Management Report and Annual Accounts of Landesbank Hessen-Thüringen Girozentrale 2013

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Foundations of the Bank

Business model of the Bank

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. In addition, Helaba has interests in numerous other development institutions in Hesse and Thuringia, most notably in guarantee banks and SME investment companies. Helaba has granted Thüringer Aufbaubank a 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
Total	589	100.00

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

Helaba has the following ratings for liabilities not subject to guarantor liability (as at 11 February 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 balance sheet and income statement are derived, also follows this system. Based on an HGB income statement produced in the Margin Accounting System at regular intervals in the course of the financial year, regular plan/actual comparisons are generated and variance analysis is performed.

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.

Motivated and qualified employees are a key success factor for Helaba. A broad range of measures undertaken to develop employees contributes significantly to making Helaba an attractive employer. A qualified personnel management system helps to identify the potential of employees and to encourage and develop it in line with specific needs. Individual further training ensures that employees are able to meet the changing challenges. Succession planning also contributes to filling about half of all vacancies with internal employees. Various indicators, such as 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 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. German consumption, on the other hand, grew at an above-average pace. Consumers benefited from rising real incomes and more favourable employment and cut back on their saving. Capital expenditure also picked up in the second half of the year. With the European debt crisis having abated, companies are more confident that the currency area will 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. Residential construction has 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. While competitive pressure is increasing significantly in certain business areas, especially in retail banking and the SME business, some competitors, including from abroad, are leaving the industry, especially in the long-term lending and project financing business. This gives rise to opportunities for credit institutions with stable 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.

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 in the period to 2019. The capital instruments in the form of share capital (€ 589 m), capital contributions from the State of Hesse (€ 1,920 m) and reserves (€ 3.1 bn) meet all the requirements of the CRR. Overall, Helaba already meets the future regulatory capital requirements. CRD IV provides for a transitional phase ending at 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 of the Joint Savings Banks Association Hesse-Thuringia amounting to € 395 m, silent participations of Main Capital Funding amounting to € 500 m and silent participations of life insurance companies amounting to € 58 m. It is not yet clear to what extent the supervisory authorities in Germany will impose additional capital add-ons on nationally systemically important credit institutions and introduce anti-cyclical capital buffers in the next few years.

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 in the period 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 to the different eligible asset categories and introduced the option to also include loans 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.

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 Authority

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 Parliament, 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 Europe-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 Helaba in 2013 amounted to € 47 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 Marktet 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 performance and results of operations 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 continues to perform well in this economic environment. The volume of new medium- and long-term lending business (more than one year) Helaba entered into with customers increased by 15 % to € 16.3 bn (2012: € 14.1 bn). Despite the increase in the volume of business entered into, 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 € 81 bn. Added to this are loans and advances to affiliated Sparkassen in the amount of € 11 bn. The focus on lending in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba's business model. The degree of interconnectedness with the real economy, i.e. the percentage of the total accounted for by customer transactions, rose to 56.8 % in 2013 (2012: 50.1 %). 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) are the main funds used for medium- and long-term funding. Added to this are 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 income that allows it to service all subordinated debt, profit participation rights and silent participations, to add to its revenue reserves and to the fund for general banking risks in accordance with section 340g of the HGB and to report net retained profits.

Helaba has a comfortable capital position with a Tier 1 capital ratio of 13.19 % and a total capital ratio of 18.05 % as at 31 December 2013 (both in accordance with the current version of SolvV).

The cost-income ratio as at 31 December 2013 is 57.1 % and therefore within the target range (< 60 %). The return on equity declined to 7.9 % (2012: 11.2 %).

Net Assets, Financial Position and Results of Operations

Key performance data for 2013

	2013	2012	Changes	
	€ m	€ m	€ m	%
Business volume	183,210	205,588	−22,378	−10.9
Total assets	161,823	182,647	−20,824	−11.4
Operating result before allowance for losses on loans and advances	684	703	−19	−2.7
Net additions to allowance for losses on loans and advances/net remeasurement gains/losses	−304	−279	−25	9.0
Net income for the year	210	288	−78	−27.1

As in previous years, the Bank does not include the cost of servicing its silent participations in its presentation of the results of operations. For this reason, net interest income and also the operating result reported under the results of operations are € 65 m (2012: € 65 m) higher than in the income statement.

Results of operations

2013 was the first year in which the acquiree NRW-Verbundbank contributed to the results for a full annual period. In 2012, it was only included for the second half of the year. It is important to bear in mind this base effect when comparing almost all income statement items.

While the operating result rose by € 142 m, general and administrative expenses also increased. After offsetting, net income for the year was € 210 m.

Results of operations

	2013	2012	Changes	
	€ m	€ m	€ m	%
Net interest income	1,167	1,034	133	12.9
Net fee and commission income	154	129	25	19.4
Net income of the trading portfolio	303	326	−23	−7.1
Other operating result	−28	−35	7	−20.0
Operating result	1,596	1,454	142	9.8
General and administrative expenses	−912	−751	−161	21.4
Operating result before allowance for losses on loans and advances	684	703	−19	−2.7
Net additions to allowance for losses on loans and advances/net remeasurement gains/losses	−304	−279	−25	9.0
Additions to/reversals of contingency reserves (section 340f HGB)	−6	−5	−1	20.0
Operating result after allowance for losses on loans and advances	374	419	−45	−10.7
Extraordinary result	−13	−13	0	0.0
Income tax expense	−101	−118	17	−14.4
Additions to the fund for general banking risks (section 340g HGB)	−50	0	−50	
Net income for the year	210	288	−78	−27.1

Net interest income, a key variable in determining Helaba's success, was € 1,167 m compared with € 1,034 m in the previous year. The rise was driven both by higher current income from on-balance sheet transactions and derivatives and by higher income from repayments prior to maturity. The contribution to net interest income from fund and equity investment distributions also rose, primarily as a result of a one-time effect in 2013 in the amount of € 30 m.

Net fee and commission income was up by € 25 m or 19.4 % year on year to € 154 m. The rise in net fee and commission is primarily attributable to the acquired S-Group bank operations, which contributed to the full period for the first time in financial year 2013. Fees and commissions from payment transactions and card processing business grew particularly strongly.

All realised and unrealised contributions to income from trading transactions are reported under net income of the trading portfolio. Net income was strong again at € 303 m and mostly attributable to interest rate trading. The result includes the cost of a further transfer to the special reserve under section 340e of the HGB of € 34 m, which took the total to € 119 m.

Net other operating expenses and income amounted to € –28 m (2012: € –35 m). While income and expenses from buildings remained largely unchanged in the reporting period, interest cost on provisions continued to rise due to the low level of interest rates.

General and administrative expenses increased by € 161 m to € 912 m. They consist of personnel expenses of € 366 m (2012: € 346 m), non-personnel operating expenses of € 516 m (2012: € 391 m) as well as depreciation of property and equipment and amortisation of intangible assets of € 30 m (2012: € 14 m). The increase in personnel expenses is attributable, firstly, to the S-Group bank employees transferred and included only on a pro-rata basis in the previous year, with the remainder due primarily to a pay-scale increase in 2013. The rise in non-personnel operating expenses was driven by consulting costs in connection with the acquisition and integration project as well as by projects to implement regulatory requirements. The servicing fee for the S-Group bank business still being operated on Portigon AG's IT platform rose by € 38 m to € 69 m in 2013 as a whole. The bank levy had a negative impact of € 47 m (2012: negative impact of € 26 m). The expenses for the Association overhead allocation and the reserve remained unchanged. At the end of the year, Helaba had 3,511 employees (2012: 3,495). The average number of employees rose from 3,291 to 3,511.

The operating result of € 1,596 m and general and administrative expenses of € 912 m combine to give an operating result before the allowance for losses on loans and advances of € 684 m, a decline on the previous year of € 19 m or 2.7 %.

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

	2013	2012	Changes	
	€ m	€ m	€ m	%
Result of lending operations	–321	–355	34	–9.6
Result of investment operations	–23	–80	57	–71.3
Result of securities allocated to the liquidity reserve, fixed assets and banking book derivatives	40	156	–116	–74.4
Net additions to allowance for losses on loans and advances/net remeasurement gains/losses	–304	–279	–25	9.0

The expense for the allowance for losses on loans and advances fell in 2013. The net figure is down significantly on the previous year to € 321 m. The fall was driven by lower additions to specific allowances (net figure of € 213 m, compared with € 257 m in 2012) and lower expenses for provisions for loans and advances calculated on a portfolio basis (country-specific allowances and global allowances).

The result of investment operations was € –23 m compared with € –80 m in the previous year. Of this, € –10 m is attributable to a disposal-related write-down to fair value (as defined in German law).

The result of securities allocated to the liquidity reserve is the net amount of write-downs to the strict lower of cost or market value, disposal gains and losses and reversals of write-downs required under section 253 (5) of the HGB. Together with the net redemption gain/loss on long-term securities and the net remeasurement gain/loss on banking book derivatives, this resulted in a contribution to income of € 40 m. The € 116 m decline on the prior-year figure of € 156 m is the result of a base effect in the previous year, where a significant narrowing of spreads during 2012 led to a comparatively high net remeasurement gain.

An amount of € 6 m was transferred to the contingency reserves under section 340f of the HGB, taking the operating result after net remeasurement gains/losses to a total of € 374 m (2012: € 419 m). As in previous years, the changes implemented under the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) resulted in extraordinary expense of € 13 m in 2013, because the cost of switching additions to pension provisions to the calculation method specified by BilMoG is spread over several periods.

After tax expense of € 101 m and a transfer to the fund for general banking risks under section 340g of the HGB of € 50 m, this results in net income for the year of € 210 m, which allows Helaba to service all subordinated debt and silent participations, to add to its revenue reserves to strengthen Tier 1 capital and to report net retained profits.

Changes in assets

	2013	2012	Changes	
	€ m	€ m	€ m	%
Loans and advances to banks	24,360	34,088	–9,728	–28.5
Loans and advances to customers	80,796	80,905	–109	–0.1
Bonds and equities	17,423	22,024	–4,601	–20.9
Trading portfolio (assets)	33,342	39,213	–5,871	–15.0
Equity investments/shares in affiliated companies	2,111	2,201	–90	–4.1
Other assets	3,791	4,216	–425	–10.1
Total assets	161,823	182,647	–20,824	–11.4
Business volume	183,210	205,588	–22,378	–10.9

Helaba’s total assets fell from € 182.6 bn to € 161.8 bn in financial year 2013.

Loans and advances to banks, including the cash reserve, declined by € 9.7 bn to € 24.4 bn. The decline is due mainly to running down the high liquidity surplus in the cash reserve (2013: € 1.4 bn; 2012: € 8.7 bn), which had risen sharply at the end of the last reporting period in the wake of the S-Group bank transaction. The funding made available to the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg remained almost unchanged.

Overall, loans and advances to customers remained almost unchanged (2013: € 80.8 bn; 2012: € 80.9 bn). While municipal loans rose by € 2.3 bn and mortgage loans by € 0.4 bn, other loans and advances fell by € 2.6 bn. Among other things, the rise in municipal loans reflects effects related to the Municipal Protection Shield programme. Bausparkasse building loans remained almost unchanged.

The volume of bonds and equities allocated to the investment and liquidity portfolio dropped by € 4.6 bn to € 17.4 bn in the last financial year. The drop is due mainly to portfolio adjustments in the wake of the S-Group bank transaction. The main investments are bonds and other fixed-income securities (€ 15.1 bn; 2012: € 20.7 bn). Equity shares and other variable-income securities amounted to € 2.4 bn (2012: € 1.4 bn). The rise is due to expanding the investment of own funds.

The trading portfolio (assets) declined by € 5.9 bn to € 33.3 bn in the reporting period. Derivatives in the trading portfolio (assets) amounted to € 8.5 bn (2012: € 12.9 bn). The decline is primarily attributable to remeasurement effects in combination with a slight fall in the nominal volume. At € 21.3 bn, bonds and other fixed-income securities made up the majority of trading assets (2012: € 20.6 bn); equity shares and other variable-income securities accounted for only € 0.2 bn (2012: € 0.2 bn). Trading receivables were down on the prior-year figure (€ 5.4 bn) to € 3.3 bn.

The decline in the carrying amounts of equity investments and affiliated companies is mainly attributable to a capital repayment.

The business volume, which includes off-balance sheet business in addition to total assets, declined from € 205.6 bn to € 183.2 bn. Contingent liabilities consisting of sureties, indemnities and guarantees fell from € 6.0 bn to € 5.4 bn. This includes € 0.7 bn (2012: € 0.9 bn) in credit default swaps treated as guarantees and not allocated to the trading portfolio.

The placement and acceptance obligations and the irrevocable loan commitments declined by € 0.9 bn to € 16.0 bn.

