Half-Yearly Financial Report 2023

Values with impact.

Half-Yearly Financial Report 2023

The Helaba Group

Helaba ratings

(As at: August 2023)

Moody's		Fitch Ratings	
Outlook	Stable	Outlook	Stable
Long-term Issuer Rating	Aa3	Long-term Issuer Default Rating[1)]	A+
Counterparty Risk Assessment[3)]	Aa3(cr)	Public Sector Covered Bonds	AAA
Long-term Deposit Rating[3)]	Aa3	Short-term Issuer Default Rating[1), 2)]	F1+
Public-Sector Covered Bonds	Aaa	Derivative Counterparty Rating[1)]	AA–(dcr)
Mortgage Covered Bonds	Aaa	Long-term Deposit Rating[1)]	AA–
Short-term Deposit Rating[2)]	P-1	Senior Preferred[1), 3)]	AA–
Long-term Senior Unsecured[3)]	Aa3	Senior Unsecured[1), 4)]	A+
Long-term Junior Senior Unsecured[4)]	A2	Subordinated debt[1), 5)]	A–
Subordinate Rating[5)]	Baa2	Viability Rating[1)]	a+
Baseline Credit Assessment	baa2		

Ratings for Helaba liabilities that are covered by statutory guarantee (grandfathering)[6)]

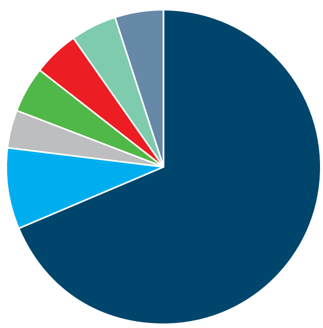
	Moody's	Fitch Ratings
Long-term ratings	Aaa	AAA

[1)] Joint S-Group rating for the Sparkassen-Finanzgruppe Hessen-Thüringen.
[2)] Corresponds to short-term liabilities.
[3)] Corresponds in principle to long-term senior unsecured debt according to § 46f (5 and 7) KWG ("with preferential right to payment").
[4)] Corresponds in principle to long-term senior unsecured debt according to § 46f (6) KWG ("without preferential right to payment").
[5)] Corresponds to subordinated liabilities.
[6)] The statutory guarantee applies to all liabilities in place prior to 18 July 2001 (no time limit).

Stakes in Helaba's share capital

[1)] represented by DSGV e. V. as the trustee.

- **68.85 %** Sparkassen- und Giroverband Hessen-Thüringen
- **8.10 %** State of Hesse
- **4.05 %** State of Thuringia
- **4.75 %** Sparkassenverband Westfalen-Lippe
- **4.75 %** Rheinischer Sparkassen- und Giroverband
- **4.75 %** FIDES Alpha GmbH[1)]
- **4.75 %** FIDES Beta GmbH[1)]



The Helaba Group in figures

		1.1.–30.6.2023	1.1.–30.6.2022		Change
Performance Figures		in € m	in € m	in € m	in %
Net interest income before loss allowances		817	666	151	22.7
Net fee and commission income		259	269	–10	–3.7
General and administrative expenses, including depreciation and amortisation		–867	–869	2	0.3
Profit or loss before tax		336	327	9	2.8
Consolidated net profit		**241**	**223**	**18**	**8.1**
Return on equity	in %	**8.1**	**8.7**		
Cost-income ratio	in %	**61.0**	**61.7**		

	30.6.2023	31.12.2022		Change
Balance Sheet Figures	in € m	in € m	in € m	in %
Measured at amortised cost				
Loans and advances to banks	13,584	12,836	748	5.8
Loans and advances to customers	115,728	116,062	–335	–0.3
Trading assets	**11,898**	**12,672**	**–774**	**–6.1**
Financial assets measured at fair value (not held for trading)	**20,598**	**21,694**	**–1,096**	**–5.1**
Measured at amortised cost				
Deposits and loans from banks	57,025	65,735	–8,710	–13.3
Deposits and loans from customers	67,470	63,643	3,828	6.0
Securitised liabilities	45,809	41,064	4,745	11.6
Trading liabilities	**14,013**	**13,754**	**259**	**1.9**
Financial liabilities measured at fair value (not held for trading)	**15,315**	**15,042**	**273**	**1.8**
Equity	**10,165**	**9,877**	**287**	**2.9**
Total assets	**212,354**	**211,502**	**852**	**0.4**

	30.6.2023	31.12.2022
Key indicators for regulatory purposes	in %	in %
CET1 capital ratio	13.9	13.5
Tier 1 capital ratio	14.5	14.1
Total capital ratio	17.8	17.3

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dear customers, dear business partners,

We increased our Group net profit before taxes in accordance with IFRS to € 336 m in the first half of 2023, demonstrating once again that we remain on a healthy long-term growth trajectory. Our broadly diversified business model enabled us to compensate for the effects of the difficult situation in the real estate markets through gains in other areas. Helaba's performance in the challenging environment prevailing during the first six months of the year underlines its resilience once more.

Our results reflect the impact of the marked change in the course of interest rates. Net interest income rose strongly to € 817 m. Net fee and commission income was down slightly compared with the prior-year figure at € 259 m as a result of factors including lower contributions from securities and securities deposit business due to the transfer of depositary business.

The cyclical change in the state of the real estate markets gave rise to charges totalling approximately 225 million euros, some of which figure the Bank was able to offset by reversing loss allowance items.

General and administrative expenses were stable at –867 million euros. Falls in personnel and mandatory expenses offset the investment-driven rise in other administrative expenses.

I feel confident for 2023 as a whole. We have everything we need in place to continue operating successfully in the market and capitalising on the opportunities for further growth opened up by the transformation of the economy. Our earnings target for 2023 accordingly lies at the upper margin of the € 500 m to € 700 m range previously indicated.

We believe our real estate portfolio puts us in a strong position even at the current stage of the cycle and expect it to continue performing well in the future. Based on the positive course of business and the broad diversification of our business model, we anticipate a further noticeable and sustained increase in pre-tax earnings in the medium term.

On behalf of the whole of the Executive Board, I would like to extend our thanks to you our customers and business partners for your enduring trust and to our corporate bodies for their constructive involvement. I would also like to express my particular thanks to our employees: it is their unceasing dedication, positive energy and willingness to embrace change that enables us to remain a dependable partner for our customers – always. I look forward to continuing to work with all our stakeholders as we “Make more possible together”.

Yours sincerely,

Thomas Groß
CEO

Interim Group Management Report

Interim 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, with a commitment to operating sustainably; its long-term strategic business model is that of a full-service bank with a regional focus, a presence in carefully 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 serves its clients in three functions: as a commercial bank, as a Sparkasse central bank and as a development bank.

As a commercial bank, Helaba operates in Germany and abroad. Helaba's hallmarks include stable, long-term customer relationships. It works with companies, institutional clients and the public sector.

Helaba is a Sparkasse central bank and S-Group bank for the Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg and, therefore, for around 40 % of all Sparkassen in Germany. It operates as a partner to the Sparkassen rather than as a competitor

Helaba and the S-Group Sparkassen in Hesse and Thuringia together constitute the Sparkassen-Finanzgruppe Hessen-Thüringen, which follows a business model based on economic unity 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, which continues in its current form.

In its capacity as the central development institution for Hesse, Helaba administers public-sector development programmes through Wirtschafts- und Infrastrukturbank Hessen (WIBank). As a legally dependent institution within Helaba, WIBank enjoys a direct statutory guarantee from the State of Hesse, which is in compliance with EU law. WIBank's business activities are guided by the development objectives of the State of Hesse. Helaba also has stakes in a number of other development institutions in Hesse and Thuringia.

In addition to Helaba, the business model includes further strong, well-known brands (in some cases, legally independent subsidiaries) that complement the Group's product portfolio.

Helaba has a leading position in the home loans and savings market in both Hesse and Thuringia in conjunction with the legally dependent Landesbausparkasse Hessen-Thüringen (LBS) and also helps the Sparkassen with the marketing of real estate through Sparkassen-Immobilien-Vermittlungs-GmbH.

Frankfurter Sparkasse, a wholly owned subsidiary of Helaba organised under German public law, is the leading retail bank in the Frankfurt am Main region. Frankfurter Sparkasse has also successfully established a presence in the direct banking market across Germany through 1822direkt.

The Frankfurter Bankgesellschaft Group (FBG) provides Helaba's products and services for Sparkassen in private banking and in the wealth and asset management businesses. FBG, which operates as the private bank of the Sparkassen-Finanzgruppe, acquires high-net-worth customers in Germany through Sparkassen in the S-Group with which it has a collaboration agreement. In its role as a central partner for the Sparkassen, FBG offers the Family Office service, enhancing its range of professional advisory services in connection with all asset-related matters, while its majority interest in consulting company IMAP allows it to provide end-to-end advisory services for family-owned businesses.

Helaba Invest is one of Germany's leading institutional asset management companies, administering and managing both securities and real estate. Helaba Invest's product range includes special funds for institutional investors and retail funds as a management and/or advisory portfolio, comprehensive fund administration (including reporting and risk management), advice on strategy and support for indirect investments.

The GWH Group manages around 53,000 residential units and holds one of the largest residential real estate portfolios in Hesse. The group focuses on developing housing projects, managing and optimising residential property portfolios, and initiating and supporting residential real estate funds.

The OFB Group is a full-service group of companies in the fields of real estate project development, land development and the construction and project management of high-value commercial real estate. It operates throughout Germany with a particular focus on the Rhine-Main region.

Helaba's registered offices are situated in Frankfurt am Main and Erfurt, and it also has branches in Düsseldorf, Kassel, Paris, London, New York and Stockholm. The branches allow Helaba to strengthen its local presence close to customers and Sparkassen. The foreign branches also provide Helaba with access to the funding markets based on the US dollar and pound sterling. The organisation also includes representative and sales offices, subsidiaries and affiliates.

Sustainability in the sense of environmental and social responsibility is an integral part of the binding Group-wide business strategy, as is sustainability in the sense of fair corporate management, which means that the business activities of all Group companies are systematically oriented around these requirements.

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 profitability management which are firmly embedded in an overarching management framework. This is based on a multi-level margin accounting system. Controlling comprises both the management of absolute income and costs and the integrated management of contribution margins. The annual planning process, from which a budgeted statement of financial position and income statement are derived, also follows this system. Besides the annual planning process, there is also a multi-year planning process covering a five-year planning horizon. Additional forecasts are produced during the year.

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. Profitability analyses and the results of cross-selling are also produced. 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 new 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.

Profitability targets are managed on the basis of, for example, return on equity (RoE) as the economic return on equity (ratio of profit before taxes to average capital employed in the financial year determined in accordance with IFRS). The Helaba Group has set a target range of 6 % to 8 % for economic return on equity before taxes.

For the cost-income ratio (CIR), the target is not to exceed 70 % at the level of the Helaba Group. The CIR is the ratio of general and administrative expenses including depreciation and amortisation to total profit/loss before taxes net of general and administrative expenses including depreciation and amortisation and of loss allowances for loans and advances.

Capital adequacy is managed through the allocation of regulatory and economic limits and through the own funds ratios. When the target capital ratios are set, the targets take into account the additional own funds requirements specified by the European Central Bank (ECB). Taking into account the capital buffer requirements applicable at 30 June 2023, the minimum Common Equity Tier 1 (CET1) capital ratio (including capital buffer requirements) required to be maintained by the Helaba Regulatory Group under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB was 9.23 %.

In December 2022, the ECB notified the Helaba Regulatory Group of the findings of the Supervisory Review and Evaluation Process (SREP). In 2023, Landesbank Hessen-Thüringen Girozentrale accordingly had to satisfy, on a consolidated basis, an SREP total capital requirement of 10.00 % (including an additional capital requirement (Pillar 2) of 2.00 %, which must consist of at least 56.25 % CET1 capital and 75 % Tier 1 capital).

With effect from 1 February 2022, the German Federal Financial Supervisory Authority (BaFin) decided to increase the domestic countercyclical capital buffer for Germany to 0.75 % (section 10d KWG). In addition, a new capital buffer of 2 % for systemic risk in respect of loans secured by residential real estate was mandated to take effect from 1 April 2022. The buffers were required to be accumulated by 1 February 2023 and were included accordingly in the 2023 capital planning.

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. Under the CRR, banks generally have to comply with a leverage ratio of 3.0 %.

The CRR specifies that banks must comply with a (short-term) liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The regulatory minimum for both ratios is 100 %. Both liquidity ratios are leading to increased liquidity management costs and therefore have a negative impact on profitability.

As part of the implementation of the Single Resolution Mechanism (SRM) in Europe, the competent resolution authority has specified an institution-specific minimum requirement for own funds and eligible liabilities (MREL). Helaba was notified of the mandatory final MREL for the Helaba Regulatory Group on 23 January 2023 by way of a binding act adopted by BaFin.

As of 1 January 2024, Helaba is thus required to meet an MREL requirement based on RWAs of 21.73 %, plus the current combined capital buffer requirements of 3.61 % (as at 30 June 2023). The portion of the MREL that needs to be covered by subordinated (i.e. non-preferred) instruments is 21.06 % of RWAs, again plus the current combined capital buffer requirements.

Expressed in terms of leverage ratio exposure (LRE), Helaba is required to meet an MREL requirement of 7.64 % of LRE. The portion of the MREL that needs to be covered by subordinated (i.e. non-preferred) instruments is likewise 7.64 % based on LRE.

Helaba also had to comply with interim objectives in the amount described below from 1 January 2022. 21.60 % of RWAs, plus the current combined capital buffer requirements of 3.61 % (as at 30 June 2022), and 7.11 % of the leverage ratio exposure (LRE). The portion of the MREL that needs to be covered by subordinated (i.e. non-preferred) instruments is 20.91 % of RWAs, plus the current combined capital buffer requirements of 3.61 % (as at 30 June 2023), and 7.11 % based on LRE.

All MREL requirements have been met by Helaba consistently since 1 January 2023.

To fund itself, Helaba draws on different sources and products, focusing in particular on the sources of funding available through the Sparkassen (proprietary and customer transactions) as a result of belonging to a strong association of financial institutions. These are supplemented by Pfandbrief issues, which are a cost-efficient component of its stable funding base, and funds raised through development institutions such as WIBank.

Acting sustainably is a core component of Helaba's strategic agenda. Attention is focused on ensuring that business activities are oriented around sustainability and, in particular, that customers are supported in the necessary transformation to a climate-neutral circular economy.

The Helaba Regulatory Group has set itself strategic objectives across the three dimensions of sustainability, environment, social and governance (ESG). Since 2022, it has been developing key performance indicators (KPIs) to measure the ESG objectives. The ESG objectives form an integral part of the business strategy. The KPI management system testifies to the Helaba Regulatory Group's ambition to orient its business activities around sustainability and enables it to measure its progress in quantitative terms.

In lending operations, Helaba has established mandatory Group-wide sustainability criteria that have been incorporated into the risk strategies and are reviewed each year. Its aim is to use the risk management system to minimise sustainability risks, including the transitional and physical risks caused by climate change, that may arise from its financing activities. For critical sectors of the economy, it has developed specific lending criteria that rule out controversial business practices in particular, and take into account sector-specific risk issues. Helaba's Sustainable Lending Framework provides a standardised method for the definition, measurement and management of sustainable lending business, The identification of sustainable financing transactions using the Sustainable Lending Framework represents the initial step in a holistic impact assessment and management process.

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, strategy-oriented and needs-based recruitment of suitable employees, the provision of professional services, attractive remuneration and ancillary benefits (such as occupational pensions), and continuing professional development that focuses on sustainability aspects (including talent management). Helaba focuses particularly on health management, the development of its corporate culture and diversity management. Various indicators, such as a low staff turnover rate, average length of service and low absenteeism, confirm that employees are satisfied and highly committed.

Remuneration principles
The business strategy and risk strategy specify the degree of flexibility available to employees. Helaba's remuneration strategy and remuneration principles set out the relationship between business strategy, risk strategy and remuneration strategy, taking account of the corporate culture and sustainability objectives. The remuneration system reflects this approach and aims to ensure that employees are properly rewarded for their efforts and achievements without gender discrimination and without being encouraged to take inappropriate risks in any way. 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 Helaba and the attainment of qualitative targets. The remuneration policy and practices (including the use of retentions and performance criteria) help to support a long-term approach to the management of climate-related and environmental risks. Helaba also ensures that the control functions involved in the management of climate-related and environmental risks are appropriately staffed and funded.

Sustainable human resources development
Helaba invests in the professional development of its employees both to satisfy its current skills needs and to meet future business requirements. Processes are therefore set up on a sustainable basis. A regular structured dialogue between managers and employees creates transparency in working relationships, ensures that targets are clear and allows development opportunities to be discussed. To support the implementation of suitable action plans, all employees can access a needs-based range of internal seminars covering professional, personal, social and methodological development. This is supplemented by third-party training and, if suitable, opportunities in the form of work and study programmes or courses leading to professional qualifications. Based on the Bank's internal life-stage model, employees at different stages in their professional careers are offered suitable development activities so that they can remain productive in the business over the long term and develop their capabilities according to their potential.

Talent management
Demographic change and ongoing digitalisation will have an impact on Helaba's competitiveness in the long term. The recruitment, development and retention of young talent and high-potential employees is therefore correspondingly important. Based on vocational training and general trainee programmes, plus internships for students, Helaba offers those at the start of their careers the opportunity to become familiar with banking practice and acquire basic skills. To reach the young target group, recruitment is making greater use of digital media channels. In addition, Helaba is focusing internally on the development of existing employees with high potential, to provide the individuals concerned with the foundations for a career as a technical specialist or executive manager. A systematic, structured process for identifying high-potential employees helps managers to identify such employees within Helaba and provide them in good time with the specific grounding they need to take on new positions with greater responsibility. This is achieved through customised development plans or as part of a programme for high-potential employees.

Health management

Helaba operates an occupational health management system and a company sports programme, helping employees to maintain their physical and mental well-being and nurturing an awareness of the need for a healthy lifestyle. It also provides an employee assistance programme, an advisory service for employees and managers, which staff can use to obtain help in connection with professional, family, health or other personal issues. In addition, Helaba offers virtual training aimed at helping employees work in a healthy manner.

Transformation support

Helaba is continually developing its corporate culture and in doing so tests and establishes new ways of working, processes and forms of collaboration. In addition, mobile technology is used to provide key infrastructure for remote working, thereby facilitating concentrated job activities and smooth operation of virtual teamwork. Hybrid working arrangements are also considered to be of equal value to working solely in the office. In all these transformation projects, the HR unit plays a key role as adviser and partner for employees and managers in the implementation of the various activities and also ensures that the transformation is supported by appropriate change management. In addition, a mood barometer survey conducted in 2022 captured employees' current perceptions of the corporate culture and provides the basis for Helaba's ongoing cultural development, which is reflected in the "Let's go 2030" initiative.

Promoting diversity

Helaba is focusing on diversity management to achieve a greater level of innovative capability and to improve the risk culture in its organisation. It works to ensure that diversity and equality of opportunity are established as permanent features of its sustainable corporate culture and expresses this through various network initiatives. It seeks to provide an inclusive environment and fair access to opportunities so that every employee at every stage of life can contribute to its long-term success irrespective of age, gender, ethnicity, educational and professional background, geographical origin, sexual identity, disability and the like. The aim is to purposefully incorporate diversity into the working environment from a number of perspectives and make greater use of internal potential. Particular attention is currently being paid to the advancement of women. In a voluntary commitment, Helaba aims to ensure that more than 30 % of all management positions are occupied by women in the future and that the proportion of women in Helaba's programmes for junior staff and professional development is increased to 50 %. These efforts are supported by dedicated seminars for women and appropriate mentoring. Helaba has also created conditions in which it is possible for employees to achieve a work/life balance. This includes the offer of childcare places and the use of flexible types of working and working-time models.

Changes in Interest Rates and the Ongoing Ukraine War

Whereas in 2022 the focus was mainly on the COVID-19 pandemic, the energy crisis triggered by the stoppage of gas deliveries from the Russian Federation, the repercussions of the Ukraine war and the related turmoil and geopolitical tensions, the first half of 2023 was marked by the sharp rise in interest rates due to the rapid surge in inflation since 2021. Increasingly, the hikes in key interest rates introduced by central banks in an effort to tackle inflation are slowing the global economy. On top of this, the crisis at some US banks caused turmoil on the capital markets, which has since abated. Real estate prices are now falling, which could also ease the strain on banks.

Geopolitical tensions and a realignment of trade flows present an additional challenge for businesses and therefore for credit institutions, too. In Germany, businesses are also hampered by structural factors such as a growing skills shortage, sometimes inadequate infrastructure and high energy prices.

Economic impact

Despite the war in Ukraine, the general liquidity situation on money and capital markets remained normal in 2023. The increase in market interest rates led to a sharp rise in retail investor demand for longer-term interest-bearing investments. The ongoing measures implemented by the ECB, notably the targeted longer-term refinancing operations (TLTRO) III, which have bolstered market liquidity, continue to provide support.

The Helaba Regulatory Group's overall liquidity situation remains excellent and sound.

The economic impact of the current crises is reflected in Helaba's portfolios to varying degrees. Financing in the commercial real estate portfolio is particularly affected by the rise in interest rates. Only in isolated cases are the other monetary, economic and political effects outlined being felt in Helaba's corporate and bank portfolios.

Helaba has responded to the trend in the real estate sector by, for example, taking action to reduce risk in respect of both new and existing business.

Developments are being closely monitored at individual borrower and portfolio level. For further details, please refer to the risk report.

More information on the economic impact is presented in the “Financial Position and Financial Performance” section of the management report and in Note (33) of the consolidated financial statements.

Customers

Helaba focuses on long-term customer relationships built on trust, never more so than when times are tough. As part of its range of services and advisory activities, Helaba also helps its customers to raise funds through the capital markets.

Although on the rise, the number of requests that Helaba received from customers for payment deferrals or the suspension of repayments as a consequence of the crises, together with the number of rating deteriorations and defaults, remained manageable in the first half of 2023 despite the increased pressures, in particular as a result of a slowdown in the real estate market.

While the ratio of forbearance measures held steady in the first half of 2023 and thus remained at a low level, the ratio of non-performing loans (NPL ratio) in the Helaba Regulatory Group rose to 1.2 % as at 30 June 2023. Loss allowances were slightly higher than budgeted as at 30 June 2023. Critical sub-portfolios continue to be closely monitored.

Depending on further geopolitical developments as a result of factors such as the Ukraine war, the trend on the real estate market and capital market volatility, Helaba cannot rule out the possibility of deteriorations in ratings or defaults in the course of 2023.

For further details, please refer to the Risk Report and Note (33) of the consolidated financial statements.

Helaba’s corporate clients continue to apply for assistance from government support programmes. WIBank has set up appropriate programmes to cushion the negative effects of inflation, in particular the sharp rise in energy prices. To cushion the effects of the Ukraine war, Helaba, in its role as a forwarding institution, has been forwarding applications under special KfW programmes since the programmes began in May 2022.

Economic Report

Macroeconomic and sector-specific conditions in Germany

The slow pace of growth in the global economy and the rise in capital market rates are having a negative impact on the state of the German economy. In winter 2022/2023, this slipped into recession following two quarters of falling economic activity. Leading indicators signal that the second half of 2023 will bring only a mild upturn. On average this year, the German economy is therefore likely to shrink slightly.

German consumers are burdened by falling yet persistently high inflation rates. Although an improvement is expected in the second half of the year, consumer spending is likely to fall sharply overall in 2023. Businesses are exercising restraint when it comes to capital equipment spending. Construction activity is likely to decline sharply again in 2023. Higher mortgage rates and a strong rise in construction costs are having a negative impact in this area. Foreign trade should no longer act as a brake, as imports are now rising at a slower pace.

Inflation rates are falling as the year progresses and are likely to reach 6 % on average in 2023, compared with 6.9 % in the previous year. Energy has become cheaper and food price inflation is also coming down. Wholesale and import prices are falling sharply year on year. However, higher wage settlements are pushing prices up. Structural factors such as the growing skills shortage attributable to demographic trends and climate protection measures are adding to the price pressures. The core rate, excluding energy and food, is therefore likely to come down only gradually. Nevertheless, the energy costs incurred by German industry are likely to remain high by international standards, even over the medium term, impacting negatively on corporate competitiveness.

Digital transformation remains one of the key strategic action areas across all sectors of the economy. Digitalisation is becoming more of a lever for cost efficiency gains. A few years ago, corporate management teams set great store by innovation labs in the relevant digitalisation centres; today, actions focus on the measurable added value generated through digitalisation. Rising interest rates only reinforce the importance of prioritising the income or cost savings potentially to be realised over exploration for its own sake in digitalisation initiatives.

Digitalisation offers new opportunities to provide a competitive and attractive range of products and services for customers. A digital customer offering is no longer a competitive advantage for most lines of business; rather, the absence of any such offering puts the business concerned at a serious competitive disadvantage. Creating an efficient, customer-centric mix of physical and online offerings will be a critical success factor for most business models.

Platforms are extremely important, especially for banking business with large and globally active corporate customers. For some time, derivative platforms have enabled currency hedges to be effected using standardised processes, lending portals arrange funding for small and medium-sized corporate customers through banks or directly through institutionals, and banks analyse their customer data in search of more effective ways of offering products. It is clear that technological developments in the field of artificial intelligence will further accelerate these trends. The enormous amount of media interest currently being enjoyed by large language models in particular is reflected in internal bank discussions and a wide range of productivity-enhancing initiatives can be expected in this area.

Around the globe, blockchain technology is being refined to find new, faster and more cost-effective methods of exchanging data. These developments are enabling transactions to be initiated and executed in automated processes in accordance with terms and conditions agreed in advance, thus generating associated efficiency gains. Both Germany and the EU are an ideal location to efficiently drive the benefits of the technology, as each boasts some progressive regulation by global standards, such as the German Electronic Securities Act (Gesetz über elektronische Wertpapiere, eWPG) and the EU Markets in Crypto-Assets Regulation (MiCAR).

ESG data are becoming ever more important en route to a climate-neutral economy, partly because regulation (e.g. in the context of the Taxonomy Regulation or the requirement to publish a green asset ratio) requires this. This opens up new business opportunities, for example to provide these data for widespread use through platform solutions.

The Helaba Regulatory Group (within the meaning of the KWG and the CRR), 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 Regulatory Group a letter dated 14 December 2022 notifying it of the findings of the Supervisory Review and Evaluation Process (SREP). In 2023, Landesbank Hessen-Thüringen Girozentrale accordingly had to satisfy, on a consolidated basis, an SREP total capital requirement of 10.0 % (including an additional capital requirement (Pillar 2) of 2.0 %, which must consist of at least 56.25 % CET1 capital and 75 % Tier 1 capital).

At the end of August 2021, the general meeting of members of the German Savings Banks Association (DSGV) adopted a resolution concerning the refinement of the Sparkassen-Finanzgruppe's protection scheme due to the supervisory expectations for the development of the protection scheme communicated to the DSGV in January 2020 by the European Central Bank (ECB) and the German Federal Financial Supervisory Authority (BaFin). The ECB and BaFin requirements were implemented upon the adoption of the amended charters on 26 June 2023. Among other refinements, the risk monitoring system is being improved and decision-making structures are being made more effective. Moreover, an additional fund is being established to safeguard the solvency and liquidity of the Sparkassen-Finanzgruppe institutions. This is to be built up over a period of at least eight calendar years from 2025.

The EU-wide stress test undertaken by the EBA and the ECB was launched in January 2023 and concluded when the results were published on 28 July 2023. Although the crisis scenarios were much more severe than in the 2021 stress test, the theoretical haircuts on Tier 1 capital were at roughly the same level for Helaba. This shows the Bank's resilience. The results of the stress test are used in the context of the SREP to calculate the supervisory own funds recommendation for individual banks.

Key developments in the regulatory framework were as follows:

EU implementation of Basel IV

In October 2021, the European Commission published its legislative proposals for the amendment of the EU Capital Requirements Regulation (CRR III) and Capital Requirements Directive (CRD VI), whereby the requirements of Basel IV (also known as the finalisation of Basel III) are to be implemented in the EU. Trilogue negotiations commenced in March 2023. The future timetable has not yet been decided. The parties are trying to reach a full agreement by August 2023, meaning that the new rules could be published in the Official Journal of the European Union at the end of 2023 or the beginning of 2024. The new rules are generally to be applied as of 1 January 2025, although there are now initial signs that there could be a slight postponement. Helaba regularly takes part in impact studies and factors the results from these studies into its medium-term planning on an ongoing basis.

EU "Action Plan: Financing Sustainable Growth"

June 2021 saw the publication of the final delegated act on the economic activities forming the subject matter of the Taxonomy Regulation for the first two environmental objectives, climate change mitigation and climate change adaptation. This delegated act establishes the technical screening criteria for determining the conditions under which an economic activity qualifies as sustainable. Taxonomy alignment with respect to these environmental objectives is first required to be published as at 31 December 2023.

Economic activities and technical screening criteria for the four remaining environmental objectives, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems, were published by the European Commission on 27 June 2023 along with amendments adding further economic activities to the list for the first two environmental objectives. Subject to the relevant acts being accepted by the European Parliament and the European Council, Taxonomy alignment with respect to those activities will be required to be reported as at 31 December 2023. Helaba is taking the required action as part of its HelabaSustained programme.

ECB Guide on climate-related and environmental risks

The 13 expectations in relation to climate-related and environmental risks set out in the ECB Guide were specified in greater detail in 2022 with the publication of the consolidated findings of the cross-sector thematic review, which include examples of best practice. Helaba is taking the required action arising from the ECB Guide and the thematic review on its "Implementation of the ECB Guide" project.

The EBA requirements for disclosures on ESG risks in accordance with Article 449a CRR were satisfied in the Helaba Regulatory Group's 2022 Disclosure Report. The additional requirements for the 2023 disclosure reports are currently being prepared.

The expectations described in the ECB Guide on climate-related and environmental risks have been factored into the current SREP decision, from a qualitative standpoint, but have not led to any additional capital requirements.

