recognised through profit or loss. If fair value cannot be reliably determined, these assets are measured at cost net of any impairment losses.

The breakdown of financial investments was as follows:

	in € m	
	31.12.2013	31.12.2012
<b>Bonds and other fixed-income securities</b>	<b>23,403</b>	<b>27,154</b>
Public-sector issuers	9,961	13,522
Other issuers	13,442	13,632
<b>Equity shares and other variable-income securities</b>	<b>207</b>	<b>134</b>
Equities	123	51
Other variable-income securities	84	83
<b>Shares in non-consolidated affiliates</b>	<b>29</b>	<b>35</b>
Measured at fair value	21	27
Measured at cost	8	8
<b>Equity investments</b>	<b>377</b>	<b>420</b>
Measured at fair value	352	395
Measured at cost	25	25
<b>Purchase of receivables from endowment insurance policies</b>	<b>184</b>	<b>194</b>
Measured at fair value	184	194
<b>Total</b>	<b>24,200</b>	<b>27,937</b>

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

Carrying amounts of listed financial investments were as follows:

	in € m	
	31.12.2013	31.12.2012
Bonds and other fixed-income securities	22,473	26,177
Equity shares and other variable-income securities	134	59
<b>Total</b>	<b>22,607</b>	<b>26,236</b>

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

	in € m	
	31.12.2013	31.12.2012
<b>Total</b>		
Total assets	673	818
Total liabilities	492	588
Income	121	114
Net profit or loss for the period	25	17
<b>Proportionate</b>		
Total assets	255	340
Total liabilities	177	226
Income	45	42
Net profit or loss for the period	11	6

The overview below shows the changes in investments in non-consolidated affiliates and equity investments:

in € m

	Shares in non-consolidated affiliates		Equity investments		Total	
	2013	2012	2013	2012	2013	2012
<b>Cost</b>						
<b>As at 1.1.</b>	<b>44</b>	<b>42</b>	<b>458</b>	<b>471</b>	<b>502</b>	<b>513</b>
Changes in basis of consolidation	-	3	-	-1	-	2
Changes due to currency translation	-	-	-6	-3	-6	-3
Additions	-	1	14	31	14	32
Disposals	-5	-2	-35	-40	-40	-42
<b>As at 31.12.</b>	<b>39</b>	<b>44</b>	<b>431</b>	<b>458</b>	<b>470</b>	<b>502</b>
<b>Remeasurement gains/losses recognised in other comprehensive income</b>						
<b>As at 1.1.</b>	<b>11</b>	<b>6</b>	<b>53</b>	<b>41</b>	<b>64</b>	<b>47</b>
Changes due to currency translation	-	-	-2	-1	-2	-1
Remeasurement gains/losses recognised in other comprehensive income (AfS)	-2	5	-	11	-2	16
Disposals	-	-	-	2	-	2
<b>As at 31.12.</b>	<b>9</b>	<b>11</b>	<b>51</b>	<b>53</b>	<b>60</b>	<b>64</b>
<b>Accumulated impairment losses and reversals of impairment losses</b>						
<b>As at 1.1.</b>	<b>-20</b>	<b>-20</b>	<b>-91</b>	<b>-78</b>	<b>-111</b>	<b>-98</b>
Changes due to currency translation	-	-	1	-	1	-
Impairment losses	-	-	-16	-17	-16	-17
Remeasurement gains/losses recognised through profit or loss (FVO)	-	-	-1	-	-1	-
Disposals	1	-	2	4	3	4
<b>As at 31.12.</b>	<b>-19</b>	<b>-20</b>	<b>-105</b>	<b>-91</b>	<b>-124</b>	<b>-111</b>
<b>Carrying amounts as at 31.12.</b>	<b>29</b>	<b>35</b>	<b>377</b>	<b>420</b>	<b>406</b>	<b>455</b>

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

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

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

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

#### (40) Shares in Equity-Accounted Entities

In the period under review, a total of 27 (2012: 23) joint ventures and four associates (2012: 4) were accounted for using the equity method.

The breakdown of equity-accounted investments is shown below:

	in € m	
	31.12.2013	31.12.2012
Investments in joint ventures	67	50
Investments in associates	25	16
<b>Total</b>	<b>92</b>	<b>66</b>

There are no listed companies among the equity-accounted entities.

The table below contains summarised financial information about equity-accounted joint ventures and associates based on the separate or consolidated financial statements of the equity-accounted entities and based on the Helaba Group's interest in the assets, liabilities, income and net profit or loss for the entities concerned.

in € m

	31.12.2013	31.12.2012
<b>Investments in joint ventures – total</b>		
Total assets	887	837
Total liabilities	678	668
Income	114	147
Net profit or loss for the period	13	12
<b>Investments in joint ventures – proportionate</b>		
Total assets	327	262
Total liabilities	260	212
Income	27	52
Net profit or loss for the period	–	4

in € m

	31.12.2013	31.12.2012
<b>Investments in associates – total</b>		
Total assets	1,028	1,175
Total liabilities	984	1,158
Income	203	188
Net profit or loss for the period	6	–20
<b>Investments in associates – proportionate</b>		
Total assets	490	563
Total liabilities	473	559
Income	97	90
Net profit or loss for the period	–	–11

## (41) Investment Property

in € m

	31.12.2013	31.12.2012
Land and buildings leased to third parties	2,342	2,346
Undeveloped land	61	50
Vacant buildings	4	4
Property under construction	19	23
<b>Total</b>	<b>2,426</b>	<b>2,423</b>



Investment property with a value of € 1,771 m (31 December 2012: € 1,794 m) related to residential property held by the GWH Group.

The table below shows the changes in investment property:

	in € m	
	2013	2012
<b>Cost</b>		
<b>As at 1.1.</b>	<b>2,729</b>	<b>2,705</b>
Changes in basis of consolidation	37	–
Additions	42	63
Reclassifications to inventories	–	–3
Disposals	–39	–36
<b>As at 31.12.</b>	<b>2,769</b>	<b>2,729</b>
<b>Accumulated depreciation and impairment losses</b>		
<b>As at 1.1.</b>	<b>–306</b>	<b>–269</b>
Depreciation	–39	–39
Impairment losses	–3	–5
Disposals	5	7
<b>As at 31.12.</b>	<b>–343</b>	<b>–306</b>
<b>Carrying amounts as at 31.12.</b>	<b>2,426</b>	<b>2,423</b>

There was a contractual obligation in an amount of € 41 m (31 December 2012: € 12 m) to purchase, construct, or develop investment property.

As at the reporting date, the fair values of the properties amounted to € 3,175 m (31 December 2012: € 3,047 m) and were allocated to Level 3.

The fair value of investment property is calculated using internationally recognised valuation methodologies. The vast majority of the residential buildings, commercial properties, parking facilities and undeveloped land areas in the Group's portfolio are valued by independent experts on the basis of market values, mainly by using the discounted cash flow method. In this method, the fair value is calculated by determining the present value of the rental income achievable over the long term, taking into account management costs and forecast property vacancy rates.

For the purposes of the calculation, the properties are structured according to a location and property appraisal and subdivided into clusters. This is based on the following parameters: market (macro location), site (micro location), property and cash flow quality. Properties are thus grouped, each of the properties within a particular group sharing similar characteristics. The groups differ in terms of position, quality of management unit and therefore also in terms of their respective risk.

In 2013, the following details (unchanged compared with 2012) were determined and applied on the basis of the resulting clusters:

- annual rates of increase for rent;
- non-allocatable operating costs;
- effective vacancy rates;
- discount rates.

The following details were determined and applied on the basis of the properties:

- market rent as at the valuation date;
- maintenance, management and other costs;
- trends in the rent per square metre of rentable area based on an extrapolation of market rents and current rents;
- trends in vacant property levels based on cluster-specific assumptions regarding target vacancy level;
- trends in costs for maintenance, management, non-allocatable operating costs, other costs and any ground rent.

The cash flow is determined in two stages. The first stage comprises a detailed forecast period of ten years in which the cash inflows from the current target rent based on full occupancy are reduced by the effect of the current vacancy level in the first year and then the assumed structural vacancy levels in years two to ten. The resulting amount reduced by management costs, non-allocatable operating costs, maintenance and repair costs and ground rent produces the available cash flow (before taxes and debt servicing) which can then be discounted. In the eleventh year, the methodology assumes a hypothetical disposal of the property and the sale price is used as a residual value in the calculation. The total of the present values from the cash flows in the detailed forecast period and from the hypothetical resale of the property represent the fair value of the property concerned.

The discount rate comprises a risk-free interest rate together with mark-ups and discounts for existing property, location and market risks.

## (42) Property and Equipment

in € m

	31.12.2013	31.12.2012
Owner-occupied land and buildings	147	151
Operating and office equipment	62	58
Leased assets	56	57
<b>Total</b>	<b>265</b>	<b>266</b>

The changes in property and equipment were as follows:

in € m

	Owner-occupied land and buildings		Operating and office equipment		Leased assets		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Cost</b>								
<b>As at 1.1.</b>	<b>226</b>	<b>368</b>	<b>204</b>	<b>213</b>	<b>113</b>	<b>-</b>	<b>543</b>	<b>581</b>
Changes in basis of consolidation	-	-	-	-	-	115	-	115
Changes due to currency translation	-1	-	-	-	-5	-2	-6	-2
Additions	-	-	18	14	-	-	18	14
Disposals	-	-142	-12	-23	-	-	-12	-165
<b>As at 31.12.</b>	<b>225</b>	<b>226</b>	<b>210</b>	<b>204</b>	<b>108</b>	<b>113</b>	<b>543</b>	<b>543</b>
<b>Accumulated depreciation and impairment losses</b>								
<b>As at 1.1.</b>	<b>-75</b>	<b>-114</b>	<b>-146</b>	<b>-152</b>	<b>-56</b>	<b>-</b>	<b>-277</b>	<b>-266</b>
Changes due to currency translation	-	-	-	-	1	-	1	-
Depreciation	-3	-5	-13	-12	-3	-5	-19	-22
Impairment losses	-	-	-	-	-	-51	-	-51
Reversals of impairment losses	-	-	-	-	6	-	6	-
Disposals	-	44	11	18	-	-	11	62
<b>As at 31.12.</b>	<b>-78</b>	<b>-75</b>	<b>-148</b>	<b>-146</b>	<b>-52</b>	<b>-56</b>	<b>-278</b>	<b>-277</b>
<b>Carrying amounts as at 31.12.</b>	<b>147</b>	<b>151</b>	<b>62</b>	<b>58</b>	<b>56</b>	<b>57</b>	<b>265</b>	<b>266</b>

### (43) Intangible Assets

in € m

	31.12.2013	31.12.2012
Goodwill	136	152
Purchased software	46	41
<b>Total</b>	<b>182</b>	<b>193</b>

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

The goodwill was mainly attributable to the acquisition of Frankfurter Sparkasse in 2005 and a foreign real estate company which has been consolidated since 2009.

The intangible assets changed as follows:

in € m

	Goodwill		Purchased software		Other intangible assets		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Cost</b>								
<b>As at 1.1.</b>	<b>266</b>	<b>250</b>	<b>153</b>	<b>129</b>	<b>1</b>	<b>1</b>	<b>420</b>	<b>380</b>
Changes in basis of consolidation	-	16	-	-	-	-	-	16
Changes due to currency translation	-	-	-1	-	-	-	-1	-
Additions	-	-	23	25	-	-	23	25
Disposals	-	-	-1	-1	-	-	-1	-1
<b>As at 31.12.</b>	<b>266</b>	<b>266</b>	<b>174</b>	<b>153</b>	<b>1</b>	<b>1</b>	<b>441</b>	<b>420</b>
<b>Accumulated amortisation and impairment losses</b>								
<b>As at 1.1.</b>	<b>-114</b>	<b>-114</b>	<b>-112</b>	<b>-98</b>	<b>-1</b>	<b>-1</b>	<b>-227</b>	<b>-213</b>
Amortisation	-	-	-17	-14	-	-	-17	-14
Impairment losses	-16	-	-	-	-	-	-16	-
Disposals	-	-	1	-	-	-	1	-
<b>As at 31.12.</b>	<b>-130</b>	<b>-114</b>	<b>-128</b>	<b>-112</b>	<b>-1</b>	<b>-1</b>	<b>-259</b>	<b>-227</b>
<b>Carrying amounts as at 31.12.</b>	<b>136</b>	<b>152</b>	<b>46</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>182</b>	<b>193</b>

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

On 30 June 2013, the goodwill related to NRW-Verbundbank, which had been acquired in 2012, was tested for impairment on the basis of an updated analysis of the forecast income and expenses. The present value was calculated using a discount rate of 8.25 % p.a. and factored in a growth mark-down of 1 % in the phase covered by the long-term values from 2017 onwards. On the acquisition date, the S-Group Bank business had a fair value of zero. On the date of the impairment test, the fair value was negative, which meant that the goodwill of € 16 m had to be written off in full. This write-off is presented in the segment information under the Other segment.

Goodwill (€ 99 m) from the acquisition of Frankfurter Sparkasse was tested for impairment using estimates from an income capitalisation approach in which the future cash flows derived from the Frankfurter Sparkasse's current business plan were discounted to present value. Separate values were taken into account for specific assets (shares in other companies). Present value was calculated on the basis of the current market discount rate of 2.75 % plus a market risk premium of 6.0 %. In addition, a growth discount of 1.0 % was applied from the end of the detailed planning phase. As at 31 December 2013, this resulted in a fair value above the carrying amount of the cash-generating unit.

For one foreign real estate company, the impairment test on goodwill (€ 37 m) was primarily based on a valuation of the property in the context of the legal structure of the company and the local tax situation. For the purpose of the impairment test, the value of the property was determined on the basis of expected rental income and costs as well as a discount rate that reflected local conditions. This resulted in a current value that was higher than the carrying amount recognised in the Group.

#### (44) Income Tax Assets

	in € m	
	31.12.2013	31.12.2012
Current income tax assets	71	40
Deferred income tax assets	276	713
<b>Total</b>	<b>347</b>	<b>753</b>

The deferred income tax assets relate to the following items:

	in € m	
	31.12.2013	31.12.2012
Loans and advances to banks and customers	13	75
Trading assets/liabilities and derivatives	1,005	1,728
Financial investments	77	66
Other assets	72	70
Liabilities due to banks and customers	207	671
Provisions for pensions	195	203
Sundry provisions	37	38
Other liabilities	58	55
Tax loss carryforwards	13	15
<b>Deferred tax assets, gross</b>	<b>1,677</b>	<b>2,921</b>
Netted against deferred tax liabilities	-1,401	-2,208
<b>Total</b>	<b>276</b>	<b>713</b>
thereof: Non-current	252	686

In 2013, Helaba made comprehensive use of the option to offset deferred tax assets and deferred tax liabilities in accordance with the provisions of IAS 12.74.

The calculation of deferred tax assets for the domestic and foreign reporting units was based on individual tax rates. In Germany, based on an average current trade tax multiplier of 451 % (2012: 451 %), the Bank's combined income tax rate in 2013 was 31.6 % (2012: 31.6 %).

The Helaba Group only recognised deferred tax assets in respect of tax loss carryforwards to the extent that it was reasonably certain such deferred tax assets could be utilised in the future. If the deferred tax assets are to be utilised, there must be sufficient taxable profits in the foreseeable future against which the tax loss carryforwards can be offset. As at the reporting date, deferred tax assets amounting to € 13 m (31 December 2012: € 15 m) had been recognised in respect of loss carryforwards.