Changes in liabilities

	2013	2012	Changes	
	€ m	€ m	€ m	%
Liabilities due to banks	36,136	42,785	–6,649	–15.5
Liabilities due to customers	27,749	30,844	–3,095	–10.0
Securitised liabilities	48,618	58,520	–9,902	–16.9
Trading portfolio (liabilities)	33,820	36,392	–2,572	–7.1
Own funds	11,117	10,204	913	8.9
Other liabilities	4,383	3,902	481	12.3
Total assets	161,823	182,647	–20,824	–11.4

Liabilities due to banks were down year on year to € 36.1 bn (2012: € 42.8 bn). The decline is attributable to liabilities due to both banks (€ –3.3 bn) and affiliated Sparkassen (€ –3.0 bn).

Liabilities due to customers fell by € 3.1 bn to € 27.7 bn. They include home savings deposits of € 3.8 bn (2012: € 3.6 bn).

Securitised liabilities decreased by € 9.9 bn due to a reduced volume of new issues in 2013. This change also represents a return to normal in the wake of the S-Group bank transaction. The portfolio of bonds issued amounted to € 47.2 bn (2012: € 57.7 bn). Within securitised liabilities, the "Other securitised liabilities" item, which mainly includes the issuance programmes comprising short-term money market instruments, amounted to € 1.4 bn (2012: € 0.8 bn).

The trading portfolio (liabilities) fell by € 2.6 bn to € 33.8 bn. Trading liabilities amounted to € 24.2 bn (2012: € 22.5 bn) and trading derivatives (liabilities) to € 9.6 bn (2012: € 13.9 bn). Trading liabilities to Sparkassen in Hesse and Thuringia declined to € 1.1 bn, compared with € 1.9 bn in the previous year.

Own funds
The own funds reported in the balance sheet (i.e. equity excluding net retained profits, including the fund for general banking risks, profit participation rights and subordinated liabilities) amounted to € 11.1 bn as at 31 December 2013. The rise is mainly the result of the issuance of subordinated liabilities.

The Bank's regulatory capital as at 31 December 2013 – i.e. before the annual financial statements were adopted and thus before additions to revenue reserves are taken into consideration and including € –303 m resulting from the comparison of expected losses against allowances at the end of 2012 – amounted to € 9.4 bn. This includes Tier 1 capital for solvency purposes of € 6.9 bn. The silent participations and capital contributions eligible as Tier 1 capital amounted to € 2.9 bn.

The Bank's capital requirements under SolvV amounted to € 4.2 bn as at 31 December 2013. This results in a total capital ratio of 18.1 % for Helaba; the Tier 1 capital ratio for solvency purposes is 13.2 %.

The capital requirements specified by the German Solvency Regulation for the positions for which capital charges are required were met at all times in 2013.

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

Results of operations by business area
In real estate lending, the volume of new medium-/long-term business increased by around 20 % year on year to € 8.7 bn. The interest margin on the portfolio rose slightly compared with the previous year, with margins on new business at a satisfactory level. Overall, income increased by around 8 % year on year, with loans and advances to customers showing a marginal rise. Real estate lending operations therefore exceeded expectations slightly in 2013.

In corporate finance, the volume of new medium-/long-term business was around 6 % up on the previous year to € 4.3 bn. Loans and advances to customers were down on the prior-year reporting date. The budgeted 7 % rise in income compared with the prior-year period is mainly attributable to the inclusion for the full year of loans and advances to municipal and corporate customers stemming from the acquisition of NRW-Verbundbank, which in the previous year were only included on a time-apportioned basis.

Municipal lending in Germany showed dynamic growth in 2013, with medium-/long-term lending business of € 1.5 bn being written. New business was entered into with foreign financial and public-sector institutions only on a selective basis in 2013.

In capital market operations, income from customer business increased by around 25 % compared with the previous year. This was driven, among other things, by primary market activities with corporate customers and municipal authorities. Narrowing spreads contributed to earnings again in 2013, as a result of which income matched the very high prior-year figure overall.

In asset management, income was on a par with the previous year, with the volume of business up slightly.

In S-Group business, income increased by around 35 % compared with the previous year, when income resulting from the acquisition of the business activities of NRW-Verbundbank was only included on a time-apportioned basis. This means that income fell around 15 % short of expectations, however.

New business at LBS was satisfactory in 2013. Income fell slightly short of expectations due to a combination of persistently low interest rates and low demand for finance.

Helaba performs public development functions for the State of Hesse through WIBank. Its performance in 2013 was influenced by both the administration of the various public development programmes and the scheduled administration and disbursement of the Municipal Protection Shield. As a result, the volume of business rose by around 25 %. The increase in public development activity was reflected in a roughly 10 % rise in costs, the reimbursement of which by the State of Hesse pushed up income by a corresponding amount.

In cash management, 2013 was likewise impacted by the effects of the acquisition of the business activities of NRW-Verbundbank. Income rose by around 55 % compared with 2012 as a result of those activities being included for the full year. Persistently low interest rates acted as a drag, as a result of which income was around 6 % lower than budgeted overall.

Report on Post-Balance Sheet Date Events

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. The risk strategy lays down, in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities, the principal elements of the approach adopted to dealing with risk, the objectives of risk containment and the measures employed to achieve these objectives at Helaba and at the Group companies included in Group-wide risk management. Once adopted, the risk strategy is presented to and discussed with the Supervisory Board and the Board of 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), results of operations 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 off-balance sheet transactions lead to short-term and/or structural liquidity risks depending on their precise nature.
- The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This 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 measuring systems enables qualitatively and quantitatively robust risk measurement and assessment for the various risk types. A variety of models, methods and processes are used for this purpose.

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

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

Risk Management Structure

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

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

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

The organisational guidelines specify that the approval of the 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 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 the Bank under commercial law plus special purpose entities and special funds. The regular risk inventory covers the companies belonging to the Group for which there exists a financial, legal or economic imperative for inclusion. The list of companies to be included is drawn up with reference to a catalogue of criteria. Companies belonging to the Group that are not included in the risk inventory are considered through the mechanism of the residual equity risk.

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

Companies belonging to the Group must in addition establish an appropriate risk management process for any of their 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 below.

Internal audit

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

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

Compliance with capital market, money laundering, fraud prevention and data protection regulations

The Bank has established a Capital Market Compliance Office, a Money Laundering and Fraud Prevention Office and a Data Protection 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 the 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 % 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 %).

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 operating 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.

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 capital 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 LBS, 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 (SGVHT) 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 SGVHT 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 Helaba, enjoys the direct statutory guarantee of the State of Hesse as regulated by law and as permitted under EU law on state aid.

Default 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 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 CRD), 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 concerning 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/CCR 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.

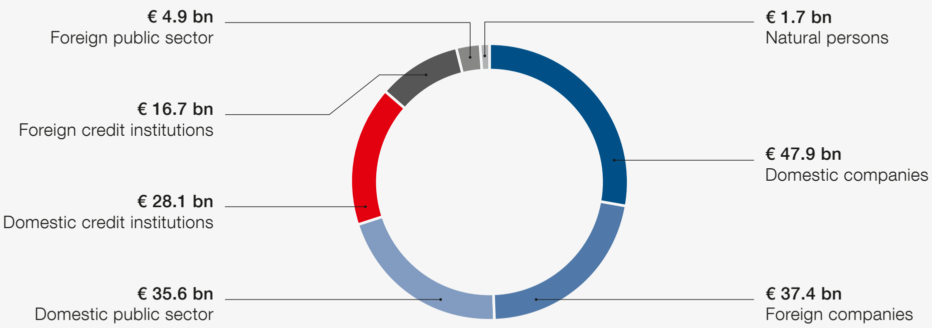
The approved total limits are allocated to individual borrowers, product categories and the operating units concerned in accordance with the application for approval. The utilisation of the individual limits is monitored on a daily basis and appropriate measures are initiated immediately if any limit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

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 Helaba Bank totalling € 172.3 bn (2012: € 193.9 billion), 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 (Helaba Bank)
(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.

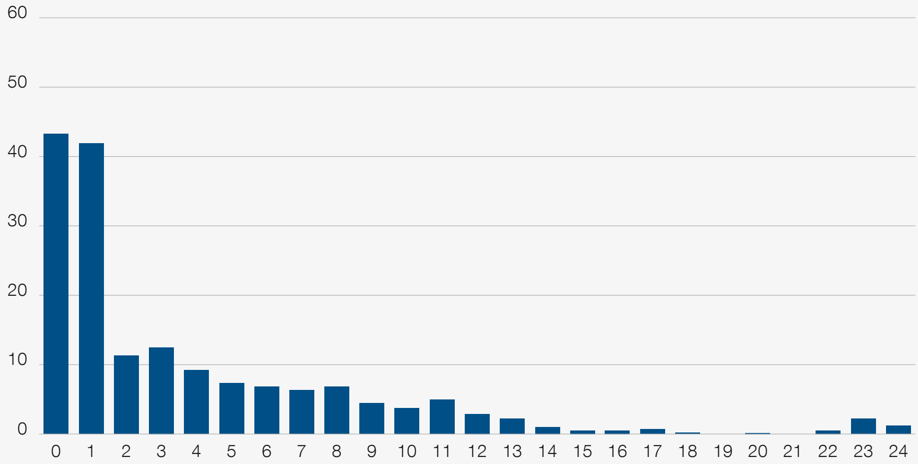
Creditworthiness/risk appraisal
The Bank employs 15 rating systems developed together with DSGV or other Landesbanken and three rating systems developed internally. Based on statistical models, these systems classify loan exposures, irrespective of the customer or object group, by the fixed probability of default (PD) using a 25-point cardinal default rating scale.

Since 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, further relevant factors that mitigate or increase risk for a particular credit transaction are taken into account (in particular maturity, collateralisation, ranking of the loan). Helaba has developed a risk rating that enables the risk content of transactions to be compared across segments for this purpose in addition to the default rating. The risk rating approximates the expected loss (EL). The default rating is used as the basis for the EL-relevant adjustments for determining the risk rating.

Chart 2 shows the total volume of lending of Helaba Bank of € 172.3 bn broken down by risk rating.

Total volume of lending by risk rating category
(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 reduction techniques that enhance shareholders' equity in accordance with Basel II/SolvV. The system complies with the extensive and complex requirements regarding the utilisation, mapping and recognition of "traditional" credit collateral (in particular property charges, guarantees and warranties, pledging and assignment of receivables and securities positions, register charges for ships and aircraft) in the Foundation Approach for internal ratings. The Collateral Management System provides its data resources to the central risk data pool, which in turn verifies and distributes the assets eligible as collateral to the risk positions secured.

Country risks
The country risk consists of transfer, conversion and event risks (such as delivery risks). Helaba has a uniform methodology for the internal measurement and allocation of country risks based on the entity bearing the economic risk. The 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 eurozone, 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 eurozone 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 of Helaba Bank from loans issued to borrowers based outside Germany amounted to € 41.1 bn (2012: € 42.5 bn), most of which was accounted for by borrowers in Europe (83.0 %) and North America (14.3 %). As at 31 December 2013, 91.6 % (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 in the narrow group of consolidated companies amounted as at 31 December 2013 to € 5.2 bn (2012: € 6.7 bn). This figure breaks down as follows:

in € m

	Country									
	Greece		Ireland		Italy		Portugal		Spain	
	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13
Country rating internal (LCR)	23	23	8	8	9	11	14	14	9	11
Country rating external (S&P/Moody's)	SD/ C	B–/ Caa3	BBB+/ Ba1	BBB/ Ba1	BBB+/ Baa2	BBB/ Baa2	BB/ Ba3	BB/ Ba3	BBB–/ Baa3	BBB–/ Baa3
Sector										
Government	0	0	38	0	266	260	25	3	1,207	1,060
Banks	3	3	48	15	1,297	872	20	22	1,016	762
Other financial institutions	0	0	19	0	23	14	0	0	894	545
Corporates	0	177	216	275	332	213	31	34	1,434	1,256
Other (inc. natural persons)	0	0	7	4	44	34	7	4	135	111
Direct gross exposure	**3**	**180**	**328**	**294**	**1,962**	**1,393**	**83**	**63**	**4,686**	**3,734**
Less collateral	0	–177	–120	–121	–160	–71	17	0	–93	–67
Direct net exposure	**3**	**3**	**208**	**173**	**1,802**	**1,322**	**100**	**63**	**4,593**	**3,667**

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 regulatory loss given default (LGDs). 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 business units 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.

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 %). In the field of equities, the focus is on securities listed in the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US dollar, Swiss franc, Japanese yen and sterling positions. 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
Total	83	62	65	47	2	2	16	13
Trading book	28	16	26	13	0	2	1	1
Banking book	66	50	48	36	2	0	15	14

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

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 MaRC² (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.

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 the previous year 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 Helaba Asset Services).