Corporate Sustainability Reporting Directive (CSRD)

The CSRD, which significantly extends the scope of mandatory sustainability reporting as regards both the companies affected and the content required, entered into force on 5 January 2023. The companies concerned must publish short-, medium- and long-term, science-based sustainability targets and meet mandatory reporting standards that cover all three dimensions of sustainability (environment, social, governance) and address strategy, implementation and performance measurement. In June 2023, the European Commission published for consultation the European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG). It is intended that these be finalised in the third quarter of 2023. The CSRD is first required to be applied by Helaba as at 31 December 2024. It is being implemented as part of the HelabaSustained programme.

German Act on Corporate Due Diligence in Supply Chains (LkSG)

The German Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG) came into force on 1 January 2023. The LkSG obligates the companies falling within its scope of application to respect human rights by complying with defined due diligence requirements. Helaba falls within the scope of application of this act, with subsidiaries over which it exercises decisive influence being allocated to Helaba's own operations. Helaba submitted and published a human rights declaration when the act came into force. Helaba conducts regular risk analyses to ascertain the human rights and relevant environmental risks in its own operations and at its direct suppliers. Appropriate preventive measures (if risks are identified) or remedial actions (if relevant obligations are breached or a breach is imminent) are taken where necessary. The organisational requirements under the LkSG were implemented on 1 January 2023 and new positions created for a human rights officer and two human rights coordinators.

Review of the quality of own funds instruments

The scope of the audit procedures conducted by the regulatory authorities as part of the Europe-wide supervisory review of the quality of banks' own funds instruments includes the capital contributions of the Federal State of Hesse that form part of Helaba's Common Equity Tier 1 capital. Helaba liaises very closely with its owners and has devised a number of different solutions that take account of the questions posed by the regulatory authorities. Helaba and its owners are confident that at the end of the process, Helaba's own funds instruments will again be found to comply with all relevant regulatory requirements.

Minimum Requirements for Risk Management (MaRisk)

On 29 June 2023, BaFin published the seventh revision to the German Minimum Requirements for Risk Management (BaFin Circular 05/2023 (BA)). In particular, this implements the European Banking Authority (EBA) guidelines on loan origination and monitoring published on 29 May 2020. In addition, BaFin has amended or introduced into the Minimum Requirements for Risk Management the following key aspects, among others:

- Requirements for risk management models regarding data quality, validation and the explainability of models
- Requirements for risk management in institutions' own real estate business regarding approvals, valuation and risk analysis for real estate investments
- Securities trading when working from home: continuation of the simplifications introduced due to COVID-19 subject to certain requirements
- ESG risks: among others, requirements governing the measurement of sustainability risks using science-based scenarios

Clarifications are required to be applied upon publication. A transition period until 1 January 2024 is provided for the implementation of amendments. The amendments are currently being implemented.

Business performance

In the first half of 2023, the market environment was once again marked by considerable uncertainty, both geopolitical and macroeconomic.

The volume of new medium- and long-term business in the Group (excluding the WIBank development business, which does not form part of the competitive market) was very much lower than the prior-year figure at € 7.2 bn (H1 2022: € 10.5 bn). Although corporate banking business exceeded the prior-year level, transaction volumes on the real estate markets in particular declined sharply due to market-related factors, leading to a substantial reduction in opportunities for new business. Higher margins were achieved on transacted business, however. In project finance too, the current market situation is causing some projects to be delayed or called off.

Loans and advances to customers (financial assets measured at amortised cost) remained almost unchanged at € 115.7 bn (31 December 2022: € 116.1 bn). Added to these were loans and advances to Sparkassen (financial assets measured at amortised cost) in the amount of € 8.6 bn (31 December 2022: € 7.8 bn).

The focus on lending in core business areas and to the Sparkassen as S-Group partners is in line with the customer-centric orientation of Helaba's business model.

The market environment for funding business for financial institutions proved to be very mixed in the first half of 2023. Within a very short period of time in March, unrest in the finance sector triggered by insolvencies at US banks caused considerable market turmoil and what were in some cases erratic market swings, adding to the issues familiar from the previous year (inflation, fears of recession, energy shortages and the Ukraine war). As a result, bank shares and bank bonds subsequently suffered severe market price and spread volatility.

However, market conditions then very quickly started to settle down again and credit spreads stabilised at roughly the level seen at the beginning of the year. Central bank decisions continued to have a significant impact on markets as central bankers walked a tightrope between tackling inflation and avoiding recession. Based on the changes in conditions, numerous European financial institutions (including Helaba) repaid all or some of their drawings under the TLTRO programme ahead of schedule. Bank issuing activity in the capital market once again fluctuated enormously in the first half of 2023 and was generally characterised by a sometimes quite significant widening of spreads, especially in the case of credit asset classes. At the same time, interest rates remained at the high levels seen at the prior year-end and the fixed-income market retained its appeal overall. Fixed-income products were also in demand in the retail segment. Helaba successfully implemented its issuing plans in all asset classes despite the prevailing uncertainty.

In the first half of 2023, Helaba raised funding of around € 9.5 bn (H1 2022: € 8.4 bn). In doing so, it focused on unsecured funding. The successful issues included a € 750 m senior non-preferred green bond benchmark with a seven-year term to maturity.

Boosted in particular by the substantial increase in interest rates, sales of retail issues placed through the Sparkasse network rose very sharply to € 7.0 bn (H1 2022: € 1.9 bn). 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. In addition, new medium- and long-term funding at WIBank amounted to just under € 1.7 bn (H1 2022: € 0.9 bn).

The cost-income ratio for the Helaba Group was 61.0 % as at 30 June 2023 (30 June 2022: 61.7 %). Return on equity was 8.1 % (30 June 2022: 8.7 %).

As at 30 June 2023, the Helaba Regulatory Group's CET1 capital ratio was 13.9 % (31 December 2022: 13.5 %) and its total capital ratio 17.8 % (31 December 2022: 17.3 %). Once again the CET1 ratio therefore remains well above the regulatory requirements.

Based on supervisory requirements that are currently known, any new provisions are included in the multi-year planning and appropriately taken into account when assessing capital adequacy.

As at 30 June 2023, the Helaba Regulatory Group's leverage ratio was 4.5 % (31 December 2022: 4.4 %) and therefore above the required minimum ratio.

The liquidity coverage ratio (LCR) for the Helaba Regulatory Group was 197.2 % as at 30 June 2023 (31 December 2022: 216.8 %). As at 30 June 2023, the net stable funding ratio (NSFR) for the Helaba Regulatory Group was noticeably higher than the target figure at 121.4 % (31 December 2022: 118.6 %).

The NPL ratio for the Helaba Regulatory Group (in accordance with EBA risk indicator code AQT_3.2) was 1.2 % as at 30 June 2023 (31 December 2022: 0.6 %).

As at 30 June 2023, the MREL ratio for the Helaba Regulatory Group stood at 61.8 % based on risk-weighted assets (RWAs) and 19.0 % based on leverage ratio exposure (LRE). In the Helaba Regulatory Group's MREL portfolio, regulatory own funds accounted for 17.9 %, subordinated (i. e. non-preferred) debt 27.7 % and non-subordinated (i. e. preferred) debt 16.2 %, based on RWAs. Based on LRE, the composition of the portfolio was as follows: 5.5 % regulatory own funds, 8.5 % subordinated debt and 5.0 % non-subordinated debt. Consequently, the ratio of subordinated instruments was 45.6 % based on RWAs and 14.0 % based on LRE.

The MREL portfolio is therefore well in excess of the current and future MREL requirements specified for the Helaba Regulatory Group by the competent resolution authority.

Helaba is guided by the final MREL set by the regulatory authorities for the period from 1 January 2024; the MREL requirement to be met is set at 21.73 % of RWAs, plus the current combined capital buffer requirements of 3.61 % (as at 30 June 2023), and 7.64 % of LRE. The specified requirement for subordinated instruments is 21.06 % of RWAs, again plus the current combined capital buffer requirements, and 7.64 % of LRE.

In 2022, in its first credit risk sharing transaction, Helaba also freed up risk-weighted assets (RWAs) of around € 0.8 bn for a reference portfolio of corporate loans amounting to approximately € 2.1 bn. This credit risk sharing transaction synthetically transfers default risk to investors.

One of Helaba's core strategic areas of activity is to act as a partner, providing targeted support to help its customers with the transformation to a sustainable future in the form of a climate-neutral and circular economy.

In the Asset Finance business, Helaba structures projects in the renewable energy and social & digital infrastructure segments. It is also successfully implementing its sustainable finance advisory service, in which it offers a broadly based range of information across sectors and products around the theme of sustainable finance covering all financial instruments (loans, promissory notes, bonds, leases, guarantees, etc.). Helaba continues to be involved in the syndication of green, social and ESG-linked finance and promissory notes.

In the sustainable promissory note segment of the market, Helaba is one of the leading arrangers and regularly supports or arranges ESG-linked transactions, such as the issue of ESG-linked promissory notes in which the interest cost attaching to the promissory note is linked to the entity's sustainability performance.

In 2022, Helaba introduced a rendezvous clause and an ESG bridge model to tap the concept of sustainable finance, particularly for the wide range of small and medium-sized enterprises and those companies that are just starting to equip themselves with ESG objectives and management tools. Helaba is also particularly active in the financing of renewable energy, rail transport and energy efficiency projects.

The issue proceeds from the issued green bond are being used to fund sustainability-related projects aimed at expanding the use of solar and wind energy on a portfolio basis. May 2023 saw the publication of the green bond portfolio's second impact report, presenting the portfolio's environmental value added.

On the digitalisation front, Helaba processes promissory notes over their whole life cycle entirely by using the vc trade digital platform.

This offering is a clear success: well over 300 Sparkassen are now processing promissory notes in digitised format through vc trade. Syndicated loans can also be handled entirely digitally on vc trade. The asset classes concerned include corporate and real estate finance. ESG-linked syndicated loans can also be processed via vc trade.

Together with Komuno, Helaba is pushing systematically ahead with the digitalisation of municipal loans. After acquiring the German business operations of Loanboox and Capveriant, Komuno is now the clear market leader and well placed to defend this position over the long term. In addition, Komuno offers the Sparkassen a risk marketplace enabling them to share larger foreign trade finance transactions efficiently with different institutions within the Group.

So that it can offer a solution to address the increased requirements around ESG data, develop new products and meet regulatory requirements, Helaba is currently developing a platform to capture and manage ESG data in collaboration with strategic equity investment ESG Book.

In the blockchain realm, Helaba has entered into a strategic equity investment with Cashlink. The intention is to use this equity investment to develop blockchain-based products together with Helaba customers.

Helaba is continuously refining its business model and in doing so reviews the composition and focus of all lines of business, including for possible effects (opportunities and risks) arising from the climatic and environmental changes that are becoming apparent. Most lines of business are currently considered to have only very limited susceptibility to climate-related and environmental risks because physical risks can usually be reduced through the geographical focus and mitigating actions and transition risks are regarded as manageable over the short and medium term in most lines of business.

Helaba is actively supporting customers through their transformation ready for a low-carbon circular economy. The Sustainable Finance Advisory team advises corporate customers on the necessary transformation process and the perfectly tailored ESG financing solutions available to help them through it. This service, provided in tandem with the Sparkassen, creates an effective lever for the transformation of the regional economy.

Overall, the opportunities associated with supporting the transformation in the business areas outweigh the climate-related and environmental risks that remain after collateral and mitigating factors.

The Helaba Group'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 is constantly upgrading its range of sustainability management tools with the aim of achieving continuous improvement in these third-party ratings.

The Helaba Group has a stable rating in the upper average range for the global industry and the upper midrange among the comparison group of German banks and Landesbanken from all relevant sustainability rating agencies.

Moreover, Helaba offers its employees a comprehensive ESG training module with a view to nurturing knowledge and expertise in this field. ESG training is one of the elements required to meet one of the sustainability KPIs (non-financial indicator).

Targeted measures are taken to enhance Helaba's appeal as an employer in competing for junior staff and talent with the aim of bolstering its innovative and creative capabilities.

In the past, Helaba's stable and well-diversified business model has demonstrated its resilience. Based on the good operating results achieved, Helaba has therefore always been able to service all subordinated liabilities and silent participations in full.

Financial Position and Financial Performance

Financial performance of the Group

In the management report, euro amounts are generally rounded to the nearest million. Minor discrepancies may arise in totals or in the calculation of percentages in this report due to rounding.

	1.1.–30.6.2023	1.1.–30.6.2022	Change	
	in € m	in € m	in € m	in %
Net interest income	817	666	151	22.7
Loss allowances	–108	–85	–24	–28.2
Net interest income after loss allowances and modifications	**709**	**582**	**127**	**21.8**
Net fee and commission income	259	269	–10	–3.7
Income / expenses from investment property	86	119	–34	–28.4
Gains or losses on measurement at fair value	99	137	–38	–27.6
Net trading income	51	299	–248	–82.9
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	48	–162	210	>100.0
Share of profit or loss of equity-accounted entities	4	0	4	>100.0
Other net income / expense	46	89	–43	–48.0
General and administrative expenses, including depreciation and amortisation	–867	–869	2	0.3
Profit or loss before tax	**336**	**327**	**9**	**2.8**
Taxes on income	–96	–105	9	8.5
Consolidated net profit	**241**	**223**	**18**	**8.1**

The Helaba Group generated profit before taxes of € 336 m in the first half of 2023 (H1 2022: € 327 m). A further increase was achieved in total income from the operating business, comprising net interest income, net fee and commission income and net income from investment property. The main factor influencing the Helaba Group's financial performance was the changing interest rate environment. While this was a boon to net interest income, the sharp rise in interest rates led to impairment losses that depressed net income from investment property. The loss allowance requirement rose slightly year on year due to economic conditions. The decline in other net income / expense is attributable mainly to a lower net gain on the derecognition of financial instruments not measured at fair value through profit or loss. There was an encouraging trend in general and administrative expenses (including depreciation and amortisation), which were on a par with the prior-year period due in part to the successful completion of the "Scope – Growth through Efficiency" cost and efficiency programme.

Total income from the operating business, comprising net interest income, net fee and commission income and net income from investment property, was slightly higher than budgeted, with net interest income and net interest income after loss allowances coming in well above the budgeted amounts. Gains or losses on measurement at fair value were also well above budget.

Loss allowances came in slightly above the prorated budgeted amount, whereas general and administrative expenses (the bank levy and the contribution to the reserve funds have also been fully included in the budgeting) were noticeably below budget and other net income / expense fell very significantly short of the budgeted amount. This produces a consolidated profit before taxes that is very clearly above budget. The changes in the individual items in the income statement were as described below.

Net interest income amounted to € 817 m, a rise of 22.7 % compared with the prior-year period (H1 2022: € 666 m). Disregarding the TLTRO bonus that benefited Helaba in the prior-year period, net interest income was up by 34.7 %. This is due mainly to the rise in interest rates on the money and capital markets since the last reporting period. Following a long period of near-zero and negative interest rates, the change in trajectory boosted deposit business and customer demand for certificates. Net income from investments of own funds and Treasury's interest rate management activities also made a substantial contribution to the encouraging trend in net interest income.

Loss allowances amounted to a net addition of € 108 m (H1 2022: net addition of € 85 m). The breakdown of this net addition to loss allowances by stage in accordance with IFRS 9 (including the provisions for loan commitments and financial guarantees) was as follows: stage 1, net reversal of € 24 m (H1 2022: net reversal of € 3 m); stage 2, net reversal of € 45 m (H1 2022: net addition of € 87 m); stage 3, net addition of € 177 m (H1 2022: net addition of € 2 m). Direct write-offs, loss allowances on financial assets measured at fair value through other comprehensive income and recoveries on loans and receivables previously written off amounted to a negative balance of € 1 m (H1 2022: € 0 m). The loss allowances at stage 2 included a reversal of the portfolio-based loss allowance component in the amount of € 45 m (H1 2022: net addition of € 57 m). For further details, please refer to Note (33) of the consolidated interim financial statements.

After taking into account the loss allowances, net interest income was up from € 582 m in the first half of the previous year to € 709 m in the current reporting period.

Net fee and commission income declined by € 10 m to € 259 m. Fee and commission income both from Helaba's securities and securities deposit business and from its lending and guarantee business was on a downward trajectory. This decline is due in particular to Helaba's withdrawal from depositary business, which depressed fee and commission income from securities and securities deposit business. Conversely, fees and commissions from the management of public-sector subsidy and development programmes at WIBank rose.

Most of the net income from investment property is generated by the GWH Group and amounted to € 86 m (H1 2022: € 119 m). This figure comprises the balance of rental income, operating costs, impairment losses and the net gains or losses on disposals. The decline is attributable to a year-on-year increase in impairment losses and a fall of € 7 m in the net gain on disposals to € 7 m.

Amid sometimes still-volatile market conditions, net trading income was once again a positive contributor to consolidated net profit in the first half of 2023. This positive net trading income was the result of higher turnover in primary and secondary trading in securities and satisfactory customer demand for hedging instruments, especially at Sparkassen. However, lower valuation adjustments on derivatives (XVAs), which in the prior-year period were a strong driver of net trading income, caused it to decline very sharply. As projected, customer business operations performed well overall in the first half of the year.

Net income from hedge accounting and other financial instruments measured at fair value (not held for trading) improved by € 210 m compared with the prior-year period to € 48 m. The main driver of this net income was the positive performance from the fund investments. In addition, the item was no longer depressed by charges from derivatives, which were set against opposite effects within net x-value adjustments (XVAs).

Other net income / expense decreased from net income of € 89 m to net income of € 46 m. It was negatively impacted by a lower net gain on the derecognition of financial instruments not measured at fair value through profit or loss. This resulted in an expense of € 2 m (H1 2022: income of € 21 m). Impairment losses on property held for sale depressed other net income / expense by € 19 m (H1 2022: € 6 m). Other net income / expense also included dividend income of € 7 m (H1 2022: € 6 m).

General and administrative expenses (including depreciation and amortisation) declined by € 2 m to € 867 m. These expenses comprised personnel expenses of € 351 m (H1 2022: € 362 m), other administrative expenses of € 443 m (H1 2022: € 438 m), and depreciation and amortisation charges of € 74 m (H1 2022: € 69 m). A fall in expenses for pensions and other benefits reduced personnel expenses. Other administrative expenses included the European bank levy in the amount of € 68 m (H1 2022: € 94 m) and expenses for the association overhead allocation and the reserve funds in the amount of € 83 m (H1 2022: € 80 m). Depreciation and amortisation rose due to increased investment in information technology (IT).

Profit before taxes amounted to € 336 m (H1 2022: € 327 m).

After taking into account an income tax expense of € 96 m (H1 2022: € 105 m), consolidated net profit came to € 241 m (H1 2022: € 223 m). Of this amount, net profit of € 0 m was attributable to non-controlling interests in consolidated subsidiaries (H1 2021: € 0 m).

Comprehensive income declined from € 491 m to € 289 m. This figure includes other comprehensive income in addition to the consolidated net profit/loss for the period as reported in the income statement. Other comprehensive income amounted to € 48 m (H1 2022: € 268 m). One of the components was the remeasurement of the net liability under defined benefit plans, which amounted to a gain of € 21 m before taxes (H1 2022: € 569 m). A discount rate of 3.75 % (31 December 2022: 3.75 %) was used to determine pension provisions for the main pension obligations in Germany. Credit-risk-related changes in the fair value of financial liabilities designated voluntarily at fair value accounted for a net gain of € 23 m before taxes (H1 2022: € 171 m). Debt instruments measured at fair value through other comprehensive income also had a positive impact, contributing a net gain of € 34 m before taxes (H1 2022: net loss of € 428 m). The prior-year figure was adversely affected by the general rise in interest rates. The cross-currency basis spread in the measurement of derivatives accounted for a net loss of € 9 m before taxes within comprehensive income (H1 2022: net gain of € 55 m).

Statement of financial position

Assets

	30.6.2023	31.12.2022	Change	
	in € m	in € m	in € m	in %
Cash on hand and demand deposit balances with central banks and banks	41,606	40,266	1,340	3.3
Financial assets measured at amortised cost	131,494	130,673	821	0.6
Bonds	2,182	1,774	408	23.0
Loans and advances to banks	13,584	12,836	748	5.8
Loans and advances to customers	115,728	116,062	−335	−0.3
Trading assets	11,898	12,672	−774	−6.1
Financial assets measured at fair value (not held for trading)	20,598	21,694	−1,096	−5.1
Investment property	3,408	3,109	299	9.6
Income tax assets	594	639	−45	−7.1
Other assets	2,756	2,449	307	12.5
Total assets	**212,354**	**211,502**	**852**	**0.4**

Equity and liabilities

	30.6.2023	31.12.2022	Change	
	in € m	in € m	in € m	in %
Financial liabilities measured at amortised cost	171,009	170,881	128	0.1
Deposits and loans from banks	57,025	65,735	–8,710	–13.3
Deposits and loans from customers	67,470	63,643	3,828	6.0
Securitised liabilities	45,809	41,064	4,745	11.6
Other financial liabilities	705	439	266	60.6
Trading liabilities	14,013	13,754	259	1.9
Financial liabilities measured at fair value (not held for trading)	15,315	15,042	273	1.8
Provisions	1,187	1,171	16	1.4
Income tax liabilities	108	215	–107	–49.6
Other liabilities	558	562	–4	–0.8
Equity	10,165	9,877	287	2.9
Total equity and liabilities	**212,354**	**211,502**	**852**	**0.4**

Helaba's consolidated total assets were on a par with the prior-year figure at € 212.4 bn (31 December 2022: € 211.5 bn).

On the assets side of the statement of financial position, loans and advances to customers continued to dominate, accounting for a large proportion of total assets (54.5 %; 31 December 2022: 54.9 %). These assets fell by € 0.3 bn to € 115.7 bn. Of the loans and advances to customers reported at their net carrying amounts, commercial real estate loans accounted for € 36.3 bn (31 December 2022: € 36.1 bn) and infrastructure loans for € 27.0 bn (31 December 2022: € 27.3 bn).

The cumulative loss allowances recognised in respect of financial assets measured at amortised cost amounted to € 928 m (31 December 2022: € 847 m).

The most significant change on the assets side resulted from the rise of € 1.3 bn in cash on hand and demand deposit balances with central banks and banks to € 41.6 bn. This rise is due both to an increase in securitised liabilities and to growth in customer deposits payable on demand and customer term deposits. Cash on hand and demand deposit balances with central banks and banks included an amount of € 15.4 bn (31 December 2022: € 24.2 bn) attributable to Helaba's participation in the ECB's targeted longer-term refinancing operations (TLTRO III), which provide funding at favourable rates.

Trading assets recognised at fair value amounted to € 11.9 bn at the reporting date (31 December 2022: € 12.7 bn). The reason for this decrease lay with the positive fair values of derivatives, which declined by € 0.6 bn to € 8.8 bn due mainly to interest-rate-related measurement effects. The portfolio of bonds and other fixed-income securities grew by € 0.4 bn to € 2.0 bn.

Of the financial assets measured at fair value (not held for trading) amounting to € 20.6 bn (31 December 2022: € 27.1 bn), assets of € 14.3 bn (31 December 2022: € 14.8 bn) comprised bonds and other fixed-income securities measured through other comprehensive income. Non-trading derivatives also decreased by € 0.6 bn to € 1.2 bn, meaning that the positive fair values of all derivatives fell by € 1.2 bn overall to € 10.0 bn.

The structure of the equity and liabilities side of the statement of financial position is characterised by a high proportion of financial liabilities measured at amortised cost (80.5 % of total equity and liabilities; 31 December 2022: 80.8 %). These liabilities increased by € 0.1 bn to € 171.0 bn and included securitised liabilities amounting to € 45.8 bn (31 December 2022: € 41.1 bn). Here, the rise in interest rates pushed up investor demand for interest-bearing financial instruments. Deposits and loans from customers also increased by € 3.8 bn to € 67.5 bn. Deposits and loans from banks showed a downward trend, falling by € 8.7 bn to € 57.0 bn. The decline is due to Helaba's reduced participation in the ECB's TLTROs.

Trading liabilities recognised at fair value amounted to € 14.0 bn at the reporting date (31 December 2022: € 13.8 bn). Whereas deposits and loans increased by € 1.1 bn to € 5.2 bn, the negative fair values of derivatives fell by € 0.7 bn to € 8.6 bn.

Financial liabilities measured at fair value (not held for trading) included non-trading derivatives of € 3.8 bn (31 December 2022: € 4.1 bn), meaning that the negative fair values of all derivatives fell by € 1.0 bn overall to € 12.4 bn.

Equity

The Helaba Group's equity amounted to € 10.2 bn as at 30 June 2023 (31 December 2022: € 9.9 bn). Equity was pushed higher by the comprehensive income of € 289 m for the first half of 2023. Accumulated OCI for the Group amounted to a loss of € 151 m (31 December 2022: cumulative net loss of € 199 m). Within this figure, cumulative income of € 165 m (31 December 2022: cumulative income of € 134 m) relates to items that will not be reclassified to profit or loss in future periods (i.e. OCI that will not be recycled) and a cumulative loss of € 316 m (31 December 2022: cumulative loss of € 333 m) to items that will be reclassified to profit or loss in future periods (i.e. OCI that will be recycled). OCI (that will not be recycled) included a cumulative loss of € 68 m (31 December 2022: cumulative loss of € 82 m) attributable to remeasurements of pension obligations. The discount rate remained unchanged versus 31 December 2022 at 3.75 %. Remeasurement gains arising on financial liabilities to which the fair value option (FVO) is applied as a result of changes in own credit risk contributed a cumulative € 241 m (31 December 2022: € 225 m) to the rise in OCI (that will not be recycled). OCI (that will be recycled) included the cumulative gains and losses on debt instruments measured at fair value through other comprehensive income amounting to a loss of € 315 m (31 December 2022: loss of € 338 m). Equity was negatively impacted by a loss of € 22 m (31 December 2022: loss of € 16 m) arising from the cross-currency basis spread in the measurement of derivatives, which must be recognised in accumulated OCI in accordance with IFRS 9. The currency translation reserve for foreign operations remained unchanged versus 31 December 2022 at € 38 m.

Please refer to the risk report and Note (32) in the Notes for information on the regulatory capital ratios.

Financial performance by segment

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

The contributions of the individual segments to the profit before taxes of € 336 m for the first half of 2023 (H1 2022: € 327 m) were as follows:

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Real estate	–25	145
Corporates & Markets	207	291
Retail & Asset Management	163	78
WIBank	29	23
Other	–39	–229
Consolidation / reconciliation	1	19
Group	**336**	**327**

Real Estate segment

The Real Estate Lending business line is reported in the Real Estate segment. Its core business consists of financing major commercial real estate projects and existing properties.

In the first half of 2023, the volume of new medium- and long-term business in Real Estate Lending dropped very strongly year on year, by 54 % to € 1.9 bn (H1 2022: € 4.2 bn).

Despite the decline in new business, net interest income climbed by € 5 m. Net interest income for the segment amounted to € 212 m (H1 2022: € 207 m).

As at the reporting date, loss allowances had increased very sharply compared with the prior-year period due to the effects of the turnaround in interest rates on the real estate market. In the period to 30 June 2023, they amounted to a net addition of € 173 m (H1 2022: net reversal of € 2 m).

Net fee and commission income came to € 9 m, a decrease of € 1 m on the prior-year figure.

General and administrative expenses in the segment were up slightly to € 72 m.

The very sharp increase in loss allowances caused the segment to post a loss before taxes of € 25 m, a very significant decrease on the previous year's profit before taxes of € 145 m.

Corporates & Markets segment

The Corporates & Markets segment offers products aimed at companies, institutional clients, public sector and municipal clients.

At € 4.5 bn, new medium- and long-term business in the segment showed a sharp decrease of 16 % on the prior-year figure (€ 5.4 bn).

Net interest income in the segment came to € 319 m, a year-on-year increase of € 71 m, and was generated mainly by the Corporate Banking, Savings Banks and SME, and Asset Finance units. The growth here is almost entirely attributable to Savings Banks and SME. Whereas Corporate Banking likewise posted a sharp rise, net interest income at Asset Finance dropped slightly. Net interest income for Capital Markets declined, while the contributions from public sector and Sparkasse business were almost unchanged. Loss allowances amounted to a net addition of € 10 m, a comparatively low figure but higher than in the previous year (net addition of € 4 m).

Net fee and commission income amounted to € 82 m compared with € 91 m in the prior-year period, with the decline attributable primarily to business in the Capital Markets division, particularly securities business.

The segment's net trading income for the reporting period was € 51 m (H1 2022: € 294 m). The critical factors in the significant changes in measurement were the rise in interest rates and the path of credit spreads. Hedges in net income from hedge accounting and other financial instruments measured at fair value (not held for trading) had an offsetting effect.

General and administrative expenses in the segment rose by € 20 m year on year to € 256 m. This rise is due in particular to higher internal cost allocations between the segments.

Profit before taxes for the segment came to € 207 m compared with € 219 m in the prior-year period, the main contributing factor being the very weak trend in net trading income.

Retail & Asset Management segment

The Retail & Asset Management segment offers retail banking, private banking and asset management products through the subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft and Helaba Invest as well as through Landesbausparkasse Hessen-Thüringen. The Portfolio and Real Estate Management business and the real estate subsidiaries of the GWH Group also form part of this segment.

The segment's net interest income of € 197 m (H1 2022: € 112 m) was mostly attributable to Frankfurter Sparkasse, as was the growth here. Loss allowances in the segment amounted to a net reversal of € 9 m in the reporting period (H1 2022: € 0 m).

Net fee and commission income in the segment was generated mainly by Frankfurter Sparkasse, Helaba Invest and Frankfurter Bankgesellschaft and was on a par with the prior-year figure (€ 143 m) at € 142 m in total.

Net income from investment property is generated almost entirely by GWH, mainly in the form of rental income from residential real estate. At € 86 m, this was down very sharply on the prior-year figure (€ 119 m) due mainly to impairment losses.

Net income from hedge accounting and other financial instruments measured at fair value (not held for trading) normalised, amounting to net income of € 8 m (H1 2022: net expense of € 53 m) due predominantly to the positive effect of a reduced credit duration on the performance of FSP special funds.

General and administrative expenses amounted to € 303 m, a slight increase on the prior-year figure (H1 2022: € 290 m).

