

Group Management Report and
Consolidated Financial Statements of
Landesbank Hessen-Thüringen
Girozentrale 2014

Group Management Report

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Group Management Report

Basic Information About the Group

Business model of the Group

A credit institution organised under public law, Helaba has the long-term strategic business model of a full-service bank with a strong regional focus, a presence in carefully selected international markets and a very close relationship with the Sparkassen organisation. This business model has formed the basis for a very stable, positive business and earnings performance over the last few years.

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. The Bank's registered offices are situated in Frankfurt am Main and Erfurt, and it also has branches in Düsseldorf, Kassel, Paris, London and New York. These are joined by representative and sales offices, subsidiaries and affiliates. 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 branch in Dublin was closed with effect from 13 June 2014.

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 continue 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, the preparation of consolidated financial statements and a joint S-Group rating. Comprehensive co-operation agreements have been 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 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 cur-

rent 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", a legally dependent entity within Helaba. WIBank enjoys a direct statutory guarantee from the State of Hesse as permitted under EU law. As a consequence, WIBank has an "AA" rating from S&P for long-term unsecured liabilities. Helaba has stakes in numerous other development institutions in Hesse and Thuringia too, most notably in guarantee banks and SME investment companies. Helaba has granted Thüringer Aufbaubank a subordinated loan of € 40 m.

Management instruments and non-financial performance indicators

As part of managing the Bank as a whole, Helaba has integrated systems in place for business management. This is based on a multi-level Margin Accounting System and comprises both the management of absolute income and costs and the integrated management of contribution margins. The aim is to achieve a cost-income ratio of 60 %. The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Regular plan/actual comparisons are generated and variances analysed based on a management income statement produced in the Margin Accounting System at regular intervals in the course of the financial year. In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting.

One key indicator used to manage portfolios is the volume of new medium- and long-term business (more than one year). Systematic preliminary costings are carried out for loan agree-

ments, in particular to ensure that new business is managed with a focus on risk and profitability.

Equity is managed through the allocation of regulatory and economic limits and through the capital ratio. The profitability targets are managed through the return on equity and regulatory capital. The Bank's target ratios take into account the strengthened capital base and the additional costs arising from regulatory requirements over the next few years.

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 total assets accounted for by customer business.

To fund itself, Helaba draws on different sources and products, focusing in particular on the anchor sources of funding available through direct and indirect Sparkassen 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 Sparkassen 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 %.

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 suitable personnel management system helps to identify the potential of employees and to encourage and develop this potential in line with specific needs. Individual further training ensures that employees are able to meet the changing challenges. Succession planning also contributes to filling about half of all vacancies with internal employees. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

The business strategy and risk strategy specify the degree of flexibility available to employees. This then also forms the basis for the remuneration system. The Bank's remuneration strategy

and remuneration principles set out the relationship between business strategy, risk strategy and remuneration strategy. The remuneration strategy takes into account the attainment of targets specified in operational planning when determining an overall budget for the Bank and allocating the budget for variable remuneration at unit level, 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 laid down guiding sustainability principles in which it has pledged its commitment to environmental and social responsibility, both internally and in its dealings with the general public. The guiding sustainability principles include core statements and standards of conduct relating to business activities, business operations (operational environmental protection, corporate governance and compliance), employees and corporate social responsibility. Helaba has also translated its responsibility to the environment and society into binding requirements in its business strategy. Helaba's risk assessment and risk management processes thus incorporate the identification and assessment of environmental risks and of issues from a social and ethical perspective. The Bank is looking into the possibility of creating and installing a standard process for the appropriate incorporation of environmental risks and of social and ethical perspectives into relevant 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 or 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

Comprehensive assessment (CA) by the ECB

As anticipated, the comprehensive assessment, an asset quality review (AQR) and subsequent stress test conducted by the European Central Bank (ECB) and European Banking Authority (EBA), found the Helaba banking group to be very sound and reliable. One of the outcomes of the AQR was that the Common Equity Tier 1 (CET 1) capital ratio was reduced slightly by 0.3 percentage points to 12.2 % (31 December 2013: 12.5 %).

The ECB confirmed in full the accounting policies applied by Helaba. Under the prudential valuation approach used in the AQR (which differs from the approach under IFRS), the ECB calculated that an adjustment of € 195 m should be applied to the business portfolios. In this calculation, the ECB did not take into account portfolio loan loss allowances amounting to approximately € 150 m that had been recognised in Helaba's financial statements for the period ended 31 December 2013 for exposures not subject to any serious default risk. Again under the prudential approach taken by the ECB in the AQR, Helaba's CET 1 capital ratio was determined to be 12.2 %, significantly above the required level of 8.0 %. If the allowances of € 150 m referred to above had been taken into account, the CET 1 ratio would have been 12.4 %.

The appropriateness of the provisions for losses on loans and advances is regularly reviewed and, if required, adjusted as part of a regular process undertaken by Helaba in relation to the allowance for losses on loans and advances. New information, such as information from the latest valuation reports prepared by experts, gained in this process during 2014 was factored into the allowance for losses on loans and advances as at 31 December 2014. In the course of this process, valuation allowances were also recognised or updated for exposures reviewed in the AQR.

The combined analysis of the AQR and the stress test (known as the join-up), produced a CET 1 ratio of 11.4 % for Helaba in the baseline scenario, substantially higher than the required 8 %. In the adverse stress scenario, Helaba's CET 1 capital ratio was calculated at 8.2 %. This was also significantly above the required ratio of 5.5 % and reflected Helaba's sound risk profile.

In the AQR, there was just a marginal fall in the leverage ratio from 3.9 % to 3.8 %. Helaba is therefore already exceeding the future minimum regulatory requirements.

Macroeconomic and sector-specific conditions in Germany

The German economy started 2014 with some momentum, the extremely mild winter stimulating activity, especially in the construction industry. Thereafter however, the pace slackened substantially. Weak performance in emerging markets, problems in the euro zone and the conflict with Russia had an adverse impact on German industry. Despite all this, Germany still achieved economic growth of 1.6 % over the year as a whole, more than the average for the previous ten years. Of the total growth, exports accounted for 0.4 percentage points, with 0.8 percentage points derived from consumer spending and the public sector. Real incomes rose, driven by an increase in employment, higher wage settlements and very low inflation of just 0.8 %. The situation benefited consumers.

This contrasted with a disappointing level of capital investment by businesses, reflecting the uncertainties surrounding exports, even though the low interest rates in capital markets and an average level of capacity utilisation ought to have generated more capital spending. Residential construction has proven to be an exceptional sector of the economy for some time now, even if the momentum did ease off over the course of the year. Residential construction is expanding 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 being influenced by sustained historically low interest rates and the action taken to implement the European banking union. Competitive pressure is increasing significantly in certain business areas, especially in retail banking and in the corporate customer and real estate lending business. Nevertheless, opportunities are arising for credit institutions with stable funding structures and a focus on selected core business areas to strengthen and expand their market positions.

Key changes in the regulatory framework were as follows:

■ **Prudential supervision by the ECB (Single Supervisory Mechanism, SSM)**

With effect from 4 November 2014, the European Central Bank (ECB) took over responsibility for the direct supervision of the 120 largest banks in the euro zone as part of the changes under the Single Supervisory Mechanism (SSM). The Helaba Group,

together with its affiliated subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, is among the banks classified as “significant” and therefore subject to direct supervision by the ECB.

■ **Capital and liquidity requirements (Basel III/CRD IV/CRR)**

As a result of the CRD IV/CRR, the capital requirements for credit institutions are becoming significantly tighter in terms of both quality and quantity. The new capital ratios will be phased in over the period up to 2019. At the end of 2014, the CET 1 capital ratio for the Helaba Group was 13.4 % (phased-in, i.e. taking into account the transition arrangements) or 11.8 % (fully loaded, i.e. disregarding the transition arrangements) and the total capital ratio was 18.5 % (phased-in). Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published. This also includes the regulatory requirements notified with the decision published by the ECB in February 2015.

CRD IV provides for a transitional phase until the end of 2021 for capital instruments that are currently recognised as regulatory Tier 1 capital, but will not meet the future requirements for CET 1 capital. At Helaba, this affects silent participations with a nominal amount of € 953 m.

Uniform liquidity requirements to be applied throughout Europe and measured using the liquidity coverage ratio (LCR) will become mandatory from October 2015. The minimum LCR requirement will be gradually raised from 60 % in 2015 to 100 % in 2018. Helaba is already meeting the LCR required from the end of 2015 with a significant buffer compared with the minimum required level. On 31 October 2014, the Basel Committee submitted revised requirements for the second liquidity ratio, the net stable funding ratio (NSFR). The European Commission must decide by the end of 2016 whether and how this ratio is to be introduced in Europe. 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 new liquidity management requirements and believes it is in a good position to meet the regulatory requirements accordingly.

The leverage ratio measures the ratio between regulatory capital and the non-risk-weighted total of all balance sheet and off-balance sheet items. On 10 October 2014, the European Commission submitted a delegated act with specific details concerning the calculation methodology. A decision on the final specifications is not expected before the end of 2016 at the earliest. Separately, the ECB had already published the leverage ratio at 31 December 2013 as part of its publication of the stress test results. As at 31 December 2014, Helaba's leverage ratio was 4.0 % (phased-in).

■ **Protection schemes**

In mid-November 2014, the German government adopted the draft of the Deposit Guarantee Act, transposing a mandatory EU Directive into German law. The act will come into force on 3 July 2015. Schemes that offer institutional protection, such as the existing joint liability scheme in the German Sparkassen-

Finanzgruppe, may also continue as deposit guarantee schemes in future, provided that they have been adjusted from a legal and financial perspective in line with the new statutory requirements and have been recognised by regulators.

Business performance

Key factors influencing the business performance and results of operations at Helaba in the 2014 financial year were the modest rate of economic growth in Germany, which amounted to 1.6 % in real terms, and the persistently low level of interest rates, which were reduced to new historic lows during the year.

Helaba's operating business continued to perform well in this economic environment. The volume of new medium- and long-term lending business (more than one year) that Helaba entered into with customers (excluding the WIBank development business, which does not form part of the competitive market) increased by € 1 bn (6%) to € 18.4 bn (2013: € 17.4 bn). The high volume of new business enabled maturities and special repayments to be fully offset. Loans and advances to customers were unchanged year on year at € 91 bn. Added to this were loans and advances to affiliated Sparkassen in the amount of € 9 bn. The focus on lending in core business areas and to the Sparkassen as S-Group partners was in line with the customer-centric orientation of Helaba's business model. The degree of interconnectedness with the real economy, i.e. the percentage of total assets accounted for by customer business, was 56 % in 2014 (2013: 58 %).

Helaba's good standing in the market and the positive market environment overall enabled the Group 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 (€ 4.4 bn), public (€ 4.4 bn) and mortgage Pfandbriefe (€ 1.9 bn), and promissory notes and other loans (€ 4.0 bn) were the main mechanisms used for medium- and long-term funding. Added to this were subordinated debt (€ 0.5 bn) and earmarked funds from 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.

Helaba is 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 2014 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 2014. The employees were prepared for these new tasks by way of a structured training management system.

The Bank has enshrined its obligations regarding climate protection in its business strategy. It has addressed these obligations by implementing action to reduce the emissions produced by its company vehicles and by continuing to calculate consumption and emissions data. Helaba has initiated measures to impose further limits on CO₂ emissions from its premises. Helaba is one of the occupants in the “Sparkassen-Finanzzentrum Erfurt” buildings complex and in 2014 took part with other users in “Ökoprofit”, an environmental project for integrated environmental technology run by the city of

Erfurt. The objective of this collaborative project is to save resources, prevent emissions and thereby reduce both operating costs and consequential environmental costs.

In financial year 2014, Helaba again generated a net profit that allowed it to service all subordinated debt, profit participation rights and silent partner contributions, pay a dividend to shareholders and add to its retained earnings to strengthen Tier 1 capital.

The cost-income ratio as at 31 December 2014 was 63.9% and therefore slightly above the target range (<60%). The return on equity rose to 8.3% (2013: 6.9%).

Financial Position and Financial Performance

Changes to basis of consolidation

Given the initial application of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, together with the application of the amended IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures, the group of entities included in the 2014 consolidated financial statements on the basis of full consolidation and using the equity method

has been redefined. The comparative figures for 2013 have been restated. For details, see Note (1).

The other changes in the basis of consolidation in 2014 not caused by the initial application of the new standards did not have any material impact on financial position or financial performance. The changes related mainly to property companies in the area of real estate project development.

Financial performance of the Group

	2014	2013	Change	
	in € m	in € m	in € m	in %
Net interest income	1,293	1,216	77	6.3
Provisions for losses on loans and advances	-80	-240	160	66.7
Net interest income after provisions for losses on loans and advances	1,213	976	237	24.3
Net fee and commission income	317	300	17	5.7
Net trading income	126	344	-218	-63.4
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	38	-31	69	>100.0
Net income from hedge accounting	13	19	-6	-31.6
Net income or expense from financial investments and share of profit or loss of equity-accounted entities	45	-8	53	>100.0
Other net operating income	70	137	-67	-48.9
General and administrative expenses	-1,215	-1,254	39	3.1
Profit before taxes	607	483	124	25.7
Taxes on income	-210	-148	-62	-41.9
Consolidated net profit	397	335	62	18.5

The profit before taxes of € 607 m generated in financial year 2014 was a record for Helaba. The main reason behind the increase was the performance of the operating business, which was reflected, in particular, in higher net interest income and

net fee and commission income. The requirement for provisions for losses on loans and advances was significantly lower than in 2013, given the high quality of the business portfolio and the fact that the German economy was in good shape. As

anticipated, net trading income was sharply down year on year, the figure in 2013 having been driven by a substantial tightening of credit spreads. Helaba was able to reduce general and administrative expenses compared with 2013. The changes in the individual items in the income statement were as described below.

Net interest income amounted to € 1,293 m, a year-on-year increase of 6 % (2013: € 1,216 m). This increase was driven by a modest rise in the interest margin in new business and by portfolio growth. Higher income from own fund investing activities also had a positive impact. Frankfurter Sparkasse's retail business accounted for more than one fifth of net interest income.

The provisions for losses on loans and advances amounted to € 80 m (2013: € 240 m). Specific loan loss allowances and specific loan loss allowances evaluated on a group basis accounted for a net addition of € 109 m (2013: € 226 m). It should be noted that the consolidation of borrowers led to the elimination of related provisions for losses on loans and advances amounting to € 76 m (2013: € 20 m). Amounts corresponding to these provisions for losses on loans and advances were largely included in other net operating income in the form of matching asset impairment losses. A reversal of € 11 m was recognised under the portfolio loan loss allowance for loans that are not at serious risk of default (2013: reversal of € 27 m). The balance of direct write-downs, additions to provisions for risks from off-balance sheet lending business and amounts received in relation to loans and advances previously written down amounted to a net reversal of € 18 m (2013: net expense of € 41 m). Net interest income after provisions for losses on loans and advances rose from € 976 m to € 1,213 m.

There was also a rise in net fee and commission income to € 317 m (2013: € 300 m). Net fee and commission income is mostly generated by Helaba, Frankfurter Sparkasse and Helaba Invest. Fees and commissions from Helaba's securities and securities deposit business, and from Helaba Invest's asset management activities grew particularly strongly.

In line with forecasts, net trading income declined year on year, amounting to € 126 m (2013: € 344 m). This decline was largely attributable to the return of interest-driven business to the normal level of € 154 m (2013: € 322 m). In contrast to previous years, the slight narrowing of credit spreads only had a minimal impact on this net income, which was mainly driven by the customer-oriented capital markets business. Trends on capital markets were influenced by the policy of the European Central Bank (ECB), resulting in new historic lows for short- and long-term interest rates as well as weakening of the euro. Helaba Bank was responsible for most of the Group's trading activities.

The gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied improved from a net loss of € 31 m in 2013 to a net gain of € 38 m in financial year 2014. The main reason for the net gain was the net gain of € 20 m on consolidated special funds (2013: net loss of € 2 m). There was also a positive impact from the remeasurement of the liquidity component of foreign currencies (cross currency basis spread) in the measurement of derivatives. After inclusion of this liquidity component, the net loss on remeasurement of the banking book derivatives used to manage interest rates improved to € 6 m in 2014 compared with the net loss of € 41 m in financial year 2013. The net income from hedge accounting, in which the ineffective portion of micro hedges is reported, amounted to € 13 m (2013: € 19 m).

Net income from financial investments improved to € 33 m (2013: € 2 m). The main reason for this increase was the lack of impairment losses, which in 2013 had led to an expense of € 24 m. Realised gains and losses on the disposal of financial instruments classified as available for sale amounted to a net gain of € 33 m (2013: net gain of € 26 m), which was largely generated from the sale of bonds and other fixed-income securities. The share of profit or loss from associates and joint ventures accounted for using the equity method amounted to income of € 12 m (2013: expense of € 10 m).

Other net operating income declined from € 137 m to € 70 m. The consolidation of debt-financed property companies had a negative impact and led to the recognition of impairment losses in an amount of approximately € 61 m on the assets held as collateral (2013: € 0 m). The restructuring provisions recognised for the Helaba PRO cost optimisation programme launched in 2013 and for restructuring in one of the subsidiaries were increased by € 40 m. The addition to provisions for litigation risks also had a negative impact. On the other hand, income of € 32 m was generated from the disposal of shares in a corporate group operating in the real estate business. Most of the € 128 m (2013: € 121 m) of net income from investment property, which is also reported under other net operating income, came from the GWH Group. This figure comprised the balance of rental income, the net proceeds of disposals, operating costs and impairment losses.

General and administrative expenses declined by € 39 m to € 1,215 m. This figure comprised personnel expenses of € 600 m (2013: € 590 m), non-personnel operating expenses of € 571 m (2013: € 622 m) as well as depreciation and impairment losses on property and equipment plus amortisation and impairment losses on intangible assets totalling € 44 m (2013: € 42 m). The increase in personnel expenses was mainly due to a pay-scale increase in 2014. The Group employed an average of 6,274 people in the year under review compared with 6,293 in 2013. The principal reason for the decline in non-personnel operating expenses was the scheduled termination of the service agree-

ment with Portigon AG on 30 June 2014. As a consequence, the expenses for the services fell from € 69 m in 2013 to € 34 m in 2014. The contributions to the restructuring fund (bank levy) also decreased from € 48 m in 2013 to € 36 m in the reporting year. The expenses for the Association overhead allocation and the reserve rose slightly year on year to € 46 m (2013: € 44 m).

The general and administrative expenses were covered by the total operating income of € 1,902 m (2013: € 1,977 m), producing a cost-income ratio of 63.9% (2013: 63.4%). Operating income includes net interest income before provisions for losses on loans and advances, net fee and commission income, net trading income, gains and losses on non-trading derivatives and financial instruments to which the fair value option is applied, net income from hedge accounting, net income from financial investments and share of profit or loss of equity-accounted entities as well as other net operating income. Helaba's return on equity before taxes rose from 6.9% to 8.3%. The return on assets pursuant to article 90 of Capital Requirements Directive IV (CRD IV) was 0.2%.

The income tax expense amounted to € 210 m (2013: € 148 m). This mainly comprised current taxes relating to Helaba Bank in Germany (€ 107 m), Frankfurter Sparkasse (€ 32 m) and the New York branch (€ 28 m). The current taxes included taxes of € 17 m relating to prior years. A deferred tax expense of € 26 m also arose in relation to temporary differences.

The consolidated net profit, i.e. the profit after tax, rose by 19% to € 397 m. Of the consolidated net profit, a loss of € 4 m was attributable to non-controlling interests in consolidated subsidiaries (2013: loss of € 5 m), with the result that the profit attributable to the shareholders of the parent company amounted to € 401 m (2013: € 340 m). Of this amount, € 35 m has been earmarked to service the capital contributions of the Federal State of Hesse that are reported under equity and € 75 m has been earmarked for distribution to shareholders.

Comprehensive income for financial year 2014 fell from € 332 m to € 217 m. This figure includes other comprehensive income in addition to the consolidated net profit as reported in the income statement. Other comprehensive income amounted to a loss of € 180 m (2013: loss of € 3 m). This figure was subject to a significant adverse impact from the remeasurement of the net liability under defined benefit plans caused by the reduction in the discount rate. This resulted in a decrease in comprehensive income before tax of € 444 m (2013: increase of € 23 m). The average discount rate used to determine pension provisions was 2.3% (2013: 3.7%). In 2014, a net gain of € 173 m before taxes was recognised in other comprehensive income under gains and losses on available-for-sale financial instruments, whereas the equivalent figure recognised in 2013 was a net loss of € 27 m.

Statement of Financial Position

Assets

	31.12.2014	31.12.2013	Change	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	21,612	23,108	-1,496	-6.5
Loans and advances to customers	91,109	91,032	77	0.1
Allowances for losses on loans and advances	-1,007	-1,119	112	10.0
Trading assets	31,262	32,311	-1,049	-3.2
Positive fair values of non-trading derivatives	5,828	4,690	1,138	24.3
Financial investments and shares in equity-accounted entities	26,629	24,196	2,433	10.1
Investment property, property and equipment and intangible assets	2,493	2,482	11	0.4
Income tax assets	371	342	29	8.5
Other assets	1,192	1,234	-42	-3.4
Total assets	179,489	178,276	1,213	0.7

Equity and liabilities

	31.12.2014	31.12.2013	Change	
	in € m	in € m	in € m	in %
Liabilities due to banks	35,612	34,162	1,450	4.2
Liabilities due to customers	45,320	43,916	1,404	3.2
Securitised liabilities	48,320	48,371	-51	-0.1
Trading liabilities	29,219	33,739	-4,520	-13.4
Negative fair values of non-trading derivatives	5,351	3,471	1,880	54.2
Provisions	2,152	1,632	520	31.9
Income tax liabilities	125	76	49	64.5
Other liabilities	630	595	35	5.9
Subordinated capital	5,410	5,073	337	6.6
Equity	7,350	7,241	109	1.5
Total equity and liabilities	179,489	178,276	1,213	0.7

Helaba's consolidated total assets rose by € 1.2 bn (0.7%) year on year to € 179.5 bn as at 31 December 2014. The increase in total assets was largely attributable to additions to financial investments and higher positive fair values of non-trading derivatives resulting from remeasurement. Total business volume, which included off-balance sheet liabilities in banking business and fiduciary activities as well as assets, went up by 2.3% to € 204.9 bn (31 December 2013: € 200.4 bn).

Loans and advances to banks fell by 3.6% to € 20.6 bn (31 December 2013: € 21.4 bn). Of the total loans and advances to banks, a sum of € 9.4 bn (31 December 2013: € 11.9 bn) was accounted for by funding made available to the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. The cash reserve, which consists essentially of balances with central banks, stood at € 1.0 bn on the reporting date (31 December 2013: € 1.8 bn).

Loans and advances to customers increased marginally to € 91.1 bn (31 December 2013: € 91.0 bn). Commercial real estate loans accounted for € 32.3 bn (31 December 2013: € 31.4 bn) and infrastructure loans € 15.1 bn (31 December 2013: € 14.1 bn).

Allowances for losses on loans and advances declined from € 1.1 bn to € 1.0 bn. Of this total amount, € 255 m (31 December 2013: € 266 m) was accounted for by portfolio loan loss allowances recognised to cover lending exposures not at acute risk of default.

Trading assets recognised at fair value were down by € 1.0 bn year on year to € 31.3 bn. The portfolio of bonds and other fixed-income securities, which represented the lion's share of trading assets, amounted to € 16.0 bn (31 December 2013: € 20.3 bn). Loans held for trading also declined by € 1.0 bn to € 2.3 bn. The positive fair values of the derivatives held for trading purposes, in contrast, rose by € 4.4 bn to € 12.9 bn.

Financial investments, of which bonds constituted 98%, increased by € 2.5 bn to € 26.6 bn.

Liabilities due to banks rose by € 1.6 bn to € 35.8 bn. Liabilities due to Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg accounted for € 6.5 bn (31 December 2013: € 6.0 bn).

Liabilities due to customers amounted to € 45.2 bn (31 December 2013: € 43.9 bn). This increase reflected, in particular, higher overnight and time deposits and a greater volume of customer deposits. Of the total liabilities due to customers, a sum of € 15.0 bn (31 December 2013: € 14.5 bn) was accounted for by Frankfurter Sparkasse. Home savings deposits grew slightly to € 4.1 bn (31 December 2013: € 3.8 bn).

Securitised liabilities declined by € 0.1 bn to € 48.3 bn. Of this total, a sum of € 18.9 bn (31 December 2013: € 15.4 bn) was related to public and mortgage Pfandbriefe.

Trading liabilities contracted from € 33.7 bn as at 31 December 2013 to € 29.2 bn as at the reporting date. The portfolio of liabilities held for trading, which represented the bulk of the trading liabilities, amounted to € 14.5 bn (31 December 2013: € 21.5 bn). Issued money market instruments also declined by € 0.7 bn to € 1.9 bn. On the other hand, the negative fair values of derivatives went up by € 3.2 bn to € 12.7 bn.

As at the reporting date, subordinated capital amounted to € 5.4 bn (31 December 2013: € 5.1 bn).

Equity

As at 31 December 2014, the Helaba Group's equity amounted to € 7.4 bn (31 December 2013: € 7.2 bn). The increase was mainly attributable to the comprehensive income of € 217 m (2013: € 332 m). Retained earnings included cumulative remeasure-

ment losses under pension obligations (after deferred taxes) of € 466 m (31 December 2013: losses of € 152 m). The greater remeasurement losses were mainly due to the reduction in the discount rate. The revaluation reserve after deferred taxes recognised directly in equity increased from € 138 m to € 249 m, chiefly as a result of measurement gains. Equity also included a currency translation reserve of € 14 m (31 December 2013:

€ 2 m) and a cash flow hedge reserve of € 0 m (31 December 2013: € 4 m).

Comparison with prior-year forecasts

The following table shows a comparison between the actual values achieved in 2014 for the key performance indicators used by Helaba and the original forecasts:

	2013 forecast for 2014	2014 actual
Net interest income	Down by approx. 2 % year on year	+ 6 %
Provisions for losses on loans and advances	Significant decrease	- 67 %
Net fee and commission income	Up by approx. 10 % year on year	+ 6 %
Net trading income	Significantly lower	- 63 %
Other net operating income	Down by approx. 10 % year on year	- 49 %
Personnel expenses	Slightly down	+ 2 %
Non-personnel operating expenses	Down by approx. 2 % year on year	- 8 %
Consolidated net profit	Down by approx. € 50 m year on year	+ € 62 m
Cost-income ratio	64.7 %	63.9 %
Total assets	€ 182 bn	€ 179 bn
Proportion of total assets accounted for by customer business (loans and advances to customers and to affiliated Sparkassen)	Rising	- 1.8 %
Return on equity (as reported on statement of financial position)	6.5 %	8.3 %
Volume of new medium- and long-term lending business	€ 16.6 bn	€ 18.4 bn

The main variances are described below.

Net interest income exceeded the budget. This was attributable both to the portfolio volume and to the margins on new business, which were greater than originally anticipated. Income from own fund investing activities was also better than expected.

The decrease in provisions for losses on loans and advances was greater than forecast. One of the reasons was that, following the consolidation of borrowers in accordance with IFRS 10, Helaba replaced the recognition of a provision for losses on loans and advances with a corresponding recognition of impairment losses for the financed assets under other net operating income. It was not possible to plan for the need to consolidate borrowers. The consolidation therefore led to changes between the items recognised in the income statement. In addition, the excellent performance of the real estate lending business was another factor that meant the year-on-year decrease in the allowance for losses on loans and advances could be greater than forecast and the volume of new business was higher than expected.

The change in other net operating income was worse than forecast. Firstly, this item included the impairment losses that

resulted from the consolidation of property companies in accordance with IFRS 10 and that also led to the reduction in the provisions for losses on loans and advances. Secondly, the additions to the "Helaba PRO" restructuring provision and to the provisions for litigation risks had a greater adverse impact on net operating income than planned.

The consolidated net profit was significantly greater than forecast. In addition to the reasons specified above, the improvement in the gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied from a net loss of € 31 m in 2013 to a net gain of € 38 m in financial year 2014 was also a contributing factor. These gains and losses are not included among the key performance indicators used by the Helaba Group and are therefore also not subject to a specific forecast. One of the main reasons for the improvement in the gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied was the positive impact from the inclusion of the liquidity component of foreign currencies (cross currency basis spread) in the measurement of derivatives.

There was a fall in the proportion of total assets accounted for by customer business. This was caused by lower demand for funding from the affiliated Sparkassen.

Financial performance by segment

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

The contributions of the individual segments to the profit before taxes of € 607 m in 2014 (2013: € 483 m) were as follows:

	Profit before taxes	
	2014	2013
Real Estate	351	261
Corporate Finance	162	155
Financial Markets	109	225
S-Group Business, Private Customers and SME Business	174	137
Public Development and Infrastructure Business	18	21
Other	-265	-332
Consolidation/reconciliation	58	16
Group	607	483

in € m

Real Estate segment

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

In real estate lending, the volume of new medium- and long-term business increased by around 9 % year on year to € 9.5 bn and therefore exceeded the budgeted level by some way. The interest margin on the portfolio rose slightly compared with the previous year, with margins on new business at a satisfactory level. Based on higher loans and advances to customers, income in real estate lending rose significantly year on year and also exceeded the budgeted level.

Borrowers in this segment at risk of default are consolidated in application of IFRS 10. This led to the need to eliminate associated interest income and provisions for losses on loans and advances in respect of these borrowers amounting to approximately € 72 m, and to the requirement to recognise corresponding asset impairment losses under other net operating income. Following this adjustment, the provisions for losses on loans and advances in real estate lending also fell significantly compared with 2013.

Income from real estate management and from equity investments in the real estate sector remained at the 2013 level, as expected.

Unplanned consolidation effects were also reflected in additional expenses of € 4 m under general and administrative expenses, with the result that the total year-on-year increase in these expenses of € 14 m was somewhat higher than anticipated.

Profit before taxes for the segment amounted to € 351 m, which equated to an increase of 34 % compared with 2013 (€ 261 m). This increase was therefore well in excess of expectations.

Corporate Finance segment

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

In corporate finance, the volume of new medium- and long-term business was around 7 % up on the previous year to € 4.6 bn and therefore in excess of budget despite fierce competition. Loans and advances to customers contracted slightly year on year owing to unscheduled redemptions. Overall, the income from Corporate Finance remained at the level of 2013.

Provisions for losses on loans and advances amounted to € 74 m, significantly down year on year (2013: € 121 m).

The changes to the basis of consolidation in accordance with IFRS 10 led to a substantial year-on-year fall in the interest expense for the segment. On the other side of the equation, the income under other net operating income was also significantly lower.

General and administrative expenses fell by € 1 m compared with 2013.

At € 162 m, the segment's profit before taxes was better than in 2013 (€ 155 m) but was lower than forecast.

Financial Markets segment

The Financial Markets segment brings together the earnings of the Capital Markets, Asset/Liability Management, Sales Public

Authorities, and Financial Institutions and Public Finance business lines. Since 2014, the segment has also included the earnings from the business involving asset management for institutional investors operated by Helaba Invest Kapitalanlagegesellschaft mbH. The figures for 2013 have been restated accordingly.

The segment's net interest income is primarily the result of the lending business with domestic and foreign local and regional authorities and money market trading with customers. Municipal lending in Germany was in line with planning in 2014, with new medium- and long-term business of € 1.2 bn being written. New business with foreign financial institutions and public authorities was only transacted on a selective basis in 2014. There was a slight increase of 4 % in net interest income compared with 2013.

Net fee and commission income in the segment, which is generated mostly by asset management and the customer capital markets business, rose significantly in 2014 by 17 %.

The segment's net trading income returned to normal levels again in 2014 in line with forecasts and, at € 103 m, was considerably down compared with 2013. In contrast to previous years, the narrowing of credit spreads had no impact on this net income. Most of the net trading income in 2014 was therefore derived from the customer-driven capital markets business. The primary market volume of approximately € 14 bn exceeded the forecast level. Equities and bonds business was also increased as part of Helaba's safe custody activities.

The gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied improved by € 67 m to a net gain of € 18 m. Positive changes in the fair value of cross currency swaps contributed to this net gain in 2014. Net income from financial investments amounted to € 14 m.

General and administrative expenses went up by € 1 m compared with 2013.

As expected, profit before taxes in the segment was significantly below the 2013 level at € 109 m, the main reason being the year-on-year change in net trading income. This profit before taxes nevertheless exceeded the forecast figure by 21 %.

S-Group Business, Private Customers and SME Business

Since 2014, this segment has included the earnings of Frankfurter Sparkasse, S-Group Bank, Landesbausparkasse Hessen-Thüringen (LBS) and the Frankfurter Bankgesellschaft Group (FBG). The figures for 2013 have been restated accordingly.

Net interest income in the segment amounted to € 407 m, similar to the previous year's figure. Falling net interest income from Frankfurter Sparkasse's retail business was offset by higher

interest income from the S-Group Bank, the main contributing factor in the latter being the expansion of the investment certificates business. Net interest income at LBS remained steady and was therefore at the level of 2013.

Provisions for losses on loans and advances in the segment declined significantly year on year by € 12 m. This was largely attributable to lower such provisions at Frankfurter Sparkasse.

Net fee and commission income was up compared with 2013 as a consequence of the expansion of the S-Group Bank. The contribution to net fee and commission income from FBG and Frankfurter Sparkasse remained static.

In 2014, net income from financial investments at Frankfurter Sparkasse included income from the disposal of securities amounting to € 13 m. A one-off income amount arising from the disposal of the equity investment in Corpus Sireo was reported under other net operating income.

The increase in general and administrative expenses of € 26 m, which was in line with forecasts, was attributable to a number of factors including higher personnel expenses and non-personnel operating expenses at Frankfurter Sparkasse. The general and administrative expenses at the S-Group Bank also rose as a consequence of the nationwide sales approach in Germany and the numerous initiatives to optimise the Sparkassen products.

Profit before taxes in the S-Group Business, Private Customers and SME Business segment was significantly above the 2013 level at € 174 m (2013: € 137 m).

Public Development and Infrastructure Business segment

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

Helaba performs public development functions for the State of Hesse through WIBank. Performance in 2014 was influenced both by the processing functions under the various public development programmes and by the administration of Hesse's Municipal Protection Shield. This led to a slight increase in business volume. Growth in the segment's net interest income was flat.

The changeover in systems related to the new EU development period and the higher levels of development activity were reflected in an increase of € 6 m in general and administrative expenses, the reimbursement of which by the State of Hesse led to a corresponding increase in net fee and commission income of € 4 m.

The segment's profit before taxes amounted to € 18 m, slightly down compared with the previous year (2013: € 21 m).

Other segment

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

In own fund investing activities, a notable feature was that higher year-on-year interest income was generated in special funds despite the low interest rates.

Net fee and commission income from cash management rose by 2%. As a consequence of decreases in other items, the overall net fee and commission income for the segment was slightly down year on year.

Other net operating income for the reporting year included, among other things, provisions for the current cost-cutting programme amounting to € 33 m.

In addition to the costs of the corporate centre, the Other segment includes further central structural costs that cannot be allocated to the other segments. These costs included the flat-rate fees paid for the services provided by Portigon. As these services came to an end in mid-2014, as scheduled, the total amount of these costs accounted for in 2014 only came to

€ 34 m (2013: € 69 m). In 2014, the segment also included the bank levy payable by Helaba Bank amounting to € 36 m (2013: € 47 m). Expenses for major regulatory projects (comprehensive assessment, IFRS 9) were additionally reported under this segment. As forecast, general and administrative expenses fell as a result by € 67 m compared with 2013.

The loss before taxes for the segment amounted to € 265 m in 2014 (2013: loss of € 332 m) and was therefore substantially impacted by the decline in general and administrative expenses compared with 2013.

Consolidation/reconciliation

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

The profit before taxes under consolidation/reconciliation amounted to € 58 m in 2014 (2013: € 16 m).

Report on Events After the Reporting Date

On 1 March 2015, the Austrian Financial Market Authority (FMA) announced a moratorium on the settlement of the liabilities of HETA Asset Resolution AG, Klagenfurt, with creditors until 31 May 2016. Helaba has invested in a bond issued by HETA Asset Resolution AG. The carrying amount of this investment

as at 31 December 2014 (closing price) was € 77 m. Helaba believes that this moratorium is an adjusting event relevant to 2015 and will recognise any consequences in its financial statements for financial year 2015.

Risk Report

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

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

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

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

Principles

Responsibility of executive management

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

Protection of assets

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

Protection of the Bank's reputation

Effective risk management and the avoidance of legal or regulatory breaches that could damage its reputation are absolutely vital for the Bank if it is to preserve its positive image and achieve the best possible rating.

Clearly defined responsibilities

The managers of the various front office units are responsible for ensuring that their unit achieves a reasonable balance between risks incurred and earnings realised. The units exercising control must ensure that the maintenance of this balance is monitored continuously and that the person with the relevant authority is notified of any existing or potential discrepancies.

Segregation of functions

The independence of risk controlling and risk containment must be assured in order to maintain objectivity and transparency. Independent control processes are 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 2014 on the provisions of the Capital Requirements Regulation (CRR).

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 operating and business procedures in line with the scale and risk content of each operation and business. This 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 cause material damage to the assets (including capital resources), results of operations or liquidity position of the Helaba Group and Helaba Bank. The following primary risk types have been identified for the Helaba Group and Helaba Bank (real estate risk excepted):

- 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, 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 residual risk and the incremental risk.
- The equity risk – the potential economic loss as a result of non-payment by or a deterioration in the creditworthiness of an equity investment – that is not managed at the level of the individual risk types also forms part of the default risk. Such developments can lead to a decline in the value of the holding, 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 residual risks and changes in the price of securities subject to a credit rating as a result of rating changes (including default) lead to incremental risks.
- The liquidity risk is broken down into three categories. The short-term liquidity risk is the risk of not being able to meet payment obligations as they fall due. Structural liquidity risks result from imbalances in the medium- and long-term liquidity structure and negative changes in the organisation's own funding curve. Market liquidity risks result from the insufficient liquidity of assets, with the consequence that positions can be closed out only, if at all, at a disproportionately high cost. The liquidity risks associated with transactions not included in the statement of financial position lead to short-term and/or structural liquidity risks depending on their precise nature.

- The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk type also 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 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.
- Real estate risk is the risk to the real estate portfolio in the form of potential economic loss from fluctuations in the value of an entity's own real estate and the real estate project management risk arising from the 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. The central monitoring units are involved in the authorisation of new products as part of the New Product Process for lending business and trading business. The risk inventory process, which is completed for the Helaba Group annually and in response to relevant developments, also helps to identify previously unknown risks and ensure that any of material significance are incorporated into the risk management process.

2. Risk quantification

Effective mapping of individual transactions and risk parameters in the risk measurement systems enables qualitatively and quantitatively robust risk measurement and assessment for the various risk types. A variety of models, methods and processes are used for this purpose. The Bank applies corresponding premiums and discounts to cover the model risk that results from the use of models and is confirmed in the course of validations.

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

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

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

Risk management and Helaba Group companies

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

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

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

Principal risk monitoring areas

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

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

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

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

The Internal Audit function, which reports directly to the Board of Managing Directors, examines and assesses the activities of the Bank and of subsidiary companies without need of further instruction. It plans and conducts its audits with risk in mind, paying particular attention to the assessment of the risk situ-

ation, the adequacy of processing and the effectiveness of the internal control system.

The scope and result of each audit are documented in accordance with uniform standards. Informative audit reports are supplied to the Board of Managing Directors and the people responsible for the units audited. Internal Audit reports to the Supervisory Board on findings of particular significance every quarter.

Capital Market Compliance Office, Money Laundering and Fraud Prevention Compliance Office, MaRisk Compliance function and Data Protection Office

The Bank has established a Capital Market Compliance Office, a Money Laundering and Fraud Prevention Compliance Office, an MaRisk Compliance function and a Data Protection Officer, 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, acting in its capacity as the central authority for the purposes of Section 25h KWG, 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 Money Laundering and Fraud Prevention Compliance Office is also responsible for the implementation of the legal requirements arising out of the Agreement Between the United States of America and the Federal Republic of Germany to Improve International Tax Compliance (FATCA).

The MaRisk Compliance function promotes the adoption of effective procedures to implement and ensure compliance with the principal legal rules and stipulations identified in the context of risk and conducts related checks.

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.

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 quantified 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 regulatory own funds.

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

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

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

Helaba's Group 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. The going-concern approach element of Helaba's calculation of risk-bearing capacity was amended on 1 January 2014 in line

with the switch to regulatory reporting in accordance with the CRR/CRD IV to ensure that the new regulatory requirements for capital and capital adequacy are properly considered. Risk exposures are quantified with a 95.0 % confidence level for this purpose. 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 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 for the Group against a sustainable result before risks and total own funds not committed for regulatory purposes (minus an internally defined risk buffer, depending on the scenario). The going-concern approach also quantifies the implications of the stress scenarios for the regulatory capital requirement and regulatory own funds in order to analyse the impact on the regulatory capital ratios.

Helaba applies particular weight to the going-concern approach, which looks at effects on the regulatory capital ratios, in its capital allocation decisions and allocates regulatory capital to divisions and Group units on the basis of the associated anticipated changes in 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 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 2014, underlining Helaba's consistently conservative approach to risk. The same applies in respect of the calculation of risk-bearing capacity for Helaba Bank.

The base scenario of the going-concern approach for the Group shows a capital buffer of € 3.3 bn (2013: € 3.2 bn) with respect to the economic risk exposures taking account of an internal risk buffer. The capital buffer with respect to the economic risk exposures under the gone-concern approach for the Group amounts to € 6.1 bn (2013: € 7.3 bn).

The capital ratios achieved under the simulated stress scenarios exceed the regulatory minimum requirements by a significant margin.

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 Sparkassen-Finanzgruppe's nationwide Joint Liability Scheme, which safeguards the affiliated institutions themselves and their liquidity and solvency. The most notable features of this protection scheme are the way that it safeguards the viability of the affiliated institutions, especially their liquidity and solvency, its risk monitoring system for the early detection of exceptional risk positions and the risk-led approach used in calculating the amounts to be paid into the security facility by the various institutions. The legally dependent Landesbausparkasse Hessen-Thüringen, subsidiary Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Deutschland) AG, which is a subsidiary of Frankfurter Bankgesellschaft (Schweiz) AG, are also directly integrated into this deposit security system.

Systems safeguarding the viability of institutions will remain admissible under the new German Deposit Guarantee Act (Einlagensicherungsgesetz), which comes into force in July 2015, provided they have been approved by the regulator. An application for approval is planned.

Helaba and Frankfurter Sparkasse are also affiliated to the Reserve Fund of the Sparkassen- und Giroverband Hessen-Thüringen under the terms of their Charters. The reserve fund provides further protection in the event of a default in addition to the nationwide Joint Liability Scheme and provides creditors of the affiliated institutions (Helaba, Sparkassen) with a direct and uncapped entitlement. The total volume of the fund is equal to 0.5 % of the affiliated institutions' weighted regulatory risk assets in accordance with the German Solvency Regulation (Solvabilitätsverordnung – SolvV) and amounted to € 508 m at the end of 2014. The Sparkassen- und Giroverband Hessen-Thüringen has undertaken to make up the shortfall between the amount actually paid in and the full amount should the fund be required before such time as the full amount has been contributed.

Rheinischer Sparkassen- und Giroverband (RSGV) and Sparkassenverband Westfalen-Lippe (SVWL) have each also unilaterally set up an additional regional reserve fund for Helaba.

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

Default Risks

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

Guiding these steps is a comprehensive and universal risk strategy derived from the business strategy. This risk strategy was drawn up with reference to the German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk). The specific risk strategy for default risks defines the risk propensity differentiated by product, customer segment and risk type for every business segment. It is reviewed annually and is developed gradually in step with the continuing extension of active lending portfolio management.

Basel III/CRR

The new EU Capital Requirements Regulation (CRR), which is based on Basel III, came into force on 1 January 2014. The CRR governs the capital adequacy and capital backing requirements for institutions and replaces the capital adequacy framework (pillar 1 of Basel II/EU CRD, SolvV).

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

Risk monitoring using the global limit system

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

Cumulative limits for each borrower are recorded in the global limit system at Group level to help monitor, limit and contain default risks. All types of loans in accordance with Article 389 et seq. of the CRR made to borrowers in both trading and banking book activities are counted against these cumulative limits. Current account intraday risks and advance payment and settlement risks attributable to foreign currency and securities transactions are approved as direct commercial risks and counted in full against separate limits.

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

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

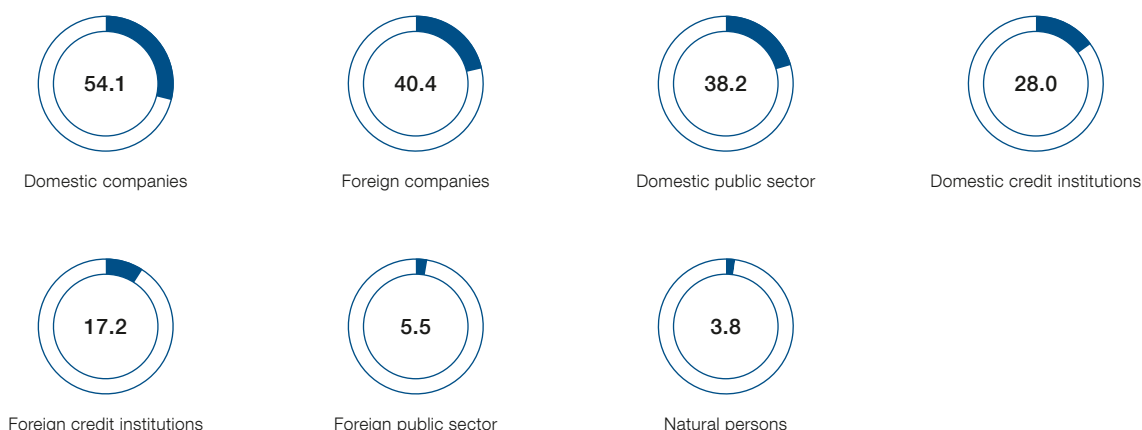
Creditor risks associated with direct debits and secondary risks resulting from leasing commitments (lessees) or guarantees received are also recorded for the relevant entity bearing the economic risk as indirect commercial risks.

Chart 1 shows the total volume of lending as at 31 December 2014 comprising drawings and unutilised committed credit lines of the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG) and Helaba Asset Services totalling € 187.2 bn (2013: € 185.4 bn), broken down by customer group.

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

Chart 1

in € bn



Helaba's lending activities as of 31 December 2014 focused, in line with the business model, on the banking sector, the public sector and the real estate and housing sector.

Creditworthiness/risk appraisal

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

Because the calculation of the customer- or transaction-specific probability of default (PD) alone does not permit an assessment

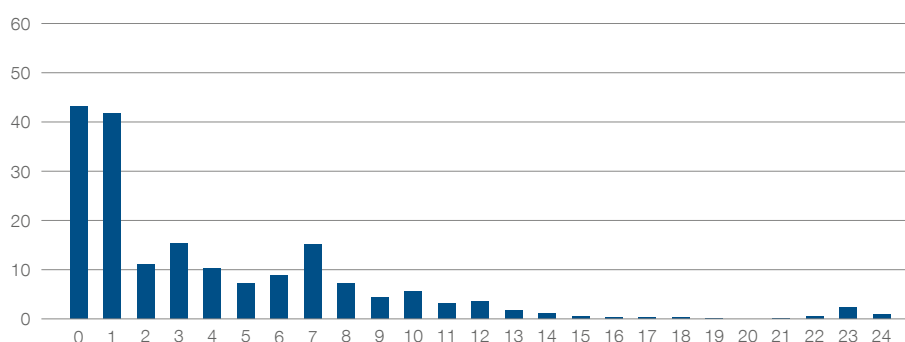
to be made of the loss risk potential of a transaction, other relevant factors that mitigate or increase risk for a particular credit transaction (in particular maturity, collateralisation and ranking of the loan) are subsequently also considered. Helaba has developed a risk rating that enables the risk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

In the narrow Group companies (Helaba Bank with the subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services), the breakdown of the total lending volume of € 187.2 bn (2013: € 185.4 bn) by risk rating category is as shown in chart 2.

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

Chart 2

in € bn



Collateral

Like the creditworthiness of borrowers or counterparties, the collateral arrangements (or general risk mitigation techniques) available are of major importance when determining the extent of default risks. Collateral is measured in accordance with the Bank's lending principles. The measurement is adjusted as part of the regular or ad-hoc 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 the CRR. The system complies with the extensive and complex requirements regarding the utilisation, mapping and recognition of "traditional" credit collateral (in particular property charges, guarantees and warranties, pledging and assignment of receivables and securities positions, register charges for ships and aircraft) in the Foundation Approach for internal ratings. The Collateral Management System provides its data resources to the central risk data pool, which in turn verifies and distributes the assets eligible as collateral to the risk positions secured.

Country risks

The country risk consists of transfer, conversion and event risks (such as delivery risks). Helaba has a uniform methodology for the internal measurement and allocation of country risks based on the entity bearing the economic risk. The risk initially assigned to the borrower's country of domicile in accordance with the strict domicile principle is accordingly transferred, subject to certain conditions, to the country of domicile of the parent company of the Group, the lessee or, in the case of cash flow structures and when collateral is involved, to the country of the entity bearing the economic risk.

The country risk system is the central tool for the comprehensive, timely and transparent risk-oriented recording, monitoring and containment of country risks. All of Helaba's lending and trading units, including subsidiaries Helaba Asset Services, Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG, are involved in country risk containment. The total country risk, excluding the countries of the euro zone, may not exceed six times the liable capital of the Helaba Group of institutions. As of 31 December 2014, utilisation was less than three times the liable capital.

Country limits are defined for all countries apart from a handful of euro zone countries and certain other countries considered to be first-class borrowers in respect, in particular, of transfer risks (currently Switzerland, the UK, the USA, Denmark, Sweden and Norway). 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 established at least annually by the Economics and Research department and ultimately defined by the Credit Risk Management unit. 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. The business units responsible for international transactions submit country limit proposals 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 founded primarily on economic criteria, with business policy and risk methodology considerations specific to the Bank to produce an overall assessment, on the basis of which Credit Risk Management then issues a definitive limit proposal for the Credit Committee of the Board of Managing Directors. Limits for the individual countries are ultimately defined by the Credit Committee of the Board of Managing Directors taking account of the opinions submitted and the risk group assignment.

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

The transfer, conversion and event risks from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 43.1 bn (2013: € 42.9 bn), most of which was accounted for by borrowers in Europe (81.8 %) and North America (14.9 %). As at 31 December 2014, 91.0 % (2013: 91.7 %) of these risks were assigned to country rating classes 0 and 1 and a further 8.0 % (2013: 6.8 %) came from rating categories 2-9. Just 0.2 % (2013: 0.3 %) fell into rating class 14 or worse.

Exposure in selected European countries

Helaba's net exposure to borrowers in GIIPS countries across the narrow Group companies amounted as at 31 December 2014 to € 4.4 bn (2013: € 5.2 bn). This figure breaks down as follows:

in € m

	Country					
	Greece		Ireland		Italy	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Country rating internal (LCR)	20	23	7	8	10	11
Country rating external (S&P/Moody's)	B/Caa1	B-/Caa3	A/Baa1	BBB+/Ba1	BBB-/Baa2	BBB/Baa2
Sector						
Government	0	0	0	0	70	260
Banks/Other financial institutions	1	3	2	15	680	886
Corporates	177	177	258	274	208	213
Other (inc. natural persons)	0	0	5	4	30	34
Direct gross exposure	178	180	265	294	988	1,393
Less collateral	-177	-177	-122	-121	-76	-71
Direct net exposure	1	3	144	173	912	1,322

in € m

	Country			
	Portugal		Spain	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Country rating internal (LCR)	13	14	10	11
Country rating external (S&P/Moody's)	BB/Ba1	BB/Ba3	BBB/Baa2	BBB-/Baa3
Sector				
Government	0	3	749	1,059
Banks/Other financial institutions	4	22	1,445	1,308
Corporates	19	34	1,193	1,256
Other (inc. natural persons)	3	4	103	111
Direct gross exposure	26	63	3,490	3,734
Less collateral	0	0	-149	-67
Direct net exposure	26	63	3,341	3,667

Total net exposure to borrowers in Cyprus, Malta, the Russian Federation, Slovakia and Slovenia as at 31 December 2014 amounted to € 0.5 bn, of which the Russian Federation and Slovakia each accounted for € 0.2 bn (2013: € 0.4 bn, of which € 0.2 bn for the Russian Federation and € 0.1 bn for Slovakia). As at 31 December 2014 there was no net exposure to borrowers in Ukraine.

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.

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 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. Internal containment additionally involves differentiated quantification of unexpected losses from default risks with reference to 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.

The base scenario of the risk-bearing capacity calculation shows an economic risk exposure of € 750 m (2013: € 806 m) for the Group from default risks. The reduction in 2014 stems essentially from adjustments to methodology for certain portfolios.

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.

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 CRR 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 composition of the equity investments portfolio is virtually unchanged from year-end 2013. The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 11 m for the Group from equity risks (2013: € 30 m). This reduced risk exposure in part reflects improved ratings and disposals of equity investments.

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 the risk inventory process in line with the specific business activities involved. Attention in this area focuses principally on subsidiaries Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG. 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 belonging to the trading book also falls under the jurisdiction of the Asset/Liability Management unit.

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 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. 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 99.0 %, 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 as at the end of 2014 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market price risk types. Rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 70 % (2013: 83 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions for 22 % (2013: 11 %). 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 residual risk, which indicator was introduced in 2013, amounts to € 23 m for the Group (2013: € 27 m). The incremental risk in the trading book amounts, with a time horizon of one year and a confidence level of 99.9 %, to € 192 m (2013: € 171 m). The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 273 m (2013: € 350 m) for the Group from market price risks. The reductions in this figure and the linear interest rate risk are largely the result of lower euro interest rates.

Group MaR by risk type

Chart 3

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Trading book	11	28	10	26	0	0	1	1
Banking book	36	66	22	48	1	2	13	15
Total	45	83	30	65	1	2	14	16

All risk measuring systems are based on a modified variance-covariance approach or a Monte Carlo simulation. The latter is used in particular 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. Following completion of the process in which exposures associated with the takeover of NRW-Verbundbank were fully migrated to Helaba systems, the temporary use of the risk measurement systems of Portigon AG was brought to an end in the second quarter of 2014 as planned.

Internal model in accordance with the Capital Requirements Regulation (CRR)

Helaba calculates the regulatory capital required for the general interest rate risk using an internal model in accordance with

the CRR. 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.

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) for the 2014 financial year. The average MaR for 2014 as a whole amounted to € 18 m (2013: € 33 m), the maximum MaR was € 32 m (2013: € 44 m) and the minimum MaR was € 11 m (2013: € 26 m). The lower level of risk as compared with 2013 is largely attributable to the further fall in interest rates in 2014.

Daily MaR of the trading book in financial year 2014

Chart 4



Helaba's international branch offices plus 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.

Average MaR for the trading book in financial year 2014

Chart 5

o MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Interest rate risk	25	29	17	28	13	36	12	27	17	30
Currency risk	0	1	0	2	0	1	0	0	0	1
Equities risk	1	2	1	2	1	1	1	1	1	2
Total risk	26	32	18	32	15	38	13	28	18	33

Number of trading days: 249 (2013: 249)

The annual average MaR for the trading book for Frankfurter Sparkasse amounts to € 0 m (2013: € 0 m). The average MaR for the trading book for Frankfurter Bankgesellschaft (Schweiz) AG is € 0 m (2013: € 0 m).

Back-testing

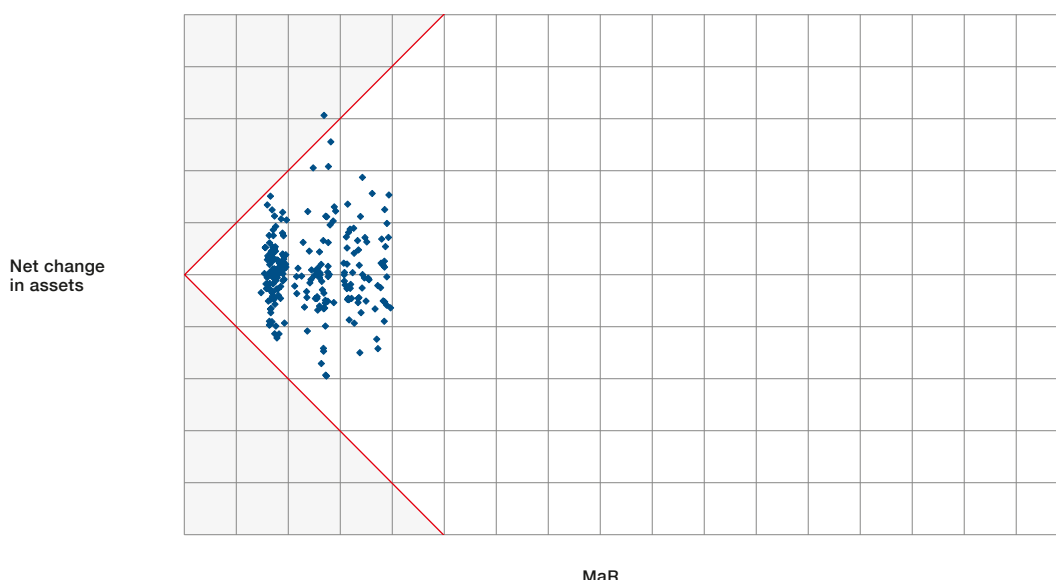
Helaba carries out clean back-testing daily for all market price risk types to check the forecasting quality of the risk models. This involves determining the MaR figure for a holding period of one trading day with a one-tailed confidence level of 99% and a historical observation period of one year. 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 across all types of market price risk in financial year 2014. No negative outliers occurred (2013: no negative outliers).

Back-testing for the trading book in financial year 2014

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 2014 (2013: 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 (2013: 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. 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 2014, such an interest rate shock would, in the unfavourable scenario, result in a negative change in value of € 234 m in the Helaba Group banking book (2013: € 252 m). Of this figure, € 215 m (2013: € 233 m) is attributable to local currency and € 19 m (2013: € 19 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 2014.

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. Cost allocation is governed by a liquidity transfer pricing system.

The Risk Controlling 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 assumed. Reporting also includes various stress scenarios such as increased drawings on liquidity lines, no availability of interbank liquidity in the financial markets and the possible impact on Helaba of a significant rating downgrade. The stress scenarios encompass both factors specific to the bank and broader market influences. Inverse stress tests are also conducted. Additional ad-hoc reporting and decision-making processes for extreme market situations are in place.

Short-term liquidity risk

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

Helaba has been authorised by BaFin to use its own liquidity risk measurement and management procedure in accordance with Section 10 of the German Regulation on the Liquidity of Institutions (Liquiditätsverordnung – LiqV). 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 serviced by Portigon AG in connection with the acquisition of NRW-Verbundbank were subject to the LiqV standard method, backed up with additional stress tests, until transferred to Helaba's IT systems in the second quarter of 2014. Helaba complied with the liquidity requirements imposed by the banking regulator in full at all times in financial 2014.

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 unit. The utilisation rate in the most relevant scenario (solvency) amounted on the reporting date to 22 % (2013: 30 %). This increases to 29 % (2013: 37 %) if Frankfurter Sparkasse is included. The average utilisation rate in 2014 was 34 % (2013: 41 %).

Money market staff borrow/invest in the money market (inter-bank 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.

Helaba continued in financial year 2014 with a project to effect compliance with the regulatory liquidity requirements as set out in Basel III and the CRR in parallel with its own internal short-term liquidity management. The indicators – liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) – are determined as part of liquidity management. The LCR exceeded the minimum limit of 60 % of relevance for regulatory purposes from 1 October 2015 for all monthly reference dates.

Loan and liquidity commitments not included in the statement of financial position, which are maintained in a central database, are reviewed regularly with regard to their drawing potential and features of relevance to liquidity and are integrated into liquidity management. US public finance business and the securitisation platform initiated by Helaba are also included here. Guarantees and warranties are similarly reviewed. Liquidity costs are calculated and allocated to the relevant business lines as a function of the internal risk classification. Helaba determines and plans the liquidity to be held available using a scenario calculation that includes a market disturbance. 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 € 1.1 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents a reduction of € 0.7 bn as compared with the previous year. 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 2013).

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, which consist essentially of lending business including floating-interest roll-over transactions, securities held for liquidity investment purposes and medium- and long-term financing, via the central asset/liability management system. This aspect is managed on the basis of cash-flow-oriented liquidity outflow schedules, with limited matching liquidity. Responsibility for monitoring rests with the Risk Controlling unit. The funding matrix at year-end shows an aggregate funding requirement across all currencies and locations of € 6.6 bn set against a limit of € 12.5 bn (2013: € 0.9 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 2014. 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 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 identifies, measures and contains operational risks using an integrated management approach introduced for this purpose in accordance with the regulatory requirements.

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. Central responsibility for operational risk controlling rests with the Risk Controlling unit.

Tools

Helaba has been using the standardised method to calculate its capital backing 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 and contain them with appropriate measures.

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. The quantification methodology was expanded significantly in 2014 and is now based entirely on a modelling approach that encompasses internal and external losses plus risk scenarios created by the business units and plausibility-checked by the Risk Controlling unit.

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 on the next page shows the risk profile of the narrow Group companies and additional subsidiaries for the year 2014:

Expected loss as of 31 December 2014 by loss event

Chart 7

in %



The expected loss amounted to € 36 m (2013: € 28 m) as at 31 December 2014 and results from an adjusted risk evaluation.

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 completed in 2014.

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. Helaba conducts a quantification process for unexpected losses as well as estimating expected losses. The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an unexpected loss (economic risk exposure) of € 97 m (2013: € 138 m) for the Group from operational risks. This decrease resulted from an adjustment to the methodology used in the quantification model.

Documentation system

Helaba's documentation system complies with the requirements imposed 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 Dezerent (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 Organisation and Information Technology unit 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.

Information security, IT risk management and business continuity management

Helaba's defined information security strategies and regulations provide the basis for an appropriate internal controlling process and for the secure use of electronic data processing. The level of information security maintained and the extent to which it is appropriate given the applicable circumstances are monitored and adapted continuously using an information security management system (ISMS). Key systems are subject to constant surveillance as part of monitoring activities, moreover, and important processes and procedures and key outsourcing arrangements are checked in regular information security audits.

Mandatory information security (IS) guidelines and security policies 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 documents are the subject of continuous ongoing development. Helaba also actively manages IT risks (as a component of the operational risk). IT risks and the associated security measures and checks are reviewed, periodically and on an ad-hoc basis, monitored, contained and reported. The Bank thus takes proper account of all three aspects of information security – availability, integrity and confidentiality – in order to avoid any detrimental impact on its 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. These business continuity

plans ensure restart, proper emergency operation and restoration of normal operation. Tests and exercises are conducted to verify their effectiveness and they are updated and enhanced on a regular basis.

The Service Level Agreements concluded for the IT services outsourced to external service providers (Finanz Informatik and Finanz Informatik Technologie Service for application and data centre operation and HP for desktop services) contain provisions relating to preventive measures and measures to limit risks. The documented procedures for safeguarding operation and the technical restoration of data processing are tested regularly together with specialist units of Helaba.

Accounting process

The objective of Helaba's internal control and risk management system in relation to the accounting process is to ensure proper and reliable financial reporting. The Helaba Group's accounting process involves individual reporting units that maintain self-contained posting groups and prepare local (partial) financial statements in accordance with HGB and IFRS. Helaba's reporting units are the Bank (Germany), the branch offices outside Germany, LBS, WIBank and all consolidated companies and sub-groups and companies and sub-groups accounted for using the equity method.