Average MaR for the trading book in financial year 2013
(Chart 5)

ø 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
Total risk	**32**	**16**	**32**	**19**	**38**	**16**	**28**	**16**	**33**	**17**

Number of trading days: 249 (2012: 250)

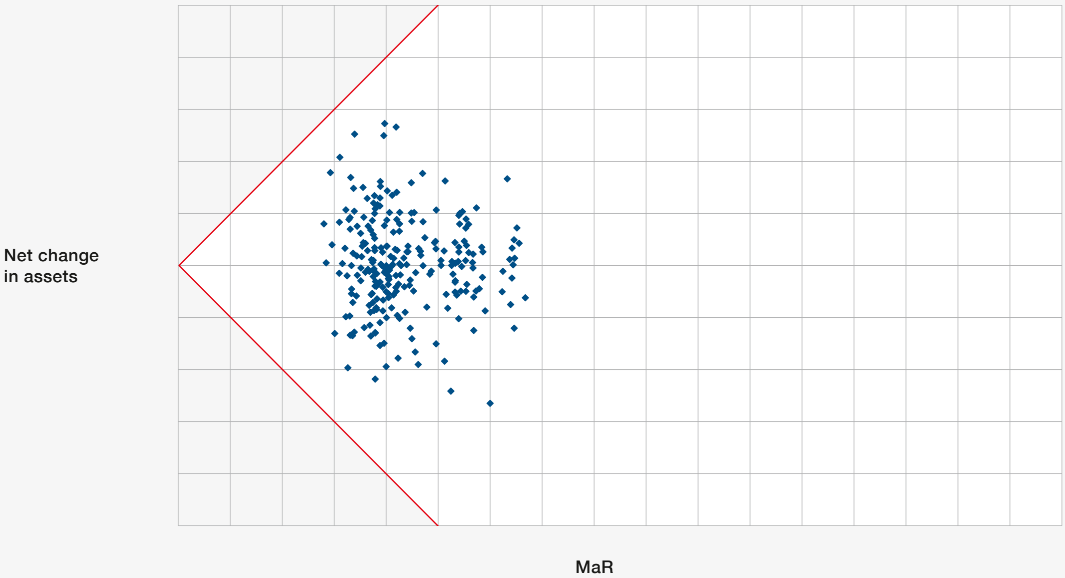
The annual average MaR for the trading book for Frankfurter Sparkasse amounts to € 0 m (2012: € 0 m). The average MaR for the trading book for Frankfurter Bankgesellschaft (Schweiz) AG is € 0 m (2012: € 0 m).

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).

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 MaRC² 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 markdowns to cover unexpected market developments affecting individual securities. Securities that are used for collateral purposes in collateral management and are thus earmarked for a specific purpose are not considered to be part of the liquid securities portfolio. The main currencies for short-term liquidity at Helaba are the euro, first and foremost, and the US dollar.

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 (Liquiditätsverdordnung – 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 (LCR and NSFR) are determined as part of liquidity management.

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

A total of € 1.9 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. Monitoring is the responsibility of Risk Controlling Treasury. 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 off-balance sheet liquidity risks and the definition of the corresponding models and assumptions. A comprehensive plan of action in the event of any liquidity shortage is maintained for all locations.

Operational Risks

Principles of risk containment
Helaba defines operational risk – in line with the Basel Committee and the German capital regulations – as, "The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition includes legal risks. Strategic and reputation risks are not included under operational risk. Helaba has an integrated approach for the management of operational risks based on the MaRisk and the requirements of the 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 (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.

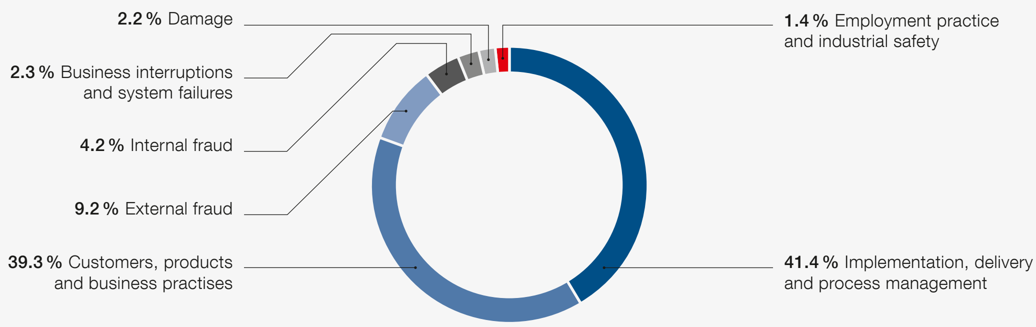
Technical assistance to help facilitate the management of operational risks is provided in the form of a web-based application that supports local data access and a central database and is updated regularly in line with expert recommendations.

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. The containment of operational risks involves mapping risk scenarios with respect to migration, servicing by Portigon AG, business with existing customers and the takeover of new products. The risks quantified were incorporated into the risk-bearing capacity as of 31 December 2013 and risk reporting.

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

Quantification
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 Dezernent (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. Helaba'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 and WIBank. 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 single entity financial statements under HGB. Accounting and Taxes also analyses and prepares the closing data and communicates it to the Board of Managing Directors.

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

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

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

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. Accounting manuals for HGB and IFRS define stipulations for the accounting methods to be used. The scope of cross-unit and unit-specific work instructions extends to organisational factors and the preparation process as well as 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 the 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. The figures are discussed regularly with the Board of Managing Directors following this preliminary analysis and validation.

Business Risk

Business risk is the potential economic loss attributable to possible changes in customer behaviour or the state of competition in the relevant market environment and in the general business climate. 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 the Taxes department or in consultation with the Taxes department and in this way tax risks are either avoided or covered by appropriate provisions on the balance sheet.

Real Estate Risks

Real estate risks comprise 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 from fluctuations in market values currently arise above all for the portfolio properties of the GWH Group and for 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 (GWH Wohnungsgesellschaft mbH Hessen 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.

Report on Expected Developments 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 areas. 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. This affects real estate lending and municipal business in particular, but also medium- and long-term project finance and infrastructure business. Helaba believes these developments in principle present it with a good opportunity to increase its potential business volume and earnings while retaining its conservative risk standards and ensuring compliance with the new regulatory requirements.

The takeover of the S-Group business and payment transactions of the now defunct WestLB, which was completed in mid-2012, moreover, paves the way for a marked strengthening of Helaba's market position in these segments. In the fast-growing payment transactions segment, 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 area 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 with its established strategic business model and sees additional development opportunities in the expansion of regional private customers and SME business, S-Group business and 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 areas over the next few years in order to refine and sharpen the focus of its strategic business model and stabilise earnings. These adjustments are intended

- to align activities even more closely with the needs of customer and S-Group business and hence with Helaba's strong presence in the real economy,
- to create 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. With this particular aim in mind, Helaba set up an internal project 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 and avoiding concentrations of risk and income.

Probable development of the Bank
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 at essentially the same level as in the last few years in 2014

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 € 7.8 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.

In corporate finance, 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 € 4.3 bn in 2014. Income is budgeted to be marginally up on the previous year, with portfolios showing slight growth overall.

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 and public-sector institutions will continue to be conducted only on a selective basis in 2014.

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. Income from narrowing credit spreads also contributed to the high result in 2013. This trend in 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.

In asset management, the expansion of the volume-driven fund management and service business is expected to bring a moderate increase in income.

In the Private Customers and SME Business unit, collaboration in S-Group business with the Sparkassen in the core business regions of Hesse, Thuringia, North Rhine-Westphalia and Brandenburg will be continued. While S-Group collaboration with the Sparkassen in Hesse and Thuringia is traditionally already at a very high level, S-Group banking activities and income in North Rhine-Westphalia are expected to be expanded in 2014 following the completion of the integration activities. This is to be achieved, among other things, on the back of the bolstering of sales and market initiatives planned in S-Group business in 2014. These plans include stepping up the international offering for the Sparkassen, for example. 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 the processes reorganised in the previous year. Sales activities in S-Group business are conducted with the involvement of the subsidiaries Helaba Invest Kapitalanlagegesellschaft mbH and Frankfurter Bankgesellschaft (Schweiz) AG.

In cash management, the focus in 2014 will be on the postponed conversion to SEPA. While work to convert the formats in the application systems is at a very advanced stage, the focus in the further course of the year will be on assisting customers with their conversion projects. Income in cash management will rise slightly overall in 2014, with higher fees and commissions making up for a decline in interest income due to the low level of interest rates. Conversely, IT project costs will increase slightly.

Helaba's Public Development and Infrastructure Business unit performs public development functions for the State of Hesse, most notably in the areas of residential construction and urban development, infrastructure, industry and commerce, agriculture and the environment, through WIBank. Its performance in 2014 will be influenced by the ongoing administration and disbursement of the Municipal Protection Shield and 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 by around 10 % 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. Of considerable importance in 2014 will be the coming-on-stream of the refined agricultural development activities and the changes to the development programmes that WIBank handles for the State of Hesse as a result of the new EU funding period.

The total volume of new medium-/long-term lending business is budgeted to be around 5 % down on the previous year to € 15.4 bn in 2014. This will lead to a slight increase in loans and advances to customers and net interest income in lending business. Due to the low level of interest rates, low interest income is acting as a drag in cash management, at LBS and in the investment of own funds, as a result of which total net interest income for 2014 is expected to be slightly down on 2013.

Net fee and commission income is budgeted to be around 10 % higher than in 2013 due in particular to the expansion of customer business. Net trading income will fall sharply compared with 2013, as narrowing spreads are no longer budgeted to contribute to earnings in 2014. The other operating result will again reflect restructuring expenses from the current cost-cutting programme (Helaba PRO) in 2014.

The operating result is expected to be slightly down on 2013 due in particular to the decline in net trading income.

Helaba is planning to reduce 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.

Non-personnel operating expenses in 2014 will reflect the sustained high structural costs of banking. These include project costs to ensure compliance with regulatory requirements and high costs for the bank levy and deposit guarantee schemes.

Due to the winding-down of project activity compared with 2013, the migration of the NRW-Verbundbank portfolios, which is scheduled to be completed by mid-2014, will remove a source of strain, as will implementation measures under the programme to improve efficiency and fine-tune resources. Overall, non-personnel operating expenses are budgeted to be around 9 % lower than in 2013.

The cost-income ratio is expected to be 60 % in 2014.

The 2013 allowance for losses on loans and advances was impacted by the trend in some market segments and individual exposures (shipping, real estate). In 2014, expenses for the allowance for losses on loans and advances are expected to fall by around 30 % against the backdrop of a continuing economic recovery.

Overall, the Bank expects a result for 2014 on a par with the previous year (taking into account the addition made to the fund for general banking risks under section 340g of the HGB in order to strengthen its asset base). Here, a decline in net trading income will be offset by a lower allowance for losses on loans and advances and lower general and administrative expenses.

The Bank's aim for 2015 is to continue developing its business divisions while systematically increasing income from customer business. Conversely, 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

Helaba lifted its operating result by more than 10 % in financial year 2013. Due to sharply higher general and administrative expenses and a sharply lower contribution to earnings from securities in the banking book, the operating result before the allowance for losses on loans and advances is slightly lower than in the previous year. After the additions to the special reserve under section 340e of the HGB, the contingency reserves (section 340f of the HGB) and the fund for general banking risks (section 340g of the HGB), net income is 27 % down on the prior-year figure to € 210 m (2012: € 288 m). The rise in the operating result is attributable to a combination of higher customer contributions and sustained high trading income. The change in general and administrative expenses is due to high one-time expenses related to the integration of NRW-Verbundbank and numerous regulatory implementation projects. Overall on the market side, financial year 2013 was marked by a further increase in customer business and the consolidation of Helaba's position as a leading S-Group bank in the German Sparkasse organisation. The annual financial statements for 2013 reflect further efforts to strengthen its asset base.

