



Half-Yearly Financial Report

2010



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**HELABA RATINGS**

(at: 25 August 2010)

	Moody's Investors Service	FitchRatings	Standard & Poor's Corp.
Long-term rating	Aa2	A+*	A*
Short-term rating	P-1	F1+*	A-1*
Public Pfandbriefe	Aaa	AAA	AAA
Mortgage Pfandbriefe	–	AAA	–
Financial strength/individual rating	C-	B/C*	–

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

**RATINGS FOR HELABA LIABILITIES THAT ARE COVERED  
BY STATUTORY GUARANTEE (GRANDFATHERING)\*\***

	Moody's Investors Service	FitchRatings	Standard & Poor's Corp.
Long-term rating	Aaa	AAA	AA
Public Pfandbriefe	Aaa	AAA	AAA
Mortgage Pfandbriefe	Aaa	AAA	AA

\*\* The statutory guarantee applies indefinitely to all liabilities in place on 18 July 2001. Coverage for liabilities created in the transitional period between 19 July 2001 and 18 July 2005 ceases on 18 July 2005 unless the term of the liabilities affected does not extend beyond 31 December 2015.

## THE HELABA GROUP IN FIGURES

Performance figures	1.1.–30.6.	1.1.–30.6.	Change	
	2010	2009*	in € million	in %
Net interest income after risk provisioning	492	493	–1	–0.2
Net commission income	131	112	19	17.0
Administrative expenses	–516	–505	–11	–2.2
Net profit before taxes	129	245	–116	–47.3
Net profit after taxes	95	185	–90	–48.6
Return on equity before taxes	5.1 %	11.6 %		
Cost/income ratio	80.4 %	65.0 %		

\* Adjusted from last year's figures.

Balance sheet figures	30.6.2010	31.12.2009	Change	
	in € million	in € million	in € million	in %
Loans and advances to banks	16,377	14,819	1,558	10.5
Loans and advances to customers	89,881	87,468	2,413	2.8
Trading assets	46,360	42,805	3,555	8.3
Noncurrent financial assets and shares in companies valued using the equity method	17,314	16,801	513	3.1
Liabilities to banks	33,844	33,214	630	1.9
Liabilities to customers	41,836	41,891	–55	–0.1
Securitised liabilities	40,068	38,505	1,563	4.1
Trading liabilities	49,289	42,112	7,177	17.0
Equity	4,978	4,898	80	1.6
Total assets	180,683	169,901	10,782	6.3

Key indicators for regulatory purposes	30.6.2010	31.12.2009	Change	
	in € million	in € million	in € million	in %
Risk-weighted assets	64,988	61,313	3,675	6.0
Core capital ratio	8.5 %	8.8 %		
Total capital ratio	12.9 %	13.5 %		



02	<b>Helaba Ratings</b>
03	<b>The Helaba Group in Figures</b>
06	<b>Preface</b>
09	<b>Group Interim Management Report</b>
25	<b>Interim Financial Statements</b>
26	Contents
28	Income Statement
29	Statement of Recognised Income and Expense
30	Balance Sheet
32	Statement of Changes in Shareholders' Equity
33	Cash Flow Statement
34	Notes
72	Declaration of the Statutory Representatives
73	Review Report
74	<b>Landesbank Hessen-Thüringen Addresses</b>

Published by  
Helaba  
Landesbank Hessen-Thüringen Girozentrale,  
Frankfurt am Main/Erfurt, Germany

Photographer  
Andreas Pohlmann, title page image  
Frank Hüter, p. 7

Design, setting and artwork by  
Peter Schmidt Group, Hamburg

Printed by  
Offsetdruck Raff, Riederich

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## Helaba: half-yearly results depressed by valuation effects Profit forecast for 2010 unchanged

Ladies and Gentlemen,

Helaba Landesbank Hessen-Thüringen finished the first six months of the year with a Group net profit before taxes under IFRS of € 126 m. Net profit after taxes was down on the previous year (€ 185 m) at € 95 m. The two quarters of the year so far have produced wildly contrasting business conditions and results. Our operating customer business flourished in the first quarter, which brought contracting risk premiums and positive valuation effects. The positive trend in customer business actually continued through the second quarter as well, but the benefits were obscured by negative trends in the financial markets that led to significant increases in risk premiums on securities and credit derivatives. We carry the majority of our securities portfolio in the trading book, so these developments had a visible negative effect on our income statement. We consider these negative valuation effects to be only temporary, however, as our securities portfolios remain as unlikely as ever to default and had already made up much of the ground lost by the end of August. This means that we have no reason to reduce our profit forecast and I continue to expect Group net profit for fiscal 2010 to end up just short of last year's figure provided we are spared any more irrational turbulence in the markets.

### **Income statement – net interest income after risk provisioning up, net trading income and net income from hedging activities/derivatives suffer**

The good progress made in operating customer business is just one of three major factors evident in the Helaba Group's income statement for the period. Net interest income after risk provisioning increased by almost 12 % to € 358 m, not least because better news from the real economy led loan loss provisions to fall for the first time since the onset of the crisis in the financial markets. Results from capital market activities are considerably more subdued as a result of the great volatility of the markets and, most notably, their dramatic reaction to assessments of the risks faced by certain members of the eurozone in the second quarter. Net trading income, the great bulk of which stems from Helaba's core banking operations, slipped back from € 120 m in the previous year to just € 33 m. Net income from hedging activities and derivatives also suffered, falling from € 67 m to –€ 50 m. Both of these developments had a pronounced impact on Helaba's net income trend.

### **Proportion of loans and advances to customers on the balance sheet remains stable**

Helaba's consolidated total assets rose to €180.7 bn (31 December 2009: € 169.6 bn). Loans and advances to customers remains the largest item on the assets side at approximately € 90 bn, making up 50 % of total assets. The volume of medium- and long-term new business fell somewhat short of the previous year's figure (€ 5.3 bn) at € 4.8 bn. We are nevertheless confident that we will be able to realise new business in the € 10 to 11 bn range as planned for 2010 as a whole.

Helaba raised € 6 bn of medium and long-term funding in the capital market during the first six months of the year. Pfandbrief business led the way, contributing € 2.3 bn in total. This includes a single € 1 bn jumbo Pfandbrief issue, which was several times oversubscribed and had the lowest risk premium seen since the beginning of the financial crisis.

The Helaba Group has a Tier 1 capital ratio of 8.5 % and a total ratio of 12.9 %, meaning that our capital resources are entirely appropriate to our business model and risk structure.

### **Strategic business projects on track**

All private banking activities within the Helaba Group are to be brought together in a single unit on 1 September 2010. LB(Swiss) Privatbank AG has acquired all Frankfurter Bankgesellschaft AG shares and Helaba Trust Beratungs- und Management-Gesellschaft mbH has been merged with Frankfurter Bankgesellschaft. These measures ultimately aim to make the new Frankfurter Bankgesellschaft the German Sparkassen-Finanzgruppe's first port of call for international private banking and wealth management.

The Bank has also been making strong progress in business with Sparkassen outside its core region of Hesse and Thuringia. Sales of structured bonds for Sparkasse retail business rose sharply and demand for Helaba products and services designed to help the Sparkassen with interest rate and currency management and marketing management in customer securities business also increased again. The Bank counts around 250 Sparkassen outside the Hesse/Thuringia region among its customers.

**Profit forecast for 2010 unchanged**

The present upturn in the economy and its positive impact on the creditworthiness of our customers leads me to expect loan loss provisions to level off over the course of 2010 as a whole for the first time since the onset of the crisis in the financial markets. The losses on valuation recorded in the second quarter have proved to be only temporary and much of the ground lost in the run-up to the reporting date has already been recovered. Given the steady development of customer business and the general improvement in economic conditions, I believe Helaba remains squarely on course for another successful year and see no reason to change my forecast for fiscal 2010 as a whole of a Group net profit just short of the previous year's figure.

The Helaba Group thrives on the confidence shown in us by our customers, the backing we receive from our owners and the skills and dedication demonstrated every day by our people. Thank you for making us the healthy and robust institution we remain.

Yours sincerely,



A handwritten signature in black ink that reads "Hans-Dieter Brenner". The signature is written in a cursive, flowing style.

Hans-Dieter Brenner  
Chairman of the Board of Managing Directors



# GROUP INTERIM MANAGEMENT REPORT

# Group Interim Management Report

## Business Activity

Helaba has a stable strategic business model with a long-term focus. The Bank is tightly woven into the real economy, as evidenced by its commercial alliance with the Sparkassen in Hesse and Thuringia and the fact that loans and advances to customers make up 50 % of its total assets. The economic climate has improved appreciably in the course of the year, and the operating customer business of Helaba has continued to perform positively. This is true of both wholesale business and private customers and SME business. Loans and advances to customers throughout the Group increased by € 2.4 bn (+2.8 %) to € 89.9 bn in the first six months of the current financial year. Under operating result, net interest income in the first six months was unchanged compared with the prior-year figure, despite the fact that interest rates continued to be at an all-time low on the money and capital markets, and net commission income has increased significantly (+17 %). In addition, risk provisioning in lending business has declined slightly for the first time since the outbreak of the financial market crisis.

Contributions to operating results in the first half of 2010 are overshadowed by the development trends on the financial markets. The mood in the markets changed markedly from the first quarter to the second and this made for considerable volatility in Helaba's income statement on account of the fact that it holds most of its securities, including those required for maintaining liquidity, in the trading book. The first three months of 2010 were characterised by narrowing spreads and positive valuation effects, but with the value of the US Dollar increasing substantially, the tide turned in the second quarter as the financial markets became concerned about the national debt of certain member states of the European Union and the associated implications for banks in the countries affected. These currency and spread movements led to valuation adjustments in Helaba's income statement on the half-yearly reporting date as compared with both the previous year and the first quarter of 2010; however there has been no change in the probability of the portfolios concerned defaulting, which remains low, and the effects recorded are considered to be of a temporary nature. When the market returns to normal, which developments since the half-year point suggest it may now be doing, these valuation adjustments will be reversed accordingly.

Pre-tax consolidated net income of Helaba amounted to € 129 m for the first six months of the year. This is equivalent to a decline of € 116 m compared with the first half of 2009. Pre-tax consolidated net income at the end of the first quarter of 2010 amounted to € 133 m. Consolidated net income after tax amounted to € 95 m as of 30 June 2010 (prior-year period: € 185 m; first quarter of 2010: € 93 m). As a result of the positive economic developments and the good risk profile of Helaba, the necessary addition to risk provisioning in lending business in the first half of 2010 amounted to € 134 m (prior-year period: € 173 m; first quarter of 2010: € 129 m). On the other hand, as a result of the widening of spreads on the financial markets which occurred in the second quarter of 2010, net trading income (€ 33 m; prior-year period: € 120 m; first quarter of 2010: € 117 m) and net income from hedges, the result of derivatives not held for trading and financial instruments of the fair value option (a total of € -50 m; previous year: € 67 m; first quarter of 2010: € 21 m) declined appreciably, and were overall the main factors which dominated the development in results in the first half of 2010.

The strategic business model of Helaba is based on three corporate units: Wholesale Business; Private Customers and SME Business; and Public Development and Infrastructure Business.

In the Wholesale Business unit, Helaba focuses its activities on the six core business areas of Real Estate, Corporate Finance, Financial Institutions and Public Finance, Global Markets, Asset Management and Transaction Business.

Helaba's S-Group Bank function, which is part of the "Private Customers and SME Business" unit, serves as a central product supplier and service provision platform for the S-Group Sparkassen in Hesse and Thuringia. All products and customers in the joint business area are covered by the business model of the "economic entity" with the S-Group Sparkassen. This division of labour is reflected in an S-Group ratio of 75%. Helaba has also been able to expand its market position in nationwide S-Group business with Sparkassen. Via the legally dependent Landesbausparkasse Hessen-Thüringen, Helaba holds a leading position in home loan and savings business in both of these federal states. Frankfurter Sparkasse, a wholly-owned subsidiary of Helaba, is the market leader in retail banking in the Frankfurt/Main region. Via Frankfurter Sparkasse and its sales company 1822direkt, the Helaba Group also has a significant base in national direct banking business.

In the "Public Development Activities and Infrastructure Business" unit, Helaba performs public development tasks, particularly in the areas of housing and municipal development, infrastructure, the economy, agriculture and the environment, via "Wirtschafts- und Infrastrukturbank Hessen" (WIBank) on behalf of the Federal State of Hesse. WIBank enjoys the statutory guarantee of the Federal State of Hesse, and operates in accordance with the principle of competition neutrality and is tax exempt. In the field of economic development, Helaba holds equity interests in numerous other development institutions in Hesse and Thuringia.

In parallel with the continued establishment of the single European market, Helaba has in recent years selectively continued to strengthen its sales activities in the countries of the European Union (EU) beyond its German core market. Helaba is represented in the EU with offices in London, Madrid, Paris and Dublin. It also has a direct market presence in the USA via its New York branch, its international representative offices in Moscow and Shanghai and also via the subsidiary LB(Swiss) Privatbank AG in Zurich.

Given the underlying economic conditions and in keeping with its long-term business philosophy, Helaba continued to keep a close eye on risks related to new business in the first half of 2010. With a closing volume of € 4.8 bn in new medium- to long-term business entered into, the Bank was available to its customers as a lender. New business focused on real estate lending business and also on corporate finance business. In addition, Helaba offered its capital market clients active support in placing debt instruments and bonds. During the first half of 2010, the Bank acted as arranger or lead/co-lead manager for a total of 35 issue projects for corporate clients, banks and German federal states.

In the first half of 2010, Helaba raised € 6 bn in medium- and long-term funds on the capital market. Of this figure, € 3.7 bn was attributable to unsecured issue products, and € 2.3 bn was attributable to public Pfandbriefe. In the second quarter of 2010, Helaba issued a public Jumbo Pfandbrief with a volume of € 1 bn; this was placed with a maturity of seven years and a very attractive spread. Private customer deposits, particularly via the subsidiary Frankfurt Sparkasse, represented a further diversification of the Group's sources of funding. The rating agencies Standard & Poor's, Moody's Investors Service and Fitch maintained their ratings for Helaba's long-term unsecured liabilities at A, Aa2 and A+ and at A-1, P-1 and F1+ for current liabilities in the first half of 2010. These ratings have thus remained constant since the abolition of the German maintenance obligation (Anstaltslast) and statutory guarantee (Gewährträgerhaftung) in mid-2005 even in the face of the financial market crisis.