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

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

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

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

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

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

The procedure to be followed in accounting is set out in a number of different complementary forms of documentation. Stipulations for the accounting methods to be used are defined in accounting manuals for HGB and IFRS that also contain provisions on group accounting. The latter relate in particular to the parent company of the Group and the sub-groups included. Rules concerning organisational factors and the preparation process are included in addition to the stipulations on approach, measurement, reporting and disclosure requirements. The individual reporting units have direct responsibility for incorporating stipulations in varying degrees of detail concerning the procedure to be applied in the various processes and subprocesses followed in the preparation of 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. Primary and deputy responsibilities are assigned for this purpose at Group level for each reporting unit and each entry in the Notes. The figures are discussed regularly with the Board of Managing Directors following this preliminary analysis and validation.

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. The tax affairs of the international branch offices and the other units of the Group are handled locally. Key developments and outcomes

are included in the reports to the Taxes department for the purposes of centralised financial statement preparation. 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 and their impact on the Bank and subsidiaries is analysed. Any necessary measures are initiated by or in consultation with the Taxes department and in this way tax risks are either avoided or covered by appropriate provisions in the statement of financial position.

Business Risk

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

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

Operational and strategic risk containment is the responsibility of the Bank's front office units and the management of the respective equity investments. The Risk Controlling unit analyses trends in business risks and is responsible for quarterly risk reporting to the Risk Committee of the Board of Managing Directors.

Business risks increased by € 13 m to € 156 m in the year to 31 December 2014.

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 in particular for the portfolio properties of the GWH Group (GWH Wohnungsgesellschaft mbH Hessen) and properties owned by Helaba. Risks in project development business, which are associated with deadline, quality, cost and marketing factors, arise in particular in the operationally independent subsidiaries of the OFB Group (OFB Projektentwicklung GmbH) and the

GWH Group (in its real estate development business) and also in real estate project companies held directly or indirectly by Helaba.

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

- operational – the responsibility of management at each of the Group companies concerned
- strategic – the responsibility of the supervisory bodies of the Group companies and the Real Estate Management unit.

The Real Estate Management unit is responsible for risk containment in respect of the directly and indirectly held real estate project companies, and of Helaba's own real estate portfolio. Risk monitoring is performed by the Risk Controlling and Real Estate Management units.

Project risks are contained with reference to the opportunity and risk overview prepared every quarter to identify and track future non-budgeted project opportunities and risks, which establishes opportunities and cost, earnings and other 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 Risk Controlling unit analyses the development of risks arising from portfolio properties and from real estate project management business 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 containment in the meetings of the supervisory body of each Group company.

The risks associated with real estate projects and real estate portfolios rose to € 31 m in 2014 (2013: € 19 m), largely as a result of new project developments. 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 fundamental organisational principles put in place the structures necessary to ensure successful implementation of the risk strategy defined. Helaba, in conclusion, has at its disposal a stock of proven and effective methods and systems with which to master the risks it chooses to accept.

Outlook and Opportunities

Economic conditions

In 2015, the main stimulus will come from the industrialised nations, as was the case in 2014. The pace continues to be set by the US economy, which has already gained momentum noticeably. China's growth trend continues to slacken off and the situation in Russia and other oil-exporting countries remains challenging. Growth in the euro zone is finally beginning to gather some pace thanks to the weak euro and low energy prices. However, it would be unreasonable to expect more than a modest improvement. Global economic growth is likely to be around 3%, as in 2014.

Growth in Germany in 2015 is again likely to be better than in the rest of the euro zone, with output once more rising at close to the 2014 rate of 1.6%. Domestic demand should be one of the main contributors: capital investment is gradually gaining momentum and there is growing activity in the construction industry. Real incomes and employment will remain on an upward trajectory, enabling consumer spending to make a significant contribution to growth. Foreign trade is benefiting from the weaker euro. Government finances are also likely to be in the black again in 2015 following the small budget surplus in 2014. Tax receipts continue to grow. The differences in growth rates among the countries of the euro zone remain significant. In Ireland and Spain, examples of a successful structural policy, growth rates are likely to be above average. On the other hand, France and Italy were slow to initiate reforms and the pace has been slow. Growth in both of these countries will therefore be below the average for the euro zone in 2015.

As the modest growth continues, accompanied by very low inflation, many central banks will be able to continue their extremely expansionary monetary policies. In contrast, the US Federal Reserve has already discontinued its bond-buying programme and is heading for an initial rise in benchmark rates in mid-2015. In March 2015, the ECB for the first time initiated a comprehensive bond-buying programme with a volume of more than € 1 trillion. This programme is provisionally scheduled to continue until September 2016. 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. In the last few years, the Bank has therefore not only been able to overcome the adverse impact from the financial crisis using its own resources and consolidate its market position in its core areas of business, but it has also been able to continuously improve its operating results. The good operating results generated by Helaba have enabled it to service all

subordinated liabilities, profit participation rights and silent participations in full at all times 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 business, a strong base in the region, a very close relationship with the Sparkassen and robust capital and liquidity backing. Helaba was able to generate a significant increase in profit before taxes year on year despite the persistently low level of interest rates combined with a sharp increase in the structural costs of banking due to changes in the national and international regulatory environment.

Rating agencies Fitch Ratings (Fitch), Standard & Poor's (S&P) 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. 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 also underpins its ongoing ability to access funding in the money and capital markets.

The process of consolidation in the Landesbank sector seems likely to continue over the coming years given the prolonged period of pressure on income from the highly competitive environment. Helaba is firmly and permanently established as part of the German Sparkassen organisation by virtue of its ownership structure (88% of its shares are held by members of the Sparkassen organisation) and its central bank function for 40% of Sparkassen in Germany. This means that future changes in the sector will give rise to numerous strategic opportunities. 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.

The real estate business is one of Helaba's strategic core business areas. It offers almost all products and services along the value chain, including structuring, financing and portfolio management. Long-term customer relationships combined with a sustainable business policy in the carefully selected domestic

and international target markets have formed the basis for the growth in new business over the last few years. Even during periods of increasing competition and downward pressure on margins, Helaba believes that there are good opportunities for the Bank to continue to consolidate its market position in real estate lending based on its product expertise and on its well-established presence in the markets over many years.

Export-oriented corporate customers expect their partner bank to offer a range of products that will help them with their international activities. The Bank's institutional roots in the Sparkassen organisation and its extended customer base are enabling 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. In this regard, the Bank has specified various regions in which it intends to focus. It plans to open a new representative office in Singapore in the first half of 2015.

In terms of the volume of payments processed, Helaba is the second largest payments clearing house in Germany. The Bank is also a leading player in the card processing business with Sparkassen, trade customers and network operators. This market position is enabling Helaba to help determine the necessary course for the future. In the new, fast-growing business areas of e-commerce and m-commerce, Helaba is well-integrated into the overall strategy of the Sparkassen-Finanzgruppe and is working on projects related to web-based payment systems and the Sparkassen S-Wallet. Helaba believes there are good opportunities for developing new areas of business, particularly in connection with its planned value added services and possible sales finance.

Overall, Helaba finds itself well placed to meet the challenges of the future over the long term with its established strategic business model and sees additional development opportunities in the expansion of regional private customers and SME business, S-Group business, public development and infrastructure business, and in the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. Helaba's strategy for profitability aims to bring about further improvements in its sustainable earning power to strengthen its capital base and enhance its enterprise value while maintaining its risk-bearing capacity and taking account of the changes in the regulatory environment and marked increase in the structural costs of banking.

Helaba's medium-term business and income planning accordingly aims to adjust its portfolios in the core business divisions over the next few years in order to refine and sharpen the focus of its strategic business model and stabilise earnings. These adjustments are intended

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

Probable development of the Group

Given the strong regional focus of the business model, the key parameters determining the expected performance of Helaba in 2015 are the economic forecasts for Germany and western Europe as a whole. Nevertheless, the business model also has a sharp customer focus and this forms the basis for generating steady operating income, even when interest rates are low and exchange rates are volatile.

In the Real Estate segment, Helaba expects the real estate lending business in Germany to continue to be characterised in 2015 by a stable market environment accompanied by fierce competition. Internationally, Helaba continues to concentrate on stable, high-revenue markets. The volume of new medium- and long-term lending business is budgeted to be around 20 % down on the previous year to € 7.5 bn in 2015. After factoring in the anticipated redemptions, this new business will lead to a slight increase in loans and advances to customers and stable income at the prior-year level. Budgets for 2015 income from the equity investments in the real estate business are at the level of income achieved in 2014. In 2015, based on a rise in provisions for losses on loans and advances, an increase in other net operating income and higher general and administrative expenses, profit before taxes for the segment is forecast to be approximately 7 % below the level of 2014.

In the Corporate Finance segment, demand for credit is expected to remain subdued in 2015 despite the economic upturn and the market will be highly competitive. The volume of new medium- and long-term lending business is therefore budgeted to be around 14 % down on 2014 to € 3.9 bn in 2015. Factoring in the expected redemptions, Helaba is forecasting a slight rise in the loans and advances to customers. Based on this growth in the portfolio and a greater level of international trade business with corporate customers, income is expected to rise by approximately 6 % year on year. Profit before taxes in 2015 is likely to be 1 % down on 2014, taking into account provisions for losses on loans and advances at the 2014 level and an increase in general and administrative expenses.

The Financial Markets segment encompasses the interest-related business with domestic and foreign local and regional authorities. The volume of new medium- and long-term lending in the municipal lending business in Germany is budgeted to be € 1.0 bn in 2015, which is the same level as in 2014. New business with foreign financial institutions and public authorities will only be transacted on a selective basis in 2015, with a volume budgeted at € 0.3 bn. In the asset management business, it is planned to push up the level of income by increasing the volume of assets under management. In the capital markets business, Helaba plans to increase the proportion of customer- and volume-driven income in 2015 by expanding cross-selling and improving its competitive position in the primary markets business. Generally speaking, Helaba does not plan any income for net income from hedge accounting (in which the ineffective portion of micro hedges is reported), derivatives or financial investments. Earnings in capital market operations are therefore anticipated to be sharply lower year on year, but sustainable over the long term.

In the S-Group Business, Private Customers and SME Business segment, there is expected to be a decline in the income and profit before taxes for Frankfurter Sparkasse because of the persistently low interest rates. Income generated by Frankfurter Bankgesellschaft and LBS Hessen-Thüringen is forecast to remain steady for 2015 with profit before taxes remaining at the level of 2014. In the S-Group Bank business with the Sparkassen, Helaba is aiming to become the leading S-Group bank for the German Sparkassen organisation based on a nationwide sales approach. It is planning numerous product improvements for 2015. Compared with the profit before taxes in 2014, which included one-off items, the segment profit before taxes in 2015 is expected to be roughly one third lower.

Developments in the Public Development and Infrastructure Business segment in 2015 will be characterised by continued expansion of the development business and the start of the new EU development period, in particular with regard to the necessary changeover in systems. New business in 2015 is likely to comprise loans of around € 1.5 bn (2014: € 1.4 bn) and an unchanged level of grants at € 0.7 bn. The grants comprise non-repayable funding from the European Union, the German federal government and the State of Hesse, to be used for example to support agriculture or healthcare infrastructure. The grants are administered and paid out to the recipients by WIBank on behalf of the provider. Income is expected to grow slightly in 2015 as a result of the rising volume of business, although some of the benefit from this growth will be offset by higher administrative expenses. Overall, the profit before taxes in the segment is planned to be at the same level as 2014 at € 18 m.

In the Other segment, steadily rising income is predicted in the cash management and custody services businesses, driven by

an improvement in market position. In 2015, other net operating income is expected to include significantly lower provisions than in 2014. General and administrative expenses will fall substantially, largely because there will no longer be any flat-rate fees payable for the services previously provided by Portigon.

Total new medium- and long-term lending business (including Frankfurter Sparkasse) is budgeted at € 16.3 bn for 2015. Total assets are expected to increase slightly in 2015 by € 2 bn to € 182 bn. The proportion of total assets accounted for by loans and advances to customers is forecast to rise in 2015 by approximately 2.5%.

However, overall net interest income for the Group is likely to be down by around 10% year on year in 2015. A slight increase in customer contributions will be offset by the adverse impact from low interest rates on Frankfurter Sparkasse and on own fund investing activities and from additional subordinated capital taken on by the Bank.

Provisions for losses on loans and advances are budgeted at € 200 m for 2015 on the basis of falling long-term averages. In 2015, these provisions are planned to cover all non-performing loans. Some changes may be required to the amounts recognised in 2015 if a requirement to consolidate borrowers arises in 2015, as was the case in 2014.

Net fee and commission income has been budgeted at roughly 14% higher than in 2014, mainly because of the growth in customer business.

A year-on-year rise of 34% in net trading income is planned for 2015.

In contrast to 2014, no consolidation effects are planned under other net operating income in 2015, with the result that the budgeted figure for 2015 is approximately € 240 m, which equates to the normal level achieved in previous years.

The Bank is planning to hold the headcount at broadly the same level in 2015. An increase in the number of posts on a selective basis will be offset by initial job cuts as part of the implementation of the Bank's programme to improve efficiency and fine-tune resources. A significant impact from this programme is not expected to materialise until 2016 and thereafter. There is a significant year-on-year reduction in the budgeted non-personnel operating expenses for 2015. Nevertheless, a sustained high level of project costs related to ensuring compliance with regulatory requirements and the structural costs of banking will continue to be reflected in the non-personnel operating expenses in 2015. These costs also include rising regulatory cost allocations and a higher bank levy. On the other side of the equation, there is an impact from the elimination

of the servicing fee that had to be paid up to 30 June 2014 for the operation of S-Group bank business on Portigon AG's IT platform. The consolidated general and administrative expenses will fall overall by 1 %.

The consolidated net profit budgeted for 2015 is therefore approximately 7 % below the level achieved in 2014.

The cost-income ratio in 2015 is expected to be around 61 %. Return on equity for 2015 is forecast at approximately 7.5 %.

The Bank's aim for 2016 is to continue developing its business divisions while systematically increasing income from customer business. At the same time, it will achieve a sustained reduction in costs by implementing the cost-cutting programme. Overall, Helaba plans to lift earnings over the medium term.

Negative developments in individual market segments cannot be ruled out even if the economic trend is robust overall. The Bank is assuming that the low interest rates will continue and the euro will remain weak. Risks then arise if interest rates become even lower or the value of the euro deteriorates even further. On the expenses side, implementing cost management in order to control the rising structural costs of banking poses the biggest challenge. There is then a particular risk to the Bank if the costs turn out to be higher than the budgeted figures when the specific details of the various regulatory measures have been decided.

Overall assessment

The consolidated profit before taxes of € 607 m generated by Helaba in financial year 2014 exceeded the very good corresponding figure of € 483 m in 2013 by € 124 m or 26 %. A key factor in this success was the further expansion of the operating business in the core areas of business. Helaba increased both net interest income and net fee and commission income year on year, in each case by approximately 6 %. The contraction in net trading income compared with the high level achieved in 2013 was caused by market trends. Other factors contributing to the increase in profit before taxes were the lower requirement for provisions for losses on loans and advances (determined by economic trends) and the fall in general and administrative expenses following completion of the integration of NRW-Verbundbank.

Despite the increasing competitive pressure and the multitude of regulatory requirements, Helaba is well placed to meet the challenges of the future over the long term with its strategic business model focused on the needs of the real economy and the S-Group. It sees additional development opportunities in the expansion of regional private customers and SME business, S-Group business, public development and infrastructure business, and in the closure of gaps in its client base and product range (at both domestic and international levels) in wholesale business. Helaba's strategy for profitability aims to bring about further improvements in its sustainable earning power to strengthen its capital base and enhance its enterprise value while maintaining its risk-bearing capacity and taking account of the increase in banking structural costs as a result of regulatory requirements.

Frankfurt am Main/Erfurt, 10 March 2015

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner Fenk Groß Dr. Hosemann

Krick Mulfinger Dr. Schraad

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Income Statement

for the period 1 January to 31 December 2014

	Notes	2014	2013	Change	
		in € m	in € m	in € m	in %
Interest income		4,771	4,867	-96	-2.0
Interest expenses		-3,478	-3,651	173	4.7
Net interest income	(4), (22)	1,293	1,216	77	6.3
Provisions for losses on loans and advances	(11), (23)	-80	-240	160	66.7
Net interest income after provisions for losses on loans and advances		1,213	976	237	24.3
Fee and commission income		516	496	20	4.0
Fee and commission expenses		-199	-196	-3	-1.5
Net fee and commission income	(24)	317	300	17	5.7
Net trading income	(4), (25)	126	344	-218	-63.4
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	(4), (6), (26)	38	-31	69	> 100.0
Net income from hedge accounting	(6), (27)	13	19	-6	-31.6
Net income from financial investments	(4), (28)	33	2	31	> 100.0
Share of profit or loss of equity-accounted entities	(2), (29)	12	-10	22	> 100.0
Other net operating income	(13), (30)	70	137	-67	-48.9
General and administrative expenses	(31)	-1,215	-1,254	39	3.1
Profit before taxes		607	483	124	25.7
Taxes on income	(20), (32)	-210	-148	-62	-41.9
Consolidated net profit		397	335	62	18.5
thereof: Attributable to non-controlling interests		-4	-5	1	20.0
thereof: Attributable to shareholders of the parent company		401	340	61	17.9

Statement of Comprehensive Income

for the period 1 January to 31 December 2014

	Notes	2014	2013	Change	
		in € m	in € m	in € m	in %
Consolidated net income according to the income statement		397	335	62	18.5
Items that will not be reclassified to the income statement:					
Remeasurement of net defined benefit liability	(52)	-444	23	-467	>-100.0
Taxes on income on items that will not be reclassified to the income statement		130	-6	136	>100.0
Subtotal		-314	17	-331	>-100.0
Items that will be subsequently reclassified to the income statement:					
Gains or losses on available-for-sale financial assets					
Measurement gains (+) or losses (-) on available-for-sale financial assets		202	-40	242	>100.0
Gains (-) or losses (+) reclassified to the income statement upon disposal or impairment of the assets		-29	13	-42	>-100.0
Share of other comprehensive income or loss of equity-accounted entities					
Gains (+) or losses (-) of equity-accounted entities recognised in other comprehensive income		-	1	-1	-100.0
Gains (-) or losses (+) reclassified to the income statement upon disposal or impairment of the assets		4	-	4	-
Changes due to currency translation					
Gains (+) or losses (-) on currency translation of foreign operations		12	-6	18	>100.0
Taxes on income on items that will be reclassified to the income statement	(32)	-55	12	-67	>-100.0
Subtotal		134	-20	154	>100.0
Other comprehensive income after taxes		-180	-3	-177	>-100.0
Comprehensive income for the reporting period		217	332	-115	-34.6
thereof: Attributable to non-controlling interests		3	-	3	-
thereof: Attributable to shareholders of the parent company		214	332	-118	-35.5

Statement of Financial Position

as at 31 December 2014

Assets

	Notes	31.12.2014	31.12.2013	Change	
		in € m	in € m	in € m	in %
Cash reserve	(34)	1,033	1,753	-720	-41.1
Loans and advances to banks	(4), (35)	20,579	21,355	-776	-3.6
Loans and advances to customers	(4), (36)	91,109	91,032	77	0.1
Allowances for losses on loans and advances	(12), (37)	-1,007	-1,119	112	10.0
Trading assets	(4), (38)	31,262	32,311	-1,049	-3.2
Positive fair values of non-trading derivatives	(4), (5), (39)	5,828	4,690	1,138	24.3
Financial investments	(4), (40)	26,590	24,120	2,470	10.2
Shares in equity-accounted entities	(2), (41)	39	76	-37	-48.7
Investment property	(13), (42)	1,909	1,885	24	1.3
Property and equipment	(14), (43)	443	452	-9	-2.0
Intangible assets	(15), (44)	141	145	-4	-2.8
Income tax assets	(20), (45)	371	342	29	8.5
Other assets	(17), (46)	1,192	1,234	-42	-3.4
Total assets		179,489	178,276	1,213	0.7

Equity and liabilities

	Notes	31.12.2014	31.12.2013	Change	
		in € m	in € m	in € m	in %
Liabilities due to banks	(4), (47)	35,612	34,162	1,450	4.2
Liabilities due to customers	(4), (48)	45,320	43,916	1,404	3.2
Securitised liabilities	(4), (49)	48,320	48,371	-51	-0.1
Trading liabilities	(4), (50)	29,219	33,739	-4,520	-13.4
Negative fair values of non-trading derivatives	(4), (6), (51)	5,351	3,471	1,880	54.2
Provisions	(18), (19), (52)	2,152	1,632	520	31.9
Income tax liabilities	(20), (53)	125	76	49	64.5
Other liabilities	(17), (54)	630	595	35	5.9
Subordinated capital	(21), (55)	5,410	5,073	337	6.6
Equity	(56)	7,350	7,241	109	1.5
Subscribed capital		2,509	2,509	-	-
Capital reserves		1,546	1,546	-	-
Retained earnings		3,030	3,047	-17	-0.6
Revaluation reserve		249	138	111	80.4
Currency translation reserve		14	2	12	> 100.0
Cash flow hedge reserve		-	-4	4	100.0
Non-controlling interests		2	3	-1	-33.3
Total equity and liabilities		179,489	178,276	1,213	0.7

Statement of Changes in Equity

for the period 1 January to 31 December 2014

in € m

	Equity attributable to shareholders of the parent company							Non-controlling interests	Total equity
	Subscribed capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Cash flow hedge reserve	Subtotal		
Equity at 31.12.2012	2,509	1,546	2,642	162	4	-23	6,840	-23	6,817
Initial application of IFRS 10			141	-4	4	18	159	25	184
Equity at 1.1.2013	2,509	1,546	2,783	158	8	-5	6,999	2	7,001
Changes in the basis of consolidation							-	1	1
Dividend payment			-93				-93		-93
Comprehensive income for the reporting period			357	-20	-6	1	332	-	332
Equity at 1.1.2014	2,509	1,546	3,047	138	2	-4	7,238	3	7,241
Changes in the basis of consolidation			-				-	-4	-4
Capital increase							-		-
Dividend payment			-104				-104	-	-104
Comprehensive income for the reporting period			87	111	12	4	214	3	217
Equity at 31.12.2014	2,509	1,546	3,030	249	14	-	7,348	2	7,350

The change in retained earnings in 2014 included changes from the remeasurement of pension provisions resulting in a decrease

in retained earnings of € 314 m (31 December 2013: increase of € 17 m) after taxes.

Cash Flow Statement

for the period 1 January to 31 December 2014

in € m

	2014	2013
Consolidated net profit	397	335
Non-cash items in consolidated net profit and reconciliation to cash flow from operating activities:		
Depreciation, amortisation and impairment losses on non-current assets, allowances for losses on loans and advances, and reversals of such impairment losses and allowances	-73	561
Additions to/reversals of provisions	253	196
Other non-cash expense/income	-66	-882
Gain or loss on the disposal of non-current assets	-50	-43
Other adjustments	-1,111	-1,064
Subtotal	-650	-897
Changes in assets and liabilities from operating activities after adjustment for non-cash items:		
Loans and advances to banks	807	1,817
Loans and advances to customers	85	183
Trading assets/liabilities	-3,629	4,027
Other assets from operating activities	750	495
Liabilities due to banks	1,441	-5,073
Liabilities due to customers	1,416	-3,610
Securitised liabilities	-288	-8,588
Other liabilities from operating activities	-136	-172
Interest and dividends received	4,946	4,830
Interest paid	-3,475	-4,035
Income tax payments	-110	-264
Cash flow from operating activities	1,157	-11,287
Proceeds from the disposal of:		
Financial investments	8,057	9,070
Property and equipment	-	1
Investment property	43	50
Payments for the acquisition of:		
Financial investments	-10,025	-5,613
Property and equipment	-11	-18
Investment property	-84	-40
Intangible assets	-16	-23
Effect of changes in basis of consolidation:		
Payments for the acquisition of subsidiaries and associates	5	-12
Cash flow from investing activities	-2,031	3,415
Dividend payments	-104	-93
Other financing activities (subordinated capital)	381	757
Cash flow from financing activities	277	664

in € m

	2014	2013
Cash and cash equivalents at 1.1.	1,753	8,925
Cash flow from operating activities	1,157	-11,287
Cash flow from investing activities	-2,031	3,415
Cash flow from financing activities	277	664
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	-123	36
Cash and cash equivalents at 31.12.	1,033	1,753
thereof:		
Cash on hand	78	84
Balances with central banks	955	1,669

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

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

The cash flow from investing activities comprises proceeds and payments relating to financial investments, property and

equipment, investment property and intangible assets as well as proceeds and payments in connection with the sale or acquisition of subsidiaries and associates. Further disclosures concerning the consolidated companies purchased or sold are set out in Note (3).

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

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

Notes

Accounting Policies

(1) Basis of Presentation

Basis of accounting

The consolidated financial statements of the Helaba Group for the year ended 31 December 2014 have been prepared pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

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

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

The IFRSs and International Financial Reporting Standards Interpretations (IFRICs) that were in force as at 31 December 2014 have been applied in full. The relevant requirements of German commercial law as specified in section 315a HGB have also been observed.

IFRSs applied for the first time

The 2014 financial year was the first year in which mandatory application was required for the following IFRSs and IFRICs adopted by the EU and of significance for Helaba:

- **Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities**

The amendments generally retain the present offsetting model under IAS 32 but provide detailed additional implementation guidelines. The amended IAS 32 clarifies that a right to set-off must be available to the entity concerned on the reporting date. It also specifies when gross settlement systems would meet the criteria for net settlement. The additional guidelines under IAS 32 must be applied retrospectively.
- **Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting**

The amendments to IAS 39 include provisions that permit a continuation of hedge accounting in situations in which a derivative designated as a hedge is novated to a central counterparty for settlement purposes in compliance with statutory or regulatory requirements, provided that certain conditions are satisfied. The amendments must be applied retrospectively.
- **Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities – Transition Guidance**

The amendments to IFRSs 10, 11 and 12, which were to be applied for the first time in 2014, define the “date of initial application” of IFRS 10 as the beginning of the annual reporting period in which IFRS 10 is applied for the first time. The consequences of this are that decisions as to whether investments should be consolidated under IFRS 10 or not must be made for the beginning of this period and that comparative figures for the mandatory disclosures under IFRS 12 in connection with subsidiaries, associates and joint arrangements are only required for the immediately preceding comparison period. Disclosures relating to unconsolidated structured entities are exempted in their entirety from the obligation to report comparative figures. The amendments must be applied retrospectively.
- **Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities**

As a result of the amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements, which were to be applied for the first time in 2014, investment entities (i.e. funds or similar entities that qualify as an investment entity, a term defined for the first time in IFRS 10) will in the future be exempted from the obligation to fully consolidate the subsidiaries that they control. The equity investments concerned must instead be recognised at fair value through profit or loss. New disclosure requirements for investment entities have also been added to IFRS 12. The amendments must be applied retrospectively.
- **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 brings together the disclosure requirements for all interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities in one standard. The new standard requires an entity to disclose quantitative and qualitative information that will enable users of financial

statements to evaluate the nature of, the risks associated with, and the financial impact from the exposure of the entity in connection with its interests in other entities. The new and enhanced disclosure requirements introduced by IFRS 12 also cover relationships with structured entities outside the existence of a shareholding or the classification of an entity as an equity investment, associate, joint arrangement or subsidiary. As part of the adoption of IFRS 12 by the EU, the date for mandatory initial application of the standard by EU entities was postponed to 1 January 2014. The amendments must be applied retrospectively. Helaba has included the disclosures required by IFRS 12 in the notes.

■ **Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets**

The amendments to IAS 36, for which mandatory application was also required from financial year 2014, had already been voluntarily applied by Helaba in financial year 2013. The amendments adjust the requirement introduced by IFRS 13 Fair Value Measurement to disclose the recoverable amount for each cash-generating unit to which significant goodwill or a significant intangible asset with an indefinite useful life has been assigned. The aim of these amendments is to clarify that these disclosures only need to be made for cash-generating units for which an impairment loss or a reversal of an impairment loss has been recognised in the current reporting period. The amendments also introduce new disclosure requirements to be satisfied if an impairment loss or a reversal of an impairment loss has been recognised for an asset or a cash-generating unit and the recoverable amount has been determined on the basis of fair value less costs to sell.

With the exception of IFRS 10, the adoption of the new or amended standards had no or only an immaterial impact on the consolidated financial statements.

Retrospective first-time application of IFRS 10, IFRS 11 and amended IAS 28

Given the initial application of IFRS 10, IFRS 11 and amended IAS 28 required in the EU, the group of entities included in the financial statements for the period ended 31 December 2014 on the basis of full consolidation and using the equity method has been redefined. The comparative figures for financial year 2013 have been restated accordingly.

Compared with the original consolidated financial statements for the year ended 31 December 2013 and the basis of consolidation in accordance with the previous IAS 27 and SIC-12, 14 entities are now no longer included using the full consolidation approach. Of these entities, ten are included in subgroup structures accounted for using the equity method. The application of the new standards meant that 23 entities had to be fully consolidated for the first time. Of this total, 15 entities were removed from the basis of consolidation again in 2014.

The impact from IFRS 12 has mainly been to create a requirement for additional disclosures in the notes. These disclosures are included in this annual report for the first time.

Retrospective exclusion from the consolidated financial statements as a result of the initial application of IFRS 10

ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach
Campanula Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach
HANNOVER LEASING Private Invest Beteiligungs GmbH, Pullach
HANNOVER LEASING Private Invest II GmbH & Co. KG, Pullach
HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach
KADENZA Verwaltungsgesellschaft mbH, Pullach
MS „EAGLE STRAIT“ GmbH & Co. KG, Pullach
MS „EMERALD STRAIT“ GmbH & Co. KG, Pullach
MS „ENDEAVOUR STRAIT“ GmbH & Co. KG, Pullach
MS „ESSEX STRAIT“ GmbH & Co. KG, Pullach
Palladium Praha s.r.o., Prague, Czech Republic
Palladium SC GmbH & Co. Beteiligungs KG, Pullach
STRATUS Verwaltungsgesellschaft mbH, Pullach
Vanessa Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach

Retrospective inclusion in the consolidated financial statements as a result of the initial application of IFRS 10

Altherz Stuttgart 1 GmbH, Frankfurt am Main
Altherz Stuttgart 2 GmbH, Frankfurt am Main
ANTLER BASINGSTOKE 2 LIMITED, Douglas, Isle of Man
ANTLER CWMBRAN LIMITED, Douglas, Isle of Man
ANTLER DEESIDE LIMITED, Ramsey, Isle of Man
ANTLER DROITWICH LIMITED, Ramsey, Isle of Man
ANTLER EPSOM 2 LIMITED, Ramsey, Isle of Man
ANTLER LIVINGSTON 2 LIMITED, Ramsey, Isle of Man
Antler North Shields Limited, Ramsey, Isle of Man
ANTLER PROPERTY IPUT LIMITED, Douglas, Isle of Man
ANTLER PROPERTY TWENTY TWO LIMITED, Douglas, Isle of Man
ANTLER PROPERTY TWO LIMITED, Ramsey, Isle of Man
Antler Sevenoaks Unit Trust, Douglas, Isle of Man
ANTLER SWINDON 2 LIMITED, Ramsey, Isle of Man
ANTLER WALTON LIMITED, Douglas, Isle of Man
ANTLER WARRINGTON LIMITED, Ramsey, Isle of Man
ANTLER WOKINGHAM 2 LIMITED, Douglas, Isle of Man
Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach
Honua'ula Partners LLC, Wailea Hawaii, USA
MS Elbmaster GmbH & Co. KG, Drochtersen
MS Jade GmbH & Co. KG, Drochtersen
OPUSALPHA FUNDING LTD, Dublin, Ireland
Pioneer Point Ltd, London, United Kingdom

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

In the second quarter of 2014, the measurement model for determining credit value adjustments (CVAs) was refined in line with standard market usage. This adjustment of the measurement model amounted to a change in an accounting estimate as defined by IAS 8.32 et seq. The refinement of the calculation procedure led, on the date of the changeover, to an increase in the CVA markdown by € 6 m, which was recognised as an expense under net trading income.