Frankfurt am Main/Erfurt, 25 February 2014

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Fenk	Groß
Dr. Hosemann	Krick	Dr. Schraad

Annual Accounts of Landesbank Hessen-Thüringen

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

as at 31 December 2013

Assets in € thousands

	See note no.				2013	2012
Cash reserve						
a) Cash in hand				8,025		7,478
b) Balances with central banks				1,421,549		8,701,743
					1,429,574	8,709,221
thereof: With Deutsche Bundesbank		313,963				(8,233,337)
Loans and advances to banks	(2), (32), (43)					
a) Mortgage loans				2,064		–
b) Municipal loans				13,610,117		14,838,979
c) Other loans and advances				9,318,727		10,540,510
					22,930,908	25,379,489
thereof: Payable on demand		6,372,027				(5,835,913)
Against securities pledged as collateral		–				
thereof: Bausparkasse home savings loans		–				(1)
Loans and advances to customers	(3), (32), (43)				**80,795,564**	80,904,988
a) Mortgage loans				14,937,628		14,610,271
b) Municipal loans				25,416,404		23,139,727
c) Other loans and advances				39,569,921		42,236,463
thereof: Against securities pledged as collateral		–				
d) Bausparkasse building loans						
da) From allotments (home savings loans)			368,671			460,734
db) For interim and bridge-over financing			497,979			452,105
dc) Other			4,962			5,688
				871,611		918,527
thereof: Secured by mortgage charges		554,863				(603,724)
Bonds and other fixed-income securities	(4)					
a) Money market instruments						
aa) Public-sector issuers			–			–
thereof: Eligible as collateral with Deutsche Bundesbank		–				–
ab) Other issuers			–	–		–
thereof: Eligible as collateral with Deutsche Bundesbank		–				–
b) Bonds and notes						
ba) Public-sector issuers			6,003,695			10,342,267
thereof: Eligible as collateral with Deutsche Bundesbank		5,917,174				(10,237,082)
bb) Other issuers			9,067,971			10,308,863
				15,071,666		20,651,130
thereof: Eligible as collateral with Deutsche Bundesbank		8,474,170				(9,142,791)
c) Own bonds and notes				–		–
					15,071,666	20,651,130
Nominal amount		–				–
Carried forward:					**120,227,712**	135,644,828

Equity and liabilities

in € thousands

	See note no.				2013	2012
Liabilities due to banks	(15), (18), (43)					
a) Registered mortgage Pfandbriefe issued				37,477		97,715
b) Registered public Pfandbriefe issued				1,213,045		1,594,512
c) Other liabilities				34,862,157		41,068,865
thereof: Payable on demand		7,975,220				(8,053,995)
Provided to lenders						
as collateral for loans raised: Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
d) Home savings deposits				23,261		24,118
					36,135,940	42,785,210
thereof: On allotted contracts		5,070				(4,969)
Liabilities due to customers	(19), (43)					
a) Registered mortgage Pfandbriefe issued				2,127,400		2,474,427
b) Registered public Pfandbriefe issued				5,476,522		6,044,857
c) Deposits from home savings business and savings deposits						
ca) Home savings deposits			3,837,737			3,594,532
thereof: On terminated contracts		30,582				(38,272)
On allotted contracts		76,735				(79,987)
cb) Savings deposits with an agreed period of notice of three months			–			–
cc) Savings deposits with an agreed period of notice of more than three months			0			0
				3,837,737		3,594,532
d) Other liabilities				16,307,207		18,730,640
					27,748,866	30,844,456
thereof: Payable on demand		6,435,205				(6,725,419)
Provided to lenders						
as collateral for loans raised: Registered mortgage Pfandbriefe		–				
Registered public Pfandbriefe		–				
Securitised liabilities	(20), (31)					
a) Bonds issued						
aa) Mortgage Pfandbriefe			3,389,409			3,130,157
ab) Public Pfandbriefe			11,850,517			13,249,319
ac) Other debt instruments			31,989,129			41,306,312
				47,229,056		57,685,788
b) Other securitised liabilities				1,389,012		834,399
					48,618,068	58,520,187
thereof: Money market instruments		1,389,012				(834,399)
Trading portfolio	(21), (34), (43)				**33,819,529**	36,392,233
Carried forward:					**146,322,403**	168,542,086

Assets

in € thousands

	See note no.				2013	2012
Brought forward:					**120,227,712**	135,644,828
Equity shares and other variable-income securities	(5)				**2,351,893**	1,373,490
Trading portfolio	(6), (14), (34), (43)				**33,342,342**	39,212,764
Equity investments	(7), (17), (43)				**237,878**	246,782
thereof: In banks		55,019				(55,019)
In financial services institutions		16,215				(16,363)
Shares in affiliated companies	(8), (17), (43)				**1,872,572**	1,953,625
thereof: In banks		836,312				(959,952)
In financial services institutions		–				–
Trust assets	(9)				**884,795**	901,654
thereof: Trustee loans		608,120				(617,386)
Intangible assets	(10), (17)					
a) Internally generated industrial rights and similar rights and assets				–		
b) Purchased concessions, industrial property rights and similar rights and licences in such rights and assets				29,265		20,520
c) Goodwill				–		14,317
d) Prepayments				171		
					29,436	34,837
Property and equipment	(11), (17)				**60,073**	52,427
Other assets	(12)				**1,433,770**	1,694,905
Prepaid expenses	(13)					
a) From issuing and lending operations				1,353,726		1,489,156
b) Other				29,212		42,723
					1,382,938	1,531,880
Total assets					**161,823,409**	**182,647,192**

Equity and liabilities

in € thousands

	See note no.				2013	2012
Brought forward:					**146,322,403**	168,542,086
Trust liabilities	(22)				**884,795**	901,654
thereof: Trustee loans		608,120				(617,386)
Other liabilities	(23)				**671,602**	749,387
Deferred income	(24)					
a) From issuing and lending operations				1,476,756		897,227
b) Other				154,887		114,792
					1,631,644	1,012,019
Provisions	(25)					
a) Provisions for pensions and similar obligations				693,690		637,573
b) Provisions for taxes				65,572		142,674
c) Other provisions				328,020		358,264
					1,087,282	1,138,511
Home savings protection fund					**9,020**	9,020
Subordinated liabilities	(26)				**3,082,009**	2,298,741
Profit participation rights	(28)				**708,804**	708,804
thereof: Due within two years		30,804				(–)
Fund for general banking risks	(28)				**593,925**	510,256
thereof: Special reserve under section 340e (4) of the HGB		119,000				(85,000)
Equity	(28)					
a) Subscribed capital						
aa) Share capital			588,889			588,889
ab) Capital contribution			1,920,000			1,920,000
ac) Silent partner contributions			1,053,337			1,053,337
				3,562,226		3,562,226
b) Capital reserves				1,546,412		1,546,412
c) Revenue reserves				1,623,287		1,578,076
d) Net retained profits				100,000		90,000
					6,831,925	6,776,714
Total equity and liabilities					**161,823,409**	**182,647,192**
Contingent liabilities	(29)					
Liabilities from guarantees and indemnity agreements					**5,382,105**	6,033,982
Other obligations	(30)					
a) Placement and acceptance obligations				1,909,621		2,072,154
b) Irrevocable loan commitments				14,095,588		14,834,997
					16,005,209	16,907,151

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

for the period 1 January to 31 December 2013

in € thousands

	See note no.				2013	2012
Interest income from	(36)					
a) Lending and money market transactions			3,229,521			3,499,465
thereof: Bausparkasse interest income:						
aa) From home savings loans		17,984				(23,235)
ab) From interim and bridge-over loans		19,579				(20,246)
ac) From other loans		218				(241)
b) Fixed-income securities and registered government debt			253,729			317,343
				3,483,250		3,816,808
Interest expense				2,569,341		3,012,818
thereof: On home savings deposits		75,244				(71,535)
					913,909	803,990
Current income from	(36)					
a) Equity shares and other variable-income securities				26,347		39,134
b) Equity investments				20,412		20,005
c) Shares in affiliated companies				76,374		47,130
					123,133	106,269
Income from profit pooling, profit transfer or partial profit transfer agreements					**64,810**	58,757
Fee and commission income	(36), (37)			218,438		190,920
thereof: Bausparkasse fee and commission income:						
a) On contracts signed and arranged		22,591				(25,147)
b) From loans granted after allotment of home savings contract		1,714				(1,101)
c) From the commitment and administration of interim and bridge-over loans		2				(1)
Fee and commission expense				63,810		61,844
thereof: On Bausparkasse contracts signed and arranged		31,038				(33,891)
					154,628	129,076
Net income of the trading portfolio	(36)				**303,035**	325,645
Other operating income	(36), (38)				**92,051**	59,067
Carried forward:					**1,651,566**	1,376,535

in € thousands

	See note no.				2013	2012
Brought forward:					**1,651,566**	1,376,535
General and administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			295,336			276,583
ab) Social security, post-employment and other benefit expenses			70,460			69,180
				365,796		345,763
thereof: Post-employment benefit expenses		26,854				(30,419)
b) Other administrative expenses				515,487		391,154
					881,283	736,917
Amortisation and write-downs of intangible assets and depreciation and write-downs of property and equipment					**30,447**	13,732
Other operating expenses	(38)				**119,012**	92,708
Write-downs of and allowances on loans and advances and certain securities as well as transfers to loan loss provisions	(39)				**301,535**	212,574
Income from the reversal of write-downs of and allowances on loans and advances and certain securities and from the reversal of loan loss provisions					**–**	–
Write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets					**1,873**	71,768
Income from the reversal of write-downs of and allowances on equity investments, shares in affiliated companies and securities classified as fixed assets						–
Cost of loss absorption					**6,851**	1
Additions to the fund for general banking risks					**50,000**	–
Result from ordinary activities					**260,565**	355,104
Extraordinary income				–		–
Extraordinary expenses				13,429		13,423
Extraordinary result	(40)				**13,429**	13,423
Taxes on income	(41)			100,732		117,491
Other taxes not included in item Other operating expenses				1,210		1,065
					101,942	118,556
Net income for the year					**145,194**	223,125
Retained profits brought forward from previous year					**17**	–
Allocations to revenue reserves					**45,211**	133,125
Net retained profits					**100,000**	90,000

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

Frankfurt am Main/Erfurt, as at 31 December 2013

The annual financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, a legal entity under public law, are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB) in conjunction with the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG).

The structure of the balance sheet and income statement reflects the requirements of the RechKredV. The two statements have been extended to include the line items prescribed for Pfandbriefbanken and Bausparkassen. The disclosures on Bausparkasse operations required to be included in the notes are contained in the annual financial statements of Landesbausparkasse Hessen-Thüringen (LBS), which are published separately.

(1) Accounting Policies

Assets and liabilities are measured in accordance with the provisions of sections 252 et seqq. of the HGB, with due consideration given to the special provisions for credit institutions (sections 340 et seqq. of the HGB).

As a rule, the same accounting policies have been applied in the annual financial statements for the period ended 31 December 2013 as were applied in the prior-year annual financial statements. Any changes are explained below.

Receivables and liabilities
Receivables are reported at their nominal amount and liabilities at their settlement amount. Outside the trading portfolio and outside the securities allocated to the liquidity reserve, differences presented as interest between the nominal amount and payment amount or cost are shown as prepaid expenses or deferred income and reversed to the relevant periods over the term of the asset or liability. Bonds and similar liabilities issued at a discount as well as securities and receivables acquired on a discounted basis are shown at their present values.

Specific allowances or provisions have been recognised to take account of all identifiable risks. In addition to the fund for general banking risks shown in the balance sheet in accordance with section 340g of the HGB, global allowances, country risk-specific global allowances and contingency reserves in accordance with section 340f of the HGB have been recognised for potential (credit) risks.

Securities

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

The investment portfolio comprises the securities reclassified in 2008, some residual items from the investment portfolio of the subsidiary Helaba Dublin, which were acquired by the Bank in 2010, and securities acquired through the acquisition of the S-Group bank of the former WestLB in the previous financial year. These are regularly tested for permanent impairment.

Equity investments and shares in affiliated companies

Equity investments and shares in affiliated companies are shown at cost. If impairment is expected to be permanent, they are written down to their lower fair value. If the reasons for an impairment write-down recognised in previous years no longer apply, the write-down is reversed and the asset is recognised at fair value, but without exceeding amortised cost.

Trading portfolio

Trading portfolios are shown in the balance sheet under the items trading assets and trading liabilities. Trades are measured on the basis of individual transactions. In accordance with section 340e (3) of the HGB, financial instruments held for trading are measured at fair value less a risk discount for trading assets and plus a risk premium for trading liabilities. The amount, timing and reliability of future cash flows, as the basis for determining fair value, are primarily influenced by the level of interest rates, developments on the equity and bond markets, and changes in credit spreads. In line with the requirements of the banking supervisory authority, the risk premiums and discounts are determined in accordance with the provisions of the German Banking Act (Kreditwesengesetz, KWG) for all trading portfolios. The method used to determine the risk discount is based on the regulatory provisions regarding the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement, MaRisk) and the provisions of section 315 of the German Solvency Regulation (Solvabilitätsverordnung, SolvV). The risk discount is calculated in the form of a money-at-risk (MaR) amount with a confidence level of 99 %, a holding period of ten days and an observation period of one year. The risk premiums and discounts are calculated for each risk category.

A counterparty-specific credit valuation adjustment (CVA) takes account of third-party credit risks arising from the settlement of OTC derivatives. A debit valuation adjustment (DVA) is recognised to take account of own credit risk. The CVA and DVA are calculated at each balance sheet date by measuring the potential default risk, taking account of collateral pledged or received and the effect of netting agreements. In 2013, the Bank further developed the method used to calculate credit risk-related fair value changes for derivative products and for the first time included own credit risk when measuring derivative products (DVA). Overall, the effect of the measures amounted to € 25 m, which was recognised as an expense within net trading income.