#### **Macro-economic and sector-specific conditions**

The German economy has produced a very dynamic performance in the first half of 2010. The position in industry in particular has improved appreciably thanks to strong global demand. Exports are proving to be the mainstay of the economic recovery. Asia and Latin America are more than compensating for the

weak demand emanating from the euro periphery countries. The investment cycle has also sprung into life. Companies are expanding their capital spending as a result of rising capacity utilisation levels and the currently low level of interest rates. In 2010, following the good data posted for the first six months, Germany will be able to achieve GDP growth of 3%.

The packages of measures adopted in the early summer at the European and international levels to limit the new borrowing requirement of certain European countries, in particular the € 750 bn financial rescue scheme agreed for EU countries, brought stability to the financial markets, which appeared for much of the second quarter to be spiralling into crisis again, by the middle of 2010 and the market started to settle down. The results of the bank stress tests carried out at the European level (CEBS) in July 2010 also helped in this regard.

At the level of the G20 countries and also within the framework of the Basel Committee on Banking Supervision of the central bank governors, major regulatory changes are expected to be agreed in the autumn of 2010 for the future liquidity and capital backing of credit institutions as well as appropriate transitional periods to enable the agreement to come into force. Depending on the specific form and the extent of harmonised procedure in the individual countries, this might have a considerable impact internationally on the future structures of competition in the banking industry. The discussions concerning the intended introduction of a bank tax in Germany are also having a negative impact on the German banking sector. There is also considerable uncertainty with regard to the potential impact of the EU's plans to harmonise the previously mainly national deposit protection schemes on the bank protection systems of the German Sparkassen organisation. Exacerbated by the restructuring measures which have been initiated by the affected banks in connection with state aid and the related refocusing of business models, the German banking sector is currently undergoing a process of structural change.

## Business Developments in the First Six Months of 2010

### Earnings

Earnings at Helaba in the first half of 2010 reflect both the good progress made in operating business and the negative effects of volatile earnings components that are subject to market valuation. Problems have resulted particularly from the uncertainty surrounding the high level of national debt in some EU countries, which became more serious in the second quarter; these problems were reflected not only in the form of widening credit spreads but also in a considerably weaker euro. Moreover, compared with the first half of the previous year, it has to be borne in mind that the recoveries in the values of securities and derivatives, which featured significant valuation adjustments as a result of the financial market crisis in 2007/2008, were much lower than was the case in the previous year. This is also due to the fact that, because of its conservative risk profile, Helaba was less affected by the crisis than was the case at other institutions. Earnings before tax at € 129 m (prior-year period: € 245 m) were lower than expected. After tax, consolidated net income is reported as € 95 m (prior-year period: € 185 m). The individual items in the income statement have developed as follows.

Net interest income of € 492 m is roughly unchanged compared with the previous year figure of € 493 m. The margins achievable in lending business were offset by liquidity costs. Net interest income attributable to retail operations of Frankfurter Sparkasse has declined slightly compared with the previous year, but still accounts for more than one quarter of total net interest income. Net interest income has increased particularly in the segments of Real Estate, Financial Markets and Asset Management.

Risk provisioning in lending business has declined as a result of the state of the economy, and is stated as € –134 m (prior-year period: € –173 m). Net additions of € 113 m were made in relation to individual allowances and global individual allowances. The portfolio allowance created for loans which are not exposed to an acute default risk remained constant, with a net reversal of € 1 m. The balance of direct write-downs, additions to provisions for losses on loans and advances and amounts received in relation to previously written down loans amounted to € 22 m. We increased risk provisioning as compared with the same period in the previous year in the Real Estate segment in particular, but were able to reduce risk provisioning in the Corporate Finance segment.

Net interest income after provisions for losses on loans and advances has increased to € 358 m compared with € 320 m in the first half of the previous year.

Net commission income is stated as € 131 m (prior-year period: € 112 m). This increase is mainly attributable to the merger of the former Investitionsbank Hessen with the present-day WIBank in August 2009 and the contribution of LB(Swiss) Privatbank AG, which has been fully consolidated since December 2009.

The level of uncertainty on the markets increased in the second quarter, and capital market activities consequently achieved a much more moderate performance than was the case in the previous year and in the first quarter of 2010. Net trading income amounted to € 33 m (prior-year period: € 120 m). The decline is attributable partly to lower recoveries in value in relation to valuation losses accumulated since the financial market crisis in 2007/2008 and partly to the widening of credit spreads of highly indebted countries and the considerably weaker euro, which have caused temporary negative valuation effects that were not fully offset by the positive results from customer business. Trading activities were conducted mainly by the Bank itself.

In the same way as net trading income, the result of derivatives not held for trading and financial instruments of the fair value option has also been affected by market valuation. Whereas a result of € 43 m was achieved in the first half of the previous year, this figure amounted to € –54 m in the reporting period. This is mainly due to valuation losses in relation to credit derivatives of the banking book, which showed a gain on valuation in the prior-year period. In addition, the result is also affected by economic hedges with financial assets of the category available-for-sale, which in the first half of 2010 reported a gain on valuation of € 123 m that has to be reported directly in equity. Net income from hedges, in which the ineffective part of micro hedges is shown, is stated as € 4 m (prior-year period: € 24 m).

Net income from noncurrent financial assets improved from € –17 m to € 3 m. The realised disposal profits of € 12 m from available-for-sale securities exceeded the disposal losses of € 11 m. The balance of rating-related write-downs and write-ups is € 2 m (prior-year period: € –11 m). Associates and joint ventures which are accounted for using the equity method made a contribution to earnings of € –4 m (prior-year period: € 2 m).

Other operating income amounted to € 174 m, compared with a figure of € 146 m in the prior-year period. This is mainly attributable to higher rental income from real estate, in line with the increase in holdings in the second half of 2009.

The increase in administrative expenses to € 516 m (prior-year period: € 505 m) is mainly due to the merger of Investitionsbank Hessen (which was previously accounted for using the equity method) and LTH – Bank für Infrastruktur (known thereafter as WIBank), which was completed in August 2009, and the initial consolidation of LB(Swiss) Privatbank AG, which was completed at the end of 2009. This has meant that personnel costs have increased from € 244 m to € 266 m. Cost of materials declined to € 250 m (prior-year period: € 261 m).

This includes a figure of € 53 m (prior-year period: € 61 m) for depreciation on property, plant and equipment and intangible assets.

Earnings before tax amounted to € 129 m (prior-year period: € 245 m). The segments Corporate Finance and Frankfurter Sparkasse boosted earnings compared with the first half of the previous year. Net profit declined in the Financial Markets segment in particular.

After deducting the income tax expense (€ 31 m; prior-year period: € 85 m), the result after tax from continued operations amounted to € 98 m (prior-year period: € 160 m). The post-tax result of discontinued operations amounted to € -3 m (prior-year period: € 25 m). This relates to one investment accounted for using the equity method and held for sale. In the previous year, the net profit figure reflected the deconsolidation of two property companies of the HANNOVER LEASING Group. Consolidated net income thus amounts to € 95 m (prior-year period: € 185 m). Of this figure, € -1 m is attributable to external shareholders of consolidated subsidiaries (prior-year period: € 0 m).

#### **Balance sheet**

Consolidated total assets of Helaba increased from € 169.9 bn to € 180.7 bn in the first half of 2010. 50 % of total assets reported on the balance sheet represent loans and advances to customers. Loans and advances to customers increased by € 2.4 bn (3 %) to € 89.9 bn. The increase in loans and advances to banks to € 16.4 bn (31 December 2009: € 14.8 bn) is mainly attributable to cash collateral which has been provided. Trading assets recognised at fair value are stated as € 46.4 bn (31 December 2009: € 42.8 bn). Security portfolios held for trading declined slightly, but the positive market values of derivatives increased strongly. Derivatives not held for trading also rose strongly, so that overall the positive market values of all derivatives increased by € 4.1 bn to € 13.3 bn, particularly as a result of falling long-term interest rates.

A similar situation can be seen on the liabilities side of the balance sheet: liabilities held for trading have increased by € 7.2 bn to € 49.3 bn. Of this increase, € 2.1 bn is attributable to repo transactions, and € 2.8 bn is attributable to negative market values of trading derivatives. Including derivatives not held for trading, the negative market values of derivatives have increased by a total of € 4.2 bn to the current figure of € 13.4 bn. Liabilities due to customers are virtually unchanged at € 41.8 bn (31 December 2009: € 41.9 bn). Securitised liabilities have increased by € 1.6 bn to € 40.1 bn due to issuing activities and changes in exchange rates.

Subordinated capital of € 4.5 bn was unchanged compared with the previous year.

#### **Equity**

At 30 June 2010, the Group's equity amounted to € 5.0 bn (31 December 2009: € 4.9 bn). The increase is mainly attributable to the total result of the first half of € 92 m. The retained earnings include actuarial profits and losses from pension obligations after deferred taxes of € 22 m recognised directly in equity (31 December 2009: € 115 m). After deferred taxes, the revaluation reserve recognised directly in equity increased by € 85 m to € -111 m. Positive exchange rate effects resulted in the currency translation reserve increasing by € 12 m to € 5 m. The cash flow hedge reserve declined by € 5 m to € -14 m. The dividend payment to the owners amounted to € 14 m in the period under review.

With a core capital ratio of 8.5 % (31 December 2009: 8.8 %) and an overall ratio of 12.9 % (31 December 2009: 13.5 %), the Group has adequate liable own funds. This has also been confirmed by the bank stress tests carried out throughout the EU in July 2010.

### Securitisation transactions

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

As of 30 June 2010, the total exposure of the Group to asset-backed securities is broken down according to product types and rating classes as follows:

30 June 2010 in € m	Carrying amount	Volumes according to ratings				
		AAA	AA	A	BBB	BB and below
RMBS	630	58.1 %	31.2 %	9.7 %	0.7 %	0.3 %
CMBS	387	6.5 %	53.2 %	25.4 %	14.7 %	0.2 %
CDO/CLO	627	24.3 %	23.2 %	36.6 %	6.4 %	9.5 %
Other ABS	206	48.5 %	8.5 %	15.5 %	27.5 %	–
<b>Total ABS</b>	<b>1,850</b>	<b>34.8 %</b>	<b>30.6 %</b>	<b>22.8 %</b>	<b>8.4 %</b>	<b>3.4 %</b>

The breakdown as of 31 December 2009 is shown in the following:

31 Dec. 2009 in € m	Carrying amount	Volumes according to ratings				
		AAA	AA	A	BBB	BB and below
RMBS	669	57.2 %	32.7 %	9.0 %	0.9 %	0.3 %
CMBS	394	6.7 %	53.3 %	29.1 %	11.1 %	–
CDO/CLO	755	39.4 %	30.5 %	18.5 %	7.2 %	4.4 %
Other ABS	222	59.3 %	8.6 %	8.5 %	17.9 %	5.4 %
<b>Total ABS</b>	<b>2,040</b>	<b>41.1 %</b>	<b>33.2 %</b>	<b>16.4 %</b>	<b>7.0 %</b>	<b>2.3 %</b>

Until 30 June 2008, the asset-backed securities were measured at fair value and shown under assets held for trading or financial assets. They have since been mostly reclassified, and are shown under loans and advances to customers as of the balance sheet date. Further details are set out in Note (41).

Within the framework of securitisation transactions, liquidity lines are extended; these have been partially drawn down. As of 30 June 2010, liquidity lines of € 0.4 bn existed for external securitisation platforms (31 December 2009: € 0.5 bn); none of these liquidity lines was being utilised as of 30 June 2010 (31 December 2009: € 0.1 bn). The liquidity line made available for OPUSALPHA amounts to € 1.0 bn (31 December 2009: € 1.0 bn); of this figure, € 0.8 bn have been drawn down (31 December 2009: € 0.7 bn).

## Opportunity and Risk Report

The Board of Managing Directors is responsible for all risks incurred by Helaba and for devising a risk strategy consistent with the balance sheet strategy. In compliance with the statutory requirements and the requirements applicable in accordance with the Charter and the regulatory authorities, the risk strategy defines the fundamental procedure for handling risk at Helaba. After it has been adopted, the risk strategy is notified to the Supervisory Board and the Board of Owners, and is also discussed with them.

The risk strategy focuses on taking on risk in a profit-oriented manner, with due consideration being given to the economic and regulatory shareholders' equity, whilst simultaneously assuring liquidity and a conservative risk profile. The risk management system is thus a key component of corporate management.

### Risk types

Risk types which are relevant for Helaba result directly from the Bank's operations. Depending on the probability and significance of the occurrence of such risks, a distinction is made between "major risks" and "other risks" with regard to the management of these risks. Helaba has identified and defined the following main risk types:

- Counterparty default risk
- Market risk
- Liquidity risk
- Operational risk
- Real estate project planning risk
- Fund placement risk
- Equity participation risks

In addition to the major categories of risk, "other risks" comprise strategic risks, reputation risks, tax risks and outsourcing risks.

### Risk bearing capacity

With these procedures for measuring and managing risks, Helaba ensures that the main quantifiable risks which result in losses affecting shareholders' equity if they materialise are constantly covered by the risk cover funds and that risk-bearing capacity is thus guaranteed at all times. The risk-bearing capacity concept of Helaba has been improved as a result of the MaRisk amendment published by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) on 14 August 2009.

The risk-bearing capacity analysis for all risk types comprises potential risks for counterparty default risks, market price risks, operational risks, real estate planning and investment risks. Average loss risks and an internal capital requirement are quantified for the various risk types as part of an economic assessment, and the regulatory expected loss (EL) and the regulatory capital requirement are calculated using the regulatory valuation principles. A capital deduction from the regulatory EL/impairment comparison is taken into consideration for quantifying core capital and total capital.

In addition to risk-bearing capacity based on cover funds, the result of the regulatory interest shock is shown as a parameter in relation to the market risks, and the liquidity horizon is shown as a parameter in relation to the liquidity risks.