Following a review of contractual relationships with business partners in the derivatives business, the Helaba Group for the first time offset on its statement of financial position assets and liabilities with central counterparties with whom there were corresponding agreements with cash collateral on a daily basis. The offsetting related to cash collateral, together with assets and liabilities, in the trading portfolio.

Following an amendment to section 17 of the German Regulation on the Accounting of Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV) and to section 1 of the German Investment Code (Kapitalanlagegesetzbuch, KAGB), a change was applied within the disclosures on financial investments, trustee business and net interest income in which investment limited partnerships and similar foreign structures were reclassified from equity investments to equity shares and other variable-income securities. The corresponding figures for 2013 have been restated accordingly (see Notes (22), (40), (66) and (74)).

Restatement of 2013 figures

The following table shows the changes to the income statement for the period 1 January 2013 to 31 December 2013 and to the statement of financial position as at 31 December 2013 resulting from the changes to the basis of consolidation:

in € m

	2013		
	New basis of consolidation	Adjustment	Previous basis of consolidation
Interest income	4,867	7	4,860
Interest expenses	-3,651	4	-3,655
Net interest income	1,216	11	1,205
Provisions for losses on loans and advances	-240	41	-281
Net interest income after provisions for losses on loans and advances	976	52	924
Fee and commission income	496	-	496
Fee and commission expenses	-196	-	-196
Net fee and commission income	300	-	300
Net trading income	344	5	339
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	-31	-11	-20
Net income from hedge accounting	19	-	19
Net income from financial investments	2	-2	4
Share of profit or loss of equity-accounted entities	-10	-8	-2
Other net operating income	137	-80	217
General and administrative expenses	-1,254	17	-1,271
Profit before taxes	483	-27	510
Taxes on income	-148	8	-156
Consolidated net profit	335	-19	354
thereof: Attributable to non-controlling interests	-5	-7	2
thereof: Attributable to shareholders of the parent company	340	-12	352

Assets

in € m

	31.12.2013		
	New basis of consolidation	Adjustment	Previous basis of consolidation
Cash reserve	1,753	3	1,750
Loans and advances to banks	21,355	- 41	21,396
Loans and advances to customers	91,032	285	90,747
Allowances for losses on loans and advances	- 1,119	109	- 1,228
Trading assets	32,311	38	32,273
Positive fair values of non-trading derivatives	4,690	- 1	4,691
Financial investments	24,120	- 80	24,200
Shares in equity-accounted entities	76	- 16	92
Investment property	1,885	- 541	2,426
Property and equipment	452	187	265
Intangible assets	145	- 37	182
Income tax assets	342	- 5	347
Other assets	1,234	292	942
Total assets	178,276	193	178,083

Equity and liabilities

in € m

	31.12.2013		
	New basis of consolidation	Adjustment	Previous basis of consolidation
Liabilities due to banks	34,162	56	34,106
Liabilities due to customers	43,916	21	43,895
Securitised liabilities	48,371	126	48,245
Trading liabilities	33,739	- 3	33,742
Negative fair values of non-trading derivatives	3,471	- 18	3,489
Provisions	1,632	2	1,630
Income tax liabilities	76	- 45	121
Other liabilities	595	- 100	695
Subordinated capital	5,073	-	5,073
Equity	7,241	154	7,087
Subscribed capital	2,509	-	2,509
Capital reserves	1,546	-	1,546
Retained earnings	3,047	126	2,921
Revaluation reserve	138	- 10	148
Currency translation reserve	2	3	- 1
Cash flow hedge reserve	- 4	13	- 17
Non-controlling interests	3	22	- 19
Total equity and liabilities	178,276	193	178,083

These effects have been taken into account in all the tables in the notes.

New financial reporting standards and interpretations

■ IFRIC 21 Levies

Under IASB requirements, IFRIC 21 ought to have been applicable for the first time in the 2014 financial year. However, when adopting the standards, the EU postponed mandatory initial application until annual reporting periods beginning on or after 17 June 2014. Helaba did not apply this interpretation in 2014. The application of this IFRIC will have little or no impact on Helaba's consolidated financial statements.

■ IFRS 15 Revenue from Contracts with Customers

Under IFRS 15, revenue is recognised when control over the agreed goods and/or services is passed to the customer and the customer can obtain substantially all of the remaining benefits from the goods and/or services involved. The key factor is no longer the transfer of substantially all the risks and rewards as specified in the superseded provisions in IAS 18 Revenue. The revenue must be measured in the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. The new model sets out a five-step framework for determining revenue recognition. The provisions and definitions in IFRS 15 will in the future replace the content of both IAS 18 Revenue and IAS 11 Construction Contracts; however, they will not have any impact on the recognition of revenue arising in connection with financial instruments that fall within the scope of IFRS 9/IAS 39. IFRS 15 must be applied in annual reporting periods beginning on or after 1 January 2017. Helaba is currently reviewing the implications of IFRS 15. This standard still has to be adopted by the EU.

■ IFRS 9 Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, completing its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In the final version of IFRS 9, the main areas of financial reporting regulation that have been fundamentally revised are as follows:

■ **Classification and measurement of financial instruments**
Compared with IAS 39, the provisions governing the classification and measurement of financial instruments, particularly those covering financial assets, have been fundamentally recast. In the future, the classification and measurement of these instruments will be based on two key considerations:

– What business model is used by the entity for managing the portfolio containing the financial assets concerned? In this context, IFRS 9 provides for three basic models: hold to collect the contractual cash flows, hold to collect and sell, and hold for trading.

– What are the contractual cash flow characteristics of the instrument concerned; do these cash flows consist solely of payments of interest and principal relating to the amount disbursed, other than in odd instances (cash flow test)? Given the structure of the cash flow test, only debt instruments such as bonds (from the bondholder perspective) can satisfy these requirements.

In contrast, there are hardly any changes in IFRS 9 relating to the classification and measurement provisions governing financial liabilities. The only change affects liabilities designated at fair value. In the future, changes in this fair value attributable to changes in own credit risk will have to be presented in other comprehensive income (OCI) rather than in profit or loss.

As the classification requirements differ from the existing assessments under IAS 39, it is likely that the new standard will give rise to some differences in the classification and measurement of financial assets. The detailed implications are still being investigated.

■ Accounting treatment of the impairment of financial assets

As a consequence of the new regulations governing the accounting treatment of impairment there will be a fundamental change in the way that impairment is recognised. This is because the new model requires the recognition not only of incurred losses (as previously) but also expected losses. In addition, there will have to be a differentiation in the recognition of expected losses depending on whether the credit risk relating to financial assets has materially deteriorated or not since initial recognition. If the credit risk has deteriorated and this risk is not classified as low on the reporting date, all expected losses over the entire lifetime must be recognised from this date onwards (lifetime expected credit losses, lifetime ECL). Otherwise, only the expected losses resulting from possible loss events within the subsequent twelve months need to be recognised (twelve-month expected credit losses, twelve-month ECL). There are exemptions for trade receivables and lease receivables.

Overall, it is anticipated that IFRS 9 will lead to an increase in the level of provisions for losses on loans and advances because the portfolio of assets to which the lifetime ECL will be applied is likely to have a greater volume than the portfolio of assets for which credit events in accordance with IAS 39 have already occurred. The detailed implications are currently still being investigated.

■ Hedge Accounting

IFRS 9 also involves the complete revision of hedge accounting provisions. The objective of the new rules is primarily to align hedge accounting more closely with economic risk management in an entity.

As in the current requirements, entities must document the risk management strategy including risk management objectives at the beginning of a hedging relationship. In the future however, the ratio between the hedged item and the hedging instrument (hedge ratio) will generally have to match the specifications in the risk management strategy. If this hedge ratio changes during the course of the hedging relationship but the risk management objective remains the same, the quantity of the hedged item and the quantity of the hedging instrument in the hedging relationship will have to be adjusted without the need to end the hedging relationship (rebalancing).

Some of the restrictions in the current provisions have also been eliminated under IFRS 9, which means that it will be possible to use hedge accounting for a greater selection of hedging instruments and hedged items.

The impact on Helaba is currently still being investigated.

Subject to adoption by the EU, which is still awaited, IFRS 9 will have to be applied for the first time in annual reporting periods beginning on or after 1 January 2018. Generally speaking, first-time application must be retrospective, but various simplification options are available. Voluntary application in earlier years is permitted, but Helaba has no plans to take up this option.

The other IFRSs and IFRICs that have only been partially adopted by the EU and that will only become mandatory in later financial years have not been applied by Helaba in advance, nor is any early application planned. With the exception of IFRS 9 Financial Instruments, these standards and interpretations are expected to have little or no impact on the consolidated financial statements. Currently, the impact of IFRS 15 is still being investigated.

Principles of recognition and measurement

The consolidated financial statements are based on the 'going concern' principle. Like Helaba, the entities included in the consolidated financial statements (via full consolidation or by using the equity method) have generally also prepared their separate annual financial statements to a reference date of 31 December 2014. Even in exceptions, which mostly relate to collective investment undertakings, figures as at 31 December 2014 have been included. Unless otherwise stated, accounting policies have been applied uniformly throughout the Group and consistently in accordance with the reporting period shown. If the Group has elected to exercise any options, this is described in the following notes.

An asset is recognised in the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be reliably measured. A liability is recognised in the statement

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

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

The main accounting policies are described below.

(2) Principles of Consolidation

Under the provisions specified in IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All present facts and circumstances must be used as the basis for establishing whether control exists. An investor must continuously monitor the situation and reassess whether it controls an investee if facts and circumstances change.

With regard to establishing whether an entity qualifies as a subsidiary, the Helaba Group will, if there are material circumstances indicating such a likelihood, review whether Helaba directly or indirectly exercises power of control over the relevant activities of the entity concerned. In such a review, Helaba will

- determine the purpose and design of the entity concerned,
- identify the relevant activities,
- determine whether Helaba, on the basis of its rights, has the opportunity to direct the relevant activities,
- assess the extent of the risk from the entity or the extent of its participation in the returns generated by the entity, and
- assess whether Helaba has the ability to exploit its power of control to influence the level of its participation in the returns.

The review includes an evaluation of voting rights and also an analysis of other rights and circumstances that in substance could lead to an opportunity for control. The review also considers indicators as to whether there is a de facto agency relationship.

If an entity meets the criteria for cellular structures (silos), each step in the review is carried out for each one of these identified structures. Such a structure is deemed to be in existence if, within a legal entity, an asset or group of assets is segregated such that it is considered, in substance and for the purposes of IFRS 10, as a self-contained asset and there is little or no interconnected risk between the asset concerned and other assets or groups of assets in the legal entity in question.

If the outcome of the process for determining the purpose and design of the entity, and for identifying the relevant activities, is that the voting rights are a critical factor in the assessment of the opportunity for control, it will generally be assumed that the Helaba Group has control over the entity where the Group, directly or indirectly, has or can control more than half of the voting rights in the entity. Notwithstanding the above, it must be assumed that the Helaba Group does not have any opportunity for control if another investor has the ability in practice to direct the relevant activities because this investor can control the majority of the voting rights for the key activities or because Helaba is only acting as a (de facto) agent on behalf of another investor within the meaning of IFRS 10. A review is also conducted to establish whether there are joint management arrangements and, as a result, the opportunity for control is limited.

In the same way, Helaba carries out an assessment to establish whether it has power of control in cases in which the Helaba Group does not hold a majority of the voting rights but in which it has the opportunity in practice to unilaterally direct the relevant activities or in which another investor is only acting as a (de facto) agent within the meaning of IFRS 10 on behalf of the Helaba Group. In circumstances other than one in which Helaba holds a general majority of the voting rights, this ability to control may arise, for example, in cases in which contractual agreements give the Helaba Group the opportunity to direct the relevant activities of the entity or potential control over voting rights.

If there are options or similar rights relating to voting rights, these are taken into account in the assessment of whether any party is able to exercise control through voting rights, provided that such options or similar rights are considered substantive. Such assessment takes into account any conditions or exercise periods and also evaluates the extent to which the exercise of such options or similar rights would be economically advantageous.

The test as to whether, regardless of any legal basis, there is an opportunity to exercise control in substance involves the check to establish whether a formal holder of voting rights or the holder of a right that could lead to control over an entity is acting as a (de facto) agent within the meaning of IFRS 10. In this case, in an analysis of the substance of the arrangement, the (de facto) agent is deemed to be acting on behalf of another investor if the agent does not have any material business interests of its own in the entity concerned. This scenario may also arise if this other investor does not have any direct rights to issue instructions but the entity is so geared to the requirements of the investor in practice that the investor is exposed to most of the variability of returns from the entity.

A threshold value for participation in the expected variability of returns is used as an initial indicator for the existence of a (de facto) agent within the meaning of IFRS 10. If, from a legal perspective, the Helaba Group has the opportunity to direct the relevant activities of an entity, a threshold value is used as the basis for assessing whether there is any indicator that an interest should be assigned to third parties in accordance with IFRS 10. An assignment of this nature could affect, for example, securities investment funds managed by Helaba Invest.

If it is unclear whether the Helaba Group has the opportunity to direct the relevant activities of an entity and the Helaba Group is exposed to approximately 90% or more of the variability of returns, an individual in-depth review is carried out to establish whether Helaba has the opportunity to exercise control over the entity.

The checks described above are carried out periodically in all material cases. A new assessment is carried out if there are any material changes in the basis of the assessment or if the materiality threshold is exceeded. A multi-stage process is used in which an initial assessment is carried out on the basis of checklists by the local units with customer or business responsibility. This initial procedure consists of an analysis of the opportunities to exercise influence based on legal structures and an assessment of indicators of the exposure to the variability of returns from the entity concerned. Variability of returns takes into account all expected positive and negative contributions from the entity that are dependent on the performance of the entity in an economic analysis and that are subject to fluctuations in line with differing levels of profitability.

IFRS 11 Joint Arrangements sets out the rules for the accounting treatment of joint ventures or joint operations if two or more parties exercise joint control over an entity. The existence of joint control must be reviewed if the relevant facts and circumstances change.

To establish whether there is joint control, the first step is to determine who exercises power of control over the relevant activities, a procedure that is similar to that used in the case of subsidiaries. If this control is exercised collectively by two or more parties on a contractual basis, a joint arrangement is deemed to be in existence. To date, the review of the cases involving joint arrangements has regularly led to a classification of these arrangements as joint ventures. The review takes into account separate agreements on joint decision-making or on the exercise of voting rights, the minimum number of votes necessary for decisions, the number of shareholders and associated proportions of voting rights, possible (de facto) agent relationships and, on a case-by-case basis, consent requirements under other contractual relationships.

In an existing shareholding, there is generally a significant influence if at least 20 % of the voting rights are held. Other parameters and circumstances are taken into account in addition to the extent of the voting rights to assess whether Helaba can exercise a significant influence in practice over entities in other scenarios. These parameters and circumstances include, for example, employee representation on the management or supervisory bodies of the entity or, where applicable, the existence of consent requirements for key decisions to be made by the entity concerned. If such factors are identified during the course of the review, Helaba may be deemed to have a significant influence in such cases even though its equity investment is equivalent to less than 20 % of voting rights. An in-depth analysis is carried out covering all opportunities for the exercise of influence and the relationships between the shareholders.

The review of the existence of joint control or associate relationships is regularly carried out as part of the process for identifying subsidiaries subject to consolidation.

All amounts in the consolidated financial statements of the Helaba Group are recognised and measured in accordance with uniform standards applied throughout the Group for all the entities included.

All material subsidiaries and other entities directly or indirectly controlled by Helaba are fully consolidated in the consolidated financial statements. Material joint ventures and investments in associates are recognised and measured using the equity method as specified in IAS 28. In individual cases where the entity concerned is only of minor significance in the context of the economic circumstances of the Group from both individual and overall perspectives, the entity concerned has not been consolidated or been recognised and measured using the equity method. Materiality is reviewed and decided upon by comparing the volume of total assets (assessed as being long term) and level of profit for the entity concerned against threshold values. The threshold values are determined on the basis of the average total assets and levels of profit for the Group over the

last five years. If an investment is deemed to be not material, the shares in the entity concerned are reported under financial investments.

The annual financial statements of the consolidated entities (including those entities accounted for using the equity method) are generally prepared to the same accounting reference date as the Helaba annual financial statements and consolidated financial statements. Different accounting reference dates are only used in a small number of minor exceptional cases involving collective investment undertakings. However, even in these cases, the entities are consolidated with values recognised as at 31 December 2014.

Entities are consolidated for the first time on the date of acquisition using the acquisition method. The assets and liabilities are measured at the fair value on the date of this first-time consolidation. Any positive differences arising from this initial acquisition accounting process are recognised as goodwill under intangible assets on the face of the statement of financial position. This goodwill is subject to an impairment test at least once a year (see Note (15)). If any negative goodwill arises from this initial consolidation, the fair values are first reviewed before the resulting amount is recognised immediately in profit or loss.

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

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

If entities that have previously been consolidated or accounted for using the equity method no longer have to be included in the consolidation, they are deconsolidated with recognition in profit or loss on the date on which the shares subject to

the consolidation are sold or on the date on which control ceases to exist. Any recognition of remaining investments in accordance with IAS 39 or using the equity method is at fair value.

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

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

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

If the recoverable amount of an investment accounted for using the equity method is less than the current carrying amount, an impairment loss is recognised. If the reasons for

a previously recognised impairment loss no longer exist, the impairment loss is reversed, but only up to a maximum of the carrying amount that would have been recognised, including any amortisation, if the impairment loss had not been applied.

(3) Basis of Consolidation

In addition to the parent company Helaba, a total of 114 companies are consolidated in the Helaba Group (2013: 131 companies). Of this total, 87 (2013: 99) companies are fully consolidated and 27 (2013: 32) companies are included using the equity method. The fully consolidated companies are subsidiaries and special purpose entities, including collective investment undertakings.

The consolidated financial statements do not include 41 subsidiaries, 19 joint ventures and 18 associates that are of minor significance for the presentation of the financial position and financial performance of the Helaba Group. The shares in these companies are reported under financial investments.

The subsidiaries, joint ventures and associates included in the consolidated financial statements are listed in Note (85). This list also includes an explanation if the classification of the entity concerned as a subsidiary, joint venture or associate is different from the classification indicated by the percentage of voting rights.

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

Changes in the group of fully consolidated entities

Additions

Kornmarkt Arkaden Erste GmbH & Co. KG, Kornmarkt Arkaden Zweite GmbH & Co. KG, Kornmarkt Arkaden Dritte GmbH & Co. KG, Kornmarkt Arkaden Vierte GmbH & Co. KG, all Frankfurt am Main	Switch from equity method to full consolidation in January 2014 following the acquisition of additional shares
Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	Entity established in May 2014
Logistica CPH K/S, Copenhagen, Denmark	Entity established in July 2014
Projektentwicklung Lutherplatz GmbH & Co. KG, Frankfurt am Main	Entity established in August 2014

The entities fully consolidated for the first time are property companies established for the development of real estate. In

almost all cases, they form part of the OFB Projektentwicklung GmbH subgroup.

Deconsolidations

HI-Balanced 40, Frankfurt am Main	Investment fund wound up in January 2014
Helaba International Finance plc, Dublin, Ireland	Company wound up in January 2014
Projektentwicklungs-GmbH & Co. Schule an der Wascherde KG, Kassel	Shares sold in May 2014
ANTLER BASINGSTOKE 2 LIMITED, Douglas, Isle of Man ANTLER CWMBRAN LIMITED, Douglas, Isle of Man ANTLER DEESIDE LIMITED, Ramsey, Isle of Man ANTLER DROITWICH LIMITED, Ramsey, Isle of Man ANTLER EPSOM 2 LIMITED, Ramsey, Isle of Man ANTLER LIVINGSTON 2 LIMITED, Ramsey, Isle of Man Antler North Shields Limited, Ramsey, Isle of Man ANTLER PROPERTY IPUT LIMITED, Douglas, Isle of Man ANTLER PROPERTY TWENTY TWO LIMITED, Douglas, Isle of Man ANTLER PROPERTY TWO LIMITED, Ramsey, Isle of Man Antler Sevenoaks Unit Trust, Douglas, Isle of Man ANTLER SWINDON 2 LIMITED, Ramsey, Isle of Man ANTLER WALTON LIMITED, Douglas, Isle of Man ANTLER WARRINGTON LIMITED, Ramsey, Isle of Man ANTLER WOKINGHAM 2 LIMITED, Douglas, Isle of Man	Following derecognition of the funding in July 2014, there is no longer any consolidation requirement under IFRS 10
Schlossgalerie Eschwege GmbH & Co. KG, Frankfurt	Merged into OFB Projektentwicklung GmbH in September 2014

The deconsolidation of the entities listed above resulted in a net deconsolidation gain of € 4 m.

Changes in the group of equity-accounted entities

Additions

Horus AWG GmbH, Pöcking	This entity, which was acquired in previous years, ceased to be immaterial from March 2014 following growth in business operations.
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Deconsolidations

CORPUS SIREO Holding GmbH & Co. KG, Cologne	Shares sold in September 2014
Kornmarkt Arkaden Erste GmbH & Co. KG, Kornmarkt Arkaden Zweite GmbH & Co. KG, Kornmarkt Arkaden Dritte GmbH & Co. KG, Kornmarkt Arkaden Vierte GmbH & Co. KG, all Frankfurt am Main	Switch from equity method to full consolidation in January 2014 following the acquisition of additional shares
Horus Projektentwicklungsgesellschaft mbH, Pöcking	Shares sold in December 2014

The gains on deconsolidation amounted to € 42 m and were reported under share of profit or loss of equity-accounted entities or, in cases where IFRS 5 applied, under other net operating income.

(4) Financial Instruments

Under IAS 39, all financial assets and financial liabilities, including all derivatives, must be reported in the statement of financial position. These instruments are initially measured at cost, which equates to the value of the assets given or received at the time of transfer. Transaction costs are generally recognised as acquisition ancillary costs. In the case of cash transactions,

non-derivative financial instruments are recognised on the settlement date and derivatives on the trade date. Financial assets are derecognised when the contractual rights associated with an asset expire or are transferred such that substantially all the risks and rewards incidental to ownership are passed to another party or when the control or power over the asset is transferred to another party. Financial liabilities are derecognised when the liabilities are settled.

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

Loans and receivables (LaR)

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

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

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

Negative interest (interest income from liabilities or interest expenses on loans and receivables) is presented as interest expense or interest income, as negative interest reduces the borrowing costs and the investment income. To reflect the special nature of negative interest, the amounts concerned are separately disclosed in Note (22).

Please refer to the disclosures in Note (12) for information on the recognition of risks arising from the lending business.

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

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

Financial instruments held for trading are instruments acquired or held for the purpose of selling and generating profits from short-term fluctuations in prices or trader margins. These instruments are reported under trading assets or trading liabilities. All income and expenses from financial instruments held for trading are reported under net trading income. Deriv-

atives not held for trading are recognised as positive or negative fair values of non-trading derivatives. The income and expenses from non-trading derivatives are reported in a separate line item in the income statement.

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

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

Held-to-maturity financial assets (HtM)

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

Available-for-sale financial assets (AfS)

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

ment insurance policies, the asset is measured on the basis of the surrender value notified by the insurance company. This value is then adjusted for contributions and other changes in value up to the reporting date.

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

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

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

Other financial liabilities (OL)

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

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

(5) Offsetting a Financial Asset and a Financial Liability

Under IAS 32, an entity may offset a financial asset and a financial liability and present the net amount in the statement of financial position if the entity has a legally enforceable right at any time to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The right must be legally enforceable as part of normal business operations and cannot be restricted such that it only comes into being if certain circumstances occur. The disclosures in Note (60) describe the extent of the net presentation of financial assets and financial liabilities in the statement of financial position. The information also includes details of conditional offsetting opportunities that do not meet the requirements for offsetting under IAS 32.

(6) Hedge Accounting

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

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

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

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

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

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

Following the deconsolidation of an associate, there were no longer any cash flow hedges in 2014.

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

Positive and negative fair values of non-trading derivatives

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

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

(7) Structured Products

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

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

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

(8) Financial Guarantees

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

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

(9) Repurchase Agreements and Securities Lending

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

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

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

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

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

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

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

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

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

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

(10) Accounting Treatment of Leases

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

Leases in which the Helaba Group is the lessor

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

Leases in which the Helaba Group is the lessee

Lease instalments paid under operating leases are reported under general and administrative expenses. In 2014, there were no contractual arrangements classified as finance leases.

(11) Currency Translation

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

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

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

(12) Provisions for Losses on Loans and Advances

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

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

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

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

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

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

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

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

If loans or advances for which no specific loan loss allowances have been recognised become uncollectible, they are written off immediately. Any amounts subsequently recovered on loans or advances previously written off are recognised in profit or loss. Any such direct write-offs or amounts subsequently recovered on loans and advances previously written off are recognised under provisions for losses on loans and advances in the income statement.

(13) Investment Property

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

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

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

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

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

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

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

Different procedures depending on size of property are used to determine the property fair values disclosed in Note (42). In the case of medium-sized and large properties, a valuation is carried out by an external property surveyor at least every three to five years. This valuation is reviewed and updated by an internal expert on an annual basis in the intervening years. The annual valuation of smaller properties is generally carried out internally.

The income approach is used to value the properties.

(14) Property and Equipment

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

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

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

The range of anticipated useful lives is as follows:

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

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

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

(15) Intangible Assets

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

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

purpose entity, the present value can also be calculated in relation to the specific asset. An asset is impaired if the carrying amount of the cash-generating unit exceeds the recoverable amount. In this case, an impairment loss in the amount of the difference is recognised. This impairment loss is reported in other net operating income.

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

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

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

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

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

(17) Other Assets and Other Liabilities

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

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

(18) Provisions for Pensions and Similar Obligations

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

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

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

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

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

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

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

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

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

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

(19) Other Provisions

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

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

(20) Taxes on Income

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

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

(21) Subordinated Capital

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

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

Income Statement Disclosures

(22) Net Interest Income

in € m

	2014	2013 ¹⁾
Interest income from		
Lending and money market transactions	2,994	3,139
Fixed-income securities	309	328
Hedging derivatives under hedge accounting	296	261
Derivatives not held for trading	1,073	1,059
Financial instruments to which the fair value option is applied	74	47
Current income from		
Equity shares and other variable-income securities	17	21
Shares in affiliates	2	5
Equity investments	6	7
Interest income	4,771	4,867
Interest expense on		
Liabilities due to banks and customers	-1,384	-1,609
Securitised liabilities	-405	-450
Subordinated capital	-166	-138
Hedging derivatives under hedge accounting	-318	-302
Derivatives not held for trading	-836	-822
Financial instruments to which the fair value option is applied	-319	-283
Provisions	-50	-47
Interest expense	-3,478	-3,651
Total	1,293	1,216

¹⁾ Prior-year figures restated: Reclassification from current income from equity investments to current income from equity shares and other variable-income securities in the amount of € 17 m; see also Note (1).

The interest income from financial instruments not measured at fair value through profit or loss amounted to € 3,320 m (2013: € 3,496 m) while interest expense of € 1,955 m (2013: € 2,198 m) was attributable to these types of financial instruments.

The interest income from lending and money market transactions included the effect of unwinding the discount on impaired loans and advances, given otherwise unchanged payment expectations, in the amount of € 36 m (2013: € 39 m).

The negative interest on liabilities (interest income) in 2014 came to an amount of € 1 m within interest expenses (2013: € 0 m). As in 2013, interest income did not include any negative interest arising on loans and advances or financial investments.

Current income from equity shares and other variable-income securities included dividends and distributions from financial instruments to which the fair value option is applied amounting to € 8 m (2013: € 4 m).

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

Interest expense on provisions included net interest expense arising from pension obligations amounting to € 46 m (2013: € 43 m).

(23) Provisions for Losses on Loans and Advances

in € m

	2014	2013
Additions	-213	-328
Allowances for losses on loans and advances	-201	-308
Provisions for lending business risks	-12	-20
Reversals	123	133
Allowances for losses on loans and advances	103	109
Provisions for lending business risks	20	24
Loans and advances directly written off	-9	-51
Recoveries on loans and advances previously written off	19	6
Total	-80	-240

(24) Net Fee and Commission Income

in € m

	2014	2013
Lending and guarantee business	29	28
Payment transactions and foreign trade business	103	104
Asset management and fund design	72	66
Securities and securities deposit business	58	50
Placement and underwriting obligations	18	19
Management of public-sector subsidy and development programmes	36	31
Home savings business	-12	-11
Trustee business	3	4
Other	10	9
Total	317	300

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

(25) Net Trading Income

in € m

	2014	2013
Share-price-related business	2	12
Equities	-13	26
Equity derivatives	18	18
Issued equity/index certificates	-3	-32
Interest-rate-related business	154	322
Primary interest-rate-related business	606	264
Interest-rate derivatives	-452	58
Currency-related business	1	41
Foreign exchange	-216	119
FX derivatives	217	-78
Net income or expense from credit derivatives	-6	-6
Commodity-related business	4	8
Net fee and commission income or expense	-29	-33
Total	126	344

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

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

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

in € m

	2014	2013
Gain or loss on non-trading derivatives	309	-283
Gain or loss on financial instruments to which the fair value option is applied	-271	252
Total	38	-31

This item includes the net gain or loss from economic hedges (hedged items and derivatives). It also includes the realised and unrealised gains or losses on other financial instruments designated voluntarily at fair value. Interest and dividend income from financial instruments to which the fair value option is applied is recognised in net interest income. Of the net gain

from non-trading derivatives, credit derivatives accounted for a gain of € 10 m (2013: gain of € 18 m). Within the gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied, the amount attributable to such instruments held by consolidated special and retail funds was a net gain of € 20 m (2013: net loss of € 2 m).

(27) Net Income from Hedge Accounting

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

in € m

	2014	2013
Remeasurement gains (losses) on hedging instruments	370	-72
Remeasurement gains (losses) on hedged items	-357	91
Total	13	19

(28) Net Income from Financial Investments

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

in € m

	2014	2013
Net disposal gains (losses) on available-for-sale financial investments	33	26
Equity investments	1	1
Bonds and other fixed-income securities	26	24
Equity shares and other variable-income securities	6	-
Acquired rights under endowment insurance policies	-	1
Remeasurement gains (losses) on available-for-sale financial investments	-	-24
Impairment losses	-	-24
Total	33	2

(29) Share of Profit or Loss of Equity-Accounted Entities

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

in € m

	2014	2013
Share of profit or loss of equity-accounted joint ventures	6	8
Share of profit or loss of equity-accounted associates	-4	-18
Gains on the disposal of equity-accounted joint ventures	10	-
Total	12	-10

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

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

(30) Other Net Operating Income

in € m

	2014	2013
Other operating income	476	465
Rental and lease income (operating leases)	332	329
Income from the disposal of non-financial assets	53	26
Income from the reversal of provisions	12	14
Income from non-banking services	36	30
Reversal of impairment losses on non-financial assets	4	-
Income from the deconsolidation of subsidiaries	4	-
Income associated with loss absorption	2	-
Miscellaneous other operating income	33	66
Other operating expenses	-406	-328
Operating costs of property not used for owner occupancy	-155	-153
Depreciation, amortisation and impairment losses on non-financial assets	-97	-69
Goodwill impairment losses	-	-16
Restructuring expenses	-40	-18
Profit transfer expenses	-	-3
Miscellaneous other operating expenses	-114	-69
Total	70	137

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

Of the total income from the disposal of non-financial assets, an amount of € 32 m (2013: € 0 m) was attributable to non-current assets held for sale.

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

in € m

	2014	2013
Income from investment property	312	308
Rental income	293	291
Income from disposals	17	17
Other income	2	-
Expenses from investment property	-184	-187
Operating expenses from investment property	-149	-150
thereof: From property leased to third parties	-149	-150
Depreciation and impairment losses	-35	-36
Other expenses	-	-1
Total	128	121

Impairment losses recognised in respect of property held for sale amounted to € 61 m (2013: € 31 m).