Changes in value, realised gains and losses, commissions and current income from financial instruments held for trading as well as interest expense for funding trading activities are reported under "Net income of the trading portfolio" or "Net expense of the trading portfolio".

In accordance with section 340e (4) of the HGB, an amount equivalent to at least 10 % of net trading income is allocated to the separate account in the special reserve for general banking risks as at the reporting date. Such additions are made until the account reaches 50 % of the average annual net trading income generated over the last five years before the date of the calculation, or until an amount is reversed in order to absorb net trading expense. Additions are charged to net trading income.

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 change in the model has a negative impact on net trading income of € 39.1 m and reduces trading assets by the same amount.

Fixed assets and intangible assets

Fixed assets and intangible assets with finite useful lives are carried at depreciated or amortised cost less any impairment write-downs to the lower fair values. Depreciation and amortisation are charged over the useful life of the asset. Low-value assets are fully depreciated or amortised in the year of acquisition. The Bank does not capitalise internally generated intangible assets. The goodwill recognised in the previous year in connection with the S-Group bank acquired from WestLB was fully written down in the reporting period.

Provisions

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

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

The measurement parameters applied are shown in the table below:

	31.12.2013	31.12.2012
Interest rate	4.90 %	5.06 %
Salary trend	2.25 %	2.00 %
Pension trend	1.00 – 2.25 %	1.00 – 2.00 %
Employee turnover rate	3.00 %	3.00 %

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

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

Fair value measurement

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 interbank market. If an observable market price does not exist for a financial instrument, it is measured using recognised and commonly used valuation techniques, with all input data (e.g. yield curves, volatilities, spreads) being based on observable market data and taken from external sources. Such techniques mainly comprise discounted cash flow-based forward pricing and swap pricing models or option pricing models (e.g. Black-Scholes and variants thereof). They are normally used for OTC derivatives (including credit derivatives) and financial instruments that are recognised at fair value and not traded in an active market. In cases where not all inputs are directly observable in the market, fair values are calculated using realistic assumptions based on market conditions. This valuation technique is used in particular for complex structured (derivative) spread 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 unobservable inputs, particularly the surpluses derived from corporate planning.

Currency translation

Foreign currency assets and liabilities included in the annual financial statements and spot transactions not settled at the balance sheet date are translated at the average spot exchange rate in accordance with the principles set out in section 256a of the HGB and section 340h of the HGB. In the case of foreign currency futures in the trading portfolio, swap spreads are accrued and the residual spreads measured. The Bank applies the principle of special cover in accordance with section 340h of the HGB. All currency gains or losses are recognised in the income statement.

Derivatives

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

Derivatives not held for trading and derivatives held in valuation units (hedges) are used to manage general interest rate risk in the banking book. When measuring the banking book, an overall assessment of all interest-bearing on-balance sheet assets and liabilities, including interest rate derivatives, is performed for general interest rate risk in accordance with the principles of IDW BFA (Banking Committee) 3. To determine market price risk, receivables, interest-bearing securities, liabilities and derivatives allocated to the banking book are not measured individually in accordance with the imparity principle, but treated as part of a refinancing group. In the year under review, it was not necessary to recognise a provision for potential losses from the refinancing group – using a periodic (income statement-based) analysis.

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

Valuation units
In its banking book, Helaba has created valuation units in accordance with section 254 of the HGB, comprising securities held in the liquidity reserve and the corresponding interest rate swaps entered into for hedging purposes (asset swaps). The valuation units consist of asset-swap combinations in the form of micro valuation units (micro hedges). The hedges relate exclusively to interest rate risks. The net hedge presentation method is used to present changes in value that offset each other between the hedged item and the hedging instrument. The hedged items are always hedged at 100 % of the nominal volume for the entire remaining maturity. The fact that key factors affecting value match ensures the prospective effectiveness of the valuation units. Prospective effectiveness is mainly determined using regression analysis; the critical term match method is used in individual cases. The offsetting changes in value and cash flows cancelled each other out to a large extent at the balance sheet date and are expected to continue to do so in future. The changes in value arising from the hedged risks will cancel each other out completely by the envisaged end of the valuation units (the time at which the hedged item and the hedging instrument mature).

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

(2) Loans and Advances to Banks

in € m

	31.12.2013	31.12.2012
This item includes:		
Loans and advances to affiliated Sparkassen	11,106	11,430
Loans and advances to affiliated companies	6,138	5,431
Loans and advances to other long-term investees and investors	4	4
The sub-item – other loans and advances – comprises:		
Subordinated loans and advances	50	45
thereof: To other long-term investees and investors	1	1
Payable on demand	6,372	5,836
Remaining maturities:		
Up to three months	8,835	9,075
More than three months and up to one year	1,034	2,199
More than one year and up to five years	4,995	5,891
More than five years	1,695	2,379
Cover funds	3,499	5,654

(3) Loans and Advances to Customers

in € m

	31.12.2013	31.12.2012
This item includes:		
Loans and advances to affiliated companies	1,208	2,742
Loans and advances to other long-term investees and investors	1,051	1,017
Subordinated loans and advances	610	840
thereof: To other long-term investees and investors	20	24
Remaining maturities:		
Up to three months	6,114	5,268
More than three months and up to one year	10,319	9,482
More than one year and up to five years	34,749	36,739
More than five years	26,291	26,819
With an indefinite term	3,323	2,596
Cover funds	19,551	28,921

(4) Bonds and Other Fixed-Income Securities

in € m

	31.12.2013	31.12.2012
Securitised receivables		
From affiliated companies	–	–
From other long-term investees and investors	687	745
The marketable securities comprise		
Listed securities	14,794	20,244
Unlisted securities	334	438
Remaining maturities:		
Amounts due in the following year	3,381	5,835
Subordinated assets	72	229
Sold under repo agreements in open market transactions	–	4,000
Carrying amount of investment securities	299	1,369
Fair value of investment securities	292	1,347
Temporary impairment of investment securities	11	31

The Bank judges the impairment of investment securities to be temporary and therefore expects the securities to be repaid in full at maturity.

(5) Equity Shares and Other Variable-Income Securities

in € m

	31.12.2013	31.12.2012
The marketable securities comprise		
Listed securities	0	0
Unlisted securities	43	48

This item comprises units in seven securities investment funds held exclusively by Helaba (mixed funds or pure fixed-income funds) with a total carrying amount of € 2.3 bn. In line with Helaba's long-term investment intentions, these investment funds mainly invest in interest-bearing securities. Further units relate to 18 % of a retail fund (carrying amount: € 14.9 m) with a global equity market-oriented investment strategy. As at the balance sheet date, all units were measured at the lower fair value, if applicable. There were no material price reserves at the balance sheet date. Income from dividend payments received in 2013 amounted to a total of € 26.0 m.

(6) Trading Portfolio (Assets)

in € m

	31.12.2013	31.12.2012
Derivative financial instruments	8,534	12,935
Loans and advances	3,270	5,429
Bonds and other fixed-income securities	21,347	20,606
Equity shares and other variable-income securities	191	243
Subordinated assets	–	12
Other assets	–	0

(7) Equity Investments

in € m

	31.12.2013	31.12.2012
The securities comprise		
Marketable securities	19	19
Listed securities	–	–

(8) Shares in Affiliated Companies

in € m

	31.12.2013	31.12.2012
The securities comprise		
Marketable securities	111	112
Listed securities	–	–

(9) Trust Assets

in € m

	31.12.2013	31.12.2012
This item includes:		
Loans and advances to banks	89	62
Loans and advances to customers	519	555
Equity investments	63	69
Shares in affiliated companies	203	203
Other assets	11	13

(10) Intangible Assets

in € m

	31.12.2013	31.12.2012
Purchased standardised software	30	21
Goodwill	–	14

(11) Property and Equipment

in € m

	31.12.2013	31.12.2012
This item includes:		
Land and buildings used for own operations	17	15
Operating and office equipment	37	30

(12) Other Assets

in € m

	31.12.2013	31.12.2012
Significant items are:		
Interest receivables under swap agreements	835	1,110
Other	599	585

(13) Prepaid Expenses

in € m

From issuing and lending operations	31.12.2013	31.12.2012
This item includes:		
Premiums on loans and advances	394	15
Discounts on liabilities and bonds issued	960	1,474

(14) Repurchase Agreements

in € m

	31.12.2013	31.12.2012
Trading assets sold under repo agreements	300	1
Assets in the liquidity reserve sold under repo agreements	35	0

(15) Assets Pledged as Collateral

in € m

	31.12.2013	31.12.2012
Assets of the following amounts were transferred for the following liabilities:		
Liabilities due to banks	4,092[1)]	5,910[1)]
Trading liabilities	4,322[1)]	5,702[1)]

[1)] Includes € 18 m (2012: € 0 m) in borrowed securities transferred on to credit institutions in connection with repurchase agreements.

(16) Assets Denominated in Foreign Currency

in € m

	31.12.2013	31.12.2012
	23,175	24,587

(17) Statement of Changes in Fixed Assets

in € m

Fixed assets	Intangible assets	Property and equipment	Bonds and other fixed-income securities	Equity investments	Shares in affiliated companies	Total
Cost at 1.1.2013	107	137	1,369	299	2,021	3,933
Additions	18	17	–	10	31	76
Disposals	–	5	1,070	21	99	1,195
Exchange rate changes	–	–1	–	–2	–3	–6
Accumulated depreciation, amortisation and write-downs	95	88	–	48	78	309
Carrying amount at 31.12.2013	**30**	**60**	**299**	**238**	**1,872**	**2,499**
Carrying amount in previous year	**35**	**53**	**1,369**	**247**	**1,953**	**3,657**
Depreciation, amortisation and write-downs in 2013	23	7	–	1	10	41

(18) Liabilities Due to Banks

in € m

	31.12.2013	31.12.2012
This item includes:		
Liabilities due to affiliated Sparkassen	10,070	13,135
Liabilities due to affiliated companies	4,280	5,898
Liabilities due to other long-term investees and investors	9	9
Payable on demand	7,975	8,054
Remaining maturities:		
Up to three months	1,771	2,002
More than three months and up to one year	2,150	4,664
More than one year and up to five years	13,568	16,608
More than five years	10,648	11,433

(19) Liabilities Due to Customers

in € m

	31.12.2013	31.12.2012
This item includes:		
Liabilities due to affiliated companies	889	666
Liabilities due to other long-term investees and investors	36	58
Payable on demand	6,435	6,725
Remaining maturities:		
Up to three months	1,266	2,337
More than three months and up to one year	1,034	1,788
More than one year and up to five years	4,678	4,994
More than five years	10,497	11,403

(20) Securitised Liabilities

in € m

	31.12.2013	31.12.2012
This item includes:		
Liabilities due to affiliated companies	–	17
Liabilities due to other long-term investees and investors	–	–
Remaining maturities of the sub-item – bonds issued –		
Amounts due in the following year	9,011	9,008
Remaining maturities of the sub-item – other securitised liabilities –		
Up to three months	1,124	678
More than three months and up to one year	265	156
More than one year and up to five years	–	–
More than five years	–	–

(21) Trading Portfolio (Liabilities)

in € m

	31.12.2013	31.12.2012
Derivative financial instruments	9,570	13,881
Liabilities	24,222	22,486
Risk premium	28	25

(22) Trust Liabilities

in € m

	31.12.2013	31.12.2012
Trust liabilities are broken down as follows:		
Liabilities due to banks	3	6
Liabilities due to customers	808	817
Other liabilities	74	79

(23) Other Liabilities

in € m

	31.12.2013	31.12.2012
Significant items are:		
Interest obligations arising from swap agreements in the non-trading portfolio	464	583
Interest on profit participation rights and silent participations	101	101
Currency translation differences	9	2
Option premiums received for the non-trading portfolio	6	6

(24) Deferred Income

in € m

From issuing and lending operations	31.12.2013	31.12.2012
This item mainly comprises:		
Discounts on lending operations	627	875
Premiums on liabilities	850	23

(25) Provisions

Due to the application of section 67 (1) sentence 1 of the Act Introducing the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB), there was a shortfall of € 145 m in the pension provisions reported as at the balance sheet date (2012: € 159 m).

The cost of the assets offset against provisions in accordance with section 246 (2) sentence 2 of the HGB amounted to € 24 m (2012: € 23 m) and the fair value to € 25 m (2012: € 24 m). The settlement amount of the offset liabilities amounted to € 29 m (2012: € 29 m). In the income statement, income from these assets amounting to € 1.5 m (2012: € 1.1 m) was offset against expenses from the corresponding liabilities amounting to € 1.4 m (2012: € 1.5 m).

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

(26) Subordinated Liabilities

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

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

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

The reported figure includes pro-rata interest of € 19 m (2012: € 9 m). For subordinated borrowings, the interest expense in the year under review amounted to € 88 m (2012: € 85 m).

