Group Management Report and Consolidated Financial Statements of Landesbank Hessen-Thüringen Girozentrale 2017

Group Management Report

(except for the subsection "Outlook and Opportunities")

This year the Group Management Report within the Annual Report 2017 is also available for the first time as an online version.

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Group Management Report

Basic Information About the Group

Business model of the Group

Landesbank Hessen-Thüringen Girozentrale (Helaba) is a credit institution organised under public law; its long-term strategic business model is that of a full-service bank with a regional focus, a presence in selected international markets and a very close relationship with the Sparkassen-Finanzgruppe.

One key aspect of Helaba's business model is its legal form as a public-law institution. Helaba operates as a for-profit entity in line with the applicable provisions of the Charter and the Treaty of the Formation of a Joint Savings Banks Association Hesse-Thuringia. The Treaty and the Charter establish the legal framework for Helaba's business model. Other factors central to this business model are Helaba's status as part of the Sparkassen-Finanzgruppe with its institutional protection scheme, the distribution of tasks between Sparkassen, Landesbanken and other S-Group institutions, the large stake in Helaba owned by the Sparkassen organisation, and Helaba's retention and expansion of its activities in the S-Group and Public Development and Infrastructure Business.

Helaba's strategic business model centres on the three business units: Wholesale Business; S-Group Business, Private Customers and SME Business; and Public Development and Infrastructure Business. 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. The branches allow Helaba to strengthen its local presence close to customers and Sparkassen. The foreign branches provide Helaba with access to the funding markets, particularly those markets based on the US dollar and pound sterling. The organisation also includes representative and sales offices, subsidiaries and affiliates. In 2018, Helaba is planning to convert the representative office in Stockholm into a branch and open a representative office in São Paulo.

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. The geographic focus of the business is on Germany, but the Bank also has operations in some other European countries and North America. Stable, long-term business relationships with its customers are one of Helaba's hallmarks. 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, selected international customers, plus German municipal corporations and central, regional and local public authorities. Among its target customers, Helaba aims for core bank status.

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. Activities in this business unit are concentrated in Germany, with a particular focus on Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. Helaba is a Sparkasse central institute and S-Group bank for the Sparkassen in these four regions and therefore for around 40 % of all Sparkassen in Germany. In Hesse and Thuringia, the S-Group Sparkassen and Helaba 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 and business 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.

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 around 820,000 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 private banking and in the wealth and asset management businesses.

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 applicable law in the European Union (EU). WIBank's business activities are guided by the development objectives of the State of Hesse. Helaba also has stakes in other development institutions in Hesse and Thuringia.

Helaba reviews its business model on a regular basis and continues to refine it. The portfolio review initiated in the previous year was continued in the reporting year. All areas of business were reviewed to assess their market appeal, competitiveness and earnings prospects. Various growth initiatives were decided upon and structural changes implemented in two waves.

As of the beginning of 2018, the changes will also be reflected accordingly in the internal and external reporting.

Management instruments and non-financial performance indicators

As part of managing the Bank as a whole, Helaba has integrated systems in place for business and productivity management. This is based on a multi-level Margin Accounting System and comprises both the management of absolute income and costs and the integrated management of contribution margins. The target is to achieve a cost-income ratio below 70 %. The cost-income ratio is the ratio of general and administrative expenses to profit before taxes net of general and administrative expenses and of provisions for losses on loans and advances. 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 (defined as the volume of new medium and long-term lending business with a funding term of more than one year). Systematic preliminary costings are carried out for loan agreements, 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. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). The minimum Common Equity Tier 1 (CET1) capital ratio required to be maintained by the Helaba Group (as defined by the German Banking Act (Kreditwesengesetz, KWG) and the Capital Requirements Regulation (CRR)) in 2017 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB was 7.43 %. Profitability targets are managed on the basis of the return on equity (ratio of profit before taxes to average capital employed in the financial year determined in accordance with IFRS). Helaba has set a target range of 5 % to 7 % for return on equity.

The leverage ratio measures the ratio between regulatory capital and the unweighted total of all on-balance sheet and off-balance sheet asset items including derivatives. Currently, banks must disclose the leverage ratio and report it to the supervisory authorities as an indicator for monitoring purposes. A mandatory minimum ratio of 3.0 % is expected to apply when the leverage ratio migrates to Pillar 1 of the three-pillar model of prudential supervision. The European Commission has still to decide on the details. Helaba is already taking this ratio into account in its management systems.

The CRR specifies that banks must calculate a (short-term) liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The regulatory minimum LCR for 2017 was 80 %. As regards the NSFR, Europe has still to implement the requirements for medium- and long-term liquidity. The NSFR is currently expected to be introduced in 2021 at the earliest. However, it is already being taken into account in Helaba's management systems on the basis of the guidance issued by the Basel Committee on Banking Supervision (BCBS). Both liquidity ratios will generally 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.

An institution-specific minimum requirement for own funds and eligible liabilities (MREL) will also be specified as part of the implementation of the Single Resolution Mechanism (SRM) in Europe. Helaba does not currently expect to receive a mandatory MREL until 2018/2019.

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

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

As the leading S-Group bank in the Sparkassen-Finanzgruppe, Helaba is continuously expanding its business relationships with Sparkassen throughout Germany. In the regions of Hesse, Thuringia and North Rhine-Westphalia, where Helaba acts as the Sparkasse central institute, Helaba uses standard criteria to determine a product use ratio that expresses the volume of business conducted with Helaba and its subsidiaries as a percentage of the total purchases by each Sparkasse. Target product use ratios are agreed jointly with the Sparkassen.

As a public-law credit institution with a mandate to operate in the public interest, 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, and has established standards of conduct regarding business activities, business operations, staff 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.

In lending operations, Helaba has defined mandatory Group-wide sustainability criteria that have been incorporated into the risk strategies. These ensure that human and workers' rights are respected, cultural assets are preserved and the environment is protected. Helaba will not knowingly finance projects that are likely to cause severe environmental damage or breach international social standards.

For critical sectors of the economy, it has developed specific excluding criteria that rule out controversial business practices in particular. This affects the energy, mining, oil and gas, agriculture and forestry, paper and pulp, and armaments sectors.

Helaba's sustainability performance is regularly rated by sustainability rating agencies. The ratings are a core component in the process of analysing and refining Helaba's sustainability profile. Helaba aims to achieve continuous improvement in these third-party ratings.

Employees

- **HR strategy**
  The basic principles of Helaba's HR activities are derived from its business strategy. These principles incorporate social, economic and regulatory changes. The core tasks include, for example, needs-based recruitment of suitable employees, the provision of professional services, attractive remuneration and ancillary benefits (such as occupational pensions), continuing professional development and the development of young talent.

- **Remuneration principles**
  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.

- **Human resources development**
  Despite a high level of cost-consciousness, Helaba continues to make a significant investment in developing the skills and qualifications of its employees. The needs-based range of seminars covering professional, personal, social and methodological development helps managers and employees fulfil their day-to-day responsibilities. This range of training seminars is complemented by foreign language training, topic-specific training provided by external providers and courses of study in business management. In addition to the aforementioned range of training options, the repertoire of human resources development also includes aspects of change, diversity and performance management, for example.

- **Development of young talent**
  The social changes resulting from demographic trends and the ongoing process of digitalisation will have an impact on Helaba's competitiveness over the long term. This has implications for the design of processes in HR management. Demographic change is presenting a particular challenge in that Helaba must be able to attract and retain young talent with a high degree of potential. In addition, the advances in digitalisation are changing the requirements that companies need to meet to retain their appeal, particularly for a young employee target group. This is noticeable, for example, in changing recruitment processes, which are increasingly characterised by the use of social media for contact with applicants.

- **Other key areas of focus**
  Other key areas on which HR activities are currently focused include work-life balance, health management and managerial training, with the latter based in part on the findings of the last employee survey on the management culture. Various indicators, such as a low turnover rate, length of service and low absenteeism, confirm that employees are satisfied and highly committed.

Economic Report

Macroeconomic and sector-specific conditions in Germany

The German economy expanded at a rate of 2.5 % (seasonally adjusted) in 2017, once again exceeding its growth potential, i.e. the growth that would be expected over the long term given a normal level of capacity utilisation. This economic growth was driven almost exclusively by domestic demand; foreign trade contributed just 0.2 percentage points to it. Although inflation was up on the prior-year rate of 0.5 % to 1.8 %, collectively agreed pay rises and higher employment led to a rise in real incomes.

Despite continuing political uncertainty, businesses invested somewhat more heavily in machinery and vehicles. This trend was supported by rising corporate profits, favourable financing terms and high order intake in industry and beyond. The upturn in residential construction continued, benefiting from strong demand for residential space (mainly in large towns and cities), very low mortgage rates, the lack of investment alternatives and more investment in the stock of housing. Higher public-sector spending on infrastructure also had a positive impact.

The German banking sector benefited from the positive economic trend in 2017. This is reflected in particular in the low level of provisions required to be recognised for losses on loans and advances. Conversely, though, banks' operating business continues to be impacted by the current level of interest rates. On top of this, institutional investors (insurance companies, pension funds) are making inroads into the market in response to their own investment pressures and are becoming competitors of the banks. Cut-throat competition continues to put pressure on margins.

More and more areas of economic activity are becoming digitalised, driven by continuous advances in information technology. Online and mobile channels are presenting financial service providers with new ways of offering products and of accessing and exchanging data with customers.

In this way, online banks, high street banks and increasingly non-bank web-based businesses (termed fintech companies or fintechs) too have developed new communication and sales channels in private customer business, in some cases in competition and in other cases in co-operation with one another. To an ever greater extent, attention is now focusing on business with corporate clients, real estate customers and institutional investors as well. Derivative platforms are providing standardised processes, enabling users to enter into currency hedges on the basis of auditable procedures. Lending portals are enabling small corporate clients to obtain financing from banks or directly from institutional or private investors, and banks are analysing their customer data in search of more effective ways of offering products. Around the globe, blockchain technology is being refined with a view to finding new, faster and more cost-effective methods of exchanging data. Potential applications range from specialist niche trading and SEPA payments to the processing of promissory note loans.

Following the referendum on Brexit in June 2016, the specific terms of the exit have still not been definitively negotiated between the EU and the United Kingdom. As a hard Brexit is still a possibility, Helaba considers a third country regime to be the most likely scenario. This scenario assumes that any trade agreement between the EU and the UK will not include special arrangements for the banking sector or that the EU and the UK will not reach a trade agreement. In this case, the UK would treat the 27 EU member states as it treats every other third country.

In light of this, the Bank aims to apply to the UK's Prudential Regulation Authority (PRA) for authorisation to establish a third country branch for its branch in London. The Bank's corporate bodies have approved this step.

Key changes in the regulatory framework were as follows:

- **Prudential supervision by the ECB (Single Supervisory Mechanism, SSM)**
  The Helaba Group (within the meaning of the German Banking Act (Kreditwesengesetz – KWG)) 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. The ECB sent the Helaba Group a letter dated 19 December 2017 notifying it of the findings of the Supervisory Review and Evaluation Process (SREP). The ECB has specified that the minimum Common Equity Tier 1 (CET1) capital ratio to be maintained by the Helaba Group in 2018 is 8.89 %. This requirement comprises the Pillar 1 minimum capital requirement, the Pillar 2 capital requirement and the capital buffers.

- **Stress test**
  In the first half of 2017, Helaba underwent the ECB's sensitivity analysis of interest rate risk in the banking book (IRRBB). This stress test is in addition to the two-yearly stress test cycle specified by the European Banking Authority (EBA), the next test in the cycle being planned for 2018. In the IRRBB sensitivity analysis, the change in present value in the banking book and the change in net interest income were calculated for different in-

terest rate scenarios that could potentially occur as ad hoc interest rates shocks. Helaba was able to supply all the data required by the banking supervisor in an appropriate format and in a timely manner. The results were fed into this year's SREP decision.

- **Targeted review of internal models (TRIM)**
  At the end of 2015, the ECB launched its TRIM project, the purpose of which was to specifically review the internal models currently used by banks to determine their Pillar 1 own funds requirements. The ECB's aim is to assess whether the models satisfy the regulatory requirements and to establish comparability between the internal models used, thereby reducing any inconsistencies and unjustified variability in the calculation of risk-weighted assets (RWAs). Local reviews are currently being carried out as part of the TRIM project.

  In 2017, the Helaba Group was subject to a review focusing on credit risk models used in retail operations and the internal market risk model.

- **Single Resolution Mechanism (SRM)**
  Helaba is classified as a "significant" bank and thus falls within the responsibility of the Single Resolution Board (SRB). As in 2016, a data collection exercise was conducted in the first half of 2017 for the purposes of resolution planning and determining minimum requirements for own funds and eligible liabilities (MREL). Helaba's own funds and eligible liabilities were well above the indicative target figure last communicated in 2016.

- **Basel III package of reforms**
  When Basel III was initiated, the main emphasis was on the quality and level of own funds. The Basel III reforms finalised on 7 December 2017 place increasing focus on risk-weighted assets (RWAs). Among other things, the main changes enhance the risk sensitivity of the standardised approach for credit risk and CVA risk, eliminate the advanced measurement approach (AMA) for operational risk and the advanced internal ratings-based (IRB) approach for certain portfolios and establish a floor for internal models of 72.5 % of total RWAs. According to the Basel Committee, the revised standards will apply as of 2022 and the output floor will be phased in over a period of five years. The increase in RWAs that the new requirements entail for all German institutions is being given prompt consideration in Helaba's planning.

Business performance

Key factors influencing Helaba's business performance and results of operations in financial year 2017 were the strong rate of economic growth in Germany, which was 2.5 % in real terms, and the persistently low and negative level of interest rates.

The volume of new medium- and long-term business in the group (with a term of at least one year, excluding the WIBank development business, which does not form part of the competitive market) was stable year on year at € 18.5 bn (2016: € 18.5 bn). However, maturities, special repayments and a currency-related decline of € 1.9 bn led to an overall decrease in loans and advances to customers to € 90.2 bn (31 December 2016: € 93.1 bn). Added to these were loans and advances to affiliated Sparkassen in the amount of € 5.7 bn (31 December 2016: € 6.4 bn). The focus on lending to customers in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba's business model. The degree of interconnectedness with the real economy, i.e. the percentage of the total consolidated assets accounted for by customer transactions, rose to 61 % (31 December 2016: 60 %) as a consequence of the contraction in total assets in 2017.

The market environment for funding operations was very positive for financial institutions throughout financial year 2017. Helaba took advantage of this situation to raise medium- and long-term funding from institutional and private investors at low rates. As in previous years, the Bank continued to benefit in this regard from its strategic business model and from its stable business and earnings performance.

Medium- and long-term funding of around € 17.5 bn was raised during 2017 (2016: € 17.2 bn). Unsecured funding, including funding raised under Deutsche Bundesbank's series of targeted longer-term refinancing operations (TLTRO II), amounted to approximately € 12.8 bn (2016: € 14.2 bn). Despite persistently low interest rates, sales of retail issues placed through the Sparkasse network were higher than in previous years (2016: € 2.4 bn) at around € 2.9 bn. Pfandbrief issues amounted to € 4.7 bn in total (2016: € 3.0 bn), with mortgage Pfandbriefe accounting for almost 60 % and public Pfandbriefe for a little over 40 %. Successful placements once again included US dollar mortgage Pfandbriefe of various maturities totalling almost US$ 1 bn. A mortgage Pfandbrief in Swedish kronor (SEK) was issued for the first time for institutional investors in order to fund the Swedish real estate lending business. As in previous years, the customer deposits in the retail business within the Group, in particular through the subsidiary Frankfurter Sparkasse, brought further diversification to the funding base.

The cost-income ratio was 77.0 % as at 31 December 2017 (31 December 2016: 63.7 %) and therefore slightly outside the target range (2017 target: < 70 %). Return on equity declined to 5.7 % (31 December 2016: 7.2 %), within the target range of 5 to 7 %.

Phased in, i.e. taking into account the CRR transitional arrangements, the Helaba Group's CET1 capital ratio was 15.4 % and its total capital ratio 21.8 % at the end of 2017. Fully loaded, i.e. disregarding the transitional arrangements, the CET1 capital ratio was 15.2 % and the total capital ratio 21.1 %. Helaba therefore has a comfortable capital position and satisfies all the regulatory requirements that have currently been published.

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 such capital. At Helaba, this affects silent participations with a nominal amount of € 953 m.

The liquidity coverage ratio (LCR) for the Helaba Group was 159 % at the end of 2017. This uniform liquidity coverage requirement applicable throughout Europe has been gradually raised and as of 1 January 2018 must be met in full.

As at 31 December 2017, the Helaba Group's leverage ratio was 4.9 % taking into account the transitional provisions set out in the delegated act, or 4.5 % fully loaded, and therefore above the specified minimum ratio of 3.0 %.

The NPL ratio for the Helaba Group (in accordance with EBA risk indicator code AQT_32) was 0.82 % as at 31 December 2017. As in the previous year, therefore, Helaba fell below the German average published in the context of the 2017 EU-wide transparency exercise, which at 2.21 % (as at 30 June 2017) was already very low by European standards.

Helaba is the S-Group bank for around 40 % of the German Sparkassen in four federal states. Collaboration with the affiliated Sparkassen held steady in 2017.

The sale in December 2016 of Helaba's shares in HANNOVER LEASING GmbH & Co. KG was completed in July 2017.

In financial year 2017, Helaba again generated a net profit that allowed it to service all subordinated debt, profit participation rights and silent participations, pay a dividend to shareholders and make appropriations to its revenue reserves to strengthen Tier 1 capital.

Financial Position and Financial Performance

Changes to basis of consolidation

The changes to the basis of consolidation in 2017 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

	2017	2016	Change	
	in € m	in € m	in € m	in %
Net interest income	1,094	1,231	–137	–11.1
Provisions for losses on loans and advances	56	–154	210	>100.0
Net interest income after provisions for losses on loans and advances	**1,150**	**1,077**	**73**	**6.8**
Net fee and commission income	354	340	14	4.1
Net trading income	268	146	122	83.6
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–118	51	–169	>–100.0
Net income from hedge accounting	–9	–5	–4	–80.0
Net income or expense from financial investments and share of profit or loss of equity-accounted entities	35	53	–18	–34.0
Other net operating income	79	119	–40	–33.6
General and administrative expenses	–1,312	–1,232	–80	–6.5
Profit before taxes	**447**	**549**	**–102**	**–18.6**
Taxes on income	–191	–209	18	8.6
Consolidated net profit	**256**	**340**	**–84**	**–24.7**

Despite the persistently challenging market conditions, Helaba generated profit before taxes of € 447 m in the 2017 financial year (2016: € 549 m). Key contributing factors were a very good level of net trading income and income derived from a net reversal of provisions for losses on loans and advances. Factors with a negative impact included the fall in net interest income as a consequence of the ECB's current interest rate and asset-buying policy as well as remeasurement losses under gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied. The implementation of a large number of regulatory requirements led to a rise in general and administrative expenses. Thanks to the satisfactory performance of the operating business with customers, Helaba was able to readily absorb impairment losses covering the full write-off of the goodwill relating to Frankfurter Sparkasse and in connection with the abandoned introduction of a new core banking system. These impairment losses adversely impacted other net operating income. The changes in the individual items in the income statement were as described below.

Net interest income of € 1,094 m was 11.1 % below the prior-year figure (2016: € 1,231 m). Marginally smaller portfolios and lower interest rate margins on new business as a result of the persistently high competitive pressure were behind a fall in net interest income in the operating lending business. Contributions to earnings from early termination fees also declined. The historically low interest rates were a drag on net income derived from investing own funds and on the net income generated by Frankfurter Sparkasse, which accounts for more than a fifth of the net interest income in the Group, and also caused a rise in negative interest on furnished cash collateral.

Provisions for losses on loans and advances amounted to a net reversal (i.e. income) of € 56 m (2016: expense of € 154 m). Specific loan loss allowances and specific loan loss allowances evaluated on a group basis accounted for a net addition of € 116 m (2016: € 228 m). The portfolio loan loss allowance for lending exposures that are not at serious risk of default was reversed by an amount of € 141 m (2016: € 72 m). The balance of direct impairment losses, additions to provisions for risks from off-balance sheet lending business and amounts received in relation to loans and advances previously written off amounted to a net reversal of € 31 m (2016: net reversal of € 2 m). Net interest income after provisions for losses on loans and advances increased from € 1,077 m to € 1,150 m.

Net fee and commission income rose by € 14 m to € 354 m. Net fee and commission income is mostly generated by Helaba, Frankfurter Sparkasse and Helaba Invest. There was an increase in fees and commissions particularly from Helaba's payment transactions and from Frankfurter Sparkasse's securities and securities deposit business. Fees and commissions from Helaba Invest's asset management activities also rose. In contrast, fees and commissions from Helaba's investment business and securities deposit business contracted.

The most significant reason for the substantial rise in net trading income to € 268 m (2016: € 146 m) was the lower credit value adjustments (CVAs) on derivatives as a consequence of the rise in long-term interest rates. The consolidation of internal forward exchange transactions between the trading book and banking book also led to a positive effect on net trading income of € 42 m (2016: negative effect of € 12 m). The corresponding negative impact from the consolidation was recognised under gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied. Income from customer-driven capital market operations was slightly higher than projected. Helaba Bank was responsible for most of the Group's trading activities.

The gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied decreased from a net gain of € 51 m in the previous year to a net loss of € 118 m in financial year 2017. It should be noted that the prior-year figure included significant remeasurement gains on financial liabilities to which the fair value option is applied. Another significant reason for the loss was the opposite effect compared with the previous year of the liquidity component of foreign currencies (cross currency basis spread, CCBS) in the remeasurement of derivatives, which amounted to a negative figure of € 60 m (2016: positive figure of € 23 m). After inclusion of this liquidity component, the remeasurement of the banking book derivatives used to manage interest rates resulted in a net loss of € 114 m in the year under review compared with a net loss of € 35 m in 2016. Gains or losses on financial instruments held by consolidated special funds, which include both unrealised remeasurement gains or losses and realised sale proceeds, also declined to a net loss of € 40 m (2016: net gain of € 23 m). This figure reflected the negative impact from the consolidation of internal forward exchange transactions between the trading book and banking book in an amount of € 42 m (2016: positive impact of € 12 m), this being the corresponding opposite effect from that in net trading income. The net loss from hedge accounting, in which the ineffective portion of micro hedges is reported, amounted to € 9 m (2016: net loss of € 5 m).

Net income from financial investments decreased from € 45 m to € 16 m. The reason for this decline was the net remeasurement loss on available-for-sale (AfS) financial instruments of € 9 m (2016: net remeasurement gain of € 26 m). In the previous year, this figure had included a gain of € 28 m from the reversal of impairment losses on a bond issued by HETA Asset Resolution AG. The realised gains and losses on disposal of available-for-sale financial instruments amounted to a net gain of € 25 m (2016: net gain of € 19 m), which was predominantly attributable to the disposal of an equity investment. The share of profit or loss from associates and joint ventures accounted for using the equity method amounted to income of € 19 m (2016: income of € 8 m).

Other net operating income declined markedly from € 119 m to € 79 m because of one-off effects. Firstly, an impairment loss of € 68 m (2016: € 31 m) representing the complete write-off of the goodwill in relation to Frankfurter Sparkasse as a result of the lower dividends determined in current planning had a corresponding adverse impact on other net operating income. Secondly, as a consequence of new requirements imposed by the financial supervisory authorities in relation to security in the use of information technology, Helaba had to abandon the introduction of a new core banking system for capacity reasons. This led to the recognition of impairment losses on intangible assets of € 31 m (2016: € 0 m). In addition, the recognition of provisions for risks relating to the reimbursement of loan processing fees and provisions for restructuring expenses had an adverse impact, resulting in an expense of € 30 m (2016: expense of € 2 m) reported within other net operating income. However, the year-on-year improvement in the addition to provisions for purchase price risk in relation to the sale of the shares in HANNOVER LEASING GmbH & Co. KG had a positive effect (addition of € 15 m in 2017 compared with an addition of € 47 m in 2016). Most of the € 158 m (2016: € 141 m) of net income from investment property, which is also reported under other net operating income, came from the GWH Group. This figure comprises the balance of rental income, the net proceeds of disposals, operating costs and impairment losses.

General and administrative expenses rose by € 80 m to € 1,312 m. These expenses comprised personnel expenses of € 646 m (2016: € 625 m), non-personnel operating expenses of € 630 m (2016: € 569 m) as well as depreciation and impairment losses on property and equipment plus amortisation and impairment losses on intangible assets totalling € 36 m (2016: € 38 m). The rise in personnel expenses was primarily attributable to the greater pension expenses. The Group employed an average of 6,123 people in the year under review (2016: 6,101). Factors contributing to the increase in other administrative expenses included IT and consulting expenses in connection with the implementation of regulatory requirements. Helaba's IT project portfolio has grown primarily as a result of the Alpha program for addressing regulatory findings, which was prompted by the on-site IT inspection. The contributions to the European bank levy also increased slightly from € 37 m in the previous year to € 38 m in the reporting year. On the other hand, the expenses for the Association overhead allocation and the reserve funds rose declined year on year to € 52 m (2016: € 59 m).

The general and administrative expenses were covered by the total operating income of € 1,703 m (2016: € 1,935 m), producing a cost-income ratio of 77.0 % (2016: 63.7 %). Helaba's return on equity before taxes fell from 7.2 % to 5.7 %. The return on assets pursuant to article 90 of Capital Requirements Directive IV (CRD IV) was unchanged compared with the previous year at 0.2 %.

The income tax expense amounted to € 191 m (2016: € 209 m). It was mainly accounted for by Frankfurter Sparkasse (€ 58 m), the New York branch (€ 47 m), the London branch (€ 37 m), GWH (€ 26 m) and Helaba Bank in Germany (€ 26 m). Of the total income tax expense, € 189 m was attributable to current taxes. Deferred tax expenses of € 2 m arose in relation to temporary differences. The tax rate rose year on year to 42.8 % (2016: 38.1 %) as a consequence of a rise in non-deductible operating expenses, the write-off of the goodwill in relation to Frankfurter Sparkasse and the effect from the change in tax rates under US tax reforms.

The consolidated net profit, i.e. the profit after tax, declined by 24.7 % to € 256 m. Of the consolidated net profit, a loss of € 6 m (2016: loss of € 5 m) was attributable to non-controlling interests in consolidated subsidiaries, with the result that the profit attributable to the shareholders of the parent company amounted to € 262 m (2016: € 345 m). From the latter, € 28 m has been earmarked to service the capital contributions of the Federal State of Hesse that are reported under equity and € 62 m has been earmarked for distribution to shareholders.

Comprehensive income for financial year 2017 declined from € 276 m to € 275 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 € 19 m (2016: loss of € 64 m). This figure was subject to a significantly positive impact from the remeasurement of the net liability under defined benefit plans caused by the increase in the discount rate. This resulted in an increase in comprehensive income before tax of € 116 m (2016: decrease of € 168 m). The average discount rate used to determine pension provisions was 2.0 % (2016: 1.7 %). In 2017, a net loss of € 66 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 the previous year was a net gain of € 63 m.

Statement of financial position

Assets

	31.12.2017	31.12.2016	Change	
	in € m	in € m	in € m	in %
Loans and advances to banks including cash reserve	20,947	18,331	2,616	14.3
Loans and advances to customers	90,230	93,078	−2,848	−3.1
Allowances for losses on loans and advances	−401	−772	371	48.1
Trading assets	16,319	20,498	−4,179	−20.4
Positive fair values of non-trading derivatives	2,924	4,024	−1,100	−27.3
Financial investments and shares in equity-accounted entities	24,064	25,796	−1,732	−6.7
Investment property, property and equipment and intangible assets	2,732	2,711	21	0.8
Income tax assets	483	522	−39	−7.5
Other assets	1,051	976	75	7.7
Total assets	**158,349**	**165,164**	**−6,815**	**−4.1**

Equity and liabilities

	31.12.2017	31.12.2016	Change	
	in € m	in € m	in € m	in %
Liabilities due to banks	31,514	30,138	1,376	4.6
Liabilities due to customers	49,521	46,824	2,697	5.8
Securitised liabilities	48,155	50,948	−2,793	−5.5
Trading liabilities	12,289	18,713	−6,424	−34.3
Negative fair values of non-trading derivatives	2,281	3,918	−1,637	−41.8
Provisions	2,129	2,319	−190	−8.2
Income tax liabilities	268	184	84	45.7
Other liabilities	648	647	1	0.2
Subordinated capital	3,510	3,623	−113	−3.1
Equity	8,034	7,850	184	2.3
Total equity and liabilities	**158,349**	**165,164**	**−6,815**	**−4.1**

Helaba's consolidated total assets contracted by € 6.8 bn (4.1 %) year on year to € 158.3 bn as at 31 December 2017. The fall in total assets was attributable to the reduction in the volume of trading assets and financial investments resulting from both remeasurement and market conditions as well as to the decrease in loans and advances to banks and customers. Total business volume, which comprises of off-balance sheet liabilities in banking business and fiduciary activities as well as assets, went down by 3.2 % to € 188.6 bn (31 December 2016: € 195.0 bn).

Loans and advances to banks decreased by 27.6 % to € 11.0 bn (31 December 2016: € 15.2 bn) as a result in particular of the reduction in cash collateral pledged, which fell by € 2.3 bn to € 2.8 bn, and in overnight and time deposits, which fell by € 1.6 bn to € 1.5 bn. Of the total loans and advances to banks, a sum of € 5.7 bn (31 December 2016: € 6.4 bn) was accounted for by funding made available to the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. The cash reserve, which consists essentially of balances with Deutsche Bundesbank, stood at € 9.9 bn on the reporting date (31 December 2016: € 3.1 bn).

Despite a steady level of new business, loans and advances to customers declined by € 2.8 bn to € 90.2 bn. This reflected an adverse impact from unscheduled repayments by customers and currency effects. Of the loans and advances to customers, commercial real estate loans accounted for € 31.4 bn (31 December 2016: € 33.0 bn) and infrastructure loans for € 15.1 bn (31 December 2016: € 15.0 bn).

Allowances for losses on loans and advances declined from € 0.8 bn to € 0.4 bn. Of this amount, € 124 m (31 December 2016: € 272 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 amounted to € 16.3 bn (31 December 2016: € 20.5 bn). This contraction resulted from the market-driven reduction of € 1.4 bn in bonds and other fixed-income securities to € 5.3 bn and the remeasurement-related decrease of € 3.0 bn in the positive fair values of derivatives held for trading to € 9.3 bn. Some of these decreases were offset by a rise of € 0.2 bn in loans held for trading to € 1.6 bn.

Financial investments, of which bonds constituted 99 %, reduced by € 1.8 bn year on year to € 24.0 bn.

Liabilities due to banks went up by € 1.4 bn to € 31.5 bn. This was due to both a € 0.4 bn increase in promissory note loans raised to € 4.9 bn and a € 0.7 bn rise in overnight, time and demand deposits. Of the total liabilities due to banks, liabilities due to Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg accounted for € 6.3 bn (31 December 2016: € 5.5 bn).

Liabilities due to customers amounted to € 49.5 bn (31 December 2016: € 46.8 bn). Within this figure, overnight and time deposits and sight deposits rose by € 2.6 bn to € 29.9 bn. Of the total liabilities due to customers, a sum of € 16.3 bn (31 December 2016: € 16.0 bn) was accounted for by Frankfurter Sparkasse. Home savings deposits grew to € 4.7 bn (31 December 2016: € 4.5 bn).

Securitised liabilities decreased by € 2.8 bn to € 48.2 bn. The decline was concentrated in issued money market instruments (€ 5.3 bn; 31 December 2016: € 8.0 bn) and issues of public Pfandbriefe and mortgage Pfandbriefe (€19.7 bn; 31 December 2016: € 20.7 bn). In contrast, unsecured bonds increased to € 23.2 bn (31 December 2016: € 22.3 bn).

The contraction in trading liabilities from € 18.7 bn in the previous year to € 12.3 bn in the year under review was largely attributable to the remeasurement-related decrease in negative fair values of derivatives (€ 7.9 bn; 31 December 2016: € 10.8 bn). In addition, the Bank used liquidity surpluses to fund trading assets and avoid lengthening its balance sheet, while subordinated capital stood at € 3.5 bn (31 December 2016: € 3.6 bn).

Equity

The Helaba Group's equity amounted to € 8.0 bn as at 31 December 2017 (31 December 2016: € 7.9 bn). The increase was mainly attributable to the comprehensive income of € 275 m (31 December 2016: € 276 m). Retained earnings included cumulative remeasurement losses under pension obligations (after deferred taxes) of € 450 m (31 December 2016: losses of € 533 m). The change was mainly attributable to an increase in the discount rate. The revaluation reserve (after deferred taxes), the changes in which are recognised in other comprehensive income, decreased from € 246 m to € 197 m, chiefly as a result of losses arising on remeasurement. Equity also included a currency translation reserve of € 10 m (31 December 2016: € 30 m).

Comparison with prior-year forecasts

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

	2016 forecast for 2017	2017 actual
Net interest income	Down by approx. 10 % year on year	−11.1 %
Provisions for losses on loans and advances	Expense of € 195 m	Income of € 56 m
Net fee and commission income	Up by approx. 6 % year on year	+4.1 %
Net trading income	Down by approx. 16 % year on year	+83.6 %
Other net operating income	€ 205 m	€ 79 m
Headcount (average for the year)	unchanged	+0.4 %
Personnel expenses	Down by 0.8 % year on year	+3.4 %
Non-personnel operating expenses (including depreciation, amortisation and write-downs)	Up by 4.3 % year on year	+9.7 %
General and administrative expenses	Up by 1.8 % year on year	+6.5 %
Profit before taxes	Down by approx. 30 % year on year	−18.6 %
Cost-income ratio	Approximately 68 %	77.0 %
Total assets	Slightly above prior-year figure	−4.1 %
Loans and advances to customers	Slightly above prior-year figure	−3.1 %
Return on equity	Approximately 5 %	5.7 %
Volume of new medium- and long-term business (excl. WIBank)	€ 17.7 bn	€ 18.5 bn

Helaba's performance was largely in line with forecasts. The main variances are described below.

Within provisions for losses on loans and advances, planned additions were offset by significantly more unplanned reversals, as a result of which the change in provisions for losses on loans and advances was much better overall than forecast.

The significantly better performance of net trading income compared with forecasts was mainly attributable to the lower credit value adjustments (CVAs) on derivatives. However, the consolidation of internal forward exchange transactions between the trading book and banking book also led to an unscheduled positive effect on net trading income of € 42 m. The corresponding negative impact from the consolidation was recognised under gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied.

Other net operating income included unplanned charges. These included the full write-off of the goodwill in relation to Frankfurter Sparkasse, an impairment loss in respect of a project for the introduction of a new core banking system (discontinued for capacity reasons) and a provision recognised for risks relating to the reimbursement of loan processing fees.