Overall, no deferred tax assets were recognised in respect of corporate income tax loss carryforwards of € 41 m (31 December 2012: € 60 m) or in respect of trade tax loss carryforwards of € 52 m (31 December 2012: € 74 m) because Helaba could not be reasonably certain that there would be sufficient taxable profits in the foreseeable future against which these loss carryforwards could be utilised.

As at the reporting date, deferred income tax assets of € 67 m were recognised directly in equity (31 December 2012: € 78 m).

## (45) Other Assets

	in € m	
	31.12.2013	31.12.2012
Property held for sale	116	88
Completed property	67	46
Property under construction	49	42
Advance payments and payments on account	90	75
Trade accounts receivable	45	38
Other taxes receivable (excl. income taxes)	3	3
Other assets	688	736
<b>Total</b>	<b>942</b>	<b>940</b>

**(46) Liabilities Due to Banks**

in € m

	<b>31.12.2013</b>	<b>31.12.2012</b>
Affiliated Sparkassen	5,922	8,382
Central giro institutions	1,798	1,873
Banks	26,386	29,020
<b>Total</b>	<b>34,106</b>	<b>39,275</b>
thereof:		
Domestic banks	29,942	34,720
Foreign banks	4,164	4,555

in € m

	<b>31.12.2013</b>	<b>31.12.2012</b>
Amounts payable on demand	7,826	7,829
Amounts due with an agreed maturity or period of notice	26,280	31,446
<b>Total</b>	<b>34,106</b>	<b>39,275</b>
thereof:		
Promissory note loans raised	7,966	9,761
Forwarding loans	7,805	7,570
Issued registered bonds	2,890	2,824
Overnight and time deposits	1,438	5,659
Current accounts	6,306	5,482

## (47) Liabilities Due to Customers

	in € m	
	31.12.2013	31.12.2012
Corporate customers	23,414	27,118
Retail customers	15,936	15,714
Public sector	4,545	4,779
<b>Total</b>	<b>43,895</b>	<b>47,611</b>
thereof:		
Domestic customers	41,575	44,311
Foreign customers	2,320	3,300

	in € m	
	31.12.2013	31.12.2012
Amounts payable on demand	18,689	18,672
Amounts due with an agreed maturity or period of notice	25,206	28,939
<b>Total</b>	<b>43,895</b>	<b>47,611</b>
thereof:		
Current accounts	9,226	9,325
Overnight and time deposits	11,981	13,571
Savings deposits	2,184	2,368
Home savings deposits	3,838	3,595
Issued registered bonds	11,259	11,598
Promissory note loans raised	4,539	6,281

## (48) Securitised Liabilities

	in € m	
	31.12.2013	31.12.2012
<b>Bonds issued</b>	<b>46,856</b>	<b>56,334</b>
Mortgage Pfandbriefe	3,352	3,139
Public Pfandbriefe	12,007	13,318
Other debt instruments	31,497	39,877
<b>Other securitised liabilities</b>	<b>1,389</b>	<b>834</b>
<b>Total</b>	<b>48,245</b>	<b>57,168</b>

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



**(49) Trading Liabilities**

in € m

	31.12.2013	31.12.2012 <sup>1)</sup>
<b>Negative fair values of derivatives</b>	<b>9,537</b>	<b>13,845</b>
Share-price derivatives	98	90
Interest-rate derivatives	8,507	12,897
Currency derivatives	884	815
Credit derivatives	40	36
Commodity derivatives	8	7
<b>Issued money market instruments</b>	<b>2,604</b>	<b>4,230</b>
<b>Issued equities/index certificates</b>	<b>142</b>	<b>181</b>
<b>Liabilities held for trading</b>	<b>21,459</b>	<b>17,892</b>
<b>Total</b>	<b>33,742</b>	<b>36,148</b>

<sup>1)</sup> Prior-year figures restated: issued equities/index certificates, which had been included in liabilities held for trading in 2012, were reported separately in 2013.

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

**(50) Negative Fair Values of Non-Trading Derivatives**

in € m

	31.12.2013	31.12.2012
Hedging derivatives under hedge accounting	641	1,230
Other non-trading derivatives	2,848	3,752
<b>Total</b>	<b>3,489</b>	<b>4,982</b>

The hedging derivatives under hedge accounting are used within the framework of qualifying micro fair value hedges under IAS 39. Other non-trading derivatives comprise derivative financial instruments used as economic hedges as part of hedge management, although fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39.

## (51) Provisions

in € m

	31.12.2013	31.12.2012
<b>Provisions for pensions and similar obligations</b>	<b>1,267</b>	<b>1,268</b>
<b>Other Provisions</b>	<b>363</b>	<b>376</b>
Personnel provisions	98	101
Provisions for lending business risks	77	89
Restructuring provisions	18	–
Sundry provisions	170	186
<b>Total</b>	<b>1,630</b>	<b>1,644</b>

In 2013, the changes in provisions for pensions and similar obligations reported in the statement of financial position were as follows:

in € m

	DBO	Plan assets	Amount not recognised (IAS 19.64)	Net defined benefit liability
<b>As at 1.1.</b>	<b>1,538</b>	<b>–304</b>	<b>25</b>	<b>1,259</b>
<b>Total pension cost</b>	<b>85</b>	<b>–10</b>	<b>1</b>	<b>76</b>
Interest expense (+)/interest income (–)	53	–10	1	44
Current service cost	29	–	–	29
Gain or loss on settlement	3	–	–	3
<b>Total gains or losses on remeasurement</b>	<b>–22</b>	<b>3</b>	<b>–3</b>	<b>–22</b>
Actuarial gains (–)/losses (+) on financial assumptions	–28	–	–	–28
Experience adjustment gains (–)/losses (+)	6	–	–	6
Gains or losses on remeasurement of plan assets	–	3	–	3
Gains or losses on remeasurement of amount not recognised (IAS 19.64)	–	–	–3	–3
Employee contributions	4	–4	–	–
Employer contributions	–	–8	–	–8
Benefits paid	–55	9	–	–46
Payments in connection with settlements	–10	10	–	–
Changes due to currency translation	–2	1	–	–1
<b>As at 31.12.</b>	<b>1,538</b>	<b>–303</b>	<b>23</b>	<b>1,258</b>

The corresponding changes in 2012 were as follows:

	in € m			
	DBO	Plan assets	Amount not recognised (IAS 19.64)	Net defined benefit liability
<b>As at 1.1.</b>	<b>1,156</b>	<b>-271</b>	<b>45</b>	<b>930</b>
<b>Total pension cost</b>	<b>80</b>	<b>-12</b>	<b>2</b>	<b>70</b>
Interest expense (+)/interest income (-)	57	-12	2	47
Current service cost	23	-	-	23
<b>Total gains or losses on remeasurement</b>	<b>306</b>	<b>-18</b>	<b>-22</b>	<b>266</b>
Actuarial gains (-)/losses (+) on financial assumptions	287	-	-	287
Experience adjustment gains (-)/losses (+)	19	-	-	19
Gains or losses on remeasurement of plan assets	-	-18	-	-18
Gains or losses on remeasurement of amount not recognised (IAS 19.64)	-	-	-22	-22
Employee contributions	4	-4	-	-
Employer contributions	-	-7	-	-7
Benefits paid	-52	9	-	-43
Payments in connection with settlements	-	-	-	-
Changes in basis of consolidation	43	-	-	43
Changes due to currency translation	1	-1	-	-
<b>As at 31.12.</b>	<b>1,538</b>	<b>-304</b>	<b>25</b>	<b>1,259</b>

Taking into account the net asset value in connection with a defined benefit obligation at Frankfurter Sparkasse amounting to € 9 m (31 December 2012: € 9 m), provisions for pensions totalled € 1,267 m (31 December 2012: € 1,268 m).

The main defined benefit plans (in the form of direct commitments) at Landesbank Hessen-Thüringen are as follows:

In the case of employees who joined the Bank on or before 31 December 1985 and who are eligible for pension benefits, there is a fully dynamic comprehensive defined benefit plan, in which the annual benefits payable under the plan are up to a maximum of 75 % of the pensionable remuneration on retirement date, subject to deduction of third-party pension entitlements. During the period in which a pension is drawn, pension benefits are increased in line with any pay-scale increases. The existing beneficiaries are primarily retirees and surviving dependants. However, there is also a small proportion of beneficiaries who are still active or who have left the Bank but have retained vested entitlements.

The retirement benefit system in place between 1986 and 1998 is a scheme based on final salary with a split pension benefits formula. The annual pension benefits are linked to a certain percentage of pensionable remuneration earned for each year of service depending on the contribution assessment ceiling in the statutory pension insurance scheme (salary components above the ceiling being weighted differently from those below the ceiling). The plan is based on a maximum of 35 years

of service and pension benefits rise in line with pay-scale increases during the period in which the benefits are drawn. The existing beneficiaries are predominantly current employees and individuals who have left the Bank but have vested rights.

For the defined benefit plan in force since 1999, the retirement pension is calculated by adding all the pension credits accrued during the pensionable period of service. The pension credits are determined by multiplying the pensionable remuneration for the respective calendar year by an age-dependent factor. During the period in which the pension is drawn, the benefits are subject to an annual increase by one percent. The plan is open to new members. The current members of the scheme are almost exclusively active employees and individuals who have left the Bank but have vested rights.

In addition, the Helaba Group has individual commitments to pay annual pension benefits. These commitments for the most part involve comprehensive defined benefit plans similar to those used by the civil service in Germany in which the benefits represent the difference between a target pension and the statutory pension entitlement and in which the pension benefits are increased in line with pay-scale increases during the period in which pensions are drawn. The existing beneficiaries under these plans are mainly retirees, surviving dependants and individuals who have left the Bank but still have vested rights. However, the plans remain open to new members.

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

Employees who, as a result of the break-up of Westdeutsche Landesbank Girozentrale into the public-law Landesbank NRW (currently NRW.Bank) and the private-law WestLB AG (currently Portigon AG) in 2002, were assigned to NRW.Bank were put on special leave so that they could enter into a second employment relationship with Portigon AG (VBB dual contract holders). The pension commitments are maintained by NRW.Bank without change. Economically, however, the costs are charged to Helaba because NRW.Bank has to be reimbursed for the pension payments it has to make.

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

There is also an employee-funded pension plan in the form of a deferred compensation scheme in which the benefits comprise lump-sum capital payments. In this case, investment fund units are purchased for each amount of deferred compensation and an age-dependent capital component is calculated for the employee concerned. Upon retirement, the employee is paid the higher of the total capital components or the fund assets. The deferred compensation scheme is open to new members.

At Frankfurter Sparkasse, all employees are entitled to a pension from the pension fund. Frankfurter Sparkasse has a regulated pension fund. The pension fund's obligation to regularly adjust the life-time benefits is implemented in the form of a direct commitment by Frankfurter Sparkasse. Employees of the former Stadtparkasse Frankfurt are entitled to a pension from Zusatzversorgungskasse der Stadt Frankfurt (ZVK), which Helaba identified as an obligation during the course of its acquisition of Frankfurter Sparkasse and recognises in its statement of financial position. There are also individual commitments, largely in the form of comprehensive defined benefit plans (in which the benefits represent the difference between a target pension and third-party pension entitlements) and an employee-funded pension plan.

Employees at the London branch are members of a defined benefit plan, although the plan is now closed to new entrants. Plan assets are being accumulated to protect the pension rights. These plan assets are compared against the extent of the obligations and are regularly updated over specified periods with adjustments where necessary. In the past, some use has been made of pension buyouts when an employee leaves the Bank. Under such a buyout arrangement, the Bank makes a settlement payment to a third-party pension provider to release itself from its liability under the plan and transfer the obligation to the new provider.

At the subsidiary Frankfurter Bankgesellschaft (Schweiz) AG, the statutory requirements related to occupational pensions are satisfied by a separate pension scheme linked to a collective arrangement under the auspices of a third-party provider.

The following table shows the funding status of the pension plans as at 31 December 2013:

	DBO	Plan assets	Amount not recognised (IAS 19.64)	Net defined benefit liability
<b>Domestic defined benefit plans</b>	<b>1,449</b>	<b>-223</b>	<b>23</b>	<b>1,249</b>
<b>Landesbank Hessen-Thüringen</b>	<b>1,038</b>	<b>-23</b>	<b>-</b>	<b>1,015</b>
Comprehensive defined benefit plans	740	-	-	740
Defined benefit plan up to 1985	645	-	-	645
Individual commitments	70	-	-	70
VBB dual contract holders	25	-	-	25
Final salary plans (Retirement pension scheme 1986-1998)	144	-	-	144
Pension credit system (Retirement pension scheme from 1999)	94	-	-	94
Other plans	60	-23	-	37
<b>Frankfurter Sparkasse</b>	<b>357</b>	<b>-196</b>	<b>23</b>	<b>184</b>
Frankfurter Sparkasse pension fund	164	-196	23	-9
Pension fund adjustment obligation	50	-	-	50
ZVK Frankfurt	81	-	-	81
Individual commitments	52	-	-	52
Other plans	10	-	-	10
<b>Other Group companies</b>	<b>54</b>	<b>-4</b>	<b>-</b>	<b>50</b>
<b>Foreign defined benefit plans</b>	<b>89</b>	<b>-80</b>	<b>-</b>	<b>9</b>
<b>Total</b>	<b>1,538</b>	<b>-303</b>	<b>23</b>	<b>1,258</b>

in € m

The corresponding figures as at 31 December 2012 were as follows:

in € m

	DBO	Plan assets	Amount not recognised (IAS 19.64)	Net defined benefit liability
<b>Domestic defined benefit plans</b>	<b>1,446</b>	<b>-220</b>	<b>25</b>	<b>1,251</b>
<b>Landesbank Hessen-Thüringen</b>	<b>1,036</b>	<b>-19</b>	<b>-</b>	<b>1,017</b>
Comprehensive defined benefit plans	756	-	-	756
Defined benefit plan up to 1985	665	-	-	665
Individual commitments	70	-	-	70
VBB dual contract holders	21	-	-	21
Final salary plans (Retirement pension scheme 1986-1998)	144	-	-	144
Pension credit system (Retirement pension scheme from 1999)	85	-	-	85
Other plans	51	-19	-	32
<b>Frankfurter Sparkasse</b>	<b>357</b>	<b>-197</b>	<b>25</b>	<b>185</b>
Frankfurter Sparkasse pension fund	163	-197	25	-9
Pension fund adjustment obligation	50	-	-	50
ZVK Frankfurt	84	-	-	84
Individual commitments	50	-	-	50
Other plans	10	-	-	10
<b>Other Group companies</b>	<b>53</b>	<b>-4</b>	<b>-</b>	<b>49</b>
<b>Foreign defined benefit plans</b>	<b>92</b>	<b>-84</b>	<b>-</b>	<b>8</b>
<b>Total</b>	<b>1,538</b>	<b>-304</b>	<b>25</b>	<b>1,259</b>

The following table shows the breakdown of plan assets:

in € m

	31.12.2013	31.12.2012
<b>Plan assets quoted in active markets</b>	<b>260</b>	<b>261</b>
Cash reserve	3	1
Loans and advances to banks	27	17
Bonds and other fixed-income securities	172	193
Equity shares and other variable-income securities	57	49
Other assets	1	1
<b>Other plan assets</b>	<b>43</b>	<b>43</b>
Qualifying insurance contracts	40	40
Other assets	3	3
<b>Fair value of plan assets</b>	<b>303</b>	<b>304</b>

Of the total plan assets, € 24 m (31 December 2012: € 14 m) was accounted for by the Group's own transferable financial instruments; as in 2012, no investments were made in other assets used by the Group itself.