(27) Liabilities Denominated in Foreign Currency

in € m

	31.12.2013	31.12.2012
	8,980	13,103

(28) Own Funds

in € m

	31.12.2013	31.12.2012
Subscribed capital	3,562	3,562
a) Share capital	589	589
b) Capital contribution	1,920	1,920
c) Silent partner contributions	1,053	1,053
Capital reserves	1,546	1,546
Revenue reserves	1,623	1,578
Including profit participation rights,	709	709
fund for general banking risks	594	510
and subordinated liabilities,	3,082	2,299
the liable capital reported in the balance sheet amounted to	11,117	10,204

The revenue reserves as at 31 December 2013 included an addition to reserves of € 45 m from net income for 2013.

Own funds were also bolstered by an addition of € 50 m to the fund for general banking risks.

An amount of € 119 m in the fund for general banking risks is attributable to the special reserve under section 340e of the HGB and is therefore subject to a distribution restriction.

(29) Contingent Liabilities

in € m

	31.12.2013	31.12.2012
This item includes:		
Credit guarantees	2,419	3,234
Other guarantees and sureties	2,963	2,800

Helaba judges to be low the risk that borrowers will fail to meet their obligations and facilities are likely to be utilised. Bank guarantees are subject to the Bank's process for determining provisions for losses on loans and advances. Helaba has recognised appropriate provisions in individual cases where a loss from the likely use of a facility is probable.

(30) Other Obligations

in € m

	31.12.2013	31.12.2012
This item includes:		
Placement and acceptance obligations	1,910	2,072
Irrevocable loan commitments for open-account loans	14,096	14,835

On the basis of financial standing analyses, Helaba assumes that borrowers will meet their obligations and therefore facilities are unlikely to be utilised. Provisions have been recognised in individual cases where a loss from the likely use of a facility is probable.

(31) Pfandbriefe and Statement of Cover Assets

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

in € m

	Nominal amount		Net present value	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Mortgage Pfandbriefe				
Cover pool	9,179	8,726	9,730	9,316
Pfandbriefe in circulation	5,493	5,624	5,815	6,120
Surplus cover	3,686	3,102	3,915	3,196
Net present value at risk according to the German Present Value Regulation (Barwertverordnung)	–	–	3,809	3,072
Public Pfandbriefe				
Cover pool	24,996	26,945	26,848	29,612
Pfandbriefe in circulation	18,821	20,454	20,424	22,785
Surplus cover	6,175	6,490	6,424	6,827
Net present value at risk according to the German Present Value Regulation (Barwertverordnung)	–	–	6,094	6,584

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

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

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

in € m

	Cover pool		Pfandbrief	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Fixed-interest periods/remaining maturities				
Mortgage Pfandbriefe				
Up to one year	**2,421**	2,777	**1,481**	933
More than one year to two years	**1,698**	1,386	**111**	1,486
More than two years to three years	**1,296**	1,442	**365**	111
More than three years to four years	**1,612**	796	**1,560**	365
More than four years to five years	**654**	1,189	**396**	760
More than five years to ten years	**1,444**	1,074	**1,105**	1,493
More than ten years	**54**	63	**475**	476
Public Pfandbriefe				
Up to one year	**4,057**	4,589	**1,853**	4,065
More than one year to two years	**5,353**	3,606	**2,373**	1,864
More than two years to three years	**2,621**	5,179	**4,127**	2,373
More than three years to four years	**1,960**	2,437	**1,982**	4,068
More than four years to five years	**2,233**	1,755	**2,075**	1,817
More than five years to ten years	**5,784**	6,387	**3,770**	3,729
More than ten years	**2,988**	2,992	**2,641**	2,539

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

in € m

	Further cover	
	31.12.2013	31.12.2012
Mortgage Pfandbriefe		
Cover pool	**9,179**	8,726
thereof: Further cover	**534**	200
Public Pfandbriefe		
Cover pool	**24,996**	26,945
thereof: Further cover	**127**	351

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

in € m

	31.12.2013	31.12.2012
Commercial	**7,001**	6,962
Residential	**1,643**	1,564
Further cover	**534**	200

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

Residential breakdown:

	Flats		Single-family houses		Multi-family houses		Building land and building shells		Total	
Country	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Germany	**53**	62	**68**	78	**1,522**	1,424	**0**	0	**1,643**	1,564

Commercial breakdown:

	Office buildings		Retail buildings		Industrial buildings		Other buildings		Building land and building shells		Total	
Country	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Germany	**2,923**	3,232	**2,436**	2,376	**201**	185	**275**	299	**13**	13	**5,848**	6,105
France	**419**	129	**108**	–	**–**	–	**–**	–	**–**	–	**527**	129
Luxembourg	**73**	73	**–**	–	**–**	–	**–**	–	**–**	–	**73**	73
Sweden	**–**	58	**44**	–	**–**	–	**–**	7	**–**	–	**44**	65
The Netherlands	**217**	190	**9**	9	**–**	–	**–**	–	**–**	–	**226**	199
Poland	**–**	–	**31**	–	**–**	–	**–**	–	**–**	–	**31**	–
UK	**69**	18	**–**	182	**–**	–	**–**	–	**–**	–	**69**	200
USA	**183**	191	**–**	–	**–**	–	**–**	–	**–**	–	**183**	191
Total	**3,884**	3,891	**2,628**	2,567	**201**	185	**275**	306	**13**	13	**7,001**	6,962

Breakdown of the cover pool for mortgage Pfandbriefe by size

in € m

	31.12.2013	31.12.2012
Up to € 0.3 m	**245**	236
Up to € 5 m	**1,137**	1,243
More than € 5 m	**7,263**	7,047
Further cover	**534**	200

The total amount of payments at least 90 days past due was € 0.0 m (2012: € 0.1 m) and related to domestic debtors. There were no instances of receivership or forced sales in the year under review, nor was it necessary to take charge of any land in order to avoid losses.

Interest arrears from mortgage operations

in € m

	31.12.2013	31.12.2012
Commercial	**0**	0
Residential	**0**	0
Total	**0**	0

Breakdown of the cover pool for public Pfandbriefe by issuer

	Central government		Regional authorities		Municipal authorities		Public-law credit institutions/other		Total	
Country	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Germany	**763**	753	**3,183**	4,073	**11,584**	12,609	**7,972**	7,500	**23,502**	24,935
France incl. Monaco	**–**	–	**103**	60	**–**	23	**–**	24	**103**	107
UK incl. Northern Ireland	**321**	241	**–**	–	**–**	–	**–**	–	**321**	241
Luxembourg	**8**	–	**–**	–	**–**	–	**–**	–	**8**	–
The Netherlands	**–**	–	**–**	–	**–**	10	**–**	–	**–**	10
Spain	**–**	–	**821**	1,005	**–**	–	**–**	–	**821**	1,005
Austria	**–**	1	**–**	50	**–**	23	**–**	165	**–**	239
Switzerland	**–**	–	**–**	366	**–**	41	**241**	–	**241**	407
Total	**1,092**	995	**4,107**	5,554	**11,584**	12,706	**8,213**	7,689	**24,996**	26,944

In the case of public Pfandbriefe, payments at least 90 days past due totalled € 0 thousand (2012: € 0 thousand).

(32) Non-Trading Derivative Financial Instruments

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

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

The nominal volume of derivative transactions in the non-trading portfolio increased by 2.2 % year on year.

Non-trading derivative transactions – disclosure of volumes

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2013	31.12.2012	31.12.2013	31.12.2013
Interest rate risk				
Interest rate swaps	103,902	111,333	4,392	2,572
FRAs	–	–	–	–
Interest rate options	8,259	9,986	11	753
Calls	358	1,103	11	0
Puts	7,901	8,883	0	753
Caps, floors	11,365	3,872	242	18
Market contracts	11,696	4,455	4	0
Other interest rate futures	–	–	–	–
Interest rate risk – total –	**135,222**	**129,646**	**4,649**	**3,343**
Currency risk				
Currency futures	2,915	6,691	7	9
Currency swaps/cross-currency swaps	12,563	11,022	206	158
Currency options	–	4	–	–
Calls	–	3	–	–
Puts	–	1	–	–
Currency risk – total –	**15,478**	**17,717**	**213**	**167**
Equity and other price risks				
Equity options	–	–	–	–
Calls	–	–	–	–
Puts	–	–	–	–
Market contracts	–	–	–	–
Equity and other price risks – total –	**–**	**–**	**–**	**–**
Credit derivatives				
Calls	246	118	0	1
Puts	702	878	0	11
Credit derivatives – total –	948	996	0	12
Grand total	**151,648**	**148,359**	**4,862**	**3,522**

In addition to the nominal volumes, the positive and negative fair values are shown separately. Netting or collateral agreements are disregarded.

Positive fair values/present values that can be used as an indication of the potential counterparty default risks associated with these transactions amount to 3.2 % of the nominal amount (2012: 4.9 %). Since these transactions form part of hedging transactions, the fair values always have to be analysed in connection with the hedged items.

The fair values are in some cases offset by unrealised premium and special cash flows and interest accrued on derivatives, which are shown in the balance sheet under other assets/liabilities and prepaid expenses/deferred income. The total amount of assets related to derivatives is € 1,647 m, while liabilities related to derivatives amount to € 996 m.

Non-trading derivative transactions – breakdown by maturity –

in € m

	Interest rate risk		Currency risk		Credit derivatives		Equity and other price risks	
Nominal amounts	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Remaining maturities:								
Up to three months	12,027	11,943	3,347	6,932	–	57	–	–
Up to one year	17,182	16,938	1,218	2,880	215	53	–	–
Up to five years	66,546	65,728	8,688	6,382	733	886	–	–
More than five years	39,467	35,037	2,225	1,523	–	–	–	–
Total	**135,222**	**129,646**	**15,478**	**17,717**	**948**	**996**	**–**	**–**

The volume of interest rate transactions rose in all maturity bands due to the acquisition of the S-Group bank of the former WestLB. Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 21.6 % of total business in this risk category (2012: 22.3 %). The moderate increase in the volume reported for transactions exposed to currency risk is attributable to short-term maturities.

Non-trading derivative transactions – breakdown by counterparty –

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2013	31.12.2012	31.12.2013	31.12.2013
Banks in OECD countries	95,122	98,943	3,448	2,999
Banks outside OECD countries	17	19	0	3
Public institutions in OECD countries	31,578	36,944	1,253	395
Other counterparties	24,931	12,453	161	125
Total	**151,648**	**148,359**	**4,862**	**3,522**

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

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

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 95.9 % of the nominal volume.

(33) Derivative Financial Instruments Held For Trading

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

The nominal volume of derivative trades was down 5.1 % on the previous year. The decline was largely due to exchange-traded interest rate futures and option contracts and currency futures reaching maturity. The volume of equity-related transactions increased further as a result of the acquisition of the operations of NRW-Verbundbank; the volume of credit derivatives was reduced slightly.

Derivative trades – disclosure of volumes

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2013	31.12.2012	31.12.2013	31.12.2013
Interest rate risk				
Interest rate swaps	261,131	255,022	6,571	7,735
FRAs	27,107	12,875	4	2
Interest rate options	23,907	21,551	835	712
Calls	12,000	10,836	832	4
Puts	11,907	10,715	3	708
Caps, floors	17,825	23,207	122	87
Market contracts	28,932	59,755	10	3
Other interest rate futures	282	5	14	0
Interest rate risk – total –	**359,184**	**372,415**	**7,556**	**8,539**
Currency risk				
Currency futures	21,943	30,029	327	442
Currency swaps/cross-currency swaps	10,716	10,843	458	417
Currency options	775	1,718	26	26
Calls	385	853	26	0
Puts	390	865	0	26
Currency risk – total –	**33,434**	**42,590**	**811**	**885**
Equity and other price risks				
Equity options	2,104	1,311	96	73
Calls	1,220	969	96	0
Puts	884	342	0	73
Market contracts	867	705	20	25
Equity and other price risks – total –	**2,971**	**2,016**	**116**	**98**
Credit derivatives				
Calls	2,575	2,699	2	39
Puts	2,548	2,754	41	1
Credit derivatives – total –	**5,123**	**5,453**	**43**	**40**
Commodity risk				
Commodity swaps	233	137	6	6
Commodity options	182	142	2	2
Commodity risk – total –	415	279	8	8
Grand total	**401,127**	**422,753**	**8,534**	**9,570**

In addition to the nominal volumes, the positive and negative fair values are shown separately. Netting or collateral agreements are disregarded.

Positive fair values/present values that can be used as an indication of the potential counterparty default risks associated with these transactions amount to 2.1 % of the nominal amount (2012: 3.1 %).