The growth in the number of employees was only slightly higher than forecast. The main reason for the unscheduled rise in personnel expenses was a change in the method used for reporting pension expenses, which up to the previous year had been recognised in other comprehensive income.

The anticipated rise in non-personnel operating expenses was significantly higher due to unplanned projects. Several regulatory driven projects are tying up more capacity than originally planned and need to be prioritised. Helaba's IT project portfolio has grown primarily as a result of the Alpha program for addressing regulatory findings, which was prompted by the on-site IT inspection. The Bank's original budget had assumed that the amount capitalised for certain projects would be significantly higher.

The year-on-year contraction in profit before taxes at around 19 % was less significant than projected. Even though general and administrative expenses were higher than the budget figure as a result of the effects described above, profit before taxes was greater than forecast, primarily as a consequence of the positive change in provisions for losses on loans and advances.

The Group's cost-income ratio of 77.0 % was adversely impacted in 2017 by unscheduled one-off items under other net operating income amounting to approximately € 120 m. After adjustment for these items, the cost-income ratio would have been around 72 %.

The main contributor to the volume of new medium- and long-term business in excess of the budget was the high volume of new business in Corporate Finance. However, maturities, special repayments and a currency-related decline of € 1.9 bn led to an overall decrease in loans and advances to customers. Other factors that contributed to the total assets below budget were the decline in loans and advances to banks and the fall in trading assets and financial investments.

Financial performance by segment

The contributions of the individual segments to the profit before taxes of € 447 m in 2017 (2016: € 549 m) were as follows:

in € m

	2017	2016[1]
Real Estate	377	401
Corporate Finance	94	–54
Financial Markets	4	114
S-Group Business, Private Customers and SME Business	82	99
Public Development and Infrastructure Business	19	22
Other	–204	–118
Consolidation/reconciliation	75	85
Group	**447**	**549**

[1] Prior-year figures restated: the presentation of net gains or losses on centrally held liquidity securities has been modified.

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 decreased by around 16 % year on year to € 8.7 bn and was therefore in line with the budgeted level. Margins on new business increased sharply compared with the previous year. 2017 also saw a high level of early redemptions, as a result of which the average customer volume declined slightly. Net interest income fell by 5 % year on year.

Provisions for losses on loans and advances amounted to € 1 m and were therefore at the same level as in the prior year. An increase in provisions for losses on loans and advances to € 67 m anticipated in the budget did not occur.

Income from real estate management and from equity investments in the real estate sector increased slightly year on year.

The 7 % rise in general and administrative expenses was attributable both to equity investments in the real estate sector and to real estate lending. However, this rise was lower than forecast.

Profit before taxes for the segment amounted to € 377 m, which equated to an increase of 6 % compared with the figure for 2016 (€ 401 m). This profit was therefore still well in excess of expectations.

Corporate Finance segment

The Corporate Finance segment encompasses the results from the Corporate Finance business line and from consolidated equity investments.

In Corporate Finance, the volume of new medium- and long-term business was up by around 30 % on the previous year to € 5.6 bn and therefore around 18 % above budget. Loans and advances to customers remained static. In view of the slight contraction in margins and the absence of one-off items, net interest income went down by 9 % year on year. This decrease was in line with forecasts.

Provisions for losses on loans and advances at € 78 m improved substantially compared with the figure in the previous year (2016: € 226 m). A significant factor was the allowances for losses on loans and advances related to ship finance, which declined year on year and were also lower than forecast.

Other net operating income improved substantially because of the absence of a provision that had been recognised in the previous year.

The 5 % rise in general and administrative expenses was mainly attributable to general cost increases as well as a higher overhead allocation.

The profit before taxes for the segment amounted to € 94 m, significantly higher than the figure for the previous year (2016: loss before taxes of € 54 m) and well above the forecast due in particular to the improvement in provisions for losses on loans and advances.

Financial Markets segment

The Financial Markets segment brings together the earnings of the Capital Markets, Asset/Liability Management, Sales Public Authorities, and Financial Institutions and Public Finance business lines. The segment also includes the earnings from the business involving asset management for institutional investors operated by Helaba Invest Kapitalanlagegesellschaft mbH.

The segment's net interest income is primarily the result of the lending business with domestic and foreign local and regional authorities, money market trading with customers and contributions to net income from Treasury. Municipal lending in Germany was higher than planned in 2017, with new medium- and long-term business of € 1.5 bn being written. The Bank only entered into selective new business with foreign financial and public-sector institutions in 2017, the value of this new business amounting to € 0.1 bn. For a number of reasons, including lower contributions to net income from Treasury, net interest income for the segment as a whole contracted significantly and was therefore also substantially less than anticipated.

Net fee and commission income in the segment, which is generated mostly by asset management and the customer capital markets business, was slightly lower than the previous year's level.

The segment's net trading income increased significantly in 2017 compared with both the prior-year figure and with the forecasts. Contributing factors were the steady customer income and lower credit value adjustments (CVAs) on derivatives. In addition, the consolidation of internal forward exchange transactions between the trading book and banking book also led to an unscheduled positive effect on net trading income.

The corresponding negative impact from this consolidation was recognised under gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied. This item was also adversely affected in 2017 by the opposite effect compared with the previous year of the liquidity component of foreign currencies (cross currency basis spread).

General and administrative expenses in this segment rose by 8 % compared with the previous year, which was slightly higher than forecast. As a result of the effects in the item to which the fair value option is applied, the profit before taxes for the segment was significantly below the profit in 2016 at € 4 m (2016: € 114 m) and thus well below budget.

S-Group Business, Private Customers and SME Business segment

This segment includes the earnings of Frankfurter Sparkasse, S-Group bank, Landesbausparkasse Hessen-Thüringen (LBS) and the Frankfurter Bankgesellschaft Group (FBG).

Net interest income in the segment amounted to € 341 m, 3 % below the previous year's figure (2016: € 352 m). Falling net interest income from the retail business at Frankfurter Sparkasse contributed to this development. Some of the forecast decline in net interest income was offset in the actual figures with the result that the decrease was somewhat lower than anticipated.

Provisions for losses on loans and advances in the segment amounted to a net reversal of € 1 m (2016: net reversal of € 10 m). An increase in provisions for losses on loans and advances to € 16 m anticipated in the budget did not occur.

Net fee and commission income for the segment grew much more than forecast with a year-on-year increase of 12 %. Frankfurter Sparkasse, the S-Group bank and FBG all contributed to this growth.

General and administrative expenses saw a slight fall of € 4 m compared with the previous year, mainly as a result of trends at Frankfurter Sparkasse.

Profit before taxes in the S-Group Business, Private Customers and SME Business segment was below the prior-year level at € 82 m (2016: € 99 m), but nevertheless significantly exceeded the budget.

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. The financial year featured stable business performance accompanied by a slight rise in total assets. Net interest income and net fee and commission income rose slightly more than expected by around 4 % year on year due in part to selective improvements in margins, new service agreements signed with the State of Hesse and indexed remuneration adjustments on existing contracts.

At the same time, general and administrative expenses rose as projected as a result of higher personnel and operating expenses, although the increase was marginally below the budgeted figure.

At € 19 m, the segment's profit before taxes was below the prior-year figure (2016: € 22m) but considerably exceeded the forecast.

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. The profit generated by centrally investing own funds as well as through strategic planning decisions is also shown in this segment.

In the cash management business, net fee and commission income in 2017 rose by 5 % compared with the previous year. At the same time, the adverse impact on net interest income from negative short-term interest rates was partly offset by charging custodian fees, as a result of which total income climbed year on year and was also above budget. General and administrative expenses only rose by just under 4 %. Gains were also generated from the disposal of an equity investment.

Income generated from the investment of own funds in special funds was at the same level as in the previous year.

In 2017, provisions for losses on loans and advances in this segment included a reversal of € 135 m relating to a portfolio loan loss allowance. In previous years, this item included additions for risks that could not yet be allocated to specific individual exposures. This provision was then allocated to individual exposures and segments in 2017 or reversed.

Other net operating income in this segment included unbudgeted charges from one-off items amounting to € 120 m. These charges included the unplanned write-off of the goodwill in relation to Frankfurter Sparkasse, an impairment loss in respect of a project for the introduction of a new core banking system (discontinued for capacity reasons) and a provision recognised for risks relating to the reimbursement of loan processing fees.

The Other segment includes further central structural costs in addition to corporate centre costs not allocated to the other segments. The segment also includes the bank levy payable by Helaba Bank amounting to € 36 m (2016: € 35 m). Expenses for major regulatory projects are additionally reported under this segment. General and administrative expenses in the corporate centres rose by € 50 m to € 155 m. This increase resulted from a number of factors, including the Alpha programme aimed at addressing findings by the supervisory authorities related to IT activities. The Bank's original budget also assumed a much greater level of capitalisation in the project portfolio, but this was not then implemented as a result of the rescheduling of the portfolio. Actual general and administrative expenses were thus higher than budgeted.

The segment generated a loss before tax of € 204 m (2016: loss of € 118 m). Compared with the previous year, this figure was therefore substantially impacted by the rise in general and administrative expenses and by the significant one-off items under other net operating income.

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 fell compared with the prior-year figure to € 75 m (2016: € 85 m).

Report on Events After the Reporting Date

Frankfurter Bankgesellschaft (Schweiz) AG concluded an agreement in 2018 to sell all shares in LB(Swiss) Investment AG. The agreement is subject to regulatory approval. No material changes are anticipated to the net assets position for 2018 as a result of the disposal of the entity, which was previously included in the consolidated financial statements via full consolidation.

Risk Report

The Board of Managing Directors is responsible for all of the risks to which Helaba is exposed and for defining a risk strategy consistent with the business strategy. The risk strategy lays down, in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities, the principal elements of the approach adopted to dealing with risk, the risk appetite, the objectives of risk containment and the measures employed to achieve these objectives at the Helaba Group. The risk strategy encompasses all the main business units in the Helaba Group and therefore also the Helaba Group itself within the meaning of the German Banking Act (KWG) and the Capital Requirements Regulation (CRR). Once adopted by the Board of Managing Directors, the risk strategy is presented to and discussed with the Supervisory Board and the Board of Public Owners.

The business strategy and risk strategy of the Helaba Group are integrally linked to the business strategy and risk strategy of Sparkassen-Finanzgruppe Hessen-Thüringen.

The principal objectives of the Helaba Group's risk strategy are to maintain the organisation's conservative risk profile and ensure that its solvency is assured at all times, that risk-bearing capacity is always maintained and that all regulatory requirements are met. 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 for and an environment conducive to risk containment. The methods employed to identify, quantify, contain and monitor risks and the systems required to implement them 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 and risk appetite simultaneously, with reference to 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 compliance with the risk strategy defined by means of the establishment of an efficient risk management process. 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 subsidiary companies are also included in the scope of the controlling tools for the various risk types in line with their relative significance and the relevant legal options. Effective risk controlling throughout the Group is thus assured.

Protection of assets

Risks may be assumed only as permitted under the general risk strategy and the specific risk strategies and only in pursuit of the strategic objectives of Helaba on the basis of the risk appetite framework (RAF), in particular in order to maintain Helaba's long-term earnings power while protecting its assets as effectively as possible and accomplishing its mission.

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. A corresponding control process to assess reputation risks in new business has been implemented.

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 (“three lines of defence”)

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. The responsibilities of the organisational units for risk identification and containment, risk quantification, risk monitoring/controlling and risk reporting follow a “three lines of defence” policy (front office and back office, monitoring units including Risk Controlling and Audit).

Transparency

The comprehensive and objective reporting and disclosure of risks is another important component of Helaba’s risk strategy and is indispensable for the proper notification, by the Board of Managing Directors, of the corporate bodies, the banking regulator and the public at large.

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 containment) is reasonable given the pertinent regulatory requirements and the risks under consideration in each case.

Risk Appetite Framework

Helaba defines the RAF as a holistic approach to risk containment. Factors known as RAF indicators are identified and then used to produce a complete description of the risk profile in material terms. The RAF indicators comprise indicators that apply across all risk types and others that are specific to particular risk types; they focus on regulatory and economic capital adequacy, the appropriateness of liquidity coverage and on the sustainability of earnings power. For each RAF indicator, the Board of Managing Directors specifies threshold values for risk appetite, risk tolerance and – where relevant – risk capacity; these values are used to convert the main risk strategy objectives into operational details as part of the planning. Risk appetite refers to the level of risk Helaba is prepared to assume to attain its strategic objectives. Risk tolerance indicates the level of variance from the risk appetite that Helaba is still prepared to tolerate in an unfavourable environment to reach its strategic objectives. On the basis of regulatory limits (where available), risk capacity specifies the maximum level of risk that Helaba can take on.

Risk-bearing capacity

Helaba's procedures for quantifying 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 are based on the provisions of the Capital Requirements Regulation (CRR) and take account of the stipulations of the Supervisory Review and Evaluation Process (SREP).

Risk culture

The risk culture at Helaba consists of the attitudes and conduct of Helaba's employees in relation to risk awareness, risk appetite and risk management. The risk culture at Helaba fosters an environment in which risks are identified and consciously handled to ensure that decision-making processes lead to results that comply with the approved risk strategy requirements and reflect Helaba's risk appetite. Helaba's risk culture therefore extends beyond the governance framework and the established controls. The refinement of the risk culture is an ongoing task for all employees and managers at Helaba. The corporate values adopted by the Board of Managing Directors and encapsulating Helaba's basic values and guiding principles, a needs-based management development programme, a remuneration system based on risk awareness and an open communications policy are also components that have been developed to ensure that relevant national and international standards are taken into account.

Auditing

The Internal Audit function in principle audits all of the activities and processes involved in the operating and business procedures taking account of the scale and risk content of the activities and processes. 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 examines, at annual intervals and – where necessary – in response to relevant developments, which risks have the potential to cause material damage to the net assets (including capital resources), financial performance 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 defined as the potential economic loss that can arise 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 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 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 and funding 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 a negative change 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. Reputation risk falls into this category in circumstances where the origin of the reputation risk can be traced back to an operational risk. Operational risk also includes the following risks:
  - Legal risk is defined as the risk of loss for the Bank resulting from infringements of legal provisions that have the potential to result in legal proceedings or internal actions to avert such losses. Breaches of contract relating to matters of creditworthiness (for example in the case of loan contracts) do not fall within this definition.
  - As a component of operational risk, conduct risk is defined as the current or potential risk of loss for an institution as a result of an inappropriate offer of financial (banking) services, including cases of intentional or negligent misconduct.
  - There are two distinct aspects to model risk for the Helaba Group.
    1. One involves the risk of own funds requirements being underestimated as a result of the use of models to quantify risks. This is in part a reflection of the fact that a model can never entirely capture reality. This aspect of model risk is mapped in the Helaba Group by means of a risk exposure surcharge for the primary risk types in economic risk containment.
    2. The other aspect of model risk involves the risk of losses associated with the development, implementation or inappropriate use of a different model (that is to say a model of a type other than that referred to directly above) by the institution for the purposes of decision making. This aspect of model risk is factored into operational risk.

- IT risk is defined as the risk of loss resulting from the operation and development of IT systems (for example technical implementation of functional requirements and technical design activities for the provision, support and development of software and hardware). The risk of loss relates to situations in which the availability, confidentiality or integrity of data is compromised or in which unforeseen additional expenditure is incurred for data processing.

- Information security risk (IS risk) as a component of operational risk encompasses the risk of loss as a result of information that merits protection being compromised by the exploitation of technical, process or organisational weaknesses. The potential loss in this case stems from the availability, confidentiality or integrity of information being compromised, from unforeseen additional expenditure being incurred for data processing and from external attacks (cyber crime).

- Outsourcing risk as a component of operational risk is defined as the risk of loss resulting from contract, supplier and performance risks and risks associated with a failure to comply with regulatory requirements that can arise when procuring services externally.

- 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 in the risk-bearing capacity under these two risk types.

- Real estate risk comprises 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.

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 (intra concentrations) and concentrations across risk types (inter concentrations) are analysed and integrated into the risk management reporting and decision-making processes. 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 scenarios across all risk types, moreover, implicitly 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 to be regarded 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 are 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 to be completed for the Helaba Group annually and on an ad hoc basis 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 measuring systems enables qualitatively and quantitatively robust risk measurement and assessment for the various risk types. A variety of models, methods and processes are used for this purpose. 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 in 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 relevant people 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

Boards and committees 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 also established a Risk Committee 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 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 adopts 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.

The Risk Committee is complemented by the Asset/Liability Management Committee, the Credit Committee of the Board of Managing Directors (VS-KA) and the Credit Management Committee (KMA). The Asset/Liability Management Committee has responsibility for monitoring market risks, including the associated limit utilisation, and containing the strategic market risk portfolio and the portfolio of non-interest-bearing liabilities. while the Credit Committee of the Board of Managing Directors is responsible for credit and settlement risks associated with counterparties. The Credit Management Committee is charged with the containment of default risks for the entire portfolio and of syndication risks, placement risks and country risks.

Appointments to the committees and the committees' duties, jurisdiction and responsibilities are governed in separate rules of procedure approved by the Board of Managing Directors.

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 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 at 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 material legal or economic reason 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. Helaba (with WIBank and LBS) and Frankfurter Sparkasse were included in their entirety in risk management at the level of individual risks in 2017. Other companies belonging to the Group are included in risk management at the level of individual risks in line with their primary risk types.

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 process depends on the risk type.

Principal risk monitoring areas

The responsibilities of the organisational units follow a "three lines of defence" policy. In terms of governance, this policy sets out roles and responsibilities to ensure there is independent monitoring and internal auditing of the effectiveness of the risk containment and monitoring functions that have been implemented. At Helaba Bank, including LBS and WIBank, and in the Group companies, the containment of risks in the first line of defence is separated in terms of disciplinary and organisational reporting lines from the independent monitoring of risks in the second line of defence. The three lines of defence policy is implemented at Helaba Bank as follows:

First line of defence (LoD 1)

For the relevant value creation processes, the profit-and-loss and risk responsibility lies with the front-office units (lending and trading units). These units are responsible for containing the default, market, liquidity and real estate risks. Each unit generally acts as a first line of defence for certain non-financial risks, especially operational risk.

Second line of defence (LoD 2)

The independent monitoring, risk control and risk reporting functions are covered by units not directly involved in the value chain, specifically the Risk Controlling and Credit Risk Management units.

Third line of defence (LoD 3)

The Internal Audit department carries out audits on a risk-oriented basis and completely independently of the value creation processes; these audits review the first two lines of defence to ensure they are fully functioning (effective) and assess compliance with the risk containment processes specified by the Board of Managing Directors, taking into account regulatory requirements. Internal Audit monitors the implementation of measures in response to external and internal audit findings, including measures that are overdue in terms of the deadline set by audit findings. Internal Audit reports directly to Helaba's full Board of Managing Directors and also on a regular basis to the Supervisory Board and its Audit Committee.

To enable the aforementioned organisational units at Helaba to carry out their assigned responsibilities, the other organisational units must offer appropriate support by providing the necessary information and assistance.

Risk types	Risk-containing units (LoD 1)	Risk-monitoring units (LoD 2)	Reviewing unit (LoD 3)
Default risk including equity risk	Front office units (Lending units, Capital Markets, Asset/Liability Management: Municipal Loans)	Risk Controlling (combined bank, portfolio level) Group Strategy and Central Staff Division (equity risk) Credit Risk Management (individual exposure level and individual portfolio level)	Internal Audit
Market risk	Capital Markets, Capital Markets, Asset/Liability Management	Risk Controlling	
Liquidity and funding risk	Capital Markets, Capital Markets, Asset/Liability Management	Risk Controlling	
Operational risk	All units	Risk Controlling, together with specialist functions[1] in the following units: Information Technology, Information Security Management, Legal Affairs, Anti-Money Laundering and Fraud Prevention Compliance, Capital Market Compliance, Organisation, Human Resources, Financial Reporting and Taxes	
Business risk	Front office units	Risk Controlling	
Real estate risk	Real Estate Management	Risk Controlling	
Tasks across all risk types	–	Group Controlling (including risk-bearing capacity calculation, capital planning) Risk Controlling (including calculation of potential risk exposures, model governance)	

[1] In addition to the Risk Controlling unit, the specialist functions are responsible for relevant risks (as set out in the risk type breakdown) that are subsumed under operational risk and described in detail in the specific risk strategy for operational risk.

In terms of the three lines of defence principle, the independent risk management system within LBS, WIBank and the Group companies is generally structured in the same way as that at Helaba Bank. Regardless of the overall structure, there may, however, be specific arrangements in place. The relevant units at Helaba Bank are responsible for the integration of activities into the risk containment and risk monitoring systems of the Helaba Group. LBS and WIBank must also directly apply the requirements applicable to Helaba Bank.

The Group Controlling unit is responsible for carrying out the calculation of risk-bearing capacity across risk types.

Internal Audit

The Internal Audit function, which reports directly to the Board of Managing Directors, examines and assesses the activities and processes of the Bank and of subsidiary companies selected on the basis of risk considerations without need of further instruction. It plans and conducts its audits with risk in mind, paying particular attention to the assessment of the risk situation, the adequacy of processing and the effectiveness of the internal control system.

The scope and result of each audit are documented in 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 Information Security Management function

The Bank has established a Capital Market Compliance Office, a Money Laundering and Fraud Prevention Compliance Office, an MaRisk Compliance function (German Minimum Requirements for Risk Management – MaRisk), an Information Security Management function and a Data Protection Officer, all of which report directly to the Board of Managing Directors.

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 – WpHG-MaAnzV), 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 market manipulation, and identifies and regulates conflicts of interest throughout the Group that pose a potential risk.

The Money Laundering and Fraud Prevention Compliance 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. Monitoring software keeps business relationships under constant surveillance. The Money Laundering and Fraud Prevention Compliance Office is also responsible for the implementation of the legal requirements created by the Agreement Between the United States of America and the Federal Republic of Germany to Improve International Tax Compliance (FATCA) and the international Automatic Exchange of Information (AEOI) process.

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. It also conducts regular checks and analyses in this connection of the adequacy and efficacy of the business processes and practices associated with the implementation of and compliance with the principal legal rules and stipulations in the Bank.

The Information Security Management function is responsible for ensuring the proper control, coordination and development of information security management in line with the Bank's business strategy, IT strategy and risk management strategy. It identifies and analyses the information security risks to this end using an information security management system (ISMS) and develops relevant measures and checks for sustainable risk reduction and risk monitoring. The Information Security Management function also continuously refines the processes for ensuring that any necessary security requirements arising in connection with relevant laws and regulations (data protection legislation (German Federal Data Protection Act – BDSG, EU General Data Protection Regulation – GDPR), German IT Security Act, German Minimum Requirements for the Security of Internet Payments – MaSI, MaRisk, German Supervisory Requirements for IT in Financial Institutions – BAIT, etc.) are determined and specified, that information protection classifications and infrastructures are analysed regularly and that technical and organisational measures appropriate for this purpose are coordinated to make certain that a proper level of security is maintained at the Bank.

The Data Protection Officer promotes compliance with and implementation of data protection requirements and serves the Board of Managing Directors as a permanent point of contact for any internal and external queries relating to data protection matters. The Data Protection Officer maintains a process overview (Section 4g (2) BDSG) and monitors the proper use of data processing programs (Section 4g (1) no. 1 BDSG). The Data Protection Officer also carries out prior checks and ensures that training and measures to raise awareness of data protection matters are provided regularly for Bank employees. Helaba is preparing for the introduction of the requirements under the GDPR. To this end, specific tasks, issues and processes are being reviewed and carried out in an implementation project to ensure that compliance with legal requirements is adjusted by the deadline of 25 May 2018.

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 quantifying 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 risks, operational risks, business risks and real estate risks. Risk exposures are quantified as part of an economic assessment and the regulatory expected loss (EL) and regulatory capital requirement are calculated using the regulatory measurement specifications. A capital deduction from the regulatory EL/impairment comparison is taken into account when quantifying the regulatory capital.

The liquidity horizon (for liquidity risks) is also reported in addition to the risk-bearing capacity based on cover pools.

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 regularly 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. 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 Group calculation of risk-bearing capacity 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 regularly 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 focuses on compliance with 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 to cover the internal capital requirement. This pool takes into account the cumulative consolidated net profit on the reporting date, the equity capital and the subordinated debt under IFRS. Cover pool components are also adjusted in accordance with economic criteria. The gone-concern approach does not treat silent reserves as a cover pool.

The risk-bearing capacity assessment for the Group covering 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 2017, underlining Helaba's conservative risk profile. 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 € 2.6 bn (31 December 2016: € 3.5 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 € 7.7 bn (31 December 2016: € 7.1 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 comply with the minimum capital requirements specified by the regulator or consuming 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 protection scheme, which comprises the eleven regional Sparkasse support funds, the aforementioned reserve fund and the deposit security reserve fund of the Landesbausparkassen.

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 specific risk profiles and its use of a method based on risk parameters defined by the supervisory authorities to calculate the amounts to be paid into the protection scheme by the various institutions. The legally dependent Landesbausparkasse Hessen-Thüringen, the subsidiary Frankfurter Sparkasse, and Frankfurter Bankgesellschaft (Deutschland) AG, which is a subsidiary of Frankfurter Bankgesellschaft (Schweiz) AG (which in turn is a subsidiary of Helaba), are also directly integrated into this protection scheme.

The Sparkassen-Finanzgruppe scheme includes a deposit guarantee scheme to protect qualifying deposits up to a value of € 100,000 per customer as well as safeguarding the viability of the affiliated institutions themselves. The deposits thus protected at the Helaba Group amount to € 15.6 bn in total (31 December 2016: € 15.1 bn). The German Federal Financial Supervisory Authority (BaFin) has recognised the Sparkassen-Finanzgruppe’s institutional protection scheme as a deposit guarantee scheme for the purposes of the German Deposit Guarantee Act.

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. It covers the liabilities of Helaba and Frankfurter Sparkasse to customers, including banks, insurance companies and other institutional investors, and their securitised liabilities. Liabilities that serve or have served at the institutions as components of own funds pursuant to Section 10 KWG, such as asset contributions of dormant shareholders, liabilities under profit participation rights and subordinated liabilities, are not covered irrespective of their remaining term. The total volume of the fund is equal to 0.5 % of the affiliated institutions’ total risk exposure amount as defined by article 92(3) CRR and stood at € 518 m at the end of 2017 (31 December 2016: € 522 m). The total contributions paid in cash as at the same date amounted to € 442 m (31 December 2016: € 410 m).

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

Default Risk

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. 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.

Basel III/CRR

Helaba applies the IRBA. The corresponding regulatory requirements as set out in Basel III/CCR are implemented in Helaba's procedures and systems with the internal rating methods (default rating) for the lending portfolio, the Collateral Management System, the credit loss database, which is used to record and analyse the default portfolio and the specific loan loss allowances, and a regulatory calculation module.

Risk monitoring using the global limit system

Helaba employs a global limit system that records 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. Advance payment and settlement risks attributable to foreign currency and securities transactions, current account intraday risks, creditor risks associated with direct debits and what are referred to as "additional risks from constructs" are approved as commercial risks and counted 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 based on an internal add-on method. The Risk Controlling unit validates and, where appropriate, adjusts the add-ons once a year or on an ad hoc basis (for example in the event of market turmoil). 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.

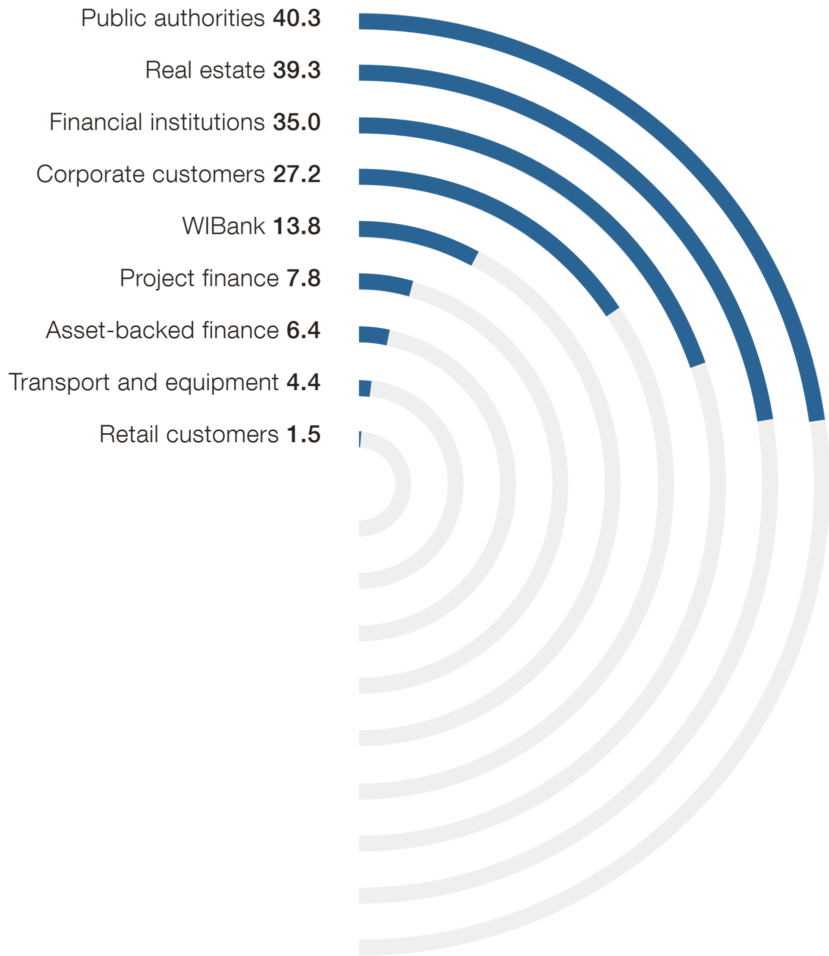
Chart 1 shows the total volume of lending (comprising draw-downs and unutilised lending commitments) in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 175.8 bn as at 31 December 2017 (31 December 2016: € 178.2 bn) broken down by portfolios.

The total volume of lending is the risk exposure value calculated in accordance with the legal provisions applicable to large exposures before applying the exemptions in relation to calculating utilisation of the large exposure limit and before applying credit mitigation techniques.

Total volume of lending by portfolio (narrow Group companies)

Chart 1

in € bn



Helaba's lending activities as at 31 December 2017 focused on the following portfolios: public sector, real estate and financial institutions (especially in the banking sector).

The summary below provides an overview of the regional breakdown of the total lending volume by borrower's country of domicile.

Share in %

Region	31.12.2017	31.12.2016
Germany	61.50 %	59.42 %
Western Europe	19.16 %	18.89 %
Scandinavia	2.96 %	2.70 %
Rest of Europe	3.57 %	4.20 %
Europe	**87.19 %**	**85.21 %**
North America	11.66 %	13.52 %
Rest of the world	1.16 %	1.27 %

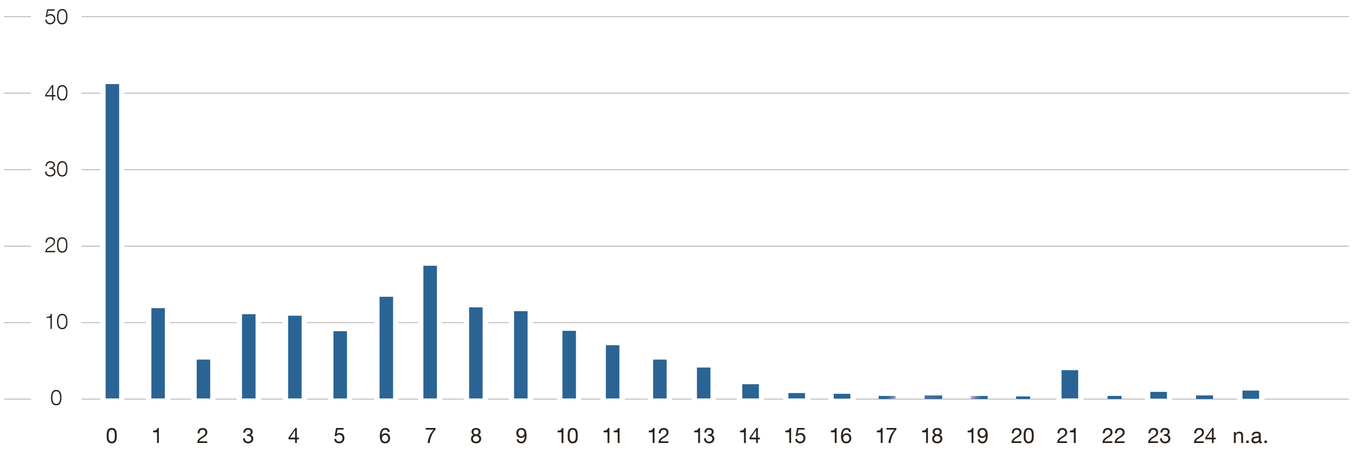
The table shows that Germany and selected other countries in Western Europe continue to account for most of the total lending volume. The United Kingdom once again accounted for 4.4 % (31 December 2016: 4.4 %).

Creditworthiness/risk appraisal

The Bank employs 14 rating systems developed together with DSGV or other Landesbanken and two 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.

Chart 2 shows the total volume of lending in the narrow Group companies (Helaba Bank plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 175.8 bn (31 December 2016: € 178.2 bn) broken down by default rating category.

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



Collateral

Like the creditworthiness of borrowers or counterparties, the collateral arrangements (or general credit risk reduction 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. It provides the data resources required to verify and distribute the assets eligible as collateral to the risk exposures 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 Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services, 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 2017, utilisation was less than three times the liable capital.

The Board of Managing Directors defines country limits 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. The Credit Management Committee distributes a country limit proposal on this basis factoring in bank-specific considerations and relevant factors relating to business policy and risk methodology. The entire Board of Managing Directors then sets the limits for the individual countries based on this proposal.

The Bank has no defined country limits for countries falling into the weakest rating categories (22 – 24).

The transfer, conversion and event risks from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 46.0 bn (31 December 2016: € 48.7 bn), most of which was accounted for by borrowers in Europe (83.0 %) and North America (14.5 %). As at 31 December 2017, 75.6 % (31 December 2016: 74.4 %) of these risks were assigned to country rating classes 0 and 1 and a further 24.3 % (31 December 2016: 25.4 %) came from rating categories 2-13. Just 0.1 % (31 December 2016: 0.2 %) fell into rating class 14 or worse.

Exposures in the UK

Helaba's net exposure to borrowers in the United Kingdom across the narrow Group companies amounted to € 7.3 bn as at 31 December 2017 (31 December 2016: € 7.9 bn). The United Kingdom's vote to leave the EU (Brexit) otherwise had no significant effect on the level of default risk.

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, quantify, contain and monitor 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 organisational guidelines 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 Risk and Credit Committee. Commitments in amounts below this value are approved at different authorising levels (Board of Managing Directors, Credit Committee of the Board of Managing Directors, individual members of the 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 back office unit. The representative of the relevant back office unit also always has a right of veto in this connection as part of an escalation process. The ultimate decision rests with the entire Board of Managing Directors.