The economic benefit from the Frankfurter Sparkasse pension fund's surplus plan assets amounting to € 32 m (31 December 2012: € 34 m) is limited to the pension fund's retained earnings of € 9 m because only this amount is due to the employer in the event of liquidation according to the statutes. The remaining surplus of € 23 m is subject to the asset ceiling rules as specified in IAS 19.64.

For the next financial year, Helaba expects to make contributions to plan assets of € 6 m. Under local measurement procedures, a foreign pension fund had a deficit of € 7 m as at 31 December 2013. This deficit must be eliminated by making payments into the corresponding plan assets starting in 2015. In the process, regular comparisons will be made between the value of the plan assets after payments and the effects arising from changes in local measurement parameters.

Pension obligations for which there are no plan assets in accordance with IAS 19 are funded for the most part by long-term special funds with an investment focus on bonds.

The Helaba Group's pension obligations are exposed to various risks. This exposure is attributable to general market volatility and also specific risks. However, there are no extraordinary risks arising in connection with pension obligations.

Risks from general market volatility mostly involve risks arising from changes in the inflation rate and market interest rates. Other risks include the risk of longevity, for example.

- **General market volatility**  
 The main impact from general market volatility on the level of the defined benefit obligations is through changes in the discount rate. Over the last few years there has already been a noticeable increase in pension provisions as a result of the general fall in discount rates. The principal reason why discount rates have such a significant impact on defined benefit obligations is the length of the maturities involved in these obligations.
- **Inflation risk – pension adjustment**  
 The Helaba Group applies the principles in the German Occupational Pensions Act (Betriebsrentengesetz, BetrAVG) when determining adjustments as part of benefit reviews for its defined benefit plans. The more recent schemes, which are structured as pension credit systems, are subject to fixed adjustment rates and thus are largely independent of the inflation rate and future pay-scale increases.
- **Inflation risk – salary increases, pay scale increases, increases in civil servant remuneration**  
 In most of the older pension arrangements (comprehensive defined benefit plan up to 1985 and final salary plan), Helaba increases pensions in line with pay-scale trends in both private and public-sector banks. Increases in pay scales covering pensionable salaries therefore have an effect on the level of current pension benefits. Individual defined benefit plans provide for the adjustment of pensions on the basis of civil service pay in accordance with the regulations in the federal state concerned (Hesse, Thuringia, North Rhine-Westphalia).
- **Risk of longevity**  
 Given that by far the most common form of benefit is an annuity, Helaba bears the risk that the beneficiaries will live longer than the period estimated in the actuarial calculations. Normally, this risk balances out across all the beneficiaries as a whole and only becomes material if general life expectancy turns out to be higher than forecast.

As far as specific risks are concerned, it is worth mentioning that defined benefit obligations are to a certain extent dependent on external factors. In addition to the factors already referred to (adjustments related to pay-scale increases or increases in civil servant pay), there are other influences subject to variation beyond the control of Helaba. This is particular true in the case of changes to statutory pensions and other externally funded pensions, which are offset as part of the comprehensive defined benefit plans. Helaba must bear the risk in this regard.

The principal actuarial assumptions on which the measurement of the defined benefit obligations is based are shown in the following table (weighted average rates):

	in € m	
	31.12.2013	31.12.2012
Discount rate	3.7	3.5
Salary trend	2.2	2.1
Pension trend	1.8	1.7
Employee turnover rate	2.9	2.9

In both 2013 and 2012, the probability of invalidity and death in Germany was based on the 2005 generation mortality tables published by Professor Dr. Heubeck.

Changes in the main actuarial assumptions would have the following effects on the present value of all the defined benefit obligations:

	in € m
	31.12.2013
Discount rate (decreased by 50 basis points)	138
Salary trend (increased by 25 basis points)	57
Pension trend (increased by 25 basis points)	62
Life expectancy (improved by 10 %)	65
Employee turnover rate (decreased by 50 basis points)	5

The sensitivity analysis shown above reflects the change in one assumption, all the other assumptions remaining as in the original calculation. In other words, the analysis does not factor in any possible correlation effects between the individual assumptions.



As at 31 December 2013, the weighted average maturity of the defined benefit obligations was 17.3 years (31 December 2012: 16.9 years). The following table shows the maturity structure of the forecast pension payments:

	in € m	
	31.12.2013	31.12.2012
Forecast pension payments with maturities of up to one year	54	52
Forecast pension payments with maturities of one year to five years	245	238
Forecast pension payments with maturities of five years to ten years	386	371

The Helaba Group participates in multi-employer defined benefit plans. These plans are treated as if they were defined contribution plans. They involve membership of pay-as-you-go pension schemes in the form of regulated pension funds that switched to an “as funded” basis on 1 January 2002. The funds concerned are the regional supplementary pension funds (KVV and ZVK) and Versorgungsanstalt des Bundes und der Länder (VBL), all of which have similar statutes in terms of content. With the switch to the “as funded” basis, the existing defined benefit obligations were converted to a defined contribution system. The statutes authorise the collection of additional contributions if necessary in order to fund agreed benefits; alternatively, benefits can be reduced if there is insufficient cover in the fund (recovery money, recovery clause). There is no allocation of assets and liabilities according to originator. The pension fund publishes information on its business performance and risk trends solely in an annual report. It does not disclose any further information. As in 2012, expenses amounting to € 1 m were incurred in connection with these plans.

There are also defined contribution plans arising from Helaba’s membership of BVV Versicherungsverein des Bankgewerbes a. G. and further defined contribution plans that are externally funded through direct insurance with insurers subject to public law. As far as possible, these arrangements are through SV Sparkassenversicherung and Provinzial Lebensversicherung AG. The foreign branches in London and New York also have their own defined contribution plans. In the year under review, the total expense for defined contribution plans amounted to € 3 m (2012: € 3 m).

The employer subsidy for pension insurance in 2013 amounted to € 33 m (2012: € 31 m).

The changes in other provisions were as follows:

in € m

	Personnel provisions		Provisions for lending business risks		Restructuring provisions		Sundry provisions		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>As at 1.1.</b>	<b>101</b>	<b>93</b>	<b>89</b>	<b>71</b>	<b>-</b>	<b>2</b>	<b>186</b>	<b>176</b>	<b>376</b>	<b>342</b>
Changes in basis of consolidation	-	1	-	12	-	-	-1	11	-1	24
Changes due to currency translation	-1	-	-1	-	-	-	-	-	-2	-
Use	-65	-62	-	-	-	-	-136	-102	-201	-164
Reversals	-1	-1	-24	-23	-	-	-12	-7	-37	-31
Reclassifications	-	2	-7	-2	-	-2	-	-	-7	-2
Interest cost	1	2	-	-	-	-	3	4	4	6
Additions	63	66	20	31	18	-	130	104	231	201
<b>As at 31.12.</b>	<b>98</b>	<b>101</b>	<b>77</b>	<b>89</b>	<b>18</b>	<b>-</b>	<b>170</b>	<b>186</b>	<b>363</b>	<b>376</b>

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

The restructuring provisions relate to the Helaba PRO programme initiated in 2013, the objectives of which are to optimise costs by using more efficient processes and to reduce complexity.

Additions to and reversals of personnel provisions are normally reported under personnel expenses, those relating to provisions for lending business risks under provisions for losses on loans and advances, and those relating to restructuring provisions and sundry provisions under other net operating income. Interest costs (unwinding of discount) are included in net interest income.

Of the total for other provisions, current provisions accounted for € 238 m (31 December 2012: € 249 m).

## (52) Income Tax Liabilities

in € m

	31.12.2013	31.12.2012
Current income tax liabilities	68	151
Deferred income tax liabilities	53	486
<b>Total</b>	<b>121</b>	<b>637</b>

The deferred income tax liabilities relate to the following items:

	in € m	
	31.12.2013	31.12.2012
Loans and advances to banks and customers	167	300
Trading assets/liabilities and derivatives	1,101	2,041
Financial investments	85	244
Other assets	71	85
Liabilities due to banks and customers	7	1
Provisions for pensions	1	1
Sundry provisions	7	12
Other liabilities	15	10
<b>Deferred tax liabilities, gross</b>	<b>1,454</b>	<b>2,694</b>
Netted against deferred tax assets	-1,401	-2,208
<b>Total</b>	<b>53</b>	<b>486</b>
thereof: Non-current	43	45

In 2013, Helaba made comprehensive use of the option to offset deferred tax assets and deferred tax liabilities in accordance with the provisions of IAS 12.74.

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

As at the reporting date, deferred income tax liabilities of € 50 m were recognised directly in equity (31 December 2012: € 64 m).

### (53) Other Liabilities

	in € m	
	31.12.2013	31.12.2012
Trade accounts payable	184	178
Liabilities to employees	21	23
Advance payments and payments on account	268	251
Other taxes payable (excl. income taxes)	64	71
Other liabilities	158	133
<b>Total</b>	<b>695</b>	<b>656</b>

## (54) Subordinated Capital

	in € m	
	31.12.2013	31.12.2012
Subordinated liabilities	3,167	2,445
thereof: Accrued interest	20	10
Profit participation rights	786	798
thereof: Accrued interest	37	37
Silent participations	1,120	1,120
thereof: Accrued interest	50	50
<b>Total</b>	<b>5,073</b>	<b>4,363</b>
thereof:		
Securitised subordinated debt	3,283	3,067

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

## (55) Equity

	in € m	
	31.12.2013	31.12.2012
Subscribed capital	2,509	2,509
Capital reserves	1,546	1,546
Retained earnings	2,921	2,642
Revaluation reserve	148	162
Currency translation reserve	-1	4
Cash flow hedge reserve	-17	-23
Non-controlling interests	-19	-23
<b>Total</b>	<b>7,087</b>	<b>6,817</b>

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

As at 31 December 2013, the share capital was attributable to the owners as follows:

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

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

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

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

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

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

## Further Disclosures about Financial Instruments

### (56) Provision of Collateral

#### Assets pledged as security

The collateral is provided on terms which are customary for the relevant repo, securities and financing transactions. As at the reporting date, the following assets had been pledged or transferred as collateral for Helaba's own liabilities (carrying amounts):

	in € m	
	31.12.2013	31.12.2012 <sup>1)</sup>
Trading assets	663	4,112
Loans and advances to banks	4,024	5,391
Loans and advances to customers	304	399
Financial investments	2,552	3,347
Other assets	4	4
<b>Financial assets</b>	<b>7,547</b>	<b>13,253</b>
Investment property	827	766
Property and equipment	28	–
<b>Non-financial assets</b>	<b>855</b>	<b>766</b>
<b>Total</b>	<b>8,402</b>	<b>14,019</b>

<sup>1)</sup> Prior-year figures restated: an amount of € 598 m has been added to investment property.

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

	in € m	
	31.12.2013	31.12.2012
Collateral for funding transactions with central banks	15	4,551
Collateral for transactions via exchanges and clearing houses	1,105	1,047
Securities pledged in connection with repo transactions	353	1
Cash collateral provided	4,327	5,780
Other collateral	1,747	1,874
<b>Total</b>	<b>7,547</b>	<b>13,253</b>

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

In addition, the Bank holds loans and advances backed by property charges and municipal authority loans and advances as well as other cover assets in its collateral pool in accordance with sections 12 and 30 of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). As at 31 December 2013, cover assets amounted to € 34,175 m (31 December 2012: € 35,671 m) with mortgage and public Pfandbriefe of € 24,314 m in circulation (31 December 2012: € 26,078 m). These also included registered securities, which are reported under liabilities due to banks and liabilities due to customers.

### Assets received as security

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

The fair value of collateral received in connection with repurchase agreements (repos), which permit Helaba to sell on or pledge such collateral even if the party providing the collateral does not default amounted to € 760 m (31 December 2012: € 398 m). Such collateral with a fair value of € 222 m (31 December 2012: € 254 m) has been sold on, or has been the subject of onward pledging.

Liquid collateral of € 802 m (31 December 2012: € 974 m) was received as security for OTC transactions and was recognised under liabilities due to banks and liabilities due to customers.

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

### (57) Transfer of Financial Assets without Derecognition

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

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

	in € m	
	31.12.2013	31.12.2012
<b>Carrying amount of financial assets transferred in connection with securities repurchase transactions but not derecognised</b>	<b>353</b>	<b>1</b>
Trading assets	318	1
Financial investments	35	–
<b>Carrying amount of liabilities from securities repurchase transactions</b>	<b>353</b>	<b>1</b>
<b>Carrying amount of financial assets transferred in connection with securities lending transactions but not derecognised</b>	<b>103</b>	<b>255</b>
Trading assets	6	20
Financial investments	97	235
<b>Carrying amount of cash collateral received from securities lending transactions</b>	<b>–</b>	<b>–</b>

All of the financial assets listed above are securities owned by the Helaba Group. In the context of securities repurchase and lending transactions, securities accepted from third parties as part of reverse repos or borrowed securities, which may not be recognised in the consolidated statement

of financial position, may also be transferred. The transferee or borrower, as the case may be, may sell on or pledge the transferred securities at any time. Nevertheless, the Helaba Group generally continues to receive the contractually agreed cash flows from these securities.

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

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

Given that the transferred securities are assigned to the measurement categories "held for trading" (HfT) or "available for sale" (AfS), their carrying amounts reflect their fair values. As at 31 December 2013, the fair value of the corresponding liabilities from securities repurchase transactions amounted to € 353 m (31 December 2012: € 1 m) and was therefore the same as the fair value of the securities. The fair value of the cash collateral received in connection with securities lending transactions always equals its carrying amount. However, the Helaba Group has only entered into unsecured securities lending transactions.

## (58) Transfer of Financial Assets with Derecognition

Contracts for the sale and acquisition of shares in companies (equity investments and affiliates) include the warranties customary with such transactions, in particular in respect of the tax and legal position. As at 31 December 2013, provisions in the amount of € 5 m had been recognised to cover these warranties (31 December 2012: € 7 m).

## (59) Disclosures regarding Offsetting Assets and Liabilities in the Statement of Financial Position

In accordance with the new disclosure requirements in IFRS 7 relating to offsetting financial instruments, the tables below show a reconciliation from the gross to the net risk exposure for financial instruments. The disclosures relate both to financial instruments that have been offset and also to those that are subject to a master netting agreement. These disclosure requirements are now common to both US GAAP and IFRS and their purpose is to facilitate comparable treatment of the items concerned under the two sets of financial reporting standards.