(31) General and Administrative Expenses

in € m

	2014	2013
Personnel expenses	-600	-590
Wages and salaries	-499	-484
Social security	-69	-67
Expenses for pensions and other benefits	-32	-39
Other administrative expenses	-571	-622
Buildings and premises	-56	-58
IT costs	-178	-167
Mandatory contributions, audit and consultancy fees	-182	-209
Cost of advertising, public relations and representation	-37	-39
Business operating costs	-118	-149
Depreciation, amortisation and impairment losses	-44	-42
Depreciation of and impairment losses on property and equipment	-24	-25
Amortisation of and impairment losses on software and other intangible assets	-20	-17
Total	-1,215	-1,254

The mandatory contributions included contributions to the restructuring fund for credit institutions of € 36 million (2013: € 48 m).

(32) Taxes on Income

in € m

	2014	2013
Current taxes	-183	-152
Deferred taxes	-27	4
Total	-210	-148

The current tax expense incurred in the year under review was primarily attributable to the Bank in Germany (€ 107 m), Frankfurter Sparkasse (€ 32 m) and the New York branch (€ 28 m). It included expenses relating to prior years amounting to € 17 m (2013: income of € 12 m).

Because of the use of tax losses not taken into account previously, the current tax expense was reduced by € 1 m in the year under review (2013: reduced by € 3 m).

Deferred tax expense recognised in the year under review related mainly to the occurrence or reversal of temporary differences (tax expense of € 26 m). Changes in tax rates resulted in a tax expense of € 1 m in 2014. The net outcome from new tax loss carryforwards and the utilisation of such carryforwards was that there was no impact on the deferred tax expense in 2014.

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

in € m

	2014	2013
Profit before taxes	607	483
Applicable income tax rate in %	32	32
Expected income tax expense in the financial year	-194	-155
Effect of variance in tax rates	-4	-
Effect of changes in the tax rate	-1	2
Effect of prior-period taxes recognised in the financial year	1	4
Non-creditable income tax	-1	-1
Non-taxable income	24	14
Non-deductible operating expenses	-33	-21
Trade tax add-backs and deductions	4	3
Impairment losses and adjustments	-1	1
Other effects	-5	5
Income tax expense	-210	-148

In addition to income taxes recognised in the income statement, other deferred taxes are recognised in relation to the individual components of other comprehensive income.

The following table shows a breakdown of the gains and losses recognised in other comprehensive income and the related deferred taxes.

in € m

	Before tax		Taxes		After tax	
	2014	2013	2014	2013	2014	2013
Items that will not be reclassified to the income statement:						
Remeasurement of net defined benefit liability	-444	23	130	-6	-314	17
Items that will be subsequently reclassified to the income statement:						
Gains or losses on available-for-sale financial assets	173	-27	-55	12	118	-15
Changes due to currency translation	12	-6	-	-	12	-6
Share of other comprehensive income or loss of equity-accounted entities	4	1	-	-	4	1
Total	-255	-9	75	6	-180	-3

(33) Segment Reporting

in € m

	Real Estate		Corporate Finance		Financial Markets		S-Group Business, Private Customers and SME Business	
	2014	2013	2014	2013	2014	2013	2014	2013
	Net interest income	388	390	333	305	75	72	407
Provisions for losses on loans and advances	-28	-165	-74	-121	2	-1	-3	-15
Net interest income after provisions for losses on loans and advances	360	225	259	184	77	71	404	391
Net fee and commission income	19	20	16	18	75	64	137	129
Net trading income	-	-	-	3	103	312	23	24
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	1	11	-	14	18	-49	8	-1
Net income from hedge accounting	-	-	-	-	13	19	-	-
Net income from financial investments	5	-	2	1	14	-	12	1
Share of profit or loss of equity-accounted entities	16	4	-6	-12	-	-	2	6
Other net operating income	145	182	-8	49	4	2	39	12
Total income	546	442	263	257	304	419	625	562
General and administrative expenses	-195	-181	-101	-102	-195	-194	-451	-425
Profit before taxes	351	261	162	155	109	225	174	137
Assets (€ bn)	33.8	32.3	25.4	26.4	73.6	70.9	37.4	37.1
Liabilities (€ bn)	3.4	2.7	3.2	4.3	80.3	80.9	69.1	66.2
Risk-weighted assets (€ bn)	16.9	16.9	14.0	12.8	10.3	11.6	5.6	5.9
Allocated capital (€ m)	2,352	2,185	1,914	1,758	1,398	1,472	750	750
Return on allocated capital (%)	14.9	11.9	8.5	8.8	7.7	15.3	23.2	18.2
Cost-income ratio before provisions for losses on loans and advances (%)	33.9	29.8	29.9	27.0	65.0	46.1	71.8	73.7

in € m

	Public Development and Infrastructure Business		Other		Consolidation/ reconciliation		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	Net interest income	46	47	6	-38	38	34	1,293
Provisions for losses on loans and advances	-	-	24	19	-1	43	-80	-240
Net interest income after provisions for losses on loans and advances	46	47	30	-19	37	77	1,213	976
Net fee and commission income	38	34	34	36	-2	-1	317	300
Net trading income	-	-	-	-	-	5	126	344
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	-	-	11	6	-	-12	38	-31
Net income from hedge accounting	-	-	-	-	-	-	13	19
Net income from financial investments	-	-	-	-	-	-	33	2
Share of profit or loss of equity-accounted entities	-	-	-	-	-	-8	12	-10
Other net operating income	-	-	-53	-1	-57	-107	70	137
Total income	84	81	22	22	-22	-46	1,822	1,737
General and administrative expenses	-66	-60	-287	-354	80	62	-1,215	-1,254
Profit before taxes	18	21	-265	-332	58	16	607	483
Assets (€ bn)	15.2	13.8	6.9	7.6	-12.8	-9.8	179.5	178.3
Liabilities (€ bn)	15.2	13.8	9.5	9.1	-1.2	1.3	179.5	178.3
Risk-weighted assets (€ bn)	1.2	1.1	5.8	6.2	-	-0.4	53.8	54.1
Allocated capital (€ m)	168	140	783	791	-87	-50	7,278	7,046
Return on allocated capital (%)	10.7	14.8	-	-	-	-	8.3	6.9
Cost-income ratio before provisions for losses on loans and advances (%)	78.4	74.1	-	-	-	-	63.9	63.4

IFRS 8 is the basis for preparing the segment report. The segment definition is based on the internal divisional structure of the Bank and follows the management approach. The Helaba Group redefined its operating segments at reporting date 31 December 2014. The figures for the S-Group business with Sparkassen, the retail business of Frankfurter Sparkasse and the private banking business of the Frankfurter Bankgesellschaft Group, which were previously reported in different segments, have now been brought together in the new segment S-Group Business, Private Customers and SME Business. The figures for the asset management business with institutional investors operated by Helaba Invest Kapitalanlagegesellschaft mbH have been assigned to the existing Financial Markets segment. Equity investments are assigned to the segments on the basis of their specific focus.

The segment report is broken down into the five operating segments explained below.

- The Real Estate Lending and Real Estate Management business lines are reported in the Real Estate segment. The services Helaba provides for real estate customers are thus pooled in one operating segment. The range of products covers traditional real estate financing in Germany and abroad, residential investments, planning and support for own and third-party real estate as well as public-private partnership projects right through to facility management. The OFB Group and the GWH Group are included in this operating segment.
- The Corporate Finance segment comprises the Corporate Finance business line. Financing solutions tailored specifically to meet the needs of corporate customers are pooled in this segment. These include structured finance, investment finance, asset-backed securities, lease finance as well as the structuring and distribution of fund concepts. The share of profit or loss of the HANNOVER LEASING Group is allocated to this segment as an equity-accounted investment. Certain property companies of HANNOVER LEASING continue to be fully consolidated as special purpose entities of Helaba in accordance with IFRS 10 and are also reported in the Corporate Finance segment.
- The Financial Markets segment brings together the earnings of the Capital Markets, Asset/Liability Management, Sales Public Authorities, Financial Institutions and Public Finance business lines and those of various special purpose entities and of the equity investment in Helaba Invest Kapitalanlagegesellschaft mbH. The segment primarily pools the treasury, trading and sales activities of Helaba. The Financial Markets product portfolio contains traditional capital market products, financial instruments for managing interest rate risk, currency risk, credit risk and liquidity as well as financing solutions tailored to meet the needs of businesses and the public sector. The asset management products at Helaba Invest Kapitalanlagegesellschaft mbH also include traditional asset management and administration, the management of special and retail funds for institutional investors and support for master investment trust clients.
- The S-Group Business, Private Customers and SME Business segment encompasses the retail banking and private banking businesses, the S-Group Bank and Landesbausparkasse Hessen-Thüringen. Frankfurter Sparkasse reflects the earnings from the conventional products of a retail bank. The Frankfurter Bankgesellschaft Group rounds off the range of private banking products available from Helaba. This segment deals primarily with providing support for the Sparkassen and their customers for whom products are developed and provided.
- The Public Development and Infrastructure Business segment mainly comprises the Wirtschafts- und Infrastrukturbank Hessen (WIBank) business line. This segment thus pools the earnings from Helaba's development activities in the fields of infrastructure and economic development, housing and urban development, agriculture and European Structural Funds.

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

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

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

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

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

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

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, this segment includes the net income from the transaction banking business as well as the costs of the central units that cannot be allocated to the individual segments in line with the user-pays principle. Moreover, the profit generated by centrally investing own funds as well as through strategic planning decisions are shown in this segment.

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

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

in € m

	Income after provisions for losses on loans and advances	
	2014	2013
Real estate loans	387	286
Real estate management	33	34
Real estate services	126	122
Corporate loans	263	257
Treasury products	95	7
Trading products	118	324
Loans to financial institutions	45	47
Fund management/asset management	77	79
Home savings business	53	55
Sparkassen S-Group business	116	101
Public development and infrastructure business	84	81
Retail	425	368
Other products/reconciliation	–	–24
Group	1,822	1,737

The breakdown by region is as follows:

in € m

	Income after provisions for losses on loans and advances	
	2014	2013
Germany	1,585	1,531
Europe (excluding Germany)	136	72
Rest of world (excluding Europe)	101	134
Group	1,822	1,737

Statement of Financial Position Disclosures

(34) Cash Reserve

in € m

	31.12.2014	31.12.2013
Cash on hand	78	84
Balances with central banks	955	1,669
Total	1,033	1,753

Of the balances with central banks, an amount of € 421 m (31 December 2013: € 543 m) was accounted for by balances with Deutsche Bundesbank.

(35) Loans and Advances to Banks

in € m

	31.12.2014	31.12.2013
Affiliated Sparkassen	9,348	11,929
Central giro institutions	452	479
Banks	10,779	8,947
Total	20,579	21,355
thereof:		
Domestic banks	14,710	17,464
Foreign banks	5,869	3,891

in € m

	31.12.2014	31.12.2013
Loans and advances repayable on demand	9,089	9,239
Other loans and advances	11,490	12,116
Total	20,579	21,355
thereof:		
Overnight and time deposits	4,218	4,166
Cash collateral provided	5,895	4,001
Forwarding loans	5,247	5,077
Promissory note loans	1,034	1,056

(36) Loans and Advances to customers

in € m

	31.12.2014	31.12.2013 ¹⁾
Corporate customers	65,728	65,286
Retail customers	5,634	5,569
Public sector	19,747	20,177
Total	91,109	91,032
thereof:		
Domestic customers	62,337	62,146
Foreign customers	28,772	28,886

¹⁾ Prior-year figures restated: Based on the Deutsche Bundesbank customer classification, enterprises owned and operated by the public sector are now reported under corporate customers. In 2013, loans and advances of € 2,349 m were reclassified from public sector to corporate customers.

in € m

	31.12.2014	31.12.2013 ¹⁾
Loans and advances repayable on demand	2,226	3,072
Other loans and advances	88,883	87,960
Total	91,109	91,032
thereof:		
Commercial real estate loans	32,319	31,423
Residential building loans	4,061	4,330
Forwarding loans	2,108	2,517
Infrastructure loans	15,077	14,089
Consumer loans	102	114
Promissory note loans	3,881	4,793
Financial assets from credit substitute business	264	456
Current accounts and overnight money	1,212	1,476
Cash collateral provided	669	304
Time deposits	1,901	624
Receivables from finance leases	6	7
Receivables purchased before maturity	-	45

¹⁾ Prior-year figures restated: Based on an improved definition of infrastructure loans, the 2013 figure was increased by € 7,733 m. Bausparkasse building loans are now included in the relevant items and are no longer reported separately. This led to an increase in residential building loans of € 813 m.

(37) Allowances for Losses on Loans and Advances

in € m

	31.12.2014	31.12.2013
Allowances on loans and advances to banks	2	2
Specific loan loss allowances	1	1
Portfolio loan loss allowances	1	1
Allowances on loans and advances to customers	1,005	1,117
Specific loan loss allowances	669	759
Specific loan loss allowances evaluated on a group basis	82	93
Portfolio loan loss allowances	254	265
Provisions for lending business risks	58	77
Total	1,065	1,196

The allowances for losses on loans and advances are reported separately on the assets side of the statement of financial position. The provisions for losses on loans and advances for

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

in € m

	Specific allowances		Specific allowances on a group basis		Portfolio allowances		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
As at 1.1.	760	739	93	109	266	293	1,119	1,141
Changes in basis of consolidation	-	-11	-	-	-1	-	-1	-11
Changes due to currency translation	7	-3	-	-	1	-	8	-3
Use	-170	-154	-20	-21	-	-	-190	-175
Reversals	-80	-66	-12	-16	-11	-27	-103	-109
Reclassifications	9	7	-	-	-	-	9	7
Unwinding	-36	-39	-	-	-	-	-36	-39
Additions	180	287	21	21	-	-	201	308
As at 31.12.	670	760	82	93	255	266	1,007	1,119

The allowances for losses on loans and advances to customers were broken down by customer group (Deutsche Bundesbank customer classification) as follows:

in € m

	31.12.2014	31.12.2013
Government	3	3
Agriculture, forestry and fishing	1	3
Mining and quarrying	8	13
Manufacturing	68	76
Electricity, gas, steam and air-conditioning supply	42	19
Water supply, sewerage, waste management and remediation activities	9	3
Construction	23	29
Wholesale and retail trade; repair of motor vehicles and motorcycles	25	65
Transportation and storage	223	239
Accommodation and food service activities	4	10
Information and communication	2	1
Real estate activities	315	382
Professional, scientific and technical activities	30	28
Administrative and support service activities	45	48
Education	1	-
Human health and social work activities	7	17
Arts, entertainment and recreation	1	1
Other service activities	91	68
Other financial activities	43	49
Households	64	63
Total	1,005	1,117

(38) Trading Assets

in € m

	31.12.2014	31.12.2013
Bonds and other fixed-income securities	15,983	20,348
Money market instruments	187	786
Public-sector issuers	20	33
Other issuers	167	753
Bonds and notes	15,796	19,562
Public-sector issuers	5,348	6,303
Other issuers	10,448	13,259
Equity shares and other variable-income securities	140	172
Positive fair values of derivatives	12,885	8,507
Share-price derivatives	131	116
Interest-rate derivatives	11,585	7,529
Currency derivatives	1,136	811
Credit derivatives	26	43
Commodity derivatives	7	8
Loans held for trading	2,254	3,284
Total	31,262	32,311

The financial instruments under trading assets are measured at fair value and assigned exclusively to the category of financial assets at fair value through profit or loss (held-for-trading

sub-category). Loans held for trading mainly comprise promissory note loans, repos and money trading transactions.

Of the total bonds and other fixed-income securities and of the total equity shares and other variable-income securities, securities with a value of € 16,015 m were listed (31 December 2013: € 19,734 m).

(39) Positive Fair Values of Non-Trading Derivatives

in € m

	31.12.2014	31.12.2013
Hedging derivatives under hedge accounting	1,256	1,325
Other non-trading derivatives	4,572	3,365
Total	5,828	4,690

The hedging derivatives under hedge accounting are used within the framework of qualifying micro fair value hedges under IAS 39. Other non-trading derivatives comprise deriva-

tive financial instruments used as economic hedges as part of hedge management, although fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39.

(40) Financial Investments

Financial investments consist of bonds and other fixed-income securities as well as equity shares and other variable-income securities classified as available for sale or to which the fair value option has been applied. Shares in non-consolidated affiliates and equity investments are always measured at fair value. If such shares or equity investments are classified as

available for sale, measurement gains or losses are recognised in other comprehensive income. Alternatively, if the fair value option is applied, the gains or losses are recognised through profit or loss. If fair value cannot be reliably determined, these assets are measured at cost net of any impairment losses.

The breakdown of financial investments was as follows:

in € m

	31.12.2014	31.12.2013 ¹⁾
Bonds and other fixed-income securities	25,970	23,377
Public-sector issuers	10,024	9,961
Other issuers	15,946	13,416
Equity shares and other variable-income securities	344	451
Equities	87	123
Other variable-income securities	257	328
Shares in non-consolidated affiliates	27	29
Measured at fair value	18	21
Measured at cost	9	8
Equity investments	82	79
Measured at fair value	56	56
Measured at cost	26	23
Purchase of receivables from endowment insurance policies	167	184
Measured at fair value	167	184
Total	26,590	24,120

¹⁾ Prior-year figures restated: Reclassification of equity investments at fair value (-€ 242 m) and equity investments at cost (-€2 m) to other variable-income securities (+€ 244 m); see also Note (1).

The other variable-income securities mainly comprise shares in collective investment undertakings and in investment limited partnerships and similar foreign structures.

Carrying amounts of listed financial investments were as follows:

in € m

	31.12.2014	31.12.2013 ¹⁾
Bonds and other fixed-income securities	24,883	22,509
Equity shares and other variable-income securities	103	134
Total	24,986	22,643

¹⁾ Prior-year figures restated: Increase of € 36 m in bonds and other fixed-income securities.

Equity investments also include shares in joint ventures and associates not accounted for using the equity method because of immateriality.

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

in € m

	Shares in non-consolidated affiliates		Equity investments		Total	
	2014	2013 ¹⁾	2014	2013 ²⁾	2014	2013
Cost						
As at 1.1.	36	44	135	137	171	181
Changes due to currency translation	-	-	-	-1	-	-1
Additions	-	-	3	-	3	-
Disposals	-2	-8	-8	-1	-10	-9
As at 31.12.	34	36	130	135	164	171
Remeasurement gains/losses recognised in other comprehensive income						
As at 1.1.	9	11	14	16	23	27
Remeasurement gains/losses recognised in other comprehensive income (AfS)	-	-2	-	-2	-	-4
As at 31.12.	9	9	14	14	23	23
Accumulated impairment losses and reversals of impairment losses						
As at 1.1.	-16	-20	-70	-54	-86	-74
Impairment losses	-	-	-	-16	-	-16
Disposals	-	4	8	-	8	4
As at 31.12.	-16	-16	-62	-70	-78	-86
Carrying amounts as at 31.12.	27	29	82	79	109	108

¹⁾ Prior-year figures restated: In 2013, the disposal of fully written-off shares in a non-consolidated affiliate was not included, which is why the disposals under cost have been adjusted by -€ 3 m and the disposals under accumulated impairment losses and reversals of impairment losses by +€ 3 m.

²⁾ Prior-year figures restated: The change in equity investments has been adjusted because of the change described in Note (1).

(41) Shares in Equity-Accounted Entities

In the period under review, a total of 23 (2013: 27) joint ventures and four associates (2013: 4) were accounted for using the equity method.

The breakdown of equity-accounted investments is shown below:

in € m

	31.12.2014	31.12.2013
Investments in joint ventures	31	67
Investments in associates	8	9
Total	39	76

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

The share of losses of equity-accounted entities not recognised for the current period amounted to € 1 m; the cumulative total of such unrecognised losses amounted to € 13 m as at 31 December 2014. The balance for the current period included a net deconsolidation gain/loss relating to a previously consolidated subgroup. The deconsolidation of a property company led to

a reverse effect from previous remeasurements, which contributed to a negative equity figure for the subgroup.

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

in € m

	31.12.2014	31.12.2013
Investments in joint ventures – total		
Total assets	326	887
Total liabilities	263	678
Profit or loss from continuing operations	–8	13
Comprehensive income	–8	13
Investments in joint ventures – proportionate		
Total assets	175	327
Total liabilities	144	260
Profit or loss from continuing operations	–4	–
Comprehensive income	–4	–

in € m

	31.12.2014	31.12.2013
Investments in associates – total		
Total assets	1,274	1,740
Total liabilities	1,289	1,858
Profit or loss from continuing operations	64	2
Other comprehensive income	37	19
Comprehensive income	101	21
Investments in associates – proportionate		
Total assets	609	841
Total liabilities	622	904
Profit or loss from continuing operations	29	–2
Other comprehensive income	18	10
Comprehensive income	47	8

(42) Investment Property

in € m

	31.12.2014	31.12.2013
Land and buildings leased to third parties	1,835	1,806
Undeveloped land	43	56
Vacant buildings	4	4
Property under construction	27	19
Total	1,909	1,885

Investment property with a value of € 1,800 m (31 December 2013: € 1,771 m) related to residential property held by the GWH Group.

The table below shows the changes in investment property:

	in € m	
	2014	2013
Cost		
As at 1.1.	2,190	2,151
Changes in basis of consolidation	–	37
Additions	84	40
Reclassifications to property held for sale	–1	–
Disposals	–32	–38
As at 31.12.	2,241	2,190
Accumulated depreciation and impairment losses		
As at 1.1.	–305	–274
Depreciation	–33	–33
Impairment losses	–2	–3
Disposals	8	5
As at 31.12.	–332	–305
Carrying amounts as at 31.12.	1,909	1,885

There was a contractual obligation in an amount of € 57 m (31 December 2013: € 41 m) to purchase, construct, or develop investment property.

As at the reporting date, the fair values of the properties amounted to € 2,593 m (31 December 2013: € 2,489 m) and were allocated to Level 3.

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

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

In 2014, the following details (unchanged compared with 2013) were determined and applied on the basis of the resulting clusters:

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

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

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

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

disposal of the property and the sale price is used as a residual value in the calculation. The total of the present values from the cash flows in the detailed forecast period and from the hypothetical resale of the property represent the fair value of the property concerned.

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

(43) Property and Equipment

in € m

	31.12.2014	31.12.2013
Owner-occupied land and buildings	378	383
Operating and office equipment	59	62
Leased assets	6	7
Total	443	452

The changes in property and equipment were as follows:

in € m

	Owner-occupied land and buildings		Operating and office equipment		Leased assets		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Cost								
As at 1.1.	553	554	210	204	17	17	780	775
Changes due to currency translation	2	-1	1	-	-	-	3	-1
Additions	-	-	11	18	-	-	11	18
Disposals	-	-	-17	-12	-	-	-17	-12
As at 31.12.	555	553	205	210	17	17	777	780
Accumulated depreciation and impairment losses								
As at 1.1.	-170	-160	-148	-146	-10	-9	-328	-315
Changes due to currency translation	-1	-	-1	-	-	-	-2	-
Depreciation	-10	-10	-13	-14	-	-	-23	-24
Impairment losses	-	-	-	-	-1	-1	-1	-1
Reversals of impairment losses	4	-	-	-	-	-	4	-
Disposals	-	-	16	12	-	-	16	12
As at 31.12.	-177	-170	-146	-148	-11	-10	-334	-328
Carrying amounts as at 31.12.	378	383	59	62	6	7	443	452

(44) Intangible Assets

in € m

	31.12.2014	31.12.2013
Goodwill	99	99
Purchased software	42	46
Total	141	145

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

The goodwill was attributable to the acquisition of Frankfurter Sparkasse in 2005.

The intangible assets changed as follows:

in € m

	Goodwill		Purchased software		Total	
	2014	2013	2014	2013	2014	2013
Cost						
As at 1.1.	144	144	174	153	318	297
Changes due to currency translation	-	-	2	-1	2	-1
Additions	-	-	16	23	16	23
Disposals	-	-	-2	-1	-2	-1
As at 31.12.	144	144	190	174	334	318
Accumulated amortisation and impairment losses						
As at 1.1.	-45	-29	-128	-112	-173	-141
Changes due to currency translation	-	-	-1	-	-1	-
Amortisation	-	-	-20	-17	-20	-17
Impairment losses	-	-16	-	-	-	-16
Disposals	-	-	1	1	1	1
As at 31.12.	-45	-45	-148	-128	-193	-173
Carrying amounts as at 31.12.	99	99	42	46	141	145

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

Goodwill (€ 99 m) from the acquisition of Frankfurter Sparkasse was tested for impairment using estimates from an income capitalisation approach in which the future cash flows derived from the Frankfurter Sparkasse's current business plan were

discounted to present value. Separate values were taken into account for specific assets (shares in other companies). Present value was calculated on the basis of the current market discount rate of 1.75 % plus a market risk premium of 6.0 % and a custom beta derived from a peer group. As at 31 December 2014, this resulted in a fair value above the carrying amount of the cash-generating unit.

(45) Income Tax Assets

in € m

	31.12.2014	31.12.2013
Current income tax assets	41	65
Deferred income tax assets	330	277
Total	371	342

The deferred income tax assets relate to the following items:

in € m

	31.12.2014	31.12.2013
Loans and advances to banks and customers	6	13
Trading assets/liabilities and derivatives	1,542	994
Financial investments	99	80
Other assets	84	76
Liabilities due to banks and customers	413	207
Provisions for pensions	318	195
Sundry provisions	37	38
Other liabilities	63	58
Tax loss carryforwards	20	20
Deferred tax assets, gross	2,582	1,681
Netted against deferred tax liabilities	-2,252	-1,404
Total	330	277
thereof: Non-current	306	253

In 2014, Helaba made comprehensive use of the option to offset deferred tax assets and deferred tax liabilities in accordance with the provisions of IAS 12.74.

The calculation of deferred tax assets for the domestic and foreign reporting units was based on individual tax rates. In Germany, based on an average current trade tax multiplier of 452 % (2013: 451 %), the Bank's combined income tax rate in 2014 was 31.7 % (2013: 31.6 %).

In the case of deferred tax assets, the recovery of which depends on future taxable profits that extend beyond the impact on earnings from the reversal of taxable temporary differences in existence on the reporting date, the Helaba Group only recognises such deferred tax assets to the extent that it is reasonably certain they could be utilised. If the deferred tax assets are to be utilised, there must be sufficient taxable profits in the foreseeable future against which the associated tax loss carryforwards can be offset. In this regard, the Helaba Group generally uses a planning horizon of five years.

As at the reporting date, the group had recognised deferred tax assets of € 13 m (31 December 2013: € 13 m) in respect of corporate income tax loss carryforwards of € 64 m and deferred tax assets of € 7 m (31 December 2013: € 7 m) in respect of trade tax loss carryforwards of € 81 m.

Overall, no deferred tax assets were recognised in respect of corporate income tax loss carryforwards of € 68 m (31 December 2013: € 76 m) or in respect of trade tax loss carryforwards of € 50 m (31 December 2013: € 48 m) because Helaba could not be reasonably certain that there would be sufficient taxable profits in the foreseeable future against which these loss carryforwards could be utilised. There is no time limit for the utilisation of loss carryforwards.

As at the reporting date, deferred income tax assets of € 212 m were recognised directly in equity (31 December 2013: € 64 m).

(46) Other Assets

in € m

	31.12.2014	31.12.2013
Property held for sale	421	414
Completed property	156	275
Property under construction	265	139
Advance payments and payments on account	65	82
Trade accounts receivable	41	41
Other taxes receivable (excl. income taxes)	19	4
Other assets	646	693
Total	1,192	1,234

(47) Liabilities Due to Banks

in € m

	31.12.2014	31.12.2013
Central banks	2,858	–
Affiliated Sparkassen	6,539	6,029
Central giro institutions	1,595	1,953
Banks	24,620	26,180
Total	35,612	34,162
thereof:		
Domestic banks	31,001	29,998
Foreign banks	4,611	4,164

in € m

	31.12.2014	31.12.2013
Amounts payable on demand	5,984	7,825
Amounts due with an agreed maturity or period of notice	29,628	26,337
Total	35,612	34,162
thereof:		
Promissory note loans raised	6,352	7,966
Forwarding loans	7,772	7,805
Issued registered bonds	2,792	2,890
Overnight and time deposits	5,510	1,438
Current accounts	5,067	6,305

(48) Liabilities Due to Customers

in € m

	31.12.2014	31.12.2013 ¹⁾
Corporate customers	25,856	25,909
Retail customers	15,983	15,936
Public sector	3,481	2,071
Total	45,320	43,916
thereof:		
Domestic customers	42,562	41,597
Foreign customers	2,758	2,319

¹⁾ Prior-year figures restated: Based on the Deutsche Bundesbank customer classification, enterprises owned and operated by the public sector are now reported under corporate customers. In 2013, liabilities of € 2,474 m were reclassified from public sector to corporate customers.

in € m

	31.12.2014	31.12.2013
Amounts payable on demand	20,103	18,693
Amounts due with an agreed maturity or period of notice	25,217	25,223
Total	45,320	43,916
thereof:		
Current accounts	9,980	9,231
Overnight and time deposits	13,395	11,980
Savings deposits	2,000	2,184
Home savings deposits	4,098	3,838
Issued registered bonds	11,281	11,259
Promissory note loans raised	3,261	4,539

(49) Securitised Liabilities

in € m

	31.12.2014	31.12.2013
Bonds issued	45,271	46,856
Mortgage Pfandbriefe	4,096	3,352
Public Pfandbriefe	14,806	12,007
Other debt instruments	26,369	31,497
Other securitised liabilities	3,049	1,515
Total	48,320	48,371

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

(50) Trading Liabilities

in € m

	31.12.2014	31.12.2013
Negative fair values of derivatives	12,727	9,537
Share-price derivatives	117	98
Interest-rate derivatives	11,589	8,507
Currency derivatives	989	884
Credit derivatives	25	40
Commodity derivatives	7	8
Issued money market instruments	1,889	2,604
Issued equity/index certificates	130	142
Liabilities held for trading	14,473	21,456
Total	29,219	33,739

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

(51) Negative Fair Values of Non-Trading Derivatives

in € m

	31.12.2014	31.12.2013
Hedging derivatives under hedge accounting	553	611
Other non-trading derivatives	4,798	2,860
Total	5,351	3,471

The hedging derivatives under hedge accounting are used within the framework of qualifying micro fair value hedges under IAS 39. Other non-trading derivatives comprise deriva-

tive financial instruments used as economic hedges as part of hedge management, although fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39.

(52) Provisions

in € m

	31.12.2014	31.12.2013
Provisions for pensions and similar obligations	1,713	1,267
Other provisions	439	365
Personnel provisions	100	98
Provisions for lending business risks	58	77
Restructuring provisions	56	18
Provisions for litigation risks	57	36
Sundry provisions	168	136
Total	2,152	1,632

In 2014, the changes in provisions for pensions and similar obligations reported in the statement of financial position were as follows:

in € m

	DBO	Plan assets	Amount not recognised (IAS 19.64)	Net defined benefit liability
As at 1.1.	1,538	-303	23	1,258
Total pension cost	76	-11	-	65
Interest expense (+)/interest income (-)	57	-11	-	46
Current service cost	29			29
Past service cost from plan adjustments	-10			-10
Total gains or losses on remeasurement	472	-5	-23	444
Actuarial gains (-)/losses (+) on financial assumptions	462			462
Actuarial gains (-)/losses (+) on demographic assumptions	-1			-1
Experience adjustment gains (-)/losses (+)	11			11
Gains or losses on remeasurement of plan assets		-5		-5
Gains or losses on remeasurement of amount not recognised (IAS 19.64)			-23	-23
Employee contributions	4	-4		-
Employer contributions	-	-8		-8
Benefits paid	-57	11		-46
Changes due to currency translation	4	-4	-	-
As at 31.12.	2,037	-324	-	1,713

The corresponding changes in 2013 were as follows:

in € m

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

Provisions for pensions totalled € 1,713 m (31 December 2013: € 1,267 m taking into account the net asset value in connection with a defined benefit obligation at Frankfurter Sparkasse amounting to € 9 m).

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

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

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

beneficiaries are predominantly current employees and individuals who have left the Bank but have vested rights.