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 group of connected clients. 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 use of the global limit system, which aggregates all loans (credit lines and utilisations) extended by the narrow Group companies for each group of connected clients.

Quantifying default risks

For regulatory purposes, expected and unexpected default risks are quantified using the regulatory calculation module. 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.

Default risks are determined for the purposes of internal containment using a value-at-risk approach with a CreditMetrics-based simulation method (Monte Carlo simulation) factoring in migration and LGD risks. The value-at-risk calculated corresponds to what is deemed, with a certain confidence level, to be the upper threshold of the potential loss of a portfolio or position within a period of one year.

The risk parameters applied include internally generated LGD estimates and empirically measured correlation values as well as the internal rating method. The overall risk assumes that the various different losses occur simultaneously. The value-at-risk (VaR) calculated using the risk model provides a measure of the maximum loss (expected and unexpected) that will not be exceeded, with a probability of 95.0 % (going-concern approach) or 99.9 % (gone-concern approach), on the basis of the underlying historical observation period of one year. Factoring in empirical correlations provides a way to map the simultaneous occurrence of discrete credit events (systematic risk).

The expected and unexpected losses quantified in this way are assessed against various scenarios to determine the impact of corresponding stress situations. The risk parameters are modelled scenario by scenario for this purpose.

The base scenario of the risk-bearing capacity calculation shows an economic risk exposure from default risks of € 572 m (31 December 2016: € 561 m) for the Group.

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.

Equity Risk

The equity risk 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 (at the level of individual risks) in line with their relative significance and the relevant legal options. 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.

The composition of the equity investments portfolio is virtually unchanged from year-end 2016. The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 11 m (31 December 2016: € 10 m) for the Group from equity risk.

Market Risk

Risk containment

Helaba manages market 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 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 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 risks

Helaba employs a uniform limit structure to limit market risks. The process through which limits are allocated involves the Risk and Credit Committee of the Supervisory Board as well as the Bank's internal corporate bodies. The cumulative limit defined for market 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.

Acting on the recommendation of the Asset/Liability Management Committee, the Risk Committee allocates limits to the risk-incurring business units and the various types of market risk within the scope of the defined cumulative limit for market 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 risks.

Compliance with the cumulative market 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 risk types.

Risk monitoring

The Risk Controlling unit is responsible for identifying, quantifying and monitoring market risks. This responsibility includes checking transactions for market conformity and determining the economic profit or loss as well as risk quantification. 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 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 quantification, 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 risks

Market 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 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.

The summary below presents a reporting date assessment of the market risks (including correlation effects between the portfolios) taken on as at the end of 2017 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market risk types. The fall in the linear interest rate risk is primarily attributable to a modification of the model in the second quarter. In addition to improving the modelling of trends in interest rates in the environment of low interest rates, Helaba also broadened the yield curve universe. Various country- and rating-dependent government, financials and corporate yield curves are also used alongside swap and Pfandbrief curves for measurement purposes. Euro positions account for 86 % (31 December 2016: 90 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, US dollar positions 8 % (31 December 2016: 6 %). 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, Canadian dollar and sterling positions. Residual risk amounted to € 10 m for the Group (31 December 2016: € 12 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 166 m (31 December 2016: € 136 m). The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an economic risk exposure of € 239 m (31 December 2016: € 395 m) for the Group from market risks. The year-on-year decline was largely attributable to the significant fall in linear interest rate risk, although some of this fall was offset by a slight rise in incremental risk.

Group MaR by risk type

in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Total	**45**	**92**	**39**	**88**	**1**	**0**	**5**	**4**
Trading book	15	28	13	26	0	0	2	2
Banking book	39	67	35	64	0	0	4	2

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.

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 risk in the trading book

All market 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 3 shows the MaR for the trading book (Helaba Bank) for the 2017 financial year. The average MaR for 2017 as a whole was € 19 m (2016 as a whole: € 25 m), the maximum MaR was € 32 m (2016 as a whole: € 33 m) and the minimum MaR was € 14 m (2016 as a whole: € 19 m). The fall in risk in the reporting year compared with 2016 is largely explained by the modification of the model used for linear interest rate risk to improve its ability to reflect the low level of interest rates.

Daily MaR of the trading book in financial year 2017

Chart 3

in € m

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 risk quantification can be performed not just centrally at headquarters, but also locally at the sites.

The summary below shows the average daily MaR amounts for the trading book.

Average MaR for the trading book in financial year 2017 ø MaR in € m

	Q1		Q2		Q3		Q4		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Interest rate risk	26	25	15	22	13	21	12	25	17	23
Currency risk	0	0	0	0	1	0	1	0	0	0
Equities risk	2	2	2	2	2	2	2	2	2	2
Total risk	**28**	**28**	**18**	**24**	**16**	**23**	**15**	**27**	**19**	**25**

Number of trading days: 250 (2016: 253)

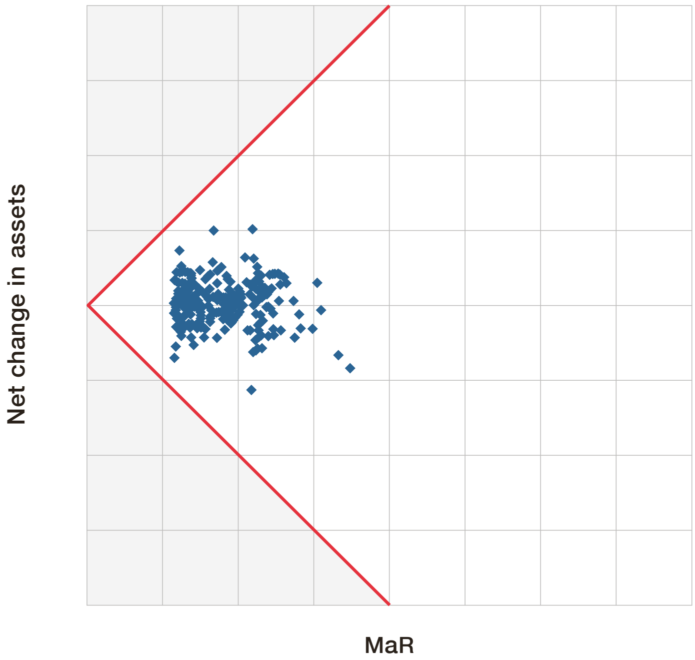
The annual average MaR for the trading book for Frankfurter Sparkasse and Frankfurter Bankgesellschaft (Schweiz) AG remains unchanged at € 0 m in each case.

Back-testing

Helaba carries out clean back-testing daily for all market 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 4 shows the back-testing results of the Helaba risk models for the trading book across all types of market risk in financial year 2017. No negative outliers occurred (2016: no negative outliers).

Back-testing for the trading book in financial year 2017
Chart 4



The internal model for the general interest rate risk produced no negative outliers in 2017 in regulatory back-testing (2016: 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 quantification 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 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 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 risk (including interest rate risk) in the banking book

Helaba employs the MaR approach used for the trading book to map the market 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 the daily risk measurement routine 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 2017, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 277 m in the value of the Helaba Group banking book (31 December 2016: € 261 m). Of this figure, € 258 m (31 December 2016: € 249 m) is attributable to local currency and € 19 m (31 December 2016: € 12 m) to foreign currencies. Helaba carries out an interest rate shock test at least once every quarter.

Performance measurement

Risk-return comparisons are conducted at regular intervals to assess the performance of individual organisational units. 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 and Funding Risk

Ensuring liquidity so as to safeguard its short-term solvency and avoid cost risks in procuring medium-term and long-term funding is a top priority at Helaba, which accordingly employs a comprehensive set of constantly evolving tools to record, quantify, contain and monitor liquidity and funding risks. The processes, tools and responsibilities in place for managing liquidity and funding 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 2017.

A liquidity transfer pricing system ensures that all liquidity costs associated with Helaba's various business activities (direct funding costs and liquidity reserve costs) are allocated transparently. The processes of containing and monitoring liquidity and funding risks are combined in the Internal Liquidity Adequacy Assessment Process (ILAAP) and comprehensively validated on a regular basis.

Containment and monitoring

The Helaba Group operates a local containment and monitoring policy for liquidity and funding risks under which each company has responsibility for ensuring its own solvency, for potential cost risks associated with funding and for independently monitoring those risks. 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, allowing a Group-wide aggregated view.

The Bank draws a distinction in liquidity risk management between short-term and structural liquidity management. Overall responsibility for short-term solvency and for structural liquidity management with regard to the funding of new lending business (maintaining the balanced medium- and long-term liquidity structure) rests with Asset/Liability Management. The same unit is also tasked with the central management of the liquidity buffer for both regulatory purposes (to maintain the LCR) and for collateral management.

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 (liquidity buffer) 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 taking account of markdowns so that unexpected market developments affecting individual securities can also be considered. Securities that are used for collateral purposes (for example repos and pledges) and are thus earmarked for a specific purpose are deducted from the free liquid securities portfolio. The same applies in respect of securities maintained as a liquidity buffer for intra-day liquidity management. The main currency for short-term liquidity at Helaba is the euro, with the US dollar also significant.

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. Helaba remained fully compliant with the liquidity requirements imposed by the banking regulator at all times in 2017.

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 five 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) was 11 % as at the reporting date (31 December 2016: 20 %) as a result of the excellent level of liquidity adequacy. This increased to 16 % (31 December 2016: 24 %) when Frankfurter Sparkasse was included. The average utilisation rate in 2017 was 9 % (2016: 27 %), reflecting the excellent liquidity situation.

The Bank manages short-term liquidity in accordance with the regulatory LCR requirements in parallel with the internal model. In 2017, Helaba's LCR was consistently higher than the relevant regulatory minimum ratio, as had also been the case in 2016. From 2017, it has also already fully achieved a ratio of 100 %, even though this ratio requirement does not yet apply until future years.

Money market staff borrow/invest in the money market (interbank and customer business, commercial paper) and make use of ECB open market operations and facilities in performing the operational cash planning tasks necessary to ensure short-term liquidity. Intraday liquidity planning is carried out in the Cash Management unit.

Off-balance sheet loan and liquidity commitments are regularly reviewed with regard to their drawing potential and features of relevance to liquidity and are integrated into liquidity management. Guarantees and warranties are similarly reviewed. Helaba determines and plans the liquidity to be held available using a scenario calculation that includes a market disturbance.

A total of € 1.5 bn in liquidity commitments had been drawn down for the securitisation platform initiated by Helaba as of the reporting date. This represents a decrease of € 0.1 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 2016).

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 and market liquidity risk

The Asset/Liability Management unit manages the liquidity risks in Helaba's commercial banking activities, which consist essentially of lending transactions including floating-interest roll-over transactions, securities held for the purpose of safeguarding liquidity and medium- and long-term financing, via the central asset/liability management system (ZDS). Funding risk is managed on the basis of liquidity gap analyses where liquidity mismatches are limited. The Bank prevents concentrations of risk from arising when obtaining liquidity by diversifying its sources of funding. Market liquidity risk is quantified in the MaR model for market risks. A monthly scenario calculation using a variety of holding periods is carried out. The scaled MaR suggested no significant market liquidity risk as at 31 December 2017, as was also the case at 31 December 2016. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

The Board of Managing Directors defines the risk tolerance for liquidity and funding risk at least annually. This covers the limit applicable for short-term and structural liquidity risk (funding 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 and tested for all locations.

Operational Risk

Principles of risk containment

Helaba identifies, contains and monitors operational risks using an integrated management approach introduced for this purpose in line with the regulatory requirements.

The approach taken by Helaba provides for the disciplinary and organisational segregation of operational risk containment and monitoring. 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 monitoring rests with the Risk Controlling unit.

Tools

Helaba uses the standardised method to calculate its regulatory capital backing.

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 proprietary risk model, which is based 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 is based 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 along with a central application for risk reporting.

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, the Operational Risk management group created and the units responsible for risk management at the local level informed of the risk situation, any losses incurred, and containment actions derived as a result.

The Bank's risk profile is updated as part of an annual review. The risk profiles of the subsidiaries are added to create the Group risk profile.

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 Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model based on a loss distribution approach, which considers risk scenarios and internal and external losses to calculate unexpected losses (economic risk exposure). This also includes internal loss events and risk scenarios arising from operational risks that originate from risk sub-categories, including legal, information security and IT risks. The summary below shows the risk profile as at the end of 2017 for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Group that are included in risk management at the level of individual risks:

Operational risks – risk profile

Economic risk exposure – base scenario

in € m

	Reporting date 31.12.2017	Reporting date 31.12.2016
	VaR 95.0 %	VaR 95.0 %
Helaba Bank	60	36
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	31	37
Total	**91**	**73**

The base scenario of the going-concern approach for the risk-bearing capacity calculation shows an unexpected loss (economic risk exposure) of € 91 m (31 December 2016: € 73 m) for the Group from operational risks. The increase in this figure can be traced essentially to the updating of the risk scenarios.

Documentation system

The documentation system lays 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. The defined framework for action is marked out in the documentation system in the form of regulations governing activities and processes.

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 risk

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

The legal aspects of major undertakings are coordinated with the Legal Services unit. Legal Services provides specimen texts and explanations for contracts and other declarations with particular legal relevance where expedient as a contribution to preventive risk management. The lawyers of the Legal Services unit have to be involved in the event of any 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 counselling 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 risk

Risks associated with outsourcing arrangements, which are linked to the defined objectives of the divisions concerned for example, can arise in any unit that has outsourced services. Outsourcing also involves operational risk. The units responsible for outsourcing in each division monitor and manage the service providers and their performance in order to limit the risk. The degree of monitoring and management in this regard is based on the risk content, which is regularly reported to the relevant Dezernent (Board member). The Organisation unit (until 31 December 2017: Organisation and Information Technology) maintains a directory of the 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.

Information security and IT risk

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 through the 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. IT risks and the associated security measures and checks are reviewed, periodically and on an ad hoc basis, monitored, and contained. 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. The Operational Risk management group also receives regular reports concerning IS and IT risks.

Business continuity management

Helaba's units and branch offices have drawn up business continuity plans for the critical business processes as part of business continuity management activities. These business continuity plans, which ensure restart, proper emergency operation and restoration of normal operation, are updated and refined on a regular basis and probed in tests and exercises to verify their effectiveness.

Where IT services are outsourced to external service providers, the related contractual documents 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 comprise the Bank (Germany), the branch offices outside Germany, LBS, WIBank, all consolidated companies and sub-groups and all 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 both the single entity financial statements under HGB and 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)/German principles for the proper maintenance and archiving of books, records and documents in electronic form and for data access (GoBD).

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

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

The procedure to be followed in accounting is set out in a number of different complementary forms of documentation. Accounting manuals for HGB and IFRS define stipulations for the accounting methods to be used and 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 that apply throughout the Group. The individual reporting units have direct responsibility for incorporating stipulations in varying degrees of detail concerning the procedure to be applied in the various processes and subprocesses followed in the preparation of 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.

Tax risks

The Bank set up a tax compliance management system (TCMS) in the year under review. It came into force on 1 January 2018. The TCMS has been designed to take into account legal and business management principles, and focuses on complying with tax regulations and avoiding tax risks. Key components of the TCMS are processes for identifying, monitoring and containing tax risks. Risk-related tasks, processes and control requirements are integrated into the Bank's business operating processes.

The overarching parameters are set out in Helaba's tax strategy, which will form an integral part of the business strategy henceforward. All units are under an obligation to comply with the tax strategy requirements in their operating activities. The 'Taxes' department is responsible for monitoring the tax risks in Helaba's business operations. The monitoring activities are carried out by a central tax risk manager in conjunction with tax compliance coordinators in the individual departments.

The 'Taxes' department is also responsible for the system of tax-related instructions, which includes the overarching control requirements. It is the duty of the individual departments to implement the control requirements and any resulting improvement measures.

A reporting system covering the regular submission of information on tax risks has been put in place.

Other Risk Types

Business risk

Risk containment in respect of business risks encompasses all of the measures implemented in order to reduce, limit and avoid risks and to keep intentional risk exposure compliant with the risk strategy and the specified limits adopted by the Board of Managing Directors. 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 quantifies the business risks for the purposes of the calculation of risk-bearing capacity and analyses their development.

Business risks declined by € 8 m to € 150 m over the year to 31 December 2017 (31 December 2016: € 158 m).

Real estate risk

The Real Estate Management unit handles risk containment for the real estate projects and real estate lending portfolios together with the Group companies. Risk containment encompasses all of the measures implemented in order to reduce, limit and avoid risks and to keep intentional risk exposure compliant with the risk strategy and the specified limits adopted by the Board of Managing Directors. The Risk Controlling unit's activities in relation to real estate risks focus on risk quantification and risk monitoring. Risk quantification includes determining the capital necessary to ensure that risk-bearing capacity is maintained.

The risks associated with real estate projects and real estate portfolios increased to € 48 m in 2017 as a result of portfolio growth (31 December 2016: € 31 m). These risks continue to be fully covered by the expected income from the associated transactions.

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, containment and monitoring 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.

Non-Financial Statement

Under the German Act to Strengthen Non-Financial Reporting in Company Management Reports and Group Management Reports (CSR Directive Implementation Act), Helaba is now under an obligation to prepare a non-financial statement, which must be published for the first time in relation to the 2017 financial year (section 340a (1a) of the German Commercial Code (HGB)). Helaba is satisfying this obligation with this non-financial statement for the Group pursuant to section 340i (5) HGB in which it describes the main effects of its business activities in the following non-financial areas: environmental, social and employee concerns, respect for human rights and the prevention and combating of bribery and corruption (section 289c (2) HGB).

The concepts described here generally apply to the Group. If there is any variation from basic principle, this is indicated in the text. Frankfurter Sparkasse is presented on a consolidated basis; any significant attributes relating specifically to Frankfurter Sparkasse are disclosed separately at the relevant points.

In preparing the non-financial statement, Helaba has used the German Sustainability Code (DNK) and the indicators used in the code from the Global Reporting Initiative (GRI). The non-financial statement represents an excerpt from Helaba's DNK Declaration of Conformity. Helaba provides comprehensive reports online on its sustainability activities (nachhaltigkeit.helaba.de). The declaration of conformity in accordance with the DNK can also be accessed on this website.

In the year under review and on the date of the report, and taking into account the risk management process at Helaba (net method), no material risks have been identifiable that have had or are very likely to have a serious negative impact on the areas specified above.

The statements in the non-financial statement have been subject to a voluntary external business management audit in accordance with ISAE 3000 (Revised) in which limited assurance is provided by an independent auditor. References to details outside the management report represent additional information and do not form an integral part of the non-financial statement or the management report.

Business Model

Helaba is a public-law credit institution with a mandate to operate in the public interest and has always embraced non-financial concerns, in addition to financial considerations, as part of its fundamental identity. The business model enjoys strong regional roots and has a long-term focus. Helaba operates throughout Germany and in selected international markets. Key features of Helaba's strategy are a conservative risk profile, close interconnection with the real economy and integration into the S-Group. Helaba's business model is described in detail in the section "Basic Information About the Group".

With a view to minimising negative effects on the environment and society and preventing reputational risk, Helaba drew up guiding sustainability guidelines applicable for the entire Group in 2014. These guidelines include standards of conduct approved by the Board of Managing Directors for business activities, business operations, employees and corporate social responsibility. The guidelines set out the specific details of Helaba's mission to operate in the public interest, as enshrined in the Treaty of the Formation of a Joint Savings Banks Association Hesse-Thuringia and in Helaba's public-law Charter.

In 2017, Helaba also signed up to the ten principles of the UN Global Compact. It therefore recognises international standards for environmental protection, human and labour rights, and anti-corruption measures.

Impact of Business Activities on Environmental and Social Issues

There is an impact on environmental and social issues from Helaba's business activities as a bank, from the housing portfolios of the GWH subsidiary in the real estate business and from the private customer business operated by the subsidiary Frankfurter Sparkasse. Helaba does not believe it has any material impact on the environment from its business operations in office buildings or its operational ecology. For example, Helaba's main office building (MAIN TOWER) has been certified as a sustainable building since 2011 in accordance with Leadership in Energy and Environmental Design (LEED) standards; in 2016, following the implementation of energy efficiency measures, the building was awarded platinum certification, the highest category available. Helaba regularly monitors environmental indicators in relation to its operations and publishes the results transparently on its website.

Credit finance

Lending business is Helaba's core activity. Therefore, there is a risk that businesses or projects financed by Helaba could have negative effects on the environment or society.

In 2017, Helaba developed sustainability and exclusion criteria for lending with the aim of minimising these negative effects from financing operations.These criteria have been integrated into the existing risk process and risk containment activities and will apply throughout the Group from the 2018 financial year.

Accordingly, it has been set out in the specific risk strategy for default risk that it is prohibited to consciously finance projects that could have a serious detrimental environmental or social impact. This includes, but is not limited to, violations of human rights, the destruction of cultural assets, infringements of employee rights and environmental damage.

These overarching principles in lending policies are complemented by sector-specific guidelines applicable to sectors exposed to heightened risk. Specific criteria have been adopted for the following sectors: energy, coal-fired power plants, dams and hydroelectric power plants, nuclear power plants, mining, oil and gas, agriculture and forestry, paper and pulp, and armaments. For example, Helaba has decided that its current exposures in relation to coal-fired power plants and power station coal will be gradually scaled back. At the same time, it is stepping up its positive involvement in Germany's switch to renewable energies by specifically aiming to finance energy-efficient and environmentally friendly technologies as well as renewable energy sources themselves. The sector-specific guidelines are published on Helaba's website and are therefore also visible to the market players.

Helaba reviews its risk strategies annually and will adjust or expand sustainability criteria as required. The containment of default risk is integrated into the risk management system used throughout the Bank. The basis is a comprehensive and universal risk strategy derived from the business strategy. This risk strategy was drawn up on a binding basis in accordance with the German Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk). The Board of Managing Directors is responsible for all of the risks to which Helaba is exposed and for implementing the risk policy throughout the Group (see Risk Report).

Provision of financial services

Within the Helaba Group, private customer business is primarily conducted by Frankfurter Sparkasse. Frankfurter Sparkasse's Charter specifies that its mission is to promote saving and other forms of wealth accumulation and to satisfy the demand for credit at local level. As regional market leader in private customer business, Frankfurter Sparkasse has significant influence over the provision of financial services in its territory. It discharges its responsibility for the provision of access to financial services and meets its mandate to operate in the public interest by ensuring it has a broadly based presence in the territory, comprising 77 branches and advice centres, 20 self-service banking centres and more than 120 automated teller machines (ATMs).

Frankfurter Sparkasse recognises financial inclusion as a key component of its mandate to operate in the public interest. To ensure that access to banking services is available to all sectors of the population, particularly economically and socially disadvantaged customers, Frankfurter Sparkasse offers various types of basic account. As at 31 December 2017, 1,033 basic accounts were offered. Frankfurter Sparkasse makes it easier for the blind and visually impaired to access its services by ensuring that each of its physical branches has at least one ATM with a headphone socket. Since the end of 2016, the online branch has also offered full disabled access.

As a retail provider, Frankfurter Sparkasse pursues a business policy that is consistently focused on customer needs. Regular training sessions on the sales philosophy of the Sparkassen-Finanzgruppe and on implementing guidelines and laws with a consumer focus, together with targeted incentives, form the basis of this business policy. One example of the approach is that qualitative targets are used as the basis for 50 % of the measurement of the performance of customer advisors at Frankfurter Sparkasse in order to ensure that the advice provided is of a high quality. In addition, within the framework of the S-Group Concept in Hesse and Thuringia, customer satisfaction is regularly measured and reported to S-Group bodies. Targets are then determined from the findings and incorporated in the S-Group strategy.

Real estate business

GWH Immobilien Holding GmbH leases out and/or manages some 50,000 homes in its real estate business and therefore holds significant influence over environmental and social issues. The objective it pursues is to provide high-quality, affordable homes for broad sections of the population and to reduce the detrimental effects of real estate on the environment. There is a risk of a housing shortage, particularly in the urban centres of the Rhine-Main and Rhine-Neckar regions. GWH makes best efforts to provide high-quality housing and maintain a long-term relationship with its tenants based on targeted capital investment, new construction projects and the provision of local help and advice offices.

From an environmental perspective, GWH has established processes aimed at continuously optimising the energy and carbon footprint of its residential buildings. For example, it invests on an ongoing basis in improved insulation and more energy-efficient windows in its housing portfolio and uses its own energy service provider (Systeno GmbH) to ensure that an increasing proportion of its homes are supplied with heating energy from energy-efficient combined heat and power (CHP) generation and renewable energy sources. It regularly checks that these activities have been successful by measuring the savings achieved in CO_2 emissions. In 2016, the total energy consumption of 498,577 MWh was reduced by approximately 1.4 % as a result of heat insulation improvements and modernisation of heating systems, saving 1,374 tonnes of CO_2.

In addition to environmental effects, social issues related to the leasing and managing of housing are also of significance for tenants and society as a whole. Among other things, GWH is involved in major housing schemes with particular sociocultural profiles. One quarter of the homes provided by GWH are rent-controlled (subsidised); one fifth of the homes are located in areas subject to special neighbourhood management from a social perspective. The objective of this neighbourhood management is to use a range of measures to improve the residents' quality of life and quality of living as well as bring about a social balance. GWH makes premises available for example for social outreach purposes, including homework assistance, youth support schemes and community centres. It supports housing development residents by setting up help and advice offices, for example, and employing welfare officers as points of contact. GWH services the demand for housing with a continuous programme of new construction. For example, 275 homes for rent and 83 owner-occupied houses or apartments were completed in 2017.

Combating bribery and corruption

It is a fundamental principle at Helaba that the Group will comply at all times with laws and regulations at local, national and international levels. The risk that legal provisions could be breached is considered legal risk and is managed as part of operational risk (see Risk Report).

In view of the nature of banking business, the prevention of criminal economic activity (such as fraud, bribery or corruption) by means of a compliance management system with a preventive focus is of key importance at Helaba in this context. One of the measures taken by Helaba has been to set up the functions of the Money Laundering and Fraud Prevention Compliance Office, which is independent and reports directly to the Board of Managing Directors. This 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 compliance management system at Frankfurter Sparkasse is closely integrated into this process and satisfies the standards applicable throughout the Group.

By signing up to the UN Global Compact in 2017, Helaba has reinforced its position that it is against all forms of corruption, including blackmail and bribery.

Any kind of active or passive corruption is prohibited at Helaba. This is laid down in the code of conduct, which serves as an overarching set of guidelines and framework of principles for all employees. Procedural instructions set out binding rules and regulations for a wide variety of activities, including the handling of inducements and action to be taken if criminal economic activity is suspected. As regards the treatment of gifts, the Helaba company regulations ensure that business decisions are taken objectively and transparently on the basis of a clear fact-based rationale. The company regulations are intended to provide assistance, set standards for authorisation requirements and ensure transparent handling. As part of regulatory requirements, Helaba holds regular training events and it is mandatory for employees to attend.

A whistleblowing system is in place, enabling any employee to report potentially unlawful transactions. Any employee can contact an external ombudsperson either anonymously or safe in the knowledge that their identity will not be disclosed. A separate system has been set up at Frankfurter Sparkasse. In 2017, no corruption proceedings were instigated against Helaba.

Employee concerns

The knowledge and experience of employees is key to the long-term successful performance of Helaba as a bank in the financial services sector. The Helaba Group has approximately 6,100 employees, 95 % of whom work in Germany. Relevant labour law and health & safety regulations are applied and well-established processes ensure compliance.

As provided for in the Hessian Act concerning Personnel Representation (HPVG), the Human Resources Council (HRC) represents the interests of the employees and monitors compliance with the regulations intended to protect these interests. As the representative body, the Human Resources Council is the first point of contact for senior management in all matters concerning employees. The General Human Resources Council at Helaba is supported by personnel representative bodies at individual sites and at Frankfurter Sparkasse and by the body representing young trainees and the severely disabled. The Human Resources Council takes part in activities at Helaba on the basis of co-determination, involvement and consultation, primarily in relation to organisational, personnel and social matters.

Helaba's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration. The remuneration for around 60 % of employees in the Helaba Group is collectively agreed, with the pay for more than 80 % of this proportion being set under the collective agreement for public-sector banks. Some 96.7 % of employees have a permanent employment contract. The remuneration systems for the employees and the Board of Managing Directors of Helaba and Frankfurter Sparkasse satisfy the requirements specified in the German Regulation on the Supervisory Requirements for Institutions' Remuneration Systems (IVV) and are published annually on Helaba's website in the form of a separate report (remuneration report pursuant to section 16 IVV).

Employer brand and employee retention

Helaba is a provider of specialist financial services and has set itself the ongoing objective of attracting suitable, highly qualified employees and retaining these employees over the long term. Demographic change is presenting a particular challenge in that Helaba must be able to attract and retain young talent with a high degree of potential. Constant developments in banking regulation and the ongoing digitalisation of business are also presenting Helaba with changes to the requirements it must meet to maintain its appeal, primarily for a young target group of employees, and to respond to shifting and/or new skills needs.

The skills required of a jobholder are set out in a requirements profile. The targets to be set and performance to be assessed against this background form part of the annual employee appraisal carried out jointly by line managers and employees. The employee appraisal is a key management tool and core component of HR development, allowing Helaba to express its appreciation for the work carried out and providing support if there is a need for change. Based on an agreement on targets, managers should aim to establish the greatest possible degree of transparency regarding the required tasks and the performance expected of employees, while at the same time fostering co-operation based on trust.

During the course of 2016, Helaba carried out an initial step in its efforts to strengthen its appeal as an employer over the long term by conducting an employee survey throughout the Bank, to which approximately 83 % of employees responded. In 2017, the results from this survey led to a process of transformation in corporate culture, headed “move Helaba”. As part of this transformation process, Helaba carried out employee workshops covering topics such as appreciation and leadership, communications and discussion culture, co-operation and processes, and customer focus/efficiency. This process will be continued in 2018.

Frankfurter Sparkasse also conducted an employee survey in 2016. Based on the results, multilevel workshops were held in 2017 with the participation of employees. These workshops drew up proposed improvements for internal co-operation and then refined the proposals in discussions with managers. The outcomes from this process and the resulting information were fed into the subsequent series of training sessions headed “FührungsTriathlon” (management triathlon) and a series of presentations entitled “FührungsImpulz” (management stimulus).

A range of training and professional development offerings ensures that staff remain employable until they reach retirement age and enhances Helaba’s appeal as an employer. In 2017, Helaba invested € 5 m specifically in developing employee skills and qualifications, the same figure as in the previous year. The needs-based range of seminars covering professional, personal, social and methodological development helps managers and employees fulfil their day-to-day responsibilities. These seminars are complemented by foreign language training, topic-specific training provided by external providers and courses of study in business management. A separate trainee programme aims to attract young talent. An 18-month programme lays the foundations for the subsequent professional development of trainees as specialists or managers within a value chain defined in advance.

Helaba attaches particular importance to the greater advancement of women and to the development of HR tools that are differentiated by age. The advancement of women and age-differentiated HR tools are key factors that will enable Helaba to make the most of the potential presented by all employees and exploit the long-term prospects available in the Group. A Diversity working group with representatives from the Human Resources Council and the HR unit will discuss and launch strategies for the advancement of women and for HR activities with a greater focus on life-cycle. Within operating activities, Helaba has already benefited from good experience in implementing a cross-mentoring programme.

Diversity in the Helaba workforce, key figures

	31.12.2017	31.12.2016	31.12.2015
Employees in Germany and Switzerland (number)	5,921	5,897	5,961
Proportion of women	47.8 %	47.5 %	47.6 %
Proportion of female managers	22.0 %	19.6 %	17.7 %
Proportion of women on the Board of Managing Directors (Helaba Bank)	0.0 %	0.0 %	0.0 %
Proportion of women on the Supervisory Board (Helaba Bank)	22.2 %	22.2 %	22.2 %
Proportion aged > 50	42.3 %	39.5 %	39.3 %
Proportion aged 30 – 50	50.3 %	52.3 %	52.9 %
Proportion aged < 30	7.4 %	8.2 %	7.8 %
Proportion of employees with disabilities	5.6 %	5.8 %	6.1 %

Occupational health management at Helaba focuses on promoting the health of employees in addition to complying with statutory health and safety requirements. Employees can obtain information on a regular basis and make use of offerings at events, presentations and seminars covering topics such as nutrition, movement, mental balance/relaxation and provision for risks. A company sports programme with a wide range of options is provided to promote physical fitness. Great importance is attached to mental as well as physical health. The welfare service (or employee welfare department at Frankfurter Sparkasse) makes expert advice available to all employees who find themselves faced with challenging situations, either in their jobs or in their lives in general.

Overall, a low employee turnover rate of 2 % (departure initiated by the employee), an average period of service of 15.3 years and a low absenteeism rate of 4.3 % (absence caused by sickness evidenced by doctor's certificate) are testimony to a high degree of satisfaction and significant employee commitment.

Respect for human rights

At both national and international levels, Helaba applies the Universal Declaration of Human Rights and the Declaration on Fundamental Principles and Rights at Work issued by the International Labour Organisation (ILO) as overarching principles for all its business activities. As a public-law credit institution with a mandate to operate in the public interest, Helaba does not believe that its activities have any material impact on the issue of human rights and does not therefore consider that it is subject to any reporting requirements in this regard. In Helaba's opinion, neither its business model nor its products give rise to any material risk to the respect for human rights.

Nevertheless, to minimise any potential indirect impact on human rights, in particular from business activities involving credit finance, Helaba has included appropriate criteria in its process for granting a loan (see Credit finance). In 2017, Helaba also reinforced its claim to be an upholder of human rights by signing up to the UN Global Compact, the ten principles of which include respect for human rights.

There is no material impact on human rights in respect of Helaba's supply chain either. Nevertheless, to minimise any potential impact, Helaba makes sure in the process for selecting suppliers that suppliers have committed to respecting human rights. It also uses a risk-based approach when outsourcing activities and processes. Risks are mitigated in a number of ways, including by outsourcing only to providers that abide by a sustainable business policy based on binding codes of conduct and voluntary undertakings.