In addition to a basic scenario which presents the risk-bearing capacity as of the reporting date, the effects of three different stress scenarios on the risk-bearing capacity are also investigated. Within the framework of quantitative stress scenarios, a distinction is made between a macro-economic stress scenario and a scenario of extreme market turmoil, which is based on market turmoil observed within the framework of a global financial crisis. In a qualitative stress assessment, theoretical qualitative stress scenarios are defined for the individual risk types and the corresponding effects on risk-bearing capacity are investigated.

For checking the risk-bearing capacity, different components of the risk cover funds which are structured in a multiple-tier scheme are compared with the potential risks of the respective scenarios. The risk cover fund I assumes a sustainable operating result in relation to a period of one year. The risk cover fund II consists of the costs of servicing the silent participations as well as reserves with a provisioning nature. These also factor in changes made to risk provisioning over the course of the year. The average loss risks of the basis scenario are compared with the sustainable operating result (risk cover fund I). The risk cover fund II is additionally used for covering the risks in the stress considerations.

The potential risks arising from the internal and the regulatory capital requirement are compared with the sum of own funds recognised for regulatory purposes plus the carrying amounts of non-interest-bearing liabilities. This cover fund defines the maximum risk position which can be taken on in conjunction with given own funds in the Helaba Group in order to comply with the minimum requirements applicable under the German Solvency Regulation (Solvabilitätsverordnung, "SolvV").

The risk-bearing capacity assessment for the Group which covers all risk types continues to show considerable surplus cover of the quantified risk potential compared with the existing risk cover funds at the end of the second quarter of 2010 and also documents the conservative risk attitude of Helaba.

In the basic scenario, the average loss risks can be completely covered by the sustainable operating result, and there is an additional capital cushion of € 0.2 bn. The capital cushion compared with the regulatory capital requirement is € 3.2 bn. Compared with the economic potential risks in the internal capital requirement, there is a capital cushion of € 4.6 bn.

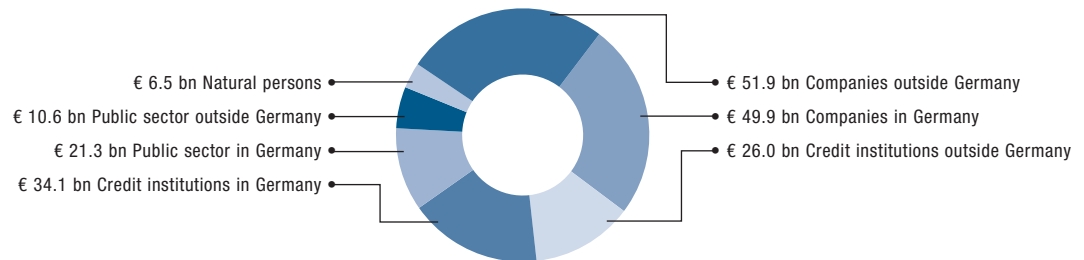
As of 30 June 2010, the regulatory total capital ratio is 12.9% (31 December 2009: 13.5%) and the core capital ratio is 8.5% (31 December 2009: 8.8%) in the Helaba Group. Even in conjunction with a simulated occurrence of the stress scenarios, the capital ratios attained by Helaba are considerably higher than the regulatory minimum requirements.

## Risks of counterparty default

Chart 1 shows the total volume of lending as at 30 June 2010 amounting to € 200.3 bn. This figure consists of actual draw-downs and non-utilised, committed lines of credit of the narrow group of consolidated companies (Helaba including subsidiaries Helaba Dublin, Frankfurter Sparkasse and LB(Swiss)), broken down according to customer groups (31 December 2009: € 193 bn excluding LB(Swiss)).

**Total lending volume by customer group**

(Chart 1)

**Creditworthiness/risk appraisal**

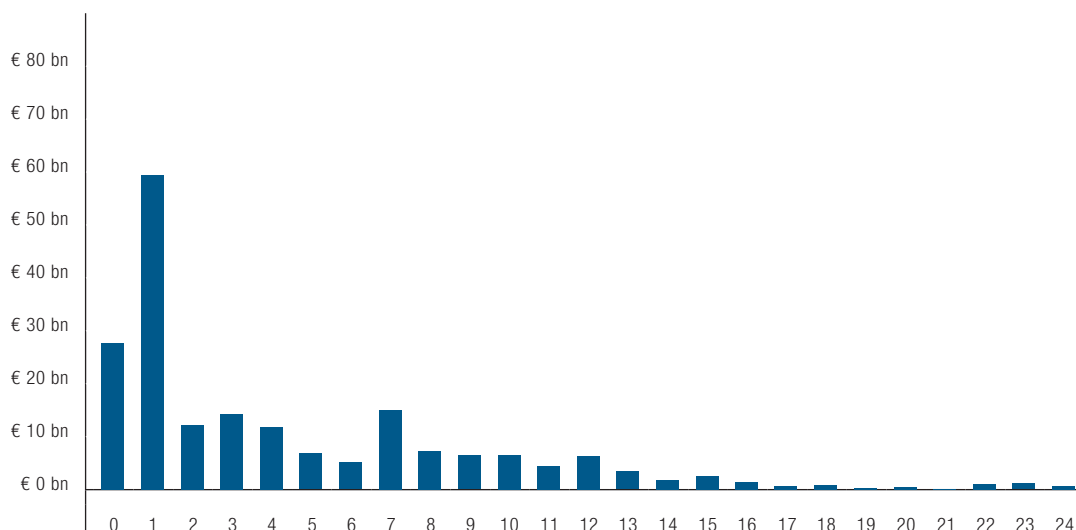
In co-operation with the DSGV (national real estate financing and corporate clients) and other state banks (international real estate financing, project, ship and aircraft financing, leveraged-finance transactions, leasing, banks, insurance, corporates, country and transfer risks as well as public authorities outside Germany), Helaba has developed and introduced new rating systems. In addition, a separate rating procedure has been developed for securitisations of loan and trading receivables. In these rating methods, the borrowers or transactions are assigned to a rating category which is given a one-year probability of default (PD) over a uniform 25-degree scale.

Because the calculation of the customer- or transaction-specific probability of default (PD) alone does not permit an assessment to be made of the loss risk potential of a transaction, due consideration is given to further relevant factors which reduce or increase risk for a particular credit transaction (in particular, remaining term, additional security, ranking of the loan). For this purpose, in addition to the default rating, the Bank has developed a risk rating which enables the risk content of transactions to be compared across segments. The risk rating approximates the expected loss (EL). The default rating is used as the basis for the EL-relevant adjustments for determining the risk rating.

In the narrow consolidation group, the overall credit volume is broken down over risk rating classes as shown in chart 2.

**Total lending volume by risk rating class**

(Chart 2)



Adequate risk provisions are created for risks of counterparty default. The adequacy of risk provisions is regularly reviewed and adjusted where necessary. Individual allowances are recorded and updated in the credit loss database, which is used as a central file for exposures which are potentially subject to default.

**Country risks**

The country risk of € 61.1 bn in the narrow group of consolidated companies (31 December 2009: € 62.8 m) has a regional focus on Europe (82.6%) and North America (14.5%). As of 30 June 2010, 91.5% of the country risk was allocated under country rating class 0. A further 7.4% is generated in the rating classes 1 – 9. Rating class 14 and worse is applicable only for 0.1%. There are no country risks in the country rating classes 22 – 24.

**Market price risks**

Market price risks are quantified using a money-at-risk method backed up by stress tests and sensitivity analyses. 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.

Chart 3 contains of all the market risks entered into (including correlation effects between the portfolios) as of the balance sheet date as well as a breakdown by trading book and banking book. The linear interest rate risk accounts for most of the market price risk types. For the overall portfolio of the narrow Group of consolidated companies, euro positions account for 57% of the linear interest rate risk, and US Dollar positions account for 26%. In the field of equities, the focus is on securities listed in the DAX and DJ Euro Stoxx 50. The main foreign currency risks are attributable to US Dollar, Swiss Franc, Japanese Yen and British Pound positions.

### Group MaR by risk type as at 30 June 2010

(Chart 3)

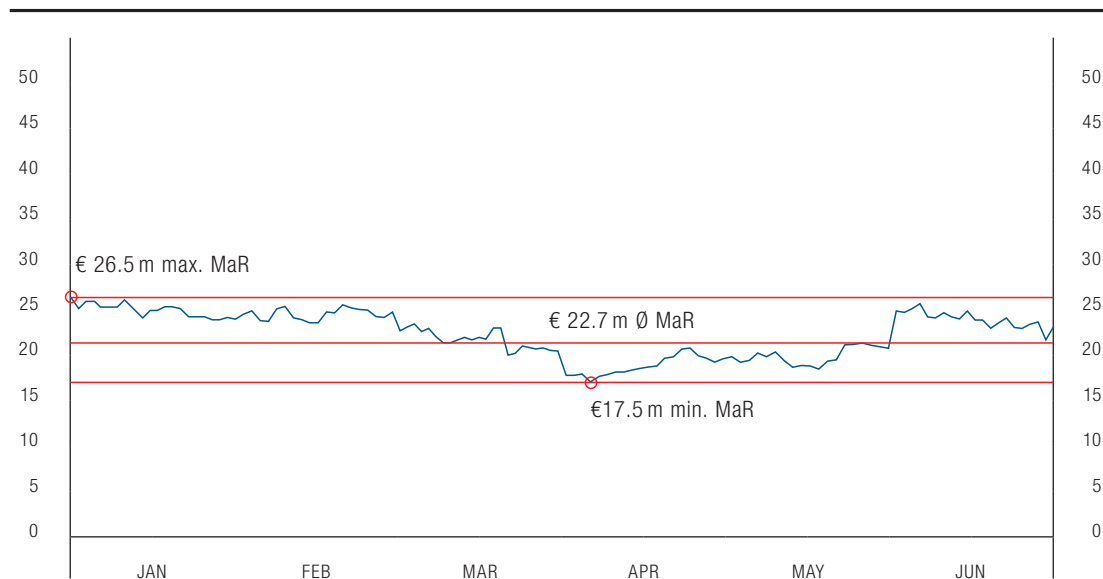
in € m	Total risk		Interest rate risk		Currency risk		Equities risk	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Total	60.6	71.8	52.6	64.4	1.5	1.5	6.5	5.9
Trading book	23.7	28.2	21.5	25.0	1.2	0.8	1.0	2.4
Banking book	42.9	57.6	36.3	51.8	0.5	1.0	6.1	4.8

### Market price risks in the trading book

All market price risks are calculated daily on the basis of the end-of-day position of the previous trading day and the current market parameters. Helaba also uses the parameters prescribed by the regulatory authorities for internal risk management. Chart 4 shows the MaR of the trading book (Helaba, including subsidiary Helaba Dublin) for the first half of 2010. In the whole of 2009, the average MaR was € 32.0 m, the maximum figure was € 46.1 m and the minimum figure was € 24.9 m.

### Daily MaR of the trading book in the first half of 2010

(Chart 4)



### Market price risks in the banking book

Helaba employs the MaR approach used for the trading book in order to quantify the market price risks in the banking book. The risk figures calculated using this approach are extended to include maturity expiry schedules which are prepared on a daily basis and which indicate the maturity structure of the positions which have been taken out. Regular stress tests with holding periods of between ten days and up to twelve months back up the daily banking book risk measurement.

The interest rate risks in Helaba's banking book comprise asset/liability management positions, the strategic positions taken by the Asset/Liability Management Committee, and the net balance of non-interest-bearing funds. The quantification of interest rate risks in the banking book is also part of the capital requirements under Basel II, which require a risk calculation on the basis of standardised interest shocks. For translation into national law, the German banking regulatory authorities specify an increase of 130 basis points and a reduction of 190 basis points

in the interest rate curve. Such an interest shock would have caused a negative change of € 4.5 m in the banking book for the Helaba Group at 30 June 2010 (31 December 2009: € 19.4 m). Helaba carries out the rate shock test at least once every quarter.

## Liquidity risks

The need to ensure liquidity and financing enjoys first priority at Helaba. Accordingly, a wide range of tools is available for recording and managing the liquidity risks; these tools are constantly being developed further. The existing processes, tools and responsibilities for the management of liquidity risks have also demonstrated their worth during the global financial markets crisis and the resultant turmoil on the money and capital markets. Helaba's liquidity was again secure at all times in the first half of 2010.

Helaba always complied in full with the regulatory liquidity requirements in the first half of 2010. The ratio in accordance with the Liquidity Ordinance was 1.41 as of the balance sheet date (31 December 2009: 1.50).

## Operational risks

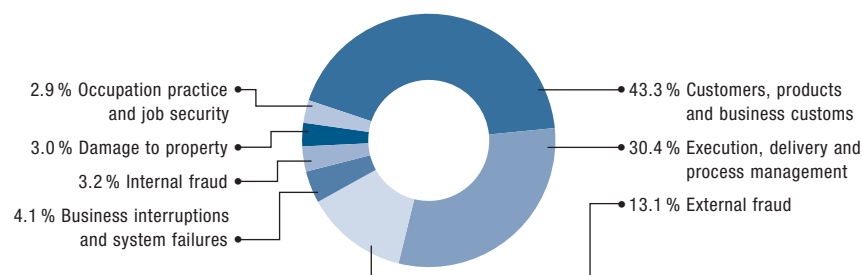
The standard approach is used for quantifying operational risks for regulatory capital backing in accordance with the German Solvency Regulation. For internal management, risks are quantified on the basis of the claims data which are collected and the quantitative risk assessment of the business lines. The unexpected losses are quantified in addition to the estimate of expected losses by way of separate modelling of frequency of default and extent of claim.

Credit risks that are induced by operational risks and cause an increase in risk provisioning on materialisation are also included in the breakdown of operational risks for the first time.

Chart 5 below presents the risk profile of the narrow group of consolidated companies plus further subsidiaries during the first half of 2010.

### Expected loss as of 30 June 2010 by loss event

(Chart 5)



The expected loss as of 30 June 2010 was € 31.1 m (31 December 2009: € 25.6 m, including credit risks induced by operational risks).