Profit before taxes for the segment amounted to € 163 m compared with € 78 m in the prior-year period.

WIBank segment

Helaba performs public development functions for the State of Hesse through Wirtschafts- und Infrastrukturbank Hessen (WIBank).

In the first half of 2023, WIBank generated new business (lending and subsidy business) of around € 1.1 bn (H1 2022: € 1.6 bn). The € 0.5 bn decline in new business stemmed primarily from COVID-19 assistance for hospitals and loans provided for the construction of housing for rental.

At € 44 m, net interest income was noticeably higher than the prior-year figure (€ 34 m) due especially to the changing interest rate environment. Net fee and commission income is shaped by the service business. At € 36 m, it was up on the prior-year figure (€ 31 m).

General and administrative expenses came to € 55 m. The anticipated marked increase compared with the previous year (€ 45 m) was primarily the result of higher IT and non-personnel costs (third-party services).

Profit before taxes for the segment amounted to € 29 m, compared with € 23 m in the prior-year period, due principally to the positive trend in net interest income.

Other segment

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. These items include the net income from centrally consolidated equity investments, such as those from the OFB Group, 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 net income or expense from Treasury activities, from central own funds investing activities and from the centrally held securities in the liquidity portfolio are also recognised under this segment.

The segment's net interest income was on a par with the prior-year figure at € 67 m (H1 2022: € 68 m), but was impacted by significant countervailing effects. The increase in Group Asset/Liability Management attributable to higher interest rates contrasted with the absence of the TLTRO bonus. The balance in the segment also included the higher centrally recognised liability markups for subordinated debt and the pension provision additions for Corporate Centre employees included in the interest.

Loss allowances amounted to a very substantial net reversal of € 66 m (H1 2022: net addition of € 82 m) due mainly to the change in the portfolio-based loss allowance component.

Net income from hedge accounting and other financial instruments measured at fair value (not held for trading) was up year on year to € 22 m (H1 2022: net expense of € 5 m) mainly as a result of interest-rate-related remeasurements.

The segment's other net income / expense came to net income of € 17 m (H1 2022: net income of € 48 m) and was impacted, among other things, by impairment losses on OFB real estate projects, the absence of the previous year's gains on sales of bonds held in the portfolio of liquid investments and changes in provisions.

General and administrative expenses amounted to € 205 m in the first half of 2023 (H1 2022: € 250 m). The bank levy and the contribution to the reserve funds were already fully included at the end of the first half of the year; the bank levy was € 25 m lower than in the previous year at € 66 m. The further decline is due to higher internal cost allocations between the segments.

The segment incurred a loss before taxes of € 39 m compared with a loss before taxes of € 229 m in the prior-year period. This change is primarily attributable to the positive trend in loss allowances.

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 presented under consolidation / reconciliation.

Profit before taxes under consolidation / reconciliation amounted to € 1 m (H1 2022: € 19 m).

Risk Report

The Executive Board is responsible for all of the risks to which the Helaba Regulatory Group is exposed and for defining a risk strategy consistent with the business strategy. Drafted in accordance with the requirements imposed by the law, the Charter and the banking regulatory authorities and with the Rules of Procedure for the Executive Board, the risk strategy lays down the principal elements of the approach adopted to dealing with risk, the objectives of risk containment and the measures employed to achieve these objectives within the Helaba Regulatory Group. The risk strategy covers all of the main business units in the Helaba Regulatory Group as defined by the KWG and the CRR. It is modular in nature and consists of a general risk strategy and sub-risk strategies specific to the primary risk types. The general risk strategy sets out the universal stipulations for risk management, while the sub-risk strategies lay down detailed ground rules and methods for dealing with the primary risk types.

Once adopted by the Executive Board, 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 Regulatory Group are integrally linked to the business strategy and risk strategy of Sparkassen-Finanzgruppe Hessen-Thüringen.

The principal objectives of the Helaba Regulatory Group's risk strategy are to uphold the organisation's conservative overall risk profile and maintain risk-bearing capacity at all times while ensuring that all regulatory requirements are satisfied. The risk management system accordingly plays a central role in the management of the company.

Helaba's Executive Board believes that its risk management arrangements are structured adequately with regard to the nature, scope and complexity of Helaba's business activities, the risk inherent in these activities, and the business and risk strategies of the Helaba Regulatory Group. The Helaba Regulatory Group develops its risk management arrangements continuously to accommodate changing circumstances, new findings and newly introduced regulatory requirements in both national and international contexts, to create a range of sophisticated tools for and an environment conducive to risk containment.

Risk types

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

- default risk (including equity risk),
- market risk,
- liquidity and funding risk,
- non-financial risk (NFR),
- business risk and
- real estate risk.

Sustainability and social responsibility are central to the way that Helaba approaches its business. This means that sustainability factors, especially those relating to climate and the environment, can potentially also affect Helaba's risk situation. In addition to the sustainability objectives, which are set down in the business strategy, the Helaba Regulatory Group defines ESG factors – environmental, social or governance factors the occurrence of which could negatively impact financial position (including capital resources), financial performance or the liquidity position – in the course of risk management. These ESG factors are regarded not as a separate risk type, but rather as potential risk drivers that can affect all risk types. ESG factors must therefore be taken into account within the risk management processes of the identified risk types. The extent of the required monitoring and containment measures reflects the significance of the ESG factors for the risk type concerned.

A comprehensive materiality analysis from a risk perspective for climate-related and environmental risks was completed for the first time in 2022. The analysis assessed the materiality of transition and physical risks for the risk types classified in the risk inventory process as being of primary importance for the Helaba Regulatory Group. Materiality was estimated using a scorecard method that also incorporated qualitative estimates. The analysis determined that Helaba's portfolio is moderately exposed to transition risks in the context of default risk. Exposure to climate-related and environmental risks as risk drivers is assessed as low in the other primary risk types.

Risk-bearing capacity / ICAAP

Established procedures for quantifying and containing risks ensure that the primary risks within the Helaba Group and Helaba Regulatory Group are always covered by risk cover pools and that its risk-bearing capacity is thus assured.

In terms of concept, the risk-bearing capacity approach reflects the supervisory requirements for an ICAAP at institutions from an economic internal perspective. In other words, the calculation of risk-bearing capacity takes into account all risks that could jeopardise the continued existence of the Helaba Group as a going concern from an economic internal perspective. The economic limitation and containment of risks is also based on ensuring risk-bearing capacity in accordance with this economic internal perspective. The risk tolerance and risk appetite related to the risk exposures in this perspective are specified in the risk appetite statement (RAS).

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

The economic risk cover pools are calculated on the basis of own funds determined in accordance with IFRS financial reporting requirements, adjusted for economic correction factors. These factors ensure a loss absorption capacity comparable with regulatory CET1 capital.

In terms of risk, risk exposures for default risk (including equity risk), market risk, operational risk, business and real estate risk are included in the analysis for the economic internal perspective with a confidence level of 99.9 %. This approach is used to demonstrate that the economic risk cover pool is adequate enough – even if rare and serious loss scenarios should materialise – to ensure that the Group can continue as a going concern on the basis of its own resources, i. e. without recourse to third-party funds.

The risk-bearing capacity assessment for the Helaba Group covering all risk types reveals that the existing risk cover pools at the end of the second quarter of 2023 once again exceeded the quantified risk exposures by a substantial margin, underlining the conservative risk profile. Helaba had a capital buffer of € 4.7 bn in respect of its economic risk exposures as at the reporting date (31 December 2022: € 4.6 bn).

Helaba regularly examines the effects of historical and hypothetical stress scenarios on risk-bearing capacity as well as analysing risk-bearing capacity for given reference dates. The scenarios considered include macroeconomic stress scenarios and a scenario involving exceptional market dislocation based on the most extreme changes in parameters observed over the historical time frame (usually observed market dislocation occurring in a global financial crisis).

To complement the economic internal perspective in Pillar II, an analysis using the regulatory internal perspective is conducted quarterly. The regulatory internal perspective examines how the primary Pillar II risks affect the regulatory ratios in accounting terms and the Helaba Regulatory Group's internal objectives for capital ratios in the context of the RAS over a multi-year period. This analysis is conducted using various macroeconomic scenarios. Pillar II risks affect regulatory capital, both through profit and loss and through other comprehensive income, whereas Pillar I risk quantification is reflected in a change in risk-weighted assets (RWAs).

The objective of this analysis is to ensure ongoing compliance with regulatory requirements and with the internal targets derived from the risk strategy and RAS. The capital ratios achieved under the simulated scenarios exceed the regulatory minimum CET1 capital ratio by a significant margin.

Reverse stress tests are also conducted to investigate what kind of idiosyncratic or market-wide events could jeopardise the continued existence of the Helaba Group or Helaba Regulatory Group as a going concern. The analyses focus on the regulatory minimum capital requirements, the available liquidity reserves and economic risk-bearing capacity in the economic internal perspective. There is currently no indication of any such scenario becoming a reality.

Other protection mechanisms

There are other protection mechanisms in addition to the risk cover pool. Helaba is a member of the sub-funds of the Landesbanken and Girozentralen and is thus included in the Sparkassen-Finanzgruppe's protection scheme, which comprises the eleven sub-funds of the regional savings bank and giro associations, the sub-fund of the Landesbanken and Girozentralen and the sub-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 general meeting of members of the German Savings Banks Association (DSGV) adopted a resolution concerning the refinement of the Sparkassen-Finanzgruppe's protection scheme on 27 August 2021. Charter documents incorporating the corresponding amendments were adopted by the general meeting of members on 26 June 2023. The resulting changes implemented ECB and BaFin requirements and made the protection scheme more efficient. The improvements realised include enhancements to the risk monitoring system and adjustments to make decision structures more effective. An additional fund to safeguard the solvency and liquidity of the institutions of the Sparkassen-Finanzgruppe is also being created. This additional fund has a total volume of 0.5 % of the total risk exposure of the affiliated institutions and is to be built up over a period of at least eight calendar years beginning in 2025.

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 in the Helaba Group amount to € 18.2 bn in total (31 December 2022: € 18.1 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 (EinSiG).

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 protection 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-Pillar 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 amendment to the charter for the reserve fund that came into effect on 17 November 2022 set the total volume of the fund at € 600 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.

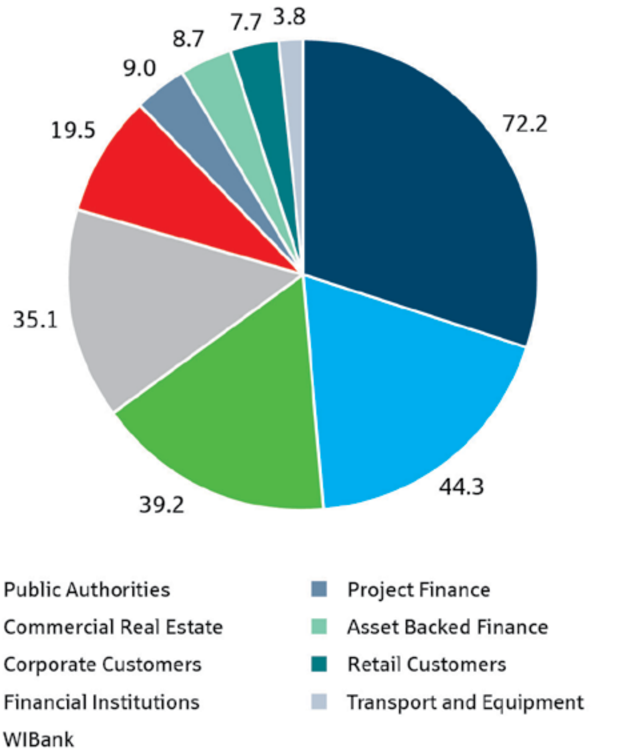
Rheinischer Sparkassen- und Giroverband (RSGV) and Sparkassenverband Westfalen-Lippe (SVWL) have each also unilaterally set up an additional regional reserve fund for Helaba.

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

Chart 1 shows the total volume of lending (comprising drawdowns and unutilised lending commitments) in the narrow Group companies (Helaba plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 239.5 bn as at 30 June 2023 (31 December 2022: € 232.6 bn) broken down by portfolio. 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. The retail business (below the materiality thresholds) of Frankfurter Sparkasse, LBS and WIBank, which has not previously been considered, is now also included.

Total volume of lending by portfolios
(narrow Group companies)
Chart 1 in € bn



The lending activities in the narrow Group companies as at 30 June 2023 focused on the following portfolios: public sector, real estate and corporate customers.

The summary below provides an overview of the regional breakdown of the total lending volume in the narrow Group companies by borrower's country of domicile:

Region		**in € bn**
	30.6.2023	**31.12.2022**
Germany	168.6	160.5
Rest of Europe	49.5	49.9
North America	20.6	21.0
Oceania	0.1	0.5
Other	0.6	0.7

The table shows that Germany and other European countries continue to account for most of the total lending volume.

Creditworthiness / risk appraisal

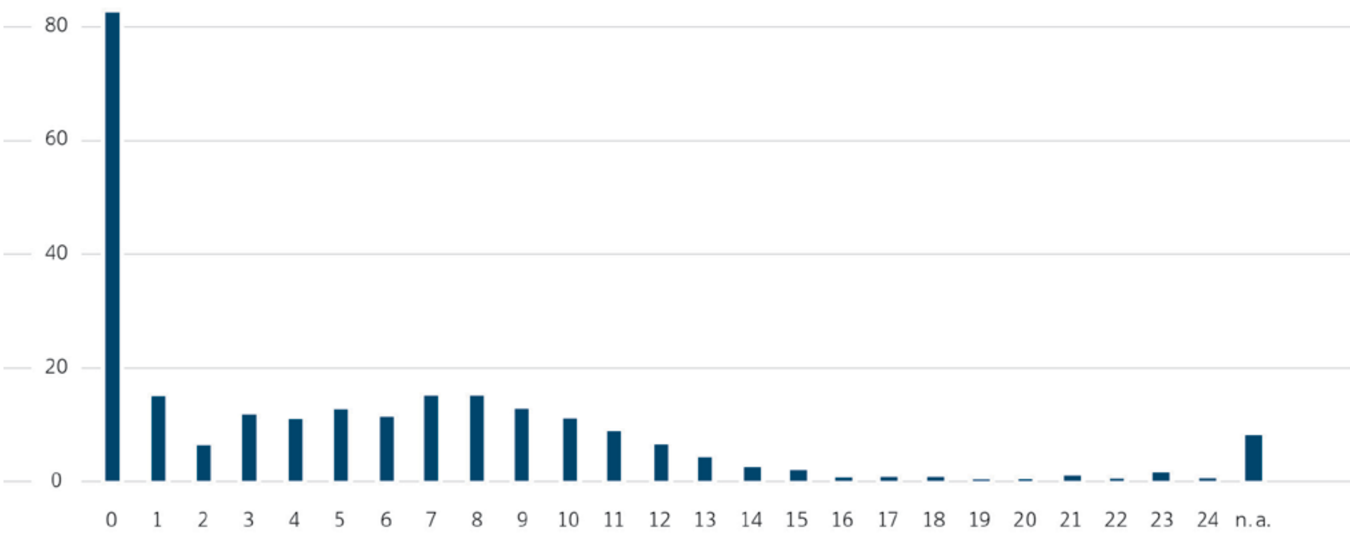
Helaba employs 16 rating systems developed together with DSGV or other Landesbanken and two rating systems developed internally. Based on statistical models, these systems classify loan exposures, irrespective of the customer or asset group, by the fixed probability of default (PD) using a 25-point cardinal default rating scale.

Chart 2 shows the total volume of lending in the narrow Group companies (Helaba plus subsidiaries Frankfurter Sparkasse, Frankfurter Bankgesellschaft (Schweiz) AG and Helaba Asset Services) of € 239.5 bn (31 December 2022: € 232.6 bn) broken down by default rating category. The “n. a.” (no rating information available) exposure includes the retail business (below the materiality threshold) of Frankfurter Sparkasse, LBS and WIBank, which is being considered for the first time.

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

Chart 2

in € bn



The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity indicates that the economic risk exposure for the Helaba Regulatory Group from default risk, calculated on the basis of the VaR, was € 1,360 m (31 December 2022: € 1,353 m). The change in risk exposure in the first half of 2023 was driven largely by the increase in risk in the areas of real estate finance and at Asset Finance, which was triggered by a combination of downgrades, isolated defaults and falls in the value of collateral. Downgrades in S-Group business also pushed up risk. This increase in risk was largely offset by a reduction in exposures with certain large customers in the Global Markets division and by reduced exposures in Corporate Banking.

Exceptional default risk management issues in the first half of 2023

Active management of the critical sub-portfolios identified and close, cross-unit monitoring of exposures from sub-portfolios classified as under intensive management, recovering or non-performing was continued in the first half of 2023.

With risks from the COVID-19 pandemic and the energy crisis triggered by the termination of gas supplies from the Russian Federation fading or no longer of material importance, developments in the first half of 2023 were shaped by a cooling of the real estate market, which lost momentum first and foremost as a result of the significant increase in interest rates due to inflation, which peaked at the turn of the year after a rapid rise beginning in 2021, and of professional investors in particular beginning to look for higher returns. The increase in interest rates also pushes up the funding risk for high-volume financing transactions and transactions where it is not possible to respond, or not possible to respond fast enough, to this development with rent rises. These effects were exacerbated by declining demand for office space following the COVID-19 pandemic and a fall in consumer spending, with a corresponding impact on retail property.

The cooling of the real estate market and the significant decrease in investment and transaction volumes led to falling real estate prices in the target markets and a swift and significant increase in risk in Helaba's real estate portfolio. Some selective rating deteriorations and defaults were recorded, primarily in the commercial real estate portfolio.

The office properties sub-portfolio was classified as a critical sub-portfolio in the second quarter of 2023 and is thus now subject to the same close monitoring as the retail properties sub-portfolio, which has had this classification for a long time.

Helaba has identified critical sub-portfolios in the real estate, corporate customers and transport and equipment portfolios with a total lending volume of around € 29.9 bn as at 30 June 2023 (31 December 2022: € 11.3 bn). The increase in the first half of 2023 results from the inclusion of the office properties sub-portfolio.

The table below shows the volume in respect of the sub-portfolios classified as critical and the volume of customers/transactions in those portfolios already on the watchlist, broken down by the sub-portfolios of the real estate, corporate customers and transport and equipment portfolios as at the reporting date.

Portfolio	Critical sectors	Watchlist
Commercial Real Estate	€ 25.2 bn	€ 3.2 bn
Corporate Customers	€ 3.1 bn	€ 0.5 bn
Transport and Equipment	€ 1.5 bn	€ 0.2 bn

The inherent risks in the lending portfolio of the narrow Group companies remained predominantly stable in the first half of 2023 despite increased pressures in the commercial real estate portfolio in particular. The net addition to loss allowances in the first half of 2023 is slightly above the budgeted level on a prorated basis.

The situation with the war in Ukraine and associated turmoil and geopolitical tensions continues to present a risk for the Bank despite the precautionary and risk-mitigating measures implemented in response, although it has only a very limited direct exposure to the Russian Federation and Ukraine as at 30 June 2023.

Credit risk in the narrow Group companies remains subject to close monitoring and regular assessment. Developments in the first half of 2023 and the significant increase in default rates in the commercial real estate portfolio indicate that further rating deteriorations and defaults will remain a possibility for the rest of the year. What actually happens in this respect will depend on factors including the course of interest rates and property values and the impact of second- and third-order effects of the war in Ukraine.

Loss allowances

Appropriate loss allowances are recognised to cover default risk. The adequacy of the loss allowances is reviewed regularly and adjustments are made where necessary. The current macroeconomic environment is one of considerable uncertainty due to factors such as the war in Ukraine and – as a result of heightened inflation – the rapid surge in interest rates to levels well above those in the days of near-zero rates. Risks arising from the COVID-19 pandemic, a stoppage of gas deliveries and the Ukraine war were taken into account as at 31 December 2022. While the risks arising from the COVID-19 pandemic were no longer material as at 30 June 2023 and the risks stemming from the energy crisis have clearly diminished, the rapid and sharp rise in interest rates has spawned significant price and funding risks, particularly for the commercial property sector. Hopes of a near-term end to the Ukraine war have faded. Helaba has accounted for these risks by means of a portfolio-based loss allowance insofar as there have not yet been any actual defaults.

The portfolio-based loss allowance is recognised as a precautionary measure in response to additional risks that may materialise in the future under certain circumstances and that are difficult to assess in terms of their impact and evolution. It also factors in the effects in the sectors particularly affected by the aforementioned risk-related developments.

Further details on credit risk are presented in Note (33) of the consolidated financial statements.

Country risks

Country risk (transfer, conversion and sovereign default risks) from Helaba loans issued by the narrow Group companies to borrowers based outside Germany amounted to € 65.6 bn (31 December 2022: € 66.5 bn), most of which was accounted for by borrowers in Europe (68.5 %) and North America (30.6 %). As at 30 June 2023, 57.9 % (31 December 2022: 57.2 %) of these risks were assigned to country rating classes 0 and 1 and a further 41.9 % (31 December 2022: 42.6 %) came from rating categories 2 – 15. Just 0.3 % (31 December 2022: 0.2 %) fell into rating class 16 or worse.

Exposures in the Russian Federation (rating category 22) and Ukraine (rating category 21) amounted in total to approximately € 20 m (31 December 2022: approximately € 20 m) as at the reporting date. There are no exposures in Belarus as at the reporting date

Sustainability criteria in lending business

In order to minimise or rule out the fundamental risk that companies or projects financed by Helaba might impact negatively on the environment and society, Helaba has developed sustainability criteria and exclusion criteria for lending that have been integrated into the existing risk process and risk management and apply throughout the Group. These are published on the Helaba website (“Sustainability Criteria for Lending Activities”).

The process of identifying, measuring and managing sustainable lending is governed by Helaba’s Sustainable Lending Framework, which was published in the first half of 2022. This framework includes a comprehensive set of criteria and a standardised Group-wide method for classifying sustainable finance and thus further increasing its share of the total lending volume. It is applied in all lending business at Helaba and Frankfurter Sparkasse, ensuring a consistent view of sustainable finance activities throughout the Helaba Regulatory Group.

The loan origination and review processes take account of environmental, social and governance factors and the associated risks for the financial position of borrowers. Particular attention is paid to the potential effects of environmental factors and climate change on the ability of our borrowers to make their repayments. These effects are assessed together with any risk-mitigating measures on the part of the borrower. Relevant ESG factors are identified and assessed according to a defined, standardised system. The result of the assessment is expressed using a multi-stage scale and documented as part of the risk analysis.

Risk management in respect of climate risks is being refined continuously, taking account of factors including the supervisory expectations set out in the ECB Guide on climate-related and environmental risks and other regulatory requirements. An effective risk reporting system is being established in parallel.

The development of transition risk, which is an important element of the climate-related and environmental risk in Helaba’s default risk, has been monitored regularly since 31 December 2022 and shared with the Risk Committee quarterly as part of risk reporting. Monitoring indicates that, factoring in current and future-oriented risk factors, only 4 % of the € 125.6 bn total lending portfolio of relevance for risk assessment is to be classified as representing a very high risk as at 30 June 2023. The corresponding figure for new business over the past twelve months is even lower at just 3 %.

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 analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows a noticeably higher economic risk exposure of € 160 m (31 December 2022: € 151 m) for the Helaba Group from equity risk. The increase stems from capital calls from fund investments.

Market Risk

Quantification of market risk

Market risk is quantified using a money-at-risk approach backed up by stress tests (which also include the widening of spreads, as has occurred in the COVID-19 pandemic), 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 in the Helaba Regulatory Group 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 30 June 2023 plus a breakdown by trading book and banking book. The linear interest rate risk is the most significant of the market risk types. The change in linear interest rate risk still results from the sharp rise in interest rates being taken into account in the parameter calculation in conjunction with position adjustments. 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 93 % (31 December 2022: 92 %) of the linear interest rate risk for the overall portfolio of the narrow Group companies, sterling positions for 4 % (31 December 2022: 5 %) and US dollar positions for 2 % (31 December 2022: 2 %). 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 and Swiss franc positions. Residual risk amounted to € 19 m for the Group (31 December 2022: € 17 m). The incremental risk in the trading book amounted, with a time horizon of one year and a confidence level of 99.9 %, to € 213 m (31 December 2022: € 257 m). The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 1,425 m (excluding XVA risk, 31 December 2022: € 1,122 m excluding CVA risk) for the Group from market risk. The sharp increase in economic risk exposure is largely the result of the high linear interest rate risks in the banking book. Interest rate risks from pension obligations are also taken into account.

Group MaR by risk type in € m

	Total risk		Interest rate risk		Currency risk		Equities risk	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Trading book	31	36	31	36	–	–	–	–
Banking book	168	121	148	102	2	1	18	18
Total	**194**	**153**	**174**	**134**	**2**	**1**	**18**	**18**

The 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 scenario analyses.

Internal model in accordance with the 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 rate option risk), has been approved by the banking regulator.

The MaR in the internal model amounted to € 31 m as at 30 June 2023 (31 December 2022: € 36 m).

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 uses the parameters prescribed by the regulatory authorities – a 99 % confidence level, a holding period of ten trading days and a historical observation period of one year – for internal risk management as well. Chart 3 shows the MaR for the trading book (Helaba Bank) for the first half of 2023. In the first six months of 2023, the average MaR was € 36 m (2022 as a whole: € 24 m), the maximum MaR was € 41 m (2022 as a whole: € 36 m) and the minimum MaR was € 28 m (2022 as a whole: € 8 m). The changes in risk in the first half of 2023 stemmed primarily from linear interest rate risk and were attributable to regular parameter updates (volatility, correlations), which again included the sharp interest rate rises observed, and to a normal level of reallocated exposures.

Daily MaR of the trading book in financial year 2023

Chart 3

in € m

Market risk (including interest rate risk) in the banking book

Helaba employs the MaR approach used for the trading book to map the market risk in the banking book. The risk figures calculated using this approach are supplemented with daily reports 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 rate 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 at 30 June 2023, such an interest rate shock would, in the unfavourable scenario, have resulted in a negative change of € 203 m in the value of the Helaba Group banking book (31 December 2022: € 341 m). Of this figure, € 216 m (31 December 2022: loss of € 345 m) would have been attributable to local currency and a gain amounting to € 13 m (31 December 2022: € 4 m) to foreign currencies. The change compared with year-end 2022 was attributable mainly to position changes. 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 units.

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 in the internal liquidity adequacy assessment process (ILAAP). 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, the COVID-19 pandemic, the war in Ukraine and the significant increase in market interest rates over the last year. Helaba's liquidity was once again fully assured at all times in the first half of 2023.

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 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 Group 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 Bank. 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. All Regulatory Group companies are additionally included in the LCR and NSFR calculation and monitored in accordance with the CRR.

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 that is based on a proprietary economic liquidity risk model and is determined daily. The model compares expected liquidity requirements for the next calendar year against the available liquidity from the liquid securities portfolio and the balances with central banks. The calculation of the available liquidity includes markdowns to take into account unexpected market developments affecting individual securities. 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 the liquidity buffer maintained for intra-day liquidity management. The main currency for short-term liquidity at Helaba is the euro, with the US dollar also significant.

The short-term liquidity status concept has been chosen to allow various stress scenarios to be incorporated. The process involves comparing the net liquidity balance (liquidity needed) with the available liquidity. The defined limits are one week up to one year depending on the specific scenario. Monitoring the limits is the responsibility of the Risk Controlling unit. An economic liquidity coverage ratio was determined in the same way as for the regulatory LCR. The coverage in the most relevant scenario (30 day solvency) was 158.0 % as at 30 June 2023 as a result of the excellent level of liquidity adequacy (31 December 2022: 177.8 %). This increases to 161.2 % (31 December 2022: 181.7 %) if Frankfurter Sparkasse is included. The average coverage ratio in the first half of 2023 was 145.7 % (2022: 154.4 %), reflecting the excellent liquidity situation.

The Helaba Regulatory Group manages short-term liquidity in accordance with the regulatory LCR requirements in parallel with the economic model. The two perspectives are integrated through the ILAAP. The ratio for the Helaba Regulatory Group stood at 197.2 % on 30 June 2023 (31 December 2022: 216.8 %). Stress simulations for the LCR were also calculated.

The Money Market organisational unit borrows/invests in the money market (interbank and customer business, commercial paper and certificates of deposit) and makes 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 Operations unit.

Off-balance sheet loan and liquidity commitments are regularly reviewed with regard to potential drawdowns and features of relevance to liquidity and are integrated into liquidity management. Guarantees and warranties are similarly reviewed. The liquidity potentially required is determined and planned using scenario calculations that specifically include a market disturbance.

Structural liquidity risk and market liquidity risk

The Treasury 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. Funding risk is managed economically on the basis of liquidity gap analyses where liquidity mismatches are limited. This risk is also managed from a regulatory perspective using the NSFR, for which a minimum ratio of 100 % became mandatory on 30 June 2021 through CRR II. Stress simulations for the NSFR were also calculated. Helaba 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 risk. A scenario calculation using a variety of holding periods is carried out. The scaled MaR suggested no significant market liquidity risk as at 30 June 2023, as was also the case at 31 December 2022. Market liquidity is also monitored on the basis of the margin between bid and offer prices.

The Executive Board 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.

Non-Financial Risk / Operational Risk

Principles of risk containment

The Helaba Regulatory Group identifies, assesses, monitors, controls and reports non-financial risk using an integrated management approach in accordance with the regulatory requirements. This approach encompasses Helaba and the major Regulatory Group companies according to the risk inventory.

The containment and monitoring of non-financial risk are segregated at disciplinary and organisational level at the Helaba Regulatory Group. Risk management is accordingly a local responsibility discharged by the individual units, which are supervised by specialist monitoring units with responsibility for sub-categories of non-financial risk.

The specialist central monitoring units are responsible for the structure of the methods and processes used to identify, assess, monitor, control and report the sub-categories of non-financial risk. The methods and processes used for the risk sub-categories follow minimum standards that have been specified centrally to ensure that the framework for non-financial risk is designed on a standardised basis.