Consolidated Financial Statements

This year the Consolidated Financial Statements within the Annual Report 2017 are also available for the first time as an online version.

onlinereports.helaba.com/annual-report-2017

Income Statement

for the period 1 January to 31 December 2017

		2017	2016	Change	
	Notes	in € m	in € m	in € m	in %
Interest income		3,727	4,022	–295	–7.3
Interest expense		–2,633	–2,791	158	5.7
Net interest income	(4), (24)	**1,094**	**1,231**	**–137**	**–11.1**
Provisions for losses on loans and advances	(14), (25)	56	–154	210	> 100.0
Net interest income after provisions for losses on loans and advances		**1,150**	**1,077**	**73**	**6.8**
Fee and commission income		494	538	–44	–8.2
Fee and commission expenses		–140	–198	58	29.3
Net fee and commission income	(26)	**354**	**340**	**14**	**4.1**
Net trading income	(4), (27)	268	146	122	83.6
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	(4), (8), (28)	–118	51	–169	> –100.0
Net income from hedge accounting	(8), (29)	–9	–5	–4	–80.0
Net income from financial investments	(4), (30)	16	45	–29	–64.4
Share of profit or loss of equity-accounted entities	(2), (31)	19	8	11	> 100.0
Other net operating income	(15), (32)	79	119	–40	–33.6
General and administrative expenses	(33)	–1,312	–1,232	–80	–6.5
Profit before taxes		**447**	**549**	**–102**	**–18.6**
Taxes on income	(22), (34)	–191	–209	18	8.6
Consolidated net profit		**256**	**340**	**–84**	**–24.7**
thereof: Attributable to non-controlling interests		–6	–5	–1	–20.0
thereof: Attributable to shareholders of the parent company		262	345	–83	–24.1

Statement of Comprehensive Income

for the period 1 January to 31 December 2017

	Notes	2017 in € m	2016 in € m	Change in € m	Change in %
Consolidated net profit according to the income statement		**256**	**340**	**– 84**	**– 24.7**
Items that will not be reclassified to the income statement:					
Remeasurement of net defined benefit liability	(54)	116	– 168	284	> 100.0
Taxes on income on items that will not be reclassified to the income statement	(34)	– 34	48	– 82	> – 100.0
Subtotal		**82**	**– 120**	**202**	**> 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		– 43	79	– 122	> – 100.0
Gains (–) or losses (+) reclassified to the income statement upon disposal or impairment of the assets		– 23	– 16	– 7	– 43.8
Changes due to currency translation					
Gains (+) or losses (–) on currency translation of foreign operations		– 20	7	– 27	> – 100.0
Taxes on income on items that will be reclassified to the income statement	(34)	23	– 14	37	> 100.0
Subtotal		**– 63**	**56**	**– 119**	**> – 100.0**
Other comprehensive income after taxes		**19**	**– 64**	**83**	**> 100.0**
Comprehensive income for the reporting period		**275**	**276**	**– 1**	**– 0.4**
thereof: Attributable to shareholders of the parent company		275	276	– 1	– 0.4

Statement of Financial Position

as at 31 December 2017

Assets

		31.12.2017	31.12.2016	Change	
	Notes	in € m	in € m	in € m	in %
Cash reserve	(36)	9,913	3,096	6,817	>100.0
Loans and advances to banks	(4), (37)	11,034	15,235	–4,201	–27.6
Loans and advances to customers	(4), (38)	90,230	93,078	–2,848	–3.1
Allowances for losses on loans and advances	(14), (39)	–401	–772	371	48.1
Trading assets	(4), (40)	16,319	20,498	–4,179	–20.4
Positive fair values of non-trading derivatives	(4), (8), (41)	2,924	4,024	–1,100	–27.3
Financial investments	(4), (42)	24,019	25,771	–1,752	–6.8
Shares in equity-accounted entities	(2), (43)	45	25	20	80.0
Investment property	(15), (44)	2,239	2,163	76	3.5
Property and equipment	(16), (45)	427	435	–8	–1.8
Intangible assets	(17), (46)	66	113	–47	–41.6
Income tax assets	(22), (47)	483	522	–39	–7.5
Other assets	(19), (48)	1,051	976	75	7.7
Total assets		**158,349**	**165,164**	**–6,815**	**–4.1**

Liabilities and Equity

	Notes	31.12.2017 in € m	31.12.2016 in € m	Change in € m	Change in %
Liabilities due to banks	(4), (49)	31,514	30,138	1,376	4.6
Liabilities due to customers	(4), (50)	49,521	46,824	2,697	5.8
Securitised liabilities	(4), (51)	48,155	50,948	−2,793	−5.5
Trading liabilities	(4), (52)	12,289	18,713	−6,424	−34.3
Negative fair values of non-trading derivatives	(4), (8), (53)	2,281	3,918	−1,637	−41.8
Provisions	(20), (21), (54)	2,129	2,319	−190	−8.2
Income tax liabilities	(22), (55)	268	184	84	45.7
Other liabilities	(19), (56)	648	647	1	0.2
Subordinated capital	(23), (57)	3,510	3,623	−113	−3.1
Equity	(58)	8,034	7,850	184	2.3
Subscribed capital		2,509	2,509	–	–
Capital reserves		1,546	1,546	–	–
Retained earnings		3,775	3,521	254	7.2
Revaluation reserve		197	246	−49	−19.9
Currency translation reserve		10	30	−20	−66.7
Non-controlling interests		−3	−2	−1	−50.0
Total liabilities and equity		**158,349**	**165,164**	**−6,815**	**−4.1**

Statement of Changes in Equity

for the period 1 January to 31 December 2017

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	Subtotal		
Equity as at 1.1.2016	**2,509**	**1,546**	**3,398**	**202**	**23**	**7,678**	**–2**	**7,676**
Changes in the basis of consolidation			2			2	–	2
Dividend payment			–104			–104	–	–104
Comprehensive income for the reporting period			225	44	7	276	–	276
Equity as at 1.1.2017	**2,509**	**1,546**	**3,521**	**246**	**30**	**7,852**	**–2**	**7,850**
Changes in the basis of consolidation			–			–	–1	–1
Dividend payment			–90			–90	–	–90
Comprehensive income for the reporting period			344	–49	–20	275	–	275
Equity as at 31.12.2017	**2,509**	**1,546**	**3,775**	**197**	**10**	**8,037**	**–3**	**8,034**

Cash Flow Statement

for the period 1 January to 31 December 2017

in € m

	2017	2016
Consolidated net profit	**256**	**340**
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	346	240
Additions to/reversals of provisions	224	245
Other non-cash expense/income	–399	35
Gain or loss on the disposal of non-current assets	–55	–38
Other adjustments	–906	–1,097
Subtotal	**–534**	**–275**
Changes in assets and liabilities from operating activities after adjustment for non-cash items:		
Loans and advances to banks	4,203	1,898
Loans and advances to customers	2,802	110
Trading assets/liabilities	–2,295	1,833
Other assets from operating activities	–1,053	–570
Liabilities due to banks	1,373	–5,819
Liabilities due to customers	1,649	–881
Securitised liabilities	–1,834	4,016
Other liabilities from operating activities	–292	–182
Interest and dividends received	3,702	4,045
Interest paid	–1,712	–3,005
Income tax payments	–82	–201
Cash flow from operating activities	**5,927**	**969**
Proceeds from the disposal of:		
Financial investments	6,165	7,324
Property and equipment	26	–
Investment property	60	44
Payments for the acquisition of:		
Financial investments	–4,972	–6,364
Property and equipment	–40	–12
Investment property	–146	–277
Intangible assets	–66	–19
Effect of changes in basis of consolidation:		
Payments for the acquisition of subsidiaries and associates	–	6
Proceeds from the disposal of subsidiaries and associates	19	–
Cash flow from investing activities	**1,046**	**702**
Dividend payments	–90	–104
Other financing activities (subordinated capital)	–110	–406
Cash flow from financing activities	**–200**	**–510**

in € m

	2017	2016
Cash and cash equivalents at 1.1.	**3,096**	**1,909**
Cash flow from operating activities	5,927	969
Cash flow from investing activities	1,046	702
Cash flow from financing activities	–200	–510
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	44	26
Cash and cash equivalents at 31.12.	**9,913**	**3,096**
thereof:		
Cash on hand	89	105
Balances with central banks	9,824	2,991

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. For further information on cash and non-cash changes in the cash flow from financing activities, please refer to the changes in subordinated capital reported in Note (57).

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

Notes

Accounting Policies

Income Statement Disclosures

Statement of Financial Position Disclosures

Further Disclosures About Financial Instruments

Off-Balance Sheet Transactions and Obligations

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Notes

Accounting Policies

(1) Basis of Presentation

Basis of accounting

The consolidated financial statements of the Helaba Group for the year ended 31 December 2017 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 2017 have been applied in full. The relevant requirements of German commercial law as specified in section 315a HGB have also been observed.

There were no IFRSs and IFRICs adopted by the EU and of significance for Helaba that had to be applied for the first time in the 2017 financial year.

New financial reporting standards for future financial years

- **IFRS 9 Financial Instruments**
  In July 2014, the International Accounting Standards Board (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 the assets side, have been fundamentally recast. In the future, the classification and measurement of financial assets will be based on the business model concerned and the characteristics of the contractual cash flows: Debt instruments on the asset side with cash flows typical of a simple lending relationship qualify for measurement at amortised cost or at fair value through other comprehensive income, depending on whether the business model aims to hold the asset and collect the contractual cash flows or to hold the asset with a view to selling it prior to its contractual maturity. If neither of these two business models applies or the cash flow criterion is not satisfied, it is mandatory to recognise and measure the asset at fair value through profit or loss (FVTPL). Equity instruments are generally measured at fair value through profit or loss (FVTPL), although there is an option to recognise equity instruments not held for trading at fair value through other comprehensive income (FVOCI option). If the FVOCI option is used, it is not permitted to recycle changes in fair value through profit or loss.

    Each business model is assessed at a portfolio level lower than that of the core business areas. In this regard, the business model in which the asset is held and the contractual cash flows collected has been identified as the relevant business model for the lending business in the core areas of business. The only exceptions are restricted syndication operations, which are measured at fair value through profit or loss. There is no change in accounting treatment compared with IAS 39 in either case. A new requirement is that a solely payments of principal and interest (SPPI) test must be carried out in respect of the “hold to collect the contractual cash flows” and “hold to collect and sell” portfolios. As a result of the cash flow criterion not being satisfied, it is anticipated that the value of the portfolio of financial assets measured at fair value through profit or loss will increase by around € 150 to 160 m. The mark-to-market measurement of the instruments that do not satisfy the SPPI test is likely to lead to a positive impact on equity of € 7 to 10 m in the opening statement of financial position in accordance with IFRS 9. The business model in which the aim is to hold an asset with a view to selling it is used for the liquidity portfolio. This portfolio largely comprises the available-for-sale securities previously reported under financial investments and these securities will continue to be recognised at fair value through other comprehensive income. However, in one subsidiary, liquidity portfolios comprise promissory note loans that were previously reported under loans and advances. The reclassification from measurement at amortised cost to measurement at fair value as a result of the applicable business model has a positive impact on equity of € 3 to 5 m. The FVOCI option for equity instruments is exercised solely for selected strategic investments. All other equity investments are measured at fair value through profit or loss. Equity investments will probably not have any impact on equity because equity investments were already measured at fair value under IAS 39 except in a small number of cases.

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 (FV option). 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 the income statement. Initial application will lead solely to a reclassification within equity. The standard states that this provision may be applied separately prior to the initial application of IFRS 9. Helaba does not make use of this option.

– Accounting treatment of impairment
The new rules under IFRS 9 for recognising impairment losses represent a departure from the previous approach of recognising incurred losses (incurred loss model under IAS 39). The scope of the new model encompasses financial assets measured at amortised cost and also all debt instruments measured at fair value through other comprehensive income, trade receivables, contractual assets in accordance with IFRS 15, lease receivables, as well as certain loan commitments and financial guarantees. Under the new expected credit loss model, it is mandatory to recognise loss allowances, depending on the allocation of the instrument to a particular stage, for all financial instruments falling within the scope of the standard. Loss allowances at stage 1 are based on expected credit losses arising from loss events within the next twelve months and at first encompass all instruments on initial recognition. If there is a significant increase in credit risk following initial recognition, the instrument is transferred to stage 2. Loss allowances at stage 2 must be increased to cover lifetime expected credit losses (lifetime ECLs). Stage 3 consists of financial instruments for which there is objective evidence of impairment and also requires the recognition of lifetime ECLs. In this case, the indicators qualifying as objective evidence are the same as those specified in IAS 39. IFRS 9 provides for options in the case of lease receivables, trade receivables and instruments with low credit risk.

The calculation of lifetime ECLs is based on projections of the probability of default using migration matrices differentiated by rating module, modelling of the EAD based on contractual payments taking into account anticipated unscheduled repayments of principal (derived from previous experience), and LGD modelling taking into account forecast trends in the fair value of collateral. The probabilities of default factor in three macroeconomic scenarios, so that the loss allowances also appropriately take into account non-linear correlations. As regards the transfer logic, Helaba makes use of the option to classify instruments with low default risk to stage 1 across the board, exclusively for the securities portfolio. In line with the standard process all other instruments will be reviewed to establish whether there has been a significant increase in credit risk. Helaba will rely on the well-established internal rating process to carry out this review. If a significant increase arises compared with the amount of credit risk expected on initial recognition, the instrument concerned will be transferred to stage 2. The predicted default risk will be determined using rating-module-specific migration matrices and a distribution assumption (quantile), such that a rating threshold value can be established as a quantitative transfer criterion for each financial instrument. The transfer of an instrument to loan workout will also be used as a qualitative criterion for assessing whether the instrument needs to be moved to stage 2. In the context of stage 3, indicators constituting objective evidence will be harmonised with the regulatory definition of a default event in accordance with article 178 CRR. Accordingly, a default event will lead to a transfer to stage 3; a transfer back again is only possible after a recovery phase. In the case of significant loans (exposures of € 3 m or more), the loss allowance at stage 3 is calculated on the basis of individual cash flow estimates, taking into account various scenarios and the probability of such scenarios materialising. In the case of loans not classified as significant, the lifetime ECL as determined at stage 2 is used, but with a default probability of 1.

It is anticipated that the transition to IFRS 9 will lead to an increase in provisions for losses on loans and advances in the order of € 55 to 65 m (initial application effect).

– Hedge accounting

IFRS 9 also involved the extensive revision of general hedge accounting provisions. The objective of the new rules is to bring the hedge accounting provisions closer into line with an entity's economic risk management. To this end, some of the restrictions in the current provisions have been eliminated under IFRS 9. For example, it will be possible to use hedge accounting for a greater selection of hedging instruments and hedged items, and the requirement involving strict, retrospective proof of effectiveness has been removed.

As macro hedge accounting does not form part of the current IFRS 9, there is an option to continue to apply all the provisions in IAS 39 relating to hedge accounting (general and macro hedge accounting) until the IASB's macro hedge accounting project has been completed. Helaba does not make use of this option. The advantage for Helaba is that, under IFRS 9, the currency basis spread can be posted separately in OCI as a non-designated cost component of the hedging derivative. In this regard, new foreign currency hedges will be designated prospectively from 2 January 2018. The existing hedges in accordance with IAS 39 will be maintained unchanged under IFRS 9. There will be no effects from the initial application of the general hedge accounting rules in accordance with IFRS 9.

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. These include the option not to restate comparative figures for prior periods. Helaba will utilise this simplification option. The overall impact on equity from initial application will be negative in a range of € 40 to 55 m (before deferred taxes) or € 25 to 40 m (after deferred taxes). The opening statement of financial position in accordance with IFRS 9 had not yet been finalised on the date these financial statements were prepared.

Helaba will not make use of the transitional regulatory rules in accordance with article 473a CRR covering the inclusion of the initial application effects when determining capital ratios. The recognition at fair value of subsidiaries not included in the regulatory consolidation – which is now mandatory following the elimination of the exemption under IAS 39 allowing the recognition of equity investments at cost – will mean that the switch to IFRS 9 will result in an increase of around 0.7 percentage points in the Common Equity Tier 1 (CET1) capital ratio.

- **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 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 scope of the disclosure requirements is also extended under IFRS 15. The provisions and definitions in IFRS 15 will in the future replace the content of both IAS 18 Revenue and IAS 11 Construction Contracts as well as that of the associated interpretations; 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.

The standard will be applied for the first time in the financial year beginning 1 January 2018. Helaba intends to use the modified retrospective method in the transition to IFRS 15. In this method, cumulative adjustment amounts will be recognised on 1 January 2018. As a consequence, Helaba will not present the effects on individual comparative periods from the application of IFRS 15.

Other than the requirement to prepare more comprehensive disclosures on the revenue generated by the Group from contracts with customers, it is not anticipated that there will be any material impact on the financial position and financial performance of the Group from the application of IFRS 15.

- **IFRS 16 Leases**

The central idea of this new standard is that lessees will generally have to recognise all leases and the associated contractual rights and obligations in the statement of financial position. From the perspective of the lessee, the previous distinction between finance and operating leases as specified by IAS 17 will no longer be required in the future.

In respect of all leases, the lessee must recognise in the statement of financial position a lease liability for the obligation to make future lease payments. At the same time, the lessee must recognise an asset representing the right to use the underlying asset. The amount of the right-of-use asset must generally equate to the present value of the future lease payments plus directly assignable costs. During the term of the lease, the lease liability will be reduced in accordance with the principles of financial mathematics in a manner similar to that specified for finance leases in IAS 17 whereas the right-of-use asset will be amortised. Exemptions from this accounting treatment will be available for short-term leases and low-value leased assets.

In contrast, the rules for lessors in the new standard are similar to the existing provisions in IAS 17. Leases will continue to be classified either as finance or operating leases. Leases in which substantially all the risks and rewards of ownership are transferred must be classified as finance leases; all other leases are classified as operating leases. The classification criteria in IAS 17 have been carried over and included in IFRS 16.

IFRS 16 also includes a range of other provisions covering recognition, disclosures in the notes and sale-and-leaseback transactions.

The new provisions, which have been adopted by the EU, must be applied in annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided that IFRS 15 is also applied. Helaba is currently reviewing the implications of IFRS 16. The new standard on leasing will have a particular effect on the accounting treatment of the leased commercial real estate but Helaba anticipates little impact on financial position or financial performance. No early application is planned.

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 early by Helaba, 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.

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

The distribution of the net gains or losses from the centrally held liquidity securities has been restated in the segment reporting for the period under review (see Note (35)). As a result, amounts have been moved between the segments Real Estate, Corporate Finance, Financial Markets, S-Group Business, Private Customers and SME Business, and Other. The prior-year figures have been restated accordingly.

In Note (42), the figure reported in the prior year for the portfolios of listed equity shares and other variable-income securities was too high. The prior-year figure has been restated accordingly.

Trade accounts receivable and trade accounts payable have been added to Note (67). The prior-year figures have been restated accordingly. Please refer to the relevant notes for details.

In Note (68), the criteria for the allocation of the fair values of loans and receivables to the levels in the measurement hierarchy have been adjusted because the persistently low interest rates mean that other input factors (such as credit rating) are having a relatively greater impact on the calculated fair value. In addition, long-term loans and advances will generally be allocated to Level 3 going forward. The prior-year figures have been restated accordingly.

There was no impact on consolidated net profit or on equity from the restated prior-year figures referred to above.

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 2017. Even in exceptions, which mostly relate to collective investment undertakings, figures as at 31 December 2017 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 can directly or indirectly exercise 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 in accordance with IFRS 10.

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 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 circumstances are 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 for all cases exceeding a materiality threshold. 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 in substance are dependent on the performance of the entity and subject to fluctuation as a result.

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 the Helaba Group 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, the Helaba Group 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 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.

Entities are consolidated for the first time on the date of acquisition, or on the date an opportunity for control arises as defined in IFRS 10, 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 (17)). 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, or no longer accounted for using the equity method, on the date on which the consolidation requirement no longer applies. 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. The assets and liabilities are reported under a separate item on the face of the statement of financial position. The contributions to earnings from subsidiaries are recognised in a separate line item in the 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, any impairment losses and other provisions for losses on loans and advances are reported under share of profit or loss of equity-accounted entities on the face of the consolidated income statement. The share of other comprehensive income of equity-accounted entities is reported as a separate line item in the consolidated statement of comprehensive income.

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 pro rata 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 118 entities are consolidated in the Helaba Group (31 December 2016: 116 entities). Of this total, 84 (31 December 2016: 88) entities are fully consolidated, while 34 (31 December 2016: 28) entities are included using the equity method. The fully consolidated companies are subsidiaries and special purpose entities in accordance with IFRS 10, including collective investment undertakings.

The consolidated financial statements do not include 34 subsidiaries, 19 joint ventures and 11 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 (88). 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 were related to the subsidiaries shown below.

Changes in the group of fully consolidated entities

Additions

ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	Opportunity for control obtained by Helaba in June 2017 through potential majority of voting rights in the company
Family Office der Frankfurter Bankgesellschaft AG, Frankfurt am Main	Entity established in June 2017
Galerie Lippe GmbH & Co. KG, Frankfurt am Main	Switch from equity-method accounting to full consolidation following acquisition of shares in November 2017

Disposals

Erste ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	Shares sold in December 2017
Haus am Zentralen Platz GmbH & Co. KG, Frankfurt am Main	Entity merged in June 2017
Horrido-Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs OHG	Entity merged in December 2017
MS „EAGLE STRAIT“ GmbH & Co. KG, Hamburg	Following derecognition of the funding in July 2017, there is no longer any consolidation requirement under IFRS 10.
MS „ESSEX STRAIT“ GmbH & Co. KG, Hamburg	Following derecognition of the funding in July 2017, there is no longer any consolidation requirement under IFRS 10.
Projektentwicklung Lutherplatz GmbH & Co. KG, Frankfurt am Main	Shares sold in November 2017
Zweite ILZ Leipzig GmbH & Co. KG, Frankfurt am Main	Shares sold in December 2017

The initial consolidation of ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG gave rise to income of € 13 m, while the initial consolidation of Galerie Lippe GmbH & Co. KG resulted in expenses of € 8 m.

The deconsolidation of Projektentwicklung Lutherplatz GmbH & Co. KG led to income of € 5 m and that of Erste ILZ Leipzig GmbH & Co. KG and Zweite ILZ Leipzig GmbH & Co. KG to combined total income of € 1 m.

The deconsolidation of MS „EAGLE STRAIT“ GmbH & Co. KG and MS „ESSEX STRAIT“ GmbH & Co. KG resulted in each case in a deconsolidation expense of € 3 m.

Income and expenses arising from initial consolidation or deconsolidation are reported under other net operating income.

Changes in the group of equity-accounted entities

Additions

FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Projekt GmbH, Berlin	Acquired May 2017
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	Established May 2017
FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	Established May 2017
HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	Shares acquired in July 2017

Disposals

Galerie Lippe GmbH & Co. KG, Frankfurt am Main	Switch from equity-method accounting to full consolidation following acquisition of further shares in November 2017
HANNOVER LEASING GmbH & Co. KG, Pullach	Reduction in the percentage shareholding as a result of a partial disposal in July 2017 and loss of significant influence

(4) Financial Instruments

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

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

Loans and receivables (LaR)

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

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

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

Please refer to the disclosures in Note (14) for information on the recognition of risks arising from the lending business.

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

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

Financial instruments held for trading are instruments acquired or held for the purpose of selling and generating profits from short-term fluctuations in prices or trader margins. These instruments are reported under trading assets or trading liabilities. All income and expenses from financial instruments held for trading are reported under net trading income. Derivatives not held for trading are recognised as positive or negative fair values of non-trading derivatives. The 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 gains or losses 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 recognised 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. These assets are generally measured at fair value, as described in Note (5). 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.

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.

Reporting interest anomalies

The breakdown of interest anomalies (negative interest on financial assets and/or positive interest on financial liabilities) is shown in the table in Note (24). Helaba reports positive interest on financial liabilities under interest income, and negative interest on financial assets under interest expense. Cash flows resulting from interest anomalies in connection with derivatives are offset against each other and reported either in interest income or interest expense in the same way that cash flows for each derivative are netted in a normal interest rate environment.

(5) Fair Values of Financial Instruments

The fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability between knowledgeable, willing parties in an orderly transaction (except in the case of emergency settlement).

Measurement methods

When selecting the measurement method for financial instruments, the Helaba Group distinguishes between those financial instruments that can be measured directly using prices quoted in an active market and those measured using standard valuation techniques. In this process, of all the markets to which Helaba has access, the market with the highest level of activity is generally assumed to be the relevant market (primary market). If no primary market can be determined for individual financial instruments, the most favourable market is selected.

The fair value of financial instruments listed in active markets is determined on the basis of quoted prices. A market is deemed to be active if, for relevant or similar financial instruments, there are market prices that satisfy minimum requirements, particularly in relation to price spread and trading volume. The minimum requirements are specified by Helaba and subject to a regular review.

In the case of financial instruments for which there are no prices on an active market on the reference date or in respect of which no prices for comparable financial instruments on active markets can be determined, the fair value is determined using generally accepted standard valuation techniques. The financial instruments are measured on the basis of the cash flow structure, taking into account estimated future cash flows, discount rates and volatility. These approaches use modelling techniques such as the discounted cash flow method or established option pricing models. Models with greater differentiation that use more detailed inputs such as correlations are used for more complex financial instruments.

The inputs for the models are usually observable in the market. If no market information is available for the required model inputs, these are derived from other relevant information sources, such as prices for similar transactions or historical data.

The following table provides an overview of the measurement models used for the financial instruments:

Financial instruments	Measurement models	Key inputs
Interest-rate swaps and interest-rate options	Discounted cash flow method, Black/Normal Black model, Markov functional model, SABR model, replication model, bivariate copula models	Yield curves, interest-rate volatility, correlations
Interest-rate futures	Discounted cash flow method	Yield curves
Currency futures	Discounted cash flow method	Exchange rates, yield curves
Equity/index options	Black model, local volatility model	Equity prices, yield curves, equity volatilities, dividends
Currency options	Black model, skew barrier model	Exchange rates, yield curves, FX volatilities
Commodity options	Black model, Turnbull/Wakeman	Commodity prices, yield curves, commodity volatilities
Credit derivatives	Black model	Yield curves, credit spreads
Money market instruments	Discounted cash flow method	Yield curves
Securities repurchase transactions	Discounted cash flow method	Yield curves
Promissory note loans	Discounted cash flow method	Yield curves, credit spreads
Securities, forward securities transactions	Discounted cash flow method	Yield curves, credit spreads, securities prices

In the case of purchased rights under endowment insurance policies, the fair value 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.

Adjustments

Adjustments may be required in some cases, and these adjustments form an additional part of the measurement process.

Depending on the complexity of the financial instrument involved, the use of a model to measure a financial instrument could involve some uncertainty in the selection of a suitable model, for example regarding the numeric implementation or the parametrisation/calibration of the model. When measuring a financial instrument using fair value principles, this uncertainty is taken into account by applying model adjustments, which can be subdivided into deficiency adjustments and complexity adjustments.

The purpose of a deficiency adjustment is to reflect measurement uncertainty resulting from the use of a model-based valuation technique. Such model uncertainty arises if a financial instrument is measured using a model that is uncommon (or no longer common) or if there is a lack of clarity caused by an inadequate calibration process or by the technical implementation. Complexity adjustments are taken into account if there is no market consensus regarding the model to be used or the parametrisation for the model cannot be clearly derived from the market data. The problems in such cases are referred to as model risk. The measurement markdowns resulting from the various adjustments are taken into account in the form of a model reserve.

Generally speaking, derivatives are currently measured in front-office systems on a risk-free basis. In other words, it is specifically assumed that the counterparties involved will remain in place until the contractual maturity of the outstanding transactions. The credit value adjustment (CVA) reflects the imputed loss risk to which the Helaba Group believes it is exposed in respect of its counterparty, based on a positive fair value from Helaba's perspective. If the counterparty were to default, it would only be possible to recover a fraction of the fair value of the outstanding transactions in any insolvency or liquidation process (recovery rate). The exposure over time is estimated using a Monte Carlo simulation. A debit value adjustment (DVA) mirrors the CVA and is defined as that imputed part of a negative fair value (from the perspective of the Group) that would be lost if the counterparty were to default. The CVA and DVA amounts are taken into account in the form of a measurement adjustment.

A funding valuation adjustment (FVA) is necessary to ensure that the measurement of derivative financial instruments takes into account the funding costs implied by the market. Funding costs are incurred in connection with the replicated hedging of unsecured customer derivatives with secured hedging derivatives in the interbank market. Whereas the volume to be funded is derived from an exposure simulation, the funding rates are set in line with the Euro Interbank Offered Rate (Euribor). Similar to a CVA/DVA, there are two types of FVA. A funding benefit adjustment (FBA) is applied in the case of a negative exposure, and a funding cost adjustment (FCA) for a positive exposure.

Validation and control

The measurement process is subject to continuous validation and control. In the trading business, part of the process of measuring exposures independently of the trading activity is to ensure that the methods, techniques and models used for the measurement are appropriate.

New measurement models are generally subject to comprehensive initial validation before they are used for the first time. The models are then regularly reviewed depending on materiality, the extent to which they are established in the market and on the complexity of the model in question. Ad hoc reviews are also carried out if, for example, significant changes are made to the model.

A process of independent price verification is also carried out to ensure that the inputs used for measuring the financial instruments are in line with the market.

(6) Measurement Hierarchy

Level 1

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. These fair values are reported as Level 1.

Level 2

If a directly observable market price does not exist for a financial instrument, comparable financial instruments with prices on active markets are used for measurement purposes. If no such comparable data is available, recognised and customary valuation techniques are used for measurement, with significant input data being based on market data observable in active markets and taken from external sources. These valuation techniques are normally used for OTC derivatives (including credit derivatives) and for financial instruments that are recognised at fair value and not traded on an active market. In such cases, the fair values are reported as Level 2.

Level 3

In those cases in which significant input parameters are not 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. Inputs that cannot be observed, particularly the surpluses derived from corporate planning, are also used to measure unlisted equity investments recognised at fair value and to test goodwill for impairment. In the case of investment property, fair values are determined on the basis of expected income and expenses, with the result that these fair values are also classified as Level 3.

(7) 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 (62) 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.

(8) Hedge Accounting

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

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

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

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

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

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

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 gains or losses 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.

(9) 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.

(10) 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 gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied.

(11) 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.

(12) 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 asset used for leasing remains with the Group company concerned. The assets used for leasing are recognised in the statement of financial position under property and equipment or under investment property. The assets used for leasing 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 the year under review, there were no contractual arrangements classified as finance leases.

(13) 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.

(14) 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 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 parameters from internal credit risk management used in the measurement of portfolio loan loss allowances are regularly validated and adjusted where appropriate. If there are significant changes in the macroeconomic or sector-specific environment, or in relation to certain markets, regions or customer groups, it may be necessary to adjust portfolio loan loss allowances on the basis of expert assessments to ensure that the provisions for losses on loans and advances are at an appropriate level.

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.

(15) 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** **40 – 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.

The fair values for property disclosed in Note (44) have been determined using internationally recognised valuation techniques. 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.

The following details 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 expenses;**
- **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 expenses 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.

(16) 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 or that they do not meet the criteria for recognition as property held for sale) 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** **25 – 80 years**
- **Operating and office equipment** **1 – 30 years**
- **Assets used for leasing** **3 – 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 on property and equipment is included in general and administrative expenses. Impairment losses and gains or losses on the disposal of assets are reported under other net operating income.

(17) Intangible Assets

The main items reported under intangible assets are goodwill arising from acquisition accounting and software.

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. To cover the period beyond the period covered by corporate planning, the planning figures are used to determine a sustainable rate of net income that can then be used in an annuity model. 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 related to software and other intangible assets are included in general and administrative expenses. Impairment losses and gains or losses on disposals are reported under other net operating income.

(18) 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.

(19) 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.

(20) 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 discount rate recommendation. The actual discount rate used is in a range covered by 0.5 percentage points, within which three expected scenarios are calculated. Based on Mercer’s rate recommendation, Helaba uses the discount rate from the scenario deemed to be the best estimate taking into account the duration and discount rate recommendations from other actuaries. This procedure is intended to avoid positive or negative outliers.

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 in the income statement.

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

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

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

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

(21) 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.

(22) 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.

(23) 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

(24) Net Interest Income

in € m

	2017	2016
Interest income from		
Lending and money market transactions	2,357	2,531
Fixed-income securities	213	246
Hedging derivatives under hedge accounting	246	239
Derivatives not held for trading	774	879
Financial instruments to which the fair value option is applied	66	66
Financial liabilities (negative interest)	45	22
Current income from		
Equity shares and other variable-income securities	18	24
Shares in affiliates	1	1
Equity investments	7	14
Interest income	**3,727**	**4,022**
Interest expense on		
Liabilities due to banks and customers	–943	–1,024
Securitised liabilities	–334	–332
Subordinated capital	–135	–146
Hedging derivatives under hedge accounting	–190	–223
Derivatives not held for trading	–728	–795
Financial instruments to which the fair value option is applied	–212	–208
Financial assets (negative interest)	–57	–20
Provisions	–34	–43
Interest expense	**–2,633**	**–2,791**
Total	**1,094**	**1,231**

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 € 9 m (2016: € 18 m).

Current income from equity shares and other variable-income securities included dividends and distributions from financial instruments to which the fair value option is applied amounting to € 4 m (2016: € 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 € 33 m (2016: € 41 m). The decrease was attributable to the fall in the domestic discount rate as at 31 December 2016 (1.75 %) compared with 31 December 2015 (2.5 %). This rate reduction is relevant to the unwinding of the discount in each subsequent year concerned.

(25) Provisions for Losses on Loans and Advances

in € m

	2017	2016
Additions	**–192**	**–354**
Allowances for losses on loans and advances	–171	–325
Provisions for lending business risks	–21	–29
Reversals	**223**	**195**
Allowances for losses on loans and advances	196	169
Provisions for lending business risks	27	26
Loans and advances directly written off	**–4**	**–6**
Recoveries on loans and advances previously written off	**29**	**11**
Total	**56**	**–154**

(26) Net Fee and Commission Income

in € m

	2017	2016
Lending and guarantee business	37	37
Payment transactions and foreign trade business	116	104
Asset management and fund design	93	86
Securities and securities deposit business	44	47
Placement and underwriting obligations	21	23
Management of public-sector subsidy and development programmes	38	37
Home savings business	–11	–12
Trustee business	2	3
Other	14	15
Total	**354**	**340**

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

(27) Net Trading Income

in € m

	2017	2016
Share-price-related business	**3**	**3**
Equities	8	24
Equity derivatives	5	–16
Issued equity/index certificates	–10	–5
Interest-rate-related business	**198**	**149**
Primary interest-rate-related business	54	164
Interest-rate derivatives	144	–15
Currency-related business	**90**	**5**
Foreign exchange	220	96
FX derivatives	–130	–91
Net income or expense from credit derivatives	**–10**	**1**
Commodity-related business	**6**	**6**
Net fee and commission income or expense	**–19**	**–18**
Total	**268**	**146**

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.

(28) Gains or Losses on Non-Trading Derivatives and Financial Instruments to which the Fair Value Option is Applied

in € m

	2017	2016
Gains or losses on non-trading derivatives	–206	–35
Gains or losses on financial instruments to which the fair value option is applied	88	86
Total	**–118**	**51**

This item includes the net gain or loss from economic hedges (hedged items and derivatives). It also includes the realised and unrealised gains or losses on other financial instruments designated voluntarily at fair value. Interest and dividend income from financial instruments to which the fair value option is applied is recognised in net interest income. Of the net loss from non-trading derivatives, credit derivatives accounted for a gain of € 1 m (2016: gain of € 3 m).