Derivative trades – breakdown by maturity –

in € m

Nominal amounts	Interest rate risk		Currency risk		Equity and other price risks		Credit derivatives		Commodity derivatives	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Remaining maturities:										
Up to three months	60,562	77,733	11,935	18,330	422	242	200	718	53	75
Up to one year	70,276	68,495	9,526	10,383	767	709	408	1,172	172	82
Up to five years	119,225	121,467	9,424	11,259	1,663	1,052	4,460	3,436	125	96
More than five years	109,121	104,720	2,549	2,618	119	13	55	127	65	26
Total	**359,184**	**372,415**	**33,434**	**42,590**	**2,971**	**2,016**	**5,123**	**5,453**	**415**	**279**

The volume of short-term interest rate transactions declined because of instruments reaching maturity, while the volume of medium- to long-term transactions increased moderately. Short-term interest rate transactions (with a remaining maturity of up to one year) now account for 36.4 % of total business in this risk category (2012: 39.3 %). The volume of short- and medium-term equity-related transactions increased.

Derivative trades – breakdown by counterparty –

in € m

	Nominal amounts		Positive fair values	Negative fair values
	31.12.2013	31.12.2012	31.12.2013	31.12.2013
Banks in OECD countries	182,814	256,959	4,397	6,656
Banks outside OECD countries	–	–	–	–
Public institutions in OECD countries	38,579	40,840	1,718	1,667
Other counterparties	179,734	124,954	2,419	1,247
Total	**401,127**	**422,753**	**8,534**	**9,570**

The purpose of the counterparty breakdown is to present the counterparty default risks associated with derivative transactions.

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

A significant proportion of transactions with other counterparties relate to market contracts and OTC transactions with central counterparties; they account for 70.0 % of the nominal volume.

The percentage of the total volume of derivatives accounted for by trading derivatives declined slightly year on year to 72.6 % (2012: 74.0 %).

As in previous years, interest rate contracts accounted for most of the trading activities. In this case, 72.6 % of the total portfolio is attributable to trading derivatives (2012: 74.2 %). 68.4 % of the currency risk contracts and 84.4 % of the credit derivatives relate to the trading portfolio.

(34) Trading Products

in € m

	Assets		Liabilities		Net income of the trading portfolio	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Derivative financial instruments						
Interest rate trading	7,556	11,718	8,539	12,937	81	–276
Equity trading	116	209	98	86	18	–36
Currency trading	811	960	885	815	30	25
Credit derivatives	43	39	40	36	–6	27
Commodities	8	9	8	7	9	2
Receivables/liabilities						
Promissory note loans	1,897	2,185	–	–	2	92
Overnight and time deposits	779	2,296	20,905	17,488	–37	–191
Repos/reverse repos/securities lending	396	752	254	1	0	0
Issued money market instruments/ securitised liabilities	–	–	2,764	4,600	–12	–38
Other	198	196	105	166	–4	–5
Bonds and other fixed-income securities	21,347	20,606	222	256	294	775
Equity shares and other variable-income securities	191	243	–	–	–5	45
Other						
Commissions					–33	–29
Fund for general banking risks in accordance with section 340e of the HGB					–34	–65
Total	**33,342**	**39,213**	**33,820**	**36,392**	**303**	**326**

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

As at 31 December 2013, the carrying amount of the securities included in valuation units was € 7,193 m.

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

in € m

	31.12.2013	31.12.2012
Credit risk-related reversals of write-downs of securities	15	85
Provision for potential losses for interest rate-related measurement effects that were not fully offset	–1	–5

(36) Breakdown by Geographical Market

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

in € m

	31.12.2013	31.12.2012
Germany	3,698	4,032
European Union, excl. Germany	360	255
Other	163	209

(37) Fee and Commission Income

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

(38) Other Operating Income and Expenses

Under other operating income, the Bank reports, among other things, rental and leasing income of € 30 m (2012: € 26 m), a reimbursement of € 24 m (2012: € 0 m) and cost reimbursements on commissioned work undertaken for third parties of € 13 m (2012: € 14 m).

The interest cost on provisions amounted to € 64 m (2012: € 52 m). Expenses for buildings not occupied by the Group amounted to € 10 m in the year under review (2012: € 7 m).

The item includes prior-period income and income from the reversal of provisions of € 42 m and prior-period expenses of € 1 m.

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

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

(40) Extraordinary Result

Similar to the previous year, the extraordinary result is attributable exclusively to additions to provisions amounting to € 13 m. In 2013, the Bank used the option of adding 1/15 of the difference attributable to the remeasurement of provisions to the provision for current pensions or vested pension rights on the basis of the first-time adoption of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG).

(41) Taxes on Income

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

(42) Other Financial Obligations

At the balance sheet date, the Bank had obligations to make contributions to the subscribed capital of 19 companies totalling € 37 m, of which € 8 m was attributable to affiliated companies. For three companies, the Bank has a contractual obligation to make additional payments of up to € 40 m.

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

In its capacity as the legal successor of the subsidiaries, the Bank has assumed obligations of the subsidiaries.

The Bank is also jointly liable for ensuring that other shareholders belonging to the Deutscher Sparkassen- und Giroverband e.V. (DSGV) meet their obligations to make additional contributions. If a claim is made against a former guarantor of DekaBank under the grandfathering provisions applicable to the guarantor liability in accordance with the Brussels Accord I, Helaba is obliged to pay pro-rata internal liability compensation.

The Bank is a member of the deposit guarantee schemes of the German Sparkasse organisation through its membership of the reserve fund of the Landesbanken and Girozentralen in Germany. This deposit guarantee scheme is designed to protect institutions, i.e. its purpose is to protect member institutions as going concerns. There is an obligation to make additional payments if protection has to be provided.

In addition, Helaba is a member of the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen (SGVHT). This fund provides additional protection on top of the existing deposit protection schemes; it provides protection not only to institutions but also to creditors. Helaba and the Sparkassen make successive contributions to the fund until 0.5 % of the assessment base (eligible positions under the German Solvency Regulation) has been reached. An institution's obligation to pay contributions is established on the basis of risk, taking into account bonus and penalty factors. The 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.

With regard to Helaba Asset Services (formerly: Helaba Dublin Landesbank Hessen-Thüringen International) and Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Helaba ensures that each company is able to meet its contractual obligations, except in the case of political risk.

Securities with a value of € 3.7 bn have been pledged for settling clearing transactions and for off-balance sheet draw-down risks. The market value of secured money trading securities was € 0.3 bn. In accordance with international requirements, securities with an equivalent market value of € 1.5 bn had been pledged as collateral.

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

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

Further obligations in accordance with section 285 no. 3 of the HGB are attributable in particular to long-term property rental and lease agreements for properties used for banking operations. Rental and lease payment obligations of € 44.4 m are expected for 2014 for the properties used by Helaba with contract terms and notice periods of 2.5 to 13.5 years. Other financial obligations arise from various rental, usage and service agreements as well as consultancy agreements to the extent customary in business.

The OPUSALPHA asset-backed commercial paper programme initiated by Helaba is used as the basis for securitising receivables attributable to operations by and for customers. In addition to the customer transactions, OPUSALPHA contains an ABS portfolio (securitised receivables with a fair value of € 71 m (2012: € 90 m)), which in accordance with IAS 27/SIC 12 is consolidated in the consolidated financial statements because Helaba is entitled to most of the risks and rewards. The line of liquidity provided for OPUSALPHA amounted to € 2.4 bn (2012: € 1.9 bn); of this figure, € 2.0 bn had been drawn down as at 31 December 2013 (31 December 2012: € 1.4 bn).

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

Under local measurement procedures, a foreign pension fund for a foreign subsidiary's pension commitments had a deficit of € 7 m as at 31 December 2013, which must be settled 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. Under international accounting requirements, the indirect pension obligation (before the existing plan assets are taken into account) amounts to € 41 m.

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

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

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

(43) Related Party Disclosures

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

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 31 December 2013:

in € m

	31.12.2013	31.12.2012
Loans and advances to banks	**2,081**	**2,668**
Affiliated companies	1,997	2,624
Investments in joint ventures and associates	4	4
Shareholders of Helaba	80	40
Other related parties		
Loans and advances to customers	**3,024**	**4,858**
Affiliated companies	1,176	2,727
Investments in joint ventures and associates	619	673
Shareholders of Helaba	1,140	1,458
Other related parties	89	232
Equity shares and other variable-income securities	**2,545**	**1,818**
Affiliated companies	2,294	1,299
Investments in joint ventures and associates	2	–
Shareholders of Helaba	249	519
Other related parties	–	–
Trading assets	**977**	**814**
Affiliated companies	0	0
Investments in joint ventures and associates	–	20
Shareholders of Helaba	977	794
Other related parties		
Equity investments	**31**	**38**
Affiliated companies	–	–
Investments in joint ventures and associates	31	38
Shareholders of Helaba	–	–
Other related parties	–	–
Shares in affiliated companies	**1,832**	**1,954**
Affiliated companies	1,832	1,954
Investments in joint ventures and associates	–	–
Shareholders of Helaba	–	–
Other related parties	–	–
Other assets	**2**	**2**
Affiliated companies	0	2
Investments in joint ventures and associates	2	–
Shareholders of Helaba	–	–
Other related parties	–	
Liabilities due to banks	**4,522**	**6,098**
Affiliated companies	4,278	5,899
Investments in joint ventures and associates	0	0
Shareholders of Helaba	244	199
Other related parties	–	

in € m

	31.12.2013	31.12.2012
Liabilities due to customers	**1,938**	**1,479**
Affiliated companies	917	674
Investments in joint ventures and associates	287	50
Shareholders of Helaba	730	751
Other related parties	4	4
Trading liabilities	**3**	**31**
Affiliated companies	0	6
Investments in joint ventures and associates	3	6
Shareholders of Helaba	–	19
Other related parties	–	
Other liabilities	**1**	**4**
Affiliated companies	1	4
Investments in joint ventures and associates	–	
Shareholders of Helaba	–	
Other related parties	–	
Contingent liabilities	**383**	**193**
Affiliated companies	78	90
Investments in joint ventures and associates	199	65
Shareholders of Helaba	37	38
Other related parties	69	172

Allowances of € 60 m (2012: € 67 m) were recognised on receivables from subsidiaries and joint ventures.

Receivables from other related parties comprise loans of € 0.1 m to members of the Board of Managing Directors (2012: € 0.1 m) and loans of € 1.5 m to members of the Supervisory Board (2012: € 1.7 m).

The total remuneration paid by the Bank to the Board of Managing Directors amounted to € 4.6 m (2012: € 4.4 m). A total of € 0.9 m (2012: € 0.6 m) was paid to the Supervisory Board and, as in the previous year, € 0.1 m was paid to the Advisory Board. In addition, a total of € 2.6 m (2012: € 2.0 m) was paid to the members of the Supervisory Board as employees. An amount of € 3.0 m was paid to former members of the Board of Managing Directors and their surviving dependants (2012: € 3.0 m). Provisions of € 47.7 m were recognised for pension obligations for this group of persons (2012: € 43.9 m).

(44) Average Number of Employees During the Year

	Female	Male	Total
Bank	1,164	1,636	2,800
Landesbausparkasse	167	128	295
WIBank – Wirtschafts- und Infrastrukturbank Hessen	241	175	416
Bank as a whole	1,572	1,939	3,511

(45) Executive Bodies of the Bank

Supervisory Board

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

Dr. Werner Henning
Chief Administrative Officer
County District of Eichsfeld
Heiligenstadt
– First Vice-Chairman –

Dr. Thomas Schäfer
Minister of State
Ministry of Finance of the
State of Hesse
Wiesbaden
– Second Vice-Chairman –

Hans Martz
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 Fahrenschon
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

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 –

Stefan Lauer
Idstein

Christoph Matschie
Minister
Minister 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 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
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

Risk and Credit Committee of the Supervisory Board (until 30 November 2013: Credit Committee)

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
Girozentrale
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

Audit Committee of the Supervisory Board
(until 30 November 2013: Accounts Audit Committee of the Supervisory Board)

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

Stephan Ziegler
Executive President
Sparkassen- und Giroverband
Hessen-Thüringen
Frankfurt am Main/Erfurt
– 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.