The management of sub-categories of non-financial risk that form part of operational risk must comply in full with the established methods and procedures used for operational risk. This means that these risks are taken into account appropriately as part of the quantification of operational risk and, from a structural perspective, are thus identified, assessed and included in the calculation of the risk capital amount accordingly. In the case of sub-categories of non-financial risk that are not covered by operational risk, these risks are taken into account in a number of ways, such as risk exposure markups, safety margins and buffers. Overall, Helaba comprehensively ensures that the sub-categories of non-financial risk are taken into account in the risk-bearing capacity/ICAAP.

The central Risk Controlling unit is responsible for monitoring compliance with the minimum standards applicable to the non-financial risk framework.

Quantification

Risks are quantified for Helaba, Frankfurter Sparkasse and Helaba Invest using an internal model for operational risk based on a loss distribution approach, which takes into account risk scenarios and internal and external losses to calculate economic risk exposure. This also includes internal losses and risk scenarios that relate to sub-categories of non-financial risk and form part of operational risk. Such risks include legal risk, third-party risk, information risk and project risk.

The summary below shows the risk profile as at 30 June 2023 for Helaba, Frankfurter Sparkasse, Helaba Invest and the other companies of the Helaba Regulatory Group that are included in risk management at the level of individual risks:

Operational risks – risk profile

Economic risk exposure — in € m

	Reporting date 30.6.2023	Reporting date 31.12.2022
	VaR 99.9 %	VaR 99.9 %
Helaba	220	215
Frankfurter Sparkasse, Helaba Invest and other companies included in risk management at the level of individual risks	95	95
Total	**315**	**311**

The analysis as at the reporting date using the economic internal perspective for the calculation of risk-bearing capacity shows an economic risk exposure of € 315 m (31 December 2022: € 311 m) for the Helaba Regulatory Group from operational risk. The increase is mainly attributable to a lack of precision in the simulation.

War in Ukraine

No material effects of the war in Ukraine on non-financial risk were identified in the first half of 2023.

ESG risks

Operational risk scenarios exist in relation to buildings for own business operations to cover risks from external factors including in connection with extreme climate-related and environment-related events (physical risks). Any such events that should occur would be recorded as loss events.

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 Executive Board. Operational and strategic risk containment is the responsibility of Helaba's front office units and the management of each equity investment. The Risk Controlling unit quantifies business risks for the purposes of calculating risk-bearing capacity and analyses any changes.

The analysis as at the 30 June 2023 reporting date under the economic internal perspective for the calculation of risk-bearing capacity indicates a slight fall in business risk of € 4 m to approximately € 195 m compared with year-end 2022 (31 December 2022: € 199 m). This is due to the positive course of business in the financial year ended.

Real estate risk

Risk containment for the real estate projects and real estate portfolios is the responsibility of the Portfolio and Real Estate Management department, the Group Steering division and the Regulatory 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 Executive Board.

Sustainability aspects are considered in the measurement of the real estate portfolio and are incorporated into the value assessment as a component of the fair values. The level of insurance cover in place to protect real estate held in the Bank's real estate portfolio in respect of external factors (physical risks) and the sustainability certification of this real estate was also raised in 2022.

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 analysis as at the reporting date under the economic internal perspective shows a risk of € 168 m (31 December 2022: € 173 m) from real estate projects and real estate portfolios. This reduction in risk results primarily from remeasurement gains/losses for the real estate portfolio.

Outlook and Opportunities

Economic conditions

The recent supply chain problems have become less acute and inflation, which had reached a very high level, is coming down again thanks, in the main, to an easing of energy prices. China's recovery appears to be stuttering, however, and economic activity is also slowing in the USA, primarily as a result of a significant tightening of monetary policy. The US economy is expected to grow by only 1.7 % over the course of 2023.

Economic growth across the euro zone as a whole is likely to reach 0.7 % in 2023 but the German economy is expected to contract by 0.1 % over the same period. This is partly because the industrial sector, which is in recession, is significantly smaller in other Member States and partly because countries such as Italy and Spain are benefiting more from the large-scale European transfers.

The central banks have already tightened monetary policy significantly. The main refinancing rate in the euro zone is likely to have reached 4.25 % by the end of the year. The ECB began reducing the amount reinvested in its asset purchase programme portfolio in March and its total assets are decreasing steadily as a result. The Fed has already moved to a markedly restrictive monetary policy. Core inflation is falling only slowly, so no relaxation of monetary policy can be expected this year. The US benchmark rate should be close to 5.5 % by the end of 2023. Yields on the bond markets on both sides of the Atlantic have been moving sideways since the beginning of the year and are likely to continue to do so for the time being.

Opportunities

Helaba defines as opportunities the business potential that it is able to leverage in its operating segments as a result of its business model, market position or special expertise. By pursuing targeted strategic growth initiatives in its lines of business, Helaba has positioned itself to best exploit the potential opportunities arising from each market environment.

The Helaba Group refines its traditionally stable and effective strategic business model continuously to ensure it remains fit for the future.

The key factors behind the Helaba Group's success remain its conservative risk profile, backed up by effective risk management, and the strategic business model for the Group as a whole based on the concept of a full-service bank with its own retail business, a strong base in the region, a very close relationship with the Sparkassen and robust capital and liquidity adequacy.

The Helaba Group is valued by its customers as a reliable partner because of its sound business model. The diversified strategic business model has also stood the test of the current crisis situation, as evidenced by the stability of the operating business.

Helaba's endeavours in the area of sustainability target all three ESG dimensions (environment, social and governance) and it has adopted five corresponding strategic sustainability objectives. Its second ESG objective frames Helaba's aim to help bring the Paris Agreement targets within reach and increase the volume of sustainable business in its portfolio to 50 % by 2025. The Sustainable Lending Framework provides a standardised method for the definition, measurement and management of sustainable lending business. This represents the initial step in a holistic impact assessment and management process. Since the end of 2022, Helaba has been developing a Sustainable Investment Framework with the aim of classifying sustainable investment business. This is to be finalised in 2023.

The Sustainable Finance Advisory service advises corporate customers and customers of the Sparkassen on sustainability matters to help meet the growing demand for specific advice and individual structuring of sustainable financing solutions. By offering low-entry-threshold products, Helaba primarily taps customer groups that are just embarking on the transformation journey and want to use sustainable finance measures to pivot their business model or strategic management to sustainability. Helaba is thus underscoring its efforts to encourage companies to join the sustainable transformation and intends to continue building up its market position here in 2023.

The Helaba Regulatory Group intends to expand its ESG expertise across its entire range of products and services so that it can make the most of future growth opportunities and ensure it has the necessary capability in place to support its customers with sustainable finance products. Helaba has also been offering all employees a comprehensive ESG training course comprising a number of different modules.

Helaba sees particular opportunities for growth in sustainable finance. It has been structuring projects in the renewable energy, rail transport and digital infrastructure fields successfully for many years and its involvement in the structuring and syndication of green, social and ESG-linked finance and promissory notes is expanding continuously.

Helaba was able to take on the role of ESG Coordinator for a number of mandates, for example, consolidating its expertise in the market in the process. Helaba supports customers with client-focused, cross-product information and advisory services regarding the implementation of financing solutions that incorporate sustainability elements and is opening up additional potential for growth in the sustainability segment. Helaba's range in this area includes innovative, low-entry-threshold solutions intended to help companies with their sustainable transformation and designed to appeal to SMEs in particular.

Helaba successfully placed its first green bond in 2021, laying the foundations that will enable it to position itself in the bond market as a sustainable issuer. In this regard, Helaba is making the most of its established market access to place new sustainable funding instruments with investors.

The digital transformation is marching on and will continue to bring huge changes to the banking industry as well as to attract other competitors to the market.Having now become well established across the financial market, innovative technologies including blockchain, artificial intelligence and cloud services are advancing at an extraordinary pace. These changes bring with them new customer expectations in terms of exactly what constitutes a comprehensive digital customer offer. The rapid pace of development in artificial intelligence and automation in particular is driving customer expectations regarding faster and more efficient processing and opening up opportunities to conduct more business without needing to deploy more resources.

Helaba continues to drive its digital transformation consistently through ongoing activities to implement the digitalisation strategy, which focuses on the key areas of innovation and new business models, ecosystems and partnerships, digital culture and collaboration, and new technologies. Implementation is supported by the established "Digital Transformation Committee", which brings together senior management expertise from the front office and corporate centre units, also ensures that Helaba maintains a comprehensive overview of the action areas and opportunities opened up by digital transformation. Agile working methods and collaboration in cross-functional teams pave the way for greater flexibility and a faster response to customer needs. Keen to add further impetus to this development and enable staff to integrate digitalization measures into their regular activities, Helaba is working on a series of staff formats intended not just to keep its people informed about innovations in this area but also to give them the opportunity to help shape the path of such innovation. This, it hopes, will help to make all areas of its organisation more innovative.

Plans are in place to introduce a performance measurement system and a digital roadmap to facilitate tracking and management of progress in the action areas.

There is potential to boost added value permanently by utilising and expanding the platform economy and digital ecosystems and partnerships are accordingly of great importance for Helaba, not least as a way to provide new options for more efficient collaboration for the Sparkassen and other S-Group companies. Digital platforms harbour remarkable market potential by virtue of the numerous possibilities they open up to automate process chains and integrate supply and demand even more effectively.

Helaba pursues collaborative partnerships with or makes equity investments in fintechs, proptechs and sustainability-focused startups through its equity investment company Helaba Digital. It intends to continue expanding the portfolio of strategic equity investments and thereby proactively help to shape the development of the markets concerned.

One notable example here is Helaba's involvement in vc trade, a debt capital platform that it entered into together with two other banks back in 2022. It intends to step up syndication activities using this platform in pursuit of new market opportunities. Encouraged by the success of vc trade, Helaba has identified opportunities to reproduce other elements of debt capital markets business in digital form on platforms in the future to generate corresponding added value for customers and banks.

Helaba also makes equity investments in venture capital funds to take advantage of the opportunities opened up by know-how transfer with startups in the real estate sector as well. Recent investment targets in this sector, which is very important for the Bank, include the PropTech VC PT1 fund.

Helaba is a Sparkasse central bank and S-Group bank. It is deeply embedded in the German Sparkassen-Finanzgruppe and has many divisions and subsidiaries that work in partnership with the Sparkassen, for which it provides a modern, diverse and competitive range of products and services.

Working with startup Komuno, Helaba and the German Savings Banks Association (DSGV) launched the "Spring" marketplace in the first half of 2023. Designed to enable the quick and straightforward placement of risks from foreign trade business, Spring makes it possible to offer international risks within the Sparkassen-Finanzgruppe to other institutions. The Sparkassen are thus able to process a multitude of transactions more efficiently with their customers, enhancing the range of services provided for all involved. The platform will further strengthen the position of the Sparkassen as an alternative to other international financial institutions.

Helaba is currently developing a public participation financing solution for Sparkassen in collaboration with the Deutsche Leasing Group. The intention is to create a crowdfunding platform that will make it possible to realize projects such as wind farms with public participation. A pilot phase involving a number of Sparkassen is underway at the moment.

The ongoing development of payment transactions in the direction of programmable payments and programmable money could also present a wide variety of new applications and opportunities for Helaba, which is a major player in payment transaction business. Helaba regularly examines related business approaches by interacting directly with interested customers and other banks.

The latest available technology already enables providers to offer innovative and significantly more efficient payments solutions in B2B transactions by integrating these solutions into customer business processes (embedded finance). In addition to the use of distributed ledger technology for programmable payments, opportunities also stem from the wide range of potential applications for the tokenisation of assets. Helaba made a strategic equity investment in Cashlink, which already has an end-to-end tokenisation solution, in June 2023. This enables the rights and obligations in respect of virtual and physical assets to be transferred faster and more easily, and simplifies the automated processing of associated contractual obligations. In this way, entities can enhance efficiency, tap into new investor and customer groups, and reduce potential settlement risk. Helaba interacts with interested customers with the aim of developing business approaches and solutions to address specific issues. This could also open up new opportunities throughout the Group in future and provide a basis for the development of extended business approaches.

Helaba played an active role in the collaborative project run by the German Banking Industry Committee to design tokenised commercial bank money known as the “Giralgeldtoken” and draw up use cases for programmable payments. The challenge now is to develop specific solutions for ongoing use by customers. For a leading provider of payment transaction processing services like Helaba, this initiative could open up opportunities for additional innovative business models such as pay-per-use.

Technological progress is opening up new possibilities for data analysis and use too, prompting Helaba to become a partner in the Financial Big Data Cluster (FBDC) initiative. The initiative and its members aim to identify opportunities to build up joint data resources for the financial sector and develop use cases for the application of artificial intelligence to analyse this data. Helaba is particularly interested in the sustainable finance element of the initiative.

The transition to a much more sustainable economic pathway is another context in which the integration of digitalisation opens up the potential for more advanced business approaches. These range from the capture and analysis of relevant data to specifically structured products. The acquisition of ESG data in particular opens up a wealth of opportunities for new products and applications that facilitate the acquisition, processing and purchase of ESG data are going to become increasingly significant for Helaba as a result.

The digital transformation is being supported by the development of a central Data Governance & Analytics unit to help create added value with data-driven products, services and business models. Group-wide data governance is a key foundation for this and thus has a fundamental role to play in the achievement of the strategic business objectives.

Helaba intends to continue expanding and modernising its IT infrastructure so that it can continuously improve its processes and respond flexibly to future challenges. It aims to establish a modern, capable and efficient IT environment that supports the development of innovative products and the integration of platform solutions.

It is implementing a programme throughout the Bank with the aim of extensively enhancing the efficiency of Helaba IT systems over the next few years, during the course of which the application landscape and IT platforms will be upgraded and related innovations implemented. The associated reduction in complexity will simplify working processes, cut duplicated data capture and retention, and enhance the quality of value creation. This will increase the benefits for both customers and employees of Helaba significantly. In addition, the necessary foundations are being laid for access to innovative products, the use of modern platforms inside and outside Helaba, and for strategic partnerships that offer our customers added value and enable Helaba to stand out effectively from its competitors. The overall programme will run until the beginning of 2027.

All 14 separate projects are currently in the first wave of implementation. The focus in this reporting period rests on aspects including the development of the new core banking systems for customers, accounts and lending, and the payment transactions platform.

The sharp change in the course of interest rates has caused particular challenges in real estate business. Investors in Germany and internationally are currently very reluctant to act owing to the resulting price and funding risks and this reticence is having knock-on effects on values and financing parameters. Having always factored the cyclical nature of real estate business into its strategy in this area and always prioritised good quality in its choice of customers and transactions, Helaba remains confident in its ability to weather the prevailing difficult conditions. The focus for 2023 rests in particular on managing the existing portfolio, with a more selective and restrained approach to new business. Helaba's range of attractive products, including in the ESG sphere, and its expertise with sustainable finance products provide a strong foundation in the current circumstances and the ongoing expansion of its digital capabilities and its combination of fast decision-making and solid dependability will only strengthen this position.

The marked upswing in interest rates is also boosting the effectiveness of the LBS business model. Attractive interest rates in home savings business are spawning new opportunities, in particular in connection with the demand among private customers for energy-efficient new builds and modernisation work to improve the energy efficiency of existing homes. The range of products offered by LBS is complemented in some areas by particularly affordable options available through WIBank.

The Corporates & Markets segment encompasses the customer-driven wholesale business. Helaba is broadening its activities in corporate finance business with targeted product initiatives that include the development and expansion of sustainable products and the strengthening of development loan structuring activities. Another key component of Helaba's activities is the provision of finance for infrastructure and infrastructure-related services in the form of project and transport finance. Long-term business potential should be strong in this segment thanks to the focus of project finance activities on the priority energy sector, principally renewable energy, and the modal shift towards rail transport. It has identified opportunities associated with the digitalisation and optimisation of processes and systems throughout the value chain as well as with closer integration of corporate banking activities with the FBG Group.

The further integration of Helaba products into Sparkasse sales and production processes is boosting efficiency and creating new business potential in Sparkasse lending business, which remains a core element of S-Group business. Helaba's collaboration with vc trade, a web-based platform solution for promissory note and syndicated loan business, enables it to realise the benefits of joint lending business, such as risk diversification and balance sheet management. Through the establishment of this web-based platform solution, Helaba is also helping the Sparkassen to meet their requirements for digital solutions with the goal of achieving standardisation and automated processes.

Export-oriented corporate customers expect their partner bank to offer a range of products that will help them with their international activities. Its institutional roots in the Sparkassen-Finanzgruppe and its extended customer base are enabling Helaba to establish itself within the Sparkassen-Finanzgruppe as a service and solution provider for international business. The takeover of NordLB's international documentary business further strengthens this segment, which also stands to receive a boost from the development of the risk marketplace with Komuno. Helaba is continuously investigating additional opportunities to expand this business area further.

The increasing amount of attention given to sustainability factors in structuring finance and the proactive support provided through the Sustainable Finance Advisory service open up opportunities to help various customer groups at Helaba and the Sparkassen navigate their way through the economic transformation to a sustainable future.

In the payments business, Helaba continues to be one of Germany's leading payment transaction clearing houses and a leading Landesbank. It also acts as an access service provider and card processing clearing house and continues to expand its range of related products and services. The associated opportunities are being systematically exploited with the aim of permanently boosting fee and commission income.

The ongoing expansion of the virtual girocard in e-commerce is just one of the steps being taken in response to the digital structural change in cash management business. The addition of the co-badged Debit MasterCard and Visa Debit card to the girocard product range combines the global payment options at the point of sale with the extended internet capability of the card. Helaba is also working to safeguard its leading role in payment transaction processing in the future by ensuring that it is well-positioned in the current #DK initiative (German Banking Industry Committee) and the European Payments Initiative

(EPI 2.0), which aim to provide a secure, demand-based and efficient wallet payment system in Germany and, optionally, in Europe. Helaba is continuing to systematically advance the digitalisation of its payment transactions services.

A sustainability-led regional universal bank and market leader in private customer business, Frankfurter Sparkasse enjoys particular opportunities in the Retail & Asset Management segment thanks to its strong local roots. Its network of local branches is in a state of flux, but still represents the cornerstone of its sales organisation and has been augmented by digital advisory units for private and business customers. Customers also have the option of other user-friendly access channels (online, mobile, chat, telephone) if they prefer. Frankfurter Sparkasse is consistently expanding these additional channels to help it compete effectively as a genuine multi-channel provider. The resulting organisational structure is intended to enable it to service the market more efficiently and leverage potential in customer business more easily. The chance to support customers through their sustainability transformation process also opens up opportunities for end-to-end advisory services and in investment and lending business.

Frankfurter Sparkasse's digital sales platform, 1822direkt, received an award in the first half of 2023 for the quality of its products, advice and service, highlighting the appeal of its offering. It capitalised on the current interest rate environment to relaunch the demand deposit account and step up marketing in new customer business. Frankfurter Sparkasse intends to make even greater use of existing market opportunities by stepping up its expansion of securities business and home finance for private customers.

Helaba Invest's strategic focus on its three main pillars – AM Liquid, AM Illiquid and Administration (master investment company) – presents opportunities for it to build on its position as the leading provider of special funds both within and outside the Sparkassen-Finanzgruppe. Thanks to this status and its highly diversified customer structure, stable and enduring customer base and extensive range of services, it has significant market potential still to exploit.

It is proactively promoting investment in sustainable-labelled funds (Article 8 compliant) and offers its own option for investing in green bonds with the HI-Green Bond fund. Helaba Invest continued to expand its sustainability-focused product range systematically in the first half of 2023, including by creating an ESG strategy fund for infrastructure pursuant to Article 8 of the EU Sustainable Finance Disclosure Regulation. Helaba Invest additionally offers institutional customers separate sustainability reporting with detailed reports covering indicators such as ESG score, ESG carbon and ESG rating plus analyses of controversial companies and business areas for the relevant customer portfolios.

Helaba believes that there is further growth potential for the Group from the business with high-net-worth customers via the FBG subsidiary. The private bank of the Sparkassen-Finanzgruppe, FBG strives to expand activities continuously with the large number of S-Group Sparkassen with which it cooperates. It also offers stand-alone asset management with minimum ESG standards. It has entered into a number of commitments in this area, including by signing up to the United Nations Principles for Responsible Investment, and accordingly intends to continue proactively building on its sustainability ambitions. Its strategic holding in IMAP M&A Consultants AG (Deutschland), a market leader in the midsize corporates segment, extends FBG's range of services to include SME corporate transactions, enabling it to consolidate and further enhance its position as a capable end-to-end provider for German SMEs and owners of family businesses. Closer integration of corporate banking activities will create additional opportunities to increase IMAP's scope of action.

It is intended to create a new holding company headquartered in Frankfurt am Main, provisionally at the end of 2023, to support the growth of the FBG Group. The holding company will assume responsibility for the management of the FBG Group and its subsidiaries, with operating business remaining in the subsidiaries unchanged. Helaba will remain the sole owner of the holding company.

The GWH Group has established a comprehensive, long-term decarbonisation program intended to make its residential real estate portfolio more attractive and sustainable. Its ultimate objective here is to improve energy consumption and carbon footprint continuously until its residential buildings are carbon neutral.

Potential exists for the GWH Group to continue growing the portfolio of residential units it manages on its own behalf and for third parties through the purchase of housing portfolios. It is actively involved in this connection in developing its own residential real estate projects, increasing depth in the portfolio value chain and optimising the existing portfolio to create affordable homes for the long term.

OFB has the potential to consolidate its position by increasing its development activities through further diversification across sectors and regions of the market and exploiting the resulting growth opportunities. It also has opportunities as a project developer through the revitalisation of existing buildings. It consistently takes account of sustainability factors and the latest standards required in the market.

More opportunities and potential await to be exploited in the development business segment through the further expansion of the product portfolio, in particular the accelerated integration of sustainability objectives and supporting the transformation of Hesse-based businesses. These activities will involve venture capital and guarantee products in particular. Examples of the ways in which equity is being made available include new equity funds established by private and public-sector investors working together and steps to integrate liable funds from German federal government programmes into equity support initiatives in Hesse. The start-up ecosystem is also being expanded further through the ongoing development of accelerators and hubs.

Helaba continues to see particular opportunities in the further expansion of residential construction products to support the construction of social housing and measures to improve home energy-efficiency and in products to help private residential property owners to implement the energy transition. Loans from the state are a key measure for people looking to purchase a home of their own, especially with market rates rising again.

Development activities will also prioritise measures that help to increase resilience in the face of crises and that promote digitalisation, innovation and the carbon-neutral transition.Ongoing digitalisation and process optimisation also remain a priority, as does improving the online service offering for customers, for example by continuously developing the digital customer portal.

Helaba receives ratings from rating agencies Moody's Investors Service (Moody's) and Fitch Ratings (Fitch).

Moody's has awarded Helaba an issuer rating of "Aa3", plus a rating of "P-1" for its short-term liabilities. In the case of Fitch, Helaba is rated jointly with the Sparkassen in Hesse and Thuringia in the form of an S-Group rating. Fitch confirmed its ratings for the Sparkassen-Finanzgruppe Hessen-Thüringen at "A+ / F1+" in 2023.

The strategically significant funding instruments "public Pfandbriefe" and "mortgage Pfandbriefe" both have AAA ratings. Thanks to its excellent standing among institutional and private investors and its diversified product range, Helaba has consistently enjoyed direct access to the funding markets over the last few years. Helaba's status as part of a strong association of financial institutions also underpins its ongoing ability to access funding in the money and capital markets.

Helaba is firmly and permanently established as part of the German Sparkassen-Finanzgruppe by virtue of its ownership structure (88 % of its shares are held by members of the Sparkassen organisation) and its Sparkasse central bank function for around 40 % of Sparkassen in Germany. Further enhancing its position as a leading S-Group bank for the German Sparkassen and permanently integrating with the Sparkassen are among Helaba's strategic objectives. Improved efficiency and strategic alliances open up additional possibilities to boost further the value of the S-Group for the Sparkassen. Possible springboards include joint lending operations with Sparkassen for larger SME clients, international business and the intensification of the successfully established Group-wide cross-selling of products from the subsidiaries, for example in the area of high-end private banking through Frankfurter Bankgesellschaft.

The prevailing economic conditions remain challenging, and so the banking sector finds itself in a continuous process of adjustment, with increasing pressure to consolidate. Inorganic growth is an option for public-sector banks too as a way of putting their business model on an even sounder footing, facilitating sustainable growth and exploiting new opportunities in the market. Recent years have seen a number of transactions between Landesbanken intended to pool competencies in specific business areas, for example, and Helaba will remain open to such possibilities in the future.

Overall, the Helaba Group finds itself well placed to meet the challenges of the future over the long term with its established strategic business model. The fundamental business strategy is sound and the broad diversification of the business model has acted as a stabilising factor, particularly in the current market situation. Sustainable finance remains very much front and centre as it strives to proactively assist customers by providing sustainable financial products to support the carbon-neutral transition. The Helaba Group's profitability strategy aims to continue stabilising its sustainable earnings power to strengthen its capital base while observing risk strategy requirements and taking account of changes in the regulatory environment. Alongside growth initiatives, Helaba is also aiming for further efficiency enhancements as part of digital transformation.

Expected development of the Group

It appears likely the forecasts for 2023 contained in the 2022 Annual Financial Report will be significantly exceeded.

The rise in interest rates is the main factor likely to push operating income above the forecast level. However, it is anticipated that noticeably higher loss allowances will be needed, mainly as a result of developments in the real estate markets.

In view of the performance in the first half of the year, Helaba expects the volume of medium- and long-term new business for the year as a whole to be down on the previous year. However, within the overall figure, some shifts are apparent between the segments.

Net interest income is expected to be moderately higher than the prior-year figure and thus significantly ahead of previous forecasts. In line with expectations for loss allowances, net interest income after loss allowances will be up slightly on the prior-year figure.

Net fee and commission income for the year as a whole is projected to be only marginally higher than the prior-year level.

Net income from investment property is expected to be up on the prior-year figure despite the charges already incurred for impairment losses.

Based on the current trend in interest rates and continued stability in customer business, net trading income for the year as a whole is expected to be down very significantly on the previous year. In this context, it is also anticipated that net income for the year as a whole from hedge accounting and other financial instruments measured at fair value (not held for trading) will be up very significantly on the previous year, not least due to offsetting economic hedges.

Other net income / expense was boosted by one-time items in the previous year and the overall figure for the current year is therefore expected to be well down on the prior-year figure.

Costs for the European bank levy and the reserve funds will be notably lower than in the previous year, which will impact positively on general and administrative expenses, but this item is still expected to show a slight increase on the prior-year figure overall. General and administrative expenses include extensive project activities in areas such as upgrading the IT infrastructure. Non-personnel operating expenses are noticeably higher than in the previous year.

Consolidated profit before taxes is highly likely to exceed the prior-year figure.

Overall assessment

Helaba generated profit before taxes of € 336 m in the first half of 2023, which represents a slight increase on the prior-year level and thus the best half-year earnings figure since 2015.

Boosted by the sharp increase in interest rates, net interest income was up by a very substantial 22.7 % to € 817 m. Net fee and commission income was down slightly on the previous year at € 259 m. General and administrative expenses were stable at € 867 m. Falls in personnel and mandatory expenses will be offset by an investment-driven rise in other administrative expenses.

An increase in the loss allowance to € 108 m and a fall in net income from investment property to € 86 m reflect the difficult situation in the real estate markets. The balance of loss allowances, which covers the portfolio-based loss allowance and the loss allowance based on macroeconomic scenarios, stands at € 413 m and thus remains at a comfortable level.

The capital markets and, in particular, the real estate markets are suffering the combined effects of economic uncertainty, high inflation and rising interest rates.

Thanks to its well-diversified business model, which has amply demonstrated its resilience in the past, Helaba is well placed for the challenges to come once again in 2023. There are opportunities available for further growth too in connection with the essential transformation process on the pathway to sustainable economic systems. Helaba's earnings target for 2023 lies at the upper margin of the € 500 m to € 700 m range previously indicated.

Frankfurt am Main / Erfurt, 8 August 2023

Landesbank Hessen-Thüringen Girozentrale

The Executive Board

Groß	Dr. Hosemann	Kemler
Nickel	Rhino	Schmid

Consolidated Interim Financial Statements

Consolidated Income Statement

for the period 1 January to 30 June 2023

	Notes	1.1.–30.6.2023 in € m	1.1.–30.6.2022[1] in € m	Change in %
Net interest income	(3)	817	666	22.7
Interest income		3,783	1,765	>100.0
thereof: Calculated using the effective interest method		2,834	993	>100.0
Interest expenses		–2,966	–1,099	>-100.0
Loss allowances	(4)	–108	–85	–28.2
Gains or losses from non-substantial modification of contractual cash flows	(5)	0	0	>100.0
Net interest income after loss allowances and modifications		**709**	**582**	**21.8**
Dividend income	(6)	7	6	14.7
Net fee and commission income	(7)	259	269	–3.7
Fee and commission income		319	348	–8.2
Fee and commission expenses		–61	–79	23.5
Income/expenses from investment property	(8)	86	119	–28.4
Net trading income	(9)	51	299	–82.9
Gains or losses on other financial instruments mandatorily measured at fair value through profit or loss	(10)	177	–1,528	>100.0
Gains or losses on financial instruments designated voluntarily at fair value	(11)	–152	1,358	>-100.0
Net income from hedge accounting	(12)	24	8	>100.0
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	(13)	–2	21	>-100.0
thereof: From financial assets measured at amortised cost		0	0	–54.1
Share of profit or loss of equity-accounted entities	(14)	4	0	>100.0
Other net operating income	(15)	41	62	–34.0
General and administrative expenses	(16)	–793	–800	0.8
Depreciation	(17)	–74	–69	–6.1
Profit or loss before tax		**336**	**327**	**2.8**
Taxes on income	(18)	–96	–105	8.5
Consolidated net profit		**241**	**223**	**8.1**
thereof: Attributable to non-controlling interests		–0	–0	–54.4
thereof: Attributable to shareholders of the parent		241	223	8.1

[1] Prior-year figures adjusted: Net income from investment property is now reported as a separate item. In the previous year, this amount was reported under other net operating income.