(29) 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

	2017	2016
Remeasurement gains (losses) on hedging instruments	–53	15
Remeasurement gains (losses) on hedged items	44	–20
Total	**–9**	**–5**

(30) 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

	2017	2016
Net disposal gains (losses) on available-for-sale financial investments	**25**	**19**
Shares in affiliated companies	1	1
Equity investments	17	12
Bonds and other fixed-income securities	6	6
Equity shares and other variable-income securities	1	–
Remeasurement gains (losses) on available-for-sale financial investments	**–9**	**26**
Impairment losses	–9	–2
Reversals of impairment losses	–	28
Total	**16**	**45**

(31) 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

	2017	2016
Share of profit or loss of equity-accounted joint ventures	14	5
Share of profit or loss of equity-accounted associates	5	3
Total	**19**	**8**

(32) Other Net Operating Income

in € m

	2017	2016
Other operating income	**528**	**447**
Rental and lease income (operating leases)	344	326
Income from the disposal of non-financial assets	51	31
Income from the reversal of provisions	30	14
Income from non-banking services	33	31
Reversal of impairment losses on non-financial assets	1	3
Income from the deconsolidation of subsidiaries	6	–
Miscellaneous other operating income	63	42
Other operating expenses	**–449**	**–328**
Operating costs of property not used for owner occupancy	–159	–155
Expenses from the disposal of non-financial assets	–1	–
Depreciation, amortisation and impairment losses on non-financial assets	–98	–37
Impairment losses on goodwill	–68	–31
Expenses from the deconsolidation of subsidiaries	–6	–5
Restructuring expenses	–10	–2
Profit transfer expenses	–3	–1
Miscellaneous other operating expenses	–104	–97
Total	**79**	**119**

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

Depreciation, amortisation and impairment losses on non-financial assets includes one-off impairment losses in addition to the depreciation of investment property. Of these impairment losses, € 26 m (2016: € 3 m) related to property held for sale, € 31 m (2016: € 0 m) to software, € 4 m (2016: € 0 m) to property and equipment, and € 1 m (2016: € 0 m) to investment property.

The impairment losses on goodwill relate to the goodwill associated with Frankfurter Sparkasse.

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

in € m

	2017	2016
Income from investment property	**352**	**326**
Rental income	324	307
Income from disposals	28	19
Expenses from investment property	**–194**	**–185**
Operating expenses from investment property	–156	–150
thereof: From property leased to third parties	–156	–150
Depreciation and impairment losses	–37	–34
Miscellaneous expenses	–1	–1
Total	**158**	**141**

(33) General and Administrative Expenses

in € m

	2017	2016
Personnel expenses	**–646**	**–625**
Wages and salaries	–511	–509
Social security	–73	–72
Expenses for pensions and other benefits	–62	–44
Other administrative expenses	**–630**	**–569**
Buildings and premises	–58	–59
IT costs	–222	–175
Mandatory contributions, audit and consultancy fees	–220	–203
Cost of advertising, public relations and representation	–34	–38
Business operating costs	–96	–94
Depreciation, amortisation and impairment losses	**–36**	**–38**
Depreciation of and impairment losses on property and equipment	–22	–23
Amortisation of and impairment losses on software and other intangible assets	–14	–15
Total	**–1,312**	**–1,232**

The mandatory contributions included the portion of contributions to the European Single Resolution Fund subject to recognition in profit or loss amounting to € 38 m (2016: € 37 m).

(34) Taxes on Income

in € m

	2017	2016
Current taxes	–189	–135
Deferred taxes	–2	–74
Total	**–191**	**–209**

The current tax expense incurred in the year under review was primarily attributable to the Bank in Germany (€ 66 m; 2016: € 52 m), Frankfurter Sparkasse (€ 27 m; 2016: € 31 m), GWH Immobilien GmbH (€ 20 m; 2016: € 15 m), the London branch (€ 37 m; 2016: € 11 m) and the New York branch (€ 34 m; 2016: € 24 m). It included expenses relating to prior years amounting to € 8 m (2016: income of € 2 m).

As in the previous year, the utilisation of tax loss carryforwards had no effect on the current tax expense in the year under review.

The deferred tax expense recognised in the year under review related mainly to the occurrence and reversal of temporary differences amounting to € 2 m (2016: deferred tax expense of € 74 m). This included deferred tax income relating to prior years of € 9 m (2016: deferred tax income of € 5 m). Changes in tax rates in the USA resulted in a tax expense of € 11 m (2016: € 0 m). The net outcome from new tax loss carryforwards and the utilisation of such carryforwards was deferred tax income of € 2 m (2016: € 0 m).

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

	2017	2016
Profit before taxes	**447**	**549**
Applicable income tax rate in %	32	32
Expected income tax expense in the financial year	**–143**	**–176**
Effect of variance in tax rates	–3	2
Effect of changes in the tax rate	–11	–
Effect of prior-period taxes recognised in the financial year	–9	7
Non-taxable income	15	3
Non-deductible operating expenses	–25	–37
Trade tax add-backs and deductions	10	7
Goodwill impairment losses	–21	–10
Impairment losses and adjustments	1	1
Other effects	–5	–6
Income tax expense	**–191**	**–209**

In addition to income taxes recognised in the income statement, other deferred taxes are recognised in relation to 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	
	2017	2016	2017	2016	2017	2016
Items that will not be reclassified to the income statement:						
Remeasurement of net defined benefit liability	116	–168	–34	48	82	–120
Items that will be subsequently reclassified to the income statement:						
Gains or losses on available-for-sale financial assets	–66	63	23	–14	–43	49
Changes due to currency translation	–20	7	–	–	–20	7
Total	**30**	**–98**	**–11**	**34**	**19**	**–64**

(35) Segment Reporting

in € m

	Real Estate		Corporate Finance		Financial Markets		S-Group Business, Private Customers and SME Business	
	2017	2016[1]	2017	2016[1]	2017	2016[1]	2017	2016[1]
Net interest income	357	376	308	337	42	79	341	352
Provisions for losses on loans and advances	1	–3	–78	–226	2	–1	1	10
Net interest income after provisions for losses on loans and advances	**358**	**373**	**230**	**111**	**44**	**78**	**342**	**362**
Net fee and commission income	16	20	8	12	81	84	173	154
Net trading income	–	–	–	–	235	127	26	30
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	2	5	–	–	–121	40	2	15
Net income from hedge accounting	–	–	–	–	–9	–5	–	–
Net income from financial investments	1	1	1	–1	–	–	5	5
Share of profit or loss of equity-accounted entities	23	14	–	–	–	–	–	–
Other net operating income	220	215	–6	–44	6	5	6	9
Total income	**620**	**628**	**233**	**78**	**236**	**329**	**554**	**575**
General and administrative expenses	–243	–227	–139	–132	–232	–215	–472	–476
Profit before taxes	**377**	**401**	**94**	**–54**	**4**	**114**	**82**	**99**
Assets (€ bn)	32.6	34.5	26.9	28.3	28.2	33.8	34.6	35.6
Liabilities (€ bn)	3.7	3.5	3.9	4.6	62.1	68.4	58.8	57.1
Risk-weighted assets (€ bn)	15.6	16.1	13.2	13.9	6.1	7.8	5.9	5.8
Allocated capital (€ m)	2,799	2,740	1,806	1,715	814	942	1,292	1,166
Return on allocated capital (%)	13.5	14.7	5.2	–	0.4	12.2	6.4	8.6
Cost-income ratio	39.3	35.9	44.7	43.5	99.2	65.0	85.3	84.1

[1] Prior-year figures restated: the presentation of net gains or losses on centrally held liquidity securities has been modified.

in € m

	Public development and infrastructure business		Other		Consolidation/ reconciliation		Group	
	2017	2016	2017	2016[1]	2017	2016	2017	2016
Net interest income	49	46	–45	–45	42	86	1,094	1,231
Provisions for losses on loans and advances	–	–	132	64	–2	2	56	–154
Net interest income after provisions for losses on loans and advances	**49**	**46**	**87**	**19**	**40**	**88**	**1,150**	**1,077**
Net fee and commission income	40	39	35	32	1	–1	354	340
Net trading income	–	–	–	–	7	–11	268	146
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–	–	–1	–9	–	–	–118	51
Net income from hedge accounting	–	–	–	–	–	–	–9	–5
Net income from financial investments	–1	–	10	40	–	–	16	45
Share of profit or loss of equity-accounted entities	–	–	–4	–6	–	–	19	8
Other net operating income	–	–	–110	–25	–37	–41	79	119
Total income	**88**	**85**	**17**	**51**	**11**	**35**	**1,759**	**1,781**
General and administrative expenses	–69	–63	–221	–169	64	50	–1,312	–1,232
Profit before taxes	**19**	**22**	**–204**	**–118**	**75**	**85**	**447**	**549**
Assets (€ bn)	16.8	16.6	29.0	23.2	–9.8	–6.8	158.3	165.2
Liabilities (€ bn)	17.1	16.9	10.0	8.9	2.7	5.8	158.3	165.2
Risk-weighted assets (€ bn)	1.2	1.1	7.8	8.1	–	–	49.8	52.8
Allocated capital (€ m)[1]	151	128	1,004	952	–	–	7,866	7,643
Return on allocated capital (%)[1]	12.5	17.1	–	–	–	–	5.7	7.2
Cost-income ratio	78.4	74.2	–	–	–	–	77.0	63.7

[1] Prior-year figures restated: the presentation of net gains or losses on centrally held liquidity securities has been modified.

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. Certain property companies of HANNOVER LEASING are fully consolidated as special purpose entities of Helaba in accordance with IFRS 10 and are reported in the Corporate Finance segment. The other contributions to earnings from the HANNOVER LEASING Group up to its effective disposal in July 2017 are also reported in this 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.

In the year under review, the banking book securities portfolios held to safeguard liquidity were removed from the Financial Markets segment and brought together in a central Liquidity Buffer unit. This unit is allocated to the Other segment. The expenses associated with these securities portfolios are assigned to the segments on the basis of the user-pays principle. The figures for the previous year have been restated accordingly.

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. Treasury contributions to earnings are reported as net interest income in Asset/Liability Management.

The net trading income, gains or losses 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 are determined in the same way as the figures for external financial reporting under IFRSs.

General and administrative expenses comprise the costs directly assignable to the segments plus the costs of services provided by other segments. The costs of these services are allocated on the basis of arm's-length pricing agreements or volume drivers according to the user-pays principle. The final component is the allocation of corporate centre costs, generally also based on the user-pays principle.

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 stated in the statement of financial position is allocated for the subsidiaries and for the divisions is distributed based on risk exposures (allocated capital).

The return ratios reflect the profit before taxes expressed as a percentage of the allocated capital. The cost-income ratio is the ratio of general and administrative expenses to profit before taxes net of general and administrative expenses and of 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. The profit generated by centrally investing own funds as well as through strategic planning decisions is also shown in this segment. In line with the approach used in internal reporting, the impairment losses on the goodwill related to Frankfurter Sparkasse were assigned to this segment in the reporting year, as had also been the case in the previous year.

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

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

in € m

	Income after provisions for losses on loans and advances	
	2017	2016[1]
Real estate loans	390	428
Real estate management	21	26
Real estate services	209	174
Corporate loans	233	78
Treasury products	–100	100
Trading products	251	146
Loans to financial institutions	32	33
Fund management/asset management	94	90
Home savings business	26	32
Sparkassen S-Group business	127	109
Public development and infrastructure business	88	85
Retail	360	394
Other products/reconciliation	28	86
Group	**1,759**	**1,781**

[1] Prior-year figures restated: the presentation of net gains or losses on centrally held liquidity securities has been modified.

The breakdown by region is as follows:

in € m

	Income after provisions for losses on loans and advances	
	2017	2016
Germany	1,531	1,553
Europe (excluding Germany)	99	120
Rest of world (excluding Europe)	129	108
Group	**1,759**	**1,781**

Statement of Financial Position Disclosures

(36) Cash Reserve

in € m

	31.12.2017	31.12.2016
Cash on hand	89	105
Balances with central banks	9,824	2,991
Total	**9,913**	**3,096**

Of the total balances with central banks, € 9,118 m (31 December 2016: € 1931 m) was accounted for by balances with Deutsche Bundesbank.

(37) Loans and Advances to Banks

in € m

	31.12.2017	31.12.2016
Affiliated Sparkassen	5,667	6,351
Central giro institutions	316	333
Banks	5,051	8,551
Total	**11,034**	**15,235**
thereof:		
Domestic banks	8,129	9,860
Foreign banks	2,905	5,375

in € m

	31.12.2017	31.12.2016
Loans and advances repayable on demand	3,161	6,120
Other loans and advances	7,873	9,115
Total	**11,034**	**15,235**
thereof:		
Demand deposits	195	254
Overnight and time deposits	1,472	3,025
Cash collateral provided	2,770	5,026
Forwarding loans	4,995	5,024
Registered bonds	666	696
Promissory note loans	372	578

(38) Loans and Advances to Customers

in € m

	31.12.2017	31.12.2016
Corporate customers	66,205	68,176
Retail customers	5,118	5,529
Public sector	18,907	19,373
Total	**90,230**	**93,078**
thereof:		
Domestic customers	58,514	58,926
Foreign customers	31,716	34,152

in € m

	31.12.2017	31.12.2016
Loans and advances repayable on demand	3,345	3,337
Other loans and advances	86,885	89,741
Total	**90,230**	**93,078**
thereof:		
Commercial real estate loans	31,403	33,002
Residential building loans	3,951	4,040
Forwarding loans	1,858	1,922
Infrastructure loans	15,093	15,006
Project finance loans	5,666	5,750
Consumer loans	138	105
Promissory note loans	3,494	3,504
Financial assets from credit substitute business	32	89
Current account overdrafts	1,797	1,434
Cash collateral provided	535	781
Overnight and time deposits	3,031	2,689
Factoring/forfaiting	2,838	2,510
Receivables from finance leases	3	4

(39) Provisions for Losses on Loans and Advances

in € m

	31.12.2017	31.12.2016
Allowances on loans and advances to banks	**1**	**1**
Portfolio loan loss allowances	1	1
Allowances on loans and advances to customers	**400**	**771**
Specific loan loss allowances	239	453
Specific loan loss allowances evaluated on a group basis	37	46
Portfolio loan loss allowances	124	272
Provisions for lending business risks	**30**	**43**
Total	**431**	**815**

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 loan loss allowances		Specific loan loss allowances evaluated on a group basis		Portfolio loan loss allowances		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
As at 1.1.	**453**	**577**	**46**	**61**	**273**	**348**	**772**	**986**
Changes in basis of consolidation	–	–25	–	–	–2	–	**–2**	**–25**
Changes due to currency translation	–28	5	–	–	–2	–	**–30**	**5**
Use	–300	–327	–10	–8	–	–	**–310**	**–335**
Reversals	–44	–77	–11	–20	–141	–72	**–196**	**–169**
Reclassifications	8	7	–	–1	–3	–3	**5**	**3**
Unwinding	–9	–18	–	–			**–9**	**–18**
Additions	159	311	12	14	–	–	**171**	**325**
As at 31.12.	**239**	**453**	**37**	**46**	**125**	**273**	**401**	**772**

The figure under portfolio allowances attributable to changes in the basis of consolidation resulted from the first-time inclusion of Astarte KG in the consolidated financial statements.

The portfolio allowances included an amount of € 70 m (31 December 2016: € 205 m) to cover additional risks in individual lending sub-portfolios not yet identified by statistical analysis. This relates to both the shipping portfolio and the expected impact from the forthcoming recalibration of a rating module.

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

in € m

	31.12.2017	31.12.2016
Government	–	1
Mining and quarrying	–	1
Manufacturing	30	42
Electricity, gas, steam and air-conditioning supply	11	17
Water supply, sewerage, waste management and remediation activities	–	1
Construction	5	5
Wholesale and retail trade; repair of motor vehicles and motorcycles	5	9
Transportation and storage	147	370
Accommodation and food service activities	1	2
Information and communication	15	21
Real estate activities	34	105
Professional, scientific and technical activities	31	33
Administrative and support service activities	6	14
Human health and social work activities	2	3
Arts, entertainment and recreation	1	1
Other service activities	45	50
Other financial activities	30	56
Households	37	40
Total	**400**	**771**

Provisions for losses on loans and advances related to ship finance were reduced from € 431 m in the previous year to € 117 m as at the reporting date as a result of disposals.

(40) Trading Assets

in € m

	31.12.2017	31.12.2016
Bonds and other fixed-income securities	**5,324**	**6,723**
Bonds and notes	5,324	6,723
Public-sector issuers	537	1,421
Other issuers	4,787	5,302
Equity shares and other variable-income securities	**113**	**96**
Positive fair values of derivatives	**9,319**	**12,343**
Share-price derivatives	186	143
Interest-rate derivatives	8,061	10,574
Currency derivatives	1,013	1,590
Credit derivatives	57	32
Commodity derivatives	2	4
Loans held for trading	**1,563**	**1,336**
Total	**16,319**	**20,498**

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, syndicated loan quotas held for sale and, to a lesser extent, 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 € 5,397 m were listed (31 December 2016: € 6,698 m).

(41) Positive Fair Values of Non-Trading Derivatives

in € m

	31.12.2017	31.12.2016
Hedging derivatives under hedge accounting	551	753
Other non-trading derivatives	2,373	3,271
Total	**2,924**	**4,024**

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

(42) 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

	31.12.2017	31.12.2016
Bonds and other fixed-income securities	**23,688**	**25,386**
Public-sector issuers	7,649	8,686
Other issuers	16,039	16,700
Equity shares and other variable-income securities	**110**	**128**
Equities	1	1
Other variable-income securities	109	127
Shares in unconsolidated affiliates	**25**	**25**
Measured at fair value	23	18
Measured at cost	2	7
Equity investments	**84**	**100**
Measured at fair value	74	77
Measured at cost	10	23
Purchase of receivables from endowment insurance policies	**112**	**132**
Measured at fair value	112	132
Total	**24,019**	**25,771**

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

	31.12.2017	31.12.2016[1]
Bonds and other fixed-income securities	22,331	24,219
Equity shares and other variable-income securities	4	4
Total	**22,335**	**24,223**

[1] Prior-year figures restated: the figure reported for the portfolios of listed equity shares and other variable-income securities was too high. The prior-year figure has been reduced by € 15 m.

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 unconsolidated affiliates and equity investments:

in € m

	Shares in unconsolidated affiliates		Equity investments		Total	
	2017	2016	2017	2016	2017	2016
Cost						
As at 1.1.	**35**	**34**	**127**	**127**	**162**	**161**
Changes in basis of consolidation	–	–	4		4	–
Additions	–	1	4	1	4	2
Disposals	–	–	–	– 1	–	– 1
As at 31.12.	**35**	**35**	**135**	**127**	**170**	**162**
Remeasurement gains/losses recognised in other comprehensive income						
As at 1.1.	**7**	**8**	**35**	**17**	**42**	**25**
Remeasurement gains/losses recognised in other comprehensive income (AfS)	–	–	6	18	6	18
Disposals	–	– 1	– 17	–	– 17	– 1
As at 31.12.	**7**	**7**	**24**	**35**	**31**	**42**
Accumulated impairment losses and reversals of impairment losses						
As at 1.1.	**– 17**	**– 17**	**– 62**	**– 62**	**– 79**	**– 79**
Changes in basis of consolidation	–	–	– 4		– 4	–
Impairment losses	–	–	– 9	–	– 9	–
As at 31.12.	**– 17**	**– 17**	**– 75**	**– 62**	**– 92**	**– 79**
Carrying amounts as at 31.12.	**25**	**25**	**84**	**100**	**109**	**125**

(43) Shares in Equity-Accounted Entities

In the reporting period, a total of 31 (2016: 25) joint ventures and 3 (2016: 3) associates were accounted for using the equity method.

The breakdown of carrying amounts of equity-accounted entities is shown below:

in € m

	31.12.2017	31.12.2016
Investments in joint ventures	34	21
Investments in associates	11	4
Total	**45**	**25**

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 € 0 m (2016: € 4 m); the cumulative total of such unrecognised losses amounted to € 1 m as at 31 December 2017 (31 December 2016: € 7 m).

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

in € m

	31.12.2017	31.12.2016
Investments in joint ventures – total		
Total assets	352	370
Total liabilities	312	315
Profit or loss from continuing operations	–12	19
Comprehensive income	–12	19
Investments in joint ventures – proportionate		
Total assets	197	201
Total liabilities	168	175
Profit or loss from continuing operations	–3	8
Comprehensive income	–3	8

in € m

	31.12.2017	31.12.2016
Investments in associates – total		
Total assets	107	707
Total liabilities	75	724
Profit or loss from continuing operations	12	2
Other comprehensive income	–	8
Comprehensive income	12	10
Investments in associates – proportionate		
Total assets	36	63
Total liabilities	25	60
Profit or loss from continuing operations	3	3
Other comprehensive income	–	–
Comprehensive income	3	3

(44) Investment Property

in € m

	31.12.2017	31.12.2016
Land and buildings leased to third parties	2,114	2,012
Undeveloped land	55	54
Vacant buildings	2	3
Property under construction	68	94
Total	**2,239**	**2,163**

Real estate held by the GWH Group accounted for € 2,149 m (31 December 2016: € 2,059 m) of the total investment property.

The table below shows the changes in investment property:

in € m

	2017	2016
Cost		
As at 1.1.	**2,530**	**2,308**
Additions	147	277
Transfers to the portfolio of owner-occupied land and buildings	– 1	– 1
Disposals	– 40	– 54
As at 31.12.	**2,636**	**2,530**
Accumulated depreciation and impairment losses		
As at 1.1.	**– 367**	**– 362**
Depreciation	– 36	– 34
Impairment losses	– 1	–
Disposals	7	29
As at 31.12.	**– 397**	**– 367**
Carrying amounts as at 31.12.	**2,239**	**2,163**

The contractual obligations to purchase, construct or develop investment property in the GWH Group amounted to € 239 m (31 December 2016: € 118 m).

The fair values of the properties as at the reporting date came to a total of € 3,491 m (31 December 2016: € 3,253 m) and were allocated to Level 3.

(45) Property and Equipment

in € m

	31.12.2017	31.12.2016
Owner-occupied land and buildings	372	362
Operating and office equipment	52	55
Assets used for leasing	–	17
Machinery and technical equipment	3	1
Total	**427**	**435**

The changes in property and equipment were as follows:

in € m

	Owner-occupied land and buildings		Operating and office equipment		Assets used for leasing	
	2017	2016	2017	2016	2017	2016
Cost						
As at 1.1.	**557**	**556**	**212**	**208**	**17**	**–**
Changes in basis of consolidation	–	–	–	–	–	17
Changes due to currency translation	–2	–	–1	–	–	–
Additions	29	–	10	11	–	–
Transfers from the portfolio of investment property	1	1	–	–	–	–
Disposals	–14	–	–5	–7	–17	–
As at 31.12.	**571**	**557**	**216**	**212**	**–**	**17**
Accumulated depreciation and impairment losses						
As at 1.1.	**–195**	**–188**	**–157**	**–151**	**–**	**–**
Changes due to currency translation	1	–	1	–	–	–
Depreciation	–10	–10	–12	–13	–	–
Impairment losses	–1	–	–	–	–3	–
Reversals of impairment losses	–	3	–	–	1	–
Disposals	6	–	4	7	2	–
As at 31.12.	**–199**	**–195**	**–164**	**–157**	**–**	**–**
Carrying amounts as at 31.12.	**372**	**362**	**52**	**55**	**–**	**17**

in € m

	Machinery and technical equipment		Total	
	2017	2016	2017	2016
Cost				
As at 1.1.	**1**	**–**	**787**	**764**
Changes in basis of consolidation	–	–	–	17
Changes due to currency translation	–	–	–3	–
Additions	1	1	40	12
Reclassifications	1	–	1	–
Transfers from the portfolio of investment property	–	–	1	1
Disposals	–	–	–36	–7
As at 31.12.	**3**	**1**	**790**	**787**
Accumulated depreciation and impairment losses				
As at 1.1.	**–**	**–**	**–352**	**–339**
Changes due to currency translation	–	–	2	–
Depreciation	–	–	–22	–23
Impairment losses	–	–	–4	–
Reversals of impairment losses	–	–	1	3
Disposals	–	–	12	7
As at 31.12.	**–**	**–**	**–363**	**–352**
Carrying amounts as at 31.12.	**3**	**1**	**427**	**435**

(46) Intangible Assets

in € m

	31.12.2017	31.12.2016
Goodwill	–	68
Purchased software	66	45
Total	**66**	**113**

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

The goodwill as of 31 December 2016 was attributable to the acquisition of Frankfurter Sparkasse in 2005.

The intangible assets changed as follows:

in € m

	Goodwill		Purchased software		Total	
	2017	2016	2017	2016	2017	2016
Cost						
As at 1.1.	**144**	**144**	**204**	**208**	**348**	**352**
Changes due to currency translation	–	–	–3	1	–3	1
Additions	–	–	66	18	66	18
Disposals	–	–	–	–23	–	–23
As at 31.12.	**144**	**144**	**267**	**204**	**411**	**348**
Accumulated amortisation and impairment losses						
As at 1.1.	**–76**	**–45**	**–159**	**–166**	**–235**	**–211**
Changes due to currency translation	–	–	3	–1	3	–1
Amortisation			–14	–15	–14	–15
Impairment losses	–68	–31	–31	–	–99	–31
Disposals	–	–	–	23	–	23
As at 31.12.	**–144**	**–76**	**–201**	**–159**	**–345**	**–235**
Carrying amounts as at 31.12.	**–**	**68**	**66**	**45**	**66**	**113**

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

Goodwill from the acquisition of Frankfurter Sparkasse was tested for impairment using an income capitalisation approach based on the discounted cash flows derived the expected distributions in accordance with Frankfurter Sparkasse's current business plan. For the years 2018 to 2022, the earnings and cost components are planned on a differentiated basis with specifically budgeted dividend amounts. The projection for the long-term earnings from 2023 onwards assumes a constant rate of return in terms of distributable profits. A reference date in the third quarter is generally used for the purposes of conducting the impairment test. An impairment test was carried out on 31 December 2017 because of the reduced dividends determined in the updated medium-term planning. The test on this reference date identified a requirement to recognise an impairment loss in the amount of the residual carrying amount of € 68 m based on a comparison between the recoverable amount determined using the income capitalisation approach and the carrying amount of the cash-generating unit (to which the goodwill had been assigned) which had been impacted by significant profit retention in prior years.

For certain assets (shareholdings) included in the calculation, the figures are also themselves based on a discounted earnings approach.

Present value as at 31 December 2017 was calculated on the basis of the current market discount rate of 1.25 % plus a market risk premium of 6.25 % and a growth mark-down of 0.5 % as well as a custom beta of 0.99 derived from a peer group of European banks with a similar business focus.

By their very nature, the assumptions underlying the discounted earnings calculations mean that there is estimation uncertainty (and actual trends in the future may therefore differ from the planning assumptions) and that there is scope for discretion in specifying the parameters. For example, a sharp economic downtrend could lead to higher rates of unemployment and, as a consequence, to a rise in provisions for losses on loans and advances. Further regulatory requirements could have as yet unforeseeable implications for income and costs. A sensitivity analysis carried out in isolation shows that a shift of e.g. +25 basis points in the discount rate used in the discounted earnings calculation for goodwill (excluding special assets of Frankfurter Sparkasse) would lead to a variance of around € 22 m.

(47) Income Tax Assets

in € m

	31.12.2017	31.12.2016
Current income tax assets	68	96
Deferred income tax assets	415	426
Total	**483**	**522**

The deferred income tax assets relate to the following items:

in € m

	31.12.2017	31.12.2016
Loans and advances to banks and customers	35	61
Trading assets/liabilities and derivatives	1,029	1,339
Financial investments	65	79
Other assets	67	59
Liabilities due to banks and customers	134	272
Provisions for pensions	308	342
Sundry provisions	29	70
Other liabilities	156	93
Tax loss carryforwards	13	11
Deferred tax assets, gross	**1,836**	**2,326**
Netted against deferred tax liabilities	–1,421	–1,900
Total	**415**	**426**
thereof: Non-current	254	263

Deferred tax assets and deferred tax liabilities have been offset in accordance with IAS 12.74.

The calculation of deferred tax assets for the domestic and foreign reporting units was based on individual tax rates. Given an average municipality trade tax multiplier of 452 %, the combined income tax rate for the Bank in Germany in 2017 was 31.7 %, which was unchanged compared with the prior year.

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 with matching timings 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.

On the basis of the multi-year planning, the Bank has concluded that the deferred tax assets are recoverable and can be justified for the period covered by the multi-year planning because sufficient taxable income will be available.

As at the reporting date Helaba had recognised deferred tax assets of € 3 m (31 December 2016: € 1 m) in respect of corporate income tax loss carryforwards of € 21 m (31 December 2016: € 8 m) and deferred tax assets of € 10 m (31 December 2016: € 10 m) in respect of trade tax loss carryforwards of € 93 m (31 December 2016: € 93 m).

Overall, no deferred tax assets had been recognised in respect of corporate income tax loss carryforwards of € 39 m (31 December 2016: € 47 m) and in respect of trade tax loss carryforwards of € 53 m (31 December 2016: € 49 m) because Helaba did not believe there was sufficient probability of taxable profits in the foreseeable future against which these tax loss carryforwards could be used. There is no time limit for the utilisation of loss carryforwards.

As at the reporting date, deferred income tax assets of € 191 m were offset against equity (31 December 2016: € 226 m).

(48) Other Assets

in € m

	31.12.2017	31.12.2016
Property held for sale	**441**	**363**
Completed property	130	74
Property under construction	311	289
Advance payments and payments on account	**123**	**92**
Trade accounts receivable	**21**	**36**
Other taxes receivable (excl. income taxes)	**8**	**5**
Other assets	**458**	**480**
Total	**1,051**	**976**

(49) Liabilities Due to Banks

in € m

	31.12.2017	31.12.2016
Central banks	2,201	200
Affiliated Sparkassen	6,323	5,464
Central giro institutions	641	1,466
Banks	22,349	23,008
Total	**31,514**	**30,138**
thereof:		
Domestic banks	28,982	27,103
Foreign banks	2,532	3,035

in € m

	31.12.2017	31.12.2016
Amounts payable on demand	7,086	6,774
Amounts due with an agreed maturity or period of notice	24,428	23,364
Total	**31,514**	**30,138**
thereof:		
Promissory note loans raised	4,854	4,461
Forwarding loans	7,297	7,311
Issued registered bonds	3,017	2,757
Overnight and time deposits	2,962	2,516
Demand deposits	5,002	4,762

(50) Liabilities Due to Customers

in € m

	31.12.2017	31.12.2016
Corporate customers	27,425	25,729
Retail customers	17,663	17,230
Public sector	4,433	3,865
Total	**49,521**	**46,824**
thereof:		
Domestic customers	46,671	43,796
Foreign customers	2,850	3,028

in € m

	31.12.2017	31.12.2016
Amounts payable on demand	27,828	23,731
Amounts due with an agreed maturity or period of notice	21,693	23,093
Total	**49,521**	**46,824**
thereof:		
Demand deposits	16,740	13,276
Overnight and time deposits	13,192	14,093
Savings deposits	1,619	1,712
Home savings deposits	4,656	4,456
Issued registered bonds	9,834	9,984
Promissory note loans raised	1,854	1,744

(51) Securitised Liabilities

in € m

	31.12.2017	31.12.2016
Bonds issued	**42,890**	**42,966**
Mortgage Pfandbriefe	8,111	8,151
Public Pfandbriefe	11,577	12,563
Other debt instruments	23,202	22,252
Issued money market instruments	**5,265**	**7,982**
Commercial paper	1,729	3,050
Certificates of deposit	2,771	4,071
Asset-backed commercial paper	765	861
Total	**48,155**	**50,948**

For detailed disclosures on issuance activities see Note (71).

(52) Trading Liabilities

in € m

	31.12.2017	31.12.2016
Negative fair values of derivatives	**7,936**	**10,795**
Share-price derivatives	179	136
Interest-rate derivatives	6,768	9,377
Currency derivatives	925	1,247
Credit derivatives	61	31
Commodity derivatives	3	4
Issued money market instruments	**612**	**1,552**
Issued equity/index certificates	**40**	**123**
Liabilities held for trading	**3,701**	**6,243**
Total	**12,289**	**18,713**

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.

(53) Negative Fair Values of Non-Trading Derivatives

in € m

	31.12.2017	31.12.2016
Hedging derivatives under hedge accounting	89	161
Other non-trading derivatives	2,192	3,757
Total	**2,281**	**3,918**

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

(54) Provisions

in € m

	31.12.2017	31.12.2016
Provisions for pensions and similar obligations	**1,718**	**1,839**
Other provisions	**411**	**480**
Personnel provisions	120	131
Provisions for lending business risks	30	43
Restructuring provisions	17	13
Provisions for litigation risks	32	45
Sundry provisions	212	248
Total	**2,129**	**2,319**

In 2017, the changes in provisions for pensions and similar obligations reported in the statement of financial position were as follows:

in € m

	DBO	Plan assets	Net defined benefit obligation (DBO)
As at 1.1.	**2,185**	**–346**	**1,839**
Total pension cost	**89**	**–5**	**84**
Interest expense (+)/interest income (–)	38	–5	33
Current service cost	52		52
Past service cost from plan adjustments	–1		–1
Total gains or losses on remeasurement	**–112**	**–4**	**–116**
Actuarial gains (–)/losses (+) on financial assumptions	–101		–101
Actuarial gains (–)/losses (+) on demographic assumptions	–		–
Experience adjustment gains (–)/losses (+)	–11		–11
Gains or losses on remeasurement of plan assets		–4	–4
Employee contributions	3	–3	–
Employer contributions	–	–37	–37
Benefits paid	–58	9	–49
Changes due to currency translation	–9	6	–3
As at 31.12.	**2,098**	**–380**	**1,718**

The corresponding changes in 2016 were as follows:

in € m

	DBO	Plan assets	Net defined benefit obligation (DBO)
As at 1.1.	**2,002**	**–345**	**1,657**
Total pension cost	**81**	**–8**	**73**
Interest expense (+)/interest income (–)	49	–8	41
Current service cost	36		36
Past service cost from plan adjustments	–4		–4
Total gains or losses on remeasurement	**165**	**3**	**168**
Actuarial gains (–)/losses (+) on financial assumptions	225		225
Actuarial gains (–)/losses (+) on demographic assumptions	–1		–1
Experience adjustment gains (–)/losses (+)	–59		–59
Gains or losses on remeasurement of plan assets		3	3
Employee contributions	5	–5	–
Employer contributions	–	–9	–9
Benefits paid	–60	11	–49
Changes due to currency translation	–8	7	–1
As at 31.12.	**2,185**	**–346**	**1,839**

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 1 %. The plan is open to new members. The current members of the scheme are almost exclusively active employees and individuals who have left the Bank but have vested rights.