The following table shows a reconciliation to the amounts for the financial assets and liabilities recognised as at 31 December 2013 that have already been netted.

in € m

	Gross carrying amount before offsetting	Gross carrying amount of netted financial instruments	Carrying amount
<b>Assets</b>			
Derivatives	13,160	–	13,160
Securities repurchase transactions	396	–	396
Other assets	1,147	–871	276
<b>Total</b>	<b>14,703</b>	<b>–871</b>	<b>13,832</b>
<b>Liabilities</b>			
Derivatives	13,026	–	13,026
Securities repurchase transactions	354	–	354
Other liabilities	1,223	–871	352
<b>Total</b>	<b>14,603</b>	<b>–871</b>	<b>13,732</b>

Helaba has also entered into master netting agreements with counterparties in the derivatives and securities repurchase business. These agreements include conditional netting rights. If the conditions are met – for example if a counterparty defaults for reasons related to its credit rating – the transactions are settled on a net basis. These agreements resulted in the following net amounts as at 31 December 2013:

in € m

	Carrying amount	Conditional netting rights on basis of master netting agreements		Net amount after conditional netting rights are taken into account
		Collateral in the form of liabilities/assets	Cash collateral <sup>1)</sup>	
<b>Assets</b>				
Derivatives	13,160	–7,744	–590	4,826
Securities repurchase transactions	396	–388	–	8
Other assets	276	–	–	276
<b>Total</b>	<b>13,832</b>	<b>–8,132</b>	<b>–590</b>	<b>5,110</b>
<b>Liabilities</b>				
Derivatives	13,026	–7,744	–3,977	1,305
Securities repurchase transactions	354	–350	–	4
Other liabilities	352	–	–	352
<b>Total</b>	<b>13,732</b>	<b>–8,094</b>	<b>–3,977</b>	<b>1,661</b>

<sup>1)</sup> The figures do not include any other conditional offsetting options under property charges or in connection with other loan collateral not covered by master netting agreements.

## (60) Subordinated Assets

The following statement of financial position items include subordinated assets:

in € m

	31.12.2013	31.12.2012
<b>Loans and advances to banks</b>	<b>73</b>	<b>72</b>
thereof:		
To long-term investees and investors	1	1
<b>Loans and advances to customers</b>	<b>652</b>	<b>962</b>
thereof:		
To long-term investees and investors	20	24
<b>Trading assets</b>	<b>-</b>	<b>12</b>
<b>Financial investments</b>	<b>26</b>	<b>42</b>
<b>Total</b>	<b>751</b>	<b>1,088</b>

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

## (61) Foreign Currency Volumes

in € m

	Foreign currency assets		Foreign currency liabilities	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
USD	14,507	15,878	8,128	9,239
GBP	7,060	6,673	1,570	2,416
CHF	2,949	2,924	687	776
JPY	747	1,105	814	1,166
Other currencies	1,013	1,141	514	411
<b>Total</b>	<b>26,276</b>	<b>27,721</b>	<b>11,713</b>	<b>14,008</b>

The foreign currency assets and liabilities shown under this item relate to non-derivative financial instruments. By and large, derivatives are used to hedge any open foreign currency positions.

## (62) Breakdown of Maturities

in € m

	Payable on demand	Less than three months	Three months to one year	One year to five years	More than five years
<b>Non-derivative financial liabilities</b>	<b>29,907</b>	<b>22,224</b>	<b>25,315</b>	<b>55,354</b>	<b>34,511</b>
Trading liabilities	3,111	11,330	9,653	7	104
Liabilities due to banks	8,104	1,849	3,225	13,925	9,710
Liabilities due to customers	18,692	3,515	5,725	8,525	13,638
Securitised liabilities	–	5,524	5,661	29,597	9,535
Subordinated capital	–	6	1,051	3,300	1,524
<b>Derivative financial liabilities</b>	<b>9,472</b>	<b>313</b>	<b>683</b>	<b>1,835</b>	<b>936</b>
Trading liabilities	9,470	1	4	58	4
Negative fair values of non-trading derivatives	2	312	679	1,777	932
<b>Irrevocable loan commitments</b>	<b>1,375</b>	<b>633</b>	<b>1,984</b>	<b>9,683</b>	<b>927</b>
<b>Total</b>	<b>40,754</b>	<b>23,170</b>	<b>27,982</b>	<b>66,872</b>	<b>36,374</b>

The following table shows the corresponding amounts as at 31 December 2012:

in € m

	Payable on demand	Less than three months	Three months to one year <sup>1)</sup>	One year to five years <sup>1)</sup>	More than five years
<b>Non-derivative financial liabilities</b>	<b>28,412</b>	<b>24,371</b>	<b>30,122</b>	<b>69,569</b>	<b>34,288</b>
Trading liabilities	1,343	9,314	10,953	512	181
Liabilities due to banks	8,215	4,918	3,933	18,296	10,502
Liabilities due to customers	18,755	3,527	6,184	9,858	16,233
Securitised liabilities	99	6,590	8,340	37,349	6,759
Subordinated capital	–	22	712	3,554	613
<b>Derivative financial liabilities</b>	<b>11,831</b>	<b>291</b>	<b>850</b>	<b>3,509</b>	<b>2,422</b>
Trading liabilities	11,830	12	48	714	1,241
Negative fair values of non-trading derivatives	1	279	802	2,795	1,181
<b>Irrevocable loan commitments</b>	<b>2,262</b>	<b>572</b>	<b>1,858</b>	<b>8,414</b>	<b>2,259</b>
<b>Total</b>	<b>42,505</b>	<b>25,234</b>	<b>32,830</b>	<b>81,492</b>	<b>38,969</b>

<sup>1)</sup> Prior-year figures restated: under subordinated capital, an amount of € 250 m was reclassified from "one year to five years" to "three months to one year"; in addition, "one year to five years" was reduced by € 14 m.

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

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

### (63) Derivatives

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

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

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

The nominal and fair values of derivatives as at the reporting dates were as follows:

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>Equity-/index-related transactions</b>	<b>3,034</b>	<b>2,101</b>	<b>118</b>	<b>209</b>	<b>99</b>	<b>90</b>
<b>OTC products</b>	<b>2,105</b>	<b>1,310</b>	<b>96</b>	<b>190</b>	<b>73</b>	<b>69</b>
Equity options	2,105	1,298	96	189	73	68
Calls	1,221	956	96	189	–	–
Puts	884	342	–	–	73	68
Other transactions	–	12	–	1	–	1
<b>Exchange-traded products</b>	<b>929</b>	<b>791</b>	<b>22</b>	<b>19</b>	<b>26</b>	<b>21</b>
Equity/index futures	304	153	6	–	2	1
Equity/index options	625	638	16	19	24	20
<b>Interest-rate-related transactions</b>	<b>488,275</b>	<b>495,672</b>	<b>11,965</b>	<b>18,365</b>	<b>11,815</b>	<b>17,617</b>
<b>OTC products</b>	<b>446,656</b>	<b>431,177</b>	<b>11,938</b>	<b>18,358</b>	<b>11,810</b>	<b>17,606</b>
Forward rate agreements	27,107	12,875	4	–	2	1
Interest rate swaps	358,191	360,103	10,725	17,142	10,238	15,566
Interest rate options	61,076	58,194	1,209	1,216	1,570	2,039
Calls	27,276	25,399	1,205	1,212	4	–
Puts	33,800	32,795	4	4	1,566	2,039
Other interest rate contracts	282	5	–	–	–	–
<b>Exchange-traded products</b>	<b>41,619</b>	<b>64,495</b>	<b>27</b>	<b>7</b>	<b>5</b>	<b>11</b>
Interest rate futures	35,469	29,159	27	6	5	10
Interest rate options	6,150	35,336	–	1	–	1
<b>Currency-related transactions</b>	<b>49,023</b>	<b>60,513</b>	<b>1,026</b>	<b>1,238</b>	<b>1,053</b>	<b>1,040</b>
<b>OTC products</b>	<b>49,023</b>	<b>60,513</b>	<b>1,026</b>	<b>1,238</b>	<b>1,053</b>	<b>1,040</b>
Currency spot and futures contracts	24,969	36,926	336	417	452	378
Cross-currency swaps	23,279	21,865	664	803	575	644
Currency options	775	1,722	26	18	26	18
Calls	385	856	26	18	–	–
Puts	390	866	–	–	26	18
<b>Credit derivatives</b>	<b>6,071</b>	<b>6,446</b>	<b>43</b>	<b>44</b>	<b>52</b>	<b>73</b>
<b>OTC products</b>	<b>6,071</b>	<b>6,446</b>	<b>43</b>	<b>44</b>	<b>52</b>	<b>73</b>
<b>Commodity-related transactions</b>	<b>415</b>	<b>280</b>	<b>8</b>	<b>9</b>	<b>7</b>	<b>7</b>
<b>OTC products</b>	<b>415</b>	<b>195</b>	<b>8</b>	<b>9</b>	<b>7</b>	<b>7</b>
Commodity swaps	233	137	6	5	5	5
Commodity options	182	58	2	4	2	2
<b>Exchange-traded products</b>	<b>–</b>	<b>85</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Commodity options	–	85	–	–	–	–
<b>Total</b>	<b>546,818</b>	<b>565,012</b>	<b>13,160</b>	<b>19,865</b>	<b>13,026</b>	<b>18,827</b>

Nominal amounts broken down by term to maturity:

in € m

	Equity-/index-related transactions		Interest-rate-related transactions		Currency-related transactions	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Up to three months	461	299	72,642	89,233	15,327	25,363
More than three months and up to one year	790	739	86,900	84,694	10,811	13,369
More than one year and up to five years	1,663	1,051	182,955	184,274	18,111	17,640
More than five years	120	12	145,778	137,471	4,774	4,141
<b>Total</b>	<b>3,034</b>	<b>2,101</b>	<b>488,275</b>	<b>495,672</b>	<b>49,023</b>	<b>60,513</b>

in € m

	Credit derivatives		Commodity-related transactions		Total	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Up to three months	200	775	53	75	88,683	115,745
More than three months and up to one year	623	1,225	172	82	99,296	100,109
More than one year and up to five years	5,193	4,319	125	97	208,047	207,381
More than five years	55	127	65	26	150,792	141,777
<b>Total</b>	<b>6,071</b>	<b>6,446</b>	<b>415</b>	<b>280</b>	<b>546,818</b>	<b>565,012</b>

Derivatives have been entered into with the following counterparties:

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Banks in OECD countries	271,810	350,212	7,696	11,763	9,619	14,481
Banks outside OECD countries	17	19	–	–	3	4
Other counterparties (including exchanges)	204,834	137,026	2,493	3,638	1,343	1,591
Public institutions in OECD countries	70,157	77,755	2,971	4,464	2,061	2,751
<b>Total</b>	<b>546,818</b>	<b>565,012</b>	<b>13,160</b>	<b>19,865</b>	<b>13,026</b>	<b>18,827</b>

#### (64) Carrying Amounts and Contributions to Earnings, Broken Down by Measurement Category

The following table sets out the carrying amounts of financial assets and liabilities as at 31 December 2013 in accordance with the measurement categories of IAS 39. It also shows the figures reported in the statement of financial position.

in € m

	LaR/OL	AfS	HfT	FVO	Total
<b>Assets</b>					
Cash reserve	1,750				1,750
Loans and advances to banks	21,368			28	21,396
Loans and advances to customers	90,100			647	90,747
Trading assets			32,273		32,273
Positive fair values of non-trading derivatives			4,691		4,691
Financial investments		20,975		3,225	24,200
<b>Total</b>	<b>113,218</b>	<b>20,975</b>	<b>36,964</b>	<b>3,900</b>	<b>175,057</b>
<b>Liabilities</b>					
Liabilities due to banks	33,633			473	34,106
Liabilities due to customers	40,862			3,033	43,895
Securitised liabilities	38,324			9,921	48,245
Trading liabilities			33,742		33,742
Negative fair values of non-trading derivatives			3,489		3,489
Subordinated capital	4,544			529	5,073
<b>Total</b>	<b>117,363</b>		<b>37,231</b>	<b>13,956</b>	<b>168,550</b>

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

The corresponding carrying amounts as at 31 December 2012 were as follows:

in € m

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

The following table shows the contributions to earnings from financial instruments in each measurement category for the 2013 financial year:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	3,132	-2,194	357		-232	190	1,253
Provisions for losses on loans and advances	-281						-281
Net trading income				339			339
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied					253	-273	-20
Net income from hedge accounting	19	72				-72	19
Net income from financial investments			4				4
Contributions to earnings recognised under other comprehensive income			-24				-24
<b>Total</b>	<b>2,870</b>	<b>-2,122</b>	<b>337</b>	<b>339</b>	<b>21</b>	<b>-155</b>	<b>1,290</b>

The equivalent amounts for 2012 were as follows:

in € m

	LaR	OL	AfS	HfT <sup>1)</sup>	FVO	Non-trading derivatives <sup>2)</sup>	Total
Net interest income	3,519	-2,651	409		-272	203	1,208
Provisions for losses on loans and advances	-238						-238
Net trading income				415			415
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied					-259	135	-124
Net income from hedge accounting	-48	-159				210	3
Net income from financial investments			-1				-1
Contributions to earnings recognised under other comprehensive income			369				369
<b>Total</b>	<b>3,233</b>	<b>-2,810</b>	<b>777</b>	<b>415</b>	<b>-531</b>	<b>548</b>	<b>1,632</b>

<sup>1)</sup> Prior-year figures restated: amount of € 4 m reclassified from net fee and commission income to net trading income; see also Notes (23) and (24).

<sup>2)</sup> Prior-year figures restated: amount of € 10 m reclassified from gain or loss on non-trading derivatives to net interest income; see also Notes (21) and (25).



Net interest income as per the income statement includes interest from financial instruments as well as net interest attributable to pension obligations and other non-current provisions, and net interest income from finance leases.

## (65) Fair Values of Financial Instruments

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

in € m

	Fair value		Carrying amount		Difference	
	31.12.2013	31.12.2012 <sup>2)</sup>	31.12.2013	31.12.2012	31.12.2013	31.12.2012 <sup>2)</sup>
<b>Assets</b>						
Cash reserve	1,750	8,925	1,750	8,925	–	–
Loans and advances to banks <sup>1)</sup>	21,639	23,483	21,394	23,220	245	263
Loans and advances to customers <sup>1)</sup>	93,674	95,426	89,521	89,632	4,153	5,794
Trading assets	32,273	37,954	32,273	37,954	–	–
Positive fair values of non-trading derivatives	4,691	6,992	4,691	6,992	–	–
Financial investments	24,200	27,937	24,200	27,937	–	–
<b>Total</b>	<b>178,227</b>	<b>200,717</b>	<b>173,829</b>	<b>194,660</b>	<b>4,398</b>	<b>6,057</b>
<b>Liabilities</b>						
Liabilities due to banks	35,160	39,583	34,106	39,275	1,054	308
Liabilities due to customers	45,037	49,626	43,895	47,611	1,142	2,015
Securitised liabilities	48,495	57,651	48,245	57,168	250	483
Trading liabilities	33,742	36,148	33,742	36,148	–	–
Negative fair values of non-trading derivatives	3,489	4,982	3,489	4,982	–	–
Subordinated capital	5,134	4,401	5,073	4,363	61	38
<b>Total</b>	<b>171,057</b>	<b>192,391</b>	<b>168,550</b>	<b>189,547</b>	<b>2,507</b>	<b>2,844</b>

<sup>1)</sup> Net carrying amount after provisions for losses on loans and advances.

<sup>2)</sup> Prior-year figures restated: downward adjustment of € 78 m in the fair values for loans and advances to customers; see also Note (67).