## Real estate project planning risks

The real estate project planning risk comprises deadline, quality, cost and marketing risks arising in connection with real estate project developments. Real estate projects of the OFB Group, developer projects of the GWH Group and project developments for the Bank's own real estate are recorded in this category.

The risks attributable to real estate projects increased slightly in the first half of 2010. The risks are still completely covered by the expected income from this business.

## Fund placement risks

Fund placement risk in the broader sense includes the total volume of equity shares of fund projects (closed-end funds) to be placed. Fund placing risks are taken on primarily at the Group company HANNOVER LEASING KG or that company's subsidiaries.

Placing obligation risks are managed on the basis of limits for the entire portfolio and individual asset classes. There were no limit violations in the period under review.

## Investment risks

There have been only minor changes in the composition of equity participations in the first half of 2010. The regular impairment tests performed on the investment portfolio resulted in the adjustment of the carrying amounts of individual investments.

## Report on Post-Balance Sheet Date Events

Private banking activities will be pooled in the Helaba Group as of 1 September 2010. For this purpose, the wholly-owned subsidiary LB(Swiss) Privatbank AG acquired all shares of Frankfurter Bankgesellschaft AG from Frankfurter Sparkasse, also a wholly-owned subsidiary of Helaba, on 3 August 2010. In addition, Helaba Trust Beratungs- und Management-Gesellschaft mbH, a wholly-owned subsidiary of Helaba, was sold to Frankfurter Bankgesellschaft AG on 10 August 2010. It will subsequently be merged with Frankfurter Bankgesellschaft AG. Ahead of this transaction, the 25 % stake of Helaba Trust in Helaba Invest Kapitalanlagegesellschaft mbH was transferred to Helaba; Helaba thus holds all shares in Helaba Invest. The aim of these measures is to establish Helaba as a preferred partner of the Sparkassen throughout Germany for high net worth individual business by further expanding its range of products and services.

LB Immobilienbewertungsgesellschaft mbH has previously been managed as a joint venture of Helaba and BayernLB and will be restructured in the near future. BayernLB will continue LB Immobilienbewertungsgesellschaft mbH as the sole shareholder; after stepping down as a shareholder, Helaba will contribute its real estate valuation activities to a new company which it has set up, namely GIB Gesellschaft für Immobilienbewertung mbH.

In July 2010, Helaba participated in and successfully completed the Europe-wide stress test for 91 credit institutions which was coordinated by the Committee of European Banking Supervisors (CEBS). The core capital ratio determined for the whole of the Helaba Group is 7.9 % at the end of 2011 in the adverse scenario, compared with a figure of 8.8 % at the end of 2009. An additional sovereign shock scenario, which simulates a

crash in the market for government bonds, results in a core capital ratio of 7.3%. The effect of 0.6 percentage points is almost exclusively (0.4 percentage points) attributable to the Helaba Group's high level of exposure to the German public sector. This reflects the conservative risk profile of Helaba. Further confirmation of this aspect is the low exposure to other EU countries.

After the balance sheet date, restructuring measures were agreed with the employees' representatives at one domestic bank subsidiary. The associated personnel measures are expected to result in costs of approximately € 5 m in the second half of 2010.

## Report on Expected Developments

### **Economic conditions**

The economic leading indicators are suggesting that the world economy has peaked in terms of growth. Structural problems affecting the individual economies as well as a financial system which is still weak will hold back the momentum of growth in the second half of the year. Inflation risks are negligible in 2010/2011, and the focus is on combating the risk of deflation: the European Central Bank is supporting the process of consolidating public sector budgets in the member states by adopting an even more expansionary stance. The US Federal Reserve as well as the European Central Bank will continue their policy of low interest rates, and will support this policy with further measures if necessary, until the international financial system has stabilised permanently. Fiscal policy begins with the consolidation of state finances, and global economic growth is also likely to be lower compared with the current year.

The expiry of government economic stimulus packages will probably have a negative impact on the German construction industry in 2011. Growth in Germany is then likely to weaken to just short of 2% in 2011.

### **Expected development of the Group**

For the whole of 2010, Helaba expects that the risk provisioning necessary for lending business will flatten off as a result of the economic revival which has occurred and the related positive impact on customer creditworthiness. Despite the valuation problems which occurred in the second quarter as a result of market conditions and which to a large extent are of a temporary nature, the Bank is still expecting that it will generate consolidated results for the whole year which are slightly lower than the corresponding previous year figure. For this to happen, it is essential that the improvement on the financial markets which has now occurred is not negatively affected by further problems in the remainder of the year. This forecast of a substantial profit is founded on the steady progress being made in operating business. It is Helaba's assumption that the target of a closing volume of € 10–11 bn in new medium- and long-term business as stipulated in the 2010 annual budget will be achieved. The core capital ratio and the total ratio are expected to be unchanged from their mid-year level, namely 8.5% and 12.9% respectively. On the basis of the positive development in results in the first half, it is expected that all silent participations, profit sharing rights and subordinated funds will be completely serviced for the financial year 2010.

### **Overall assessment**

As a result of the turmoil on the financial markets triggered by the discussions concerning the debt of certain member states of the European Union, the development of results at the Helaba Group in the first half was characterised by two very different quarters. The valuation problems which occurred in the second quarter as a result of spread and currency movements are to a large extent of a temporary nature, and will decline as the year progresses when the markets return to normal.

On the basis of the stable development of customer business and the improved economic conditions, Helaba considers that it is still moving in a positive direction in terms of results. On the basis of its successful business model of an integrated universal bank incorporating public development and infrastructure business, Helaba has a fundamentally positive attitude towards forward-looking consolidation efforts in the Landesbank and Sparkassen sector.

It does not consider that there is any basis for long-term economic success for credit institutions engaged exclusively in wholesale business even within the framework of functional holding structures, however, and is consequently prepared in principle to consider with an open mind, in close consultation with its three owners, any strategic approach that promises to strengthen its market position further in its core areas of business and facilitate its expansion as a universal bank fit for the future. In order to bolster its competitive position, the Bank has also strengthened its activities in S-Group business on a nationwide basis in selected market segments and, after Group companies have been combined under company law, plans to expand its operations in high net worth private customer business in the remainder of the year.

Frankfurt am Main/Erfurt, 20 August 2010

**Landesbank Hessen-Thüringen Girozentrale**

The Board of Managing Directors

Brenner	Berger	Gröb
Dr. Hosemann	Krick	Raupach
Dr. Schraad		

## INTERIM FINANCIAL STATEMENTS

26	Contents
28	Income Statement
29	Statement of Recognised Income and Expense
30	Balance Sheet
32	Statement of Changes in Shareholders' Equity
33	Cash Flow Statement
34	Notes
72	Declaration of the Statutory Representatives
73	Review Report

## Table of Contents

Income Statement	28
Statement of Recognised Income and Expense	29
Balance Sheet	30
Statement of Changes in Shareholders' Equity	32
Cash Flow Statement	33
Notes	34
<b>Accounting Policies</b>	
(1) General Disclosures	34
(2) Group of Consolidated Companies	35
<b>Notes to the Income Statement</b>	
(3) Net Interest Income	36
(4) Provisions for Losses on Loans and Advances	36
(5) Net Commission Income	37
(6) Net Trading Income	37
(7) Net Income from Derivatives and Financial Instruments of the Fair Value Option Not Held for Trading	38
(8) Net Income from Hedges	38
(9) Net Income from Investments	38
(10) Net Income from Companies Accounted for Using the Equity Method	39
(11) Other Operating Result	40
(12) Administrative Expenses	41
(13) Post-Tax Results of Discontinued Operations	41
(14) Segment Reporting	42
<b>Notes to the Balance Sheet</b>	
(15) Cash Reserve	46
(16) Loans and Advances to Banks	46
(17) Loans and Advances to Customers	47
(18) Provisions for Losses on Loans and Advances	47
(19) Assets Held for Trading	49
(20) Positive Market Values of Derivatives Not Held for Trading	49
(21) Financial Assets	50
(22) Shares in Companies Accounted for Using the Equity Method	50
(23) Investment Property	50
(24) Property, Plant and Equipment	51
(25) Intangible Assets	51
(26) Held-for-Sale Non-Current Assets and Disposal Groups	51
(27) Other Assets	52
(28) Liabilities Due to Banks	52
(29) Liabilities Due to Customers	53
(30) Securitised Liabilities	53
(31) Liabilities Held for Trading	54
(32) Negative Market Values of Derivatives Not Held for Trading	54

(33) Provisions	55
(34) Other Liabilities	55
(35) Subordinated Capital	55
(36) Equity	56
<b>Further Information Concerning Financial Instruments</b>	
(37) Derivative Transactions	57
(38) Carrying Amounts and Results by Measurement Category	59
(39) Fair Values of Financial Instruments	62
(40) Reclassification of Financial Assets	65
(41) Disclosures in Relation to Issuing Activities	66
<b>Off-Balance-Sheet Business</b>	
(42) Off-Balance-Sheet Obligations	67
(43) Trust Business	67
<b>Other Disclosures</b>	
(44) Information Concerning Equity Management and Regulatory Ratios	68
(45) Related-Party Transactions	69
(46) Members of the Board of Managing Directors	71

## Income Statement

for the period from 1 January to 30 June 2010

	Notes	1.1.–30.6.	1.1.–30.6.	Change	
		2010	2009 <sup>1)</sup>	in € m	in %
		in € m	in € m		
Interest income		2,727	3,021	– 294	– 9.7
Interest expense		– 2,235	– 2,528	293	11.6
<b>Net interest income</b>	(3)	492	493	– 1	– 0.2
Provisions for losses on loans and advances in lending business	(4)	– 134	– 173	39	22.5
<b>Net interest income after provisions for losses on loans and advances</b>		358	320	38	11.9
Commission income		196	172	24	14.0
Commission expenses		– 65	– 60	– 5	– 8.3
<b>Net commission income</b>	(5)	131	112	19	17.0
Net trading income	(6)	33	120	– 87	– 72.5
Net income from derivatives not held for trading and financial instruments of the fair value option	(7)	– 54	43	– 97	> – 100.0
Net income from hedges	(8)	4	24	– 20	– 83.3
Net income from investments	(9)	3	– 17	20	> 100.0
Net income from companies accounted for using the equity method	(10)	– 4	2	– 6	> – 100.0
Other operating income	(11)	174	146	28	19.2
Administrative expenses	(12)	– 516	– 505	– 11	– 2.2
<b>Earnings before tax</b>		129	245	– 116	– 47.3
Taxes on income		– 31	– 85	54	63.5
<b>Result from continued operations</b>		98	160	– 62	– 38.8
Post-tax result of discontinued operations	(13)	– 3	25	– 28	> – 100.0
<b>Consolidated net income</b>		95	185	– 90	– 48.6
Thereof: Attributable to external shareholders		– 1	–	– 1	–
Thereof: Attributable to shareholders of the parent company		96	185	– 89	– 48.1

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

## Statement of Recognised Income and Expense

for the period from 1 January to 30 June 2010

	1.1.–30.6.	1.1.–30.6.	Change	
	2010	2009 <sup>1)</sup>	in € m	in %
	in € m	in € m	in € m	in %
<b>Consolidated result according to income statement</b>	<b>95</b>	<b>185</b>	<b>–90</b>	<b>–48.6</b>
<b>Profits and losses from available-for-sale financial assets</b>				
Valuation profits (+)/losses (–) from available-for-sale financial assets	123	–117	240	>100.0
Profits (–)/losses (+) reclassified to the income statement upon the disposal or impairment of assets	–3	17	–20	>–100.0
<b>Pro-rata result of companies accounted for using the equity method recognised directly in equity</b>				
Profits (+)/losses (–) of companies accounted for using the equity method recognised directly in equity	–	–9	9	100.0
<b>Change due to currency translation</b>				
Profits (+)/losses (–) from the currency translation of foreign operations	13	–2	15	>100.0
<b>Profits and losses from cash flow hedges</b>				
Valuation profits (+)/losses (–) of cash flow hedges	–8	–	–8	–
<b>Actuarial profits (+)/losses (–) from pension obligations</b>	<b>–131</b>	<b>14</b>	<b>–145</b>	<b>&gt;–100.0</b>
<b>Other earnings before tax</b>	<b>–6</b>	<b>–97</b>	<b>91</b>	<b>93.8</b>
Taxes on profits/losses not recognised in the income statement	3	26	–23	–88.5
<b>Other post-tax result</b>	<b>–3</b>	<b>–71</b>	<b>68</b>	<b>95.8</b>
<b>Total result for the reporting period</b>	<b>92</b>	<b>114</b>	<b>–22</b>	<b>–19.3</b>
Thereof: Attributable to external shareholders	–3	–	–3	–
Thereof: Attributable to shareholders of the parent company	95	114	–19	–16.7

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

## Balance Sheet

for the period ended 30 June 2010

### ASSETS

	Notes	30.6.2010	31.12.2009	Change	
		in € m	in € m	in € m	in %
Cash reserve	(15)	2,240	659	1,581	> 100.0
Loans and advances to banks	(16)	16,377	14,819	1,558	10.5
Loans and advances to customers	(17)	89,881	87,468	2,413	2.8
Impairments on receivables	(18)	-1,205	-1,188	-17	-1.4
Assets held for trading	(19)	46,360	42,805	3,555	8.3
Positive market values of derivatives not held for trading	(20)	4,439	3,374	1,065	31.6
Financial assets	(21)	17,250	16,733	517	3.1
Shares in companies accounted for using the equity method	(22)	64	68	-4	-5.9
Investment property	(23)	2,580	2,582	-2	-0.1
Property, plant and equipment	(24)	807	755	52	6.9
Intangible assets	(25)	196	203	-7	-3.4
Income tax assets		445	428	17	4.0
Held-for-sale non-current assets and disposal groups	(26)	8	18	-10	-55.6
Other assets	(27)	1,241	1,177	64	5.4
<b>Total assets</b>		<b>180,683</b>	<b>169,901</b>	<b>10,782</b>	<b>6.3</b>