Consolidated Statement of Comprehensive Income

for the period 1 January to 30 June 2023

	1.1.–30.6.2023	1.1.–30.6.2022	Change
	in € m	in € m	in %
Consolidated net profit according to the consolidated income statement	**241**	**223**	**8**
Items that will not be reclassified to the consolidated income statement:	**31**	**516**	**–94.0**
Remeasurement of net defined benefit liability	21	569	–96.4
Change in fair value of equity instruments measured at fair value through other comprehensive income	1	–4	>100.0
Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	23	171	–86.7
Taxes on income on items that will not be reclassified to the consolidated income statement	–14	–221	93.8
Items that will be subsequently reclassified to the consolidated income statement:	**17**	**–248**	**>100.0**
Share of profit or loss of equity-accounted entities	–	0	–100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	–	0	–100.0
Change in fair value of debt instruments measured at fair value through other comprehensive income	34	–428	>100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	32	–407	>100.0
Gains (–)/losses (+) reclassified to the consolidated income statement in the reporting period	1	–21	>100.0
Gains or losses from currency translation of foreign operations	–0	7	>-100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	–0	7	>-100.0
Gains or losses from fair value hedges of currency risk	–9	55	>-100.0
Unrealised gains (+)/losses (–) recognised in the reporting period	–9	55	>-100.0
Taxes on income on items that will be subsequently reclassified to the consolidated income statement	–8	118	>-100.0
Other comprehensive income after taxes	**48**	**268**	**–82.0**
Comprehensive income for the reporting period	**289**	**491**	**–41.2**
thereof: Attributable to non-controlling interests	–0	–0	–54.4
thereof: Attributable to shareholders of the parent	289	491	–41.2

Consolidated Statement of Financial Position

as at 30 June 2023

Assets

	Notes	30.6.2023 in € m	31.12.2022 in € m	Change in %
Cash on hand, demand deposits and overnight money balances with central banks and banks	(19), (33)	41,606	40,266	3.3
Financial assets measured at amortised cost	(20), (33)	131,494	130,673	0.6
Trading assets	(21)	11,898	12,672	–6.1
Other financial assets mandatorily measured at fair value through profit or loss	(22)	2,567	2,523	1.8
Financial assets designated voluntarily at fair value	(23)	2,738	2,853	–4.0
Positive fair values of hedging derivatives under hedge accounting	(24)	164	740	–77.9
Financial assets measured at fair value through other comprehensive income	(25), (33)	15,129	15,579	–2.9
Shares in equity-accounted entities	(26)	38	34	12.3
Investment property	(27)	3,408	3,109	9.6
Property and equipment	(28)	712	722	–1.4
Intangible assets	(29)	210	188	12.0
Income tax assets		594	639	–7.1
Current income tax assets		105	109	–3.0
Deferred income tax assets		489	531	–7.9
Other assets	(30)	1,796	1,506	19.3
Total assets		**212,354**	**211,502**	**0.4**

Equity and liabilities

	Notes	30.6.2023 in € m	31.12.2022 in € m	Change in %
Financial liabilities measured at amortised cost	(20)	171,009	170,881	0.1
Trading liabilities	(21)	14,013	13,754	1.9
Negative fair values of non-trading derivatives	(22)	2,977	3,420	–13.0
Financial liabilities designated voluntarily at fair value	(23)	11,527	10,915	5.6
Negative fair values of hedging derivatives under hedge accounting	(24)	811	706	14.9
Provisions	(31)	1,187	1,171	1.4
Income tax liabilities		108	215	–49.6
Current income tax liabilities		106	214	–50.5
Deferred income tax liabilities		2	1	>100.0
Other liabilities	(30)	558	562	–0.8
Equity	(32)	10,165	9,877	2.9
Subscribed capital		2,509	2,509	–
Capital reserves		1,546	1,546	–
Additional Tier 1 capital instruments		354	354	–
Retained earnings		5,906	5,665	4.3
Accumulated other comprehensive income (OCI)		–151	–199	24.1
Non-controlling interests		1	2	–68.1
Total equity and liabilities		**212,354**	**211,502**	**0.4**

Consolidated Statement of Changes in Equity

for the period 1 January to 30 June 2023

in € m

	Subscribed capital	Capital reserves	Additional Tier 1 capital instruments	Retained earnings	Accumulated other comprehensive income	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
As at 1.1.2022	**2,509**	**1,546**	**354**	**5,338**	**–529**	**9,218**	**4**	**9,222**
Dividend payment				–90		–90	–1	–91
Comprehensive income for the reporting period				223	268	491	–0	491
thereof: Consolidated net profit				223		223	–0	223
thereof: Other comprehensive income after taxes					268	268	–	268
Reclassifications within equity				0	–0	–		–
As at 30.6.2022	**2,509**	**1,546**	**354**	**5,471**	**–261**	**9,619**	**3**	**9,622**
Changes in the basis of consolidation	–	–	–	–	–	–	–1	–1
Dividend payment				–14		–14	–	–14
Comprehensive income for the reporting period				208	62	270	–0	270
thereof: Consolidated net profit				208		208	–0	208
thereof: Other comprehensive income after taxes					62	62	–	62
Reclassifications within equity				0	–0	–		–
As at 31.12.2022	**2,509**	**1,546**	**354**	**5,665**	**–199**	**9,875**	**2**	**9,877**
Dividend payment				–		–	–1	–1
Comprehensive income for the reporting period				241	48	289	–0	289
thereof: Consolidated net profit				241		241	–0	241
thereof: Other comprehensive income after taxes					48	48	–	48
As at 30.6.2023	**2,509**	**1,546**	**354**	**5,906**	**–151**	**10,164**	**1**	**10,165**

Consolidated Cash Flow Statement

for the period 1 January to 30 June 2023 – condensed

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Cash and cash equivalents as at 1.1.	**40,266**	**34,039**
Cash flow from operating activities	1,449	8,074
Cash flow from investing activities	–427	–1,231
Cash flow from financing activities[1]	297	11
Effect of exchange rate changes, measurement changes and changes in basis of consolidation	21	97
Cash and cash equivalents as at 30.6	**41,606**	**40,991**
thereof: Cash on hand	73	68
thereof: Demand deposits and overnight money balances at central banks and banks	41,532	40,923

[1] Non-cash changes in subordinated liabilities amounted to an increase of € 46 m (30 June 2022: decrease of € –4 m) and were attributable to accrued interest and measurement effects.

Notes

Notes

Accounting Policies

(1) Basis of Presentation

Basis of accounting

The consolidated interim financial statements of the Helaba Group for the period ended 30 June 2023 have been prepared pursuant to section 315e (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). They also take into consideration the requirements of IAS 34 Interim Financial Reporting. The consolidated cash flow statement is presented in a condensed version; only selected information is disclosed in the notes. The consolidated interim financial statements should be read in conjunction with the Helaba Group's IFRS consolidated financial statements for the year ended 31 December 2022.

The reporting currency of the consolidated financial statements is the euro (€). Euro amounts are generally rounded to the nearest million. Minor discrepancies may arise in totals or in the calculation of percentages in this report due to rounding. If a figure is reported as "0", this means that the amount has been rounded to zero. If a figure is reported as "–", this means that the figure is zero.

The IFRSs and International Financial Reporting Standards Interpretations (IFRICs) that were in force as at 30 June 2023 have been applied in full. The relevant requirements of German commercial law as specified in section 315e HGB have also been observed.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements and the assumptions, estimates and assessments made are generally the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2022. Exceptions are the standards and interpretations described in the following section that have been applied in the Helaba Group since 1 January 2023.

Helaba recognises a portfolio-based loss allowance to provide for additional risks which may materialise in future if certain assumptions prevail and which are difficult to predict in terms of their effect and evolution. The current macroeconomic environment is one of considerable uncertainty due to factors such as the Ukraine war and – as a result of heightened inflation – the rapid surge in interest rates to levels well above those in the days of near-zero rates. Risks arising from the COVID-19 pandemic, a stoppage of gas deliveries and the Ukraine war were taken into account as at 31 December 2022. While the risks arising from the COVID-19 pandemic were no longer material as at 30 June 2023 and the risks stemming from the energy crisis have clearly diminished, the rapid and sharp rise in interest rates has spawned significant price and funding risks, particularly for the commercial property sector. Hopes of a near-term end to the Ukraine war have faded. For further details, please refer to Note (33).

For further information on the organisation of risk management, the individual risk types and risk concentrations, including in connection with the Ukraine war and the sharp rise in interest rates, as well as on further risks arising in connection with financial instruments, please refer to the risk report, which forms an integral part of the management report.

IFRSs applied for the first time

The 2023 financial year was the first year in which mandatory application was required for the following IFRSs and IFRICs adopted by the EU:

Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies – and to IFRS Practice Statement 2 Making Materiality Judgements

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 in which it provides guidance and illustrative examples intended to make it easier for entities to assess when accounting policy information should be classed as material and therefore disclosed. By replacing the requirement for entities to disclose significant accounting policies with the requirement to disclose material accounting policy information and adding guidance intended to make it easier for entities to apply the concept of materiality in assessing when accounting policy information should be disclosed, the amendments are intended to help entities provide users of financial statements with more useful accounting policy information. The amendments to IAS 1 are required to be applied for annual reporting periods beginning on or after 1 January 2023. As the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for the amendments was considered unnecessary.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 that introduce a new definition of accounting estimates. The amendments clarify the extent to which changes in accounting estimates differ from changes in accounting policies and corrections of errors. They also explain how entities can develop accounting estimates using measurement techniques and inputs. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are required to be applied to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that annual reporting period.

Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12 that narrow the scope of the initial recognition exemption under IAS 12 such that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments must be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, an entity must recognise a deferred tax asset (to the extent that it is probable that sufficient taxable profit will be available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information

In May 2017, the IASB issued IFRS 17, a comprehensive new financial reporting standard containing principles for the recognition, measurement, presentation and disclosure of insurance contracts. Upon its entry into effect, IFRS 17 supersedes IFRS 4 Insurance Contracts issued in 2005. IFRS 17 is required to be applied to all types of insurance contract (i.e. life insurance contracts, property insurance contracts, both insurance and reinsurance contracts) and to certain guarantees and financial instruments with discretionary participation features, regardless of the nature of the entity issuing the contract. Some scope exemptions apply. The primary objective of IFRS 17 is to establish a more useful and consistent accounting model for insurers. In contrast to IFRS 4, which largely grandfathers earlier local accounting requirements, IFRS 17 provides a comprehensive model covering all relevant aspects of insurance contract accounting. The core approach under IFRS 17 is the general model, supplemented by

- a specific variant for contracts with direct participation features (variable fee approach) and
- a simplified model (premium allocation approach), usually for contracts with short maturities.

IFRS 17 must be applied for the first time for annual reporting periods beginning on or after 1 January 2023. Comparative information is required to be presented. IFRS 17 does not have any effect on the Helaba Group.

The adoption of the new or amended standards and interpretations had little or no impact on the consolidated financial statements.

Implementation of the IBOR Reform at Helaba

Helaba is also continuing to manage the reforms initiated by regulators on a Bank-wide project. The vast majority of contracts with customers affected by the reforms were successfully modified unless the contracts were expiring anyway or were being terminated in good time by mutual consent.

A further transition under the IBOR reform took place on 30 June 2023 when USD LIBOR ceased. In this context, Helaba began to use the new SOFR benchmark interest rates (SOFR = Secured Overnight Financing Rate) in customer contracts at an early stage.

As regards EURIBOR (Euro Interbank Offered Rate), it is still unlikely at present that there will be any specific switch to a potential successor benchmark interest rate under the reforms already carried out. Unmodified contracts held by the Bank that were still in existence at 30 June 2023 but nevertheless affected by the switch in benchmark interest rates related primarily to USD LIBOR.

in € m

	Non-derivative financial assets		Non-derivative financial liabilities		Derivatives (notional amounts)	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
EURIBOR	**24,878**	**11,627**	**2,930**	**2,681**	**585,521**	**447,840**
LIBOR						
USD	3,968	6,701	114	247	39,962	46,562
GBP	–	263	–	–	–	343
CHF	–	–	–	–	–	1

Overall, there were no material effects on financial circumstances from the contractual changeovers. Helaba expects the cessation of USD LIBOR on 30 June 2023 to result in a significant reduction in the holdings remaining at year-end without this having a material effect on financial circumstances.

New financial reporting standards for future financial years

The standards and interpretations listed below have been issued by the IASB and the IFRS IC (IFRS Interpretations Committee), but have only been partially adopted by the EU and will only become mandatory in later financial years. With the exception of IAS 12, they have not been applied early by Helaba, nor is any early application planned. These standards and interpretations are expected to have little or no impact on the consolidated financial statements.

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants
- Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules
  The United Kingdom, a country in which Helaba operates, has introduced statutory provisions governing minimum taxation in accordance with the OECD guidelines establishing a new global minimum taxation regime. In anticipation of the amendments to IAS 12 adopted by the IASB in May 2023, Helaba does not take into account the potential effects of those provisions on deferred taxes.
- Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Supplier Finance Arrangements

Amendments to recognised amounts, changes to estimates, restatement or adjustment of prior-year figures

There has been no impact on the figures for consolidated profit or equity from the adjusted figures referred to below.

Since the IFRS consolidated financial statements for the period ended 31 December 2022, net income from investment property has been presented separately in the consolidated income statement and in a dedicated note in order to facilitate a better understanding of the financial performance (see Note (8)). In the previous year, it was reported within other net operating income (see Note (15)). The prior-year figures were adjusted accordingly. This constitutes a change in accordance with IAS 1.85. At the same time, it brought consistency with the management reporting.

In Note (15) in the previous year, income from allocatable operating and maintenance expenses was presented as rental and lease income. The prior-year figure was restated and income from allocatable operating and maintenance expenses is presented separately in the new Note (8).

In the previous year within loans and receivables designated at fair value, some of the disposals within the changes in Level 3 financial instruments were shown as other changes in the portfolio. This presentation was adjusted in the tables concerned in Note (34).

In the previous year, interest income from demand deposits at central banks and banks was reported in Note (3) as other interest income and interest income from loans and receivables. As this interest income results only from financial assets measured at amortised cost, it was reclassified accordingly into interest income from financial assets measured at amortised cost. Details are included in the relevant notes.

(2) Basis of Consolidation

In addition to the parent company Helaba, a total of 115 entities are consolidated in the Helaba Group (31 December 2022: 117). Of this total, 90 (31 December 2022: 89) entities are fully consolidated and 25 (31 December 2022: 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 24 (31 December 2022: 24) subsidiaries, 17 (31 December 2022: 17) joint ventures and eleven (31 December 2022: eleven) associates that are of minor significance for the presentation of the financial position and financial performance of the Helaba Group. The shares in these entities are reported under financial assets measured at fair value through other comprehensive income if they constitute material strategic equity investments; otherwise, they are reported under financial assets mandatorily measured at fair value through profit or loss.

The changes in the basis of consolidation during the reporting period were related to the subsidiaries shown below.

Changes in the group of fully consolidated entities

Entities added	
FHG-Projekt Aktiengesellschaft, Frankfurt am Main	Entity established in November 2022; consolidated after entity became material in April 2023

Changes in the group of equity-accounted entities

Entities removed	
GIZS GmbH & Co. KG, Frankfurt am Main	Deconsolidated after entity ceased to be material from May 2023
Horus AWG GmbH, Frankfurt am Main	Disposal of shares in April 2023
Stresemannquartier GmbH & Co. KG, Berlin	Disposal of shares in January 2023

Consolidated Income Statement Disclosures

(3) Net Interest Income

in € m

	1.1.–30.6.2023	1.1.–30.6.2022[1)]
Interest income from	**3,783**	**1,765**
Financial assets measured at amortised cost	**2,737**	**980**
thereof: Calculated using the effective interest method	2,719	949
Demand deposits and overnight balances with central banks and banks	774	1
Bonds and other fixed-income securities	19	3
Loans and receivables	1,943	975
Non-trading financial assets mandatorily measured at fair value through profit or loss	**713**	**398**
Bonds and other fixed-income securities	7	4
Loans and receivables	2	2
Derivatives not held for trading	704	393
Financial assets designated voluntarily at fair value	**16**	**13**
Bonds and other fixed-income securities	1	1
Loans and receivables	14	12
Financial assets measured at fair value through other comprehensive income	**115**	**44**
thereof: Calculated using the effective interest method	115	44
Bonds and other fixed-income securities	106	40
Loans and receivables	8	4
Hedging derivatives under hedge accounting	**161**	**106**
Financial liabilities (negative interest)	**2**	**191**
Financial liabilities measured at amortised cost	2	191
Other	**40**	**33**
Commitment fees	40	33
From plan assets in connection with pension obligations	0	–

Table continued on next page.

in € m

	1.1.–30.6.2023	1.1.–30.6.2022[1]
Interest expense on	**–2,966**	**–1,099**
Financial liabilities measured at amortised cost	**–1,807**	**–444**
Securitised liabilities	–390	–142
Deposits and loans	–1,416	–301
Other financial liabilities	–1	–1
Derivatives not held for trading	**–705**	**–268**
Financial liabilities designated voluntarily at fair value	**–100**	**–80**
Securitised liabilities	–54	–28
Deposits and loans	–46	–52
Hedging derivatives under hedge accounting	**–335**	**–170**
Financial assets (negative interest)	**–1**	**–133**
Financial assets measured at amortised cost	–1	–132
Financial assets measured mandatorily at fair value through profit or loss	–0	–0
Financial assets designated voluntarily at fair value	–	–0
Financial assets measured at fair value through other comprehensive income	–0	–0
Provisions and other liabilities	**–18**	**–4**
Unwinding of discount on provisions for pension obligations	–15	–9
Unwinding of discount on other provisions	–1	6
Sundry liabilities	–1	–1
Net interest income	**817**	**666**

[1]) Prior-year figures adjusted: For the first time, interest income from demand deposits at central banks and banks has been reported under financial assets measured at amortised cost, unlike in the previous year, when it was presented under other interest income.

The interest income on financial assets measured at amortised cost that is not determined using the effective interest method consists mainly of early termination fees and other interest.

Interest income and expenses relating to trading activities are reported under net trading income.

Effects of the ECB's targeted longer-term refinancing operations (TLTRO III)

The Helaba Group's total borrowing under the ECB's TLTRO III programme amounted to € 15.4 bn as at 30 June 2023 (31 December 2022: € 24.2 bn). For the period from 23 November 2022 until the maturity date or early repayment date (last interest rate period), the interest rate is indexed to the average applicable key ECB interest rates over that period. These pro rata amounts of interest are presented under interest expense from financial liabilities. In the prior-year period, financial liabilities generated interest income, including a bonus amount of € 60 m.

(4) Loss Allowances

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Financial assets measured at amortised cost	**–111**	**–76**
Demand deposits and overnight money balances at central banks and banks	–0	–0
Additions to cumulative loss allowances	–0	–0
Reversals of cumulative loss allowances	0	0
Bonds and other fixed-income securities	–0	–0
Additions to cumulative loss allowances	–0	–0
Reversals of cumulative loss allowances	0	0
Loans and receivables	–111	–76
Additions to cumulative loss allowances	–358	–206
Reversals of cumulative loss allowances	248	130
Direct write-offs	–2	–2
Recoveries on loans and receivables previously written off	1	2
Financial assets measured at fair value through other comprehensive income	**–0**	**0**
Bonds and other fixed-income securities	–0	–0
Additions to cumulative loss allowances	–1	–0
Reversals of cumulative loss allowances	0	0
Loans and receivables	–0	0
Additions to cumulative loss allowances	–0	–0
Reversals of cumulative loss allowances	0	0
Loan commitments	**–6**	**–7**
Additions to provisions	–34	–46
Reversals of provisions	27	39
Financial guarantees	**10**	**–2**
Additions to provisions	–27	–14
Reversals of provisions	36	13
Total	**–108**	**–85**

See Note (33) for further disclosures relating to loss allowances.

(5) Gains or Losses from Non-Substantial Modification of Contractual Cash Flows

In the reporting period, as in the comparative period, there was a small gain from non-substantial modifications of contractual cash flows from loans and receivables measured at amortised cost.

(6) Dividend Income

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Related to financial assets mandatorily measured at fair value through profit or loss	**6**	**4**
Equity shares and other variable-income securities	2	1
Shares in unconsolidated affiliates	1	1
Shares in non-equity-accounted associates	0	–
Other equity investments	4	2
Related to financial assets measured at fair value through other comprehensive income	**1**	**2**
Other equity investments	1	2
Total	**7**	**6**

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

Dividend income relating to trading activities is recognised under net trading income.

(7) Net Fee and Commission Income

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Lending and guarantee business	36	42
Account management and payment transactions	75	76
Asset management	76	77
Securities and securities deposit business	19	29
Management of public-sector subsidy and development programmes	34	29
Other fees and commissions	17	15
Total	**259**	**269**

Fees and commissions relating to trading activities are recognised under net trading income.

Disclosures regarding revenue from contracts with customers

The following table shows income items in the reporting period that included revenue as defined in IFRS 15, broken down by type of service and segment:

in € m

	Real Estate	Corporates & Markets	Retail & Asset Management	WIBank	Other	Consolidation / reconciliation	Group
Fee and commission income	**9**	**95**	**187**	**36**	**–**	**–7**	**319**
Lending and guarantee business	9	37	1	–	–	–2	44
Account management and payment transactions	–	38	40	–	–	–1	77
Asset management	–	–	82	–	–	–1	81
Securities and securities deposit business	–	18	26	–	–	–1	43
Management of public-sector subsidy and development programmes	–	–	–	34	–	–	34
Other	0	1	38	2	–	–1	40
Revenue in accordance with IFRS 15 under other operating income	**–**	**1**	**20**	**0**	**25**	**–3**	**43**
Total	**9**	**95**	**207**	**36**	**25**	**–10**	**362**

The following table shows the figures for the prior-year period:

in € m

	Real Estate	Corporates & Markets	Retail & Asset Management	WIBank	Other	Consolidation / reconciliation	Group
Fee and commission income	**9**	**124**	**191**	**31**	**–**	**–7**	**348**
Lending and guarantee business	8	40	1	–	–	–3	46
Account management and payment transactions	–	38	40	–	–	–1	78
Asset management	–	–	83	–	–	–1	82
Securities and securities deposit business	–	46	28	–	–	–1	72
Management of public-sector subsidy and development programmes	–	–	–	29	–	–	29
Other	0	0	39	2	–	–1	40
Revenue in accordance with IFRS 15 under other operating income	**–**	**1**	**82**	**0**	**32**	**–59**	**56**
Total	**9**	**125**	**273**	**31**	**32**	**–66**	**404**

(8) Net Income from Investment Property

Most of the net income from investment property is generated by the GWH Group. The following table shows a breakdown of the income and expenses.

in € m

	1.1.–30.6.2023	1.1.–30.6.2022[1)]
Income from investment property	**244**	**226**
Rental and lease income	147	139
Income from allocatable operating and maintenance expenses	82	69
Gains on derecognition	7	15
Other income	6	4
Expenses from investment property	**–158**	**–107**
Operating and maintenance expenses	–126	–105
thereof: From property leased out	–126	–105
Impairment losses	–29	–
Miscellaneous expenses	–3	–2
Total	**86**	**119**

[1)] Presentation restated: In the previous year, income from allocatable operating and maintenance expenses was presented as rental and lease income. See also Note (1).

In the previous year, net income from investment property was reported as part of other net operating income; see also Note (1).

(9) Net Trading Income

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Equity-/index-related transactions	**1**	**1**
Equity shares and other variable-income securities	0	–4
Equities	0	–4
Investment units	0	0
Equity/index derivatives	5	–2
Issued equity/index certificates	–4	7
Interest-rate-related transactions	**34**	**284**
Bonds and other fixed-income securities	30	–200
Loans and receivables	27	–132
Repayable on demand and at short notice	1	–0
Securities repurchase transactions (reverse repos)	1	–1
Other fixed-term loans	26	–135
Other receivables not classified as loans	–2	3
Short sales	2	1
Issued money market instruments	–2	0
Deposits and loans	–64	25
Payable on demand	–16	4
Securities repurchase transactions (repos)	–48	21
Other financial liabilities	0	0
Interest-rate derivatives	40	590
Currency-related transactions	**16**	**2**
Foreign exchange	16	4
FX derivatives	0	–2
Credit derivatives	**–1**	**16**
Commodity-related transactions	**10**	**12**
Net fee and commission income or expense	**–8**	**–16**
Total	**51**	**299**

(10) Gains or Losses on Other Financial Instruments Mandatorily Measured at Fair Value Through Profit or Loss

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Derivatives not held for trading	**150**	**–1,414**
Equity/index derivatives	2	2
Interest-rate derivatives	156	–1,456
Cross-currency derivatives (FX derivatives)	–8	40
Credit derivatives	–0	–0
Bonds and other fixed-income securities	**10**	**–99**
Loans and receivables	**–0**	**–28**
Equity shares and other variable-income securities	**12**	**5**
Shareholdings	**6**	**7**
Shares in unconsolidated affiliates	1	0
Shares in non-equity-accounted joint ventures	0	–0
Shares in non-equity-accounted associates	2	0
Other equity investments	3	7
Receivables from the purchase of endowment insurance policies	**0**	**0**
Total	**177**	**–1,528**

The gains or losses on interest rate derivatives mandatorily measured at fair value through profit or loss largely resulted from hedges in connection with financial instruments designated voluntarily at fair value. These, in turn, were subject to significantly higher interest rates than in the first half of the previous year. The gains or losses on remeasurement of the hedged items are reported under gains or losses on financial instruments designated voluntarily at fair value (Note (11)).

(11) Gains or Losses on Financial Instruments Designated Voluntarily at Fair Value

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Bonds and other fixed-income securities	1	–17
Loans and receivables	–3	–474
Securitised liabilities	–91	834
Deposits and loans	–58	1,015
Total	**–152**	**1,358**

Gains or losses on financial instruments designated voluntarily at fair value are largely driven by changes in interest rates and partially neutralised by the offsetting measurement effects from associated economic hedges. The figure for 2022 was heavily impacted by measurement effects resulting from the rise in interest rates.

The measurement of the liabilities-side business to which the fair value option was applied was also affected by the change in Helaba's own credit risk. The resulting measurement effects are recognised in comprehensive income.

(12) 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

	Consolidated income statement: Recognised ineffective portion of hedges		Comprehensive income: Recognised hedge costs	
	1.1.–30.6.2023	1.1.–30.6.2022	1.1.–30.6.2023	1.1.–30.6.2022
Fair value hedges – micro hedges	**27**	**–9**	**–14**	**–20**
Interest rate hedges	22	–16	–	–
Change in fair value of hedging derivatives in the reporting period	19	–269	–	–
Interest-rate-related change in fair value of hedged items in the reporting period	3	252	–	–
Combined hedge of interest rate and currency risk	5	8	–14	–20
Change in fair value of hedging derivatives in the reporting period	–21	51	–14	–20
Interest-rate-related change in fair value of hedged items in the reporting period	27	–44	–	–
Fair value hedges – group hedges	**–4**	**17**	**6**	**74**
Foreign currency hedges	–4	17	6	74
Change in fair value of hedging derivatives in the reporting period	125	–945	6	74
Spot-rate-related change in fair value of hedged items in the reporting period	–128	962	–	–
Total	**24**	**8**	**–9**	**55**

Micro hedges are used to hedge both interest rate risk and combined interest rate and currency risk. Group hedges are used to hedge currency risk.

(13) Gains or Losses on Derecognition of Financial Instruments not Measured at Fair Value through Profit or Loss

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Related to financial assets measured at amortised cost	**0**	**0**
Bonds and other fixed-income securities	–0	–0
Loans and receivables	0	0
Related to financial assets measured at fair value through other comprehensive income	**–1**	**21**
Bonds and other fixed-income securities	–1	21
Related to financial liabilities measured at amortised cost	**–0**	**–**
Deposits and loans	–0	–
Total	**–2**	**21**

(14) 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

	1.1.–30.6.2023	1.1.–30.6.2022
Share of profit or loss of equity-accounted joint ventures	**2**	**–1**
Share of profit or loss	2	0
Impairment losses or impairment loss reversals	0	–1
Gain/loss on disposals	–0	–
Share of profit or loss of equity-accounted associates	**2**	**1**
Share of profit or loss	2	2
Impairment losses or impairment loss reversals	–0	–1
Total	**4**	**0**

(15) Other Net Operating Income

in € m

	1.1.–30.6.2023	1.1.–30.6.2022[1]
Gains (+) or losses (–) from the disposal of non-financial assets	**13**	**23**
Property and equipment	0	0
Intangible assets	–	–0
Inventories	13	23
Impairment losses (–) or reversals of impairment losses (+) on non-financial assets	**–19**	**–6**
Property and equipment	–0	–
Inventories	–19	–6
Additions (–) to or reversals (+) of provisions	**10**	**10**
Provisions for off-balance sheet liabilities (excluding loan commitments and financial guarantees)	0	0
Restructuring provisions	4	–
Provisions for litigation risks and tax proceedings	0	–1
Sundry provisions	6	11
Income from the deconsolidation of subsidiaries	**–**	**–0**
Other net operating income	**20**	**15**
Property and equipment	8	7
Inventories	12	8
Rental income under non-cancellable subtenancy arrangements	**1**	**0**
Income from non-banking services	**12**	**11**
Profit transfer expenses	**–0**	**–1**
Sundry other operating income and expenses	**5**	**10**
Total	**41**	**62**

[1] Prior-year figures adjusted: Net income from investment property is now reported in Note (8). The lines were removed from this table and the subtotals adjusted (gains (+) or losses (–) from the disposal of non-financial assets € –15 m; other net operating income / expense € –105 m; total € –119 m). See also Note (1).

Gains or losses from the disposal of non-financial assets, other net operating income / expense and income from non-banking services include revenue in accordance with IFRS 15. Please refer to Note (7) for further disclosures.