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

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

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

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

 [See Glossary p. 206](#)

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

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>Non-derivative financial instruments</b>	<b>39,082</b>	<b>39,874</b>	<b>8,823</b>	<b>13,299</b>	<b>741</b>	<b>825</b>	<b>48,646</b>	<b>53,998</b>
Loans and advances to banks	-	-	28	295	-	-	28	295
Loans and advances to customers	-	-	647	718	-	-	647	718
Trading assets	18,664	18,867	5,120	6,184	20	30	23,804	25,081
Financial investments	20,418	21,007	3,028	6,102	721	795	24,167	27,904
<b>Derivatives</b>	<b>49</b>	<b>26</b>	<b>13,046</b>	<b>19,799</b>	<b>65</b>	<b>40</b>	<b>13,160</b>	<b>19,865</b>
Trading assets	29	25	8,411	12,810	29	38	8,469	12,873
Positive fair values of non-trading derivatives	20	1	4,635	6,989	36	2	4,691	6,992
<b>Total</b>	<b>39,131</b>	<b>39,900</b>	<b>21,869</b>	<b>33,098</b>	<b>806</b>	<b>865</b>	<b>61,806</b>	<b>73,863</b>

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

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>Non-derivative financial instruments</b>	<b>1,523</b>	<b>1,372</b>	<b>35,914</b>	<b>36,401</b>	<b>582</b>	<b>76</b>	<b>38,019</b>	<b>37,849</b>
Liabilities due to banks	–	–	435	695	38	–	473	695
Liabilities due to customers	–	–	2,996	2,940	37	19	3,033	2,959
Securitised liabilities	–	28	9,414	11,297	507	44	9,921	11,369
Trading liabilities	1,523	1,344	22,540	20,946	–	13	24,063	22,303
Subordinated capital	–	–	529	523	–	–	529	523
<b>Derivatives</b>	<b>31</b>	<b>32</b>	<b>12,980</b>	<b>18,781</b>	<b>15</b>	<b>14</b>	<b>13,026</b>	<b>18,827</b>
Trading liabilities	28	26	9,502	13,809	7	10	9,537	13,845
Negative fair values of non-trading derivatives	3	6	3,478	4,972	8	4	3,489	4,982
<b>Total</b>	<b>1,554</b>	<b>1,404</b>	<b>48,894</b>	<b>55,182</b>	<b>597</b>	<b>90</b>	<b>51,045</b>	<b>56,676</b>

Securities portfolios were reclassified from Level 1 to Level 2 in application of the opinion published in December 2013 by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) in relation to IFRS 13. The shift of € 1,291 m in trading assets and of € 1,353 m in financial investments from Level 1 to Level 2, which was largely attributable to the impact from this opinion, was nevertheless offset by disposals of securities classified as Level 2.

Following the transfer of FVO liabilities from Portigon AG systems to Helaba systems, Helaba's valuation models were applied to these portfolios. The portfolios were assigned to Level 3 because the valuation models use Level 3 inputs in addition to inputs observable in the market. In 2012, Portigon AG models had been used for the valuation of these portfolios. These models used input factors that were observable in the market for the most part, so the resulting fair values were assigned to Level 2. The items affected were as follows: securitised liabilities of € 411 m, liabilities due to banks of € 38 m and liabilities due to customers of € 18 m.

The other changes within the three measurement levels largely arose as a result of additions or disposals and not as a consequence of transfers between the levels.

The breakdown of assets-side non-derivative financial instruments in Level 3 was as follows:

in € m

	31.12.2013	31.12.2012
<b>Bonds and other fixed-income securities</b>	<b>132</b>	<b>156</b>
Bonds	45	42
Promissory notes	20	26
Asset-backed securities	67	88
<b>Unlisted equity investments</b>	<b>377</b>	<b>424</b>
<b>Investment units</b>	<b>48</b>	<b>51</b>
<b>Purchase of receivables from endowment insurance policies</b>	<b>184</b>	<b>194</b>
<b>Total</b>	<b>741</b>	<b>825</b>

The breakdown of Level 3 bonds and other fixed-income securities over the various rating categories was as follows:

in € m

	31.12.2013	31.12.2012
AAA	1	1
AA	14	15
A	46	50
BBB and below	45	55
No external rating	26	35
<b>Bonds and other fixed-income securities</b>	<b>132</b>	<b>156</b>

Helaba's model for measuring the Level 3 instruments used inputs producing a price that knowledgeable market participants would apply. For individual inputs, more or less favourable factors could have been applied as an alternative. This is particularly true of the factors used in estimating and determining credit spreads. The process uses scenario values on the basis of determined historical standard deviations in the sectors concerned. In the case of bonds and other fixed-income securities, the prices calculated in this way could be up to € 2 m (31 December 2012: € 2 m) higher or lower.

For unlisted equity investments, the discounted earnings were calculated through simulations. The main variations in the simulations were to increase or reduce the cash flows by 10 % before discounting. The enterprise values calculated in this way were used as the basis for determining alternative fair values, which were then found to be up to € 38 m (31 December 2012: € 34 m) lower or up to € 38 m (31 December 2012: € 32 m) higher.

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

The following tables show the changes in the portfolio of financial instruments that are measured at fair value and allocated to Level 3 as well as the net gains or losses on remeasurement of the financial instruments still held in the portfolio as at 31 December:

in € m

Assets	Trading assets		Financial investments		Positive fair values of the trading portfolio		Positive fair values of non-trading derivatives	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Carrying amounts as at 1.1.</b>	<b>30</b>	<b>31</b>	<b>795</b>	<b>624</b>	<b>38</b>	<b>3</b>	<b>2</b>	<b>-</b>
Gains or losses recognised in profit or loss								
Net trading income or expense	-	-			-4	1		
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied			4	8			-1	2
Net income from financial investments			-15	-16				
Gains or losses recognised in other comprehensive income			14	31				
Additions	18	-	21	43	-	-	-	-
Disposals/liquidations	-28	-1	-97	-85	-13	2	-	-
Changes in basis of consolidation	-	-	-	197	-	32	-	-
Changes due to currency translation	-	-	-11	-7	-	-	-	-
Transfers from Level 2	-	-	-	-	8	-	35	-
<b>Carrying amounts as at 31.12.</b>	<b>20</b>	<b>30</b>	<b>721</b>	<b>795</b>	<b>29</b>	<b>38</b>	<b>36</b>	<b>2</b>
Gains or losses on financial assets in the portfolio recognised in profit or loss	-1	-	-10	-2	-2	1	-1	2

in € m

Liabilities	Liabilities due to banks		Liabilities due to customers		Securitised liabilities	
	2013	2012	2013	2012	2013	2012
<b>Carrying amounts as at 1.1.</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>18</b>	<b>43</b>	<b>46</b>
Gains or losses recognised in profit or loss						
Net interest income or expense	-	-	-	-	2	-
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	-	-	-	1	4	1
Additions	-	-	-	-	47	-
Disposals/liquidations	-	-	-	-	-	-4
Transfers from Level 2	38	-	18	-	411	-
<b>Carrying amounts as at 31.12.</b>	<b>38</b>	<b>-</b>	<b>37</b>	<b>19</b>	<b>507</b>	<b>43</b>
Gains or losses on liabilities in the portfolio recognised in profit or loss	-	-	-	-	-2	-

in € m

Liabilities	Trading liabilities		Negative fair values of the trading portfolio		Negative fair values of non-trading derivatives	
	2013	2012	2013	2012	2013	2012
<b>Carrying amounts as at 1.1.</b>	<b>13</b>	<b>-</b>	<b>10</b>	<b>3</b>	<b>5</b>	<b>6</b>
Gains or losses recognised in profit or loss						
Net trading income or expense	-	-	-4	1		
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied					1	-1
Additions	-	-	-	-	1	-
Disposals/liquidations	-13	-134	-6	-6	-	-
Changes in basis of consolidation	-	147	-	12	-	-
Transfers from Level 2	-	-	7	-	1	-
<b>Carrying amounts as at 31.12.</b>	<b>-</b>	<b>13</b>	<b>7</b>	<b>10</b>	<b>8</b>	<b>5</b>
Gains or losses on liabilities in the portfolio recognised in profit or loss	-	-	4	-1	-1	1

As at 31 December 2013, the breakdown of financial instruments not measured at fair value according to the hierarchy of the inputs used was as follows:

in € m

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash reserve	1,750	-	-	1,750
Loans and advances to banks	-	16,939	4,672	21,611
Loans and advances to customers	-	79,429	13,598	93,027
Financial investments	-	-	33	33
<b>Total</b>	<b>1,750</b>	<b>96,368</b>	<b>18,303</b>	<b>116,421</b>
<b>Liabilities</b>				
Liabilities due to banks	-	28,532	6,155	34,687
Liabilities due to customers	-	37,185	4,819	42,004
Securitised liabilities	996	37,578	-	38,574
Subordinated capital	471	4,134	-	4,605
<b>Total</b>	<b>1,467</b>	<b>107,429</b>	<b>10,974</b>	<b>119,870</b>

The portfolios reported under Level 3 involve types of business for which observable measurement parameters are not generally available for all the key inputs. The development and retail businesses are the main types of business involved in this case.

## (66) Securitisation Transactions

Receivables resulting from customer business activities are securitised for customers through the OPUSALPHA asset-backed commercial paper programme initiated by Helaba. In addition to the customer transactions, OPUSALPHA comprises an ABS portfolio, which is consolidated in accordance with IAS 27/SIC-12 because the majority of opportunities and risks accrue to Helaba. Helaba and Helaba subsidiaries have also invested directly in asset-backed securities.

The breakdown of the Group's total exposure in asset-backed securities as at 31 December 2013, broken down by product type and rating category, was as follows:

	Carrying amount in € m	Volume by rating category				
		AAA	AA	A	BBB	BB and lower
RMBS	226	–	16.8 %	40.1 %	29.3 %	13.8 %
CMBS	63	–	0.6 %	21.8 %	14.7 %	62.9 %
CDO/CLO	52	11.9 %	30.7 %	29.2 %	–	28.2 %
Other ABSs	136	72.7 %	3.8 %	13.3 %	6.6 %	3.7 %
<b>Total ABSs</b>	<b>477</b>	<b>21.9 %</b>	<b>12.5 %</b>	<b>28.8 %</b>	<b>17.7 %</b>	<b>19.1 %</b>

The table below shows the same breakdown as at 31 December 2012:

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

The portfolios added as part of the acquisition of NRW-Verbundbank contributed € 99 m (31 December 2012: € 915 m) to the carrying amount of the asset-backed securities. The Helaba Group's other asset-backed securities were until 30 June 2008 measured at fair value and reported under trading assets or financial investments. Most of these securities have since been reclassified and are shown on the reporting date under loans and advances to customers.

Liquidity lines are extended in the context of securitisation transactions and some of these have been drawn down. As at 31 December 2013, there were the liquidity lines for third-party securitisation platforms amounting to € 91 m (31 December 2012: € 490 m), of which € 26 m (31 December 2012: € 410 m) had been drawn down. The line of liquidity provided for OPUSALPHA amounted to € 2,288 m (31 December 2012: € 1,840 m), of which € 1,827 m (31 December 2012: € 1,292 m) had been drawn down as at the reporting date.

## (67) Reclassification of Financial Assets

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

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

	in € m				
	31.12.2013 Carrying amount	31.12.2013 Fair value	31.12.2012 Carrying amount	31.12.2012 <sup>1)</sup> Fair value	1.7.2008 Carrying amount
Trading assets reclassified to loans and advances to customers	110	101	173	149	437
Financial investments reclassified to loans and advances to customers	247	235	538	505	1,722
<b>Total</b>	<b>357</b>	<b>336</b>	<b>711</b>	<b>654</b>	<b>2,159</b>

<sup>1)</sup> Prior-year figures restated: the fair value of the securities reclassified from trading assets had been overstated by € 23 m, and that of the securities reclassified from financial investments by € 55 m.

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

If the reclassifications had not been carried out, additional unrealised remeasurement gains of € 9 m would have arisen under trading assets in the income statement in 2013 (2012: € 8 m); additional unrealised remeasurement gains of € 16 m would also have arisen under financial investments in other comprehensive income (2012: € 50 m).

Following reclassification, the assets made the following contributions to the Group's profit before taxes:

	in € m	
	2013	2012
Net interest income	10	11
Amortisation and realised gain/loss on repayment and disposal	1	4
Provisions for losses on loans and advances	-1	-1
<b>Profit before taxes on reclassified assets</b>	<b>10</b>	<b>14</b>



### (68) Disclosures Relating to Financial Instruments to which the Fair Value Option is Applied

The following table shows the cumulative changes (caused by a change in credit quality) in the carrying amounts of liabilities to which the fair value option is applied together with the changes during the reporting period to the financial instruments still in the portfolio as at the reporting date:

in € m

	Reporting period		Cumulative	
	2013	2012	31.12.2013	31.12.2012
Liabilities due to banks	1	2	3	4
Liabilities due to customers	17	23	50	33
Securitised liabilities	15	11	30	18
Subordinated capital	8	3	-13	-20
<b>Total</b>	<b>41</b>	<b>39</b>	<b>70</b>	<b>35</b>

The following overview compares the settlement amounts for the liabilities to which the fair value option is applied and the carrying amounts of these liabilities:

in € m

	Settlement amount		Carrying amount		Difference	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Liabilities due to banks	434	644	473	695	-39	-51
Liabilities due to customers	3,872	3,865	3,033	2,959	839	906
Securitised liabilities	10,047	11,237	9,921	11,369	126	-132
Subordinated capital	493	488	529	523	-36	-35
<b>Total</b>	<b>14,846</b>	<b>16,234</b>	<b>13,956</b>	<b>15,546</b>	<b>890</b>	<b>688</b>

As at the reporting date, the fair value option was applied to loans and advances amounting to € 3,900 m. This value included cumulative negative changes of € 9 m caused by changes in credit quality.

## (69) Disclosures Relating to Issuing Activities

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

in € m

	Securitised trading liabilities		Securitised liabilities		Securitised subordinated capital		Total	
	2013	2012 <sup>1)</sup>	2013	2012	2013	2012	2013	2012
<b>As at 1.1.</b>	<b>4,411</b>	<b>2,848</b>	<b>57,168</b>	<b>37,243</b>	<b>3,067</b>	<b>3,139</b>	<b>64,646</b>	<b>43,230</b>
Changes in basis of consolidation	–	–	–15	24,753	–	–	–15	24,753
Changes due to currency translation	–69	–15	–136	–24	–14	–9	–219	–48
Additions from issues	10,105	18,621	17,924	15,456	275	–	28,304	34,077
Redemptions	–11,889	–16,751	–25,297	–19,216	–5	–50	–37,191	–36,017
Repurchases	160	–350	–990	–708	–	–	–830	–1,058
Changes in accrued interest	–1	–1	–272	34	2	–1	–271	32
Changes in value recognised through profit or loss	29	59	–137	–370	–42	–12	–150	–323
<b>As at 31.12.</b>	<b>2,746</b>	<b>4,411</b>	<b>48,245</b>	<b>57,168</b>	<b>3,283</b>	<b>3,067</b>	<b>54,274</b>	<b>64,646</b>

<sup>1)</sup> Prior-year figures restated: in 2012, issued equities and index certificates with an opening balance of € 348 m and a closing balance of € 181 m had been reported within trading liabilities (see Note (50)). In 2013, issued equities and index certificates were reported in a separate item under trading liabilities. The figures for 2012 have been restated accordingly. As a result of this change, the prior year figures in Notes (24) and (49) have also been restated.