## LIABILITIES

	Notes	30.6.2010	31.12.2009 <sup>1)</sup>	Change	
		in € m	in € m	in € m	in %
Liabilities due to banks	(28)	33,844	33,214	630	1.9
Liabilities due to customers	(29)	41,836	41,891	-55	-0.1
Securitised liabilities	(30)	40,068	38,505	1,563	4.1
Liabilities held for trading	(31)	49,289	42,112	7,177	17.0
Negative market value of derivatives not held for trading	(32)	4,183	2,849	1,334	46.8
Provisions	(33)	1,209	1,098	111	10.1
Income tax liabilities		148	191	-43	-22.5
Other liabilities	(34)	604	618	-14	-2.3
Subordinated capital	(35)	4,524	4,525	-1	-
Shareholders' equity	(36)	4,978	4,898	80	1.6
Subscribed capital		477	477	-	-
Hidden deposits		1,920	1,920	-	-
Additional paid-in capital		658	658	-	-
Retained earnings		2,049	2,058	-9	-0.4
Revaluation reserve		-111	-196	85	43.4
Currency translation reserve		5	-7	12	>100.0
Cash flow hedge reserve		-14	-9	-5	-55.6
Minority interests in shareholders' equity		-6	-3	-3	-100.0
<b>Total liabilities</b>		<b>180,683</b>	<b>169,901</b>	<b>10,782</b>	<b>6.3</b>

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

## Statement of Changes in Shareholders' Equity

for the period from 1 January to 30 June 2010

	Equity attributable to the shareholders of the parent company							Subtotal	Minority interest in equity	Total equity
	Subscribed capital	Hidden deposits	Additional paid-in capital	Retained earnings	Revaluation reserve	Reserve from currency translation	Reserve for valuation results of cash flow hedges			
in € m										
<b>Equity as at 31 Dec 2008</b>	477	1,920	643	1,798	-168	-4	-	4,666	9	4,675
Changes in the group of consolidated companies				-6	-6			-12	-1	-13
Capital increase									1	1
Dividend payment				-14				-14		-14
Total result for the reporting period				185	-68	-3		114		114
<b>Equity as at 30 June 2009</b>	477	1,920	643	1,963	-242	-7	-	4,754	9	4,763
Changes in the group of consolidated companies				-14	6			-8	-13	-21
Capital increase			15					15	2	17
Servicing hidden deposits				-28				-28		-28
Total result for the reporting period				128	40			168	-1	167
<b>Equity as at 31 Dec. 2009</b>	477	1,920	658	2,049	-196	-7	-	4,901	-3	4,898
Adjustment of prior-year figure for cash flow hedge <sup>1)</sup>				9			-9			
<b>Equity as at 31 Dec. 2009 after adjustment</b>	477	1,920	658	2,058	-196	-7	-9	4,901	-3	4,898
Changes in the group of consolidated companies				2				2		2
Dividend payment				-14				-14		-14
Total result for the reporting period				3	85	12	-5	95	-3	92
<b>Equity as at 30 June 2010</b>	477	1,920	658	2,049	-111	5	-14	4,984	-6	4,978

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

## Cash Flow Statement (Condensed)

for the period from 1 January to 30 June 2010

	2010 in € m	2009 in € m
Cash and cash equivalents as at 1 Jan.	659	813
Cash flows from operating activities	1,909	633
Cash flows from investing activities	-265	-552
Cash flows from financing activities	-63	-26
<b>Cash and cash equivalents as at 30 June</b>	<b>2,240</b>	<b>868</b>
Thereof:		
Cash in hand	55	52
Cash at central banks	2,185	816

The cash flow statement shows the composition of and changes to cash and cash equivalents in the first half of the financial year. Cash and cash equivalents correspond to the balance sheet item "cash reserve", which comprises cash in hand and cash at central banks. The changes in cash and cash equivalents are attributable to operating activities, investing activities and financing activities.

## Notes

### Accounting and Valuation Methods

#### (1) General Disclosures

##### **Principles of consolidated accounting**

The consolidated interim financial statements of the Helaba Group for the period ended 30 June 2010 have been prepared in accordance with section 315a (1) HGB and the Directive (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 (IAS Directive) in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU. They also take into consideration the requirements of IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated financial statements for the period ended 31 December 2009 have essentially been applied unchanged in the preparation of the interim financial statements. However the Helaba Group has recorded the hedging of investments in international subsidiaries against foreign currency risks for the first time ("Hedge of net investments in foreign operations"). The change in the fair values of the hedging instruments which is attributable to the change in the currency spot rate is shown in the currency translation reserve to the extent that the hedge is effective. The presentation of the statement of total results has been adapted to the changed requirements of IAS 1.90 (revised 2007).

The International Financial Reporting Standards (IFRS) and interpretations valid as at 30 June 2010 have been applied in full.

##### **Adjustment of previous year figures**

Because of the changes made as of 31 December 2009, it was necessary for the following adjustments to be made for the first half of the previous year:

In the interim financial statements of the previous year, the contributions to results made by the real estate held for sale, which resulted from acquisitions or project planning measures and which were earmarked to be sold on or placed within the placement of fund operations and for which the criteria of IFRS 5 were adequately specified, were shown under the income statement item "Post-tax result of discontinued operations". As a result of the financial market crisis, the sale of some properties has been delayed for a period of more than one year, and management is no longer assuming that the properties will be sold in the immediate future. This means that the criteria for being classified as held for sale (available-for-sale) are no longer satisfied. The result of these properties, which in the previous year was shown in the result of discontinued operations, has to be reclassified and included in the income and expenses of continued operations for all detailed reporting periods. As a result of the reclassification, the other operating result in the prior-year period has increased by € 5 m, whereas the post-tax result of discontinued operations has declined by € 5 m. The figures for previous reporting periods have to be shown in conjunction with a note indicating that the figures have been adjusted.

In the interim financial statements of the previous year, costs of € 8 m for services attributable to the conception of closed-end funds for external parties were shown under commission expenses. In this year, they have been shown under administrative expenses. Income of € 2 m was also shown under commission income in the prior-year period. This year, it is shown in other operating result. The previous year figures have been amended accordingly (see also Notes (5), (11) and (12)).

In the previous year, a figure of € –9 m for the continuation of the equity value resulting from the effective part of a cash flow hedge which was recognised directly in equity as part of the equity valuation of an associated company was shown under retained earnings. In this year, this item is shown under the cash flow hedge reserve. The figure shown in the prior-year period has been adjusted accordingly.

The restatement of prior-year figures has not had any impact on the consolidated net income for the period or equity.

## (2) Group of Consolidated Companies

The group of consolidated companies of the Helaba Group comprises a total of 180 companies in addition to Helaba as the parent (31 December 2009: 164). 152 (31 December 2009: 136) companies are included in the Group by way of full consolidation, and 28 (31 December 2009: 28) companies are accounted for using the equity method. The fully consolidated companies are subsidiaries and special purpose vehicles, including investment assets. In the HANNOVER LEASING Group, the changes in the group of consolidated companies in 2010 resulted from current operations (in particular, project planning of a solar fund with nine Italian operator companies of photovoltaic systems as well an aircraft leasing fund).

### Changes to the group of fully consolidated companies

Additions	
GAVOTTE Verwaltungsgesellschaft mbH, Pullach, Germany	Foundation
HANNOVER LEASING Flight Invest 49 GmbH & Co. KG, Pullach, Germany	Foundation
HANNOVER LEASING Flight Invest GmbH, Pullach, Germany	Foundation
HANNOVER LEASING Flight Invest Treuhand GmbH, Pullach, Germany	Foundation
IMOLA Verwaltungsgesellschaft mbH, Pullach, Germany	Foundation
LEPANTO Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach, Germany	Foundation
Parco Solare SunEdison 2 s.a.s. di SunEdison Apulia 10 s.r.l. & C., Milan, Italy	Acquisition
Parco Solare SunEdison 3 s.a.s. di SunEdison Apulia 10 s.r.l. & C., Milan, Italy	Acquisition
Parco Solare SunEdison 4 s.a.s. di SunEdison Apulia 10 s.r.l. & C., Milan, Italy	Acquisition
SunEdison Apulia 001 s.a.s. di SunEdison Apulia 10 s.r.l. & C., Milan, Italy	Acquisition
SunEdison Apulia 002 s.a.s. di SunEdison Apulia 10 s.r.l. & C., Milan, Italy	Acquisition
SunEdison Apulia 003 s.a.s. di SunEdison Apulia 10 s.r.l. & C., Milan, Italy	Acquisition
SunEdison Apulia 004 s.a.s. di SunEdison Apulia 10 s.r.l. & C., Milan, Italy	Acquisition
SunEdison Apulia 005 s.a.s. di SunEdison Apulia 10 s.r.l. & C., Milan, Italy	Acquisition
SunEdison Apulia 006 s.a.s. di SunEdison Apulia 10 s.r.l. & C., Milan, Italy	Acquisition
SunPuglia Holding GmbH & Co. KG, Pullach, Germany	Acquisition
Disposals	
Yucatan Verwaltungsgesellschaft mbH & Co. Beteiligungs KG, Pullach, Germany	Marketing of shares

As of 30 June 2010, the initial consolidations have resulted in asset differences of € 2 m as well as liability differences of € 2 m recognised in the income statement.

The disposal of Yucatan Verwaltungsgesellschaft mbH & Co. Beteiligungs KG resulted in a deconsolidation profit of € 2 m.

## Notes to the Income Statement

### (3) Net Interest Income

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009
<b>Interest income attributable to</b>		
Credit and money market business	1,777	2,192
Fixed-income securities	140	191
Hedging derivatives of hedge accounting	259	154
Derivatives not held for trading	461	366
Financial instruments of fair value option	35	54
Building savings and loan business	29	32
Finance leases	7	11
<b>Current income attributable to</b>		
Equities and other variable-income securities	1	2
Shares in affiliated companies	1	–
Equity interests	17	19
<b>Interest income</b>	<b>2,727</b>	<b>3,021</b>
<b>Interest expenses attributable to</b>		
Liabilities due to banks and customers	–1,023	–1,251
Securitised liabilities	–466	–650
Subordinated capital	–88	–93
Hedging derivatives of hedge accounting	–123	–110
Derivatives not held for trading	–398	–285
Financial instruments of fair value option	–100	–101
Buildings savings and loan business	–37	–38
<b>Interest expense</b>	<b>–2,235</b>	<b>–2,528</b>
<b>Total</b>	<b>492</b>	<b>493</b>

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

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009
<b>Additions</b>	<b>–180</b>	<b>–231</b>
Impairments on receivables	–161	–223
Provisions for risks attributable to lending	–19	–8
<b>Reversals</b>	<b>57</b>	<b>64</b>
Impairments on receivables	49	53
Provisions for risks attributable to lending	8	11
<b>Direct impairments on receivables</b>	<b>–19</b>	<b>–11</b>
<b>Inflows received in relation to previously written-off receivables</b>	<b>8</b>	<b>5</b>
<b>Total</b>	<b>–134</b>	<b>–173</b>

**(5) Net Commission Income**

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009 <sup>1)</sup>
Credit and guarantee business	17	23
Payments and foreign trade	34	31
Asset management and fund development	27	18
Securities and securities deposit business	21	13
Placing and underwriting business	15	15
Management of public grant and development programmes	10	–
Building savings and loan business	–2	1
Trust business	4	3
Other	5	8
<b>Total</b>	<b>131</b>	<b>112</b>

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

**(6) Net Trading Income**

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009
<b>Equity-related business</b>	<b>2</b>	<b>–</b>
Equities	164	–4
Equity-related derivatives	–162	4
<b>Interest-related business</b>	<b>74</b>	<b>155</b>
Non-derivative interest-based business	376	181
Interest-related derivatives	–302	–26
<b>Currency-related business</b>	<b>–24</b>	<b>–32</b>
Foreign exchange	–110	1
FX-related derivatives	86	–33
<b>Result from credit derivatives</b>	<b>–7</b>	<b>7</b>
<b>Net commission income</b>	<b>–12</b>	<b>–10</b>
<b>Total</b>	<b>33</b>	<b>120</b>

Net trading income includes disposal and valuation results of derivative and non-derivative financial instruments held for trading, the current interest and dividends resulting from trading portfolios as well as commissions in connection with trading activities.

The result of non-derivative interestrelated business consists mainly of the contributions to income of fixed-income securities, repurchase agreements and money trading transactions as well as issued money market paper.

The result of currency-related business also includes foreign currency translation differences.

## (7) Result of Derivatives Not Held for Trading and Financial Instruments of the Fair Value Option

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009
Result of derivatives not held for trading	–6	64
Result of financial instruments of fair value option	–48	–21
<b>Total</b>	<b>–54</b>	<b>43</b>

This figure includes the results of economic hedges (underlyings and derivatives). It also includes the realised and non-realised results of additional financial instruments designated voluntarily at fair value. Interest and dividend income from financial instruments of the fair value option are recognised in net interest income. Of the figure shown for the result of derivatives not held for trading, credit derivatives account for € –73 m (prior-year period: € 33 m). The result attributable to financial instruments of the fair value option held by consolidated special and public funds and non-trading derivatives amounts to € –3 m (prior-year period: –34 m).

## (8) Net Income from Hedges

The net income from hedges comprises the valuation result of the hedged underlyings and the hedging instruments of hedge accounting.

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009
Valuation gain/loss on hedging instruments	195	329
Valuation gain/loss on hedged underlyings	–191	–305
<b>Total</b>	<b>4</b>	<b>24</b>

## (9) Investment Result

The investment result includes the disposal and valuation result of AfS financial investments.

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009
<b>Result of AfS investment disposals</b>	<b>1</b>	<b>–6</b>
Equity interests	1	–
Bonds and other fixed-income securities	–	15
Equities and other variable-income securities	–	–21
<b>Valuation loss of AfS investments</b>	<b>2</b>	<b>–11</b>
Investment	–3	–12
Write-ups	5	1
<b>Total</b>	<b>3</b>	<b>–17</b>

The valuation result of AfS investments is mainly attributable to impairment of € 3 m recognised in relation to investments (prior-year period: € 9 m) and a figure of € 5 m for write-ups of bonds and other fixed-income securities (prior-year period: € 1 m).

### (10) Result of Companies Accounted for Using the Equity Method

The result of companies accounted for using the equity method is attributable to all profit contributions of joint ventures and associated companies accounted for using the equity method and recognised in the income statement.