(16) General and Administrative Expenses

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Personnel expenses	**–351**	**–362**
Wages and salaries	–286	–283
Social security	–45	–45
Expenses for pensions and other benefits	–19	–34
Other administrative expenses	**–443**	**–438**
Business operating costs	–59	–58
Audit and consultancy services	–53	–44
IT expenses	–132	–126
Expenses for business premises	–22	–16
Cost of advertising, public relations and representation	–16	–10
Mandatory contributions	–161	–184
thereof: Contributions to SGVHT and DSGV protection schemes	–65	–64
thereof: Mandatory contributions to the European Single Resolution Fund	–68	–94
Total	**–793**	**–800**

(17) Depreciation and Amortisation

in € m

	1.1.–30.6.2023	1.1.–30.6.2022
Investment property	**–26**	**–25**
Buildings leased out	–26	–25
Property and equipment	**–29**	**–30**
Owner-occupied land and buildings	–21	–21
Operating and office equipment	–8	–8
Machinery and technical equipment	–1	–1
Intangible assets	**–18**	**–15**
Concessions, industrial and similar rights	–0	–0
Purchased software	–18	–14
Internally generated software	–0	–0
Other intangible assets	–0	–0
Total	**–74**	**–69**

(18) Segment Reporting

The following table shows the segment reporting for the reporting period:

in € m

	Real Estate	Corporates & Markets	Retail & Asset Management	WIBank	Other	Consolidation / reconciliation	Group
Net interest income	212	319	197	44	67	–22	817
Loss allowances	–173	–10	9	–	66	0	–108
Net interest income after loss allowances	**38**	**309**	**206**	**44**	**133**	**–22**	**709**
Net fee and commission income	9	82	142	36	–8	–2	259
Income / expenses from investment property	–	–	86	–	–	–	86
Gains or losses on measurement at fair value	–	69	7	0	22	–	99
Net trading income	–	51	–1	–	–	0	51
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	–	18	8	0	22	–0	48
Share of profit or loss of equity-accounted entities	–	–	2	–	2	–	4
Other net income / expense	0	2	23	4	17	1	46
Total income	**48**	**463**	**466**	**84**	**166**	**–23**	**1,203**
General and administrative expenses, including depreciation and amortisation	–72	–256	–303	–55	–205	24	–867
Profit or loss before tax	**–25**	**207**	**163**	**29**	**–39**	**1**	**336**
Assets (€ bn)	34.6	67.2	35.8	26.6	73.9	–25.7	212.4
Risk-weighted assets (€ bn)	16.6	29.6	7.0	1.5	8.4	–	63.1
Allocated capital (€ m)	2,297	3,934	2,348	201	1,170	0	9,950
Return on equity (%)	–	10.5	14.3	29.2	–	–	8.1
Cost-income ratio (%)	32.7	54.1	65.2	65.0	–	–	61.0

The following table shows the figures for the prior-year period:

in € m

	Real Estate	Corporates & Markets	Retail & Asset Management	WIBank	Other	Consolidation/reconciliation	Group
Net interest income	207	248	112	34	68	−3	666
Loss allowances	2	−4	−0	0	−82	−0	−85
Net interest income after loss allowances	**208**	**245**	**112**	**34**	**−14**	**−3**	**582**
Net fee and commission income	10	91	143	31	−7	1	269
Income/expenses from investment property	–	–	119	–	–	–	119
Gains or losses on measurement at fair value	–	189	−49	1	−5	–	137
Net trading income	–	294	4	–	–	0	299
Net income from hedge accounting and other financial instruments measured at fair value (not held for trading)	–	−105	−53	1	−5	−0	−162
Share of profit or loss of equity-accounted entities	–	−2	2	–	−0	–	0
Other net income/expense	−5	3	41	3	48	−0	89
Total income	**213**	**527**	**369**	**69**	**22**	**−2**	**1,197**
General and administrative expenses, including depreciation and amortisation	−68	−236	−290	−45	−250	21	−869
Profit or loss before tax	**145**	**291**	**78**	**23**	**−229**	**19**	**327**
Assets (€ bn)	34.4	68.7	34.9	25.5	74.5	−24.2	213.8
Risk-weighted assets (€ bn)	17.3	30.0	7.0	1.4	8.2	–	63.9
Allocated capital (€ m)	2,199	3,667	2,266	170	1,049	0	9,351
Return on equity (%)	13.2	15.9	7.3	27.8	–	–	8.7
Cost-income ratio (%)	32.3	44.5	77.4	65.7	–	–	61.7

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

- Products related to financing major commercial projects and existing properties are Helaba's particular speciality in the Real Estate segment. The product range includes traditional real estate loans in Germany and abroad, financing for open-ended real estate funds as well as development/portfolio financing. Office buildings, retail outlets and residential portfolios make up the bulk of the business in this area, although the segment also provides finance for retail parks and logistics centres.
- In the Corporates & Markets segment, Helaba offers products for all customer groups. The Asset Finance and Corporate Banking divisions provide specially tailored finance for companies, structured and arranged to specific customer requirements, through the constituent product groups Corporate Loans, Project Finance, Transport Finance, Foreign Trade Finance, Acquisition Finance, Asset Backed Finance, Investment and Leasing Finance and Tax Engineering. Helaba's activities in the Savings Banks & SME division concentrate on supporting Sparkassen and their customers with financing arrangements based on credit standing and cash flow (primarily jointly extended loans), trade finance business and cash management services. The Public Sector division provides advice and products for municipal authorities and their

corporations. In addition to the lending products, this segment also includes the trading and sales activities from the Capital Markets division.

- The Retail & Asset Management segment encompasses retail banking, private banking, Landesbausparkasse Hessen-Thüringen and asset management activities. Frankfurter Sparkasse offers the conventional products of a retail bank. The Frankfurter Bankgesellschaft Group rounds off the range of private banking products available from Helaba. 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 Portfolio and Real Estate Management business, including the real estate subsidiaries such as the GWH Group, also forms part of this segment. The range of products is broad, covering support for third-party and own real estate, project development and facility management.

- The WIBank segment mainly comprises the Wirtschafts- und Infrastrukturbank Hessen (WIBank) business line. In its capacity as the central development institution for Hesse, WIBank administers development programmes on behalf of the State of Hesse. This segment therefore brings together the earnings from the public-sector development and infrastructure business in the fields of housing, municipal and urban development, public infrastructure, business/enterprise and employment promotion, agriculture and environmental protection.

In line with management reporting, the segment information is based on internal management (contribution margin accounting) and also on external financial reporting. The presentation of income and expenses follows the reporting to management.

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

Net income from investment property includes both income and expenses from the management of investment property and investment property project development. This net income is reported separately as part of other net operating income.

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, gains and losses on bonds measured at fair value through other comprehensive income, gains and losses on debt instruments and equity instruments mandatorily measured at fair value through profit or loss 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.

Other net income/expense consists of dividend income, other net operating income not attributable to net income from investment property, and gains or losses on derecognition of financial instruments not measured at fair value through profit or loss.

General and administrative expenses comprise the costs directly assignable to the segments plus the costs of internal services provided by other units. 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.

The assets line shows the assets in the statement of financial position allocated to the relevant 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 for the divisions is distributed based on risk exposures and allocated for the subsidiaries and equity investments in relation to the equity stated in the statement of financial position (allocated capital).

The operating segments' return on equity is the ratio of profit/loss before taxes, in which expenses for the bank levy and protection schemes are included on a pro rata basis, to average allocated capital. The cost-income ratio is the ratio of general and administrative expenses including depreciation and amortisation (expenses for the bank levy and protection schemes are included on a pro rata basis) to total profit/loss before taxes net of general and administrative expenses including depreciation and amortisation and of loss allowances for loans and advances.

The Other segment contains the contributions to income and expenses that cannot be attributed to the operating segments. In particular, this column includes the net income from centrally consolidated equity investments such as the OFB Group 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 net income or expense from Treasury activities, from central own funds investing activities, from strategic planning decisions and from the centrally held liquidity securities is also recognised under this segment. As in previous years, the Other segment also includes the additional requirement for loss allowances arising from the exceptional circumstance (because these allowances are unrelated to individual transactions) and the portfolio-based loss allowance.

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.

Consolidated Statement of Financial Position Disclosures

(19) Cash on Hand, Demand Deposits and Overnight Money Balances with Central Banks and Banks

in € m

	30.6.2023	31.12.2022
Cash on hand	**73**	**79**
Financial assets measured at amortised cost	**41,355**	**39,980**
Demand deposits at central banks	41,016	39,807
With Deutsche Bundesbank	39,335	38,536
With other central banks	1,681	1,271
Demand deposits and overnight money balances at banks	338	174
Financial assets mandatorily measured at fair value	**178**	**207**
Demand deposits and overnight money balances at banks	178	207
Total	**41,606**	**40,266**

(20) Financial Instruments Measured at Amortised Cost

The following table shows the financial assets measured at amortised cost:

in € m

	30.6.2023	31.12.2022
Bonds and other fixed-income securities	**2,182**	**1,774**
Medium- and long-term bonds	2,182	1,774
Loans and receivables	**129,312**	**128,898**
Repayable on demand and at short notice	6,175	6,607
Credit card receivables	3	14
Trade accounts receivable, including factoring	3,324	3,176
Other fixed-term loans	119,421	119,039
Promissory note loans	2,630	2,789
Registered bonds	1,310	1,211
Forwarding loans	9,442	9,501
Time deposits	4,725	4,008
Bausparkasse building loans	1,128	1,090
Sundry other fixed-term loans	100,186	100,440
Other receivables not classified as loans	389	62
Total	**131,494**	**130,673**

The table below shows a breakdown of the other fixed-term loans by financing purpose:

in € m

	30.6.2023	31.12.2022
Commercial real estate loans	36,313	36,104
Residential building loans	7,169	7,091
Consumer loans to private households	205	222
Infrastructure loans	26,952	27,263
Asset finance	5,596	5,593
Leasing funding	5,194	5,133
Import/export finance	1	3
Other financing purposes	37,990	37,631
Total	**119,421**	**119,039**

The following table shows the financial liabilities measured at amortised cost:

in € m

	30.6.2023	31.12.2022
Securitised liabilities	**45,809**	**41,064**
Issued money market instruments	947	1,260
Commercial paper (CP)	274	431
Certificates of deposit (CD)	474	331
Asset-backed commercial paper (ABCP)	198	498
Medium- and long-term bonds issued	44,862	39,805
Mortgage Pfandbriefe	6,679	7,613
Public Pfandbriefe	6,017	6,900
Structured (hybrid) bonds	492	702
Other medium- and long-term bonds	31,675	24,590
Deposits and loans	**124,495**	**129,378**
Payable on demand	45,523	44,808
With an agreed term	72,404	77,879
With an agreed period of notice	6,525	6,688
Securities repurchase transactions (repos)	44	3
Other financial liabilities	**705**	**439**
Total	**171,009**	**170,881**

The following tables show the financial assets measured at amortised cost, together with the deposits and loans and other financial liabilities measured at amortised cost, broken down by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Bonds and other fixed-income securities	**237**	**168**	**1,884**	**1,501**	**62**	**105**	**2,182**	**1,774**
Central giro institutions	21	5	–	–	–	–	21	5
Other banks	212	163	1,878	1,501	49	85	2,139	1,750
Other financial corporations	–	–	–	–	–	14	–	14
Non-financial corporations	4	–	–	–	–	–	4	–
Government	–	–	6	–	13	5	19	5
Loans and receivables	**85,163**	**83,546**	**25,260**	**25,982**	**18,889**	**19,370**	**129,312**	**128,898**
Central banks	50	54	–	–	–	–	50	54
Central giro institutions	334	356	–	–	–	–	334	356
Sparkassen	8,640	7,833	–	–	–	–	8,640	7,833
Other banks	2,201	2,084	1,496	1,586	864	924	4,561	4,594
Other financial corporations	6,756	6,269	3,753	4,137	1,652	1,785	12,161	12,192
Non-financial corporations	33,940	33,333	18,541	18,738	15,989	16,334	68,470	68,404
Government	24,982	25,355	1,446	1,500	220	161	26,648	27,015
Households	8,261	8,262	24	23	164	166	8,449	8,451
Total	**85,400**	**83,714**	**27,143**	**27,484**	**18,951**	**19,474**	**131,494**	**130,673**

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Deposits and loans	**111,658**	**118,908**	**4,946**	**4,993**	**7,891**	**5,477**	**124,495**	**129,378**
Central banks	15,436	23,780	–	–	–	–	15,436	23,780
Central giro institutions	1,150	1,140	–	–	–	–	1,150	1,140
Sparkassen	13,489	13,539	–	–	–	–	13,489	13,539
Other banks	22,969	22,909	2,892	3,015	1,089	1,353	26,950	27,277
Other financial corporations	17,029	17,461	1,238	1,143	5,769	2,665	24,035	21,269
Non-financial corporations	11,215	9,851	704	723	168	570	12,088	11,144
Government	8,550	8,498	1	0	406	564	8,957	9,062
Households	21,821	21,731	112	111	458	326	22,390	22,168
Other financial liabilities	**688**	**420**	**6**	**8**	**10**	**11**	**705**	**439**
Central giro institutions	2	2	–	–	–	–	2	2
Sparkassen	4	4	–	–	–	–	4	4
Other banks	1	55	–	–	–	–	1	55
Other financial corporations	77	85	–	–	10	10	86	96
Non-financial corporations	206	200	6	8	0	0	213	209
Government	340	26	–	–	–	–	340	26
Households	59	47	–	–	0	0	59	47
Total	**112,346**	**119,327**	**4,953**	**5,001**	**7,901**	**5,488**	**125,200**	**129,817**

(21) Trading Assets and Trading Liabilities

This item consists solely of financial instruments held for trading purposes and mandatorily measured at fair value through profit or loss (FVTPL HfT).

Loans and receivables held for trading mainly comprise promissory note loans and, to a lesser extent, repos and money trading transactions. Further disclosures on derivatives can be found in Note (35), and on issuing activities in Note (36).

The following tables show a breakdown of trading assets and trading liabilities by product:

in € m

	30.6.2023	31.12.2022
Positive fair values of derivatives held for trading	**8,842**	**9,421**
thereof: Traded OTC	8,842	9,421
Equity- / index-related transactions	60	126
Interest-rate-related transactions	7,894	8,243
Currency-related transactions	871	1,043
Credit derivatives	9	8
Commodity-related transactions	8	1
Bonds and other fixed-income securities	**1,986**	**1,629**
Money market instruments	25	0
Medium- and long-term bonds	1,961	1,629
Loans and receivables	**1,069**	**1,621**
Repayable on demand and at short notice	4	7
Receivables from securities repurchase transactions (reverse repos)	74	46
Other fixed-term loans	991	1,568
Equity shares and other variable-income securities	**2**	**1**
Equities	2	1
Trading assets	**11,898**	**12,672**

in € m

	30.6.2023	31.12.2022
Negative fair values of derivatives held for trading	**8,587**	**9,267**
thereof: Traded OTC	8,587	9,267
thereof: Exchange-traded	0	0
Equity-/index-related transactions	60	126
Interest-rate-related transactions	7,803	8,268
Currency-related transactions	711	861
Credit derivatives	12	10
Commodity-related transactions	1	2
Securitised liabilities	**176**	**374**
Issued money market instruments	145	346
Commercial paper (CP)	145	346
Issued equity/index certificates	31	28
Deposits and loans	**5,176**	**4,067**
Payable on demand	2,542	903
With an agreed term	2,634	3,164
Liabilities arising from short-selling	**73**	**45**
Trading liabilities	**14,013**	**13,754**

The following table presents the non-derivative trading assets by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Bonds and other fixed-income securities	**1,022**	**724**	**548**	**494**	**416**	**411**	**1,986**	**1,629**
Central giro institutions	106	123	–	–	–	–	106	123
Sparkassen	41	9	–	–	–	–	41	9
Other banks	654	482	522	427	413	402	1,589	1,312
Other financial corporations	3	5	14	9	–	–	16	14
Non-financial corporations	49	26	7	21	0	–	57	47
Government	170	79	5	36	2	9	177	124
Loans and receivables	**971**	**1,412**	**84**	**155**	**15**	**54**	**1,069**	**1,621**
Central banks	36	46	–	–	–	–	36	46
Central giro institutions	0	28	–	–	–	–	0	28
Sparkassen	377	650	–	–	–	–	377	650
Other banks	186	344	–	–	11	–	197	344
Other financial corporations	–	5	–	–	4	3	4	8
Non-financial corporations	192	120	73	155	–	51	265	326
Government	181	219	10	–	–	–	192	219
Equity shares and other variable-income securities	**2**	**1**	**–**	**–**	**–**	**–**	**2**	**1**
Non-financial corporations	2	1	–	–	–	–	2	1
Total	**1,995**	**2,137**	**631**	**649**	**430**	**466**	**3,057**	**3,251**

The following table presents the non-derivative securitised trading liabilities by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Deposits and loans	**4,344**	**3,823**	**401**	**138**	**431**	**106**	**5,176**	**4,067**
Sparkassen	1,518	2,351	–	–	–	–	1,518	2,351
Other banks	157	344	102	8	230	106	489	457
Other financial corporations	679	263	299	75	200	–	1,178	338
Non-financial corporations	47	530	–	56	–	–	47	586
Government	1,943	335	–	–	–	–	1,943	335
Liabilities arising from short-selling	**73**	**45**	**–**	**–**	**–**	**–**	**73**	**45**
Government	73	45	–	–	–	–	73	45
Total	**4,418**	**3,868**	**401**	**138**	**431**	**106**	**5,250**	**4,112**

(22) Other Financial Instruments Mandatorily Measured at Fair Value through Profit or Loss

in € m

	30.6.2023	31.12.2022
Positive fair values of non-trading derivatives	**1,039**	**1,086**
thereof: Traded OTC	1,039	1,086
thereof: Exchange-traded	–	0
Equity-/index-related transactions	5	3
Interest-rate-related transactions	881	944
Currency-related transactions	153	139
Credit derivatives	0	0
Bonds and other fixed-income securities	**854**	**806**
Money market instruments	–	4
Medium- and long-term bonds	854	802
Loans and receivables	**201**	**211**
Repayable on demand and at short notice	1	1
Other fixed-term loans	200	211
Equity shares and other variable-income securities	**390**	**344**
Equities	0	0
Investment units	390	344
Shareholdings	**83**	**75**
Shares in unconsolidated affiliates	15	9
Shares in non-equity-accounted joint ventures	2	5
Shares in non-equity-accounted associates	9	7
Other equity investments	57	55
Total	**2,567**	**2,523**

in € m

	30.6.2023	31.12.2022
Negative fair values of non-trading derivatives	**2,977**	**3,420**
thereof: Traded OTC	2,977	3,420
Interest-rate-related transactions	2,937	3,133
Currency-related transactions	40	287
Credit derivatives	1	0
Total	**2,977**	**3,420**

The non-trading derivatives recognised in this item are derivative financial instruments used for economic hedging as part of hedge management (economic hedges); the documentation requirements for hedge accounting in accordance with IFRS 9 are not satisfied.

The following table shows the other non-derivative financial assets mandatorily measured at fair value through profit or loss by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Bonds and other fixed-income securities	**83**	**67**	**430**	**396**	**340**	**344**	**854**	**806**
Central giro institutions	1	1	–	–	–	–	1	1
Other banks	1	3	70	59	14	15	85	78
Other financial corporations	14	13	153	151	117	110	284	273
Non-financial corporations	66	45	207	186	209	218	482	449
Government	2	6	0	–	–	–	2	6
Loans and receivables	**194**	**204**	**–**	**–**	**7**	**7**	**201**	**211**
Other financial corporations	10	10	–	–	7	7	17	17
Non-financial corporations	62	66	–	–	–	–	62	66
Government	122	128	–	–	–	–	122	128
Equity shares and other variable-income securities	**126**	**115**	**239**	**206**	**26**	**22**	**390**	**344**
Other financial corporations	126	115	238	206	26	22	390	344
Non-financial corporations	0	0	0	0	0	0	0	0
Shareholdings	**82**	**75**	**1**	**1**	**0**	**0**	**83**	**75**
Other banks	2	2	–	–	–	–	2	2
Other financial corporations	48	41	–	–	0	0	48	42
Non-financial corporations	32	32	1	1	–	–	33	32
Total	**485**	**462**	**669**	**602**	**373**	**373**	**1,528**	**1,437**

(23) Financial Instruments Designated Voluntarily at Fair Value

The following table shows the fair values of financial assets designated voluntarily at fair value and the changes in fair value attributable to a change in credit risk:

in € m

	Carrying amount (fair value)		Changes attributable to credit risk			
			Reporting period		Cumulative	
	30.6.2023	31.12.2022	1.1.–30.6.2023	1.1.–30.6.2022	30.6.2023	31.12.2022
Bonds and other fixed-income securities	100	104	0	0	4	4
Loans and receivables	2,638	2,749	–	5	–	–7
Total	**2,738**	**2,853**	**0**	**5**	**4**	**–3**

The following table shows the fair values of financial liabilities designated voluntarily at fair value and the cumulative changes in fair value attributable to changes in the Helaba Group's own credit risk

in € m

	Carrying amount (fair value)		Cumulative changes attributable to credit risk	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Securitised liabilities	7,282	6,671	–108	–115
Deposits and loans	4,245	4,245	–244	–215
Total	**11,527**	**10,915**	**–352**	**–329**

For detailed disclosures on issuing activities, see Note (36).

The following table shows the assets and deposits and loans designated voluntarily at fair value by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Bonds and other fixed-income securities	**100**	**104**	**–**	**–**	**–**	**–**	**100**	**104**
Government	100	104	–	–	–	–	100	104
Loans and receivables	**2,638**	**2,749**	**–**	**–**	**–**	**–**	**2,638**	**2,749**
Other financial corporations	1	2	–	–	–	–	1	2
Non-financial corporations	39	40	–	–	–	–	39	40
Government	2,598	2,707	–	–	–	–	2,598	2,707
Financial assets	**2,738**	**2,853**	**–**	**–**	**–**	**–**	**2,738**	**2,853**
Deposits and loans	**4,113**	**4,113**	**124**	**124**	**8**	**8**	**4,245**	**4,245**
Sparkassen	482	510	–	–	–	–	482	510
Other banks	93	79	–	–	8	8	102	87
Other financial corporations	3,280	3,274	124	124	–	–	3,403	3,398
Non-financial corporations	155	150	–	–	–	–	155	150
Government	104	101	–	–	–	–	104	101
Financial liabilities	**4,113**	**4,113**	**124**	**124**	**8**	**8**	**4,245**	**4,245**

(24) Hedge Accounting

The following table shows the notional amounts and the positive and negative fair values of the hedging derivatives used in hedge accounting:

in € m

	Notional amount		Positive fair values		Negative fair values	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Fair value hedges – micro hedges	**54,840**	**51,903**	**119**	**144**	**537**	**603**
thereof: Traded OTC	54,840	51,903	119	144	537	603
Interest rate hedges	54,232	51,382	119	144	342	415
Interest rate swaps	54,075	51,225	92	129	342	415
Cross-currency swaps	157	157	27	15	–	–
Combined hedge of interest rate and currency risk	609	521	–	–	195	187
Cross-currency swaps	609	521	–	–	195	187
Fair value hedges – group hedges	**16,237**	**17,245**	**44**	**595**	**274**	**104**
thereof: Traded OTC	16,237	17,245	44	595	274	104
Foreign currency hedges	16,237	17,245	44	595	274	104
Cross-currency swaps	16,237	17,245	44	595	274	104
Total	**71,077**	**69,148**	**164**	**740**	**811**	**706**

(25) Financial Assets Measured at Fair Value through Other Comprehensive Income

in € m

	30.6.2023	31.12.2022
Bonds and other fixed-income securities	**14,336**	**14,771**
Money market instruments	1,283	916
Medium- and long-term bonds	13,053	13,855
Loans and receivables	**765**	**782**
Other fixed-term loans	765	782
Shareholdings	**28**	**26**
Shares in unconsolidated affiliates	0	0
Other equity investments	28	26
Total	**15,129**	**15,579**

The financial assets reported in the shareholdings line item are equity instruments allocated to the measurement category “at fair value through other comprehensive income without recycling” (FVTOCI non-recycling).

The following table shows the financial assets measured at fair value through other comprehensive income by region and counterparty:

in € m

	Germany		European Union (excluding Germany)		World (excluding European Union)		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Bonds and other fixed-income securities	**4,200**	**4,538**	**6,023**	**5,367**	**4,113**	**4,866**	**14,336**	**14,771**
Central giro institutions	545	614	–	–	–	–	545	614
Other banks	1,526	1,631	5,080	4,645	3,676	4,079	10,283	10,354
Other financial corporations	12	12	38	82	91	150	141	244
Non-financial corporations	75	83	12	52	38	55	126	189
Government	2,041	2,199	893	589	307	582	3,242	3,370
Loans and receivables	**547**	**558**	**182**	**184**	**37**	**40**	**765**	**782**
Other financial corporations	18	18	27	27	–	–	46	45
Non-financial corporations	528	540	155	157	37	40	720	737
Shareholdings	**28**	**26**	**–**	**–**	**–**	**–**	**28**	**26**
Other banks	16	14	–	–	–	–	16	14
Other financial corporations	12	12	–	–	–	–	12	12
Total	**4,775**	**5,122**	**6,205**	**5,551**	**4,149**	**4,906**	**15,129**	**15,579**

No equity instruments measured at fair value through other comprehensive income were derecognised in the reporting period.

(26) Shares in Equity-Accounted Entities

In the reporting period, a total of 22 (31 December 2022: 25) joint ventures and 3 (31 December 2022: 3) associates were accounted for using the equity method.

The breakdown of equity-accounted investments is shown below:

in € m

	30.6.2023	31.12.2022
Investments in joint ventures	**33**	**31**
Non-financial corporations	33	31
Investments in associates	**4**	**3**
Other financial corporations	0	0
Non-financial corporations	4	3
Total	**38**	**34**

(27) Investment Property

in € m

	30.6.2023	31.12.2022
Land and buildings leased to third parties	3,030	2,770
thereof: Right-of-use assets under leases	35	36
Undeveloped land	11	12
Investment property under construction	367	326
Total	**3,408**	**3,109**

(28) Property and Equipment

in € m

	30.6.2023	31.12.2022
Owner-occupied land and buildings	626	633
thereof: Right-of-use assets under leases	130	134
Operating and office equipment	57	60
thereof: Right-of-use assets under leases	3	4
Machinery and technical equipment	30	30
thereof: Right-of-use assets under leases	0	0
Total	**712**	**722**

(29) Intangible Assets

in € m

	30.6.2023	31.12.2022
Goodwill	13	13
Concessions, industrial and similar rights	0	1
Software	189	169
thereof: Purchased	189	168
thereof: Internally generated	1	1
Software under development	5	3
Other intangible assets	2	2
Total	**210**	**188**

(30) Other Assets and Liabilities

in € m

	30.6.2023	31.12.2022
Inventories	814	767
Property held for sale	805	759
Other inventories/work in progress	9	8
Advance payments and payments on account	241	348
Other taxes receivable	5	2
Defined benefit assets	37	34
Sundry assets	698	355
Other assets	**1,796**	**1,506**

Defined benefit assets resulted from a surplus of plan assets at the Frankfurter Sparkasse pension fund.

in € m

	30.6.2023	31.12.2022
Advance payments/payments on account	223	220
Tax liabilities, other taxes	35	32
Employee benefits due in short term	72	97
Sundry liabilities	227	213
Other liabilities	**558**	**562**

(31) Provisions

in € m

	30.6.2023	31.12.2022
Provisions for employee benefits	**906**	**936**
Pensions and similar defined benefit obligations	836	860
Other employee benefits due in the long term	70	76
Other provisions	**281**	**234**
Provisions for off-balance sheet liabilities	77	80
Provisions for loan commitments and financial guarantees	77	80
Provisions for other off-balance sheet obligations	0	0
Restructuring provisions	20	28
Provisions for litigation risks	13	13
Sundry provisions	171	113
Total	**1,187**	**1,171**

In the calculation of pension provisions, the main pension obligations in Germany were measured using a discount rate of 3.75 % (31 December 2022: 3.75 %).

(32) Equity

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 30 June 2023, 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
Free State of Thuringia	24	4.05
Total	**589**	**100.00**

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

In 2018, the Helaba Group raised Additional Tier 1 (AT1) capital externally through registered bonds in the amount of € 354 m. All AT1 bonds are unsecured subordinated Helaba bonds. The servicing of these bonds is based on an interest rate applied to the respective nominal amount. These bonds provide fixed interest rates for the period between the issue date and the first possible early repayment date. Afterwards, interest rates will be established for another period of ten years. According to the bond terms, Helaba may be obliged, but also has extensive rights, to take the sole decision to suspend interest payments at any time. Interest payments are not cumulative, which means that suspended interest payments will not be paid out in subsequent periods. These bonds have no maturity date, and may be terminated by Helaba at specific dates. If Helaba does not terminate a bond, it has additional termination options every ten years. Early terminations may be permissible provided that all tax-related and regulatory conditions are met. Every termination is subject to approval from the competent supervisory authority. The repayment as well as the nominal amount of the bonds may be reduced if a triggering event occurs. The decline of Helaba Group's Common Equity Tier 1 (CET1) capital ratio to under 5.125 % on a consolidated basis would be a triggering event. After the occurrence of a triggering event, any reduced bond amounts may be increased again under specific conditions. According to the applicable resolution stipulations, the competent supervisory authority may exercise a series of rights; for instance, the supervisory authority may decide to wholly or partially mark down entitlements to repayment of capital and/or to convert such entitlements into CET1 instruments. As at 30 June 2023, the bond amounts recognised in the consolidated statement of financial position stood at € 354 m (31 December 2022: € 354 m).

The retained earnings amounting to € 5,906 m (31 December 2022: € 5,665 m) comprise the profits retained by the parent company and the consolidated subsidiaries as well as amounts from the amortised results of acquisition accounting and from other consolidation adjustments. Retained earnings include reserves provided for by the Charter of € 297 m (31 December 2022: € 296 m). If it is necessary to use these reserves to cover losses, the net profit generated in subsequent years is used in full to restore the reserves required by the Charter to the required level.