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

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

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

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

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

At Frankfurter Sparkasse, employees who joined the bank before 31 December 2014 are entitled to a pension from the Frankfurter Sparkasse pension fund. This is a regulated pension fund, and the pension fund's obligation to regularly adjust the lifetime benefits is implemented in the form of a direct commitment by Frankfurter Sparkasse. Under the subsequent arrangements, there is a defined contribution plan funded by both the employer and employees; the pension is provided through BVV Versicherungsverein des Bankgewerbes a.G. Employees of the former Stadtsparkasse Frankfurt are entitled to a pension from Zusatzversorgungskasse der Stadt Frankfurt (ZVK Frankfurt), 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 2017:

in € m

	DBO	Plan assets	Net defined benefit obligation (DBO)
Domestic defined benefit plans	**1,956**	**–285**	**1,671**
Landesbank Hessen-Thüringen	**1,369**	**–38**	**1,331**
Comprehensive defined benefit plans	796	–	796
Defined benefit plan up to 1985	677	–	677
Individual commitments	80	–	80
VBB dual contract holders	39	–	39
Final salary plans (retirement pension scheme 1986 to 1998)	212	–	212
Pension credit system (retirement pension scheme from 1999)	245	–	245
Other plans	116	–38	78
Frankfurter Sparkasse	**520**	**–238**	**282**
Frankfurter Sparkasse pension fund	255	–236	19
Pension fund adjustment obligation	90	–	90
ZVK Frankfurt	96	–	96
Individual commitments	69	–	69
Other plans	10	–2	8
Other Group companies	**67**	**–9**	**58**
Foreign defined benefit plans	**142**	**–95**	**47**
Total	**2,098**	**–380**	**1,718**

The corresponding figures as at 31 December 2016 were as follows:

in € m

	DBO	Plan assets	Net defined benefit obligation (DBO)
Domestic defined benefit plans	**2,039**	**–252**	**1,787**
Landesbank Hessen-Thüringen	**1,428**	**–35**	**1,393**
Comprehensive defined benefit plans	850	–	850
Defined benefit plan up to 1985	725	–	725
Individual commitments	85	–	85
VBB dual contract holders	40	–	40
Final salary plans (retirement pension scheme 1986 to 1998)	217	–	217
Pension credit system (retirement pension scheme from 1999)	241	–	241
Other plans	120	–35	85
Frankfurter Sparkasse	**542**	**–209**	**333**
Frankfurter Sparkasse pension fund	263	–208	55
Pension fund adjustment obligation	95	–	95
ZVK Frankfurt	101	–	101
Individual commitments	72	–	72
Other plans	11	–1	10
Other Group companies	**69**	**–8**	**61**
Foreign defined benefit plans	**146**	**–94**	**52**
Total	**2,185**	**–346**	**1,839**

The following table shows the breakdown of plan assets:

in € m

	31.12.2017	31.12.2016
Plan assets quoted in active markets	**295**	**265**
Cash reserve	3	1
Bonds and other fixed-income securities	190	180
Equity shares and other variable-income securities	102	84
Other plan assets	**85**	**81**
Loans and advances to banks	35	30
Qualifying insurance contracts	50	51
Fair value of plan assets	**380**	**346**

Of the plan assets, € 31 m (31 December 2016: € 46 m) was accounted for by the Group's own transferable financial instruments; as in the previous year, no investments were made in other assets used by the Group itself.

For the next financial year, Helaba expects to make contributions to plan assets of € 9 m (31 December 2016: € 35 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 %

	31.12.2017	31.12.2016
Discount rate	2.0	1.7
Salary trend	2.2	2.2
Pension trend	1.5	1.7
Employee turnover rate	2.9	2.8

In both the year under review and the previous year, 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

	31.12.2017	31.12.2016
Discount rate (decreased by 50 basis points)	209	226
Salary trend (increased by 25 basis points)	62	69
Pension trend (increased by 25 basis points)	75	77
Life expectancy (improved by 10 %)	77	81
Employee turnover rate (decreased by 50 basis points)	4	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 2017, the weighted average maturity of the defined benefit obligations was 19.6 years (31 December 2016: 20.2 years). The following table shows the maturity structure of the forecast pension payments:

in € m

	31.12.2017	31.12.2016
Forecast pension payments with maturities of up to one year	62	59
Forecast pension payments with maturities of one year to five years	274	266
Forecast pension payments with maturities of five years to ten years	412	398

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 and Versorgungsanstalt des Bundes und der Länder, 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 the previous year, 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. Curtailment of the benefits under the pension terms will be offset by additional contributions on the part of the employer. Further defined contribution plans 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. The total expenses in the year under review for defined contribution plans were € 3 m (2016: € 3 m).

The employer subsidy for pension insurance in the reporting year amounted to € 34 m (2016: € 33 m).

The changes in other provisions were as follows:

in € m

	Personnel provisions		Provisions for lending business risks		Restructuring provisions	
	2017	2016	2017	2016	2017	2016
As at 1.1.	**131**	**127**	**43**	**44**	**13**	**23**
Changes in basis of consolidation	–	–	–	–2	–	–
Changes due to currency translation	–2	–	–2	1	–	–
Use	–70	–69	–	–	–1	–
Reversals	–3	–2	–27	–26	–3	–
Reclassifications	2	12	–5	–3	–2	–12
Interest cost	–	1	–	–	–	–
Additions	62	62	21	29	10	2
As at 31.12.	**120**	**131**	**30**	**43**	**17**	**13**

in € m

	Provisions for litigation risks		Sundry provisions		Total	
	2017	2016	2017	2016	2017	2016
As at 1.1.	**45**	**57**	**248**	**181**	**480**	**432**
Changes in basis of consolidation	–	–	–31	–	–31	–2
Changes due to currency translation	–	–	11	–	7	1
Use	–13	–14	–181	–110	–265	–193
Reversals	–3	–5	–21	–12	–57	–45
Reclassifications	–	–	–	–	–5	–3
Interest cost	–	–	1	1	1	2
Additions	3	7	185	188	281	288
As at 31.12.	**32**	**45**	**212**	**248**	**411**	**480**

The personnel provisions relate primarily to provisions for partial and early retirement, long-service bonuses and special payments to employees. The sundry provisions mainly relate to obligations in connection with share transactions, flat-rate employment taxes, interest on retrospective tax payments as well as risks related to the reimbursement of loan processing fees.

The restructuring provisions largely relate to the reorganisation programme at LBS Hessen-Thüringen ("LBS-EVOLution") initiated in 2017 against the background of the generally low level of interest rates (in which the core objective is to achieve a long-term improvement in earnings by 2021) and to the "Helaba PRO" cost optimisation program launched in 2013.

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 have been 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 take into account 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 (74).

Of the total for other provisions, current provisions accounted for € 231 m (31 December 2016: € 301 m).

(55) Income Tax Liabilities

in € m

	31.12.2017	31.12.2016
Current income tax liabilities	252	174
Deferred income tax liabilities	16	10
Total	**268**	**184**

The current income tax liabilities include provisions for tax risks. These provisions are determined on the basis of the most likely amount required to settle the liability.

The Bank has not reported any contingent liabilities in respect of tax risks.

The deferred income tax liabilities relate to the following items:

in € m

	31.12.2017	31.12.2016
Loans and advances to banks and customers	14	8
Trading assets/liabilities and derivatives	1,222	1,631
Financial investments	144	194
Other assets	24	56
Liabilities due to banks and customers	5	7
Provisions for pensions	1	1
Sundry provisions	1	1
Other liabilities	26	12
Deferred tax liabilities, gross	**1,437**	**1,910**
Netted against deferred tax assets	– 1,421	– 1,900
Total	**16**	**10**
thereof: Non-current	8	5

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 (47)). As at the reporting date, deferred income tax liabilities of € 81 m were offset against equity (31 December 2016: € 105 m).

(56) Other Liabilities

in € m

	31.12.2017	31.12.2016
Trade accounts payable	90	84
Liabilities to employees	28	25
Advance payments and payments on account	370	304
Other taxes payable (excl. income taxes)	35	33
Other liabilities	125	201
Total	**648**	**647**

(57) Subordinated Capital

in € m

	31.12.2017	31.12.2016
Subordinated liabilities	2,312	2,364
thereof: Accrued interest	30	33
Profit participation rights	216	276
Silent participations	982	983
thereof: Accrued interest	14	14
Total	**3,510**	**3,623**
thereof: Securitised subordinated debt	1,527	1,527

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

The changes in subordinated capital in the reporting year were as follows:

in € m

	Subordinated liabilities		Profit participation rights		Silent participations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
As at 1.1.	2,364	2,366	276	687	983	983	3,623	4,036
Additions from reissue of previously repurchased instruments	1	2	–	–	–	–	1	2
Redemptions	–50	–	–60	–406	–	–	–110	–406
Repurchases	–1	–2	–	–	–	–	–1	–2
Changes in accrued interest	–2	–	–	–	–	–	–2	–
Changes in value recognised through profit or loss	–	–2	–	–5	–1	–	–1	–7
As at 31.12.	2,312	2,364	216	276	982	983	3,510	3,623

(58) Equity

in € m

	31.12.2017	31.12.2016
Subscribed capital	2,509	2,509
Capital reserves	1,546	1,546
Retained earnings	3,775	3,521
Revaluation reserve	197	246
Currency translation reserve	10	30
Non-controlling interests	–3	–2
Total	8,034	7,850

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 2017, the share capital was attributable to the owners as follows:

	in € m	Share 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 (13)); 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 (8).

Further Disclosures About Financial Instruments

(59) 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

	31.12.2017	31.12.2016
Financial assets	**8,374**	**8,659**
Trading assets	1,502	8
Loans and advances to banks	2,770	5,025
Loans and advances to customers	535	781
Financial investments	3,567	2,845
Non-financial assets	**1,205**	**1,225**
Investment property	1,035	1,051
Property and equipment	170	174
Total	**9,579**	**9,884**

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

in € m

	31.12.2017	31.12.2016
Collateral for funding transactions with central banks	2,200	200
Collateral for transactions via exchanges and clearing houses	1,312	1,062
Cash collateral provided	3,308	5,814
Other collateral	1,554	1,583
Total	**8,374**	**8,659**

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 2017, cover assets amounted to € 33,838 m (31 December 2016: € 34,252 m) with mortgage and public Pfandbriefe of € 26,107 m in circulation (31 December 2016: € 27,256 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 € 21 m (31 December 2016: € 3 m). Such collateral with a fair value of € 21 m (31 December 2016: € 3 m) has been sold on, or has been the subject of onward pledging.

Please see Note (73) for disclosures regarding collateral received in connection with traditional lending operations.

(60) Transfer of Financial Assets without Derecognition

In connection with securities repurchase and lending transactions, the Helaba Group transfers financial assets, but retains 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 corresponding measurement category. 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.

As at 31 December 2017, no financial assets had been transferred from the Group's own portfolios in connection with securities repurchase or securities lending transactions, as in the previous year.

(61) 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. Provisions of € 3 m (31 December 2016: € 10 m) have been recognised for such warranties. Provisions of € 18 m (31 December 2016: € 0 m) have been recognised for sundry obligations assumed in connection with purchase price negotiations related to derecognised shares in companies.

(62) 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.

Offsetting in derivatives transactions involves the positive and negative values of derivatives as well as the associated cash collateral, which is reported under loans and advances to customers or liabilities due to customers.

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.

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 and to the net amounts (after taking into account conditional netting rights) as at 31 December 2017.

in € m

				Conditional netting rights under master netting agreements		
	Gross carrying amount before netting	Gross carrying amount for offset financial instruments	Carrying amount in SoFP	Collateral in the form of financial instruments	Cash collateral[1]	Net amount after taking into account conditional netting rights
Assets						
Derivatives	14,436	–2,193	12,243	–6,423	–1,890	3,930
Securities repurchase transactions	22	–	22	–21	–	1
Other assets	20,677	–11,751	8,926	–	–	8,926
Total	**35,135**	**–13,944**	**21,191**	**–6,444**	**–1,890**	**12,857**
Liabilities						
Derivatives	12,314	–2,097	10,217	–6,423	–3,070	724
Other liabilities	12,769	–11,847	922	–	–	922
Total	**25,083**	**–13,944**	**11,139**	**–6,423**	**–3,070**	**1,646**

[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 2016:

in € m

	Gross carrying amount before netting	Gross carrying amount for offset financial instruments	Carrying amount in SoFP	Conditional netting rights under master netting agreements: Collateral in the form of financial instruments	Conditional netting rights under master netting agreements: Cash collateral[1]	Net amount after taking into account conditional netting rights
Assets						
Derivatives	18,927	–2,560	16,367	–8,395	–1,503	6,469
Securities repurchase transactions	3	–	3	–3	–	–
Other assets	9,880	–7,971	1,909	–	–	1,909
Total	**28,810**	**–10,531**	**18,279**	**–8,398**	**–1,503**	**8,378**
Liabilities						
Derivatives	17,250	–2,537	14,713	–8,395	–5,409	909
Other liabilities	8,452	–7,993	459	–	–	459
Total	**25,702**	**–10,530**	**15,172**	**–8,395**	**–5,409**	**1,368**

[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.

(63) Subordinated Assets

The following statement of financial position items include subordinated assets:

in € m

	31.12.2017	31.12.2016
Loans and advances to banks	**31**	**33**
Loans and advances to customers	**55**	**216**
thereof: To long-term investees and investors	2	7
Total	**86**	**249**

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.

(64) Foreign Currency Volumes

in € m

	Foreign currency assets		Foreign currency liabilities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
USD	14,188	17,524	8,722	9,508
GBP	5,810	6,214	1,609	2,050
CHF	1,062	1,363	254	279
JPY	390	473	394	477
Other currencies	1,206	994	510	258
Total	**22,656**	**26,568**	**11,489**	**12,572**

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.

(65) Breakdown of Maturities

The maturity structure of the liabilities as at 31 December 2017 was as follows:

in € m

	Payable on demand	Up to three months	Three months to one year	One year to five years	More than five years
Non-derivative financial liabilities	**35,393**	**13,325**	**19,082**	**44,350**	**30,597**
Trading liabilities	471	1,328	2,514	–	40
Liabilities due to banks	7,087	1,542	2,704	12,170	10,203
Liabilities due to customers	27,834	3,397	5,945	6,246	7,732
Securitised liabilities	1	7,052	7,061	25,352	9,846
Subordinated capital	–	6	858	582	2,776
Derivative financial liabilities	**7,936**	**162**	**309**	**1,259**	**852**
Trading liabilities	7,936	–	–	–	–
Negative fair values of non-trading derivatives	–	162	309	1,259	852
Irrevocable loan commitments	**1,114**	**1,338**	**2,467**	**14,102**	**1,268**
Total	**44,443**	**14,825**	**21,858**	**59,711**	**32,717**

The following table shows the corresponding amounts as at 31 December 2016:

in € m

	Payable on demand	Up to three months	Three months to one year	One year to five years	More than five years
Non-derivative financial liabilities	**30,866**	**13,922**	**30,199**	**40,463**	**31,203**
Trading liabilities	322	2,630	4,843	–	123
Liabilities due to banks	6,777	1,694	3,454	11,040	9,654
Liabilities due to customers	23,767	3,273	6,806	7,079	9,004
Securitised liabilities	–	6,316	14,330	21,691	9,357
Subordinated capital	–	9	766	653	3,065
Derivative financial liabilities	**10,795**	**463**	**680**	**2,145**	**1,565**
Trading liabilities	10,795	–	–	–	–
Negative fair values of non-trading derivatives	–	463	680	2,145	1,565
Irrevocable loan commitments	**704**	**973**	**2,852**	**13,988**	**1,133**
Total	**42,365**	**15,358**	**33,731**	**56,596**	**33,901**

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 (74) can generally become payable at any time up to the maximum guaranteed amount.

(66) 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Equity-/index-related transactions	**4,575**	**3,646**	**186**	**143**	**180**	**137**
OTC products	**3,605**	**2,735**	**167**	**124**	**158**	**118**
Equity options	3,605	2,735	167	124	158	118
Calls	2,039	1,548	167	124	–	–
Puts	1,566	1,187	–	–	158	118
Exchange-traded products	**970**	**911**	**19**	**19**	**22**	**19**
Equity/index futures	197	212	5	3	1	–
Equity/index options	773	699	14	16	21	19
Interest-rate-related transactions	**422,045**	**418,466**	**10,608**	**14,344**	**8,666**	**12,144**
OTC products	**409,124**	**407,859**	**10,598**	**14,342**	**8,665**	**12,135**
Forward rate agreements	25	2,920	–	–	–	–
Interest-rate swaps	354,445	355,341	9,600	13,026	6,310	8,729
Interest rate options	54,501	49,491	997	1,316	2,355	3,406
Calls	21,025	17,670	897	1,241	56	39
Puts	33,476	31,822	100	75	2,299	3,367
Other interest rate contracts	153	107	1	–	–	–
Exchange-traded products	**12,921**	**10,607**	**10**	**2**	**1**	**9**
Interest rate futures	12,921	10,587	10	2	1	9
Interest rate options	–	20	–	–	–	–
Currency-related transactions	**60,688**	**74,322**	**1,390**	**1,844**	**1,307**	**2,396**
OTC products	**60,688**	**74,322**	**1,390**	**1,844**	**1,307**	**2,396**
Currency spot and futures contracts	38,914	49,010	457	968	546	832
Cross-currency swaps	21,232	24,650	924	868	752	1,556
Currency options	542	662	9	8	9	8
Calls	268	328	9	8	–	–
Puts	274	333	–	–	9	8
Credit derivatives	**5,206**	**5,828**	**57**	**32**	**61**	**32**
OTC products	**5,206**	**5,828**	**57**	**32**	**61**	**32**
Commodity-related transactions	**121**	**147**	**2**	**4**	**3**	**4**
OTC products	**121**	**147**	**2**	**4**	**3**	**4**
Commodity swaps	48	53	2	4	2	4
Commodity options	73	94	–	–	1	–
Total	**492,635**	**502,409**	**12,243**	**16,367**	**10,217**	**14,713**

Nominal amounts broken down by term to maturity:

in € m

	Equity-/index-related transactions		Interest-rate-related transactions		Currency-related transactions	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Up to three months	342	354	26,020	33,000	22,982	28,838
More than three months and up to one year	800	707	41,741	43,463	15,277	18,638
More than one year and up to five years	3,194	2,435	194,900	185,508	17,412	20,792
More than five years	239	150	159,384	156,495	5,017	6,054
Total	**4,575**	**3,646**	**422,045**	**418,466**	**60,688**	**74,322**

in € m

	Credit derivatives		Commodity-related transactions		Total	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Up to three months	120	130	43	48	49,507	62,370
More than three months and up to one year	519	1,311	42	32	58,379	64,151
More than one year and up to five years	4,448	4,253	36	67	219,990	213,055
More than five years	119	134	–	–	164,759	162,833
Total	**5,206**	**5,828**	**121**	**147**	**492,635**	**502,409**

Derivatives have been entered into with the following counterparties:

in € m

	Nominal amounts		Positive fair values		Negative fair values	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Banks in OECD countries	185,704	208,678	6,568	8,469	8,012	11,885
Banks outside OECD countries	31	21	–	–	1	1
Other counterparties (including exchanges)	277,686	259,804	2,164	3,222	993	1,117
Public institutions in OECD countries	29,214	33,906	3,511	4,676	1,211	1,710
Total	**492,635**	**502,409**	**12,243**	**16,367**	**10,217**	**14,713**

(67) 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 2017 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, non-trading derivatives	FVO	Total
Assets					
Cash reserve	1,014		8,899		9,913
Loans and advances to banks	11,034			–	11,034
Loans and advances to customers	89,751			479	90,230
Trading assets			16,319		16,319
Positive fair values of non-trading derivatives			2,924		2,924
Financial investments		22,191		1,828	24,019
Other assets	21				21
Total	**101,820**	**22,191**	**28,142**	**2,307**	**154,460**
Liabilities					
Liabilities due to banks	31,016			498	31,514
Liabilities due to customers	45,922			3,599	49,521
Securitised liabilities	41,987			6,168	48,155
Trading liabilities			12,289		12,289
Negative fair values of non-trading derivatives			2,281		2,281
Subordinated capital	3,464			46	3,510
Other liabilities	90				90
Total	**122,479**		**14,570**	**10,311**	**147,360**

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 2016 were as follows:

in € m

	LaR/OL	AfS	HfT, non-trading derivatives	FVO	Total
Assets					
Cash reserve	1,296		1,800		3,096
Loans and advances to banks	15,235			–	15,235
Loans and advances to customers	92,566			512	93,078
Trading assets			20,498		20,498
Positive fair values of non-trading derivatives			4,024		4,024
Financial investments		23,839		1,932	25,771
Other assets[1)]	36				36
Total	**109,133**	**23,839**	**26,322**	**2,444**	**161,738**
Liabilities					
Liabilities due to banks	29,755			383	30,138
Liabilities due to customers	43,285			3,539	46,824
Securitised liabilities	45,362			5,586	50,948
Trading liabilities			18,713		18,713
Negative fair values of non-trading derivatives			3,918		3,918
Subordinated capital	3,524			99	3,623
Other liabilities[1)]	84				84
Total	**122,010**		**22,631**	**9,607**	**154,248**

[1)] Prior-year figures restated: the other assets comprise trade accounts receivable that have to be allocated to the LaR measurement category. The other liabilities comprise trade accounts payable that have to be allocated to the OL measurement category.

The following table shows the contributions to earnings from financial instruments in each measurement category for the 2017 financial year:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	2,300	–1,367	235		–142	102	1,128
Provisions for losses on loans and advances	56						56
Net trading income				268			268
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied					88	–206	–118
Net income from hedge accounting	4	40				–53	–9
Net income from financial investments			16				16
Contributions to earnings recognised under other comprehensive income			–66				–66
Total	**2,360**	**–1,327**	**185**	**268**	**–54**	**–157**	**1,275**

The equivalent amounts for 2016 were as follows:

in € m

	LaR	OL	AfS	HfT	FVO	Non-trading derivatives	Total
Net interest income	2,511	–1,481	281		–138	100	1,273
Provisions for losses on loans and advances	–154						–154
Net trading income				146			146
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied					86	–35	51
Net income from hedge accounting	–3	–17				15	–5
Net income from financial investments			45				45
Contributions to earnings recognised under other comprehensive income			63				63
Total	**2,354**	**–1,498**	**389**	**146**	**–52**	**80**	**1,419**

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.

Net interest income includes interest income and interest expense from financial instruments not measured at fair value through profit or loss amounting to € 2,637 m (2016: € 2,834 m) and € 1,469 m (2016: € 1,523 m) respectively.

(68) 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Assets						
Cash reserve	9,913	3,096	9,913	3,096	–	–
Loans and advances to banks[1]	11,119	15,346	11,033	15,234	86	112
Loans and advances to customers[1]	94,239	97,557	89,830	92,307	4,409	5,250
Trading assets	16,319	20,498	16,319	20,498	–	–
Positive fair values of non-trading derivatives	2,924	4,024	2,924	4,024	–	–
Financial investments	24,019	25,771	24,019	25,771	–	–
Total	**158,533**	**166,292**	**154,038**	**160,929**	**4,495**	**5,362**
Liabilities						
Liabilities due to banks	32,275	31,098	31,514	30,138	761	960
Liabilities due to customers	50,754	48,162	49,521	46,824	1,233	1,338
Securitised liabilities	48,407	51,245	48,155	50,948	252	297
Trading liabilities	12,289	18,713	12,289	18,713	–	–
Negative fair values of non-trading derivatives	2,281	3,918	2,281	3,918	–	–
Subordinated capital	3,618	3,971	3,510	3,623	108	348
Total	**149,624**	**157,107**	**147,270**	**154,164**	**2,354**	**2,943**

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

The breakdown of financial instruments on the assets side measured at fair value according to the hierarchy of the inputs used (as described in Note (6)) was as follows:

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Non-derivative financial instruments	**27,570**	**29,784**	**3,570**	**4,176**	**346**	**447**	**31,486**	**34,407**
Loans and advances to customers			394	411	85	101	479	512
Trading assets	5,158	6,144	1,840	1,974	2	37	7,000	8,155
Financial investments	22,412	23,640	1,336	1,791	259	309	24,007	25,740
Derivatives	**29**	**21**	**12,062**	**16,233**	**152**	**113**	**12,243**	**16,367**
Trading assets	25	20	9,156	12,234	138	89	9,319	12,343
Positive fair values of non-trading derivatives	4	1	2,906	3,999	14	24	2,924	4,024
Total	**27,599**	**29,805**	**15,632**	**20,409**	**498**	**560**	**43,729**	**50,774**

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Non-derivative financial instruments	**60**	**139**	**14,100**	**16,878**	**504**	**508**	**14,664**	**17,525**
Liabilities due to banks			493	373	5	10	498	383
Liabilities due to customers			3,565	3,491	34	48	3,599	3,539
Securitised liabilities	–	–	5,703	5,136	465	450	6,168	5,586
Trading liabilities	61	139	4,292	7,779	–	–	4,353	7,918
Subordinated capital	–1	–	47	99	–	–	46	99
Derivatives	**23**	**28**	**10,042**	**14,588**	**152**	**97**	**10,217**	**14,713**
Trading liabilities	21	24	7,776	10,681	139	90	7,936	10,795
Negative fair values of non-trading derivatives	2	4	2,266	3,907	13	7	2,281	3,918
Total	**83**	**167**	**24,142**	**31,466**	**656**	**605**	**24,881**	**32,238**

The changes within the three measurement levels arose predominantly 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

	31.12.2017	31.12.2016
Loans and advances to customers	**85**	**101**
Bonds and other fixed-income securities	**7**	**42**
Promissory notes	2	37
Asset-backed securities	5	5
Unlisted equity investments	**97**	**95**
Investment units	**45**	**77**
Purchase of receivables from endowment insurance policies	**112**	**132**
Total	**346**	**447**

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

in € m

	31.12.2017	31.12.2016
AAA	–	35
BBB and below	7	7
Bonds and other fixed-income securities	**7**	**42**

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.

For loans and advances to customers, bonds and other fixed-income securities, this is particularly true of the inputs used in estimating and determining credit spreads. The process uses scenario values on the basis of determined historical standard deviations in the sectors concerned. As was the case in the previous year, the determined deviations were negligible.

Simulations are carried out for unlisted equity investments for which a discounted earnings approach is used to determine fair value. These simulations were refined during the year under review. If, in respect of these investments, which have a carrying amount of € 34 m, the discounted cash flows were to be increased or decreased by 10 %, the calculated fair values would be € 3 m higher or lower respectively. If the discount rate were to be increased by one percentage point, the calculated fair values would fall by € 5 m; if the discount rate were lowered by one percentage point, the fair values would rise by € 8 m. For other investments in unlisted companies and for equity investments in investment companies, fair values are determined using other, customary methods, the total of such fair values being € 108 m. This approach is used, for example, if only a small number of shares is held in an entity or if the absolute value of the holding is only a relatively low figure. In this case, alternative values are determined by increasing or reducing the input factors used by 10 %; as a result, the fair values could be higher or lower by up to € 11 m. As at 31 December 2016, the main approach for unlisted companies and investment companies was to apply a 10 % increase and reduction to the input factors used. The fair values calculated in this way were used as the basis for determining alternative values, which were then found to be up to € 18 m higher or lower.

The purchased receivables from endowment insurance policies are not deemed to be subject to any material sensitivity because they are measured on the basis of the surrender values supplied by the life insurance companies.

In the case of securitised liabilities, measurement does use inputs that could be subject to sensitivities, but they are hedged for the most part. The remaining sensitivities are not material as far as measurement is concerned.

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

	Loans and advances to customers		Trading assets		Financial investments		Positive fair values of the trading portfolio		Positive fair values of non-trading derivatives	
Assets	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Carrying amounts as at 1.1.	**101**	**103**	**37**	**108**	**309**	**518**	**89**	**97**	**24**	**23**
Gains or losses on liabilities										
Net interest income	–	–			–	–			– 4	– 3
Net trading income			–	1			75	31		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	– 3	2			– 2	–			– 6	4
Net income from financial investments					– 17	– 7				
Gains or losses recognised in other comprehensive income					2	12				
Additions	–	–	10	–	17	6	12	6	–	–
Disposals/liquidations	– 13	– 4	– 10	– 14	– 49	– 223	– 22	– 11	–	–
Changes due to currency translation	–	–	–	–	– 1	2	–	–	–	–
Transfers from Level 2	–	–	–	–	–	5	–	–	–	–
Transfers to Level 2	–	–	– 35	– 58	–	– 4	– 16	– 34	–	–
Carrying amounts as at 31.12.	**85**	**101**	**2**	**37**	**259**	**309**	**138**	**89**	**14**	**24**
Gains or losses on financial assets in the portfolio recognised in profit or loss	– 1	2	–	– 3	– 3	– 1	101	30	– 5	6

in € m

Liabilities	Liabilities due to banks 2017	Liabilities due to banks 2016	Liabilities due to customers 2017	Liabilities due to customers 2016	Securitised liabilities 2017	Securitised liabilities 2016	Negative fair values of the trading portfolio 2017	Negative fair values of the trading portfolio 2016	Negative fair values of non-trading derivatives 2017	Negative fair values of non-trading derivatives 2016
Carrying amounts as at 1.1.	**10**	**10**	**48**	**37**	**450**	**413**	**90**	**99**	**7**	**8**
Gains or losses on liabilities										
Net interest income	–	–	– 1	1	– 1	–			2	– 1
Net trading income							77	30		
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–	–	3	13	– 11	4			2	– 1
Additions	–	–	–	10	145	73	9	6	2	1
Disposals/liquidations	– 5	–	– 2	– 13	– 118	– 34	– 21	– 11	–	–
Changes due to currency translation	–	–	– 1	–	–	–	–	–	–	–
Transfers to Level 2	–	–	– 13	–	–	– 6	– 16	– 34	–	–
Carrying amounts as at 31.12.	**5**	**10**	**34**	**48**	**465**	**450**	**139**	**90**	**13**	**7**
Gains or losses on liabilities in the portfolio recognised in profit or loss	–	–	– 1	– 12	5	– 9	– 101	– 30	– 5	–

The following overview shows a breakdown of financial instruments not measured at fair value according to the hierarchy of fair value levels:

in € m

	Level 1		Level 2		Level 3		Total	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016[1)]	31.12.2017	31.12.2016[1)]	31.12.2017	31.12.2016
Assets								
Cash reserve	9,913	3,096					9,913	3,096
Loans and advances to banks			6,475	10,677	4,644	4,669	11,119	15,346
Loans and advances to customers			61,441	63,557	32,319	33,488	93,760	97,045
Financial investments	–	–	–	–	12	31	12	31
Total	**9,913**	**3,096**	**67,916**	**92,068**	**36,975**	**20,354**	**114,804**	**115,518**
Liabilities								
Liabilities due to banks			26,276	25,498	5,501	5,217	31,777	30,715
Liabilities due to customers			42,335	39,997	4,820	4,626	47,155	44,623
Securitised liabilities	2,194	2,184	40,045	43,475	–	–	42,239	45,659
Subordinated capital	533	525	3,039	3,347	–	–	3,572	3,872
Total	**2,727**	**2,709**	**111,695**	**112,317**	**10,321**	**9,843**	**124,743**	**124,869**

1) Prior-year figures restated: the level classification of fair values for loans and advances to banks and customers was also adjusted as a result of a review of the materiality of input factors used to determine fair value.

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.

A review of the materiality of non-observable input factors used in determining fair values was carried out in 2017. The persistently low interest rates mean that the assessment of customer credit quality has become even more important in the measurement of fair value overall. As this factor cannot be observed in an active market, higher volumes will be classified under Level 3 in the future. Furthermore, long-term loans and advances are considered to be subject to some measurement uncertainty, which is a further reason for classification under Level 3. The figures for the previous year have been restated accordingly.

(69) 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

	31.12.2017 Carrying amount	31.12.2017 Fair value	31.12.2016 Carrying amount	31.12.2016 Fair value	1.7.2008 Carrying amount
Trading assets reclassified to loans and advances to customers	17	17	64	63	437
Financial investments reclassified to loans and advances to customers	15	15	25	25	1,722
Total	**32**	**32**	**89**	**88**	**2,159**

If the reclassifications had not been carried out, this would have resulted in 2017 in additional unrealised measurement gains of € 1 m (2016: measurement gains of € 1 m) for trading assets in profit or loss and additional unrealised measurement gains of € 0 m (2016: measurement gains of € 0 m) for financial investments in other comprehensive income.

In the year under review, the consolidated income statement was impacted in the amount of € 2 m as a result of the derecognition of assets reclassified from the available-for-sale category.

(70) Disclosures Relating to Financial Instruments to which the Fair Value Option is Applied

Helaba determines the cumulative changes in carrying amounts attributable to credit risk for assets and liabilities classified as financial instruments to which the fair value option is applied. For each of these financial instruments, the calculation is based on the difference between the latest measurement and the historical measurement on the date of addition. This difference is then adjusted for any changes in value resulting from market factors not related to credit risk. Helaba discloses the amounts recognised in profit or loss in the reporting period for the financial instruments still in the portfolio as at 31 December. The amounts concerned are shown in the following tables:

in € m

	Carrying amount		Reporting period		Cumulative	
	31.12.2017	31.12.2016	2017	2016	31.12.2017	31.12.2016
Loans and advances to customers	479	512	1	1	−5	−6
Bonds and other fixed-income securities	1,758	1,864	–	−1	−2	−3
Equity shares and other variable-income securities	70	68				
Total	**2,307**	**2,444**	**1**	**–**	**−7**	**−9**

in € m

	Carrying amount		Reporting period		Cumulative	
	31.12.2017	31.12.2016	2017	2016	31.12.2017	31.12.2016
Liabilities due to banks	498	383	–	–3	–1	–
Liabilities due to customers	3,599	3,539	4	45	14	20
Securitised liabilities	6,168	5,586	2	34	–17	–16
Subordinated capital	46	99	–	–1	1	1
Total	**10,311**	**9,607**	**6**	**75**	**–3**	**5**

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Liabilities due to banks	495	401	498	383	–3	18
Liabilities due to customers	4,087	4,163	3,599	3,539	488	624
Securitised liabilities	6,207	5,614	6,168	5,586	39	28
Subordinated capital	46	98	46	99	–	–1
Total	**10,835**	**10,276**	**10,311**	**9,607**	**524**	**669**

(71) 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

	Trading liabilities		Securitised liabilities		Securitised subordinated debt		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
As at 1.1.	**1,675**	**4,664**	**50,948**	**47,073**	**1,527**	**1,836**	**54,150**	**53,573**
Changes due to currency translation	–22	–20	–727	41	–	–	–749	21
Additions from issues	660	5,571	72,683	52,229	–	–	73,343	57,800
Additions from reissue of previously repurchased instruments	6	–	823	1,121	1	2	830	1,123
Redemptions	–1,576	–8,542	–74,214	–48,214	–	–303	–75,790	–57,059
Repurchases	–99	–5	–1,142	–1,191	–1	–2	–1,242	–1,198
Changes in accrued interest	–	–1	–19	–71	–	–	–19	–72
Changes in value recognised through profit or loss	8	8	–197	–40	–	–6	–189	–38
As at 31.12.	**652**	**1,675**	**48,155**	**50,948**	**1,527**	**1,527**	**50,334**	**54,150**

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.