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

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

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

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

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

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

The past service cost largely resulted from the adjustment of Helaba's 1986 service agreement in line with the statutory standard age limits. This past service cost has been recognised in full under personnel expenses.

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

Employees at the London branch are members of a defined benefit plan, although the plan is now closed to new entrants. This plan is a pension fund that follows local measurement

arrangements. It is reviewed at regular intervals to ensure that it meets the requirements for external financing. In the past, some use has been made of pension buyouts when an employee leaves the Bank. Under such a buyout arrangement, the Bank makes a settlement payment to a third-party pension provider to release itself from its liability under the plan and transfer the obligation to the new provider.

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

The following table shows the funding status of the pension plans as at 31 December 2014:

in € m

	DBO	Plan assets	Amount not recognised (IAS 19.64)	Net defined benefit liability
Domestic defined benefit plans	1,928	-240	-	1,688
Landesbank Hessen-Thüringen	1,373	-27	-	1,346
Comprehensive defined benefit plans	914	-	-	914
Defined benefit plan up to 1985	793	-	-	793
Individual commitments	86	-	-	86
VBB dual contract holders	35	-	-	35
Final salary plans				-
(Retirement pension scheme 1986–1998)	206	-	-	206
Pension credit system				-
(Retirement pension scheme from 1999)	169	-	-	169
Other plans	84	-27	-	57
Frankfurter Sparkasse	489	-208	-	281
Frankfurter Sparkasse pension fund	226	-207	-	19
Pension fund adjustment obligation	82	-	-	82
ZVK Frankfurt	98	-	-	98
Individual commitments	72	-	-	72
Other plans	11	-1	-	10
Other Group companies	66	-5	-	61
Foreign defined benefit plans	109	-84	-	25
Total	2,037	-324	-	1,713

The corresponding figures as at 31 December 2013 were as follows:

in € m

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

The following table shows the breakdown of plan assets:

in € m

	31.12.2014	31.12.2013
Plan assets quoted in active markets	282	260
Cash reserve	16	3
Loans and advances to banks	–	27
Bonds and other fixed-income securities	198	172
Equity shares and other variable-income securities	67	57
Other assets	1	1
Other plan assets	42	43
Qualifying insurance contracts	42	40
Other assets	–	3
Fair value of plan assets	324	303

Of the total plan assets, € 27 m (31 December 2013: € 24 m) was accounted for by the Group's own transferable financial instruments; as in 2013, no investments were made in other assets used by the Group itself.

The surplus plan assets reported in 2013 in connection with the Frankfurter Sparkasse pension fund and that led to the recognition of a net asset value of € 9 m no longer exist, mainly as a consequence of the fall in interest rates.

For the next financial year, Helaba expects to make contributions to plan assets of € 8 m.

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

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

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

■ General market volatility

The main impact from general market volatility on the level of the defined benefit obligations is through changes in the discount rate. Over the last few years there has already been a noticeable increase in pension provisions as a result of the general fall in discount rates. The principal reason why discount rates have such a significant impact on defined benefit obligations is the length of the maturities involved in these obligations.

■ Inflation risk – pension adjustment

The Helaba Group applies the principles in the German Occupational Pensions Act (Betriebsrentengesetz, BetrAVG) when determining adjustments as part of benefit reviews for its defined benefit plans. The more recent schemes, which are structured as pension credit systems, are subject to fixed adjustment rates and thus are largely independent of the inflation rate and future pay-scale increases.

■ Inflation risk – salary increases, pay scale increases, increases in civil servant remuneration

In most of the older pension arrangements (comprehensive defined benefit plan up to 1985 and final salary plan), Helaba increases pensions in line with pay-scale trends in both private and public-sector banks. Increases in pay scales covering pensionable salaries therefore have an effect on the level of current pension benefits. Individual defined benefit plans provide for the adjustment of pensions on the basis of civil service pay in accordance with the regulations in the federal state concerned (Hesse, Thuringia, North Rhine-Westphalia).

■ Risk of longevity

Given that by far the most common form of benefit is an annuity, Helaba bears the risk that the beneficiaries will live longer than the period estimated in the actuarial calculations. Normally, this risk balances out across all the beneficiaries as a whole and only becomes material if general life expectancy turns out to be higher than forecast.

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

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

in %

	31.12.2014	31.12.2013
Discount rate	2.3	3.7
Salary trend	2.3	2.2
Pension trend	1.8	1.8
Employee turnover rate	2.9	2.9

In both 2014 and 2013, the probability of invalidity and death in Germany was based on the 2005 generation mortality tables published by Professor Dr. Heubeck.

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

in € m

	31.12.2014	31.12.2013
Discount rate (decreased by 50 basis points)	205	138
Salary trend (increased by 25 basis points)	75	57
Pension trend (increased by 25 basis points)	81	62
Life expectancy (improved by 10 %)	76	65
Employee turnover rate (decreased by 50 basis points)	9	5

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

As at 31 December 2014, the weighted average maturity of the defined benefit obligations was 19.4 years (31 December 2013: 17.3 years). The following table shows the maturity structure of the forecast pension payments:

in € m

	31.12.2014	31.12.2013
Forecast pension payments with maturities of up to one year	58	54
Forecast pension payments with maturities of one year to five years	263	245
Forecast pension payments with maturities of five years to ten years	425	386

The Helaba Group participates in multi-employer defined benefit plans. These plans are treated as if they were defined contribution plans. They involve membership of pay-as-you-go pension schemes in the form of regulated pension funds that switched to an "as funded" basis on 1 January 2002. The funds concerned are the regional supplementary pension funds (KVV and ZVK) and Versorgungsanstalt des Bundes und der Länder (VBL), all of which have similar statutes in terms of content. With the switch to the "as funded" basis, the existing defined benefit obligations were converted to a defined contribution system. The statutes authorise the collection of additional contributions if necessary in order to fund agreed benefits; alternatively, benefits can be reduced if there is insufficient

cover in the fund (recovery money, recovery clause). There is no allocation of assets and liabilities according to originator. The pension fund publishes information on its business performance and risk trends solely in an annual report. It does not disclose any further information. As in 2013, expenses amounting to € 1 m were incurred in connection with these plans.

There are also defined contribution plans arising from Helaba's membership of BVV Versicherungsverein des Bankgewerbes a. G. and further defined contribution plans that are externally funded through direct insurance with insurers subject to public law. As far as possible, these arrangements are through SV Sparkassenversicherung and Provinzial Lebensversicherung AG.

The foreign branches in London and New York also have their own defined contribution plans. In the year under review, the total expense for defined contribution plans amounted to € 3 m (2013: € 3 m).

The employer subsidy for pension insurance in 2014 amounted to € 34 m (2013: € 33 m).

The changes in other provisions were as follows:

in € m

	Personnel provisions		Provisions for lending business risks		Restructuring provisions	
	2014	2013	2014	2013	2014	2013
As at 1.1.	98	101	77	89	18	-
Changes due to currency translation	1	-1	1	-1	-	-
Use	-68	-65	-3	-	-	-
Reversals	-1	-1	-20	-24	-	-
Reclassifications	3	-	-9	-7	-3	-
Interest cost	1	1	-	-	1	-
Additions	66	63	12	20	40	18
As at 31.12.	100	98	58	77	56	18

in € m

	Provisions for litigation risks		Sundry provisions		Total	
	2014	2013	2014	2013	2014	2013
As at 1.1.	36	39	136	150	365	379
Changes in basis of consolidation	-	-	-	-1	-	-1
Changes due to currency translation	-	-	1	-	3	-2
Use	-31	-22	-80	-114	-182	-201
Reversals	-2	-5	-9	-8	-32	-38
Reclassifications	2	-	7	-	-	-7
Interest cost	1	1	1	2	4	4
Additions	51	23	112	107	281	231
As at 31.12.	57	36	168	136	439	365

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

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

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

Claims are pursued against Helaba before the courts and in arbitration proceedings. Provisions for litigation risks need to be recognised if it is estimated that the probability of a successful claim is greater than 50 %.

The amount of the provision is the amount that the Bank is likely to have to pay in the event of a successful claim. The provisions for litigation risks recognised by Helaba also include amounts to cover litigation costs (court costs and other expenses in connection with litigation, such as legal and other fees).

Helaba has recognised provisions for litigation risks mainly to cover lawsuits brought by investors in closed funds. Investors who believe that their expectations with regard to a particular investment have not been met base their claims on non-compliance with consumer protection regulations. Depending on the circumstances in each individual case, the Bank will examine the possibility of settling a claim in terms of the nature and scope of a potential settlement. Helaba will not provide a detailed description here of individual cases or

proceedings, nor a breakdown of the overall amount for the provision for litigation risks. Claimants could otherwise draw conclusions about the Bank's litigation and settlement strategy.

The provisions for litigation risks are reviewed quarterly to ensure they are appropriate. The provisions may be increased or reversed on the basis of management assessments taking into account the legal situation. The final costs incurred in connection with litigation risks could differ from the recognised provisions because an assessment of probability and the determination

of figures for uncertain liabilities arising from litigation to a large degree requires measurements and estimates that could prove to be inaccurate as litigation proceedings progress.

Cases that do not meet the criteria for the recognition of provisions are reviewed to establish whether they need to be disclosed under contingent liabilities and, where appropriate, are included in the information disclosed in Note (72).

Of the total for other provisions, current provisions accounted for € 215 m (31 December 2013: € 220 m).

(53) Income Tax Liabilities

in € m

	31.12.2014	31.12.2013
Current income tax liabilities	117	69
Deferred income tax liabilities	8	7
Total	125	76

The deferred income tax liabilities relate to the following items:

in € m

	31.12.2014	31.12.2013
Loans and advances to banks and customers	109	152
Trading assets/liabilities and derivatives	1,876	1,100
Financial investments	221	85
Other assets	34	31
Liabilities due to banks and customers	7	20
Provisions for pensions	1	1
Sundry provisions	4	7
Other liabilities	8	15
Deferred tax liabilities, gross	2,260	1,411
Netted against deferred tax assets	-2,252	-1,404
Total	8	7
thereof: Non-current	5	10

For the measurement of temporary differences, which give rise to deferred income tax liabilities, please refer to the disclosures on deferred income tax assets (see Note (45)).

As at the reporting date, deferred income tax liabilities of € 121 m were recognised directly in equity (31 December 2013: € 48 m).

(54) Other Liabilities

in € m

	31.12.2014	31.12.2013
Trade accounts payable	113	128
Liabilities to employees	23	21
Advance payments and payments on account	347	248
Other taxes payable (excl. income taxes)	17	63
Other liabilities	130	135
Total	630	595

(55) Subordinated Capital

in € m

	31.12.2014	31.12.2013
Subordinated liabilities	3,661	3,167
thereof: Accrued interest	28	20
Profit participation rights	730	786
thereof: Accrued interest	36	37
Silent participations	1,019	1,120
thereof: Accrued interest	50	50
Total	5,410	5,073
thereof:		
Securitised subordinated debt	3,388	3,283

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

(56) Equity

in € m

	31.12.2014	31.12.2013
Subscribed capital	2,509	2,509
Capital reserves	1,546	1,546
Retained earnings	3,030	3,047
Revaluation reserve	249	138
Currency translation reserve	14	2
Cash flow hedge reserve	–	–4
Non-controlling interests	2	3
Total	7,350	7,241

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

As at 31 December 2014, the share capital was attributable to the owners as follows:

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

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

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

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

The currency translation reserve holds the currency translation differences (recognised in other comprehensive income) from the translation of the financial statements of economically independent foreign operations (subsidiaries, branches) into the Group currency (see Note (11)); the items are held there until disposal. In addition, the currency translation gains or losses on hedges of a net investment in a foreign operation are reported under the currency translation reserve in accordance with Note (6).

The cash flow hedge reserve contains the effective portion of the fair value change of hedging instruments in cash flow hedges in accordance with Note (6).

Further Disclosures about Financial Instruments

(57) Provision of Collateral

Assets pledged as security

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

in € m

	31.12.2014	31.12.2013
Trading assets	5,200	663
Loans and advances to banks	5,872	4,002
Loans and advances to customers	669	304
Financial investments	2,877	2,552
Financial assets	14,618	7,521
Investment property	696	669
Property and equipment	192	209
Property held for sale	39	59
Non-financial assets	927	937
Total	15,545	8,458

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

in € m

	31.12.2014	31.12.2013
Collateral for funding transactions with central banks	2,620	15
Collateral for transactions via exchanges and clearing houses	665	1,106
Securities pledged in connection with repo transactions	2,927	353
Cash collateral provided	6,564	4,327
Other collateral	1,842	1,720
Total	14,618	7,521

Cash collateral is furnished in connection with transactions with central counterparties, transactions on derivatives exchanges and in OTC derivatives business. Other collateral provided mainly serves as security for transactions with the European Investment Bank.

In addition, the Bank holds loans and advances backed by property charges and municipal authority loans and advances as well as other cover assets in its collateral pool in accordance with sections 12 and 30 of the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). As at 31 December 2014, cover assets amounted to € 34,442 m (31 December 2013: € 34,175 m) with mortgage and public Pfandbriefe of € 27,232 m in circulation (31 December 2013: € 24,314 m). These also included registered securities, which are reported under liabilities due to banks and liabilities due to customers.

Assets received as security

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

The fair value of collateral received in connection with repurchase agreements (repos), which permit Helaba to sell on or pledge such collateral even if the party providing the collateral does not default, amounted to € 193 m (31 December 2013: € 311 m). Such collateral with a fair value of € 120 m (31 December 2013: € 222 m) has been sold on, or has been the subject of onward pledging.

Liquid collateral of € 1,368 m (31 December 2013: € 802 m) was received as security for OTC transactions and was recognised under liabilities due to banks and liabilities due to customers.

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

(58) Transfer of Financial Assets without Derecognition

In connection with securities repurchase and lending transactions, the Helaba Group transfers financial assets, but retains both the main credit rating, interest rate and currency risks as well as the opportunities for capital appreciation associated with the ownership of these assets. Thus, the requirements for derecognition in accordance with IAS 39 are not

fulfilled and the financial assets continue to be recognised in the consolidated statement of financial position and measured in accordance with the measurement category to which they are assigned.

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

in € m

	31.12.2014	31.12.2013 ¹⁾
Carrying amount of financial assets transferred in connection with securities repurchase transactions but not derecognised	2,140	335
Trading assets	945	300
Financial investments	1,195	35
Carrying amount of liabilities from securities repurchase transactions	2,045	335
Carrying amount of financial assets transferred in connection with securities lending transactions but not derecognised	184	103
Trading assets	83	6
Financial investments	101	97

¹⁾ Prior-year figures restated: In 2013, portfolios with a value of € 18 m based on securities not owned by the Helaba Group were reported under trading assets transferred in connection with securities repurchase but not derecognised and under liabilities from securities repurchase transactions.

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

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

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

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

Given that the transferred securities are assigned to the measurement categories "held for trading" (HfT) or "available for sale" (AfS), their carrying amounts reflect their fair values. As at 31 December 2014, the fair value of the corresponding liabilities from securities repurchase transactions amounted to € 2,045 m (31 December 2013: € 335 m) and was therefore the same as the fair value of the securities. The fair value of the cash collateral received in connection with securities lending transactions always equals its carrying amount. However, the Helaba Group has only entered into unsecured securities lending transactions.

(59) Transfer of Financial Assets with Derecognition

Contracts for the sale and acquisition of shares in companies (equity investments and affiliates) include the warranties customary with such transactions, in particular in respect of the tax and legal position. As at 31 December 2014, provisions in the amount of € 10 m had been recognised to cover these warranties (31 December 2013: € 5 m).

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

In accordance with the disclosure requirements in IFRS 7 relating to offsetting financial instruments, the tables below show

a reconciliation from the gross to the net risk exposure for financial instruments. The disclosures relate both to financial instruments that have been offset and also to those that are subject to a master netting agreement.

The more extensive offsetting of cash collateral, assets and liabilities in the derivatives business carried out for the first time in 2014 led to offsetting with a value of € 1,808 m on 31 December 2014. Offsetting in derivatives transactions involves the assets and liabilities arising from derivatives as well as the associated cash collateral, which is reported under loans and advances to customers or liabilities due to customers.

The following table shows the reconciliation of the gross carrying amounts for the offset financial assets and liabilities to the amounts recognised in the statement of financial position as at 31 December 2014.

in € m

	Gross carrying amount before offsetting	Gross carrying amount of offset financial instruments	Net carrying amount
Assets			
Derivatives	20,487	-1,774	18,713
Securities repurchase transactions	196	-	196
Other assets	9,214	-9,024	190
Total	29,897	-10,798	19,099
Liabilities			
Derivatives	19,833	-1,755	18,078
Securities repurchase transactions	2,776	-	2,776
Other liabilities	9,580	-9,043	537
Total	32,189	-10,798	21,391

Helaba has also entered into master netting agreements with counterparties in the derivatives and securities repurchase business. These agreements include conditional netting rights. If the conditions are met – for example if a counterparty defaults

for reasons related to its credit rating – the transactions are settled on a net basis. These agreements resulted in the following net amounts as at 31 December 2014:

in € m

	Carrying amount	Conditional netting rights on basis of master netting agreements		Net amount after conditional netting rights are taken into account
		Collateral in the form of liabilities/assets	Cash collateral ¹⁾	
Assets				
Derivatives	18,713	-9,782	-538	8,393
Securities repurchase transactions	196	-193	-	3
Other assets	190	-	-	190
Total	19,099	-9,975	-538	8,586
Liabilities				
Derivatives	18,078	-9,782	-6,520	1,776
Securities repurchase transactions	2,776	-2,767	-	9
Other liabilities	537	-	-	537
Total	21,391	-12,549	-6,520	2,322

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

The following table shows the corresponding amounts as at 31 December 2013:

in € m

	Gross carrying amount before offsetting	Gross carrying amount of offset financial instruments	Net carrying amount
Assets			
Derivatives	13,160	-	13,160
Securities repurchase transactions	396	-	396
Other assets	1,147	-871	276
Total	14,703	-871	13,832
Liabilities			
Derivatives	13,026	-	13,026
Securities repurchase transactions	354	-	354
Other liabilities	1,223	-871	352
Total	14,603	-871	13,732

in € m

	Carrying amount	Conditional netting rights on basis of master netting agreements		Net amount after conditional netting rights are taken into account
		Collateral in the form of liabilities/assets	Cash collateral ¹⁾	
Assets				
Derivatives	13,160	-7,744	-590	4,826
Securities repurchase transactions	396	-388	-	8
Other assets	276	-	-	276
Total	13,556	-8,132	-590	4,834
Liabilities				
Derivatives	13,026	-7,744	-3,977	1,305
Securities repurchase transactions	354	-350	-	4
Other liabilities	352	-	-	352
Total	13,732	-8,094	-3,977	1,661

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

(61) Subordinated Assets

The following statement of financial position items include subordinated assets:

in € m

	31.12.2014	31.12.2013
Loans and advances to banks	73	73
thereof: To long-term investees and investors	-	1
Loans and advances to customers	605	652
thereof: To long-term investees and investors	18	20
Financial investments	-	26
Total	678	751

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

(62) Foreign Currency Volumes

in € m

	Foreign currency assets		Foreign currency liabilities	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
USD	14,887	14,430	8,212	8,075
GBP	6,926	6,763	2,722	1,585
SFR	2,377	2,949	670	687
JPY	402	747	450	814
Other currencies	951	996	321	458
Total	25,543	25,885	12,375	11,619

The foreign currency assets and liabilities shown under this item relate to non-derivative financial instruments. The foreign currency exposures are hedged by corresponding derivatives.

(63) Breakdown of Maturities

in € m

	Payable on demand	Less than three months	Three months to one year	One year to five years	More than five years
Non-derivative financial liabilities	27,306	19,053	36,931	48,084	28,659
Trading liabilities	1,094	5,848	9,420	6	124
Liabilities due to banks	5,996	1,980	5,369	14,923	9,341
Liabilities due to customers	20,216	3,603	7,055	8,475	9,650
Securitised liabilities	–	7,611	12,611	23,068	7,306
Subordinated capital	–	11	2,476	1,612	2,238
Derivative financial liabilities	12,727	466	711	3,019	1,961
Trading liabilities	12,727	–	–	–	–
Negative fair values of non-trading derivatives	–	466	711	3,019	1,961
Irrevocable loan commitments	1,593	339	3,069	10,594	1,659
Total	41,626	19,858	40,711	61,697	32,279

The following table shows the corresponding amounts as at 31 December 2013:

in € m

	Payable on demand	Less than three months	Three months to one year	One year to five years	More than five years
Non-derivative financial liabilities	29,910	22,352	25,416	55,403	34,509
Trading liabilities	3,108	11,330	9,653	7	104
Liabilities due to banks	8,103	1,851	3,324	13,969	9,657
Liabilities due to customers	18,699	3,515	5,727	8,530	13,652
Securitised liabilities	–	5,650	5,661	29,597	9,572
Subordinated capital	–	6	1,051	3,300	1,524
Derivative financial liabilities	9,472	311	678	1,819	941
Trading liabilities	9,470	1	4	58	4
Negative fair values of non-trading derivatives	2	310	674	1,761	937
Irrevocable loan commitments	1,375	633	1,984	9,683	927
Total	40,757	23,296	28,078	66,905	36,377

For the breakdown of the remaining terms of financial liabilities, the undiscounted cash flows were allocated to the individual maturity buckets in accordance with the contractually agreed

maturity dates. If there was no fixed contractual agreement for the date of repayment, the earliest possible time or termination date was used. This applies in particular to overnight money

raised and sight deposits as well as savings deposits with an agreed period of notice.

The non-derivative financial liabilities presented under trading liabilities have been included in the maturities breakdown with their carrying amounts, and the irrevocable loan commitments have been included at their nominal value. Trading derivatives

were allocated with their carrying amounts to the shortest maturity bucket; the irrevocable loan commitments were allocated to the earliest bucket in which the commitment could be drawn down. Liabilities from warranties and guarantee agreements in accordance with Note (72) can generally become payable at any time up to the maximum guaranteed amount.

(64) Derivatives

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

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

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

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

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Equity-/index-related transactions	3,189	3,034	136	118	118	99
OTC products	2,200	2,105	116	96	88	73
Equity options	2,200	2,105	116	96	88	73
Calls	1,289	1,221	116	96	–	–
Puts	911	884	–	–	88	73
Exchange-traded products	989	929	20	22	30	26
Equity/index futures	404	304	12	6	–	2
Equity/index options	585	625	8	16	30	24
Interest-rate-related transactions	489,784	488,440	17,303	12,002	15,740	11,797
OTC products	439,147	446,821	17,294	11,975	15,701	11,792
Forward rate agreements	20,274	27,107	–	4	–	2
Interest rate swaps	362,697	358,357	14,974	10,763	12,473	10,220
Interest rate options	56,118	61,075	2,320	1,208	3,228	1,570
Calls	23,852	27,276	2,270	1,205	12	4
Puts	32,266	33,799	50	3	3,216	1,566
Other interest rate contracts	58	282	–	–	–	–
Exchange-traded products	50,637	41,619	9	27	39	5
Interest rate futures	50,316	35,469	9	27	39	5
Interest rate options	321	6,150	–	–	–	–
Currency-related transactions	58,825	49,023	1,240	1,026	2,182	1,053
OTC products	58,825	49,023	1,240	1,026	2,182	1,053
Currency spot and futures contracts	34,360	24,969	747	336	566	452
Cross-currency swaps	23,662	23,279	476	664	1,598	575
Currency options	803	775	17	26	18	26
Calls	399	385	17	26	–	–
Puts	405	390	–	–	18	26
Credit derivatives	3,879	6,071	27	43	31	52
OTC products	3,879	6,071	27	43	31	52
Commodity-related transactions	156	415	7	8	7	7
OTC products	156	415	7	8	7	7
Commodity swaps	44	233	5	6	5	5
Commodity options	112	182	2	2	2	2
Total	555,833	546,983	18,713	13,197	18,078	13,008

Nominal amounts broken down by term to maturity:

in € m

	Equity-/index-related transactions		Interest-rate-related transactions		Currency-related transactions	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Up to three months	594	461	76,141	72,642	19,879	15,327
More than three months and up to one year	832	790	86,255	86,926	13,096	10,811
More than one year and up to five years	1,698	1,663	178,552	183,001	19,513	18,111
More than five years	65	120	148,836	145,871	6,337	4,774
Total	3,189	3,034	489,784	488,440	58,825	49,023

in € m

	Credit derivatives		Commodity-related transactions		Total	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Up to three months	182	200	50	53	96,846	88,683
More than three months and up to one year	443	623	15	172	100,641	99,322
More than one year and up to five years	3,249	5,193	91	125	203,103	208,093
More than five years	5	55	-	65	155,243	150,885
Total	3,879	6,071	156	415	555,833	546,983

Derivatives have been entered into with the following counter-parties:

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Banks in OECD countries	229,973	271,646	10,144	7,696	14,444	9,600
Banks outside OECD countries	17	17	-	-	3	3
Other counterparties (including exchanges)	264,908	205,163	3,493	2,530	1,160	1,343
Public institutions in OECD countries	60,935	70,157	5,076	2,971	2,471	2,062
Total	555,833	546,983	18,713	13,197	18,078	13,008

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

The following table sets out the carrying amounts of financial assets and liabilities as at 31 December 2014 in accordance with the measurement categories of IAS 39. It also shows the figures reported in the statement of financial position.

in € m

	LaR/OL	Afs	HfT	FVO	Total
Assets					
Cash reserve	1,033				1,033
Loans and advances to banks	20,571			8	20,579
Loans and advances to customers	90,457			652	91,109
Trading assets			31,262		31,262
Positive fair values of non-trading derivatives			5,828		5,828
Financial investments		23,397		3,193	26,590
Total	112,061	23,397	37,090	3,853	176,401
Liabilities					
Liabilities due to banks	35,222			390	35,612
Liabilities due to customers	41,664			3,656	45,320
Securitised liabilities	39,520			8,800	48,320
Trading liabilities			29,219		29,219
Negative fair values of non-trading derivatives			5,351		5,351
Subordinated capital	4,838			572	5,410
Total	121,244		34,570	13,418	169,232

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

The corresponding carrying amounts as at 31 December 2013 were as follows:

in € m

	LaR/OL	Afs	HfT	FVO	Total
Assets					
Cash reserve	1,753				1,753
Loans and advances to banks	21,327			28	21,355
Loans and advances to customers	90,385			647	91,032
Trading assets			32,311		32,311
Positive fair values of non-trading derivatives			4,690		4,690
Financial investments		20,922		3,198	24,120
Total	113,465	20,922	37,001	3,873	175,261
Liabilities					
Liabilities due to banks	33,689			473	34,162
Liabilities due to customers	40,883			3,033	43,916
Securitised liabilities	38,450			9,921	48,371
Trading liabilities			33,739		33,739
Negative fair values of non-trading derivatives			3,471		3,471
Subordinated capital	4,544			529	5,073
Total	117,566		37,210	13,956	168,732

The following table shows the contributions to earnings from financial instruments in each measurement category for the 2014 financial year:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	2,994	-1,956	326		-237	216	1,343
Provisions for losses on loans and advances	-80						-80
Net trading income				126			126
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied					-271	309	38
Net income from hedge accounting	-69	-288				370	13
Net income from financial investments			33				33
Contributions to earnings recognised under other comprehensive income			173				173
Total	2,845	-2,244	532	126	-508	895	1,646

The equivalent amounts for 2013 were as follows:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	3,139	-2,198	357		-232	197	1,263
Provisions for losses on loans and advances	-240						-240
Net trading income				344			344
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied					252	-283	-31
Net income from hedge accounting	23	68				-72	19
Net income from financial investments			2				2
Contributions to earnings recognised under other comprehensive income			-27				-27
Total	2,922	-2,130	331	344	20	-158	1,329

Net interest income as per the income statement includes not only interest from financial instruments but also net interest attributable to pension obligations and other non-current provisions, and net interest income from finance leases.

(66) Fair Values of Financial Instruments

The following overview compares the fair values of financial assets and liabilities with their corresponding carrying amounts.

In addition, other financial assets and liabilities whose fair values correspond to their carrying amounts are reported under other assets and other liabilities.

in € m

	Fair value		Carrying amount		Difference	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Assets						
Cash reserve	1,033	1,753	1,033	1,753	–	–
Loans and advances to banks ¹⁾	20,824	21,598	20,577	21,353	247	245
Loans and advances to customers ¹⁾	95,391	94,030	90,104	89,915	5,287	4,115
Trading assets	31,262	32,311	31,262	32,311	–	–
Positive fair values of non-trading derivatives	5,828	4,690	5,828	4,690	–	–
Financial investments	26,590	24,120	26,590	24,120	–	–
Total	180,928	178,502	175,394	174,142	5,534	4,360
Liabilities						
Liabilities due to banks	36,884	35,232	35,612	34,162	1,272	1,070
Liabilities due to customers	47,009	45,060	45,320	43,916	1,689	1,144
Securitised liabilities	48,937	48,658	48,320	48,371	617	287
Trading liabilities	29,219	33,739	29,219	33,739	–	–
Negative fair values of non-trading derivatives	5,351	3,471	5,351	3,471	–	–
Subordinated capital	5,602	5,134	5,410	5,073	192	61
Total	173,002	171,294	169,232	168,732	3,770	2,562

¹⁾ Net carrying amount after provisions for losses on loans and advances.

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 (Level 1).

If an observable market price does not exist for a financial instrument, recognised and customary valuation techniques are used for measurement purposes, with all input data (e.g. yield curves, volatilities, spreads) being based on observable market data and taken from external sources. These methods mainly comprise discounted-cash-flow-based forward pricing and

swap pricing models or option price models (e.g. Black-Scholes and variants thereof). These valuation techniques are normally used for OTC derivatives (including credit derivatives) and financial instruments that are recognised at fair value and not traded on an active market (Level 2).

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

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

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013 ¹⁾	31.12.2014	31.12.2013 ¹⁾	31.12.2014	31.12.2013
Non-derivative financial instruments	39,161	39,082	5,511	8,717	920	767	45,592	48,566
Loans and advances to banks			8	28	–	–	8	28
Loans and advances to customers			542	541	110	106	652	647
Trading assets	15,077	18,664	3,157	5,120	143	20	18,377	23,804
Financial investments	24,084	20,418	1,804	3,028	667	641	26,555	24,087
Derivatives	29	49	18,577	13,083	107	65	18,713	13,197
Trading assets	22	29	12,797	8,449	66	29	12,885	8,507
Positive fair values of non-trading derivatives	7	20	5,780	4,634	41	36	5,828	4,690
Total	39,190	39,131	24,088	21,800	1,027	832	64,305	61,763

¹⁾ Prior-year figures restated: In 2013, loans and advances to customers amounting to € 106 m were not classified as Level 3 even though some of the input parameters used were not observable in the market.

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

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Non-derivative financial instruments	707	1,523	28,666	35,910	537	583	29,910	38,016
Liabilities due to banks			354	435	36	38	390	473
Liabilities due to customers			3,611	2,996	45	37	3,656	3,033
Securitised liabilities	–	–	8,344	9,413	456	508	8,800	9,921
Trading liabilities	707	1,523	15,785	22,537	–	–	16,492	24,060
Subordinated capital	–	–	572	529	–	–	572	529
Derivatives	69	31	17,940	12,962	69	15	18,078	13,008
Trading liabilities	46	28	12,615	9,502	66	7	12,727	9,537
Negative fair values of non-trading derivatives	23	3	5,325	3,460	3	8	5,351	3,471
Total	776	1,554	46,606	48,872	606	598	47,988	51,024

There was a net transfer of non-derivative trading assets amounting to € 456 m from Level 1 to Level 2 and of financial investments amounting to € 250 m from Level 2 to Level 1. These transfers arose because individual parameters or market prices were no longer, or were once again, observable in the market compared with the situation in 2013. In addition, financial investments in an amount of € 160 m were transferred from

Level 1 to Level 3, and in an amount of € 34 m from Level 2 to Level 3, again because individual parameters were no longer observable in the market.