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009
Result from joint ventures accounted for using the equity method	–	3
Result from associated companies accounted for using the equity method	– 4	– 1
<b>Total</b>	<b>– 4</b>	<b>2</b>

This item includes the pro-rata results for the period as well as the contributions to earnings resulting from extrapolating the hidden reserves and charges disclosed as part of the purchase price allocation process. Changes in equity at companies accounted for using the equity method are shown in consolidated shareholders' equity.

As in the previous period, no impairments were recognised in relation to the equity value during the reporting period. There were also no capital gains from the disposal of companies accounted for using the equity method.

**(11) Other Operating Result**

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009 <sup>1)</sup>
<b>Other operating income</b>	<b>304</b>	<b>286</b>
Rental and leasing income (operating lease)	232	214
Income from the disposal of non-financial assets	12	6
Income from the reversal of provisions	8	9
Income from non-banking services	21	33
Income from liability differences	2	–
Income from the deconsolidation of subsidiaries	2	2
Income from technical equipment, plant and machinery	2	–
Miscellaneous other operating income	25	22
<b>Other operating expenses</b>	<b>–130</b>	<b>–140</b>
Operating costs of property not used for owner occupancy	–78	–72
Costs from the disposal of non-financial assets	–1	–
Depreciation on non-financial assets	–21	–16
Goodwill impairments	–2	–1
Expenses from the deconsolidation of subsidiaries	–	–1
Miscellaneous other operating expenses	–28	–50
<b>Total</b>	<b>174</b>	<b>146</b>

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

The main components of other operating result are income and expenses attributable to investment properties as well as leasing income. Leasing activities are operated primarily by the HANNOVER LEASING Group.

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

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009 <sup>1)</sup>
<b>Income from investment property</b>	<b>167</b>	<b>135</b>
Rental income	161	133
Income from disposals	6	2
<b>Expenses from investment property</b>	<b>–96</b>	<b>–81</b>
Operating costs from investment property	–74	–66
thereof: from rental property	–74	–66
Depreciation	–21	–15
Other expenses	–1	–
<b>Total</b>	<b>71</b>	<b>54</b>

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

**(12) Administrative Expenses**

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009 <sup>1)</sup>
<b>Personnel expenses</b>	–266	–244
Wages and salaries	–215	–201
Social security	–33	–30
Costs of retirement pensions and benefits	–18	–13
<b>Other administrative expenses</b>	–197	–200
<b>Depreciation and amortisation</b>	–53	–61
on property, plant and equipment	–43	–52
on software and other intangible assets	–10	–9
<b>Total</b>	–516	–505

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

Other administrative expenses are broken down as follows:

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009 <sup>1)</sup>
Buildings and expenses	–35	–35
IT costs	–60	–58
Mandatory contributions, audit and consultancy fees	–51	–57
Costs of advertising, public relations and representation	–17	–17
Costs of business operation	–34	–33
<b>Total</b>	–197	–200

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

**(13) Post-tax Result of Discontinued Operations**

in € m	1.1.–30.6. 2010	1.1.–30.6. 2009 <sup>1)</sup>
Result of discontinued operations	–3	–
Result from the valuation and disposal of discontinued operations	–	25
<b>Total</b>	–3	25

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

**(14) Segment Reporting**

in € m	Real Estate		Corporate Finance		Financial Markets		Asset Management	
	30.6.10	30.6.09	30.6.10	30.6.09	30.6.10	30.6.09	30.6.10	30.6.09
Net interest income	155	147	129	131	50	41	17	5
Risk provisioning in lending	-91	-61	-23	-67	3	-34	-3	-
<b>Net interest income after provisions for losses on loans and advances</b>	<b>64</b>	<b>86</b>	<b>106</b>	<b>64</b>	<b>53</b>	<b>7</b>	<b>14</b>	<b>5</b>
Net commission income	11	14	12	13	16	19	25	14
Net trading income	-	-	-4	1	31	103	-	-
Result of hedges, derivatives not held for trading and financial instruments of the fair value option	-10	-1	-18	-9	16	91	3	-
Net income from investments and companies accounted for using the equity method	-1	-	-2	-10	8	14	-	3
Other operating result <sup>1)</sup>	92	95	73	103	1	-	5	4
<b>Total income</b>	<b>156</b>	<b>194</b>	<b>167</b>	<b>162</b>	<b>125</b>	<b>234</b>	<b>47</b>	<b>26</b>
Administrative expenses	-80	-80	-95	-111	-57	-60	-26	-11
<b>Earnings before tax <sup>1)</sup></b>	<b>76</b>	<b>114</b>	<b>72</b>	<b>51</b>	<b>68</b>	<b>174</b>	<b>21</b>	<b>15</b>
Assets (€ bn)	38.6	38.5	27.2	27.5	78.6	75.2	1.5	0.4
Liabilities (€ bn)	2.9	3.1	7.0	6.0	122.8	121.4	1.3	-
Risk position (€ bn)	23.1	20.3	16.7	17.2	12.1	14.4	1.1	2.3
Allocated capital (€ m)	1,834	1,574	1,219	1,206	884	1,010	77	164
Return on allocated capital (%)	8.3	14.5	11.8	8.4	15.5	34.5	53.4	17.6
Cost/income ratio after credit risk provisioning (%)	51.2	41.0	57.0	68.7	45.6	25.6	56.2	44.0

<sup>1)</sup> Includes result from discontinued operations.

	S-Group business		Public Development and Infrastructure Business		Frankfurter Sparkasse		Other/reconciliation		Group	
	30.6.10	30.6.09	30.6.10	30.6.09	30.6.10	30.6.09	30.6.10	30.6.09	30.6.10	30.6.09
Net interest income	43	45	15	6	137	147	-54	-29	492	493
Risk provisioning in lending	-2	-2	-	-	-1	-5	-17	-4	-134	-173
<b>Net interest income after provisions for losses on loans and advances</b>	<b>41</b>	<b>43</b>	<b>15</b>	<b>6</b>	<b>136</b>	<b>142</b>	<b>-71</b>	<b>-33</b>	<b>358</b>	<b>320</b>
Net commission income	13	6	13	3	38	39	3	4	131	112
Net trading income	6	15	-	-	-	1	-	-	33	120
Result of hedges, derivatives not held for trading and financial instruments of the fair value option	-1	-4	-	-	-19	6	-21	-16	-50	67
Net income from investments and companies accounted for using the equity method	-	-	-	-	-6	-22	-	-	-1	-15
Other operating result <sup>1)</sup>	4	3	1	1	4	2	-9	-34	171	174
<b>Total income</b>	<b>63</b>	<b>63</b>	<b>29</b>	<b>10</b>	<b>153</b>	<b>168</b>	<b>-98</b>	<b>-79</b>	<b>642</b>	<b>778</b>
Administrative expenses	-69	-73	-24	-9	-121	-119	-44	-42	-516	-505
<b>Earnings before tax <sup>1)</sup></b>	<b>-6</b>	<b>-10</b>	<b>5</b>	<b>1</b>	<b>32</b>	<b>49</b>	<b>-142</b>	<b>-121</b>	<b>126</b>	<b>273</b>
Assets (€ bn)	13.4	13.8	7.3	5.4	17.9	18.7	-3.8	0.9	180.7	180.4
Liabilities (€ bn)	18.8	19.8	7.3	5.4	17.9	18.7	2.8	6.0	180.7	180.4
Risk position (€ bn)	1.1	1.3	0.9	1.0	4.6	5.1	5.5	2.9	64.9	64.7
Allocated capital (€ m)	80	93	63	67	338	357	459	225	4,953	4,696
Return on allocated capital (%)	-	-	16.0	4.3	19.0	27.2	-	-	5.1	11.6
Cost/income ratio after credit risk provisioning (%)	109.2	115.9	82.5	86.1	79.0	70.9	-	-	80.4	65.0

<sup>1)</sup> Includes result from discontinued operations.

The segment definition is based on the internal segment structure of the Bank in accordance with the management approach. Equity participations are assigned to the segments on the basis of their specific focus.

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

- Real estate lending business and real estate management are shown in the Real Estate segment. The Helaba services for real estate customers are accordingly pooled in one segment. The range of products covers traditional real estate financing in Germany and abroad, residential participations, planning and support for own and third-party real estate as well as public-private partnership projects right through to facility management. The OFB Group as well as the GWH Group are included as sub-groups in this segment.
- The Corporate Finance segment comprises the corporate finance business line. Financing solutions tailored specifically to meet the needs of companies are pooled in this segment. These include structured finance, investment financing, asset-backed securities, leasing finance as well as structuring and sales of fund concepts. The HANNOVER LEASING Group is allocated as a subgroup to this segment.
- The Financial Markets segment brings together the results of the business units Capital Markets, Asset/Liability Management, Sales Public Authorities, Financial Institutions and Public Finance as well as various special purpose vehicles. The treasury as well as trade and sales activities of the Bank are pooled in this segment. The product portfolio contains traditional capital market products, financial instruments for managing interest rate risk, currency risk, credit risk and liquidity management as well as finance solutions tailored to meet the specific needs of financial institutions and the public sector.
- The equity participations Helaba Invest Kapitalanlagegesellschaft mbH, Helaba Trust Beratungs- und Management-Gesellschaft mbH, and LB(Swiss) Privatbank AG are pooled in the Asset Management segment. The product portfolio of this segment accordingly includes services relating to traditional asset services and management, the management of special and public funds for institutional investors and support for Master-KAG clients.
- The S-Group Bank and Landesbausparkasse Hessen-Thüringen are shown in the S-Group business segment. This segment deals primarily with providing support for the Sparkassen and their customers for whom products are developed and provided.
- The Public Development and Infrastructure Business segment comprises Wirtschafts- und Infrastrukturbank Hessen (WIBank). This segment thus comprises the results of Helaba's activities in connection with development measures in the fields of housing, promotion of economic development, town planning and urban development, infrastructure as well as the environment and agriculture.
- The Frankfurter Sparkasse segment shows the results of the credit institution of the same name as well as its subordinate companies included in the consolidated financial statements. The product portfolio comprises the traditional products of a retail bank in lending, funding and service business as well as the capital market products for equity investment, refinancing and liquidity management.

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

Net interest income in lending is calculated in internal controlling using the market interest method from the difference between the customer interest rate and the market interest rate for a structurally congruent alternative transaction. Maturity transformation results are shown as net interest income in asset/liability management in the Financial Markets segment.

The results of trading, derivatives not held for trading and financial instruments of the fair value option, hedges, financial investments as well as companies accounted for using the equity method are determined in accordance with external accounting under IFRS.

The directly attributable costs plus the corporate centre cost levy based on the principle of causation within the framework of internal netting in accordance with market-oriented price agreements and appropriate drivers are shown in administrative expenses.

On-balance-sheet assets are included under assets and on-balance-sheet liabilities including the equity of the relevant units in each case are shown under liabilities. The costs are allocated to the various segments on the basis of internal costing. The risk position comprises the risk position of the investment and trading book including the market price risk position in accordance with the German Solvency Regulation. Equity is distributed on the basis of risk positions and, for the real estate activities, in accordance with the on-balance-sheet assets.

The result after provisions for losses on loans and advances is expressed as a percentage of the allocated capital in order to enable the profitability ratio to be calculated. The cost-income ratio is calculated as the ratio between administrative expenses and income.

The "Other/reconciliation" column shows the contributions to earnings and expenses which cannot be attributed to the segments. In particular, this column includes the results from transactions business as well as the costs of the central units which cannot be allocated to the individual segments in line with the principle of causation. Moreover, the profit generated by centralised investment of own funds as well as strategic scheduling decisions are shown in this segment. The consolidation amounts between the segment data and the Group are also shown at this point.

Reconciliation effects between the segment results and the income statement relate mainly to the following items:

- (1) Net interest income: because internal costing shows net interest income on the basis of the market interest rate method, differences also result in the case of one-off income and interest results attributable to other periods.
- (2) Net commission income: reconciliation effects for commissions are essentially attributable to the different treatment of upfront fees in margin accounting and in the financial statements in accordance with IFRS and also to currency translation.
- (3) Other operating income and expenses/administrative expenses: major reconciliation items are attributable to differences between cost accounting and external accounting. This is applicable mainly for costs of buildings used by third parties and employee-related cost of materials.