(72) 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 risk report, which forms an integral part of the management report.

(73) 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Loans and advances to customers (LaR)	642	1,149	276	499	366	650
Financial investments (AfS)	140	138	108	98	32	40
Total	**782**	**1,287**	**384**	**597**	**398**	**690**

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 (67) plus the contingent liabilities and irrevocable loan commitments as per Note (74). 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 (39)). 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 € 72 m (31 December 2016: € 234 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 31 December 2017:

in € m

	Carrying amount	Past due by up to one month	Past due by more than one month and up to three months	Past due by more than three months and up to one year	Past due by more than one year	Total past due
Loans and advances to banks (LaR)	11,034	–	–	–	–	–
Loans and advances to customers (LaR)	89,751	29	25	5	9	68
Trade accounts receivable (LaR)	21	2	1	1	–	4
Total	**100,806**	**31**	**26**	**6**	**9**	**72**

The following table shows the corresponding amounts as at 31 December 2016:

in € m

	Carrying amount	Past due by up to one month	Past due by more than one month and up to three months	Past due by more than three months and up to one year	Past due by more than one year	Total past due
Loans and advances to banks (LaR)	15,235	1	–	–	–	1
Loans and advances to customers (LaR)	92,566	110	93	19	7	229
Trade accounts receivable (LaR)	36	2	1	1	–	4
Total	**107,837**	**113**	**94**	**20**	**7**	**234**

Trade accounts receivable, which are reported under Other assets in the statement of financial position, are mainly attributable to third-party consulting fees (for which there are liabilities in the same amount), 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Loans and advances to banks	11,034	15,235	–	–
Loans and advances to customers	90,230	93,078	838	1,414
Total	**101,264**	**108,313**	**838**	**1,414**

Deferred or renegotiated loans and advances are determined in accordance with the definition of forborne exposures issued by the European Banking Authority (EBA). A forborne 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: Related to deferred or renegotiated loans and advances and loan commitments	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Allowances on loans and advances to banks	**1**	**1**	**–**	**–**
Portfolio loan loss allowances	1	1	–	–
Allowances on loans and advances to customers	**400**	**771**	**190**	**359**
Specific loan loss allowances	239	453	173	336
Specific loan loss allowances evaluated on a group basis	37	46	10	13
Portfolio loan loss allowances	124	272	7	10
Provisions for lending business risks	**30**	**43**	**–**	**2**
Total	**431**	**815**	**190**	**361**

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Loans and advances to banks	11,034	15,235	203	218
Loans and advances to customers	90,230	93,078	34,773	34,310
Contingent liabilities	6,304	6,310	241	287
Irrevocable loan commitments	20,289	19,650	532	550
Total	**127,857**	**134,273**	**35,749**	**35,365**

In the case of OTC derivative transactions, Helaba applies a credit valuation adjustment (CVA) for default risk in order to cover any expected losses in the lending business. This CVA 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 2017, the CVAs for both trading book and banking book derivatives with positive fair values amounted to € 85 m (31 December 2016: € 155 m).

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

Off-Balance Sheet Transactions and Obligations

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

The Helaba Group's contingent liabilities and other obligations are mainly potential future payment obligations of the Group attributable to credit lines that have been granted to customers but have not yet been drawn down and to financial guarantees that have been provided. The figures shown reflect potential liabilities and assume that the credit lines extended are utilised in full and that the financial guarantees are called upon. Provisions are recognised for irrevocable loan commitments if it is probable that the resulting loan will be impaired as soon as it is drawn down. Provisions are recognised for financial guarantees or other obligations if it is likely that the guarantees will be called upon or the obligations will materialise.

in € m

	31.12.2017	31.12.2016
Irrevocable loan commitments	**20,289**	**19,650**
Financial guarantees	**4,757**	**5,038**
Other obligations	**4,628**	**4,364**
Liabilities from guarantees and warranty agreements	1,547	1,272
Placement and underwriting obligations	2,575	2,753
Contribution obligations	42	43
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	168	135
Contractual obligations in connection with investment property	239	118
Litigation risk obligations	1	–
Sundry obligations	56	43
Total	**29,674**	**29,052**

On the reporting date, € 41 m of the contribution obligations was attributable to 25 commercial partnerships, while € 1 m was attributable to three 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 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 date. 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 were liable only for liabilities whose term to maturity did not extend beyond 31 December 2015.

The Bank is a member of the protection scheme of the Sparkassen-Finanzgruppe 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. With effect from 3 July 2015, the protection scheme operated by the German Sparkassen-Finanzgruppe was adjusted in line with the requirements of the German Deposit Protection Act (Einlagensicherungsgesetz, EinSiG). If the institutional protection should fail in exceptional circumstances, the customer is entitled to reimbursement of his/her deposits up to an amount of € 100,000. The relevant EinSiG provisions apply. If a situation should arise in which a scheme has to provide financial support or pay compensation, Helaba could be required to pay additional or special contributions.

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 Giroverband Hessen-Thüringen will be liable to make up any shortfall should a claim be made against the fund before the full amount has been contributed in cash.

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 the previous year, 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 %.

The sundry obligations include obligations of € 25 m (31 December 2016: € 18 m) to the European Single Resolution Fund. The Bank and Frankfurter Sparkasse have elected to fully utilise the option to make some of the annual contribution in the form of an irrevocable payment undertaking backed in full by cash collateral.

The Reserve Fund of the Landesbanken and Girozentralen and the deposit security reserve fund of the Landesbausparkassen also give their member banks an option to pay part of their contributions in the form of irrevocable payment undertakings backed by cash collateral. The Bank and the Landesbausparkasse have utilised this option for contributions of € 13 m (31 December 2016: € 7 m).

(75) Letters of Comfort

Entity	Registered offices
Grundstücksgesellschaft Gateway Gardens GmbH	Frankfurt am Main

(76) Fiduciary Transactions

in € m

	31.12.2017	31.12.2016
Trust assets		
Loans and advances to banks	322	243
Loans and advances to customers	491	525
Equity shares and other variable-income securities	197	202
Equity investments	55	56
Other assets	14	13
Total	**1,079**	**1,039**
Trust liabilities		
Liabilities due to banks	125	125
Liabilities due to customers	648	606
Other liabilities	306	308
Total	**1,079**	**1,039**

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

(77) Leasing Disclosures

Leases in which the Helaba Group is the lessor

The following table provides details of finance leases:

in € m

	31.12.2017	31.12.2016
Gross investment value	**3**	**4**
Up to one year	1	1
More than one year and up to five years	2	3
Net investment value	**3**	**4**
Up to one year	1	1
More than one year and up to five years	2	3

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

As in the previous year, there were no cumulative loss allowances in connection with finance leases. No contingent rental payments were recognised as income in the year under review, as was also the case in the previous year.

The following minimum lease payments are expected in the course of the next few years from non-cancellable operating leases:

in € m

	31.12.2017	31.12.2016
Up to one year	68	69
More than one year and up to five years	35	38
More than five years	47	56
Total	**150**	**163**

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 rental payments were recognised as income from operating leases in the year under review, as was also the case in the previous year.

Leases in which the Helaba Group is the lessee

General and administrative expenses included an amount of € 44 m (2016: € 42 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 12 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

	31.12.2017	31.12.2016
Up to one year	46	47
More than one year and up to five years	128	136
More than five years	50	63
Total	**224**	**246**

As at the reporting date, future minimum rental payments of € 4 m were expected under non-cancellable subtenancy arrangements, as was the case at the previous year's reporting date. Likewise, other operating income derived from subtenancy arrangements in the year under review remained unchanged year on year at € 2 m.

In the year under review, there were no finance leases in which the Helaba Group was the lessee.

(78) 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.

The regulatory own funds of the Helaba banking group are determined in accordance with Regulation (EU) No. 575/2013 (CRR) and the complementary provisions in sections 10 and 10a of the German Banking Act (Kreditwesengesetz, 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. Since 2015, Helaba has had to comply with the requirements of the European Single Supervisory Mechanism (SSM), which extend beyond those of the CRR.

The regulatory own funds requirements and the capital ratios are also determined in accordance with the provisions of the CRR.

The breakdown of the own funds of the Helaba banking group was as follows (each amount shown after regulatory adjustments):

in € m

	31.12.2017	31.12.2016
Tier 1 capital	**8,180**	**8,110**
Common Equity Tier 1 capital (CET1)	7,673	7,534
Additional Tier 1 capital	507	576
Tier 2 capital	**2,667**	**2,699**
Own funds, total	**10,847**	**10,809**

The following capital requirements and ratios were applicable as at the reporting date:

in € m

	31.12.2017	31.12.2016
Default risk (including equity investments and securitisations)	3,411	3,585
Market risk (including CVA risk)	284	348
Operational risk	291	295
Total own funds requirement	**3,986**	**4,228**
CET1 capital ratio	15.4 %	14.3 %
Tier 1 capital ratio	16.4 %	15.3 %
Total capital ratio	21.8 %	20.5 %

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.

(79) 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 the exercise of voting or similar rights under company law is 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 2017 to unconsolidated structured entities within the meaning of IFRS 12:

in € m

	Securitisation special purpose entities	Asset management entities	Other structured entities	Total
Assets	**2,498**	**283**	**2,993**	**5,774**
Loans and advances to customers	2,477	244	2,933	5,654
Allowances for losses on loans and advances	– 1	– 4	–	– 5
Trading assets	1	7	–	8
Financial investments	21	29	60	110
Other assets	–	7	–	7
Off-balance sheet activities	**1,113**	**18**	**238**	**1,369**
Size of structured entities	**23,074**	**147,693**	**91,501**	**262,268**

The following table shows the corresponding amounts as at 31 December 2016:

in € m

	Securitisation special purpose entities	Asset management entities	Other structured entities	Total
Assets	**3,117**	**262**	**2,997**	**6,376**
Loans and advances to customers	3,073	193	2,944	6,210
Allowances for losses on loans and advances	– 1	– 4	–	– 5
Trading assets	2	18	5	25
Financial investments	43	49	48	140
Other assets	–	6	–	6
Off-balance sheet activities	**1,145**	**21**	**84**	**1,250**
Size of structured entities	**38,412**	**159,524**	**84,949**	**282,885**

The asset management entities predominantly relate to the investment assets managed by Helaba Invest Kapitalanlagegesellschaft mbH and LB(Swiss) Investment AG, the breakdown of which was as follows:

in € m

	31.12.2017	31.12.2016
Retail funds 73 (2016: 66)	8,805	7,131
Special funds 271 (2016: 251)	101,256	114,085
Total	**110,061**	**121,216**

Some of the securitisation entities business comprises service functions for securitisation entities in the OPUSALPHA Group. The lines of liquidity provided for the entities in the OPUSALPHA Group, including flat-rate premiums of 2 %, amounted to € 2,109 m (31 December 2016: € 2,797 m), of which € 1,467 m had been drawn down as at 31 December 2017 (31 December 2016: € 1,875 m). The liquidity provision commitments relate to the maximum planned purchase commitments; Helaba 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 2017 after taking into account issues of € 765 m (31 December 2016: € 860 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 2017, there were undrawn liquidity lines for third-party securitisation platforms amounting to € 65 m, which was unchanged compared with the figure at the end of the previous year. The Helaba Group had also provided finance for factoring entities for customers including for OPUSDELTA in an amount of € 184 m (31 December 2016: € 179 m); the finance provided for OPUSLAMBDA was less than € 1 m, which had also been the case as at 31 December 2016.

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.

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 2017 included 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). 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.

In the year under review, two consolidated property entities that formed part of the structures of closed-end funds 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.

(80) 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 (59) and (60)), 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.

In the case of nine consolidated subsidiaries, there is a block on dividends amounting to a total of € 27 m (31 December 2016: € 20 m) based on the stipulations in section 253 (6) sentence 2 HGB. This results from the measurement of provisions for pension obligations in the separate financial statements, which have had to be discounted since 2016 with average discount rates for the last ten years.

The consolidation of special purpose entities in accordance with IFRS 10 is frequently 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 € 1,682 m (31 December 2016: € 2,270 m). This total figure included an amount of € 1,299 m (31 December 2016: € 1,788 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 financial statements as at 31 December 2017, WIBank reported total assets of € 17,627 m (31 December 2016: € 17,413 m) and LBS total assets of € 5,683 m (31 December 2016: € 5,411 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.

(81) 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 Free 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 2017:

in € m

	Non-consolidated subsidiaries	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Assets	**59**	**331**	**2,862**	**–**	**3,252**
Loans and advances to banks	–	3	–	–	**3**
Loans and advances to customers	35	316	1,658	–	**2,009**
Allowances for losses on loans and advances	–	–	–	–	**–**
Trading assets	–	–	695	–	**695**
Financial investments	24	9	393	–	**426**
Other assets	–	3	116	–	**119**
Liabilities	**62**	**69**	**1,943**	**66**	**2,140**
Liabilities due to banks	55	–	113	–	**168**
Liabilities due to customers	7	68	1,683	43	**1,801**
Trading liabilities	–	–	58	–	**58**
Subordinated capital	–	–	80	–	**80**
Other liabilities	–	1	9	23	**33**
Off-balance sheet activities	**12**	**121**	**49**	**–**	**182**

The equivalent amounts as at 31 December 2016 were as follows:

in € m

	Non-consolidated subsidiaries	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Assets	**83**	**917**	**3,079**	**1**	**4,080**
Loans and advances to banks	–	3	–	–	**3**
Loans and advances to customers	59	878	1,464	1	**2,402**
Allowances for losses on loans and advances	–	–10	–	–	**–10**
Trading assets	–	3	1,094	–	**1,097**
Financial investments	24	24	405	–	**453**
Other assets	–	19	116	–	**135**
Liabilities	**10**	**323**	**2,048**	**66**	**2,447**
Liabilities due to banks	–	–	141	–	**141**
Liabilities due to customers	10	321	1,735	43	**2,109**
Trading liabilities	–	–	79	–	**79**
Subordinated capital	–	–	79	–	**79**
Other liabilities	–	2	14	23	**39**
Off-balance sheet activities	**12**	**147**	**88**	**–**	**247**

As in the previous year, the loans and advances to other related parties comprised loans of less than € 1 m to members of the Board of Managing Directors and loans of less than € 1 m to members of the Supervisory Board.

In 2017, the income statement included the following contributions from transactions with related parties:

in € m

	Non-consolidated subsidiaries	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Interest income	–	6	33	–	39
Interest expense	–1	–	–18	–	–19
Net interest income	**–1**	**6**	**15**	**–**	**20**
Provisions for losses on loans and advances	–	–	–	–	–
Net interest income after provisions for losses on loans and advances	**–1**	**6**	**15**	**–**	**20**
Fee and commission income	–	–	42	–	42
Net fee and commission income	**–**	**–**	**42**	**–**	**42**
Net trading income	–	–1	–163	–	–164
Net income from hedge accounting	–	–	1	–	1
Net income from financial investments	1	15	–	–	16
Share of profit or loss of equity-accounted entities	–	8	–	–	8
Other net operating income	–	1	–	–	1
General and administrative expenses	–	–5	–10	–7	–22
Profit before taxes	**–**	**24**	**–115**	**–7**	**–98**

The equivalent amounts for 2016 were as follows:

in € m

	Non-consolidated subsidiaries	Investments in joint ventures and associates	Shareholders of Helaba	Other related parties	Total
Interest income	5	37	31	–	73
Interest expense	–	–14	–20	–	–34
Net interest income	**5**	**23**	**11**	**–**	**39**
Provisions for losses on loans and advances	–	–1	–	–	–1
Net interest income after provisions for losses on loans and advances	**5**	**22**	**11**	**–**	**38**
Fee and commission income	–	–	42	–	42
Net fee and commission income	**–**	**–**	**42**	**–**	**42**
Net trading income	–	5	236	–	241
Gains or losses on non-trading derivatives and financial instruments to which the fair value option is applied	–9	–	–	–	–9
Net income from hedge accounting	–	–	–1	–	–1
Net income from financial investments	1	–	–	–	1
Other net operating income	–	1	–	–	1
General and administrative expenses	–	–6	–5	–9	–20
Profit before taxes	**–3**	**22**	**283**	**–9**	**293**

The income and expenses from transactions with related parties arise predominantly from standard banking activities in the lending, investment and derivatives businesses. Exposures resulting from market risk assumed by the Bank, for example in connection with interest rate derivatives, are matched by corresponding countervailing transactions with other customers as part of overall bank management. An analysis in isolation, for example of the net trading income from transactions with related parties, does not therefore present the actual net income achieved by the Bank from such transactions.

The remuneration paid to the Board of Managing Directors of Helaba was broken down as follows:

in € m

	2017	2016
Short-term benefits	4.8	4.7
Post-employment benefits	–	–
Other long-term benefits	1.8	1.7
Benefits payable on termination of employment	–	–

Additions of € 1.1 m were also made to the pension provisions for members of the Board of Managing Directors (2016: € 1.1 m). This amount represented the current service cost.

As in the previous year, 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 (including deputy members) received a combined amount of € 2 m in salary payments as company employees. This amount was unchanged compared with the previous year. An amount of € 4 m was paid to former members of the Board of Managing Directors and their surviving dependants, the same amount as in the prior year. In accordance with IAS 19, provisions of € 64 m were recognised for pension obligations to this group of persons as at 31 December 2017 (31 December 2016: € 70 m).

(82) Auditors' Fees

The following fees for services rendered by Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft or its affiliated companies were invoiced for the year under review:

in € m

	2017	2016
Audit fees	4	3
Other attestation services	–	1
Other services	1	1
Total	**5**	**5**

The fees for financial statements auditing services include, in addition to the fees for audits of financial statements required under EU law, the fees for the review of interim financial statements by an auditor and those for audits of annual financial statements not prescribed under EU law.

Fees for other attestation services, which totalled less than € 1 m in the year under review, were primarily attributable to attestation services in relation to protection schemes and statutory notifications as well as to the auditing of the custody and investment services business.

The other services largely comprised the provision of expert reports and opinions on further specialist matters.

(83) Employee Disclosures

The breakdown of the average number of employees in the year under review in the Helaba Group was as follows:

	Female		Male		Total	
	2017	2016	2017	2016	2017	2016
Bank as a whole	**1,552**	**1,536**	**1,852**	**1,847**	**3,404**	**3,383**
Bank	1,162	1,139	1,576	1,566	2,738	2,705
WIBank	242	234	172	169	414	403
LBS	148	163	104	112	252	275
Group subsidiaries	**1,365**	**1,356**	**1,354**	**1,362**	**2,719**	**2,718**
Group	**2,917**	**2,892**	**3,206**	**3,209**	**6,123**	**6,101**

(84) 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 –

Alexander Wüerst
Chairman of the Board of
Managing Directors
Kreissparkasse Köln
Cologne
– Third Vice-Chairman –

Andreas Bausewein
Mayor
City of Erfurt
Erfurt

Dr. Annette Beller
Member of the Management Board
B. Braun Melsungen AG
Melsungen

Ingo Buchholz
Chairman of the Board of
Managing Directors
Kasseler Sparkasse
Kassel
– until 30 September 2017 –

Patrick Burghardt
Mayor
City of Rüsselsheim
Rüsselsheim
– until 31 December 2017 –

Georg Fahrenschon
President
Deutscher Sparkassen- und
Giroverband e. V.
Berlin
– until 30 November 2017 –

Sven Gerich
Mayor
City of Wiesbaden
Wiesbaden
– since 22 November 2017 –
– until 15 December 2017 –

Stefan Hastrich
Chairman of the Board of
Managing Directors
Kreissparkasse Weilburg
Weilburg

Bertram Hilgen
Mayor
City of Kassel
Kassel
– until 21 July 2017 –

Günter Högner
Chairman of the Board of
Managing Directors
Nassauische Sparkasse
Wiesbaden

Dr. Christoph Krämer
Chairman of the Board of
Managing Directors
Sparkasse Iserlohn
Iserlohn

Manfred Michel
Chief Administrative Officer
Country District of Limburg-Weilburg
Limburg an der Lahn

Frank Nickel
Chairman of the Board of
Managing Directors
Sparkasse Werra-Meissner
Eschwege

Clemens Reif
Member of the State Parliament
of Hesse
Wiesbaden

Thorsten Schäfer-Gümbel
Member of the State Parliament
of Hesse
Wiesbaden

Helmut Schmidt
Chairman of the Board of
Managing Directors
Kreissparkasse Saale-Orla
Schleiz

Arnd Zinnhardt
Member of the Group Executive Board
Software AG
Darmstadt

Uwe Schmidt
Chief Administrative Officer
County District of Kassel
Kassel

Dr. Hartmut Schubert
Secretary of State
Ministry of Finance of the
State of Thuringia
Erfurt

Wolfgang Schuster
Chief Administrative Officer
County District of Lahn-Dill
Wetzlar

Dr. Eric Tjarks
Chairman of the Board of
Managing Directors
Sparkasse Bensheim
Bensheim

Employee representatives

Thorsten Derlitzki
Vice President
Frankfurt am Main
– Fourth Vice-Chairman –

Frank Beck
Vice President
Frankfurt am Main

Gabriele Fuchs
Bank employee
Offenbach

Anke Glombik
Vice President
Erfurt

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

Jürgen Pilgenröther
Bank employee
Frankfurt am Main

Birgit Sahliger-Rasper
Bank employee
Frankfurt am Main

Susanne Schmiedebach
Vice President
Düsseldorf

Thomas Sittner
Bank employee
Frankfurt am Main

(85) Members of the Board of Managing Directors

Herbert Hans Grüntker
– Chairman –

Thomas Groß
– Vice-Chairman –

Jürgen Fenk
– until 30 September 2017 –

Dr. Detlef Hosemann

Hans-Dieter Kemler
– since 1 May 2017 –

Klaus-Jörg Mulfinger

Dr. Norbert Schraad

(86) Positions on Supervisory Boards and Other Executive Bodies

Positions held by the members of the Board of Managing Directors

Office holder	Corporation	Function
Herbert Hans Grüntker	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Vice-Chairman
Thomas Groß	Deutscher Sparkassen Verlag GmbH, Stuttgart	Member
	DSGF Deutsche Servicegesellschaft für Finanzdienstleister mbH, Cologne	Member
	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	President
	Frankfurter Sparkasse, Frankfurt am Main	First Vice-Chairman
Dr. Detlef Hosemann	Deutsche WertpapierService Bank AG, Frankfurt am Main	Member
	Frankfurter Sparkasse, Frankfurt am Main	Chairman
	GWH Immobilien Holding GmbH, Frankfurt am Main	Vice-Chairman
Hans-Dieter Kemler	Frankfurter Sparkasse, Frankfurt am Main	Member
	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	Chairman
Klaus-Jörg Mulfinger	Frankfurter Sparkasse, Frankfurt am Main	Member
	Thüringer Aufbaubank, Erfurt	Member

Positions held by other employees

Office holder	Corporation	Funktion
Stephan Bruhn	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Member
Diana Häring	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	Member
Dieter Kasten	GWH Immobilien Holding GmbH, Frankfurt am Main	Member
Klaus Kirchberger	TTL Information Technology AG, Munich	Chairman
Holger Mai	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Chairman
Dirk Mewesen	Helaba Asset Services, Dublin, Ireland	Member
Dr. Ulrich Pähler	Helaba Asset Services, Dublin, Ireland	Vice-Chairman
Dr. Michael Reckhard	Bürgschaftsbank Hessen GmbH, Wiesbaden	Member
Robert Restani	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	Member
Christian Schmid	GWH Immobilien Holding GmbH, Frankfurt am Main	Chairman
Klaus Georg Schmidbauer	Bürgschaftsbank Thüringen GmbH, Erfurt	Member
André Stolz	Nassauische Sparkasse, Wiesbaden	Member
Erich Vettiger	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	Vice-Chairman

(87) Events After the Reporting Date

Frankfurter Bankgesellschaft (Schweiz) AG concluded an agreement in 2018 to sell all shares in LB(Swiss) Investment AG. The agreement is subject to regulatory approval. No material changes are anticipated to the net assets position for 2018 as a result of the disposal of the entity, which was previously included in the consolidated financial statements via full consolidation.

(88) List of Shareholdings of Landesbank Hessen-Thüringen Girozentrale in Accordance with Section 315a in Conjunction with Section 313 (2) HGB

Fully consolidated subsidiaries

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
No.	Name and location of the entity	Total	Thereof directly	Total	in m	in thousands	
1	1822direkt Gesellschaft der Frankfurter Sparkasse mbH, Frankfurt am Main	100.00	0.00		€ 7.1	€ 0	1)
2	Airport Office One GmbH & Co. KG, Schönefeld	100.00	0.00		€ 0.0	€ –9	2)
3	ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	100.00	100.00		€ –6.2	€ –137	2)
4	BHT Baugrund Hessen-Thüringen GmbH, Kassel	100.00	0.00		€ 0.0	€ 0	1), 3)
5	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt FBM Freizeitbad Mühlhausen KG, Frankfurt am Main	100.00	100.00		€ 3.4	€ 788	2)
6	CORDELIA Verwaltungsgesellschaft mbH, Pullach	0.00	0.00		€ 0.0	€ 0	1), 4)
7	DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam	94.89	0.00		€ 36.7	€ 1,832	
8	Dritte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ 0	2)
9	EGERIA Verwaltungsgesellschaft mbH, Pullach	0.00	0.00		€ 0.0	€ 0	1), 4)
10	Erste OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ 0	2)
11	Erste Veritas Frankfurt GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 70.4	€ 1	2)
12	Family Office der Frankfurter Bankgesellschaft AG, Frankfurt am Main	100.00	0.00		n.a.	n.a.	
13	Frankfurter Bankgesellschaft (Deutschland) AG, Frankfurt am Main	100.00	0.00		€ 11.3	€ 968	
14	Frankfurter Bankgesellschaft (Schweiz) AG, Zurich, Switzerland	100.00	100.00		CHF 107.8	CHF 2,906	
15	Frankfurter Sparkasse, Frankfurt am Main	100.00	100.00		€ 843.2	€ 45,000	
16	FRAWO Frankfurter Wohnungs- und Siedlungs-Gesellschaft mbH, Frankfurt am Main	100.00	0.00		€ 0.2	€ 0	1)
17	Galerie Lippe GmbH & Co. KG, Frankfurt am Main	94.90	0.00		€ –1.8	€ –2,122	
18	GGM Gesellschaft für Gebäude-Management mbH, Erfurt	100.00	0.00		€ 0.3	€ 0	1), 3)
19	GHT Gesellschaft für Projektmanagement Hessen-Thüringen mbH, Frankfurt am Main	100.00	0.00		€ 0.3	€ 0	1), 3)
20	Grundstücksgesellschaft Limes-Haus Schwalbach II GbR, Frankfurt am Main	100.00	0.00		€ 0.1	€ 47	
21	Grundstücksverwaltungsgesellschaft Kaiserlei GmbH, Frankfurt am Main	100.00	0.00		€ 0.0	€ –10	

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Holding in % as per section 16 (4) AktG Thereof directly	Voting rights if different from holding Total	Equity in m	Net profit in thousands	
22	Grundstücksverwaltungsgesellschaft KAISERLEI GmbH & Co. Projektentwicklung Epinayplatz KG, Frankfurt am Main	100.00	0.00		€ 2.4	€ 2,643	2)
23	G+S Wohnen in Frankfurt am Main GmbH, Frankfurt am Main	100.00	0.00		€ 23.4	€ 0	1)
24	GSG Siedlungsgesellschaft für Wohnungs- und Städtebau mbH, Frankfurt am Main	100.00	5.10		€ 76.4	€ 4,895	
25	GWH Bauprojekte GmbH, Frankfurt am Main	100.00	0.00		€ 13.6	€ 0	1)
26	GWH Immobilien Holding GmbH, Frankfurt am Main	100.00	100.00		€ 949.9	€ 0	1)
27	GWH Wohnungsgesellschaft mbH Hessen, Frankfurt am Main	100.00	0.00		€ 368.5	€ 50,667	
28	Hafenbogen GmbH & Co. KG, Frankfurt am Main	100.00	100.00		€ –0.3	€ –321	2)
29	HANNOVER LEASING Life Invest Deutschland I GmbH & Co. KG, Pullach	43.10	0.00		€ 12.9	€ –407	4)
30	HANNOVER LEASING Life Invest Deutschland II GmbH & Co. KG, Pullach	63.10	0.00		€ 13.5	€ –365	4)
31	Haus am Brüsseler Platz GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ –68	2)
32	Helaba Asset Services Unlimited Company, Dublin, Ireland	100.00	100.00		€ 54.8	€ 221	
33	Helaba Invest Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.00	100.00		€ 13.0	€ 0	1)
34	Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG, Pullach	5.92	0.00		€ –129.9	€ 5,151	4)
35	Hello Darmstadt Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –0.1	€ –150	2)
36	HeWiPPP II GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 2.6	€ 34	2)
37	Honua'ula Partners LLC, Wailea, USA	0.00	0.00		US$ 92.6	US$ 14	4)
38	HTB Grundstücksverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		€ 0.1	€ 10	
39	Kornmarkt Arkaden Dritte GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –0.1	€ –66	2)
40	Kornmarkt Arkaden Erste GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –2.8	€ –280	2)
41	Kornmarkt Arkaden Vierte GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –0.1	€ –23	2)
42	Kornmarkt Arkaden Zweite GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –0.8	€ –316	2)
43	LB(Swiss) Investment AG, Zurich, Switzerland	100.00	0.00		CHF 10.2	CHF 1,628	
44	LHT MSIP, LLC, Wilmington, USA	100.00	0.00		US$ 7.0	US$ 0	
45	LHT Power Three LLC, Wilmington, USA	100.00	100.00		US$ 33.7	US$ –364	
46	LHT TCW, LLC, Wilmington, USA	100.00	0.00		US$ 21.3	US$ 413	

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in m	Net profit in thousands	
47	LHT TPF II, LLC, Wilmington, USA	100.00	0.00		US$ 5.9	US$ –523	
48	Logistica CPH K/S, Kastrup, Denmark	53.33	53.33		DKK 0.8	DKK 1,624	
49	Main Capital Funding II Limited Partnership, Saint Helier, Jersey	0.00	0.00		€ 17.1	€ 284	4)
50	Main Capital Funding Limited Partnership, Saint Helier, Jersey	0.00	0.00		€ 8.3	€ 146	4)
51	MAVEST Vertriebsgesellschaft mbH, Frankfurt am Main	100.00	0.00		€ 0.0	€ 0	1)
52	MAVEST Wohnungsbaugesellschaft mbH, Frankfurt am Main	99.99	0.00		€ 8.1	€ 1,313	
53	Merian GmbH Wohnungsunternehmen, Frankfurt am Main	94.90	0.00		€ 23.1	€ 1,092	
54	Montindu S.A./N.V., Brussels, Belgium	100.00	99.97		€ 15.1	€ 227	
55	Neunte P 1 Projektgesellschaft mbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ –53	2)
56	OFB Beteiligungen GmbH, Frankfurt am Main	100.00	0.00		€ 5.9	€ 90	
57	OFB Projektentwicklung GmbH, Frankfurt am Main	100.00	100.00		€ 1.1	€ 0	1), 3)
58	OPUSALPHA FUNDING LTD, Dublin, Ireland	0.00	0.00		€ 0.0	€ 0	4)
59	Projekt Erfurt B38 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –0.2	€ –210	2)
60	Projekt Hirschgarten MK8 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –1.0	€ –615	2)
61	Projektentwicklung Königstor GmbH & Co. KG, Kassel	100.00	0.00		€ –0.4	€ –743	2)
62	Projektentwicklung Neuwerkstraße 17 GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ –1	2)
63	Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ –2	2)
64	PVG GmbH, Frankfurt am Main	100.00	100.00		€ 0.4	€ 252	1), 3)
65	SQO Stadt Quartier Offenburg GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –0.2	€ –120	2)
66	Systeno GmbH, Frankfurt am Main	100.00	0.00		€ 2.2	€ 265	
67	TE Kronos GmbH, Frankfurt am Main	100.00	100.00		€ 1.7	€ –2	
68	unIQus Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –0.1	€ –117	2)
69	Versicherungsservice der Frankfurter Sparkasse GmbH, Frankfurt am Main	100.00	0.00		€ 0.3	€ 0	1)
70	Verso Grundstücksentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ –0.1	€ 49	2)
71	Verso Projektentwicklung GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 1.8	€ 782	2)

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in m	Net profit in thousands	
72	Vierte OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ 0	2)
73	Vierte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ 0	2)
74	Zweite OFB Friedrichstraße GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ 0	2)
75	Zweite OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.2	€ 186	2)

No.	Name and location of the entity	Holding in % Total	Thereof directly	Fund volume in m	Net profit in Tsd.	
76	HI-A-FSP-Fonds, Frankfurt am Main	100.00	100.00	€ 131.8	€ 0	4)
77	HI-C-FSP-Fonds, Frankfurt am Main	100.00	100.00	€ 116.0	€ 0	4)
78	HI-FBI-Fonds, Frankfurt am Main	100.00	100.00	€ 129.2	€ 0	4)
79	HI-FBP-Fonds, Frankfurt am Main	100.00	100.00	€ 87.7	€ 0	4)
80	HI-FSP-Fonds, Frankfurt am Main	100.00	100.00	€ 170.0	€ 0	4)
81	HI-H-FSP-Fonds, Frankfurt am Main	100.00	100.00	€ 131.6	€ 0	4)
82	HI-HT-KOMP.-Fonds, Frankfurt am Main	100.00	100.00	€ 33.7	€ 0	4), 5)
83	HI-HTNW-Fonds, Frankfurt am Main	100.00	100.00	€ 509.3	€ 0	4), 5)
84	HI-RentPlus-Fonds, Frankfurt am Main	100.00	100.00	€ 490.8	€ 0	4), 5)

The following joint ventures and associates have also been accounted for using the equity method:

Joint ventures accounted for using the equity method

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in m	in thousands
85	CP Campus Projekte GmbH, Frankfurt am Main	50.00	0.00		€ 1.1	€ –414
86	Einkaufszentrum Wittenberg GmbH, Leipzig	50.00	0.00		€ –0.7	€ 112
87	FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin	75.00	0.00		n.a.	n.a.
88	FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin	75.00	0.00		n.a.	n.a.
89	FHP Friedenauer Höhe Fünfte GmbH & Co. KG, Berlin	75.00	0.00		n.a.	n.a.
90	FHP Friedenauer Höhe Projekt GmbH, Berlin	75.00	0.00		n.a.	n.a.
91	FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin	75.00	0.00		n.a.	n.a.
92	FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin	75.00	0.00		n.a.	n.a.
93	FHP Friedenauer Höhe Zweite GmbH & Co. KG, Berlin	75.00	0.00		n.a.	n.a.
94	G & O Alpha Hotelentwicklung GmbH, Frankfurt am Main	50.00	0.00		€ 0.1	€ –3
95	G & O Alpha Projektentwicklungs-GmbH & Co. KG, Frankfurt am Main	50.00	0.00		€ 0.2	€ –4
96	G & O Baufeld Alpha 2. BA GmbH & Co. KG, Frankfurt am Main	50.00	0.00		€ 0.1	€ –4
97	G & O Gateway Gardens Dritte GmbH & Co. KG, Frankfurt am Main	50.00	0.00		€ 0.0	€ –5
98	G & O Gateway Gardens Erste GmbH & Co. KG, Frankfurt am Main	50.00	0.00		€ 0.5	€ 379
99	gatelands Projektentwicklung GmbH & Co. KG, Schönefeld	75.00	0.00		€ –0.9	€ –55
100	GIZS GmbH & Co. KG, Frankfurt am Main	33.33	33.33		€ 14.7	€ –3,653
101	G&O MK 15 Bauherren GmbH & Co. KG, Frankfurt am Main	50.00	0.00		€ 0.0	€ –27
102	GOB Dritte E & A Grundbesitz GmbH, Frankfurt am Main	47.00	0.00		€ –3.4	€ –232
103	GOB Projektentwicklung E & A GmbH & Co. Siebte Rhein-Main KG, Frankfurt am Main	8.84	0.00		€ 5.3	€ 1,095
104	GOB Projektentwicklung Fünfte GmbH & Co. KG, Frankfurt am Main	8.84	0.00		€ 0.0	€ –10
105	Horus AWG GmbH, Pöcking	50.00	0.00		€ –0.1	€ –114

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in m	in thousands
106	Multi Park Mönchhof Dritte GmbH & Co. KG, Neu-Isenburg	50.00	0.00		€ 0.5	€ –13
107	Multi Park Mönchhof GmbH & Co. KG, Neu-Isenburg	50.00	0.00		€ 0.0	€ –7
108	Multi Park Mönchhof Main GmbH & Co. KG, Neu-Isenburg	50.00	0.00		€ 1.6	€ 1,511
109	OFB & Procom Objekt Neu-Ulm GmbH & Co. KG, Neu-Ulm	50.00	0.00		€ 0.4	€ 7
110	OFB & Procom Rüdesheim GmbH & Co. KG, Frankfurt am Main	50.00	0.00		€ –0.1	€ –7
111	Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main	30.00	0.00		€ –1.2	€ –220
112	sono west Projektentwicklung GmbH & Co. KG, Frankfurt am Main	70.00	0.00		€ 15.0	€ –581
113	Stresemannquartier GmbH & Co. KG, Berlin	50.00	0.00		€ 0.5	€ 30,842
114	Westhafen Haus GmbH & Co. Projektentwicklungs-KG, Frankfurt am Main	50.00	0.00		€ –0.2	€ 0
115	Westhafen-Gelände Frankfurt am Main GbR, Frankfurt am Main	0.00	0.00	33.33	€ 0.0	€ –3

Associates accounted for using the equity method

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in m	in thousands
116	Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	33.33	0.00		€ 4.3	€ –1,333
117	HANNOVER LEASING Wachstumswerte Asien 1 GmbH & Co. KG, Pullach	54.51	0.00		€ 18.5	€ –210
118	WoWi Media GmbH & Co. KG, Hamburg	23.72	0.00	19.24	€ 2.8	€ –11

Non-consolidated subsidiaries

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in m	Net profit in thousands	
119	ASTARTE Verwaltungsgesellschaft mbH, Pullach	100.00	100.00		€ 0.0	€ 1	
120	BGT-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		€ 0.0	€ 0	1)
121	BHT Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Bauhof Maintal KG, Frankfurt am Main	50.00	50.00	66.67	€ 1.0	€ 78	
122	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt GZH Gemeindezentrum Hünstetten KG, Frankfurt am Main	100.00	100.00		€ 1.4	€ 152	
123	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt MGK Marstall-Gebäude Kassel KG, Kassel	50.00	50.00	66.67	€ 0.5	€ 38	
124	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Sparkassenfiliale Seeheim-Jugenheim KG, Frankfurt am Main	100.00	100.00		€ 2.1	€ 190	
125	BHT-Baugrund Hessen-Thüringen Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt TFK II Tiefgarage Kassel 2. BA KG, Kassel	33.33	33.33	66.67	€ 2.2	€ 236	
126	BM H Beteiligungs-Managementgesellschaft Hessen mbH, Wiesbaden	100.00	100.00		€ 1.3	€ 554	
127	BWT Beteiligungsgesellschaft für den Wirtschaftsaufbau Thüringens mbH, Frankfurt am Main	100.00	100.00		€ 5.3	€ 4	
128	Dritte OFB PE GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ –4	
129	FAM-Grundstücksverwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main	100.00	100.00		€ 0.2	€ 5	
130	FMZ Fulda Verwaltung GmbH, Frankfurt am Main	100.00	0.00		€ 0.0	€ –1	
131	GIMPRO Beteiligungs- und Geschäftsführungsgesellschaft mbH, Frankfurt am Main	100.00	0.00		€ 0.2	€ 4	
132	GLD Verwaltungsgesellschaft GmbH, Frankfurt am Main	100.00	0.00		€ 0.0	€ 0	
133	Helaba Gesellschaft für Immobilienbewertung mbH, Frankfurt am Main	100.00	100.00		€ 0.2	€ 0	
134	Helaba Projektbeteiligungsgesellschaft für Immobilien mbH Frankfurt am Main	100.00	100.00		€ 4.5	€ 54	
135	Helaba Representação Ltda., São Paulo, Brazil	100.00	99.00		n.a.	n.a.	
136	Innovationsfonds Hessen-Verwaltungsgesellschaft mbH i. L. , Frankfurt am Main	100.00	100.00		€ 0.1	€ 0	
137	Kalypso Projekt GmbH & Co. KG, Frankfurt am Main	100.00	0.00		€ 0.0	€ –11	

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in m	in thousands
138	KHR Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Kulturhalle Rödermark KG, Frankfurt am Main	50,00	50,00	66.67	3,2 €	437 €
139	Komplementarselskabet Logistica CPH ApS, Kastrup, Denmark	52.00	52.00		DKK 0.0	DKK –3
140	Königstor Verwaltungs-GmbH, Kassel	100.00	0.00		€ 0.0	€ –1
141	Kornmarkt Arkaden Verwaltung GmbH, Frankfurt am Main	100.00	0.00		€ 0.0	€ 3
142	LBS Immobilien GmbH, Frankfurt am Main	100.00	100.00		€ 0.7	€ 87
143	Nötzli, Mai & Partner Family Office AG, Zurich, Switzerland	100.00	0.00		CHF 0.3	CHF 65
144	OFB Berlin Projekt GmbH, Berlin	100.00	0.00		€ 0.0	€ –1
145	OFB Projektverwaltung GmbH, Frankfurt am Main	100.00	0.00		€ 0.0	€ 1
146	Office One Verwaltung GmbH, Schönefeld	100.00	0.00		€ 0.0	€ 1
147	S-Beteiligungsgesellschaft Hessen-Thüringen mbH, Frankfurt am Main	100.00	100.00		€ 6.2	€ –13
148	TE Beta GmbH, Frankfurt am Main	100.00	100.00		€ 0.4	€ 96
149	TE Gamma GmbH, Frankfurt am Main	100.00	100.00		€ 0.1	€ 8
150	TF H Technologie-Finanzierungsfonds Hessen Gesellschaft mit beschränkter Haftung (TF H GmbH) i. L., Frankfurt am Main	66.67	66.67	66.66	€ 0.6	€ –2
151	TFK Hessengrund-Gesellschaft für Baulandbeschaffung, Erschließung und Kommunalbau mbH & Co. Objekt Tiefgarage Friedrichsplatz Kassel KG i. L., Kassel	33.33	33.33	66.67	€ 1.5	€ –25
152	Unterstützungseinrichtung der Landesbank Hessen-Thüringen GmbH, Frankfurt am Main	100.00	100.00		€ 0.0	€ 0

Joint ventures not accounted for using the equity method

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in m	in thousands
153	FinTech Community Frankfurt GmbH, Frankfurt am Main	33.33	33.33		n.a.	n.a.
154	G & O Alpha Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		€ 0.1	€ 5
155	G & O Verwaltungsgesellschaft mbH, Frankfurt am Main	50.00	0.00		€ 0.0	€ 1
156	gatelands Verwaltungs GmbH, Schönefeld	75.00	0.00		€ 0.0	€ 2
157	GIZS Verwaltungs-GmbH, Frankfurt am Main	33.33	33.33		€ 0.0	€ –10
158	GOB Projektentwicklungsgesellschaft E & A mbH, Frankfurt am Main	50.00	0.00		€ 0.0	€ 0
159	Helaba-Assekuranz-Vermittlungsgesellschaft mbH, Frankfurt am Main	50.00	50.00		€ 0.7	€ 354
160	Hessen Kapital I GmbH, Wiesbaden	100.00	100.00		€ 34.4	€ 233
161	Hessen Kapital II GmbH, Wiesbaden	100.00	100.00		€ 6.8	€ 206
162	Marienbader Platz Projektentwicklungs-gesellschaft mbH, Frankfurt am Main	50.00	0.00		€ 0.1	€ 2
163	Marienbader Platz Projektentwicklungs-gesellschaft mbH & Co. Bad Homburg v.d.H. KG, Frankfurt am Main	50.00	0.00		€ 0.4	€ 5
164	Mittelhessenfonds GmbH, Wiesbaden	100.00	100.00		€ –2.5	€ 24
165	Multi Park Verwaltungs GmbH, Neu-Isenburg	50.00	0.00		€ 0.0	€ 1
166	Procom & OFB Projektentwicklung GmbH, Hamburg	50.00	0.00		€ 0.0	€ –3
167	Projekt Feuerbachstraße Verwaltung GmbH, Frankfurt am Main	70.00	0.00		€ 0.0	€ 0
168	Projekt Wilhelmstraße Wiesbaden Verwaltung GmbH, Frankfurt am Main	30.00	0.00		n.a.	n.a.
169	Rotunde - Besitz- und Betriebsgesellschaft der S-Finanzgruppe mbH & Co. KG, Erfurt	60.00	60.00	33.33	€ 0.6	€ 48
170	Rotunde Verwaltungsgesellschaft mbH, Erfurt	60.00	60.00	33.33	n.a.	n.a.
171	SKYGARDEN Arnulfpark Verwaltungs GmbH, Grünwald	50.00	0.00		€ 0.0	€ 0

Associates not accounted for using the equity method

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in m	in thousands
172	Bürgschaftsbank Hessen GmbH, Wiesbaden	21.03	21.03		€ 19.2	€ 970
173	Bürgschaftsbank Thüringen GmbH, Erfurt	31.50	31.50		€ 25.3	€ 700
174	GbR VÖB-ImmobilienAnalyse, Bonn	0.00	0.00	20.00	n.a.	n.a.
175	HaemoSys GmbH, Jena	38.33	0.00		€ –4.8	€ –524
176	Hessische Landgesellschaft mbH Staatliche Treuhandstelle für ländliche Bodenordnung, Kassel	37.11	37.11		€ 70.1	€ 5,151
177	MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Wiesbaden	32.52	32.52		€ 10.4	€ 402
178	Mittelständische Beteiligungsgesellschaft Thüringen mbH, Erfurt	38.56	38.56		€ 23.7	€ 1,214
179	Sparkassen-Marktservice Beteiligungs GmbH & Co. KG, Frankfurt am Main	50.00	40.00		€ 8.0	€ 224
180	Sparkassen-Marktservice Verwaltungs GmbH, Frankfurt am Main	50.00	40.00		€ 0.0	€ 0
181	TF H III Technologiefonds Hessen Gesellschaft mit beschränkter Haftung, Wiesbaden	25.00	25.00		€ 1.7	€ –72
182	Vierte Airport Bureau-Center KG Airport Bureau Verwaltungs GmbH & Co., Berlin	31.98	31.98		€ –4.9	€ –1,748

List of Other Shareholdings

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit	
No.	Name and location of the entity	Total	Thereof directly	Total	in m	in thousands	
183	„Dia“ Productions GmbH & Co. KG, Pullach	0.27	0.00		€ 0.0	€ 0	
184	ABE CLEARING S.A.S à capital variable, Paris, France	1.85	1.85		€ 20.4	€ 4,800	
185	Advent International GPE V-B Limited Partnership, George Town, Cayman Islands	1.99	1.99		€ 29.8	€ 1,722	
186	Advent International GPE VI Limited Partnership, George Town, Cayman Islands	0.24	0.24		€ 2,960.3	€ 329,456	
187	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	1.14	1.14		€ 231.8	€ 22,885	
188	Almack Mezzanine I LP, London, United Kingdom	3.93	3.93		€ 0.4	€ 83,211	
189	Almack Mezzanine II Unleveraged LP, London, United Kingdom	5.83	5.83		€ 27.6	€ 10,411	
190	AlphaHaus GmbH & Co. KG, Erzhausen	5.50	0.00		€ 0.9	€ –107	
191	Antenne Thüringen GmbH & Co. KG, Weimar	3.50	3.50		€ 2.1	€ 1,288	
192	AVW Assekuranzvermittlung der Wohnung-swirtschaft GmbH & Co. KG, Bosau	11.76	0.00		€ 0.2	€ 15,694	
193	Bauverein für Höchst a. M. und Umgebung eG, Frankfurt am Main	0.03	0.00		€ 28.6	€ 762	
194	BC European Capital VIII–8, Saint Peter Port, Guernsey	1.83	1.83		€ 1,022.5	€ –144,023	
195	BIL Leasing GmbH & Co. Objekt Verwaltungs-gebäude Halle KG i. L., Munich	100.00	100.0	0.21	€ 0.0	€ 36	
196	BOF III CV Investors LP, Wilmington, USA	4.16	4.16		€ 46.2	€ 13,768	
197	Campus Kronberg GmbH & Co. KG, Hamburg	6.00	0.00		€ 63.6	€ 5,293	
198	Capnamic Ventures Fund II GmbH & Co. KG, Cologne	4.27	4.27		€ 0.0	€ 0	
199	CapVest Equity Partners II, L.P., Hamilton, Bermuda	3.48	3.48		€ 144.8	€ 2,932	
200	Castra Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	2.85	0.00		€ –19.5	€ –802	
201	Clareant Mezzanine Fund II (No.1) Limited Partnership, Saint Helier, Jersey	4.07	4.07		€ 158.5	€ –664	
202	Clareant Mezzanine No. 1 Fund Limited Partnership, Saint Helier, Jersey	3.40	3.40		€ 150.4	€ 13,276	
203	DBAG Fund IV GmbH & Co. KG i. L., Frankfurt am Main	6.13	6.13		€ 5.5	€ –5,267	
204	DBAG Fund V GmbH & Co. KG, Frankfurt am Main	7.59	7.59		€ 44.7	€ 47,227	
205	Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe	1.71	0.00		€ 626.8	€ 45,284	
206	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart	5.41	5.41		€ 171.7	€ 37,787	6)

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in m	Net profit in thousands
207	Deutsche WertpapierService Bank AG, Frankfurt am Main	3.74	3.74		€ 180.2	€ 8,725
208	DIV Grundbesitzanlage Nr. 30 Frankfurt-Deutsch-herrnufer GmbH & Co. KG i. L., Frankfurt am Main	0.06	0.06		€ 15.3	€ 741
209	Doughty Hanson & Co. V LP No. 1, London, United Kingdom	1.60	1.60		€ 372.5	€ 24,588
210	Dritte Projektentwicklungs-GmbH & Co. Schulen Landkreis Kassel KG, Kassel	6.00	0.00		€ 10.8	€ 1,919
211	EIG Energy Fund XIV, L.P., Dover, USA	4.05	4.05		US$ 98.6	US$ –47,543
212	EQT Expansion Capital II (No. 1) Limited Partnership, Saint Peter Port, Guernsey	4.57	4.57		€ 281.7	€ –62,612
213	EQT V (No. 1) Limited Partnership, Saint Peter Port, Guernsey	0.28	0.28		€ 1,189.2	€ –79,540
214	Erste Hessisch-Thüringische Sparkassen-Kapitaleinlagengesellschaft mbH & Co. KG, Sömmerda	6.39	0.00		€ 0.3	€ 216
215	Erste Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00	0.00		€ 0.1	€ 4
216	Erste ST Berlin Projekt GmbH & Co KG, Berlin	0.50	0.00		€ 0.0	€ –8
217	Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, Neuhardenberg	1.76	1.76		€ 3,309.3	€ 45,029
218	EUFISERV Payments s.c.r.l., Brussels, Belgium	11.37	11.37		€ 0.2	€ 46
219	Fachmarktzentrum Fulda GmbH & Co. KG, Munich	5.10	0.00		€ 42.6	€ 1,592
220	Fiducia & GAD IT AG, Karlsruhe	0.02	0.00		€ 435.1	€ 33,969
221	FIDUCIA Mailing Services eG, Karlsruhe	0.13	0.06		€ 0.1	€ 0
222	Fourth Cinven Fund (No. 1) Limited Partnership, Saint Peter Port, Guernsey	1.42	1.42		€ 1,022.0	€ 1,412,618
223	GeckoGroup AG (insolvent), Wetzlar	5.02	5.02		€ 0.0	€ 0
224	GELIMER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach	8.93	8.93		€ –1.9	€ 167
225	GLB GmbH & Co. OHG, Frankfurt am Main	11.20	11.20		€ 5.4	€ 729
226	GLB-Verwaltungs-GmbH, Frankfurt am Main	11.20	11.20		€ 0.0	€ 2
227	Gründerfonds Ruhr GmbH & Co. KG, Essen	8.96	8.96		€ 0.0	€ –22
228	HANNOVER LEASING GmbH & Co. KG, Pullach	5.10	5.10		€ 1.5	€ –7,020
229	Herkules Grundbesitz GmbH & Co. Frankfurt KG, Berlin	5.10	5.10		€ 2.6	€ 756
230	Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH, Frankfurt am Main	15.49	0.00		€ 1.8	€ 507
231	Hutton Collins Capital Partners II L.P., London, United Kingdom	1.40	1.40		€ 57.3	€ 5,590
232	Hutton Collins Capital Partners III L.P., London, United Kingdom	1.45	1.45		€ 190.6	€ –56,026

No.	Name and location of the entity	Holding in % as per section 16 (4) AktG Total	Thereof directly	Voting rights if different from holding Total	Equity in m	Net profit in thousands
233	Icon Brickell LLC, Miami, USA	14.94	14.94		US$ 0.0	US$ –154
234	Interessengemeinschaft Frankfurter Kreditinstitute GmbH, Frankfurt am Main	16.90	4.21		€ 25.4	€ 9,691
235	Investcorp Private Equity 2007 Fund, L.P., George Town, Cayman Islands	2.01	2.01		US$ 300.8	US$ 42,431
236	LBS IT Informations-Technologie GmbH & Co KG, Berlin	7.30	7.30		€ 0.0	€ 47
237	Magical Produktions GmbH & Co. KG, Pullach	1.50	0.00		€ –8.9	€ 10,193
238	Magnolia GmbH & Co. KG, Nonnweiler	6.00	0.00		€ –0.1	€ –10
239	Magnum Capital, L.P., Edinburgh, United Kingdom	1.45	1.45		€ 564.9	€ 130,710
240	MESTO Grundstücksgesellschaft mbH & Co. KG, Grünwald	1.00	1.00		€ –3.8	€ 248
241	Mezzanine Management Fund IV ‚A‘ L.P., Hamilton, Bermuda	7.46	7.46		€ 53.3	€ –26,636
242	MezzVest II, L.P., Saint Helier, Jersey	3.50	3.50		€ 0.1	€ –18,867
243	NAsP III/V GmbH, Marburg	14.92	0.00		€ 2.8	€ –716
244	Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH, Frankfurt am Main	0.89	0.00		€ 495.8	€ 29,432
245	neue leben Pensionsverwaltung AG, Hamburg	3.20	0.00		€ 2.3	€ –52
246	North Haven Infrastructure Partners LP, Wilmington, USA	0.25	0.00		US$ 2,431.6	US$ 93,198
247	Objekt Limes Haus GmbH & Co. KG, Hamburg	5.10	0.00		€ 17.0	€ 568
248	PALMYRA Verwaltungsgesellschaft mbH & Co. Vermietungs KG S.e.n.c., Luxembourg, Luxembourg	5.20	0.00		€ 69.6	€ 363
249	Pan-European Infrastructure Fund LP, Saint Helier, Jersey	0.73	0.73		€ 2,897.7	€ 257,682
250	PATRIZIA Hessen Zehn GmbH & Co. KG, Frankfurt am Main	5.20	0.00		€ –1.3	€ –165
251	PineBridge PEP IV Co-Investment L.P., Wilmington, USA	9.51	0.00		US$ 18.1	US$ –3,908
252	PineBridge PEP IV Non-U.S. L.P., Wilmington, USA	17.00	0.00		US$ 16.8	US$ 1,010
253	PineBridge PEP IV Secondary L.P., Wilmington, USA	16.10	0.00		US$ 10.9	US$ –555
254	PineBridge PEP IV U.S. Buyout L.P., Wilmington, USA	17.21	0.00		US$ 42.3	US$ 5,098
255	PineBridge PEP IV U.S. Venture L.P., Wilmington, USA	17.51	0.00		US$ 21.9	US$ 83
256	Private Equity Thüringen GmbH & Co. KG, Erfurt	14.11	14.11		€ 2.7	€ –31
257	Projektentwicklungs-GmbH & Co. Landratsamt KG, Wolfhagen	6.00	0.00		€ 3.0	€ 456
258	Projektentwicklungs-GmbH & Co. Schule an der Wascherde KG, Lauterbach	6.00	0.00		€ 0.2	€ 16

		Holding in % as per section 16 (4) AktG		Voting rights if different from holding	Equity	Net profit
No.	Name and location of the entity	Total	Thereof directly	Total	in m	in thousands
259	Projektgesellschaft Andreasstraße mbH, Erfurt	6.00	0.00		€ 0.6	€ 0
260	Rebstöcker Straße GmbH & Co. KG, Hamburg	5.10	0.00		€ –17.8	€ –412
261	RSU Rating Service Unit GmbH & Co. KG, Munich	9.60	9.60		€ 14.9	€ 1,825
262	S CountryDesk GmbH, Cologne	5.00	2.50		€ 0.4	€ 32
263	S.W.I.F.T. Society for Worldwide Interbank Financial Telecommunication SCRL, La Hulpe, Belgium	0.00	0.00		€ 325.2	€ 20,722
264	SCHUFA Holding AG, Wiesbaden	0.28	0.00		€ 75.5	€ 28,228
265	SIX Group AG, Zurich, Switzerland	0.00	0.00		CHF 2,554.4	CHF 221,100
266	SIZ GmbH, Bonn	5.32	5.32		€ 4.9	€ 334
267	TCW/Crescent Mezzanine Partners IVB, L.P., Los Angeles, USA	2.08	0.00		US$ 29.4	US$ –6,336
268	TdW südwest Treuhandgesellschaft für die Südwestdeutsche Wohnungswirtschaft mbH, Frankfurt am Main	3.25	0.00		€ 1.8	€ 121
269	Tenaska Power Fund, L.P., Wilmington, USA	1.55	0.00		US$ 32.7	US$ 4,625
270	THE TRITON FUND II L.P., Saint Helier, Jersey	0.77	0.77		€ 400.5	€ 122,886
271	TPF II, LP, Wilmington, USA	2.37	0.00		US$ 78.3	US$ 7,708
272	Triton Fund III L.P., Saint Helier, Jersey	0.71	0.71		€ 1,681.6	€ 613,480
273	True Sale International GmbH, Frankfurt am Main	7.69	7.69		€ 4.8	€ 46
274	VCM Golding Mezzanine GmbH & Co. KG, Munich	6.48	6.48		€ 6.7	€ 3,252
275	VCM Golding Mezzanine SICAV II, Luxembourg, Luxembourg	4.20	4.20		€ 73.6	€ 10,648
276	Volks- Bau- und Sparverein Frankfurt am Main eG, Frankfurt am Main	0.01	0.00		€ 10.6	€ 3,557
277	Zweite Hessisch-Thüringische Sparkassen-Kapitaleinlagengesellschaft mbH & Co. KG, Battenberg	10.32	0.00		€ 0.4	€ 265
278	Zweite Schulen Landkreis Kassel Verwaltungs-GmbH, Kassel	6.00	0.00		€ 0.1	€ 3
279	Zweite ST Berlin Projekt GmbH & Co. KG, Berlin	0.50	0.00		€ –0.1	€ –114

[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] Section 264 (3) HGB has been applied with regard to the entity's annual financial statements.

[4] The entity is classified as a subsidiary, but not based on the majority of voting rights held.

[5] Financial year end: 31 January

[6] Holding larger than 5 % in a large corporation

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, 27 February 2018

Landesbank Hessen-Thüringen Girozentrale

The Board of Managing Directors

Grüntker	Groß	Dr. Hosemann
Kemler	Mulfinger	Dr. Schraad

Country by Country Reporting Pursuant to Section 26a KWG

"Country by country reporting" has to be performed in accordance with the requirements 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).

The report sets out the sales revenues generated and number of employees in 2017 for each EU member state and third country in which, as at 31 December 2017, 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 2017.

	Sales revenue in € m	Consolidated net profit before taxes on income in € m	Taxes in income in € m[1]	Number of employees
Belgium	1	–	–	–
Denmark	–1	–1	–	–
Germany	1,634	409	–80	5,369
France	–1	1	–1	16
Ireland	4	–	–	3
United Kingdom	80	57	–38	69
European Union	**1,717**	**466**	**–119**	**5,457**
Switzerland	36	4	–1	105
USA	120	39	–47	87
Other	2	1	–	–
Total	**1,875**	**510**	**–167**	**5,649**

[1] The amount of tax reported for a country can be affected by two factors, for example: effects on personal taxation, which is not borne by consolidated entities, are not included; in addition, entities reporting a loss without being able to report corresponding tax income for the same period can reduce the comprehensive income they report for a country without influencing their income tax expense or only doing so in subsequent periods.

Entity	Nature of activity	Head office/ location	Country
1822direkt Gesellschaft der Frankfurter Sparkasse mbH	Provider of ancillary services	Frankfurt am Main	Germany
Airport Office One GmbH & Co. KG	Other undertaking	Schönefeld	Germany
ASTARTE Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Financial institution	Pullach	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
Dritte OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
EGERIA Verwaltungsgesellschaft mbH	Other undertaking	Pullach	Germany
Erste OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Erste Veritas Frankfurt GmbH & Co. KG	Other undertaking	Kriftel	Germany
Family Office der Frankfurter Bankgesellschaft AG	Investment firm	Frankfurt am Main	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
G+S Wohnen in Frankfurt am Main GmbH	Other undertaking	Frankfurt am Main	Germany
Galerie Lippe GmbH & Co. KG	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
Helaba Invest Kapitalanlagegesellschaft mbH	Investment trust company	Frankfurt am Main	Germany
Helicon Verwaltungsgesellschaft mbH & Co. Immobilien KG	Financial institution	Pullach	Germany
Hello Darmstadt Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
HeWiPPP II GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany

Entity	Nature of activity	Head office/ location	Country
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-RENTPLUS-FONDS	Securities investment fund	Frankfurt am Main	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 branch	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
Merian GmbH Wohnungsunternehmen	Other undertaking	Frankfurt am Main	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 Erfurt B38 GmbH & Co. KG	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 Neuwerkstraße 17 GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Projektgesellschaft ILP Erfurter Kreuz mbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
PVG GmbH	Other undertaking	Frankfurt am Main	Germany
SQO Stadt Quartier Offenburg GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Systeno GmbH	Other undertaking	Frankfurt am Main	Germany
TE Kronos GmbH	Financial institution	Frankfurt am Main	Germany
unIQus Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Versicherungsservice der Frankfurter Sparkasse GmbH	Other undertaking	Frankfurt am Main	Germany

Entity	Nature of activity	Head office/ location	Country
Verso Grundstücksentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Verso Projektentwicklung GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Vierte OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Vierte OFB PE 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
Zweite OFB Friedrichstraße GmbH & Co. KG	Other undertaking	Frankfurt am Main	Germany
Zweite OFB PE GmbH & Co. KG	Other undertaking	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
OPUSALPHA FUNDING LTD	Financial institution	Dublin	Ireland
Landesbank Hessen-Thüringen Girozentrale – London branch	Bank	London	United Kingdom
Landesbank Hessen-Thüringen Girozentrale – Grand Cayman branch	Bank	Georgetown	Cayman Islands
Main Capital Funding II Limited Partnership	Financial institution	Saint Helier	Jersey
Main Capital Funding Limited Partnership	Financial institution	Saint 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

Independent Auditor's Report

To Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt, and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Landesbank Hessen-Thüringen Girozentrale for the financial year from 1 January to 31 December 2017. We have not audited the content of the non-financial group statement pursuant to § [Article] 315b Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the non-financial group statement referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Risk provisions for the ship loan portfolio**
2. **Measurement of portfolio loan loss allowances in the lending business**
3. **Recoverability of goodwill**

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Risk provisions for the ship loan portfolio

1. Among other things, ship loans are reported in the Company's consolidated financial statements under the "Loans and advances to customers" balance sheet item. A risk provision has been recognized for the ship loan portfolio, comprising specific and portfolio loan loss allowances. In the 2017 financial year, the ship loan portfolio represented the main driver of additions to the specific loan loss allowances due to the further deterioration of the market environment. In calculating the risk provision, the executive directors made estimates, specifically in relation to the development of future charter rates and assumptions regarding the realization of the ships which were financed and pledged as security. Given that these measurement parameters have a significant influence on the amount of any allowances which may become necessary and these allowances are subject to considerable uncertainties to that extent, this matter was of particular importance during our audit.
2. As part of our audit, we assessed, among other things, the appropriateness of the relevant lending processes in the Company's internal control system for valuing ship loans and examined their effectiveness with the assistance of functional tests. We also included the business organisation, IT systems and valuation models in this area in our assessment. In addition, we assessed the valuation of ship loans, including the appropriateness of estimates, on a risk-oriented test basis in which we, inter alia, confirmed the correct application of the valuation models and the appropriateness of the future charter rates and additional input factors used. In addition, our assessment of the valuation assumptions made by the executive directors was based on general and sector-specific market expectations. Overall, the measurement inputs and assumptions used by the executive directors of the Company to value the ship loan portfolio are in line with our expectations and are also within the ranges considered by us to be reasonable.
3. With respect to the ship loan portfolio, we refer to the disclosures in the notes relating to the risk provisions in the lending business in general under notes (14), (25) and (39), which also cover risk provisioning for the ship loan portfolio.

2. Measurement of portfolio loan loss allowances in the lending business

1. Among other things, portfolio loan loss allowances are reported in the Company's consolidated financial statements under the "Provisions for losses on loans and advances" balance sheet item. The portfolio loan loss allowances in the lending business include an additional provision element which the Company recognized to protect against additional risks in individual loan sub-portfolios not yet identified by statistical analyses. A majority of these as-of-yet unidentified risks relate to the ship loan portfolio. The selection of the affected loan sub-portfolios and the measurement of the additional portfolio loan loss allowances recognized in respect of these sub-portfolios depend to a large extent on estimates by the executive directors of the Company. The measurement is therefore subject to considerable uncertainty and was of particular importance for our audit.

2. As part of our audit, we assessed, among other things, the justification provided by the executive directors for selecting those loan sub-portfolios which in their view necessitated the recognition of additional portfolio loan loss allowances above and beyond the loan loss allowances recognized as part of the regular parameters-based process. Furthermore, we verified the underlying measurement bases for recognizing additional loan loss allowances for the individual loan sub-portfolios and assessed the appropriateness of the measurement parameters used (e.g., credit spreads for certain country risks and collateral values for ship loans observable on the market). In addition, we verified the mathematical accuracy of the Company's calculations. With respect to the ship loan portfolio, we assessed in particular whether changes in the specific loan loss allowances for ship loans during the financial year were adequately taken into account when measuring the additional portfolio loan loss allowances and in that respect that no allowances were double-booked. Overall, the measurement inputs and assumptions used by the executive directors to measure the additional portfolio loan loss allowances are in line with our expectations and are also within the ranges considered by us to be reasonable.
3. The Company's disclosures on portfolio loan loss allowances, which represent an element of risk provisioning in the lending business, are contained in Notes (14) and (39).

3. Recoverability of goodwill

1. The Company has conducted an impairment test on the goodwill attributed in full to the Frankfurter Sparkasse cash-generating unit, which is reported in the consolidated financial statements under the "Intangible assets" balance sheet item. As part of the test, it compared the carrying amount of the cash-generating unit against the value in use, which was determined using a discounted cash flow valuation model. The valuation model is based on the multi-year planning approved by the executive directors of Frankfurter Sparkasse, which was extrapolated based on assumptions made in relation to long-term growth rates. The discount rate used is the weighted cost of capital for the cash-generating unit.
   The impairment test resulted in the write-off in full of the goodwill, which was recognized in the income statement under "Other net operating income".
   The result of this measurement depends particularly on the assumptions of future cash inflows and the discount rate used by the executive directors of the Company. The measurement is therefore subject to considerable uncertainty and was of particular importance for our audit.
2. As part of our audit, we reviewed, among other things, the method used to perform impairment tests and assessed the calculation of the weighted cost of capital. We assessed the appropriateness of the future cash inflows used in the measurement, amongst other procedures, by comparing this information against the multi-year plan adopted by the executive directors of Frankfurter Sparkasse, as well as by reconciling it against general and sector-specific market expectations. We also assessed whether the basis for including the costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and verified the calculation procedure. Overall, the measurement inputs and assumptions used by the executive directors of the Company are in line with our expectations and are also within the ranges considered by us to be reasonable.
3. The Company's disclosures pertaining to goodwill are contained in notes (17), (32) and (46).

Other Information

The executive directors are responsible for the other information. The other information comprises the non-financial group statement pursuant to § 315b Abs. 1 HGB, which we obtained prior to the date of our auditor's report.

The annual report is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and of the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the board of public owners on 23 March 2017. We were engaged by the board of managing directors on 3 May 2017. We have been the group auditor of the Landesbank Hessen-Thüringen, Frankfurt am Main/Erfurt, without interruption since the financial year 1953.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Peter Flick.

Frankfurt am Main, 27 February 2018
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Burkhard Eckes	Peter Flick
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)