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

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

in € m

	31.12.2014	31.12.2013 ¹⁾
Loans and advances to customers	110	106
Bonds and other fixed-income securities	345	106
Bonds	194	19
Promissory notes	143	20
Asset-backed securities	8	67
Unlisted equity investments	75	81
Investment units	223	290
Purchase of receivables from endowment insurance policies	167	184
Total	920	767

¹⁾ Prior-year figures restated: In 2013, loans and advances to customers amounting to € 106 m were not classified as Level 3 even though this ought to have been required based on input parameters used. In addition, equity investments amounting to € 242 m were reclassified to investment units; see also Note (1).

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

in € m

	31.12.2014	31.12.2013
AAA	8	1
AA	243	14
A	89	46
BBB and below	–	45
No external rating	5	–
Bonds and other fixed-income securities	345	106

Helaba's model for measuring the Level 3 instruments used inputs producing a price that knowledgeable market participants would apply. For individual inputs, more or less favourable factors could have been applied as an alternative. This is particularly true of the factors used in estimating and determining credit spreads. The process uses scenario values on the basis of determined historical standard deviations in the sectors concerned. In the case of bonds and other fixed-income securities, the prices calculated in this way could be up to € 1 m (31 December 2013: € 2 m) higher or lower.

Simulations were carried out for unlisted equity investments and investment units for which a discounted earnings approach is used to determine fair value. The main variations in the simulations were to increase or reduce the cash flows by 10 % before discounting. The fair values calculated in this way were used as the basis for determining alternative values, which were then found to be up to € 39 m (31 December 2013: € 38 m) higher or lower.

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

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

in € m

Assets	Loans and advances to customers		Trading assets		Financial investments	
	2014	2013 ¹⁾	2014	2013	2014	2013
Carrying amounts as at 1.1.	106	109	20	30	641	703
Gains or losses recognised in profit or loss						
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	8	-3			-1	4
Net income from financial investments					1	-15
Gains or losses recognised in other comprehensive income					1	9
Additions	-	-	153	18	17	21
Disposals/liquidations	-4	-	-30	-28	-180	-84
Changes due to currency translation	-	-	-	-	14	-7
Transfers from Level 1	-	-	-	-	160	10
Transfers from Level 2	-	-	-	-	34	-
Transfers to Level 2	-	-	-	-	-20	-
Carrying amounts as at 31.12.	110	106	143	20	667	641
Gains or losses on financial assets in the portfolio recognised in profit or loss	8	-3	-	-1	-3	-10

¹⁾ Prior-year figures restated: In 2013, loans and advances to customers amounting to € 106 m were not classified as Level 3 even though this ought to have been required based on input parameters used.

in € m

Assets	Positive fair values of the trading portfolio		Positive fair values of non-trading derivatives	
	2014	2013	2014	2013
Carrying amounts as at 1.1.	29	38	36	2
Gains or losses recognised in profit or loss				
Net interest income or expense			-4	-
Net trading income	21	-4		
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied			11	-1
Additions	3	-	-2	-
Disposals/liquidations	-16	-13	-	-
Transfers from Level 2	29	8	-	35
Carrying amounts as at 31.12.	66	29	41	36
Gains or losses on financial assets in the portfolio recognised in profit or loss	34	-2	13	-1

in € m

Liabilities	Liabilities due to banks		Liabilities due to customers		Securitised liabilities	
	2014	2013	2014	2013	2014	2013
Carrying amounts as at 1.1.	38	-	37	19	508	44
Gains or losses recognised in profit or loss						
Net interest income or expense	-	-	-2	-	-2	2
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	1	-	6	-	14	4
Additions	4	-	7	-	97	47
Disposals/liquidations	-7	-	-3	-	-161	-
Transfers from Level 2	-	38	-	18	-	411
Carrying amounts as at 31.12.	36	38	45	37	456	508
Gains or losses on liabilities in the portfolio recognised in profit or loss	-1	-	-6	-	-13	-2

in € m

Liabilities	Trading liabilities		Negative fair values of the trading portfolio		Negative fair values of non-trading derivatives	
	2014	2013	2014	2013	2014	2013
Carrying amounts as at 1.1.	-	13	7	10	8	4
Gains or losses recognised in profit or loss						
Net interest income or expense	-	-	-	-	-1	-
Net trading income or expense	-	-	26	-4	-	-
Gain or loss on non-trading derivatives and financial instruments to which the fair value option is applied	-	-	-	-	-6	2
Additions	-	-	3	-	-	1
Disposals/liquidations	-	-13	-11	-7	-	-
Transfers from Level 2	6	-	41	8	2	1
Transfers to Level 1	-6	-	-	-	-	-
Carrying amounts as at 31.12.	-	-	66	7	3	8
Gains or losses on liabilities in the portfolio recognised in profit or loss	-	-	-34	4	4	-1

As at 31 December 2014, the breakdown of financial instruments not measured at fair value according to the hierarchy of the inputs used was as follows:

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Assets								
Cash reserve	1,033	1,753					1,033	1,753
Loans and advances to banks			15,790	16,940	5,026	4,630	20,816	21,570
Loans and advances to customers			81,314	80,176	13,425	13,207	94,739	93,383
Financial investments	–	–	–	–	35	33	35	33
Total	1,033	1,753	97,104	97,116	18,486	17,870	116,623	116,739
Liabilities								
Liabilities due to banks			31,320	28,603	5,174	6,156	36,494	34,759
Liabilities due to customers			38,037	37,208	5,316	4,819	43,353	42,027
Securitised liabilities	1,627	1,122	38,469	37,578	41	37	40,137	38,737
Subordinated capital	506	471	4,524	4,134	–	–	5,030	4,605
Total	2,133	1,593	112,350	107,523	10,531	11,012	125,014	120,128

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

(67) Reclassification of Financial Assets

In line with IAS 39 and IFRS 7, the Helaba Group reclassified certain trading assets and financial assets available for sale as loans and receivables in the second half of 2008. This reclassification procedure covered assets that, on 1 July 2008, were

clearly no longer intended to be sold or traded in the short term and that instead were intended to be held for the foreseeable future. In accordance with the amended IAS 39, such assets were reclassified with effect from 1 July 2008 using the fair value determined on this reference date. No further reclassifications have been carried out since that time.

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

in € m

	31.12.2014 Carrying amount	31.12.2014 Fair value	31.12.2013 Carrying amount	31.12.2013 Fair value	1.7.2008 Carrying amount
Trading assets reclassified to loans and advances to customers	96	96	110	101	437
Financial investments reclassified to loans and advances to customers	161	162	247	235	1,722
Total	257	258	357	336	2,159

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

If the reclassifications had not been carried out, additional unrealised remeasurement gains of € 9 m would have arisen under trading assets in the income statement in 2014 (2013: € 9 m); additional unrealised remeasurement gains of € 11 m would also have arisen under financial investments in other comprehensive income (2013: € 16 m).

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

in € m

	2014	2013
Net interest income	3	11
thereof: Amortisation and realised gain/loss on repayment and disposal	1	1
Provisions for losses on loans and advances	–	–1
Profit before taxes on reclassified assets	3	10

(68) Disclosures Relating to Financial Instruments to which the Fair Value Option is Applied

The following table shows the cumulative changes (caused by a change in credit quality) in the carrying amounts of liabilities to which the fair value option is applied together with the changes during the reporting period to the financial instruments still in the portfolio as at the reporting date:

in € m

	Reporting period		Cumulative	
	2014	2013	31.12.2014	31.12.2013
Liabilities due to banks	–	1	3	3
Liabilities due to customers	15	17	64	50
Securitised liabilities	7	15	27	30
Subordinated capital	13	8	–	–13
Total	35	41	94	70

The following overview compares the settlement amounts for the liabilities to which the fair value option is applied and the carrying amounts of these liabilities:

in € m

	Settlement amount		Carrying amount		Difference	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Liabilities due to banks	371	434	390	473	–19	–39
Liabilities due to customers	4,269	3,872	3,656	3,033	613	839
Securitised liabilities	8,991	10,047	8,800	9,921	191	126
Subordinated capital	533	493	572	529	–39	–36
Total	14,164	14,846	13,418	13,956	746	890

As at the reporting date, the fair value option was applied to loans and advances amounting to € 3,853 m (31 December 2013: € 3,873 m). This value included cumulative negative changes of € 15 m caused by changes in credit quality (31 December 2013: negative change of € 9 m).

(69) Disclosures Relating to Issuing Activities

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

in € m

	Securitised trading liabilities		Securitised liabilities		Securitised subordinated capital		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
As at 1.1.	2,746	4,411	48,371	57,504	3,283	3,067	54,400	64,982
Changes in basis of consolidation	–	–	–	–15	–	–	–	–15
Changes due to currency translation	187	–69	239	–136	–	–14	426	–219
Additions from issues	7,412	10,105	31,500	17,924	178	275	39,090	28,304
Redemptions	–8,322	–11,889	–30,171	–25,507	–23	–5	–38,516	–37,401
Repurchases	–9	160	–1,617	–990	–1	–	–1,627	–830
Changes in accrued interest	–	–1	–34	–272	–1	2	–35	–271
Changes in value recognised through profit or loss	5	29	32	–137	–48	–42	–11	–150
As at 31.12.	2,019	2,746	48,320	48,371	3,388	3,283	53,727	54,400

As part of its issuing activities, the Helaba Group places short-term commercial paper, equities and index certificates, medium- and long-term bonds, and subordinated sources of funding on the money and capital markets.

Additions from issues and redemptions also include the placement volume of short-term commercial paper that could be repaid by as early as the end of the financial year. The changes in value recognised through profit or loss result from remeasurement gains or losses on financial liabilities held as at the reporting date that were either accounted for as hedged items or to which the fair value option was applied.

(70) Risk Management Disclosures

The Group's risk strategy focuses on the assumption of risks with a view to making profits and takes account of the company's

economic and regulatory capital. The identified risks are continuously measured and monitored for risk management purposes. The methods used are subject to constant improvement. With regard to the organisation of risk management, the individual risk types as well as risk concentrations, please refer to the opportunity and risk report, which forms an integral part of the management report.

(71) Credit Risks Attributable to Financial Instruments

The following table shows the carrying amounts of loans and advances in the loans and receivables category for which specific loan loss allowances or specific loan loss allowances evaluated on a group basis have been recognised. The table also shows the gross carrying amounts before impairment losses on available-for-sale financial assets.

in € m

	Carrying amount before allowances/impairment losses		Amount of allowances/impairment losses		Carrying amount after allowances/impairment losses	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Loans and advances to banks (LaR)	4	8	1	1	3	7
Loans and advances to customers (LaR)	1,989	2,775	751	852	1,238	1,923
Financial investments (AFS)	193	235	95	146	98	89
Total	2,186	3,018	847	999	1,339	2,019

With the exception of loans and advances to banks and loans and advances to customers, the maximum credit risk in accordance with IFRS 7.36 (a) as at the reporting date was equivalent to the carrying amount of the financial assets as detailed in Note (65) plus the contingent liabilities and irrevocable loan commitments as per Note (72). For loans and advances to banks and

loans and advances to customers, the maximum credit risk was equivalent to the carrying amount less the allowances for losses on loans and advances (see Note (37)). These amounts do not factor in any deduction of collateral or other agreements that reduce risk.

No impairment losses were recognised for loans, advances and other receivables measured at amortised cost with a carrying amount of € 260 m (31 December 2013: € 343 m) and that were past due as at the reporting date. This was because Helaba had noted no material change in the rating of the debtors and still expected the outstanding amounts to be repaid.

A financial asset is classified as past due if the party to the agreement fails to make the contractually agreed payments in

respect of the financial instrument on time. Even if only certain contractually agreed part payments (interest or partial repayments of principal) are overdue, the asset is still considered past due.

The following table shows an aged breakdown of loans, advances and other receivables past due, but not impaired, as at the reporting date:

in € m

	Carrying amount	Past due by ≤ one month	Past due by > one month and ≤ three months	Past due by > three months and ≤ one year	Past due by > one year	Total past due
Loans and advances to banks (LaR)	20,571	–	–	–	–	–
Loans and advances to customers (LaR)	90,457	155	56	8	38	257
Trade accounts receivable (LaR)	41	1	2	–	–	3
Total	111,069	156	58	8	38	260

The following table shows the corresponding amounts as at 31 December 2013:

in € m

	Carrying amount	Past due by ≤ one month	Past due by > one month and ≤ three months	Past due by > three months and ≤ one year	Past due by > one year	Total past due
Loans and advances to banks (LaR)	21,327	–	–	–	–	–
Loans and advances to customers (LaR)	90,385	127	72	107	33	339
Trade accounts receivable (LaR)	41	1	2	–	–	3
Total	111,753	128	74	107	33	342

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

The following table shows a breakdown of deferred or renegotiated loans and advances as at the reporting date:

in € m

	Carrying amount		thereof: Deferred or renegotiated loans and advances	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Loans and advances to banks	20,579	21,355	–	–
Loans and advances to customers	91,109	91,032	3,054	1,683
Total	111,688	112,387	3,054	1,683

At the reporting date, Helaba adjusted its criteria for determining deferred or renegotiated loans and advances to bring these criteria into line with the definition of forbore exposures published by the European Banking Authority (EBA). As a consequence, some of these criteria have been extended consid-

erably. A forbore exposure refers to debts in connection with which forbearance action has been applied. Such action includes concessions or restructuring as a result of existing or anticipated financial difficulties on the part of the debtor.

The following table shows a breakdown of allowances for losses on loans and advances related to deferred or renegotiated loans and advances as at the reporting date:

in € m

	Carrying amount		thereof: Deferred or renegotiated loans and advances	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Allowances on loans and advances to banks	2	2	–	–
Specific loan loss allowances	1	1	–	–
Portfolio loan loss allowances	1	1	–	–
Allowances on loans and advances to customers	1,005	1,117	508	231
Specific loan loss allowances	669	759	464	209
Specific loan loss allowances evaluated on a group basis	82	93	24	12
Portfolio loan loss allowances	254	265	20	10
Provisions for lending business risks	58	77	50	28
Total	1,065	1,196	558	259

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

in question, the collateral is constantly monitored and updated in accordance with the credit guidelines.

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

in € m

	Carrying amount		Fair value of collateral	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Loans and advances to banks	20,579	21,355	295	187
Loans and advances to customers	91,109	91,032	32,646	34,860
Contingent liabilities	5,178	4,610	565	235
Irrevocable loan commitments	17,254	14,316	245	1,026
Total	134,120	131,313	33,751	36,308

In the case of OTC derivative transactions, Helaba applies a CVA adjustment for default risk in order to cover any expected losses in the lending business. This CVA adjustment is determined by assessing the potential credit risk for a given counterparty. This assessment takes into account any collateral held, any offsetting effects under master agreements, the expected loss in the event of a default and the credit risk based on market data, including CDS spreads. As at 31 December 2014, the CVA adjustments for both trading book and banking book derivatives with positive fair values amounted to €160 m (31 December 2013: € 118 m).

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

Off-Balance Sheet Transactions and Obligations

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

The Helaba Group's contingent liabilities and other obligations are mainly potential future liabilities of the Group attributable to guarantees that have been provided and also to credit lines

that have been granted to customers but have not yet been drawn down. The figures shown reflect potential liabilities and assume that the credit lines extended are utilised in full and that the guarantees granted are utilised. The provisions for off-balance sheet obligations have been deducted from the figures.

in € m

	31.12.2014	31.12.2013 ¹⁾
Contingent liabilities	5,178	4,610
Obligations under rediscounted bills of exchange	–	1
Liabilities from guarantees and warranty agreements	5,178	4,609
Other obligations	19,505	16,697
Placement and underwriting obligations	2,103	1,910
Irrevocable loan commitments	17,254	14,632
Obligations to provide further capital	–	39
Contribution obligations	51	55
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	29	15
Contractual obligations in connection with investment property	57	41
Litigation risk obligations	1	–
Other obligations	10	5
Total	24,683	21,307

¹⁾ Prior-year figures restated: In 2013, joint obligations amounting to € 4 m in the form of guarantees for joint ventures were reported separately.

On the reporting date, € 46 m of the (repeat) contribution obligations was attributable to 27 commercial partnerships, while € 5 m was attributable to five corporations. No contribution obligations existed in respect of affiliated companies.

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

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

The Bank is also jointly liable for ensuring that other members belonging to the Deutscher Sparkassen- und Giroverband e. V. (DSGV) meet their obligations to make additional contributions. If a claim were made against a former guarantor of DekaBank under the grandfathering provisions applicable to the guarantor liability in accordance with the Brussels Accord I, Helaba would be obliged to pay pro-rata internal liability compensation. The owners of DekaBank on 18 July 2005 are liable for the fulfilment of all liabilities of DekaBank existing at that point of time. For such liabilities entered into on or before 18 July 2001, the owners

are liable without time limitation; with regard to liabilities entered into after this date and on or before 18 July 2005, they are liable only for liabilities whose term to maturity does not extend beyond 31 December 2015.

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

In addition, Helaba and Frankfurter Sparkasse are members of the reserve fund of the Sparkassen- und Giroverband Hessen-Thüringen. This fund provides additional protection on top of the existing protection schemes; it provides protection not only to institutions but also to creditors. Landesbank Hessen-Thüringen and the Sparkassen will make gradual contributions to the fund until 0.5 % of the assessment base (the banks' risk assets) has been reached. An institution's obligation to pay contributions is established on the basis of risk, taking into account bonus and penalty factors. Sparkassen- und Giro-

verband Hessen-Thüringen will be liable to make up any shortfall should a claim be made against the fund before the full amount has been contributed in cash.

The Bank is also jointly liable for ensuring that other members belonging to the Deutscher Sparkassen- und Giroverband e.V. (DSGV) meet their obligations to make additional contributions.

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

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

As in 2013, contingent liabilities of € 205 m may arise if capital contributions have to be repaid.

The obligations in connection with litigation risks relate to claims pursued against Helaba before the courts or in arbitration proceedings and for which Helaba has not recognised any provisions because the probability of a successful claim is less than 50 %.

(73) Letters of Comfort

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

(74) Fiduciary Transactions

in € m

	31.12.2014	31.12.2013 ¹⁾
Trust assets	917	973
Loans and advances to banks	176	177
Loans and advances to customers	466	519
Equity investments	61	63
Other assets	214	214
Trust liabilities	917	973
Liabilities due to banks	–	3
Liabilities due to customers	607	659
Other liabilities	310	311

¹⁾ Prior-year figures restated: Reclassification from equity investments to other assets in the amount of € 203 m; see also Note (1).

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

Other Disclosures

(75) Leasing Disclosures

Leases in which the Helaba Group is the lessor

The following table provides details of finance leases:

	in € m	
	31.12.2014	31.12.2013
Gross investment value	7	8
Up to one year	1	1
More than one year and up to five years	5	5
More than five years	1	2
Unrealised financial income	-1	-1
Net investment value	6	7
Up to one year	1	1
More than one year and up to five years	4	4
More than five years	1	2

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

As was the case in the previous year, no cumulative impairment losses were recognised for finance leases. As in 2013, no contingent rental payments from finance leases were recognised as income in the year under review.

The following minimum lease payments are expected in the course of the next few years from non-cancellable operating leases:

	in € m	
	31.12.2014	31.12.2013
Up to one year	67	66
More than one year and up to five years	38	36
More than five years	59	47
Total	164	149

The operating leases mainly comprise subtenancy agreements for space rented out in leased buildings as well as tenancy agreements in which Helaba's own land and buildings are leased out. No contingent rentals from operating leases were recognised as income in the year under review (2013: € 1 m).

Leases in which the Helaba Group is the lessee

General and administrative expenses included an amount of € 33 m (2013: € 37 m) relating to payments for operating leases in which Helaba is the lessee. This amount mainly relates to land and buildings as well as operating and business equipment.

The leased properties are predominantly office buildings used for banking operations, unless they are subject to different commercial use as part of subtenancy arrangements. The tenancy agreements have fixed terms with current residual terms of up to 13 years. Price adjustment clauses exist in various forms; no contingent rental payments have been agreed.

The following minimum lease payments for non-cancellable operating leases are expected to be made over the next few years:

in € m

	31.12.2014	31.12.2013
Up to one year	34	35
More than one year and up to five years	105	106
More than five years	86	79
Total	225	220

As at the reporting date, future minimum rental payments of € 58 m were expected under non-cancellable subtenancy arrangements (31 December 2013: € 52 m). In the year under review, income of € 3 m was generated from subtenancy agreements (2013: € 2 m). This income is reported under other net operating income.

In financial year 2014, there were no finance leases in which the Helaba Group was the lessee.

(76) Capital Management and Regulatory Ratio Disclosures

Capital management in the Helaba Group comprises planning regulatory own funds as part of the planning process, allocating own funds, monitoring changes in risk exposures and complying with capital limits, monitoring and determining the plausibility of the remaining capital buffer as well as recognising a projected cost of capital as part of contribution margin accounting. The aim of capital management is to allocate capital over the various

divisions of the Group, with due consideration being given to risk and return aspects, and also in line with the need to comply with regulatory requirements concerning capital adequacy.

Since 2014, the regulatory own funds of the Helaba banking group have been determined in accordance with Regulation (EU) No. 575/2013 (CRR) and the complementary provisions in sections 10 and 10a of the German Banking Act (KWG). In accordance with the classification specified in the CRR, own funds comprise Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. From 2015, Helaba will have to comply with the requirements of the European Single Supervisory Mechanism (SSM), which extend beyond those of the CRR.

The regulatory capital requirement and the capital ratios have also been determined in accordance with the provisions of the CRR since 2014.

As at 31 December 2014, the breakdown of the own funds of the Helaba banking group was as follows (each amount shown after regulatory adjustments):

in € m

	31.12.2014	31.12.2013 ¹⁾
Tier 1 capital	7,703	6,901
Common Equity Tier 1 capital (CET 1)	7,212	
Additional Tier 1 capital	491	
Tier 2 capital	2,262	2,532
Own funds, total	9,965	9,433

¹⁾ Only limited comparison with 31 December 2013 available because of changes to regulatory requirements.

The following capital requirements and ratios were applicable as at the reporting date:

in € m

	31.12.2014	31.12.2013 ¹⁾
Default risk (including equity investments and securitisations)	3,628	3,497
Market risk (including CVA risk)	348	519
Operational risk	330	309
Total capital requirement	4,306	4,325
CET 1 capital ratio	13.4 %	
Tier 1 capital ratio	14.3 %	12.8 %
Total capital ratio	18.5 %	17.4 %

¹⁾ Only limited comparison with 31 December 2013 available because of changes to regulatory requirements.

The Tier 1 and total capital ratios comply with the target ratios specified by Helaba in its capital planning. Helaba is complying with the regulatory requirements including the requirements of the European SSM regarding capital adequacy.

(77) Report on Business Relationships with Structured Entities

The banking business and other operating activities of the Group companies give rise to various business relationships with structured entities within the meaning of IFRS 12. A structured entity is an entity that has been designed so that voting or similar rights under company law are not the dominant factor in deciding who controls the entity as defined by IFRS 10.

The sponsorship of a structured entity as described in IFRS 12.27 may arise as part of the banking functions provided for customers. This affects situations in which the Helaba Group has initiated a special purpose entity or service entity, has been involved in and supported the establishment and initiation of the entity, and in which the Group's current business relationship with this unconsolidated structured entity is still so close that a third party would justifiably assume that the entity was affiliated with the Group.

Disclosures on Unconsolidated Structured Entities

The following table shows the loans and advances as at 31 December 2014 to unconsolidated structured entities within the meaning of IFRS 12:

	Securitisation special purpose entities	Asset management entities	Other structured entities	Total
Assets	3,117	212	3,021	6,350
Loans and advances to customers	2,992	82	2,982	6,056
Allowances for losses on loans and advances	-1	-4	-	-5
Trading assets	3	17	17	37
Financial investments	123	102	22	247
Other assets	-	15	-	15
Off-balance sheet activities	1,341	20	147	1,508
Size of structured entities	66,901	145,602	85,068	297,571

in € m

The asset management entities predominantly relate to the investment assets managed by Helaba Invest Kapitalanlage-gesellschaft mbH and LB (Swiss) Investment AG, the breakdown of which was as follows:

	31.12.2014	31.12.2013 ¹⁾
Retail funds, 70 (2013: 72)	5,000	4,356
Special funds, 248 (2013: 265)	97,136	85,985
Total	102,136	90,341

in € m

¹⁾ Prior-year figures restated: Volume of retail funds increased by € 1,839 m.

Some of the securitisation entities business comprises service functions for securitisation entities in the OPUSALPHA Group. The liquidity facilities provided for the entities in the OPUSALPHA Group amounted to € 2,201 m (31 December 2013: € 2,288 m), of which € 1,108 m had been utilised as at 31 December 2014 (31 December 2013: € 1,827 m). The liquidity provision commitments relate to the maximum planned purchase commitments; Helaba has further obligations in connection with flat-rate premiums of 2 % and is exposed to subordinated liabilities should the discounts on purchases and risks borne by third

parties be insufficient. The table above shows the Group's default risk from asset exposures plus any current interest and fees due to the Group as at 31 December 2014 after taking into account issues of € 793 m. From the current perspective, there are no plans to provide support for the structured entities beyond the normal banking financing functions and services. As at 31 December 2014, there were liquidity lines for third-party securitisation platforms amounting to € 65 m (31 December 2013: € 91 m) that had not been drawn down (31 December 2013: € 26 m). The Helaba Group also held investments in

factoring entities for customers (including an investment of € 151 m in OPUSDELTA and € 289 m in OPUSLAMBDA).

Disclosures on Consolidated Structured Entities

If a structured entity is included in the basis of consolidation in accordance with IFRS 10, the business relationships with other consolidated entities are subject to the normal consolidation requirements. The structured entities consolidated as at 31 December 2014 included securities special funds in which Helaba or a subsidiary held a majority or all of the shares/units. Other entities consolidated in accordance with IFRS 10 were a property entity related to real estate partly used by Helaba itself (Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG) and a funding entity for purchasing entities in the OPUSALPHA securitisation structure (OPUSALPHA Funding LTD). An ABS portfolio that constituted a silo within the purchasing entity OPUSALPHA Purchaser LTD was also consolidated. The consolidation in accordance with IFRS 10 additionally required the inclusion of four entities (HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Life Invest Deutschland II GmbH & Co. KG, Egeria Verwaltungsgesellschaft mbH and Cordelia Verwaltungsgesellschaft mbH) that formed part of the structures of closed-end funds with investments in acquired rights under life insurance policies.

The recognised loans and advances to other structured entities related to a number of financing transactions for property and special purpose entities. These structured entities predominantly act as property entities for leasing or real estate transactions.

In the year under review, two consolidated property entities that formed part of the structure for investments in acquired rights under life insurance policies were subject to debt waivers. These debt waivers are already provided for in the contracts on a conditional basis depending on trends in investments in acquired rights under life insurance policies and, in substance, reduce the obligations of the Bank to the fund companies in connection with issued investment certificates.

(78) Significant Restrictions on Assets or on the Transfer of Funds

In addition to the information in the disclosures on legal restrictions affecting control over financial instruments (see Notes (57) and (58)), there were restrictions for the following entities as at the reporting date on current dividend distributions because of contractual arrangements or rules in the articles of association:

- Bürgschaftsbank Thüringen GmbH, Erfurt,
- Bürgschaftsbank Hessen GmbH, Wiesbaden,
- Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel,

- Hessenkapital I GmbH, Frankfurt am Main,
- Hessenkapital II GmbH, Frankfurt am Main,
- MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Frankfurt am Main,
- Mittelhessenfonds GmbH, Frankfurt am Main,
- Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt.

At Frankfurter Sparkasse, a statutory requirement in the German Act Establishing Frankfurter Sparkasse as a Public-Law Institution (Gesetz zur Errichtung der Frankfurter Sparkasse als Anstalt des öffentlichen Rechts, Fraspa-Gesetz) specifies an obligation to appropriate 30% of the net income reported in the annual financial statements of Frankfurter Sparkasse to reserves.

The consolidation of special purpose entities is not based on holding the majority of voting rights. Accordingly, in the case of these consolidated special purpose entities, there is no basis in law requiring unconditional, immediate appropriation of profits or transfer of assets for the benefit of Helaba. The total volume of assets in consolidated special purpose entities in accordance with IFRS prior to consolidation amounted to € 2,644 m. This total figure included an amount of € 1,363 m related to the consolidated funding entity in the OPUSALPHA securitisation structure.

The business activities of Landesbausparkasse Hessen-Thüringen and WIBank, and the activities in the Pfandbrief business operated by the Bank, are subject to special legal frameworks, namely the German Building and Loan Associations Act (Bausparkassengesetz, BSpKG), the Act Governing WIBank (Gesetz über die Wirtschafts- und Infrastrukturbank Hessen) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). Most of the assets and liabilities in these business operations are therefore subject to restrictions because the operations are focused on the object of the entity in each case and the appropriation of funds is tied to statutory requirements. In some cases, the way funding is used is also restricted. For example, in the case of certain development programmes, such as those related to the construction of social housing or the development of infrastructure, the provider of the development funding (such as national or international development banks, federal or state governments) limits the purpose for which the funds may be used to ensure that the funding is properly targeted to achieve the desired development impact. In the case of the “Wohnungswesen und Zukunftsinvestition” and “Hessischer Investitionsfonds” special funds, two funds focusing on housing/investing for the future and capital investment in the State of Hesse respectively, there are also restrictions on the use of the return inflows derived from the application of the funding. In their respective annual reports as at 31 December 2014, WIBank reported total assets of € 15,861 m and LBS total assets of € 4,988 m.

Regulatory requirements relating to the recognition of own funds specified certain contractual details for issues of subordinated liabilities and silent participations. Under these requirements, the Helaba Group's right of termination is limited if certain conditions are met and the consent of the regulator must be obtained. The contractual rules for some issues require a replenishment following any loss before any actual repayment is made.

(79) Related Party Disclosures

In the course of the ordinary activities of Helaba, transactions with parties deemed to be related in accordance with IAS 24 are conducted on an arm's-length basis. The following disclosures relate to transactions with non-consolidated affiliated companies, with associates and with joint ventures of the Helaba Group as well as their subordinated subsidiaries.

With regard to the Sparkassen- und Giroverband Hessen-Thüringen, the Federal State of Hesse and the State of Thuringia in their capacity as shareholders and owners, the criteria for exemption from reporting on related parties that are public-sector entities are satisfied; this option is always utilised if the business volumes involved are insignificant. The business relations with our shareholders and their subordinated subsidiaries in accordance with IAS 24 comprise normal banking services. The extent of business relations with the shareholders and main subordinated companies in the year under review is detailed in the balances at the end of the year shown in the following table. The disclosures relating to persons in key positions of the Helaba Group as defined in IAS 24, including their close family relations and companies controlled by those persons, are also included in the following table.

The Helaba Group had the following receivables from, liabilities due to and off-balance sheet commitments to related parties as at 31 December 2014:

in € m

	Non-consolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Assets	127	1,615	3,134	80	4,956
Loans and advances to banks	–	3	40	62	105
Loans and advances to customers	62	1,558	1,154	18	2,792
Trading assets	40	10	1,308	–	1,358
Financial investments	25	38	516	–	579
Other assets	–	6	116	–	122
Liabilities	23	283	1,048	24	1,378
Liabilities due to customers	13	281	816	24	1,134
Trading liabilities	9	1	175	–	185
Subordinated capital	–	–	43	–	43
Other liabilities	1	1	14	–	16
Off-balance sheet activities	17	165	59	3	244

The equivalent amounts as at 31 December 2013 were as follows:

in € m

	Non-consolidated subsidiaries	Equity investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Assets	29	785	2,659	83	3,556
Loans and advances to banks	–	4	80	–	84
Loans and advances to customers	6	749	1,254	83	2,092
Trading assets	1	–	879	–	880
Financial investments	19	32	250	–	301
Other assets	3	–	196	–	199
Liabilities	18	367	1,127	21	1,533
Liabilities due to banks	1	–	244	–	245
Liabilities due to customers	17	309	760	21	1,107
Trading liabilities	–	2	19	–	21
Subordinated capital	–	–	104	–	104
Other liabilities	–	56	–	–	56
Off-balance sheet activities	–	201	67	69	337

As at 31 December 2014, there were allowances (including portfolio loan loss allowances) for losses on loans and advances to related parties recognised in the statement of financial position amounting to € 31 m. As in 2013, there were no debt waivers in 2014, nor were any loans or advances derecognised.