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

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

## (70) Risk Management Disclosures

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

## (71) Credit Risks Attributable to Financial Instruments

The following table shows the carrying amounts of loans and advances in the loans and receivables category for which specific loan loss allowances or specific loan loss allowances evaluated on a group basis have been recognised. The table also shows the gross carrying amounts before impairment losses on available-for-sale financial assets.

in € m

	Carrying amount before allowances/impairment losses		Amount of allowances/impairment losses		Carrying amount after allowances/impairment losses	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Loans and advances to banks (LaR)	8	8	1	1	7	7
Loans and advances to customers (LaR)	3,009	2,551	961	912	2,048	1,639
Financial investments (AfS)	236	246	147	121	89	125
<b>Total</b>	<b>3,253</b>	<b>2,805</b>	<b>1,109</b>	<b>1,034</b>	<b>2,144</b>	<b>1,771</b>

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

No impairment losses were recognised for loans, advances and other receivables measured at amortised cost with a carrying amount of € 343 m (31 December 2012: € 298 m) and that were past due as at the reporting date. This was because Helaba had noted no material change in the rating of the debtors and still expected that the outstanding amounts to be repaid.

A financial asset is classified as past due if the party to the agreement fails to make the contractually agreed payments in respect of the financial instrument on time. Even if only certain contractually agreed part payments (interest or partial repayments of principal) are overdue, the asset is still considered past due.

The following table shows an aged breakdown of loans, advances and other receivables past due, but not impaired, as at the reporting date:

in € m

	Carrying amount	Past due by ≤ one month	Past due by > one month and ≤ three months	Past due by > three months and ≤ one year	Past due by > one year	Total past due
Loans and advances to banks (LaR)	21,368	–	–	–	–	–
Loans and advances to customers (LaR)	90,100	127	72	107	33	339
Trade accounts receivable (LaR)	45	1	2	1	–	4
<b>Total</b>	<b>111,513</b>	<b>128</b>	<b>74</b>	<b>108</b>	<b>33</b>	<b>343</b>

The following table shows the corresponding amounts as at 31 December 2012:

in € m

	Carrying amount	Past due by ≤ one month	Past due by > one month and ≤ three months	Past due by > three months and ≤ one year	Past due by > one year	Total past due
Loans and advances to banks (LaR)	22,941	15	–	–	–	15
Loans and advances to customers (LaR)	90,103	66	78	49	87	280
Trade accounts receivable (LaR)	38	1	1	1	–	3
Receivables related to unbilled construction contracts (LaR)	6	–	–	–	–	–
<b>Total</b>	<b>113,088</b>	<b>82</b>	<b>79</b>	<b>50</b>	<b>87</b>	<b>298</b>

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

The following table shows a breakdown of deferred or renegotiated loans and advances as at the reporting date:

	in € m			
	Carrying amount		thereof: Deferred or renegotiated loans and advances	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Loans and advances to banks	21,396	23,236	–	–
Loans and advances to customers	90,747	90,821	1,613	1,741
<b>Total</b>	<b>112,143</b>	<b>114,057</b>	<b>1,613</b>	<b>1,741</b>

Loans that have been restructured with concessions to the customer for economic or legal reasons in connection with the customer's financial problems (concessions that Helaba would not have been prepared to grant under other circumstances) are reported as renegotiated loans and advances.

If a borrower suffers financial difficulties, Helaba may agree to defer the payments due for economic or legal reasons and in order to ease the burden of fulfilling the contractual obligations for a limited period. However, the amount unpaid over the deferment period (including accrued interest) must still be settled at a later point in time.

The following table shows a breakdown of allowances for losses on loans and advances related to deferred or renegotiated loans and advances as at the reporting date:

	in € m			
	Carrying amount		thereof: Deferred or renegotiated loans and advances	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>Allowances on loans and advances to banks</b>	<b>2</b>	<b>16</b>	<b>–</b>	<b>–</b>
Specific loan loss allowances	1	1	–	–
Portfolio loan loss allowances	1	15	–	–
<b>Allowances on loans and advances to customers</b>	<b>1,226</b>	<b>1,189</b>	<b>244</b>	<b>96</b>
Specific loan loss allowances	868	803	222	78
Specific loan loss allowances evaluated on a group basis	93	109	12	10
Portfolio loan loss allowances	265	277	10	8
<b>Provisions for lending business risks</b>	<b>77</b>	<b>89</b>	<b>28</b>	<b>23</b>
<b>Total</b>	<b>1,305</b>	<b>1,294</b>	<b>272</b>	<b>119</b>

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

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

in € m

	Carrying amount		Fair value of collateral	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Loans and advances to banks	21,396	23,236	187	122
Loans and advances to customers	90,747	90,821	34,860	35,080
Contingent liabilities	4,610	4,951	235	290
Irrevocable loan commitments	14,601	15,365	1,026	995
<b>Total</b>	<b>131,354</b>	<b>134,373</b>	<b>36,308</b>	<b>36,487</b>

In the case of OTC derivative transactions, we apply a CVA adjustment for default risk in order to cover any expected losses in the lending business. This CVA adjustment is determined by assessing the potential credit risk for a given counterparty. This assessment takes into account any collateral held, any offsetting effects under master agreements, the expected loss in the event of a default and the credit risk based on market data, including CDS spreads. As at 31 December 2013, the CVA adjustments amounted to € 118 m (31 December 2012: € 94 m).

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

## Off-Balance Sheet Transactions and Obligations

### (72) Contingent Liabilities and Other Off-Balance Sheet Obligations

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

	in € m	
	31.12.2013	31.12.2012
<b>Contingent liabilities</b>	<b>4,610</b>	<b>4,951</b>
Obligations under rediscounted bills of exchange	1	–
Liabilities from guarantees and warranty agreements	4,605	4,951
Obligations arising from joint ventures	4	–
<b>Other obligations</b>	<b>16,666</b>	<b>17,601</b>
Placement and underwriting obligations	1,910	2,072
Irrevocable loan commitments	14,601	15,365
Obligations to provide further capital	39	39
Contribution obligations	55	67
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	15	12
Contractual obligations in connection with investment property	41	12
Other obligations	5	34
<b>Total</b>	<b>21,276</b>	<b>22,552</b>

On the reporting date, € 48 m of the (repeat) contribution obligations was attributable to 26 commercial partnerships, while € 7 m was attributable to four corporations. No contribution obligations existed in respect of affiliated companies.

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

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

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

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

In addition, Helaba and Frankfurter Sparkasse are members of the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen. This fund provides additional protection on top of the existing protection schemes; it provides protection not only to institutions but also to creditors. Landesbank Hessen-Thüringen and the Sparkassen will make gradual contributions to the fund until 0.5% of the assessment base (the banks' risk assets) has been reached. An institution's obligation to pay contributions is established on the basis of risk, taking into account bonus and penalty factors. The SGVHT will be liable to make up any shortfall should a claim be made against the fund before the full amount has been contributed in cash.

The Bank is also jointly liable for ensuring that other members belonging to the Deutscher Sparkassen- und Giroverband e. V. (DSGV) meet their obligations to make additional contributions.

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

One of the Group companies has joint obligations amounting to € 4 m in the form of guarantees for joint ventures.

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

As in 2012, contingent liabilities of € 205 m may arise if capital contributions have to be repaid.

### (73) Letters of Comfort

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



## (74) Volume of Managed Funds

The breakdown of the investment assets managed by Helaba Invest Kapitalanlagegesellschaft mbH and LB(Swiss) Investment AG was as follows:

	in € m	
	31.12.2013	31.12.2012
Retail funds, 72 (2012: 72)	2,517	4,015
Special funds, 265 (2012: 226)	85,985	79,582
<b>Total</b>	<b>88,502</b>	<b>83,597</b>

## (75) Fiduciary Transactions

	in € m	
	31.12.2013	31.12.2012
<b>Trust assets</b>	<b>973</b>	<b>1,060</b>
Loans and advances to banks	177	216
Loans and advances to customers	519	560
Equity investments	266	272
Other assets	11	12
<b>Trust liabilities</b>	<b>973</b>	<b>1,060</b>
Liabilities due to banks	3	4
Liabilities due to customers	659	738
Other liabilities	311	318

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

## Other Disclosures

### (76) Leasing Disclosures

#### Leases in which the Helaba Group is the lessor

The following table provides details of finance leases:

	in € m	
	31.12.2013	31.12.2012
<b>Gross investment value</b>	<b>8</b>	<b>9</b>
Up to one year	1	1
More than one year and up to five years	5	5
More than five years	2	3
<b>Unrealised financial income</b>	<b>-1</b>	<b>-2</b>
<b>Net investment value</b>	<b>7</b>	<b>7</b>
Up to one year	1	1
More than one year and up to five years	4	3
More than five years	2	3

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

As was the case in the previous year, no cumulative impairment losses were recognised for finance leases. As in 2012, no contingent rental payments from finance leases were recognised as income in the year under review.

The following minimum lease payments are expected in the course of the next few years from non-cancellable operating leases:

	in € m	
	31.12.2013	31.12.2012
Up to one year	99	109
More than one year and up to five years	122	115
More than five years	69	29
<b>Total</b>	<b>290</b>	<b>253</b>

The operating leases mainly comprise subtenancy agreements for space rented out in leased buildings as well as tenancy agreements in which Helaba's own land and buildings are leased out. In the year under review, contingent rent payments of € 6 m under operating leases were recognised as income (2012: € 6 m).

#### **Leases in which the Helaba Group is the lessee**

General and administrative expenses included an amount of € 58 m (2012: € 49 m) relating to payments for operating leases in which Helaba is the lessee. This amount mainly relates to land and buildings as well as operating and business equipment.

The leased properties are predominantly office buildings used for banking operations, unless they are subject to different commercial use as part of subtenancy arrangements. The tenancy agreements have fixed terms with current residual terms of up to 14 years. Price adjustment clauses exist in various forms; no contingent rental payments have been agreed.

The following minimum lease payments for non-cancellable operating leases are expected to be made over the next few years:

	in € m	
	31.12.2013	31.12.2012
Up to one year	55	56
More than one year and up to five years	186	182
More than five years	145	160
<b>Total</b>	<b>386</b>	<b>398</b>

As at the reporting date, future minimum rental payments of € 52 m were expected from non-cancellable subtenancy arrangements (31 December 2012: € 51 m). In the year under review, income of € 16 m was generated from subtenancy agreements (2012: € 15 m). This income is reported under other net operating income.

In financial year 2013, there were no finance leases in which the Helaba Group was the lessee.

## (77) Capital Management and Regulatory Ratio Disclosures

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

The regulatory own funds of the Helaba Banking Unit are determined in accordance with sections 10 and 10a of the KWG. Accordingly, the Helaba Banking Unit must maintain adequate own funds in order to comply with its obligations to its creditors.

The Solvency Regulation (Solvabilitätsverordnung, SolvV) requires banks to quantify their default risk, market risk and operational risk and to back these risks with own funds.

In accordance with the Solvency Regulation, the regulatory own funds of the Helaba Banking Unit consist of Tier 1 capital, Tier 2 capital and Tier 3 funds. The breakdown of this capital as at the reporting date was as follows:

	in € m	
	31.12.2013	31.12.2012
Share capital	589	589
Sundry capital	1,920	1,920
Other capital	953	1,053
Open reserves and consolidation effects	3,111	2,954
Special item for general banking risks in accordance with section 340g HGB	555	479
Deductions in accordance with section 10 (2a) KWG	-78	-40
<b>Tier 1 capital</b>	<b>7,050</b>	<b>6,955</b>
Capital in accordance with section 10 (5) KWG	676	707
Longer-term subordinated liabilities	2,006	2,290
Other components and consolidation effects	-	4
<b>Tier 2 capital</b>	<b>2,682</b>	<b>3,001</b>
Deductions in accordance with section 10 (6) and (6a) KWG	-299	-273
<b>Liable equity</b>	<b>9,433</b>	<b>9,683</b>
Available Tier 3 capital used	-	-
<b>Own funds, total</b>	<b>9,433</b>	<b>9,683</b>

The following capital requirements and ratios were applicable as at the reporting date:

	in € m	
	31.12.2013	31.12.2012
Default risk	3,497	4,158
Market risk	519	422
Operational risk	309	284
<b>Capital requirements</b>	<b>4,325</b>	<b>4,864</b>
Tier 1 capital ratio	12.8 %	11.2 %
Total capital ratio	17.4 %	15.9 %

The Tier 1 and total capital ratios comply with the target ratios specified by Helaba in its capital planning. The regulatory capital requirements are also satisfied.

## (78) Related Party Disclosures

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

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

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 31 December 2013:

in € m

	31.12.2013	31.12.2012
<b>Loans and advances to banks</b>	<b>84</b>	<b>44</b>
Investments in joint ventures and associates	4	4
Shareholders of Helaba	80	40
<b>Loans and advances to customers</b>	<b>2,092</b>	<b>2,418</b>
Non-consolidated subsidiaries	6	6
Investments in joint ventures and associates	749	598
Shareholders of Helaba	1,254	1,589
Other related parties	83	225
<b>Trading assets</b>	<b>880</b>	<b>884</b>
Investments in joint ventures and associates	1	20
Shareholders of Helaba	879	864
<b>Financial investments</b>	<b>301</b>	<b>580</b>
Non-consolidated subsidiaries	19	22
Investments in joint ventures and associates	32	38
Shareholders of Helaba	250	520
<b>Other assets</b>	<b>199</b>	<b>170</b>
Non-consolidated subsidiaries	3	–
Shareholders of Helaba	196	170
<b>Liabilities due to banks</b>	<b>245</b>	<b>311</b>
Non-consolidated subsidiaries	1	1
Shareholders of Helaba	244	310
<b>Liabilities due to customers</b>	<b>1,107</b>	<b>889</b>
Non-consolidated subsidiaries	17	22
Investments in joint ventures and associates	309	82
Shareholders of Helaba	760	772
Other related parties	21	13
<b>Trading liabilities</b>	<b>21</b>	<b>65</b>
Non-consolidated subsidiaries	–	5
Investments in joint ventures and associates	2	6
Shareholders of Helaba	19	54
<b>Subordinated capital</b>	<b>104</b>	<b>84</b>
Shareholders of Helaba	104	84
<b>Other liabilities</b>	<b>56</b>	<b>49</b>
Investments in joint ventures and associates	56	47
Shareholders of Helaba	–	2
<b>Contingent liabilities</b>	<b>337</b>	<b>307</b>
Investments in joint ventures and associates	201	67
Shareholders of Helaba	67	68
Other related parties	69	172

As at 31 December 2013, there were allowances for losses on loans and advances to related parties amounting to € 11 m (31 December 2012: € 4 m). There were no debt waivers in 2013 (2012: € 9 m in respect of a joint venture). As was the case in 2012, no loans were derecognised in 2013.

Transactions with related parties that are not recognised in the financial statements as loans, advances, receivables, deposits or liabilities mainly comprise purchases and sales of securities and investment fund units as well as the business of placing closed-end investment funds that is transacted by a subsidiary. As in 2012, the resulting income and expenses in 2013 were only of minor significance (less than € 1 m in total).

The loans and advances to other related parties comprised loans to members of the Board of Managing Directors amounting to € 1 m (31 December 2012: € 1 m) and loans to members of the Supervisory Board in an amount of € 2 m (31 December 2012: € 3 m).

The emoluments of the Board of Managing Directors of Helaba were broken down as follows:

	in € m	
	2013	2012 <sup>1)</sup>
Short-term benefits	4.6	4.4
Post-employment benefits	–	–
Other long-term benefits	1.3	0.8
Benefits payable on termination of employment	–	–

<sup>1)</sup> Prior-year figures restated.