The following table shows the changes in the individual components of accumulated other comprehensive income (OCI) in the reporting period:

in € m

	Items that will be subsequently reclassified to the consolidated income statement, net of tax			Items that will not be reclassified to the consolidated income statement, net of tax					Accumulated other comprehensive income
	Remeasurements of the net liability under defined benefit plans	Changes in fair value of equity instruments measured at fair value through other comprehensive income	Credit risk-related change in fair value of financial liabilities designated voluntarily at fair value	Share of other comprehensive income of equity-accounted entities	Changes in fair value of debt instruments measured at fair value through other comprehensive income	Gains or losses from hedges of a net investment in a foreign operation	Gains or losses from currency translation of foreign operations	Gains or losses from fair value hedges of currency risk	
As at 1.1.2022	**–573**	**–3**	**–6**	**–1**	**78**	**–17**	**36**	**–43**	**–529**
Other comprehensive income for the reporting period	402	–4	117	0	–292	–	7	37	268
Reclassifications within equity	–	–	–0						–0
As at 30.6.2022	**–171**	**–7**	**111**	**–1**	**–214**	**–17**	**44**	**–6**	**–261**
Other comprehensive income for the reporting period	89	–2	115	–0	–124	–	–5	–10	62
Reclassifications within equity	–	–	–0	–	–	–	–	–	–0
As at 31.12.2022	**–82**	**–9**	**225**	**–1**	**–338**	**–17**	**38**	**–16**	**–199**
Other comprehensive income for the reporting period	14	1	15	–	23	–	–0	–6	48
As at 30.6.2023	**–68**	**–8**	**241**	**–1**	**–315**	**–17**	**38**	**–22**	**–151**

Capital Management

Helaba defines capital management as all processes directly or indirectly involved in ensuring that it upholds its risk-bearing capacity (both from a regulatory perspective in Pillar I and from an economic perspective in Pillar II) and that it is in a position to monitor its capital adequacy in a timely manner. The main components of capital management in the Helaba Group are planning regulatory own funds and own funds ratios as part of the planning process, allocating own funds, monitoring changes in risk exposures, complying with regulatory and economic capital limits, monitoring 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.

Capital management focuses on both regulatory own funds and internal capital from a complementary economic management perspective.

The minimum regulatory requirements that need to be taken into account include Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR), the additional provisions in the German Banking Act (Kreditwesengesetz, KWG) and also the requirements specified under the European Single Supervisory Mechanism (SSM). Article 92 of the CRR specifies that institutions must at all times have adequate own funds in relation to their risk-weighted assets (RWAs). It makes a distinction between the following minimum ratios:

- Common Equity Tier 1 (CET1) capital ratio: 4.5 %
- Tier 1 capital ratio (where Tier 1 capital is the total of CET1 and Additional Tier 1 capital): 6.0 %
- Total capital ratio (based on the total of Tier 1 and Tier 2 capital): 8.0 %.

In addition, KWG requirements specify general and bank-specific capital buffers such as the capital conservation buffer, the countercyclical capital buffer and the buffers for global and other systemically important banks, which in each case relate to CET1 capital and ultimately increase the minimum CET1 capital ratio for each bank by at least 2.5 %.

To add to these generally applicable requirements, the ECB lays down further institution-specific requirements for institutions subject to the SSM. The minimum CET1 capital ratio required to be maintained by the Helaba Regulatory Group as at 30 June 2023 under the Supervisory Review and Evaluation Process (SREP) decision taken by the ECB was 5.48 % (31 December 2022: 5.48 %) plus the applicable capital buffer requirements. The CET1 capital ratio requirement as at 30 June 2023 therefore came to 9.23 % (31 December 2022: 8.58 %).

Within the risk appetite framework, the Executive Board of Helaba sets internal targets for the minimum ratios that include a sufficient buffer in respect of the regulatory minimum requirements so that Helaba is able to operate at all times without any restrictions on its business activities.

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 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.

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

The following tables show the own funds (amounts after regulatory adjustments in each case), own funds requirements and capital ratios for the Helaba banking group:

in € m

	30.6.2023	31.12.2022
Tier 1 capital	**9,143**	**9,140**
Common Equity Tier 1 capital (CET1)	8,789	8,786
Additional Tier 1 capital	354	354
Tier 2 capital	**2,118**	**2,055**
Own funds, total	**11,261**	**11,195**

		in € m
	30.6.2023	31.12.2022
Default risk (including equity investments and securitisations)	4,213	4,356
Market risk (including CVA risk)	503	529
Operational risk	334	302
Total own funds requirement	**5,050**	**5,188**
CET1 capital ratio	13.9 %	13.5 %
Tier 1 capital ratio	14.5 %	14.1 %
Total capital ratio	17.8 %	17.3 %

The Tier 1 and total capital ratios comply with the target ratios specified by Helaba in its capital management. The Helaba Group is complying with the regulatory requirements, including the requirements of the European SSM, regarding capital adequacy.

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. Under the CRR, banks have to comply with a leverage ratio of 3.0 %.

More detailed information on the structure and adequacy of Helaba's regulatory own funds, together with a reconciliation to the own funds in the IFRS consolidated statement of financial position, has been published in the Helaba Regulatory Group's disclosure report in accordance with section 26a KWG (offenlegung.helaba.de).

Disclosures on Financial Instruments and Off-Balance Sheet Transactions

(33) Credit Risks Attributable to Financial Instruments

The following section comprises the quantitative disclosures in line with IFRS 7 required for financial instruments within the scope of application of IFRS 9.

The following table shows the loss allowances recognised for financial instruments:

in € m

	30.6.2023	31.12.2022
Cumulative loss allowances	**931**	**849**
In respect of financial assets measured at amortised cost	928	847
Demand deposits and overnight money balances at central banks and banks	0	0
Bonds and other fixed-income securities	1	0
Loans and receivables	928	846
In respect of financial assets measured at fair value through other comprehensive income	3	3
Bonds and other fixed-income securities	2	2
Loans and receivables	1	1
Loan loss provisions	**77**	**80**
For loan commitments	33	26
For financial guarantees	44	54
Total	**1,008**	**929**

All parameters used to determine the expected credit loss (ECL) are subject to estimation uncertainty, meaning that the actual losses incurred at Helaba may be different from the expected losses reflected in loss allowances. The wider the time frame used for ECL projection purposes, the higher the estimation uncertainty. The list of factors that influence loss allowances and that are subject to uncertainty includes, for instance, the expected change in the credit quality of the borrower, economic conditions and changes in the fair value of the collateral held by the Helaba Group. All factors used to determine the ECL are subject to regular validation processes.

Exceptional circumstances

The current macroeconomic environment is one of considerable uncertainty due to factors such as the Ukraine war, the related energy crisis and the rise in inflation. In addition, geopolitical conflicts reduce global appetite for cooperation. Forward-looking information is taken into account in the calculation of the lifetime ECL by generally including such information in the probability of default (PD) and loss given default (LGD) input parameters and by reviewing exceptional circumstances at sub-portfolio level. Exceptional circumstances are situations in which an adjustment of the risk parameters is required, for example because of unusual macroeconomic circumstances. As part of the regular ECL calculation process, quarterly reviews are carried out on the basis of economic forecasts made by the Helaba Group to establish whether exceptional circumstances are present. Various macroeconomic parameters are analysed according to scenario to identify an exceptional circumstance. These parameters include gross domestic product, unemployment rate, oil price, consumer price and share price indices, together with trends in interest rates and exchange rates. Three internal macroeconomic scenarios at Helaba are used in the scenario-related evaluation. An exceptional circumstance is identified largely by means of a comparison between the current portfolio probability of default and the default rate forecast in the scenarios. If an exceptional circumstance is identified on this basis for one or more risk parameters, the parameters are adjusted at sub-portfolio level as part of the model. Stage 1 and 2 volumes are taken into account in relation to the exceptional circumstance. If the adjustment of the probability of default to incorporate forward-looking macroeconomic information causes the quantitative transfer limit to be exceeded, a lifetime ECL is recognised. No actual transfer from those stages takes place.

The anticipated macroeconomic trend was assessed as an exceptional circumstance for one sub-portfolio and factored into loss allowances. The various scenarios are based on different assumptions about global economic performance. In the baseline scenario, following a weak start to the year, the German economy barely grows at all in the second half of 2023; on average over the year as a whole, GDP falls slightly on a seasonally adjusted basis. As other European countries draw greater benefit from European assistance programmes, economic growth in the euro zone is slightly positive. Inflation in Germany and the euro zone reaches around 6 %. The effects of climate change still play a subordinate role in the forecast horizon at global economic level and only build over the long term. Impetus comes mainly from efforts to reduce greenhouse gases. These tend to increase price pressures, although the extent to which they do so varies considerably from region to region. This counteracts positive growth effects stemming from increasing investment in decarbonisation. Central banks have tightened monetary policy considerably and the cycle of interest rate hikes has probably now reached its end. Key interest rates stand at just under 5.5 % in the USA and at 4.25 % (main refinancing rate) in the euro zone. Due to the strong rise in consumer prices and the change of monetary policy course, capital market rates are at increased levels compared with the past ten years. In combination with the end of the ECB's asset-buying programmes, the subdued economic outlook precludes a fall in the risk premiums on corporate and bank bonds.

In the negative alternative scenario, the global economy slides into recession. Central banks have gone beyond the appropriate dose of tightening. There is a particularly strong correction in areas of demand that are sensitive to interest rate movements. Numerous instances of market intervention driven by geopolitics and climate policy unsettle businesses and households and hamper their confidence. Competition for scarce commodities needed for the energy transition and other geopolitical conflicts reduce global appetite for the cooperation that would help bring about a prompt reduction in greenhouse gas emissions. Due to the economic downturn and the sharp fall in expectations for inflation, the ECB cuts the main refinancing rate to 2 % over a twelve-month period. A rising level of defaults has an adverse impact on banks and pushes up risk premiums. Beyond short-term price shocks on the energy market and bottlenecks in the winter of 2023/2024, the economic downturn brings supply and demand better into balance. The oil price falls sharply. All these factors push down inflation.

In the positive alternative scenario, the economy overcomes the effects of the surge in inflation and the Ukraine war. Increased investment drives economic activity and raises productivity. The better economic conditions enable governments to support monetary policy in tackling inflation and quickly scale back assistance programmes. Successful global cooperation on climate issues reduces uncertainty in planning. Efficiency gains in the economy and a reduction in protectionism also ease price pressures despite strong demand. In the positive scenario, the need for monetary policy action is only marginally greater than in the baseline scenario for a short period. The ECB lifts the main refinancing rate to 5 %.

The exceptional circumstance analysis incorporates forecasts for subsequent years and also takes into account the current market environment. Key parameters used in the analysis for the principal market of Germany included the following. The table shows the average of the forecasts for the third quarter of 2023 through to and including the second quarter of 2024 (31 December 2022: average in 2023):

in %

	Positive		Base		Negative	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Gross domestic product	1.7	1.1	0.9	0.0	–3.0	–2.3
Unemployment rate	5.2	5.2	5.5	5.7	6.8	6.7
Rate of change consumer price index	4.7	6.4	3.9	6.0	2.2	7.0
Short term interest, 3 months	4.5	2.4	3.7	3.2	2.4	2.1

The impact of the exceptional circumstance on loss allowances has decreased from € 87 m as at 31 December 2022 to € 62 m. The war in Ukraine continues to have a substantial adverse effect on economic performance. As in the previous year, the effect of the exceptional circumstance was calculated as at 30 June 2023 on the basis of the impact in the negative scenario so as to factor in the uncertainty in the macroeconomic environment. For comparison: The weighted scenario comprising baseline scenario (probability of 65 %), positive scenario (probability of 10 %) and negative scenario (probability of 25 %) results in loss allowances being € 9 m lower, and the positive scenario in loss allowances being € 15 m lower. Compared with 31 December 2022, the scenarios' probability weighting has not changed at all.

Portfolio-based loss allowances

Portfolio-based loss allowances ensure that risks that are difficult to predict in terms of their evolution are adequately factored in. As at 30 June 2023, the various causes described below give rise to potential risks. These risks were not fully reflected in the individual calculations of loss allowances as a result of rating deteriorations and default events. At € 8,789 m, the proportion of financial assets and off-balance sheet commitments at stage 2 equated to 3.9 % of the total volume (31 December 2022: € 10,238 m or 4.6 %). The overall volume of transactions at stage 3 and classified as POCI was € 2,207 m, equating to 1.0 % of the total volume (31 December 2022: € 1,112 m or 0.5 %). Actual rating deteriorations and default events were therefore well below the rise in default risk anticipated by management, as a result of which a stage 2 portfolio-based loss allowance of € 351 m was recognised as at 30 June 2023 (31 December 2022: € 396 m). This ensures that risks that are difficult to predict in terms of their evolution are adequately factored into loss allowances. For portfolio-based loss allowances, stage 1 and 2 volumes are taken into account and rating deteriorations of between two and three (31 December 2022: between three and five) stages are simulated and determined for each individual transaction. No actual transfer from those stages takes place, as the risk on the individual transaction has not yet materialised.

Critical sub-portfolios and risks arising from the Ukraine war, the related energy crisis and the COVID-19 pandemic were taken into account as at 31 December 2022.

The risks arising from the COVID-19 pandemic are no longer regarded as material, as a result of which the portfolio-based loss allowance of € 24 m recognised as at 31 December 2022 for these purposes was reversed.

The Ukraine war and the related turmoil and geopolitical tensions, on the other hand, continue to represent a considerable risk for the Bank. The portfolio-based loss allowance of € 10 m recognised in respect of directly affected exposures as at 31 December 2022 was therefore retained.

In 2022, a portfolio-based loss allowance was recognised for the first time to take account of the risk of an energy crisis. To this end, affected sub-portfolios – that is, sectors directly or indirectly affected by rising energy prices – were identified and a rating deterioration assumed for those sub-portfolios. At the beginning of 2023, there was an ever-greater easing of the situation on the energy markets. In industry, value creation has improved on the back of the increasing normalisation of supply chain bottlenecks and materials shortages, a sharp fall in energy prices and the moderate global recovery. Having been severely curtailed in the second half of 2022 due to the increases in gas and electricity prices, production in energy-intensive sectors has also returned to an upward trajectory of late. The federal government's stabilising measures and the brakes on gas, electricity and heating prices are supporting this recovery process and giving business and private households some certainty in planning. This has been reflected in improved ratings for a large number of customers in the sub-portfolios identified. After taking into account the reduced risk, an allowance of € 41 m (31 December 2022: € 270 m) remains for the portion of the portfolio that has not yet been re-rated since 31 December 2022.

There is also a portfolio-based loss allowance for critical sub-portfolios, for which assumptions were made about rating deteriorations, collateral value markdowns and lifetime ECLs. Critical sub-portfolios were first identified in financial year 2021 with the focus on the COVID-19 pandemic, and the method used to identify these sub-portfolios has since been further developed so as to give adequate consideration to macroeconomic conditions. This approach serves to take account of current and foreseeable risks and their potential effects on probability of default and the recoverability of collateral that cannot yet be quantified at individual transaction level. Critical sub-portfolios were identified within the following portfolios: commercial real estate, corporate customers and transport and equipment. While the risks in the transport and metals sectors have diminished compared with 2022, the focus of the risk analysis has shifted to a new risk in the office and retail property segment due to the rapid rise in interest rates in recent months to levels well above those in the days of near-zero rates – a rise attributable, in turn, to the rapid surge in inflation since 2021, which peaked around the turn of the year from 2022 to 2023. Besides the hikes in key interest rates in Europe and the USA and the uncertainty over their future path, additional negative factors, such as reductions in space in the office segment due to an increase in home working and restraint among buyers in the retail segment, are causing uncertainty over tenable rates of return required of investment properties. In the first half of 2023, these uncertainties led to sharp declines in market value in certain asset classes and regions as well as a dramatic fall in transaction volumes. Against this backdrop, the portfolio-based loss allowance for critical sub-portfolios was increased to € 300 m (31 December 2022: € 92 m).

As part of the credit process that has been implemented, very close monitoring is being carried out to identify potential effects of the energy crisis, the Ukraine war and interest rate movements on credit risk in the Helaba Group. For further information on the monitoring of these risks, please refer to the risk report, which forms an integral part of the management report.

The amount of the portfolio-based loss allowances is subject to significant estimation uncertainty. If the ratings deteriorate by one rating level less than expected, the portfolio-based loss allowance requirement falls by € 38 m; if they deteriorate by one rating level more than expected, however, the requirement rises by € 52 m.

Disclosures for financial assets measured at amortised cost

The following table shows a breakdown of the financial assets measured at amortised cost and the cumulative loss allowances recognised in respect of these assets by IFRS 9 impairment model stage as at 30 June 2023:

Financial assets measured at amortised cost in € m

	Gross carrying amount					Cumulative loss allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Demand deposits and overnight money balances at central banks and banks	41,355	0	–	–	41,355	0	0	–	–	0
Bonds and other fixed-income securities	2,183	–	–	–	2,183	1	–	–	–	1
Loans and receivables	121,297	7,006	1,926	9	130,239	38	492	394	2	928
Total	**164,835**	**7,006**	**1,926**	**9**	**173,777**	**39**	**492**	**394**	**2**	**928**

The following table shows the figures as at 31 December 2022:

Financial assets measured at amortised cost in € m

	Gross carrying amount					Cumulative loss allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Demand deposits and overnight money balances at central banks and banks	39,980	0	–	–	39,980	0	0	–	–	0
Bonds and other fixed-income securities	1,775	–	–	–	1,775	0	–	–	–	0
Loans and receivables	120,636	8,162	941	6	129,745	38	564	243	1	846
Total	**162,390**	**8,162**	**941**	**6**	**171,500**	**38**	**564**	**243**	**1**	**847**

The following table shows the changes (broken down by stage) in the period under review in the loss allowances recognised in respect of financial assets measured at amortised cost:

Financial assets measured at amortised cost — in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and receivables					
As at 1.1.2023	**38**	**564**	**243**	**1**	**846**
Total change in loss allowances due to transfers between stages	17	–20	3	–	–
Transfer to stage 1	19	–19	–0	–	–
Transfer to stage 2	–2	2	–0	–	–
Transfer to stage 3	–0	–3	3	–	–
Additions	38	91	224	5	358
Newly originated/acquired financial assets	13	9	0	2	24
Other additions	25	82	224	2	334
Interest effects in stage 3 from updates of gross carrying amount	–	–	4	0	4
Reversals	–58	–137	–49	–3	–248
Reversals from redemptions (derecognition)	–4	–4	–4	–	–11
Other reversals	–54	–133	–46	–3	–236
Utilisations	–	–	–33	–	–33
Changes due to currency translation and other adjustments	3	–6	2	–	–1
As at 30.6.2023	**38**	**492**	**394**	**2**	**928**

The following table shows the changes during the prior-year period:

Financial assets measured at amortised cost in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and receivables					
As at 1.1.2022	**36**	**437**	**240**	**1**	**714**
Total change in loss allowances due to transfers between stages	5	−5	0	–	–
Transfer to stage 1	6	−6	−0	–	–
Transfer to stage 2	−1	1	−0	–	–
Transfer to stage 3	−0	−0	1	–	–
Additions	38	131	37	0	206
Newly originated / acquired financial assets	15	7	0	–	22
Other additions	23	124	37	0	184
Interest effects in stage 3 from updates of gross carrying amount	–	–	5	0	5
Reversals	−41	−45	−44	−0	−130
Reversals from redemptions (derecognition)	−6	−3	−3	–	−12
Other reversals	−35	−42	−41	−0	−118
Utilisations	–	–	−4	–	−4
Changes due to currency translation and other adjustments	0	1	2	–	4
As at 30.6.2022	**39**	**519**	**237**	**1**	**795**

Disclosures for financial assets measured at fair value through other comprehensive income

The following table shows the carrying amounts of financial assets measured at fair value through other comprehensive income and the cumulative loss allowances recognised in respect of these assets as at 30 June 2023:

Financial assets measured at fair value through other comprehensive income in € m

	Carrying amount (fair value)					Cumulative loss allowances (recognised in OCI)				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Bonds and other fixed-income securities	14,329	7	–	–	14,336	2	0	–	–	2
Loans and receivables	765	–	–	–	765	1	–	–	–	1
Total	**15,095**	**7**	**–**	**–**	**15,101**	**3**	**0**	**–**	**–**	**3**

The following table shows the figures as at 31 December 2022:

Financial assets measured at fair value through other comprehensive income in € m

	Carrying amount (fair value)					Cumulative loss allowances (recognised in OCI)				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Bonds and other fixed-income securities	14,518	253	–	–	14,771	2	0	–	–	2
Loans and receivables	778	4	–	–	782	1	0	–	–	1
Total	**15,296**	**257**	**–**	**–**	**15,553**	**3**	**0**	**–**	**–**	**3**

Cumulative loss allowances on financial assets measured at fair value through other comprehensive income did not change significantly in the reporting period or in the prior-year period.

Disclosures for off-balance sheet commitments

The following table shows the nominal amounts of loan commitments and the maximum guarantee amounts of financial guarantees (subsequently referred to as nominal amount) as well as the related provisions as at 30 June 2023:

Off-balance sheet liabilities in € m

	Nominal amount					Provisions				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments	29,093	1,218	138	5	30,454	7	7	16	3	33
Financial guarantees	5,313	558	116	12	5,999	3	7	32	2	44
Total	**34,406**	**1,776**	**254**	**17**	**36,453**	**10**	**14**	**48**	**4**	**77**

The following table shows the figures as at 31 December 2022:

Off-balance sheet liabilities in € m

	Nominal amount					Provisions				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments	30,311	1,361	34	2	31,708	8	9	9	0	26
Financial guarantees	5,415	457	117	12	6,001	3	8	41	2	54
Total	**35,726**	**1,819**	**151**	**14**	**37,709**	**11**	**17**	**50**	**2**	**80**

The following table shows the change in provisions for loan commitments and financial guarantees during the reporting period:

Off-balance sheet liabilities in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments					
As at 1.1.2023	**8**	**9**	**9**	**0**	**26**
Total change in provision due to transfers between stages	3	–3	–0	–	–
Transfer to stage 1	3	–3	–0	–	–
Transfer to stage 2	–0	0	–0	–	–
Transfer to stage 3	–0	–0	0	–	–
Additions	4	11	14	4	34
New loan commitments originated	2	0	–	–	2
Other additions	3	11	14	4	31
Reversals	–8	–10	–7	–1	–27
Utilisations (drawdown under loan commitment)	–4	–9	–0	–0	–12
Other reversals	–5	–2	–7	–1	–15
Changes due to currency translation and other adjustments	–0	–0	0	–	–0
As at 30.6.2023	**7**	**7**	**16**	**3**	**33**
Financial guarantees					
As at 1.1.2023	**3**	**8**	**41**	**2**	**54**
Total change in provision due to transfers between stages	1	–2	0	–	–
Transfer to stage 1	2	–2	–	–	–
Transfer to stage 2	–0	0	–	–	–
Transfer to stage 3	–	–0	0	–	–
Additions	2	4	20	–	27
New financial guarantees originated	0	0	8	–	9
Other additions	2	3	12	–	18
Reversals	–4	–3	–29	–0	–36
Changes due to currency translation and other adjustments	0	–0	0	–	–0
As at 30.6.2023	**3**	**7**	**32**	**2**	**44**

The following table shows the changes during the prior-year period:

Off-balance sheet liabilities in € m

	Stage 1	Stage 2	Stage 3	POCI	Total
Loan commitments					
As at 1.1.2022	**8**	**12**	**6**	**0**	**27**
Total change in provision due to transfers between stages	2	–2	–0	–	–
Transfer to stage 1	2	–2	–0	–	–
Transfer to stage 2	–0	0	–0	–	–
Transfer to stage 3	–0	–0	0	–	–
Additions	15	21	10	0	46
New loan commitments originated	13	2	–	–	15
Other additions	2	19	10	0	31
Reversals	–16	–20	–3	–0	–39
Utilisations (drawdown under loan commitment)	–7	–7	–1	–0	–15
Other reversals	–9	–14	–2	–0	–24
Changes due to currency translation and other adjustments	0	0	–	–	0
As at 30.6.2022	**9**	**11**	**13**	**0**	**34**
Financial guarantees					
As at 1.1.2022	**4**	**15**	**26**	**–**	**44**
Total change in provision due to transfers between stages	1	–1	1	–	–
Transfer to stage 1	1	–1	–	–	–
Transfer to stage 2	–0	0	–	–	–
Transfer to stage 3	–0	–1	1	–	–
Additions	2	4	7	–	14
New financial guarantees originated	1	0	–	–	1
Other additions	2	4	7	–	13
Reversals	–3	–4	–6	–	–13
Changes due to currency translation and other adjustments	0	0	–	–	0
As at 30.6.2022	**4**	**14**	**28**	**–**	**46**

(34) Fair Values of Financial Instruments

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

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 the Helaba Group 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 the Helaba Group and subject to a regular review.

In the case of financial instruments for which no quoted prices are available in active markets on the reporting date, the fair value is determined using generally accepted 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 model	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[1]	Black model, skew barrier model	Exchange rates, yield curves, FX volatilities
Commodity options	Black model	Commodity prices, yield curves, commodity volatilities
Credit derivatives	Discounted cash flow credit/default intensity model	Yield curves, credit spreads
Loans	Discounted cash flow method	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
Fund units/shares	Fund valuation	Net asset values of the funds
Shareholdings	Dividend discount method, net asset value method	Discount rate, expected cash flows

[1] Precious metal options are measured in the same way as currency options. They are reported under commodity options.

Fund units/shares in the equity shares and other variable-income securities measurement category are measured on the basis of net asset values, which are mainly determined by the fund management companies and made available to the unitholders/shareholders. These values can be considered as representative of the fair value. If the latest fair value was determined as at a date other than the reporting date, such value is extrapolated to the reporting date, factoring in current information from the fund management company that has an impact on fair value.

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 model-related measurement uncertainty. 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. Credit risk is taken into account in the form of a measurement adjustment. The measurement adjustment is calculated on the basis of the net exposure and the exposure over time is estimated using a Monte Carlo simulation. 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 the Helaba Group'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). 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 on a rolling basis 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.

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 an observable market price does not exist for a financial instrument, recognised and customary valuation techniques are used for measurement purposes, with all input data being based on observable market data 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 not all input parameters are directly observable on the market, the fair values are calculated using realistic assumptions based on market conditions. This approach is required 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, sector rating credit curves are used to determine the credit spreads; alternatively, if this is not possible, arranger prices are used. Inputs that cannot be observed, particularly the surpluses derived from corporate planning, are also used to measure unlisted shareholdings 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.

At Helaba, transactions are generally allocated to Level 3 if no inputs observable in the market are used in the measurement. If the sole non-observable input is the internal credit rating for the customer and this has only an immaterial effect on fair value, the transaction is allocated to Level 2.

If an input material to the measurement of a financial instrument can no longer be classified under the same level used in the previous measurement, the instrument is reallocated to the relevant level.

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

in € m

	30.6.2023				31.12.2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash on hand, demand deposits and overnight money balances with central banks and banks	**–**	**178**	**–**	**178**	**–**	**207**	**–**	**207**
Demand deposits and overnight money balances at banks	–	178	–	178	–	207	–	207
Trading assets	**1,827**	**9,645**	**426**	**11,898**	**1,369**	**10,624**	**679**	**12,672**
Positive fair values of derivatives	–	8,831	10	8,842	–	9,395	27	9,421
Bonds and other fixed-income securities	1,826	135	25	1,986	1,369	260	–	1,629
Loans and receivables	–	678	391	1,069	–	969	652	1,621
Equity shares and other variable-income securities	2	–	–	2	1	–	–	1
Other financial assets mandatorily measured at fair value through profit or loss	**835**	**1,174**	**557**	**2,567**	**769**	**1,229**	**525**	**2,523**
Positive fair values of derivatives	–	1,019	21	1,039	0	1,067	19	1,086
Bonds and other fixed-income securities	826	21	7	854	762	38	7	806
Loans and receivables	–	40	161	201	–	34	177	211
Equity shares and other variable-income securities	9	95	286	390	7	91	246	344
Shareholdings	–	–	83	83	–	–	75	75
Financial assets designated voluntarily at fair value	**100**	**2,409**	**229**	**2,738**	**104**	**2,511**	**238**	**2,853**
Bonds and other fixed-income securities	100	–	–	100	104	–	–	104
Loans and receivables	–	2,409	229	2,638	–	2,511	238	2,749
Positive fair values of hedging derivatives under hedge accounting	**–**	**164**	**–**	**164**	**–**	**740**	**–**	**740**
Financial assets measured at fair value through other comprehensive income	**11,295**	**3,192**	**642**	**15,129**	**12,526**	**2,396**	**658**	**15,579**
Bonds and other fixed-income securities	11,295	2,958	83	14,336	12,526	2,153	92	14,771
Loans and receivables	–	234	531	765	–	242	539	782
Shareholdings	–	–	28	28	–	–	26	26
Financial assets	**14,058**	**16,762**	**1,855**	**32,674**	**14,768**	**17,706**	**2,099**	**34,573**

On the liabilities side, the breakdown of financial liabilities measured at fair value was as follows:

in € m

	30.6.2023				31.12.2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading liabilities	**73**	**13,917**	**22**	**14,013**	**45**	**13,682**	**27**	**13,754**
Negative fair values of derivatives	0	8,565	22	8,587	0	9,241	27	9,267
Securitised liabilities	–	176	–	176	–	374	–	374
Deposits and loans	–	5,176	–	5,176	–	4,067	–	4,067
Liabilities arising from short-selling	73	–	–	73	45	–	–	45
Negative fair values of non-trading derivatives	**–**	**2,759**	**218**	**2,977**	**–**	**3,181**	**239**	**3,420**
Financial liabilities designated voluntarily at fair value	**–**	**10,440**	**1,087**	**11,527**	**–**	**9,853**	**1,063**	**10,915**
Securitised liabilities	–	6,472	809	7,282	–	5,892	779	6,671
Deposits and loans	–	3,968	278	4,245	–	3,961	284	4,245
Negative fair values of hedging derivatives under hedge accounting	**–**	**811**	**–**	**811**	**–**	**706**	**–**	**706**
Financial liabilities	**73**	**27,928**	**1,327**	**29,328**	**45**	**27,422**	**1,329**	**28,796**

The following tables show transfers from Level 1 and Level 2 to other levels as a result of a change in fair value quality for financial instruments that were held in the portfolio of the Helaba Group as at the reporting date. Other changes in the portfolios at Levels 1 and 2 were attributable to additions, derecognition or measurement changes.

in € m

	30.6.2023				31.12.2022			
	From Level 1 to		From Level 2 to		From Level 1 to		From Level 2 to	
	Level 2	Level 3	Level 1	Level 3	Level 2	Level 3	Level 1	Level 3
Trading assets	**10**	**–**	**21**	**–**	**2**	**–**	**26**	**–**
Bonds and other fixed-income securities	10	–	21	–	2	–	26	–
Other financial assets mandatorily measured at fair value through profit or loss	**2**	**–**	**10**	**0**	**14**	**–**	**–**	**–**
Positive fair values of derivatives	–	–	–	0	–	–	–	–
Bonds and other fixed-income securities	2	–	10	–	14	–	–	–
Financial assets measured at fair value through other comprehensive income	**–**	**–**	**102**	**13**	**63**	**–**	**–**	**5**
Bonds and other fixed-income securities	–	–	102	–	63	–	–	–
Loans and receivables	–	–	–	13	–	–	–	5
Financial assets	**12**	**–**	**132**	**13**	**79**	**–**	**26**	**5**

in € m

	30.6.2023				31.12.2022			
	From Level 1 to		From Level 2 to		From Level 1 to		From Level 2 to	
	Level 2	Level 3	Level 1	Level 3	Level 2	Level 3	Level 1	Level 3
Trading liabilities	**–**	**–**	**–**	**11**	**–**	**–**	**–**	**–**
Negative fair values of derivatives	–	–	–	11	–	–	–	–
Financial liabilities	**–**	**–**	**–**	**11**	**–**	**–**	**–**	**–**

The following tables show the changes in the portfolio of financial instruments measured at fair value and allocated to Level 3, on the basis of class of financial instrument regardless of measurement category. Transfers to or from Level 3 from/to other levels in the measurement hierarchy were made at the carrying amount on the date on which the transfer was carried out. The allocations to the various levels are reviewed quarterly. The tables show the gains and losses as well as the cash flows that have occurred since the beginning of the year or since the allocation to Level 3. The tables also show the net gains or losses on remeasurement of the financial instruments still held in the portfolio as at the reporting date.