## Notes to the Balance Sheet

### (15) Cash Reserve

in € m	30.6.2010	31.12.2009
Cash in hand	55	66
Cash at central banks	2,185	593
<b>Total</b>	<b>2,240</b>	<b>659</b>

### (16) Loans and Advances to Banks

in € m	30.6.2010	31.12.2009
Affiliated Sparkassen	6,846	6,866
Girozentralen	622	609
Banks	8,909	7,344
<b>Total</b>	<b>16,377</b>	<b>14,819</b>
Thereof:		
German credit institutions	11,593	10,822
International credit institutions	4,784	3,997

in € m	30.6.2010	31.12.2009
Receivables due daily	4,507	2,683
Other receivables	11,870	12,136
<b>Total</b>	<b>16,377</b>	<b>14,819</b>
Thereof:		
Overnight money and time deposits	784	985
Cash collateral received	3,968	2,466
Transmitted loans	4,084	3,914

**(17) Loans and Advances to Customers**

in € m	30.6.2010	31.12.2009
Corporate clients	69,375	67,448
Retail clients	6,117	6,228
Public sector	14,389	13,792
<b>Total</b>	<b>89,881</b>	<b>87,468</b>
Thereof:		
German clients	52,786	52,194
International clients	37,095	35,274

in € m	30.6.2010	31.12.2009
Receivables due daily	1,388	1,158
Other receivables	88,493	86,310
<b>Total</b>	<b>89,881</b>	<b>87,468</b>
Thereof:		
Commercial real estate loans	35,261	33,894
Private construction loans	3,517	3,590
Building loans of the Bausparkasse	1,191	1,246
Transmitted loans	3,012	3,107
Consumer loans	362	387
Borrowers' note loans	772	900
Financial assets from credit substitute transactions	1,639	1,845
Receivables from the financial leasing business	278	295
Receivables purchased prior to maturity	432	466

**(18) Provisions for Losses on Loans and Advances**

Provisions for losses on loans and advances are broken down as follows as of the balance sheet date:

in € m	30.6.2010	31.12.2009
<b>Allowances on loans and advances to banks</b>	<b>7</b>	<b>19</b>
Individual allowances	–	14
Global individual allowances	1	1
Portfolio allowances	6	4
<b>Allowances on loans and advances to customers</b>	<b>1,198</b>	<b>1,169</b>
Individual allowances	852	830
Global individual allowances	100	97
Portfolio allowances	246	242
<b>Provisions for risks attributable to lending</b>	<b>70</b>	<b>58</b>
<b>Total</b>	<b>1,275</b>	<b>1,246</b>

The impairments in relation to loans and advances are shown separately on the assets side of the balance sheet. Provisions for losses on loans and advances for off-balance-sheet business are recognised as a provision, and are explained under that item. Impairments in relation to loans and advances have developed as follows:

in € m	Individual allowances		Global individual allowances		Portfolio allowances		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>As at 1 Jan.</b>	<b>844</b>	<b>813</b>	<b>98</b>	<b>123</b>	<b>246</b>	<b>104</b>	<b>1,188</b>	<b>1,040</b>
Changes attributable to currency translation	14	-1	-	-	7	-1	21	-2
Consumption	-93	-154	-4	-11	-	-	-97	-165
Reversals	-48	-44	-	-5	-1	-4	-49	-53
Unwinding	-19	-14	-	-	-	-	-19	-14
Additions	154	167	7	-	-	56	161	223
<b>As at 30 June</b>	<b>852</b>	<b>767</b>	<b>101</b>	<b>107</b>	<b>252</b>	<b>155</b>	<b>1,205</b>	<b>1,029</b>

Impairments relating to loans and advances to customers are broken down according to customer groups as follows:

in € m	30.6.2010	31.12.2009
Financial companies	9	13
Property and housing	560	506
Energy and water supply	22	17
Manufacturing	147	162
Other services	257	243
Natural persons	128	137
Venture capital organisations	23	19
Other	52	72
<b>Total</b>	<b>1,198</b>	<b>1,169</b>

**(19) Assets Held for Trading**

in € m	30.6.2010	31.12.2009
<b>Bonds and other fixed-income securities</b>	<b>29,273</b>	<b>29,880</b>
Money market paper	857	1,023
of other issuers	857	1,023
Bonds	28,416	28,857
of public issuers	3,291	2,212
of other issuers	25,125	26,645
<b>Equities and other variable-income securities</b>	<b>159</b>	<b>222</b>
<b>Positive market values of derivative financial instruments</b>	<b>8,904</b>	<b>5,831</b>
Equity-related derivatives	47	19
Interest-related derivatives	6,915	4,893
Currency-related derivatives	1,848	804
Credit derivatives	93	114
Commodity-related derivatives	1	1
<b>Receivables held for trading</b>	<b>8,024</b>	<b>6,872</b>
<b>Total</b>	<b>46,360</b>	<b>42,805</b>

The financial instruments in the item “Assets held for trading” are exclusively allocated to the category aFV (sub-category HfT) and are measured at fair value. Receivables held for trading mainly comprise borrowers’ note loans, repo and money trading transactions.

**(20) Positive Market Values of Derivatives Not Held for Trading**

in € m	30.6.2010	31.12.2009
Hedging derivatives of hedge accounting	1,682	1,281
Other derivatives not held for trading	2,757	2,093
<b>Total</b>	<b>4,439</b>	<b>3,374</b>

The hedging derivatives of hedge accounting are used within the framework of hedges classified under IAS 39. As other derivatives not held for trading, this item comprises derivative financial instruments which are used within the framework of hedge management for financial hedging but for which fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39 (Economic Hedges).

**(21) Financial Assets**

in € m	30.6.2010	31.12.2009
<b>Bonds and other fixed-income securities</b>	<b>16,367</b>	<b>15,924</b>
of public issuers	3,159	2,640
of other issuers	13,208	13,284
<b>Equities and other variable-income securities</b>	<b>114</b>	<b>91</b>
Equities	26	23
Other variable-income securities	88	68
<b>Shares in non-consolidated affiliates</b>	<b>35</b>	<b>33</b>
Measured at fair value	26	24
Measured at cost	9	9
<b>Equity interests</b>	<b>734</b>	<b>685</b>
Measured at fair value	696	627
Measured at cost	38	58
<b>Total</b>	<b>17,250</b>	<b>16,733</b>

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

**(22) Shares in Companies Accounted for Using the Equity Method**

in € m	30.6.2010	31.12.2009
<b>Shares in joint ventures</b>	<b>24</b>	<b>24</b>
Other companies	24	24
<b>Shares in associates</b>	<b>40</b>	<b>44</b>
Other companies	40	44
<b>Total</b>	<b>64</b>	<b>68</b>

**(23) Investment Property**

in € m	30.6.2010	31.12.2009
<b>Rented property and buildings</b>	<b>2,484</b>	<b>2,493</b>
<b>Undeveloped land</b>	<b>55</b>	<b>55</b>
<b>Vacant buildings</b>	<b>3</b>	<b>4</b>
<b>Property and construction</b>	<b>38</b>	<b>30</b>
<b>Total</b>	<b>2,580</b>	<b>2,582</b>

Of the figures shown for investment property, € 1,763 m is attributable to residential property of the GWH Group, and € 705 m is attributable to property of the HANNOVER LEASING Group.

## (24) Property, Plant and Equipment

in € m	30.6.2010	31.12.2009
Owner-occupied property and buildings	287	288
Operating and business equipment	60	61
Leasing assets	409	401
Property under construction	6	5
Technical equipment, plant and machinery	45	–
<b>Total</b>	<b>807</b>	<b>755</b>

The amounts shown under technical equipment, plant and machinery are attributable to the initial consolidation of a solar fund (see Note (2)).

## (25) Intangible Assets

in € m	30.6.2010	31.12.2009
Goodwill	151	151
Purchased software	26	29
Other intangible assets	19	23
<b>Total</b>	<b>196</b>	<b>203</b>

The goodwill is mainly attributable to the acquisition of Frankfurter Sparkasse in 2005 and a foreign real estate project of the HANNOVER LEASING Group which has been consolidated since 2009.

## (26) Available-for-Sale Non-Current Assets and Disposal Groups

In line with the items of the balance sheet, the following main components are included in the combined statement on the assets side of the balance sheet:

in € m	30.6.2010	31.12.2009
Financial assets	–	1
Other assets	8	17
<b>Total</b>	<b>8</b>	<b>18</b>

**(27) Other Assets**

in € m	30.6.2010	31.12.2009
Property held in inventories	142	153
Completed properties	67	58
Property under construction	75	95
Advance payments made	151	118
Trade accounts receivable	85	102
Tax assets attributable to other taxes (excluding taxes on income)	16	12
Other assets	847	792
<b>Total</b>	<b>1,241</b>	<b>1,177</b>

**(28) Liabilities Due to Banks**

in € m	30.6.2010	31.12.2009
Affiliated Sparkassen	2,607	2,672
Girozentralen	3,526	3,884
Banks	27,711	26,658
<b>Total</b>	<b>33,844</b>	<b>33,214</b>
Thereof:		
German credit institutions	25,970	25,980
International credit institutions	7,874	7,234

in € m	30.6.2010	31.12.2009
Liabilities due daily	2,753	2,087
Liabilities with agreed term or period of notice	31,091	31,127
<b>Total</b>	<b>33,844</b>	<b>33,214</b>
Thereof:		
Borrowers' note loans accepted	11,858	12,506
Transmitted loans	7,325	7,240
Registered bonds issued	2,855	3,093
Overnight money and time deposits	3,786	3,650

**(29) Liabilities Due to Customers**

in € m	30.6.2010	31.12.2009
Corporate customers	23,600	23,802
Private customers	15,024	14,548
Public sector	3,212	3,541
<b>Total</b>	<b>41,836</b>	<b>41,891</b>
Thereof:		
German customers	37,904	37,783
International customers	3,932	4,108

in € m	30.6.2010	31.12.2009
Liabilities due daily	13,039	12,905
Liabilities with agreed term or period of notice	28,797	28,986
<b>Total</b>	<b>41,836</b>	<b>41,891</b>
Thereof:		
Customer deposits in current accounts	4,320	4,304
Overnight money and time deposits	13,834	14,081
Savings deposits	2,516	2,468
Building savings deposits	3,291	3,217
Registered bonds issued	9,856	9,905
Borrowers' note loans accepted	7,434	7,456

**(30) Securitised Liabilities**

in € m	30.6.2010	31.12.2009
Issued bonds	36,809	36,625
Mortgage Pfandbriefe	1,436	1,540
Public Pfandbriefe	7,567	5,955
Other bonds	27,806	29,130
Other securitised liabilities	3,259	1,880
<b>Total</b>	<b>40,068</b>	<b>38,505</b>

**(31) Liabilities Held for Trading**

in € m	30.6.2010	31.12.2009
<b>Negative market values of derivative financial instruments</b>	<b>9,242</b>	<b>6,422</b>
Equity-related derivatives	92	21
Interest-related derivatives	7,892	5,608
Currency-related derivatives	1,120	638
Credit derivatives	137	154
Commodity-related derivatives	1	1
Issued money market paper	11,838	9,938
<b>Liabilities held for trading</b>	<b>28,209</b>	<b>25,752</b>
<b>Total</b>	<b>49,289</b>	<b>42,112</b>

This item exclusively comprises financial instruments classified as aFV (sub-category HFT). The liabilities held for trading mainly comprise money trading and repo transactions. Repo transactions accounted for an increase of € 2,839 m in liabilities held for trading.

**(32) Negative Market Values of Derivatives not Held for Trading**

in € m	30.6.2010	31.12.2009
Hedging derivatives of hedge accounting	696	499
Other derivatives not held for trading	3,487	2,350
<b>Total</b>	<b>4,183</b>	<b>2,849</b>

The hedging derivatives of hedge accounting are used within the framework of hedges classified under IAS 39. As other derivatives not held for trading, this item comprises derivative financial instruments which are used within the framework of hedge management for financial hedging but for which fulfilment of the hedge accounting requirements is not documented in accordance with IAS 39 (Economic Hedges).

**(33) Provisions**

in € m	30.6.2010	31.12.2009
Provisions for pensions and similar obligations	928	789
Other provisions	281	309
Personnel provisions	84	104
Provisions for risks attributable to lending	70	58
Restructuring provisions	2	3
Other provisions	125	144
<b>Total</b>	<b>1,209</b>	<b>1,098</b>

A discount rate of 5.0 % has been used for calculating the pension provisions in Germany (31 December 2009: 6.0 %).

**(34) Other Liabilities**

in € m	30.6.2010	31.12.2009
Trade accounts payable	138	121
Liabilities due to employees	35	23
Advance payments received	259	246
Liabilities attributable to other taxes (excluding taxes on income)	58	57
Other liabilities	114	171
<b>Total</b>	<b>604</b>	<b>618</b>

**(35) Subordinated Capital**

in € m	30.6.2010	31.12.2009
Subordinated liabilities	2,591	2,569
Thereof: Pro-rata interest	48	12
Profit-sharing rights	836	852
Thereof: Pro-rata interest	23	41
Silent participations	1,097	1,104
Thereof: Pro-rata interest	18	50
<b>Total</b>	<b>4,524</b>	<b>4,525</b>
Thereof:		
Securitised subordinated capital	3,226	3,188

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

**(36) Equity**

in € m	30.6.2010	31.12.2009 <sup>1)</sup>
Subscribed capital	477	477
Silent participations	1,920	1,920
Additional paid-in capital	658	658
Retained earnings	2,049	2,058
Revaluation reserve	-111	-196
Currency translation reserve	5	-7
Cash flow hedge reserve	-14	-9
Minority interests in shareholders' equity	-6	-3
<b>Total</b>	<b>4,978</b>	<b>4,898</b>

<sup>1)</sup> Prior-year figures adjusted, see also Note (1).

The subscribed capital is the share capital paid in by the three owners in accordance with the articles of incorporation. The owners of Helaba are the Sparkassen- und Giroverband Hessen-Thüringen (85%), the Federal State of Hesse (10%) and the Free State of Thuringia (5%).

The silent participations shown under shareholders' equity satisfy the criteria of IAS 32 whereby there is no contractual obligation to provide liquid assets or other financial assets. Accordingly, the silent participations are serviced within the framework of the appropriation of profits.

The additional paid-in capital comprises the premiums attributable to the issuing of share capital to the owners.

The retained earnings comprise the retained profits of the parent company and of the consolidated subsidiaries as well as amounts from the amortised results of capital consolidation and other consolidation measures. In addition, retained earnings also include actuarial profits and losses attributable to defined benefit obligations which have to be shown directly in equity, with due consideration being given to the related deferred taxes.

The revaluation reserve contains the valuation effects of AfS financial instruments recognised in equity after deferred taxes. The profits or losses are only recognised in the income statement when the asset is sold or written off.

The cash flow hedge reserve contains the effective part of the hedge for the risk of fluctuations in the cash flows of consolidated real estate companies.

## Further Information Concerning Financial Instruments

### (37) Derivative Transactions

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

Derivatives can be concluded in the form of standard contracts on the stock exchange or they can be individually negotiated as OTC derivatives.

The nominal values reflect the gross volume of all purchases and sales. This figure is used as a reference for determining mutually agreed compensation payments; however the sums involved do not constitute receivables or liabilities that can be shown on the balance sheet.