Additions of € 0.6 m were also made to the pension provisions for members of the Board of Managing Directors (31 December 2012: € 0.6 m) (service cost).

A total of € 0.9 m (2012: € 0.6 m) was paid to the Supervisory Board; as in 2012, € 0.1 m was paid to the members of the Advisory Board. In addition, the employee representatives on the Supervisory Board (including deputy members) received a combined amount of € 3 m in salary payments as company employees (2012: € 2 m). As in 2012, an amount of € 3 m was paid to former members of the Board of Managing Directors and their surviving dependants. Provisions of € 54 m were recognised in accordance with IAS 19 for pension obligations for this group of persons (31 December 2012: € 51 m).

## (79) Auditors' Fees

The following fees for services rendered by Group companies of PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft were invoiced for the financial year:

in € m

	31.12.2013	31.12.2012
Audit fees	4	4
Other services	2	3
<b>Total</b>	<b>6</b>	<b>7</b>

## (80) Employee Disclosures

Average number of employees during the year

	Female		Male		Total	
	2013	2012	2013	2012	2013	2012
<b>Bank as a whole</b>	<b>1,572</b>	<b>1,474</b>	<b>1,938</b>	<b>1,817</b>	<b>3,510</b>	<b>3,291</b>
Bank	1,164	1,051	1,635	1,513	2,799	2,564
WIBank	241	244	175	174	416	418
Landesbausparkasse	167	179	128	130	295	309
<b>Group subsidiaries</b>	<b>1,411</b>	<b>1,415</b>	<b>1,372</b>	<b>1,369</b>	<b>2,783</b>	<b>2,784</b>
<b>Group</b>	<b>2,983</b>	<b>2,889</b>	<b>3,310</b>	<b>3,186</b>	<b>6,293</b>	<b>6,075</b>



**(81) Members of the Supervisory Board**

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

**Dr. Werner Henning**  
Chief Administrative Officer  
County District of Eichsfeld  
Heiligenstadt  
– First Vice-Chairman –

**Dr. Thomas Schäfer**  
Minister of State  
Ministry of Finance of the  
State of Hesse  
Wiesbaden  
– Second Vice-Chairman –

**Hans Martz**  
Chairman of the Board  
of Managing Directors  
Sparkasse Essen  
Essen  
– Third Vice-Chairman –

**Franz Josef Schumann**  
President  
Sparkassenverband Saar  
Saarbrücken  
– Fifth Vice-Chairman –  
– until 31 December 2013 –

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

**Ingo Buchholz**  
Chairman of the Board  
of Managing Directors  
Kasseler Sparkasse  
Kassel

**Dirk Diedrichs**  
Secretary of State  
Ministry of Finance  
of the State of Thuringia  
Erfurt

**Georg Fahrenschoen**  
President  
Deutscher Sparkassen- und  
Giroverband e. V.  
Berlin

**Peter Feldmann**  
Mayor  
City of Frankfurt am Main  
Frankfurt am Main  
– since 13 March 2013 –

**Robert Fischbach**  
Chief Administrative Officer  
County District of  
Marburg-Biedenkopf  
Marburg  
– until 31 January 2014 –

**Volker Goldmann**  
Chairman of the Board  
of Managing Directors  
Sparkasse Bochum  
Bochum

**Ulrich Heilmann**  
Chairman of the Board  
of Managing Directors  
Kyffhäusersparkasse  
Artern-Sondershausen  
Sondershausen  
– since 13 March 2013 –

**Bertram Hilgen**  
Mayor  
City of Kassel  
Kassel  
– since 1 July 2013 –

**Dr. Alfons Lauer**  
President  
Sparkassenverband Saar  
Saarbrücken  
– since 9 January 2014 –

**Stefan Lauer**  
Idstein

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

**Gerhard Möller**  
Mayor  
City of Fulda  
Fulda

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

**Clemens Reif**  
Member of the State Parliament  
of Hesse  
Wiesbaden

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

**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**  
Chairman of the Board  
of Managing Directors  
Sparkasse Bensheim  
Bensheim

**Egon Vaupel**  
Mayor  
City of Marburg  
Marburg  
– until 30 June 2013 –

**Thomas Wagner**  
Chairman of the Board  
of Managing Directors  
Sparkasse Altenburger Land  
Altenburg  
– until 28 February 2013 –

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

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

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

**Arnd Zinnhardt**  
Member of the Group  
Executive Board  
Software AG  
Darmstadt

### Employee representatives:

**Thorsten Derlitzki**  
Bank employee  
Frankfurt am Main  
– Fourth Vice-Chairman –

**Frank Beck**  
Vice President  
Frankfurt am Main

**Brigitte Berle**  
Bank employee  
Frankfurt am Main

**Isolde Burhenne**  
Vice President  
Frankfurt am Main

**Wilfried Carl**  
Vice President  
Kassel  
– until 20 February 2013 –

**Gabriele Fuchs**  
Bank employee  
Frankfurt am Main

**Anke Glombik**  
Vice President  
Erfurt  
– until 20 February 2013 –

**Thorsten Kiwitz**  
Vice President  
Frankfurt am Main

**Christiane Kutil-Bleibaum**  
Vice President  
Landesbank Hessen-Thüringen  
Girozentrale  
Düsseldorf  
– since 21 February 2013 –

**Annette Langner**  
Vice President  
Frankfurt am Main

**Susanne Lorra**  
Vice President  
Düsseldorf  
– since 21 February 2013 –

**Susanne Noll**  
Bank employee  
Frankfurt am Main

**Hans Peschka**  
Vice President  
Frankfurt am Main

**Erich Roth**  
Bank employee  
Frankfurt am Main

**Birgit Sahliger-Rasper**  
Bank employee  
Frankfurt am Main

**Wolf-Dieter Tesch**  
Senior Vice President  
Frankfurt am Main

## (82) Risk and 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 –

### **Thorsten Derlitzki**

Bank employee  
Landesbank Hessen-Thüringen  
Frankfurt am Main

### **Volker Goldmann**

Chairman of the Board  
of Managing Directors  
Sparkasse Bochum  
Bochum

### **Claus Kaminsky**

Mayor  
City of Hanau  
Hanau  
– until 19 September 2013 –

### **Frank Lortz**

Member of the State Parliament  
of Hesse  
Wiesbaden

### **Hans Martz**

Chairman of the Board  
of Managing Directors  
Sparkasse Essen  
Essen

### **Gerhard Möller**

Mayor  
City of Fulda  
Fulda

### **Siegmar Müller**

Chairman of the Board  
of Managing Directors  
Sparkasse Germersheim-Kandel  
Kandel

### **Frank Nickel**

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

### **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

### **Fritz Schröter**

Member of the State  
Parliament of Thuringia  
Erfurt

### **Wolfgang Schuster**

Chief Administrative Officer  
County District of Lahn-Dill  
Wetzlar  
– since 1 October 2013 –

### **Alfred Weber**

Chairman of the Board  
of Managing Directors  
KreisSparkasse Saalfeld-Rudolstadt  
Saalfeld

### **Ulrich Zinn**

Chairman of the Board  
of Managing Directors  
Sparkasse Grünberg  
Grünberg

## (83) Audit Committee of the Supervisory Board

### **Gerhard Grandke**

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

### **Stephan Ziegler**

Chairman of the Board  
of Managing Directors  
Nassauische Sparkasse  
Wiesbaden  
– First Vice-Chairman –

### **Hans Peschka**

Vice President  
Landesbank Hessen-Thüringen  
Girozentrale  
Frankfurt am Main  
– Second Vice-Chairman –

### **Frank Beck**

Vice President  
Landesbank Hessen-Thüringen  
Girozentrale  
Frankfurt am Main

### **Brigitte Berle**

Bank employee  
Landesbank Hessen-Thüringen  
Girozentrale  
Frankfurt am Main  
– until 30 November 2013 –

### **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

### **Christiane Kutil-Bleibaum**

Vice President  
Landesbank Hessen-Thüringen  
Girozentrale  
Düsseldorf  
– since 1 December 2013 –

### **Frank Nickel**

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

### **Dr. Thomas Schäfer**

Minister of State  
Ministry of Finance of the  
State of Hesse  
Wiesbaden

### **Alexander Wüerst**

Chairman of the Board  
of Managing Directors  
Kreissparkasse Köln  
Cologne

In line with its authorised powers, the Supervisory Board also delegated tasks to a Personnel and Remuneration Oversight Committee, Building Committee, Investment Committee and Nomination Committee

## (84) Members of the Board of Managing Directors

### **Hans-Dieter Brenner**

Chairman

### **Jürgen Fenk**

### **Klaus-Dieter Gröb**

– until 31 July 2013 –

### **Thomas Groß**

### **Dr. Detlef Hosemann**

### **Rainer Krick**

### **Dr. Norbert Schraad**

## (85) Positions on Supervisory Boards and Other Executive Bodies

**Positions held by the members of the Board of Managing Directors**

<b>Office holder</b>	<b>Corporation</b>	<b>Function</b>
Hans-Dieter Brenner	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	Member
Jürgen Fenk	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Member
Thomas Groß	Frankfurter Sparkasse, Frankfurt am Main	Member
Dr. Detlef Hosemann	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice Chairman
Rainer Krick	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Vice Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice Chairman

**Positions held by other employees**

<b>Office holder</b>	<b>Corporation</b>	<b>Function</b>
Herbert Hans Grüntker	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Chairman
Jörg Hartmann	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Holger Mai	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Chairman
Dirk Mewesen	Helaba Asset Services, Dublin, Ireland	Member
	Helaba International Finance plc, Dublin, Ireland	Chairman
Gottfried Milde	Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH, Frankfurt am Main	Member
Klaus-Jörg Mulfinger	Frankfurter Sparkasse, Frankfurt am Main	Member
	Thüringer Aufbaubank, Erfurt	Member
Dr. Ulrich Pähler	Helaba Asset Services, 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 Asset Services, Dublin, Ireland	Member
	Helaba International Finance plc, Dublin, Ireland	Member
Erich Vettiger	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Member

(86) List of Shareholdings of Landesbank Hessen-Thüringen Girozentrale in Accordance with Section 315a in Conjunction with Section 313 (2) HGB

Fully consolidated subsidiaries

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7.1	0 <sup>1)</sup>
2	Aeskulap Projekt GmbH & Co. KG, Frankfurt am Main	100.00			0.0	0 <sup>2)</sup>
3	Airport Office One GmbH & Co. KG, Schönefeld	100.00			0.0	-5 <sup>2)</sup>
4	ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	0.00			-0.2	-2,298 <sup>3)</sup>
5	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00			0.0	0 <sup>1), 4)</sup>
6	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		8.0	798 <sup>2)</sup>
7	CAMPANULA Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	0.00			-4.4	-675 <sup>3)</sup>
8	CORDELIA Verwaltungsgesellschaft mbH, Pullach	0.00			0.0	0 <sup>1), 3)</sup>
9	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36.7	1,969
10	EGERIA Verwaltungsgesellschaft mbH, Pullach	0.00			0.0	0 <sup>1), 3)</sup>
11	Erste Veritas Frankfurt GmbH & Co. KG, Krieffel	100.00			70.4	-10 <sup>2)</sup>
12	Fachmarktzentrum Fulda GmbH & Co. KG, Fulda	100.00			0.7	0 <sup>2)</sup>
13	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			9.8	-272
14	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		99.9	3,073
15	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		770.7	60,000
16	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	100.00			0.2	0 <sup>1)</sup>
17	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00			0.3	0 <sup>1), 4)</sup>
18	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			0.3	0 <sup>1), 4)</sup>
19	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00			0.1	39
20	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00			0.0	-14
21	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			0.3	312 <sup>2)</sup>
22	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00			23.4	0 <sup>1)</sup>
23	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00			65.7	0 <sup>1)</sup>
24	GWH Bauprojekte GmbH, Frankfurt am Main	100.00			2.6	0 <sup>1)</sup>
25	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0 <sup>1)</sup>
26	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00			363.9	55,402
27	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		1.8	-538 <sup>2)</sup>
28	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	43.10			16.8	312 <sup>3)</sup>

## Fully consolidated subsidiaries

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
		Total	thereof directly	Total	in € m	in € thousands	
29	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	63.10			17.8	230	3)
30	HANNOVER LEASING Private Invest Beteiligungs GmbH, Pullach	100.00			48.7	-703	3)
31	HANNOVER LEASING Private Invest II GmbH & Co. KG, Pullach	91.25			51.4	-72	3)
32	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	53.85			28.5	3,397	3)
33	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-89	2)
34	Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	100.00	100.00		5.8	353	2)
35	Helaba Asset Services, Dublin, Ireland	100.00	100.00		158.5	10,255	
36	Helaba International Finance plc, Dublin, Ireland	100.00	100.00		5.38	185	
37	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	1)
38	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2.5	9	2)
39	Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz	95.00	95.00	24.00	11.0	1,655	3)
40	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	6	
41	LB(Swiss) Investment AG, Zurich, Switzerland	100.00			8.7	1,185	
42	KADENZA Verwaltungsgesellschaft mbH, Pullach	0.00			-8.2	681	3)
43	LHT MSIP, LLC, Wilmington, USA	100.00			4.7	292	
44	LHT Power Three LLC, Wilmington, USA	100.00	100.00		43.9	-453	
45	LHT TCW, LLC, Wilmington, USA	100.00			18.4	1,116	
46	LHT TPF II, LLC, Wilmington, USA	100.00			16.9	416	
47	Main Capital Funding LP, St. Helier, Jersey	0.00			-55.3	46	3)
48	Main Capital Funding II LP, St. Helier, Jersey	0.00			-48.3	132	3)
49	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00			0.0	0	1)
50	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99			4.8	325	
51	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	90.70			19.6	1,058	
52	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		4.5	-8	
53	MS „EAGLE STRAIT“ GmbH & Co. KG, Hamburg	0.00			-0.8	-901	3)
54	MS „EMERALD STRAIT“ GmbH & Co. KG, Hamburg	0.00			-1.4	-1,008	3)
55	MS „ENDEAVOUR STRAIT“ GmbH & Co. KG, Hamburg	0.00			-1.0	-1,428	3)
56	MS „ESSEX STRAIT“ GmbH & Co. KG, Hamburg	0.00			-4.0	-1,101	3)
57	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00			-0.1	-69	2)
58	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			5.3	463	
59	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	1), 4)
60	OPUSALPHA FUNDING LTD, Dublin, Ireland	0.00			0.0	0	3), 5)
61	OPUSALPHA PURCHASER LTD, Dublin, Ireland	0.00			0.0	0	3), 5)
62	Palladium Praha s.r.o., Prague, Czech Republic	83.00			-101.0	-739	3)
63	Palladium SC GmbH & Co. Beteiligungs KG, Pullach	0.00			-36.5	-7,716	3)
64	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00			-0.2	-357	2)