The Board of Managing Directors

Hans-Dieter Brenner
– Chairman –

Jürgen Fenk

Thomas Groß

Dr. Detlef Hosemann

Rainer Krick

Dr. Norbert Schraad

(46) List of Shareholdings

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

List of shareholdings

No.	Name and location of the company	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding %	Equity € thousands	Result € thousands	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7,100	0	1)
2	AARON Grundstücksverwaltungsgesellschaft mbH i. L., Oberursel	50.00	50.00		–2,064	–13	
3	Aeskulap Projekt GmbH & Co. KG, Frankfurt am Main	100.00			31	–56	1)
4	AGENORAS Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			24	1	
5	AGENORAS Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Frankfurt am Main	100.00			–18	7	
6	Airport Office One GmbH & Co. KG, Schönefeld	100.00			14	–5	
7	Arealogics GmbH, Frankfurt am Main	50.00			13	0	
8	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		26	0	1)
9	BHT Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	66.67	625	77	
10	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		7,980	798	
11	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		744	113	
12	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	331	45	
13	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00		1,262	158	
14	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	1,190	198	
15	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00			46	0	1)
16	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG, Munich	100.00		0.21	–441	3	
17	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Frankfurt am Main	100.00	100.00		1,017	670	
18	Brillant Verwaltungsgesellschaft mbH i. L., Düsseldorf	100.00	100.00		24	0	
19	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.25	21.25		14,863	1,263	
20	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		21,239	1,762	
21	Bürogebäude Darmstädter Landstraße GmbH & Co. KG, Frankfurt am Main	100.00	100.00		161	–3	
22	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5,276	27	
23	CAMPANULA Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	33.33			–4,406	–675	

List of shareholdings

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Result	
		Total	Thereof directly	%	€ thousands	€ thousands	
24	CEREUS Verwaltungsgesellschaft mbH & Co Vermietungs KG, Pullach	33.33			2,796	–477	
25	CORDELIA Verwaltungsgesellschaft mbH, Pullach	90.00			25	0	1)
26	CORPUS SIREO Holding GmbH, Cologne	25.00			271	17	
27	CORPUS SIREO Holding GmbH & Co. KG, Cologne	25.00			130,050	32,871	
28	CP Campus Projekte GmbH, Frankfurt am Main	50.00			327	–108	
29	Div Deutsche Immobilienfonds Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			52	0	
30	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36,746	1,969	
31	EGERIA Verwaltungsgesellschaft mbH, Pullach	90.00			25	0	1)
32	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			–1,120	37	
33	Erste ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	50.00			–40	–65	
34	Erste OFB Berlin Projekt GmbH & Co. KG, Berlin	100.00			n. a.	n. a.	
35	Erste Veritas Frankfurt GmbH & Co. KG, Kriftel	100.00			70,406	–10	
36	Fachmarktzentrum Fulda GmbH & Co. KG, Fulda	100.00			722	664	1)
37	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		158	8	
38	Fellnerstraße 5 GmbH & Co. KG, Frankfurt am Main	100.00			85	–1	
39	FMZ Fulda Verwaltung GmbH, Fulda	100.00			25	92	
40	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			9,848	47	
41	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		99,878	3,073	
42	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		770,744	60,000	
43	Franziskanerhof Bonn GmbH & Co. KG, Frankfurt am Main	100.00			108	81	
44	Franziskanerhof Bonn Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			27	0	
45	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	100.00			210	0	1)
46	G & O Alpha Hotelentwicklung GmbH, Eschborn	50.00			89	–192	
47	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Eschborn	50.00			37	1	
48	G & O Alpha Verwaltungsgesellschaft mbH, Eschborn	50.00			77	8	
49	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Eschborn	50.00			376	–4	
50	G & O Gateway Gardens Dritte GmbH & Co. KG, Eschborn	50.00			13	0	
51	G & O Gateway Gardens Erste GmbH & Co. KG, Eschborn	50.00			955	311	
52	G & O Verwaltungsgesellschaft mbH, Eschborn	50.00			22	1	
53	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00			23,417	0	1)
54	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	78.00			–729	–766	
55	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld, Waltersdorf district	75.00			–555	–194	
56	gatelands Verwaltungs GmbH, Schönefeld	75.00			34	3	
57	GbR VÖB-ImmobilienAnalyse, Bonn	0.00		20.00	n. a.	n. a.	
58	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00			256	0	1)
59	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			282	0	1)

List of shareholdings

No.	Name and location of the company	Holding in % as per section 16 (4) AktG – Total	Thereof directly	Voting rights if different from holding %	Equity € thousands	Result € thousands	
60	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00			184	3	
61	GOB Dritte E & A Grundbesitz GmbH, Eschborn	47.00			–2,527	–296	
62	GOB Projektentwicklungsgesellschaft E & A mbH, Eschborn	50.00			31	2	
63	GOB Werfthaus GmbH & Co. KG, Eschborn	50.00			105	0	
64	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33			6,683	–121	
65	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00			71	39	
66	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00			47	–14	
67	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			277	312	
68	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		65,673	4,819	1)
69	GWH Bauprojekte GmbH, Frankfurt am Main	100.00			2,638	0	1)
70	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949,854	0	1)
71	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00			363,888	55,402	
72	HaemoSys GmbH, Jena	38.33			–4,841	–524	
73	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		1,824	–538	
74	HANNOVER LEASING GmbH & Co. KG, Pullach	49.34	49.34		22,829	0	
75	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	39.69			16,768	312	
76	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	57.97			17,820	230	
77	HANNOVER LEASING Private Invest Beteiligungs GmbH, Pullach	100.00			48,659	–703	
78	HANNOVER LEASING Private Invest II GmbH & Co. KG, Pullach	91.25			51,432	–72	
79	HANNOVER LEASING Verwaltungsgesellschaft mbH, Pullach	49.34	49.34		52	3	
80	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	53.85			28,510	3,397	
81	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			30	–89	
82	Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	100.00	100.00		5,838	353	
83	Helaba Asset Services, Dublin, Ireland	100.00	100.00		158,527	10,255	
84	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		225	0	1)
85	Helaba International Finance plc, Dublin, Ireland	100.00	100.00		5,375	185	
86	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13,000	0	1)
87	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		3,083	2,195	
88	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		466	334	
89	HELY Immobilien GmbH, Frankfurt am Main	50.00	50.00		27	0	
90	HELY Immobilien GmbH & Co. Grundstücksgesellschaft KG, Frankfurt am Main	50.00	50.00		–552	15,232	

List of shareholdings

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Result	
No.	Name and location of the company	Total	Thereof directly	%	€ thousands	€ thousands	
91	Hessen Kapital I GmbH, Frankfurt am Main	100.00	100.00		34,719	75	
92	Hessen Kapital II GmbH, Frankfurt am Main	100.00	100.00		5,224	306	
93	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		52,605	1,202	
94	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2,462	9	
95	Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz	95.00	95.00	24.00	11,036	1,655	
96	Horus Projektentwicklungsgesellschaft mbH, Pöcking	50.00			–2,397	–1,133	
97	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		108	6	
98	IHB Investitions- und Handels-Aktiengesellschaft, Frankfurt am Main	100.00	100.00		2,978	–3	
99	IKT Westhafen GmbH & Co. KG, Frankfurt am Main	100.00			132	68	
100	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH i. L., Frankfurt am Main	100.00	100.00		84	2	
101	Intelligent Crop Forecasting GmbH i. I., Darmstadt	27.67			n. a.	n. a.	
102	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00			25	0	
103	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50.00	50.00	66.67	1,856	342	
104	Königstor Verwaltungs-GmbH, Kassel	100.00			n. a.	n. a.	
105	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	50.00			23	–2	
106	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	50.00			–4,291	–1,111	
107	Kornmarkt Arkaden Projektverwaltung GmbH, Frankfurt am Main	50.00			27	1	
108	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	50.00			23	–2	
109	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	50.00			23	–2	
110	LB(Swiss) Investment AG, Zurich, Switzerland	100.00			8,749	1,185	
111	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		2,218	253	
112	LHT MSIP, LLC, Wilmington, USA	100.00			4,740	292	
113	LHT Power Three LLC, Wilmington, USA	100.00	100.00		43,916	–453	
114	LHT TCW, LLC, Wilmington, USA	100.00			18,413	1,116	
115	LHT TPF II, LLC, Wilmington, USA	100.00			16,947	416	
116	Liparit Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Benary Vermietungs KG, Mainz	21.62			1,710	1,333	
117	Logistikzentrum Rodgau GmbH, Schönefeld	25.00			–112	339	
118	Marienbader Platz Projektentwicklungsgesellschaft mbH, Frankfurt am Main	50.00			95	6	
119	Marienbader Platz Projektentwicklungsgesellschaft mbH & Co. Bad Homburg v. d. H. KG, Frankfurt am Main	50.00			342	48	
120	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00			25	0	1)
121	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99			4,758	325	
122	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Frankfurt am Main	32.52	32.52		8,191	999	
123	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	90.70			19,648	1,058	

List of shareholdings

No.	Name and location of the company	Holding in % as per section 16 (4) AktG: Total	Thereof directly	Voting rights if different from holding %	Equity € thousands	Result € thousands	
124	MIG Immobiliengesellschaft mbH i. L., Mainz	22.73	22.73		20	–13	
125	Mittelhessenfonds GmbH, Frankfurt am Main	100.00	100.00		–2,311	–908	
126	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		19,795	960	
127	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		4,500	–8	
128	Multi Park Mönchhof Dritte GmbH & Co. KG, Walldorf/Baden	50.00			31	76	
129	Multi Park Mönchhof GmbH & Co. KG, Walldorf/Baden	50.00			29	–11	
130	Multi Park Verwaltungs GmbH, Walldorf/Baden	50.00			27	–1	
131	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00			–70	–69	
132	Nötzli, Mai & Partner Family Office AG, Zurich, Switzerland	100.00			328	0	
133	OFB & Procom Einzelhandelsentwickung GmbH, Frankfurt am Main	50.00			24	0	
134	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00			–704	–729	
135	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00			–9	–3	
136	OFB Berlin Projekt GmbH, Berlin	100.00			n. a.	n. a.	
137	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			5,341	463	
138	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1,080	0	1)
139	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00			24	–1	
140	Office One Verwaltung GmbH, Schönefeld	100.00			27	3	
141	Palladium Praha s.r.o., Praha 1, Czech Republic	83.00			–101,031	–739	
142	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00			27	3	
143	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.	
144	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00			–188	–357	
145	Projektentwicklung Lutherplatz GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.	
146	Projektentwickungs-GmbH & Co. Schule an der Wascherde KG, Kassel	100.00			–62	124	
147	Projektgesellschaft Darmstadt Goethestraße 36 mbH & Co. Bauträger KG i. L., Frankfurt am Main	51.00			53	–11	
148	Projektgesellschaft Darmstadt Goethestraße 36 mbH i. L., Frankfurt am Main	51.00			28	1	
149	Projektgesellschaft Eichplatz Jena mbH & Co. KG, Frankfurt am Main	100.00			10	–2	
150	PVG GmbH, Frankfurt am Main	100.00	100.00		25	0	1)
151	Riedemannweg 59–60 GbR, Berlin	32.00	32.00		–4,382	149	
152	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe bR, Erfurt	60.00	60.00	33.00	345	89	
153	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6,106	45	
154	Schlossgalerie Eschwege GmbH & Co. KG, Frankfurt am Main	100.00			144	21	
155	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			14	–1	
156	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00			9,422	–124	

List of shareholdings

No.	Name and location of the company	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Result	
		Total	Thereof directly	%	€ thousands	€ thousands	
157	Sparkassen Markt Service GmbH, Darmstadt	50.00			5,042	154	
158	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00			25	0	
159	STRATUS Verwaltungsgesellschaft mbH, Pullach	94.80			–6,947	288	
160	Stresemannquartier GmbH & Co. KG, Berlin	50.00			5,192	–221	
161	TE Beta GmbH, Frankfurt am Main	100.00	100.00		325	106	
162	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		26	7	
163	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		42	3	
164	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH), Frankfurt am Main	66.67	66.67	66.66	2,353	566	
165	TFK Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG, Kassel	33.33	33.33	66.67	1,411	139	
166	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		26	0	1)
167	Vermögensverwaltung „Emaillierwerk“ GmbH, Fulda	100.00			269	–47	
168	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			260	0	1)
169	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			–27	–51	
170	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			21	1	
171	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		–2,354	–427	
172	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00			–192	–41	
173	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00		33.33	61	–1	
174	Westhafenkontor GmbH & Co. KG, Frankfurt am Main	100.00			–2	317	
175	WoWi Media GmbH & Co. KG, Hamburg	23.72		19.24	6,758	6,511	
176	Zweite ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	50.00			–13	–38	
177	Zweite OFB Berlin Projekt GmbH & Co. KG, Berlin	100.00			n. a.	n. a.	

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

(47) List of Positions on Supervisory Bodies in Accordance with Section 340a (4) No. 1 of the HGB

Positions held by the members of the Board of Managing Directors

Office holder	Corporation	Function
Hans-Dieter Brenner	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	Member
Jürgen Fenk	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Member
Thomas Groß	Frankfurter Sparkasse, Frankfurt am Main	Member
Dr. Detlef Hosemann	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice-Chairman
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
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

Office holder	Corporation	Function
Jörg Hartmann	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
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

Frankfurt am Main/Erfurt, 25 February 2014

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner Fenk Groß

Dr. Hosemann Krick Dr. Schraad

Responsibility Statement

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

Frankfurt am Main/Erfurt, 25 February 2014

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner	Fenk	Groß
Dr. Hosemann	Krick	Dr. Schraad

Copy of the Auditor's Report

"Auditor's Report
We have audited the annual financial statements, consisting of the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, for the financial year from 1 January to 31 December 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the Articles of Association are the responsibility of the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt am Main, 25 February 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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