The financial assets measured at fair value at Level 3 changed as follows in the reporting period:

in € m

	Positive fair values of derivatives	Bonds and other fixed-income securities	Loans and receivables	Equity shares and other variable-income securities	Shareholdings	Receivables from endowment insurance policies
As at 1.1.2023	**46**	**99**	**1,607**	**246**	**102**	**–**
Gains or losses recognised in the consolidated income statement	−10	−0	4	13	2	–
Loss allowances	–	−0	–	–	–	–
Net trading income	−13	−0	6	–	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	3	−0	−2	13	2	–
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	–	0	–	–	–	–
Gains or losses recognised in other comprehensive income	–	0	3	–	1	–
Additions	0	210	166	30	10	–
Disposals/liquidations	−3	−196	−476	−2	−4	–
Changes due to currency translation	−0	–	0	−0	0	–
Changes in accrued interest	1	0	1	–	–	–
Amortisation of premiums/discounts	−3	1	−2	–	–	–
Transfers from Level 2	1	–	13	–	–	–
Transfers to Level 2	−1	–	−2	–	–	–
Other changes in the portfolio	–	–	0	–	−0	–
As at 30.6.2023	**31**	**114**	**1,313**	**286**	**111**	**–**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	1	−1	−0	15	2	–

In the prior-year period, the financial assets measured at fair value at Level 3 changed as follows:

in € m

	Positive fair values of derivatives	Bonds and other fixed-income securities	Loans and receivables[1]	Equity shares and other variable-income securities	Shareholdings	Receivables from endowment insurance policies
As at 1.1.2022	**185**	**55**	**1,293**	**183**	**103**	**20**
Gains or losses recognised in the consolidated income statement	–12	–0	–118	11	7	–5
Net trading income	21	–	–49	–	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	–33	–0	–69	11	7	–5
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	–	0	–	–	–	–
Gains or losses recognised in other comprehensive income	–	–0	–29	–	–4	–
Additions	1	89	1,114	35	0	–
Disposals/liquidations	–15	–73	–694	–12	–0	–4
Changes due to currency translation	–	–	0	0	0	–
Changes in accrued interest	0	–0	1	–	–	–
Amortisation of premiums/discounts	–6	0	–4	–	–	–
Transfers from Level 2	–	2	5	–	–	–
Transfers to Level 2	–42	–	–0	–	–	–
As at 30.6.2022	**111**	**72**	**1,568**	**217**	**106**	**12**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	–22	0	–27	10	7	0

[1] Prior-year figures adjusted: In the previous year, a disposal of € 36 m within loans and receivables was reported under other changes in the portfolio.

The financial liabilities measured at fair value at Level 3 changed as follows in the reporting period:

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
As at 1.1.2023	**266**	**779**	**284**
Gains or losses recognised in the consolidated income statement	–38	26	1
Net trading income	–13	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	–25	26	1
Gains or losses recognised in other comprehensive income	–	3	0
Additions	1	5	–
Disposals/liquidations	–3	–3	–
Changes due to currency translation	0	–	–
Changes in accrued interest	10	1	–3
Amortisation of premiums/discounts	2	–1	–5
Transfers from Level 2	11	–	–
Transfers to Level 2	–8	–	–
As at 30.6.2023	**240**	**809**	**278**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	27	–25	–1

In the prior-year period, the financial liabilities measured at fair value at Level 3 changed as follows:

in € m

	Negative fair values of derivatives	Securitised liabilities	Deposits and loans
As at 1.1.2022	**127**	**996**	**376**
Gains or losses recognised in the consolidated income statement	145	–122	–38
Net trading income	20	–	–
Gains or losses on other financial assets mandatorily measured at fair value through profit or loss	125	–122	–38
Gains or losses on derecognition of financial instruments not measured at fair value through profit or loss	–	0	–
Gains or losses recognised in other comprehensive income	–	–8	–1
Additions	1	14	–
Disposals/liquidations	–15	–14	–6
Changes in accrued interest	1	1	–1
Amortisation of premiums/discounts	–2	–1	–5
Transfers to Level 2	–41	–2	–
As at 30.6.2022	**217**	**864**	**325**
Gains or losses on financial assets in the portfolio recognised in the consolidated income statement	–138	121	38

As in the prior year, the transfers to or from Level 3 were attributable to changes in the quality of the individual inputs used.

Helaba's model for measuring the Level 3 instruments used inputs producing a price that knowledgeable market participants would apply. In its model considerations, Helaba uses inputs that are preferably observable in a market. In the case of inputs that are not observable in a market, Helaba uses the same assumptions that would be used by market participants for pricing purposes.

The following table provides an overview of the main inputs not observable in a market that were used in the relevant valuation techniques as at 30 June 2023:

in € m

	Assets at Level 3	Liabilities at Level 3	Valuation technique	Key inputs not observable in a market	Range
Derivatives	**31**	**240**			
Equity-/index-related derivatives	2	2	Option pricing model	Dividend estimate with remaining term > 3 years	€ 0 – 137
	12	7	Option pricing model	Equity shares correlation	–5.6 % – 81.9 %
Interest-rate derivatives	16	219	Option pricing model	Interest correlation	–2.7 % – 99.7 %
	1	12	Option pricing model	Term-SOFR	–0.2 % – 0.1 %
Equity shares and other variable-income securities	**286**				
Private equity funds	286		Fund valuation	Net asset values	n.a.
Bonds and other fixed-income securities	**114**		DCF approach	Credit spread	0.0 % – 2.2 %
Securitised liabilities		**809**			
Interest certificates		809	Option pricing model	Interest correlation	–2.7 % – 99.7 %
Loans and receivables	**1,313**				
Promissory note loans	972		DCF approach	Credit spread	0.0 % – 2.2 %
	272		Option pricing model	Credit spread	0.0 % – 1.0 %
	67		Option pricing model	Interest correlation	–2.7 % – 99.7 %
				Credit spread	0.0 % – 1.0 %
Mezzanine receivables	2		Fund valuation	Fair value	n.a.
Deposits and loans		**278**	Option pricing model	Interest correlation	–2.7 % – 99.7 %
Shareholdings	**111**				
Private equity funds	0		Fund valuation	Net asset values	n.a.
Other	49		Income capitalisation approach	Discount rate	8.5 % – 10.2 %
				Expected cash flows	n.a.
	62		Various	Fair value and other	n.a.
Total	**1,855**	**1,327**			

The following table shows the figures as at 31 December 2022:

in € m

	Assets at Level 3	Liabilities at Level 3	Valuation technique	Key inputs not observable in a market	Range
Derivatives	**46**	**266**			
Equity-/index-related derivatives	1	1	Option pricing model	Dividend estimate with remaining term > 3 years	€ 0 – 117
	28	25	Option pricing model	Equity shares correlation	–66.5 % – 85.0 %
Interest-rate derivatives	17	240	Option pricing model	Interest correlation	–5.3 % – 99.7 %
Equity shares and other variable-income securities	**246**				
Private equity funds	246		Fund valuation	Net asset values	n.a.
Bonds and other fixed-income securities	**99**		DCF approach	Credit spread	0.0 % – 4.0 %
Securitised liabilities		**779**			
Interest certificates		779	Option pricing model	Interest correlation	–5.3 % – 99.7 %
Loans and receivables	**1,607**				
Promissory note loans	1,243		DCF approach	Credit spread	0.0 % – 3.0 %
	283		Option pricing model	Credit spread	0.0 % – 0.4 %
	72		Option pricing model	Interest correlation	–5.3 % – 99.7 %
				Credit spread	0.0 % – 0.8 %
Mezzanine receivables	3		Fund valuation	Fair value	n.a.
Other	6		Various	n.a.	n.a.
Deposits and loans		**284**	Option pricing model	Interest correlation	–5.3 % – 99.7 %
Shareholdings	**102**				
Private equity funds	0		Fund valuation	Net asset values	n.a.
Other	47		Income capitalisation approach	Discount rate	8.4 % – 9.9 %
				Expected cash flows	n.a.
	54		Various	Fair value and other	n.a.
Total	**2,099**	**1,329**			

In the case of those market inputs used that are not directly observable in a market, it is possible to use alternative inputs that knowledgeable market participants could apply to identify more advantageous or more disadvantageous prices. The following section describes how fluctuations in unobservable inputs may impact fair values of financial instruments. In this context, fluctuations are determined either on the basis of sensitivities or by recalculating fair values applying the alternative inputs that could be used.

The Helaba Group uses correlations to measure derivatives, issued certificates, deposits, and loans. Correlations are unobservable market parameters used in model calculations of fair value for financial instruments with more than one reference value. Correlations describe the relationship between these reference values. A high degree of correlation means that there is a strong relationship between the performance of the respective reference values. Structured interest rate derivatives are typically entered into exclusively to hedge structured interest rate issues in the banking book, or to hedge structured customer transactions. Furthermore, structured equity derivatives – where correlations must be taken into account as market parameters – are usually entered into exclusively in connection with the corresponding retail issues; such items are closed with back-to-back hedges. The changes in the fair values of the hedging instrument and the hedged item that are attributable to the relevant parameter (interest, equity share or commodity correlation) offset each other.

In the case of equity derivatives with underlyings involving dividend distributions, future dividends are included in the valuation. However, no dividend estimates are directly observable on the market for securities with a remaining term of more than three years. To determine the impact on fair values of dividend projections for items with a remaining term of more than three years, a premium or discount of 50 % was applied to the dividend estimates used. This only resulted in immaterial differences, as was also the case at 31 December 2022.

The credit spread is a key input in a model-based measurement of the fair value of bonds and other fixed-income securities and of the promissory note loans reported under loans and receivables. Interest-bearing securities are allocated to Level 3 if it is not (or not with reasonable assurance) possible to derive the credit spread as an input parameter from market data. For this reason, the sensitivity analysis applied to interest-bearing securities includes an examination of the potential impact from credit spread changes. Helaba determines credit spread standard deviations for all required sector-rating-combinations based on one-year history files of sector curves from the CDS or bond market. The determined standard deviations are allocated to Level 3 securities – based on sector and rating – and then multiplied by the credit spread sensitivity of the respective security. The result is the fair value adjustment for the relevant security exposure if the valuation spread increases or declines by the 1-year standard deviation. Fair values calculated here could be up to € 6 m (31 December 2022: € 8 m) higher or lower.

Under the reform of interbank offered rates (IBOR reform), benchmark interest rates were replaced with risk-free overnight rates (RFRs). For US dollar-denominated transactions, the RFR is SOFR (Secured Overnight Financing Rate). SOFR is based on an active market with liquid and observable market quotations. Forward-looking rates (Term SOFR) can be calculated from the daily SOFR rates. There are not yet any liquid market quotations for Term SOFR. Term SOFR transactions are therefore classified into Level 3. In the case of derivatives not hedged on a back-to-back basis, the effects were calculated using the standard deviation of the historical curve differences. This results in alternative fair values that could be up to € 1 m higher or lower.

In the case of fund units / shares and mezzanine loans, fair values are predominantly determined by the fund management companies on the basis of the fund assets (net asset value) and made available to the unitholders / shareholders. The latest available fair values are adjusted up to the reporting date. If the input factors used are increased by 10 %, this gives rise to alternative fair values that could be € 28 m (31 December 2022: € 23 m) higher. If the input factors used are reduced by 10 %, this gives rise to alternative fair values that could be up to € 27 m (31 December 2022: € 23 m) lower.

In the case of investments in unlisted companies for which fair values are determined using the discounted earnings model, a premium, or discount, of 10 % is applied to all discountable cash flows. This results in an increase, or decline, in fair values of € 5 m (31 December 2022: € 5 m). If the discount rate were to be increased by one percentage point, the calculated fair values would fall by € 5 m (31 December 2022: € 5 m); if the discount rate were lowered by one percentage point, the fair values would rise by € 6 m (31 December 2022: € 7 m). Furthermore, the fair value for some investments in unlisted companies is determined using the net asset value method. If the input factors used are increased or reduced by 10 %, this gives rise to alternative values that could be used. These alternative values could be up to € 6 m (31 December 2022: € 5 m) higher or lower.

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

The following overview compares the fair values of financial assets and liabilities measured at amortised cost with their corresponding carrying amounts as at 30 June 2023.

in € m

	Fair value					
	Level 1	Level 2	Level 3	Total	Carrying amount	Difference
Demand deposits and overnight money balances at central banks and banks	–	41,355	–	41,355	41,355	0
Bonds and other fixed-income securities	287	1,798	–	2,085	2,182	−98
Loans and receivables	–	69,670	55,386	125,056	129,312	−4,256
Financial assets measured at amortised cost	**287**	**112,822**	**55,386**	**168,495**	**172,849**	**−4,353**
Securitised liabilities	3,837	39,873	–	43,710	45,809	−2,099
Deposits and loans	–	80,991	40,266	121,257	124,495	−3,238
Other financial liabilities	–	521	175	696	705	−9
Financial liabilities measured at amortised cost	**3,837**	**121,384**	**40,442**	**165,663**	**171,009**	**−5,346**

The following table shows the figures as at 31 December 2022:

in € m

	Fair value					
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**	**Difference**
Demand deposits and overnight money balances at central banks and banks	–	39,979	–	39,979	39,980	−2
Bonds and other fixed-income securities	144	1,526	–	1,670	1,774	−104
Loans and receivables	–	69,759	55,442	125,201	128,898	−3,697
Financial assets measured at amortised cost	**144**	**111,264**	**55,442**	**166,850**	**170,653**	**−3,803**
Securitised liabilities	3,187	35,655	–	38,842	41,064	−2,222
Deposits and loans	–	76,374	49,681	126,055	129,378	−3,323
Other financial liabilities	–	203	237	440	439	1
Financial liabilities measured at amortised cost	**3,187**	**112,232**	**49,918**	**165,338**	**170,881**	**−5,543**

The portfolios reported under Level 3 mainly consist of development and retail business as well as loans to and receivables from customers who do not have an impeccable credit standing. The deposits and loans include the Helaba Group’s balances under the ECB’s TLTRO III programme. The fair values determined for these transactions are allocated to Level 3.

(35) 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 notional amounts reflect the gross volume of all purchases and sales. These figures are 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 notional amounts and fair values of derivatives were as follows:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Equity-/index-related transactions	**1,210**	**1,965**	**65**	**129**	**60**	**126**
OTC products	1,179	1,934	65	129	60	126
Equity options	1,179	1,934	65	129	60	126
Purchases	593	969	65	129	–	–
Sales	586	965	–	–	60	126
Other transactions	–	1	–	0	–	–
Exchange-traded products	31	30	–	0	–	–
Equity/index futures	31	30	–	–	–	–
Equity/index options	–	1	–	0	–	–
Interest-rate-related transactions	**804,163**	**720,991**	**8,867**	**9,316**	**11,083**	**11,816**
OTC products	795,342	709,498	8,867	9,316	11,083	11,816
Forward rate agreements	12,600	19,600	–	–	–	–
Interest rate swaps	726,213	634,730	8,123	8,508	9,928	10,538
Interest rate options	55,537	55,168	744	809	1,154	1,278
Purchases	21,209	22,572	578	668	62	57
Sales	34,328	32,596	166	140	1,092	1,221
Other interest rate contracts	992	–	0	–	–	–
Exchange-traded products	8,821	11,492	–	–	0	0
Interest rate futures	8,821	11,428	–	–	0	0
Interest rate options	–	64	–	–	–	–
Currency-related transactions	**68,715**	**74,804**	**1,096**	**1,791**	**1,220**	**1,439**
OTC products	68,715	74,804	1,096	1,791	1,220	1,439
Currency spot and futures contracts	44,259	47,711	653	691	629	900
Cross-currency swaps	24,130	26,914	441	1,100	589	538
Currency options	326	178	2	1	2	1
Purchases	163	85	2	1	–	–
Sales	163	94	–	–	2	1
Credit derivatives	**2,857**	**4,499**	**9**	**9**	**13**	**11**
OTC products	2,857	4,499	9	9	13	11
Commodity-related transactions	**390**	**210**	**8**	**1**	**1**	**2**
OTC products	390	210	8	1	1	2
Commodity swaps	28	–	0	–	0	–
Commodity options	362	210	8	1	1	2
Total	**877,335**	**802,467**	**10,045**	**11,247**	**12,375**	**13,394**

Derivatives have been entered into with the following counterparties:

in € m

	Notional amounts		Positive fair values		Negative fair values	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Central banks and banks in Germany	294,710	283,400	3,801	4,358	6,578	7,013
Central banks and banks in the EU (excluding Germany)	66,268	69,344	3,267	3,566	2,266	2,518
Central banks and banks in the rest of the world (excluding EU)	25,339	28,575	737	822	1,051	1,269
Governments, Germany	10,456	11,067	1,061	1,171	298	286
Other counterparties in Germany	27,169	31,566	611	677	1,053	1,130
Other counterparties in the EU (excluding Germany)	14,223	15,401	267	286	502	570
Other counterparties (rest of world, excluding EU)	430,318	351,592	301	367	628	608
Exchange-traded derivatives	8,852	11,523	–	0	0	0
Total	**877,335**	**802,467**	**10,045**	**11,247**	**12,375**	**13,394**

Notional amounts broken down by term to maturity as at 30 June 2023:

in € m

	Up to three months	Three months to one year	One year to five years	More than five years	Total
Equity-/index-related transactions	154	172	884	–	1,210
Interest-rate-related transactions	62,586	106,517	282,271	352,789	804,163
Currency-related transactions	22,797	21,825	19,253	4,839	68,715
Credit derivatives	9	324	2,423	102	2,857
Commodity-related transactions	390	–	–	–	390
Total	**85,935**	**128,838**	**304,831**	**357,730**	**877,335**

The following table shows the notional amounts broken down by term to maturity as at 31 December 2022:

in € m

	Up to three months	Three months to one year	One year to five years	More than five years	Total
Equity-/index-related transactions	268	374	1,321	2	1,965
Interest-rate-related transactions	41,606	82,507	253,217	343,660	720,991
Currency-related transactions	28,627	20,234	20,796	5,147	74,804
Credit derivatives	21	387	4,042	49	4,499
Commodity-related transactions	210	–	–	–	210
Total	**70,731**	**103,502**	**279,377**	**348,858**	**802,467**

(36) Issuing Activities

The following table provides an overview of changes in the Helaba Group's securitised funding during the reporting period:

in € m

	Measured at amortised cost		Mandatorily measured at fair value through profit or loss		Voluntarily designated at fair value		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Balance as at 1.1.	**41,064**	**44,363**	**374**	**264**	**6,671**	**6,509**	**48,109**	**51,136**
Additions from issues	62,785	36,785	98	89	585	1,145	63,468	38,019
Additions from reissue of previously repurchased instruments	2,575	3,297	–	–	25	7	2,601	3,304
Redemptions	–59,631	–36,418	–302	–243	–92	–166	–60,025	–36,826
Repurchases	–1,166	–4,079	–1	–1	–28	–28	–1,195	–4,108
Changes in accrued interest	104	–17	–	–	12	4	116	–13
Changes in value recognised through profit or loss	95	–1,540	7	–7	96	–833	197	–2,379
Credit-risk-related changes in fair value recognised in OCI	–	–	–	–	7	–70	7	–70
Changes due to currency translation and other adjustments	–17	237	1	4	5	8	–11	249
Balance as at 30.6.	**45,809**	**42,628**	**176**	**106**	**7,282**	**6,578**	**53,266**	**49,312**

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 reporting period. The changes in value recognised through profit or loss result from remeasurement gains or losses on financial liabilities that were either accounted for as hedged items or to which the fair value option was applied and from the amortisation of premiums and discounts.

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

in € m

	30.6.2023	31.12.2022
Loan commitments	**30,454**	**31,708**
Financial guarantees	**5,999**	**6,001**
Other obligations	**5,699**	**5,830**
Liabilities from guarantees and warranty agreements (excluding financial guarantees)	3,397	3,524
Placement and underwriting obligations	839	860
Obligations to make further retrospective payments	0	0
Contribution obligations	254	279
Contractual obligations for the acquisition of property and equipment, intangible assets and other assets	205	289
Contractual obligations in connection with investment property	685	598
Litigation risk obligations	1	1
Sundry obligations	318	279
Total	**42,152**	**43,539**

(38) Fiduciary Transactions

in € m

	30.6.2023	31.12.2022
Loans and advances to banks	928	918
Loans and advances to customers	608	610
Equity shares and other variable-income securities	88	88
Shareholdings	70	70
Sundry assets	15	15
Trust assets	**1,708**	**1,701**
Deposits and loans from banks	556	548
Deposits and loans from customers	926	928
Other financial liabilities	227	225
Trust liabilities	**1,708**	**1,701**

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. The trustee loans also include KfW development loans forwarded to Sparkassen and customers to mitigate the effects of the COVID-19 pandemic (KfW-Schnellkredit 2020).

Other Disclosures

(39) 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 unconsolidated 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 period 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.

As at 30 June 2023, Helaba held the following assets in respect of related parties:

in € m

	Unconsolidated subsidiaries	Investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Cash on hand, demand deposits and overnight money balances with central banks and banks	**0**	**–**	**–**	**–**	**0**
Financial assets measured at amortised cost	**7**	**149**	**6,522**	**14**	**6,692**
Loans and receivables	7	149	6,522	14	6,692
Trading assets	**–**	**–**	**170**	**–**	**170**
Positive fair values of derivatives held for trading	–	–	159	–	159
Bonds and other fixed-income securities	–	–	11	–	11
Other financial assets mandatorily measured at fair value through profit or loss	**15**	**11**	**1**	**–**	**26**
Positive fair values of derivatives held for trading	–	–	0	–	0
Shareholdings	15	11	1	–	26
Financial assets designated voluntarily at fair value	**–**	**–**	**514**	**–**	**514**
Loans and receivables	–	–	514	–	514
Financial assets measured at fair value through other comprehensive income	**0**	**–**	**241**	**–**	**241**
Bonds and other fixed-income securities	–	–	212	–	212
Loans and receivables	–	–	29	–	29
Shareholdings	0	–	–	–	0
Shares in equity-accounted entities	**–**	**8**	**–**	**–**	**8**
Sundry assets	**–**	**0**	**115**	**–**	**115**
Total assets	**22**	**168**	**7,563**	**14**	**7,767**

The following table shows the figures as at 31 December 2022:

in € m

	Unconsolidated subsidiaries	Investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Cash on hand, demand deposits and overnight money balances with central banks and banks	**2**	**–**	**–**	**–**	**2**
Financial assets measured at amortised cost	**8**	**148**	**6,734**	**14**	**6,904**
Loans and receivables	8	148	6,734	14	6,904
Trading assets	**–**	**–**	**201**	**–**	**201**
Positive fair values of derivatives held for trading	–	–	196	–	196
Bonds and other fixed-income securities	–	–	5	–	5
Other financial assets mandatorily measured at fair value through profit or loss	**8**	**12**	**1**	**–**	**21**
Shareholdings	8	12	1	–	21
Financial assets designated voluntarily at fair value	**–**	**–**	**577**	**–**	**577**
Loans and receivables	–	–	577	–	577
Financial assets measured at fair value through other comprehensive income	**0**	**–**	**250**	**–**	**250**
Bonds and other fixed-income securities	–	–	221	–	221
Loans and receivables	–	–	29	–	29
Shareholdings	0	–	–	–	0
Shares in equity-accounted entities	**–**	**11**	**–**	**–**	**11**
Sundry assets	**–**	**0**	**115**	**–**	**115**
Total assets	**18**	**170**	**7,877**	**14**	**8,080**

The liabilities and off-balance sheet commitments to related parties as at 30 June 2023 were as follows:

in € m

	Unconsolidated subsidiaries	Investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Financial liabilities measured at amortised cost	**152**	**21**	**2,563**	**5**	**2,742**
Deposits and loans	152	21	2,563	5	2,742
Other financial liabilities	0	–	0	–	0
Trading liabilities	**–**	**–**	**1,349**	**–**	**1,349**
Negative fair values of derivatives held for trading	–	–	142	–	142
Deposits and loans	–	–	1,207	–	1,207
Financial liabilities designated voluntarily at fair value	**–**	**–**	**53**	**–**	**53**
Deposits and loans	–	–	53	–	53
Provisions	**0**	**0**	**16**	**0**	**17**
Total liabilities	**152**	**22**	**3,982**	**5**	**4,161**
Loan commitments	2	102	728	0	831
Financial guarantees	–	0	16	–	17
Total off-balance sheet commitments	**2**	**102**	**744**	**0**	**848**

The following table shows the figures as at 31 December 2022:

in € m

	Unconsolidated subsidiaries	Investments in joint ventures and associates	Helaba shareholders	Other related parties	Total
Financial liabilities measured at amortised cost	**152**	**18**	**3,118**	**8**	**3,296**
Deposits and loans	152	18	3,118	8	3,296
Other financial liabilities	0	–	0	–	0
Trading liabilities	**–**	**0**	**121**	**–**	**121**
Negative fair values of derivatives held for trading	–	0	121	–	121
Financial liabilities designated voluntarily at fair value	**–**	**–**	**54**	**–**	**54**
Deposits and loans	–	–	54	–	54
Provisions	**0**	**0**	**10**	**13**	**23**
Total liabilities	**152**	**18**	**3,303**	**21**	**3,493**
Loan commitments	2	96	997	0	1,096
Financial guarantees	–	0	10	–	10
Total off-balance sheet commitments	**2**	**96**	**1,007**	**0**	**1,106**

Standard banking transactions with related parties gave rise to income and expenses in the lending, deposits, investment and derivatives businesses. As at 30 June 2023, net interest income generated from related parties amounted to a total of € 18.1 m (H1 2022: € 41 m). Standard banking services produced net fee and commission income of € 35.3 m (H1 2022: € 30 m). In addition, derivative transactions are entered into with related parties, mainly to hedge interest rate risk. Interest income of € 6.8 m (H1 2022: € 27 m) was generated from interest-rate derivatives. This item was reported under net trading income. In accordance with IFRS, derivatives are measured at fair value through profit or loss; unrealised effects from changes in fair value reported in net trading income are matched by corresponding countervailing transactions with other customers as part of overall bank management.

(40) Members of the Executive Board

Thomas Groß – CEO –	Helaba Chief Executive Officer and Chief Financial Officer (CEO and CFO) and Dezernent (Board member) with responsibility for Group Steering, Human Resources and Legal Services, Finance, Group Audit, Frankfurter Sparkasse and Frankfurter Bankgesellschaft
Dr. Detlef Hosemann – until 30 November 2023 –	Helaba Chief Risk Officer (CRO) and Dezernent (Board member) with responsibility for Risk Control, Credit Risk Management, Restructuring & Recovery and Compliance
Hans-Dieter Kemler	Dezernent (Board member) with responsibility for Corporate Banking, Capital Markets, Treasury, Sales Controlling Corporates & Markets and Helaba Invest
Frank Nickel	Dezernent (Board member) with responsibility for Savings Banks and SME, Public Sector, WIBank, LBS, and Sales Controlling S-Group
Christian Rhino	Helaba Chief Information Officer and Chief Operating Officer (CIO and COO) and Dezernent (Board member) with responsibility for Information Technology, Organisation and Operations
Christian Schmid	Dezernent (Board member) with responsibility for Real Estate Finance, Asset Finance, Portfolio and Real Estate Management, GWH Immobilien Holding GmbH, OFB Projektentwicklung GmbH and Branch Management New York and London

(41) Report on Events After the Reporting Date

There were no significant events after 30 June 2023.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt am Main / Erfurt, 8 August 2023

Landesbank Hessen-Thüringen Girozentrale

The Executive Board

Groß	Dr. Hosemann	Kemler
Nickel	Rhino	Schmid

Review Report

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

We have reviewed the interim condensed consolidated financial statements of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main / Erfurt, which comprise the consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, condensed consolidated cash flow statement and selected explanatory notes, as well as the interim group management report for the period from 1 January 2023 to 30 June 2023, which are part of the half-year financial report pursuant to Sec. 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The executive directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company's employees and analytical assessments, and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot issue an auditor's report.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Eschborn / Frankfurt am Main, 8 August 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Binder	Alt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Helaba Addresses

Helaba Addresses

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