## Fully consolidated subsidiaries

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
65	Projektentwicklungs-GmbH & Co. Schule an der Wascherde KG, Kassel	100.00			-0.1	124 <sup>2)</sup>
66	Projektgesellschaft Eichplatz Jena mbH & Co. KG, Frankfurt am Main	100.00			0.0	-2 <sup>2)</sup>
67	PVG GmbH, Frankfurt am Main	100.00	100.00		0.0	0 <sup>1), 4)</sup>
68	Schlossgalerie Eschwege GmbH & Co. KG, Frankfurt am Main	100.00			0.1	21 <sup>2)</sup>
69	STRATUS Verwaltungsgesellschaft mbH, Pullach	94.80			-6.9	288 <sup>3)</sup>
70	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		0.0	3
71	VANESSA Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	0.00			-15.3	-4,288 <sup>3)</sup>
72	Vermögensverwaltung „Emallierwerk“ GmbH, Fulda	100.00			0.3	-47
73	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			0.3	0 <sup>1)</sup>
74	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-51 <sup>2)</sup>
75	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.0	1 <sup>2)</sup>

No.	Securities investment funds in accordance with KAGB	Holding in %		Fund volume
		Total	thereof directly	in € m
76	HI-LBS-FONDS I	100.00	100.00	28.2 <sup>3), 6)</sup>
77	HI-LBS 2-FONDS	100.00	100.00	28.4 <sup>3), 6)</sup>
78	HI-LBS 4-FONDS	100.00	100.00	28.8 <sup>3), 6)</sup>
79	HI-LBS 5-FONDS	100.00	100.00	29.7 <sup>3), 6)</sup>
80	HI-LBS 6-FONDS	100.00	100.00	30.1 <sup>3), 6)</sup>
81	HI-HTNW-FONDS	100.00	100.00	1,004.0 <sup>3), 6)</sup>
82	HI-RENTPLUS-FONDS	100.00	100.00	378.5 <sup>3), 6)</sup>
83	HI-TURBO-FONDS	100.00	100.00	770.6 <sup>3), 6)</sup>
84	HI-HT-KOMP-FONDS	100.00		10.7 <sup>3), 6)</sup>
85	HI-Balanced 40-FONDS	100.00		6.0 <sup>3), 7), 8)</sup>
86	HI A-FSP FONDS	100.00		137.0 <sup>3)</sup>
87	HI C-FSP FONDS	100.00		123.8 <sup>3)</sup>
88	HI FBI FONDS	100.00		131.4 <sup>3)</sup>
89	HI FBP FONDS	100.00		92.6 <sup>3)</sup>
90	HI FSP FONDS	100.00		162.4 <sup>3)</sup>
91	HI H-FSP FONDS	100.00		134.9 <sup>3)</sup>

The following joint ventures and associates have also been accounted for using the equity method:

**Joint ventures accounted for using the equity method**

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
92	CORPUS SIREO Holding GmbH & Co. KG, Cologne	25.00			130.1	32,871
93	CP Campus Projekte GmbH, Frankfurt am Main	50.00			0.3	-108
94	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			-1.1	37
95	Erste ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-65
96	G & O Alpha Hotelentwicklung GmbH, Eschborn	50.00			0.1	-192
97	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Eschborn	50.00			0.0	1
98	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Eschborn	50.00			0.4	-4
99	G & O Gateway Gardens Dritte GmbH & Co. KG, Eschborn	50.00			0.0	0
100	G & O Gateway Gardens Erste GmbH & Co. KG, Eschborn	50.00			1.0	311
101	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00			-0.6	-194
102	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	78.00			-0.7	-766
103	GOB Dritte E & A Grundbesitz GmbH, Eschborn	47.00			-2.5	-296
104	GOB Projektentwicklung E & A GmbH & Co. Siebte Rhein-Main KG, Eschborn	8.80			0.6	137
105	GOB Werfthaus GmbH & Co. KG, Eschborn	50.00			0.1	0
106	Horus Projektentwicklungsgesellschaft mbH, Pöcking	50.00			-2.4	-1,133
107	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-2
108	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	50.00			-4.3	-1,111
109	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-2
110	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-2
111	Multi Park Mönchhof Dritte GmbH & Co. KG, Walldorf/Baden	50.00			0.0	76
112	Multi Park Mönchhof GmbH & Co. KG, Walldorf/Baden	50.00			0.0	-11
113	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00			-0.7	-729
114	OFB & Procom Rüdeshheim GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-3
115	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00			9.4	-124
116	Stresemannquartier GmbH & Co. KG, Berlin	50.00			5.2	-221
117	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00			-0.2	-41
118	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00		33.33	0.1	-1
119	Zweite ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-38

## Associates accounted for using the equity method

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
120	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33			6.7	-121
121	HANNOVER LEASING GmbH & Co. KG, Pullach	49.34	49.34		22.8	0
122	Sparkassen Markt Service GmbH, Darmstadt	50.00			5.0	154
123	WoWi Media GmbH & Co. KG, Hamburg	23.72		19.24	6.8	6,511

## Non-consolidated subsidiaries

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
124	AGENORAS Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.0	1
125	AGENORAS Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Frankfurt am Main	100.00			0.0	7
126	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0 <sup>1)</sup>
127	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	77
128	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		0.7	113
129	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	45
130	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00		1.3	158
131	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	1.2	198
132	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Frankfurt am Main	100.00	100.00		1.0	670
133	Brillant Verwaltungsgesellschaft mbH i. L., Düsseldorf	100.00	100.00		0.0	0
134	Bürogebäude Darmstädter Landstraße GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.2	-3
135	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.3	27
136	CEREUS Verwaltungsgesellschaft mbH & Co Vermietungs KG, Pullach	33.33			2.8	-477
137	Div Deutsche Immobilienfonds Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.1	0
138	Erste OFB Berlin Projekt GmbH & Co. KG, Berlin	100.00			n. a.	n. a.

## Non-consolidated subsidiaries

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
139	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	8
140	Fellnerstraße 5 GmbH & Co. KG, Frankfurt am Main	100.00			0.1	-1
141	FMZ Fulda Verwaltung GmbH, Fulda	100.00			0.0	92
142	Franziskanerhof Bonn GmbH & Co. KG, Frankfurt am Main	100.00			0.1	81
143	Franziskanerhof Bonn Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.0	0
144	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00			0.2	3
145	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0 <sup>1)</sup>
146	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		3.1	2,195
147	HT Finanzanlage Ltd, St. Helier, Jersey	0.00			-0.2	-79 <sup>9)</sup>
148	IHB Investitions- und Handels-Aktiengesellschaft, Frankfurt am Main	100.00	100.00		3.0	-3
149	IKT Westhafen GmbH & Co. KG, Frankfurt am Main	100.00			0.1	68
150	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH i. L., Frankfurt am Main	100.00	100.00		0.1	2
151	Intelligent Crop Forecasting GmbH i. L., Darmstadt	27.67			n. a.	n. a.
152	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00			0.0	0
153	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50.00	50.00	66.67	1.9	342
154	Königstor Verwaltungs-GmbH, Kassel	100.00			n. a.	n. a.
155	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		2.2	253
156	Nötzli, Mai & Partner Family Office AG, Zurich, Switzerland	100.00			0.3	0
157	OFB Berlin Projekt GmbH, Berlin	100.00			n. a.	n. a.
158	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00			0.0	-1
159	Office One Verwaltung GmbH, Schönefeld	100.00			0.0	3
160	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00			0.0	3
161	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.
162	Projektentwicklung Lutherplatz GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.
163	Projektgesellschaft Darmstadt Goethestraße 36 mbH & Co. Bauträger KG i. L., Frankfurt am Main	51.00			0.1	-11
164	Projektgesellschaft Darmstadt Goethestraße 36 mbH i. L., Frankfurt am Main	51.00			0.0	1
165	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.1	45
166	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00			0.0	0
167	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.3	106
168	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.0	7

### Non-consolidated subsidiaries

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
169	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH), Frankfurt am Main	66.67	66.67	66.66	2.4	566
170	TFK Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG, Kassel	33.33	33.33	66.67	1.4	139
171	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0
172	Westhafenkontor GmbH & Co. KG, Frankfurt am Main	100.00			0.0	317
173	Zweite OFB Berlin Projekt GmbH & Co. KG, Berlin	100.00			n. a.	n. a.

### Joint ventures not accounted for using the equity method

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
174	AARON Grundstücksverwaltungsgesellschaft mbH i. L., Oberursel	50.00	50.00		-2.1	-13
175	Arealogics GmbH, Frankfurt am Main	50.00			0.0	0
176	G & O Alpha Verwaltungsgesellschaft mbH, Eschborn	50.00			0.1	8
177	G & O Verwaltungsgesellschaft mbH, Eschborn	50.00			0.0	1
178	gatelands Verwaltungs GmbH, Schönefeld	75.00			0.0	3
179	GOB Projektentwicklungsgesellschaft E & A mbH, Eschborn	50.00			0.0	2
180	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.5	334
181	HELY Immobilien GmbH, Frankfurt am Main	50.00	50.00		0.0	0
182	HELY Immobilien GmbH & Co. Grundstücksgesellschaft KG, Frankfurt am Main	50.00	50.00		-0.6	15,232
183	Hessen Kapital I GmbH, Frankfurt am Main	100.00	100.00		34.7	75
184	Hessen Kapital II GmbH, Frankfurt am Main	100.00	100.00		5.2	306
185	Kornmarkt Arkaden Projektverwaltung GmbH, Frankfurt am Main	50.00			0.0	1
186	Marienbader Platz Projektentwicklungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	6
187	Marienbader Platz Projektentwicklungsgesellschaft mbH & Co. Bad Homburg v.d.H. KG, Frankfurt am Main	50.00			0.3	48
188	Mittelhessenfonds GmbH, Frankfurt am Main	100.00	100.00		-2.3	-908
189	Multi Park Verwaltungs GmbH, Walldorf/Baden	50.00			0.0	-1
190	OFB & Procom Einzelhandelsentwicklung GmbH, Frankfurt am Main	50.00			0.0	0
191	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe bR, Erfurt	60.00	60.00	33.00	0.3	89
192	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			0.0	-1

### Associates not accounted for using the equity method

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
193	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.25	21.25		14.9	1,263
194	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		21.2	1,762
195	Comtesse BTH Limited, London, UK	4.75	4.75	25.10	21.2	-2,359
196	CORPUS SIREO Holding GmbH, Cologne	25.00			0.3	17
197	GbR VÖB-ImmobilienAnalyse, Bonn	0.00		20.00	n.a.	n.a.
198	HaemoSys GmbH, Jena	38.33			-4.8	-524
199	HANNOVER LEASING Verwaltungsgesellschaft mbH, Pullach	49.34	49.34		0.1	3
200	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		52.6	1,202
201	Liparit Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Benary Vermietungs KG, Mainz	21.62			1.7	1,333
202	Logistikzentrum Rodgau GmbH, Schönefeld	25.00			-0.1	339
203	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Frankfurt am Main	32.52	32.52		8.2	999
204	MIG Immobiliengesellschaft mbH i. L., Mainz	22.73	22.73		0.0	-13
205	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		19.8	960
206	Riedemannweg 59-60 GbR, Berlin	32.00	32.00		-4.4	149
207	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		-2.4	-427

### Holding of more than 20 %

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	thereof directly	Total	in € m	in € thousands
208	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG, Munich	100.00		0.21	-0.4	3.0

<sup>1)</sup> A profit and loss transfer agreement has been signed with the company.

<sup>2)</sup> Section 264b HGB has been applied with regard to the company's annual financial statements.

<sup>3)</sup> The company is a special purpose entity.

<sup>4)</sup> Section 264 (3) HGB has been applied with regard to the company's annual financial statements.

<sup>5)</sup> With the exception of the consolidated Angelika transaction, the silo structures in the company are attributable to third parties.

<sup>6)</sup> Financial year end: 31 January.

<sup>7)</sup> A public special fund in accordance with the KAGB.

<sup>8)</sup> Financial year end: 30 November.

<sup>9)</sup> The silo structures in the company are attributable to third parties.

n.a.: There are no adopted financial statements.

# Responsibility Statement

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

Frankfurt am Main/Erfurt, 18 March 2014

## **Landesbank Hessen-Thüringen Girozentrale**

The Board of Managing Directors

Brenner	Fenk	Groß
Dr. Hosemann	Krick	Dr. Schraad

## Auditor's Report

“We have audited the consolidated financial statements prepared by Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, consisting of the statement of financial position, the income statement and the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) is the responsibility of the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.”

Frankfurt am Main, 18 March 2014

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Markus Burghardt  
Wirtschaftsprüfer  
(German Public Auditor)

Wolfgang Weigel  
Wirtschaftsprüfer  
(German Public Auditor)



# Glossary

## Arranger

The arranger receives a mandate from the customer to structure a package of finance and provide credit.

## Back-testing

Back testing is a procedure for validating risk models. It compares the projected net asset change (risk) with the change in net assets that actually occurs during a trading day. The frequency with which the actual change of value exceeds the risk provides a measure of the quality of the risk model.

## Basel III

Basel III is a package of measures to reform banking regulation published in 2010 by the Basel Committee on Banking Supervision, which is based at the Bank for International Settlements. The package is intended to rectify weaknesses in the existing regulatory framework that were exposed by the financial crisis that broke in 2007. It makes a particular point of requiring banks to hold more Tier 1 capital. The content of certain Basel III provisions has still to be definitively explained, so it is not yet possible to assess the detailed implications of these regulations on specific banking transactions.

## CCP

A central counterparty (CCP) is a legal person that stands between the counterparties involved in a contract traded on one or more markets and thus serves as the buyer for every seller/seller for every buyer.

## Confidence level

Indicates the probability with which a loss limit will not be exceeded. Thus, a confidence level of 99 % means that the actual figure will exceed the projected loss in only 1 % of cases.

## CRD IV

The Capital Requirements Directive (CRD) IV defines capital requirements for banks in EU countries.

## Internal model

Banks may use their own risk models as an alternative to the standardised procedures for risk assessment described in Principle I. The German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank examine these models and confirm their suitability. The quality of the model is expressed by an add-on.

## International Financial Reporting Standards (IFRS)

The IFRS are a collection of standards and interpretations that together lay down rules for external reporting by companies. Developed by the International Accounting Standards Board (IASB), which is an independent private standardisation body, they incorporate the IFRS, the IAS, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the interpretations of its predecessor the Standing Interpretations Committee (SIC).

## Leverage ratio

The leverage ratio is an alternative expression of risk-based metrics that presents the largely unweighted total assets figure as a proportion of regulatory capital. The use of leverage ratios is intended to protect the banking sector against excessive levels of debt and thereby decrease the risk of destabilising debt reduction measures. The leverage ratio thus supplements the Pillar 1 capital framework.

## Money-at-risk (MaR)

This statistical risk-controlling indicator designates an upper loss limit that, with a certain probability, will not be exceeded during a predefined holding period (see also confidence level). The MaR is calculated using statistical and mathematical methods.

## Monte Carlo simulation

This is a mathematical procedure for determining risks in which random scenarios are generated using the estimated distribution of risk factors. The applicable change in values is calculated for each random scenario. The amount at risk is determined from the distribution of value changes thus calculated in accordance with the desired confidence level.

## Repo agreement

A repo agreement is a repurchase agreement; also known as a Pensionsgeschäft in German.

## S-Group ratio

An indicator that expresses the business conducted with Helaba and its subsidiaries as a percentage of total product and service purchases by the Sparkasse in question.

## Variance-covariance approach

Mathematical procedure for risk calculation that assumes a linear relationship between changes in risk factors and portfolio values. Assuming a Gaussian or normal distribution of the risk factors, the money-at-risk is expressed as a multiple of the standard deviation. Multiplying the factor sensitivities of the positions with the associated volatilities yields the individual factor risks. The individual factor risks of a portfolio are compounded to reveal the overall risk using correlations.