Transactions with related parties that were not recognised in the statement of financial position as loans, advances, receivables, deposits or liabilities mainly comprised purchases and sales of securities and investment fund units as well as a subsidiary's business involving the placement of closed-end

investment funds. As in 2013, the resulting income and expenses in 2014 were only of minor significance (less than € 1 m in total).

The loans and advances to other related parties comprised loans to members of the Board of Managing Directors amounting to € 1 m (31 December 2013: € 1 m) and loans to members of the Supervisory Board in an amount of € 2 m (31 December 2013: € 3 m).

The remuneration paid to the Board of Managing Directors of Helaba was broken down as follows:

in € m

	2014	2013
Short-term benefits	4.6	4.6
Post-employment benefits	–	–
Other long-term benefits	1.2	1.3
Benefits payable on termination of employment	–	–

Additions of € 0.7 m were also made to the pension provisions for members of the Board of Managing Directors (31 December 2013: € 0.6 m) (service cost).

As in 2013, a total of € 0.9 m was paid to the Supervisory Board and € 0.1 m to the members of the Advisory Board. In addition, the employee representatives on the Supervisory Board (in-

cluding deputy members) received a combined amount of € 3 m in salary payments as company employees. This amount was unchanged compared with 2013. Again, as in 2013, an amount of € 3 m was paid to former members of the Board of Managing Directors and their surviving dependants. Provisions of € 64 m were recognised in accordance with IAS 19 for pension obligations to this group of persons (31 December 2013: € 54 m).

(80) Auditors' Fees

The following fees for services rendered by Group companies of PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft were invoiced for financial year 2014:

in € m

	31.12.2014	31.12.2013
Audit fees	3	4
Other services	2	2
Total	5	6

(81) Employee Disclosures**Average number of employees during the year**

	Female		Male		Total	
	2014	2013	2014	2013	2014	2013
Bank as a whole	1,585	1,572	1,934	1,938	3,519	3,510
Bank	1,183	1,164	1,635	1,635	2,818	2,799
WIBank	235	241	175	175	410	416
Landesbausparkasse	167	167	124	128	291	295
Group subsidiaries	1,400	1,411	1,355	1,372	2,755	2,783
Group	2,985	2,983	3,289	3,310	6,274	6,293

(82) Members of the Supervisory Board**Gerhard Grandke**

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

Dr. Werner Henning

Chief Administrative Officer
County District of Eichsfeld
Heiligenstadt
– First Vice-Chairman –

Dr. Thomas Schäfer

Minister of State
Ministry of Finance of the
State of Hesse
Wiesbaden
– Second Vice-Chairman –

Hans Martz

Chairman of the Board
of Managing Directors
Sparkasse Essen
Essen
– Third Vice-Chairman –

Dr. Alfons Lauer

President
Sparkassenverband Saar
Saarbrücken
– since 9 January 2014 –
– Fifth Vice-Chairman
since 1 April 2014 –

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 (ret.)
Erfurt

Georg Fahrenschoen

President
Deutscher Sparkassen- und
Giroverband e. V.
Berlin

Peter Feldmann

Mayor
City of Frankfurt am Main
Frankfurt am Main

Robert Fischbach

Chief Administrative Officer
County District of
Marburg-Biedenkopf
Marburg
– until 31 January 2014 –

Volker Goldmann

Chairman of the Board
of Managing Directors
Sparkasse Bochum
Bochum
– until 30 June 2014 –

Ulrich Heilmann

Chairman of the Board
of Managing Directors
Kyffhäusersparkasse
Artern-Sondershausen
Sondershausen

Bertram Hilgen

Mayor
City of Kassel
Kassel

Dr. Christoph Krämer

Chairman of the Board
of Managing Directors
Sparkasse Iserlohn
Iserlohn
– since 1 December 2014 –

Stefan Lauer

Idstein

Christoph Matschie

Member of the State Parliament
of Thuringia
Erfurt

Manfred Michel

Chief Administrative Officer
Country District of Limburg-Weilburg
Limburg an der Lahn
– since 1 December 2014 –

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

Alfred Weber

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

Stephan Ziegler

Chairman of the Board
of Managing Directors
Nassauische Sparkasse
Wiesbaden

Ulrich Zinn

Chairman of the Board
of Managing Directors
Sparkasse Grünberg
Grünberg

Arnd Zinnhardt

Member of the Group
Executive Board
Software AG
Darmstadt

Employee representatives:**Thorsten Derlitzki**

Bank employee
Frankfurt am Main
– Fourth Vice-Chairman –

Frank Beck

Vice President
Frankfurt am Main

Brigitte Berle

Bank employee
Frankfurt am Main

Isolde Burhenne

Vice President
Frankfurt am Main

Gabriele Fuchs

Bank employee
Frankfurt am Main

Thorsten Kiwitz

Vice President
Frankfurt am Main

Christiane Kutil-Bleibaum

Vice President
Düsseldorf

Annette Langner

Vice President
Frankfurt am Main

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

Susanne Schmiedebach

Vice President
Düsseldorf

Wolf-Dieter Tesch

Senior Vice President
Frankfurt am Main

(83) Members of the Board of Managing Directors**Hans-Dieter Brenner**

Chairman

Jürgen Fenk**Thomas Groß****Dr. Detlef Hosemann****Rainer Krick****Klaus-Jörg Mulfinger**

– since 1 January 2015 –

Dr. Norbert Schraad**(84) Positions on Supervisory Boards
and Other Executive Bodies****Positions held by the members of the Board
of Managing Directors**

Office holder	Corporation	Function
Hans-Dieter Brenner	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	KfW Kreditanstalt für Wiederaufbau, Frankfurt am Main	Member
Jürgen Fenk	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Member
Thomas Groß	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member
	Frankfurter Sparkasse, Frankfurt am Main	Member
Dr. Detlef Hosemann	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice Chairman
Rainer Krick	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Vice Chairman
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice Chairman

Positions held by other employees

Office holder	Corporation	Function
Herbert Hans Grüntker	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Chairman
Jörg Hartmann	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Holger Mai	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Chairman
Dirk Mewesen	Helaba Asset Services, Dublin, Ireland	Member
Klaus-Jörg Mulfinger	Frankfurter Sparkasse, Frankfurt am Main	Member
	Thüringer Aufbaubank, Erfurt	Member
Dr. Ulrich Pähler	Helaba Asset Services, Dublin, Ireland	Chairman
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
Erich Vettiger	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Member

(85) List of Shareholdings of Landesbank
Hessen-Thüringen Girozentrale in
Accordance with Section 315a in
Conjunction with Section 313 (2) HGB

Fully consolidated subsidiaries

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
		Total	Thereof directly	Total	in € m	in € thousands	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00			7.1	0	1)
2	Aeskulap Projekt GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-56	2)
3	Airport Office One GmbH & Co. KG, Schönefeld	100.00			0.0	-5	2)
4	Altherz Stuttgart 1 GmbH, Frankfurt am Main	0.00			-4.9	374	3)
5	Altherz Stuttgart 2 GmbH, Frankfurt am Main	0.00			-0.7	346	3)
6	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00			0.0	0	1), 4)
7	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00	50.00	8.8	788	2)
8	CORDELIA Verwaltungsgesellschaft mbH, Pullach	0.00			0.0	0	
9	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89			36.7	1,974	
10	EGERIA Verwaltungsgesellschaft mbH, Pullach	0.00			0.0	0	
11	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00			70.4	-2	2)
12	Fachmarktzentrum Fulda GmbH & Co. KG, Fulda	100.00			0.7	664	2)
13	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00			9.8	47	
14	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		105.1	3,138	
15	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		790.7	60,000	

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
		Total	Thereof directly	Total	in € m	in € thousands	
16	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	100.00			0.2	0	1)
17	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00			0.3	0	1),4)
18	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00			0.3	0	1),4)
19	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00			0.1	42	
20	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00			0.0	-14	2)
21	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00			0.3	303	
22	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00			23.4	0	1)
23	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		65.7	4,819	1)
24	GWH Bauprojekte GmbH, Frankfurt am Main	100.00			2.6	0	1)
25	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		949.9	0	
26	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00			363.9	55,402	
27	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		1.8	-538	2)
28	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	0.00			14.1	-1,051	
29	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	0.00			14.4	-1,407	
30	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-100	2)
31	Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	100.00	100.00		5.8	353	2)
32	Helaba Asset Services, Dublin, Ireland	100.00	100.00		145.6	-10,889	
33	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		13.0	0	1)
34	Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	5.91			-133.3	3,504	3)
35	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00			2.5	17	2)
36	Honua'ula Partners LLC, Wailea, Hawaii, USA	0.00			96.4	1,331	3)
37	Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG, Mainz	95.00	95.00	24.00	-9.4	1,654	3)
38	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.1	6	
39	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-2	2)
40	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	100.00			-3.3	-1,183	2)
41	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-2	2)

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
		Total	Thereof directly	Total	in € m	in € thousands	
42	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-2	2)
43	LB(Swiss) Investment AG, Zurich, Switzerland	100.00			9.1	1,209	
44	LHT MSIP, LLC, Wilmington, USA	100.00			5.4	332	
45	LHT Power Three LLC, Wilmington, USA	100.00	100.00		50.3	407	
46	LHT TCW, LLC, Wilmington, USA	100.00			20.9	1,268	
47	LHT TPF II, LLC, Wilmington, USA	100.00			19.3	472	
48	Logistica CPH K/S, Copenhagen K, Denmark	100.00	100.00		0.0	n. a.	
49	Main Capital Funding II Limited Partnership, St. Helier, Jersey	0.00			-2.6	150	3)
50	Main Capital Funding Limited Partnership, St. Helier, Jersey	0.00			-11.9	33	3)
51	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00			0.0	0	1)
52	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99			4.8	325	
53	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90			19.6	1,058	
54	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		14.6	282	
55	MS Elbmaster GmbH & Co. KG, Drochtersen	0.00			-6.6	-955	3)
56	MS Jade GmbH & Co. KG, Drochtersen	0.00			-4.3	-2,983	3)
57	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00			-0.1	-69	2)
58	OFB Beteiligungen GmbH, Frankfurt am Main	100.00			5.3	463	
59	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		1.1	0	1), 4)
60	OPUSALPHA FUNDING LTD, Dublin, Ireland	0.00			0.0	0	3)
61	OPUSALPHA PURCHASER LTD (Angelika), Dublin, Ireland	0.00			0.0	0	3), 5)
62	Pioneer Point Ltd., London, United Kingdom	0.00			53.9	-27,101	3)
63	Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	100.00			25.0	n. a.	2)
64	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00			-0.2	-357	2)
65	Projektentwicklung Lutherplatz GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-5	2)
66	Projektgesellschaft Eichplatz Jena mbH & Co. KG, Frankfurt am Main	100.00			0.0	-2	2)
67	PVG GmbH, Frankfurt am Main	100.00	100.00		0.0	0	1), 4)
68	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		-0.2	-217	
69	Vermögensverwaltung „Emaillierwerk“ GmbH, Fulda	100.00			0.5	103	
70	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00			0.3	0	1)
71	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-51	2)
72	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00			0.0	1	2)

No.	Securities investment funds in accordance with KAGB	Holding in %		Fund volume in € m	
		Total	Thereof directly		
73	HI A-FSP Fonds, Frankfurt am Main	100.00	100.00	141.0	3)
74	HI C-FSP Fonds, Frankfurt am Main	100.00	100.00	126.0	3)
75	HI FBI Fonds, Frankfurt am Main	100.00	100.00	131.8	3)
76	HI FBP Fonds, Frankfurt am Main	100.00	100.00	95.3	3)
77	HI FSP Fonds, Frankfurt am Main	100.00	100.00	163.9	3)
78	HI H-FSP Fonds, Frankfurt am Main	100.00	100.00	136.7	3)
79	HI-HT-KOMP-Fonds, Frankfurt am Main	100.00	100.00	15.7	3)
80	HI-HTNW, Frankfurt am Main	100.00	100.00	1006.1	3), 6)
81	HI-LBS 2-FONDS, Frankfurt am Main	100.00	100.00	28.6	3), 6)
82	HI-LBS 4-FONDS, Frankfurt am Main	100.00	100.00	29.0	3), 6)
83	HI-LBS 5-FONDS, Frankfurt am Main	100.00	100.00	29.9	3), 6)
84	HI-LBS 6-FONDS, Frankfurt am Main	100.00	100.00	30.3	3), 6)
85	HI-LBS-FONDS I, Frankfurt am Main	100.00	100.00	28.3	3), 6)
86	HI-RENTPLUS-FONDS, Frankfurt am Main	100.00	100.00	380.7	3), 6)
87	HI-TURBO-FONDS, Frankfurt am Main	100.00	100.00	775.1	3), 6)

The following joint ventures and associates have also been accounted for using the equity method:

Joint ventures accounted for using the equity method

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding Total	Equity in € m	Net profit in € thousands
		Total	Thereof directly			
88	CP Campus Projekte GmbH, Frankfurt am Main	50.00			0.3	-108
89	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00			-1.0	158
90	Erste ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-65
91	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00			0.1	-192
92	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00			0.0	0
93	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00			0.4	-4
94	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-2
95	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00			1.0	311
96	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	78.00			-0.7	-714
97	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00			-0.7	-191
98	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	47.00			-2.6	-396
99	GOB Projektentwicklung E & A GmbH & Co. Siebte Rhein-Main KG, Frankfurt am Main	8.84			15.6	11,148
100	GOB Werfthaus GmbH & Co. KG, Frankfurt am Main	50.00			0.1	0
101	Horus AWG GmbH, Pöcking	50.00			0.0	0
102	Multi Park Mönchhof Dritte GmbH & Co. KG, Langen (Hesse)	50.00			0.0	76

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	Thereof directly	Total	in € m	in € thousands
103	Multi Park Mönchhof GmbH & Co. KG, Langen (Hesse)	50.00			0.0	-11
104	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00			-0.7	-729
105	OFB & Procom Rüdeshheim GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-5
106	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00			9.4	-125
107	StresemannquarTier GmbH & Co. KG, Berlin	50.00			5.3	-214
108	Westhafen Haus GmbH & Co. Projekt- entwicklungs-KG, Frankfurt am Main	50.00			-0.2	-41
109	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00		33.33	0.1	-1
110	Zweite ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	50.00			0.0	-38

Associates accounted for using the equity method

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	Thereof directly	Total	in € m	in € thousands
111	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33			6.7	-122
112	HANNOVER LEASING GmbH & Co. KG, Pullach	49.34	49.34		22.6	0
113	Sparkassen-Marktservice GmbH, Darmstadt	50.00			5.1	215
114	WoWi Media GmbH & Co. KG, Hamburg	23.72		19.24	6.3	3,507

Non-consolidated subsidiaries

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	Thereof directly	Total	in € m	in € thousands
115	AGENORAS Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.0	1
116	BGT-Grundstücksverwaltungs- und Beteili- gungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.0	0
117	BHT Baugrund Hessen-Thüringen Gesell- schaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	33.33	0.7	86
118	BHT-Baugrund Hessen-Thüringen Gesell- schaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00	50.00	0.9	129
119	BHT-Baugrund Hessen-Thüringen Gesell- schaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt MGK Marstall-Gebäude Kassel KG, Kassel	50.00	50.00	33.33	0.4	51

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	Thereof directly	Total	in € m	in € thousands
120	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00	50.00	1.5	178
121	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	33.33	1.4	223
122	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Frankfurt am Main	100.00	100.00		1.2	646
123	Bonny 10 GmbH & Co. KG, Frankfurt am Main	0.00			1.7	190
124	Bürogebäude Darmstädter Landstraße GmbH & Co. KG, Frankfurt am Main	100.00	100.00		0.2	8
125	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		5.2	8
126	Div Deutsche Immobilienfonds Verwaltungsgesellschaft mbH, Frankfurt am Main	100.00			0.1	0
127	Erste OFB Berlin Projekt GmbH & Co. KG, Berlin	100.00			0.0	-1
128	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		0.2	9
129	FMZ Fulda Verwaltung GmbH, Fulda	100.00			0.0	4
130	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00			0.2	2
131	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		0.2	0
132	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH, Frankfurt am Main	100.00	100.00		3.0	-118
133	HT Finanzanlage Ltd, St. Helier, Jersey	0.00			-0.2	42
134	IHB Investitions- und Handels-Aktiengesellschaft, Frankfurt am Main	100.00	100.00		3.3	299
135	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH i.L., Frankfurt am Main	100.00	100.00		0.1	2
136	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-1
137	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50.00	50.00	33.33	2.3	396
138	Komplementarselskabet Logistica CPH ApS, Copenhagen, Denmark	100.00	100.00		n. a.	n. a.
139	Königstor Verwaltungs-GmbH, Kassel	100.00			0.0	1
140	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		2.4	183
141	Nötzli, Mai & Partner Family Office AG, Zurich, Switzerland	100.00			0.3	-60
142	OFB Berlin Projekt GmbH, Berlin	100.00			0.0	0
143	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00			28.3	1,410
144	Office One Verwaltung GmbH, Schönefeld	100.00			0.0	2
145	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	100.00			-0.1	-131
146	Projekt Wilhelmstraße Wiesbaden Wohnen GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.
147	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		6.1	23
148	SQO Stadt QuarTier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00			0.0	-12

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No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	Thereof directly	Total	in € m	in € thousands
149	TE Beta GmbH, Frankfurt am Main	100.00	100.00		0.3	101
150	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		0.0	7
151	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH), Frankfurt am Main	66.67	66.67		0.6	53
152	TFK Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG, Kassel	33.33	33.33	33.33	1.5	126
153	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		0.0	0
154	Zweite OFB Berlin Projekt GmbH & Co. KG, Berlin	100.00			0.0	-3
155	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00			n. a.	n. a.

Joint ventures not accounted for using the equity method

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	Thereof directly	Total	in € m	in € thousands
156	AARON Grundstücksverwaltungsgesellschaft mbH i. L., Oberursel	50.00	50.00		-2.3	-192
157	Arealogics GmbH, Frankfurt am Main	50.00			0.0	0
158	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.1	10
159	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00			0.0	0
160	gatelands Verwaltungs GmbH, Schönefeld	75.00			0.0	2
161	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00			0.0	2
162	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		0.6	364
163	HELY Immobilien GmbH, Frankfurt am Main	50.00	50.00		0.0	0
164	HELY Immobilien GmbH & Co. Grundstücks- gesellschaft KG, Frankfurt am Main	50.00	50.00		3.8	4,363
165	Hessen Kapital I GmbH, Frankfurt am Main	100.00	100.00		35.5	792
166	Hessen Kapital II GmbH, Frankfurt am Main	100.00	100.00		6.1	848
167	Marienbader Platz Projektentwicklungs- gesellschaft mbH, Frankfurt am Main	50.00			0.1	4
168	Marienbader Platz Projektentwicklungs- gesellschaft mbH & Co. Bad Homburg v. d. H. KG, Frankfurt am Main	50.00			0.4	68
169	Mittelhessenfonds GmbH, Frankfurt am Main	100.00	100.00		-2.6	-317
170	Multi Park Verwaltungs GmbH, Langen (Hesse)	50.00			0.0	-1
171	OFB & Procom Einzelhandelsentwicklung GmbH, Frankfurt am Main	50.00			0.0	0
172	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00			0.0	0
173	Rotunde – Besitz- und Betriebsgesellschaft der S-Finanzgruppe bR, Erfurt	60.00	60.00	33.00	0.4	13
174	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00			0.0	2

Associates not accounted for using the equity method

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	Thereof directly	Total	in € m	in € thousands
175	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.25	21.25		16.2	1,313
176	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		22.5	1,248
177	Comtesse BTH Limited, London, United Kingdom	4.07	4.07	25.10	17.5	-4,236
178	GbR VÖB-ImmobilienAnalyse, Bonn	0.00	0.00	20.00	n. a.	n. a.
179	HaemoSys GmbH, Jena	38.33			-4.8	-524
180	HANNOVER LEASING Verwaltungs- gesellschaft mbH, Pullach	49.34	49.34		0.1	4
181	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		58.0	5,373
182	Liparit Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Benary Vermietungs KG, Mainz	21.62			2.7	1,409
183	Logistikzentrum Rodgau GmbH, Schönefeld	25.00			-0.6	-509
184	MBG H Mittelständische Beteiligungs- gesellschaft Hessen mbH, Frankfurt am Main	32.52	32.52		9.4	1,255
185	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		20.7	884
186	MS „EAGLE STRAIT“ GmbH & Co. KG, Hamburg	0.00			-0.8	-901
187	MS „EMERALD STRAIT“ GmbH & Co. KG, Hamburg	0.00			-1.4	-1,008
188	MS „ENDEAVOUR STRAIT“ GmbH & Co. KG, Hamburg	0.00			-1.0	-1,429
189	MS „ESSEX STRAIT“ GmbH & Co. KG, Hamburg	0.00			-4.0	-1,101
190	Riedemannweg 59–60 GbR, Berlin	32.00	32.00		-4.2	145
191	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		-2.8	-467
192	Intelligent Crop Forecasting GmbH in Insolvenz, Darmstadt	27.67			n. a.	n. a.

Holding of more than 20 %

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	Thereof directly	Total	in € m	in € thousands
193	BIL Leasing GmbH & Co. Objekt Verwaltungsgebäude Halle KG, Munich	100.00	0.00	0.21	-0.6	3

Interests in large corporations in which the holding is 5 % or larger

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
		Total	Thereof directly	Total	in € m	in € thousands
194	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		122.3	12,332

¹⁾ A profit and loss transfer agreement has been signed with the entity.

²⁾ Section 264b HGB has been applied with regard to the entity's annual financial statements.

³⁾ The entity is a subsidiary for which the classification is not based on holding the majority of voting rights.

⁴⁾ Section 264 (3) HGB has been applied with regard to the entity's annual financial statements.

⁵⁾ With the exception of the consolidated Angelika transaction, the silo structures in the entity are attributable to third parties.

⁶⁾ Financial year end: 31 January.

⁷⁾ The silo structures in the entity are attributable to third parties.

n.a.: There are no adopted financial statements.

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Helaba Group, and the Group management report includes a fair review of the

development and performance of the business and the position of the Helaba Group, together with a description of the principal opportunities and risks associated with the expected development of the Helaba Group.”

Frankfurt am Main/Erfurt, 10 March 2015

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Brenner Fenk Groß Dr. Hosemann

Krick Mulfinger Dr. Schraad

Country by Country Reporting Pursuant to Section 26a KWG

The requirement for “country by country reporting” as stipulated in EU Directive 2013/36/EU (“Capital Requirements Directive”, CRD IV) and transposed into German law by section 26a of the German Banking Act (Kreditwesengesetz – KWG) has to be performed in full for the first time in respect of 2014 pursuant to section 64r KWG.

The report sets out the sales revenues generated and number of employees in 2014 for each EU member state and third country in which the entities included in the consolidated financial statements via full consolidation have a branch or their head office.

The figures disclosed as sales revenue, consolidated net profit and income tax expenses are before consolidation effects.

The figures disclosed as sales revenue are each office's net profit, before allowances for losses on loans and advances and general and administrative expenses, as included in the consolidated accounts under IFRS. The figures disclosed as consolidated net profit before taxes and taxes on income refer to the balance of contributions to these two items on the consolidated income statement in accordance with IFRS. Income tax expenses refers to the corporation taxes for the reporting unit in question.

The figures disclosed under number of employees are based on full-time equivalent (FTE) employees. Within the meaning of an EU subsidy program, the consolidated entities did not receive any subsidies during 2014.

	Sales revenue in € m	Consolidated net profit be- fore taxes on income in € m	Taxes on in- come in € m ¹⁾	Number of employees
Germany	1,864	577	-176	5,526
France	-	1	-1	14
Ireland	19	10	-	11
Switzerland	32	-	-	104
USA	76	18	-31	86
United Kingdom	38	1	1	71
Other	4	3	-2	-

¹⁾ Does not include effects on personal taxation, which is not borne by consolidated entities. Some of the figures therefore only offer limited scope for comparison with plausible income tax rates for the business activities concerned. For example, this applies to the figures disclosed for contributions from US special purpose entities consolidated in accordance with IFRS 10, in which the shareholders are natural persons holding a non-controlling interest.

Entity	Nature of activity	Head office/location	Country
1822direkt Gesellschaft der Frankfurter Sparkasse mbH	Provider of ancillary services	Frankfurt am Main	Germany
Aeskulap Projekt GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Airport Office One GmbH & Co. KG	Other undertaking	Schönefeld	Germany
Altherz Stuttgart 1 GmbH	Other undertaking	Frankfurt am Main	Germany
Altherz Stuttgart 2 GmbH	Other undertaking	Frankfurt am Main	Germany
BHT Baugrund Hessen-Thüringen GmbH	Other undertaking	Kassel	Germany
BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG	Financial institution	Frankfurt am Main	Germany
CORDELIA Verwaltungsgesellschaft mbH	Other undertaking	Pullach	Germany
DKB Wohnimmobilien Beteiligungs GmbH & Co. KG	Financial institution	Potsdam	Germany
EGERIA Verwaltungsgesellschaft mbH	Other undertaking	Pullach	Germany
Erste Veritas Frankfurt GmbH & Co. KG	Other undertaking	Kriftel	Germany
Fachmarktzentrum Fulda GmbH & Co. KG	Other undertaking	Fulda	Germany
Frankfurter Bankgesellschaft (Deutschland) AG	Bank	Frankfurt am Main	Germany
Frankfurter Sparkasse	Bank	Frankfurt am Main	Germany
FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH	Other undertaking	Frankfurt am Main	Germany

Entity	Nature of activity	Head office/location	Country
G+S Wohnen in Frankfurt am Main GmbH	Other undertaking	Frankfurt am Main	Germany
GGM Gesellschaft für Gebäude-Management mbH	Provider of ancillary services	Erfurt	Germany
GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH	Other undertaking	Frankfurt am Main	Germany
Grundstücksgesellschaft Limes-Haus Schwalbach II GbR	Other undertaking	Frankfurt am Main	Germany
Grundstücksverwaltungsgesellschaft Kaiserlei GmbH	Other undertaking	Frankfurt am Main	Germany
Grundstücksverwaltungsgesellschaft Kaiserlei GmbH & Co. Projektentwicklung Epinayplatz KG	Other undertaking	Frankfurt am Main	Germany
GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH	Other undertaking	Frankfurt am Main	Germany
GWH Bauprojekte GmbH	Other undertaking	Frankfurt am Main	Germany
GWH Immobilien Holding GmbH	Financial institution	Frankfurt am Main	Germany
GWH Wohnungsgesellschaft mbH Hessen	Other undertaking	Frankfurt am Main	Germany
Hafenbogen GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG	Other undertaking	Pullach	Germany
HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG	Other undertaking	Pullach	Germany
Haus am Brüsseler Platz GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Haus am Zentralen Platz GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Helaba Invest Kapitalanlagegesellschaft mbH	Investment trust company	Frankfurt am Main	Germany
Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG	Financial institution	Pullach	Germany
HeWiPPP II GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
HI A-FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI C-FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI FBI FONDS	Securities investment fund	Frankfurt am Main	Germany
HI FBP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI H-FSP FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-HT-KOMP-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-HTNW-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-LBS 2-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-LBS 4-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-LBS 5-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-LBS 6-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-LBS-FONDS I	Securities investment fund	Frankfurt am Main	Germany
HI-RENTPLUS-FONDS	Securities investment fund	Frankfurt am Main	Germany
HI-TURBO-FONDS	Securities investment fund	Frankfurt am Main	Germany
Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG	Financial institution	Mainz	Germany
HTB Grundstücksverwaltungsgesellschaft mbH	Other undertaking	Frankfurt am Main	Germany
Kornmarkt Arkaden Dritte GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Kornmarkt Arkaden Erste GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Kornmarkt Arkaden Vierte GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Kornmarkt Arkaden Zweite GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Landesbank Hessen-Thüringen Girozentrale Düsseldorf	Bank	Düsseldorf	Germany
Landesbank Hessen-Thüringen Girozentrale	Bank	Frankfurt am Main/Erfurt	Germany
Landesbausparkasse Hessen-Thüringen – legally dependent division of Landesbank Hessen-Thüringen Girozentrale	Bank	Offenbach	Germany
Landeskreditkasse zu Kassel – branch of Landesbank Hessen-Thüringen Girozentrale	Bank	Kassel	Germany
MAVEST Vertriebsgesellschaft mbH	Other undertaking	Frankfurt am Main	Germany
MAVEST Wohnungsbaugesellschaft mbH	Other undertaking	Frankfurt am Main	Germany

Entity	Nature of activity	Head office/location	Country
Merian GmbH Wohnungsunternehmen	Other undertaking	Frankfurt am Main	Germany
MS Elbmaster GmbH & Co. KG	Other undertaking	Drochtersen	Germany
MS Jade GmbH & Co. KG	Other undertaking	Drochtersen	Germany
Neunte P 1 Projektgesellschaft mbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
OFB Beteiligungen GmbH	Financial institution	Frankfurt am Main	Germany
OFB Projektentwicklung GmbH	Other undertaking	Frankfurt am Main	Germany
Projekt Hirschgarten MK8 GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projektentwicklung Königstor GmbH & Co. KG	Other undertaking	Kassel	Germany
Projektentwicklung Lutherplatz GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projektgesellschaft Eichplatz Jena mbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
PVG GmbH	Other undertaking	Frankfurt am Main	Germany
Schlossgalerie Eschwege GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
TE Kronos GmbH	Financial institution	Frankfurt am Main	Germany
Vermögensverwaltung „Emailierwerk“ GmbH	Other undertaking	Fulda	Germany
Versicherungsservice der Frankfurter Sparkasse GmbH	Other undertaking	Frankfurt am Main	Germany
Verso Grundstücksentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Verso Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Wirtschafts- und Infrastrukturbank Hessen – legally dependent entity within Landesbank Hessen-Thüringen Girozentrale	Bank	Frankfurt am Main	Germany
Montindu S.A./N.V.	Other undertaking	Brussels	Belgium
Logistica CPH K/S	Other undertaking	Copenhagen	Denmark
Landesbank Hessen-Thüringen Girozentrale – Paris branch	Bank	Paris	France
Helaba Asset Services	Financial institution	Dublin	Ireland
Landesbank Hessen-Thüringen Girozentrale – Dublin branch	Bank	Dublin	Ireland
OPUSALPHA FUNDING LTD	Financial institution	Dublin	Ireland
OPUSALPHA PURCHASER LTD	Financial institution	Dublin	Ireland
Landesbank Hessen-Thüringen Girozentrale – London branch	Bank	London	United Kingdom
Pioneer Point Ltd	Other undertaking	London	United Kingdom
Landesbank Hessen-Thüringen Girozentrale – Grand Cayman branch	Bank	Georgetown	Cayman Islands
Main Capital Funding II Limited Partnership	Financial institution	St. Helier	Jersey
Main Capital Funding Limited Partnership	Financial institution	St. Helier	Jersey
Frankfurter Bankgesellschaft (Schweiz) AG	Bank	Zurich	Switzerland
LB(Swiss) Investment AG	Investment trust company	Zurich	Switzerland
Honua'ula Partners LLC	Other undertaking	Wailea	USA
Landesbank Hessen-Thüringen Girozentrale – New York branch	Bank	New York	USA
LHT MSIP LLC	Financial institution	Wilmington	USA
LHT Power Three LLC	Financial institution	Wilmington	USA
LHT TCW LLC	Financial institution	Wilmington	USA
LHT TPF II LLC	Financial institution	Wilmington	USA

Auditor's Report

“We have audited the consolidated financial statements prepared by Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, consisting of the statement of financial position, the income statement and the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) is the responsibility of the Board of Managing Directors of Landesbank Hessen-Thüringen Girozentrale. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of

the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.”

Frankfurt am Main, 10 March 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Markus Burghardt	Peter Flick
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)