The nominal and market values of derivative transactions as of the reference dates are shown in the following:

in € m	Nominal values		Positive market values		Negative market values	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
<b>Equity-/index-related transactions</b>	804	580	47	19	94	21
<b>OTC products</b>	242	197	18	8	9	12
Equity options	228	197	18	8	9	12
Purchased	128	93	17	8	–	–
Sold	100	104	1	–	9	12
Other transactions	14	–	–	–	–	–
<b>Listed products</b>	562	383	29	11	85	9
Equity/index futures	165	213	11	1	1	3
Equity/index options	397	170	18	10	84	6
<b>Interest-related transactions</b>	636,220	430,619	11,143	8,157	11,114	7,900
<b>OTC products</b>	484,634	376,356	11,130	8,134	11,097	7,889
Forward rate agreements	55,461	1,494	4	–	5	–
Interest swaps	384,769	337,338	10,402	7,708	10,124	7,296
Interest options	43,749	37,054	723	426	968	593
Purchased	19,368	16,698	713	417	–	1
Sold	24,381	20,356	10	9	968	592
Other interest contracts	655	470	1	–	–	–
<b>Listed products</b>	151,586	54,263	13	23	17	11
Interest futures	30,146	34,251	7	22	12	10
Interest options	121,440	20,012	6	1	5	1
<b>Currency-related transactions</b>	59,363	48,871	2,059	912	1,928	1,104
<b>OTC products</b>	59,363	48,871	2,059	912	1,928	1,104
Currency spot and future transactions	35,296	25,691	1,327	400	712	321
Cross-currency swaps	20,915	20,815	721	491	1,197	761
FX options	3,152	2,365	11	21	19	22
Purchased	1,584	1,179	11	21	–	–
Sold	1,568	1,186	–	–	19	22
<b>Credit derivatives</b>	14,247	20,517	93	116	288	245
<b>OTC products</b>	14,247	20,517	93	116	288	245
<b>Commodity-related transactions</b>	13	9	1	1	1	1
<b>OTC products</b>	13	9	1	1	1	1
Commodity swaps	13	9	1	1	1	1
<b>Total</b>	<b>710,647</b>	<b>500,596</b>	<b>13,343</b>	<b>9,205</b>	<b>13,425</b>	<b>9,271</b>

**Nominal values broken down according to remaining terms:**

in € m	Equity-/index-linked transactions		Interest-related transactions		Currency-related transactions	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Less than three months	262	239	241,111	115,086	27,377	17,394
More than three months and less than one year	230	141	143,597	75,439	10,862	11,387
More than one and less than five years	312	200	148,440	147,649	16,864	16,029
More than five years	–	–	103,072	92,445	4,260	4,061
<b>Total</b>	<b>804</b>	<b>580</b>	<b>636,220</b>	<b>430,619</b>	<b>59,363</b>	<b>48,871</b>

in € m	Credit derivatives		Commodity-related derivatives		Total	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Less than three months	694	386	1	1	269,445	133,106
More than three months and less than one year	1,422	1,841	5	3	156,116	88,811
More than one and less than five years	9,846	15,833	7	5	175,469	179,716
More than five years	2,285	2,457	–	–	109,617	98,963
<b>Total</b>	<b>14,247</b>	<b>20,517</b>	<b>13</b>	<b>9</b>	<b>710,647</b>	<b>500,596</b>

Derivative contracts have been taken out with the following counterparties.

in € m	Nominal values		Positive market values		Negative market values	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
OECD banks	474,662	373,979	9,528	7,041	11,615	8,153
Banks outside the OECD	100	300	–	–	–	–
Other counterparties (including stock exchanges)	221,329	117,582	3,083	1,804	1,501	968
Public authorities in the OECD	14,556	8,735	732	360	309	150
<b>Total</b>	<b>710,647</b>	<b>500,596</b>	<b>13,343</b>	<b>9,205</b>	<b>13,425</b>	<b>9,271</b>

### (38) Carrying Amounts and Results Broken Down According to Valuation Categories

The following table sets out the carrying amounts of assets and liabilities as of 30 June 2010 in accordance with the measurement categories of IAS 39. The figures shown on the balance sheet are also detailed.

in € m	LaR/OL	AfS	HfT	FVO	Total
<b>Assets</b>					
Cash reserve	2,240				2,240
Loans and advances to banks	16,254			123	16,377
Loans and advances to customers	89,668			213	89,881
Assets held for trading			46,360		46,360
Positive market values of derivatives not held for trading			4,439		4,439
Financial assets		14,681		2,569	17,250
<b>Total</b>	<b>108,162</b>	<b>14,681</b>	<b>50,799</b>	<b>2,905</b>	<b>176,547</b>
<b>Liabilities</b>					
Liabilities due to banks	33,531			313	33,844
Liabilities due to customers	40,142			1,694	41,836
Securitised liabilities	36,933			3,135	40,068
Liabilities held for trading			49,289		49,289
Negative market values of derivatives not held for trading			4,183		4,183
Subordinated capital	4,000			524	4,524
<b>Total</b>	<b>114,605</b>		<b>53,472</b>	<b>5,666</b>	<b>173,744</b>

The following amounts are applicable as of 31 December 2009:

in € m	LaR/OL	AfS	HfT	FVO	Total
<b>Assets</b>					
Cash reserve	659				659
Loans and advances to banks	14,675			144	14,819
Loans and advances to customers	87,257			211	87,468
Assets held for trading			42,805		42,805
Positive market values of derivatives not held for trading			3,374		3,374
Financial assets		14,135		2,598	16,733
<b>Total</b>	<b>102,591</b>	<b>14,135</b>	<b>46,179</b>	<b>2,953</b>	<b>165,858</b>
<b>Liabilities</b>					
Liabilities due to banks	32,943			271	33,214
Liabilities due to customers	40,197			1,694	41,891
Securitised liabilities	35,513			2,992	38,505
Liabilities held for trading			42,112		42,112
Negative market values of derivatives not held for trading			2,849		2,849
Subordinated capital	3,997			528	4,525
<b>Total</b>	<b>112,650</b>		<b>44,961</b>	<b>5,485</b>	<b>163,096</b>

The following table sets out the contributions to earnings from financial instruments for the period from 1 January to 30 June 2010 for each measurement category:

in € m	LaR	OL	AfS	HfT	FVO	Derivatives not held for trading	Total
Net interest income	1,800	-1,586	158		-64	199	507
Risk provisioning	-134						-134
Net trading income				33			33
Net income from financial investments			3				3
Result of derivatives not held for trading and financial instruments of fair value option					-48	-6	-54
Net income from hedge relationships	-47	-144				195	4
Results not shown in equity			120				120
<b>Total</b>	<b>1,619</b>	<b>-1,730</b>	<b>281</b>	<b>33</b>	<b>-112</b>	<b>388</b>	<b>479</b>

The following amounts were recognised during the prior-year period:

	LaR	OL	AfS	HfT	FVO	Derivatives not held for trading	Total
in € m							
Net interest income	2,220	-2,005	210		-46	125	504
Risk provisioning	-173						-173
Net trading income				120			120
Net income from financial investments			-17				-17
Result of derivatives not held for trading and financial instruments of fair value option					-21	64	43
Net income from hedge relationships	-75	-230				329	24
Results not shown in equity			-100				-100
<b>Total</b>	<b>1,972</b>	<b>-2,235</b>	<b>93</b>	<b>120</b>	<b>-67</b>	<b>518</b>	<b>401</b>

Net interest income as per the income statement includes interest from financial instruments as well as interest expenses attributable to pension obligations and other long-term provisions, expected income from plan assets and net interest income from finance leases.

### (39) Fair Values of Financial Assets

The following overview sets out a comparison of the fair values of financial assets and liabilities with their corresponding carrying amounts.

in € m	Fair Value		Carrying amount		Difference	
	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
<b>Assets</b>						
Cash reserve	2,240	659	2,240	659	–	–
Loans and advances to banks <sup>1)</sup>	17,092	15,089	16,370	14,800	722	289
Loans and advances to customers <sup>1)</sup>	93,831	90,550	88,683	86,299	5,148	4,251
Assets held for trading	46,360	42,805	46,360	42,805	–	–
Positive market values of derivatives not held for trading	4,439	3,374	4,439	3,374	–	–
Financial assets	17,250	16,733	17,250	16,733	–	–
<b>Total</b>	<b>181,212</b>	<b>169,210</b>	<b>175,342</b>	<b>164,670</b>	<b>5,870</b>	<b>4,540</b>
<b>Liabilities</b>						
Liabilities due to banks	34,999	34,012	33,844	33,214	1,155	798
Liabilities due to customers	43,564	43,236	41,836	41,891	1,728	1,345
Securitised liabilities	40,198	38,472	40,068	38,505	130	–33
Liabilities held for trading	49,289	42,112	49,289	42,112	–	–
Negative market values of derivatives not held for trading	4,183	2,849	4,183	2,849	–	–
Subordinated capital	4,456	4,425	4,524	4,525	–68	–100
<b>Total</b>	<b>176,689</b>	<b>165,106</b>	<b>173,744</b>	<b>163,096</b>	<b>2,945</b>	<b>2,010</b>

<sup>1)</sup> Net carrying amount after risk provisioning in lending business.

The market price as observable on an active market is the best indicator for the fair value of financial instruments. If no price is quoted on the closing date, the most recent available market price is used for measurement purposes and is modified to account for the effect of major changes in conditions (level 1).

If there is no market price for a financial instrument, fair value is measured on the basis of recognised, standard methods, whereby the input data used is based on market prices and taken from external sources (level 2).

In the event the input parameters used in the measurement are not directly observable on an active market, measurement is based on realistic assumptions relating to market circumstances. If no market prices are available for non-derivative financial instruments, arranger prices are used. The measurement of non-listed equity interests recognised at fair value is also based on input parameters which cannot be observed, particularly the results derived from corporate planning (level 3).

The breakdown of financial instruments measured at fair value according to the hierarchy of the input data on the assets side of the balance sheet as of 30 June 2010 is shown in the following:

in € m	Level 1	Level 2	Level 3	Total
<b>Non-derivative financial instruments</b>	<b>43,229</b>	<b>10,672</b>	<b>1,095</b>	<b>54,996</b>
Loans and advances to banks	–	123	–	123
Loans and advances to customers	–	213	–	213
Assets held for trading	28,087	9,342	28	37,457
Financial assets	15,142	994	1,067	17,203
<b>Derivatives</b>	<b>41</b>	<b>13,299</b>	<b>2</b>	<b>13,342</b>
Positive market values of the trading portfolio	41	8,860	2	8,903
Positive market values of derivatives not held for trading	–	4,439	–	4,439
<b>Total 30 June 2010</b>	<b>43,270</b>	<b>23,971</b>	<b>1,097</b>	<b>68,338</b>
<b>Total 31 Dec. 2009</b>	<b>35,479</b>	<b>25,595</b>	<b>2,126</b>	<b>63,200</b>

The breakdown on the liabilities side of the balance sheet is as follows:

in € m	Level 1	Level 2	Level 3	Total
<b>Non-derivative financial instruments</b>	<b>3,035</b>	<b>42,630</b>	<b>48</b>	<b>45,713</b>
Liabilities due to credit institutions	–	313	–	313
Liabilities due to customers	–	1,694	–	1,694
Securitised liabilities	–	3,087	48	3,135
Liabilities held for trading	3,035	37,012	–	40,047
Subordinated capital	–	524	–	524
<b>Derivatives</b>	<b>102</b>	<b>13,317</b>	<b>6</b>	<b>13,425</b>
Negative market values of the trading portfolio	97	9,143	2	9,242
Negative market values of derivatives not held for trading	5	4,174	4	4,183
<b>Total 30 June 2010</b>	<b>3,137</b>	<b>55,947</b>	<b>54</b>	<b>59,138</b>
<b>Total 31 Dec. 2009</b>	<b>2,306</b>	<b>48,088</b>	<b>52</b>	<b>50,446</b>

The asset holdings of non-derivative financial instruments in level 3 are broken down as follows:

in € m	30.6.2010	31.12.2009
<b>Bonds and other fixed-income securities</b>	<b>391</b>	<b>1,500</b>
Bonds	127	1,176
Debt instruments	22	69
Asset-backed securities	242	255
<b>Unlisted shares</b>	<b>671</b>	<b>592</b>
<b>Investment shares</b>	<b>33</b>	<b>32</b>
<b>Total</b>	<b>1,095</b>	<b>2,124</b>

Holdings of bonds and other fixed-income securities in level 3 are broken down over the various ratings as follows:

in € m	30.6.2010	31.12.2009
AAA	76	117
AA	101	45
A	58	1,128
BBB and below		45
No external rating		165
<b>Bonds and other fixed-income securities</b>	<b>391</b>	<b>1,500</b>

As a result of the financial market crisis, the Helaba Group analysed the securities, broken down according to sectors, in order to determine their liquidity on the markets. The decline in holdings shown under level 3 is due to the fact that active markets were identified again for the entire securities portfolio in 2010.

The following tables show the development in holdings of financial instruments which are measured at fair value and which are attributed to level 3 and also the valuation result of the financial instruments which were still held as of 30 June 2010.

Assets	Trading assets	Financial assets	Positive market values of the trading portfolio
in € m			
Carrying amount as of 31 Dec. 2009	921	1,203	2
Profits or losses recognised in the income statement			
Net trading income	-21		-
Result of derivatives and financial instruments of the fair-value option not held for trading		7	
Result of financial assets		4	
Profits or losses recognised directly in equity		38	
Additions	26	71	-
Disposals/liquidations	-22	-75	-
Changes from currency translation	7	24	-
Transfers from level 1 or level 2	-	40	-
Transfers to level 1 or level 2	-883	-245	-
<b>Carrying amount as of 30 June 2010</b>	<b>28</b>	<b>1,067</b>	<b>2</b>
Profits or losses attributable to financial assets recognised in the income statement	-1	2	-

Liabilities	Securitised liabilities	Negative market values of the trading portfolio	Negative market values of derivatives not held for trading
in € m			
Carrying amount as of 31 Dec. 2009	46	2	4
Profits/losses recognised in the income statement			
Result of derivatives and financial instruments of the fair-value option not held for trading	2		–
Carrying amount as of 30 June 2010	48	2	4
Profits/loss recognised of financial assets recognised in the income statement	–	–	–

#### (40) Reclassification of Financial Assets

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

The reclassification has also resulted in a change in the way in which the assets are shown on the balance sheet (reclassification). The following table shows the carrying amounts and the fair values of the reclassified assets.

	30.6.2010 Carrying amount	30.6.2010 Fair value	31.12.2009 Carrying amount	1.7.2008 Carrying amount
in € m				
Assets held for trading reclassified as loans and receivables	351	325	375	437
Financial assets reclassified as loans and advances to customers	1,288	1,152	1,470	1,722
<b>Total</b>	<b>1,639</b>	<b>1,477</b>	<b>1,845</b>	<b>2,159</b>

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

Had these reclassifications not been performed, this would have resulted in additional unrealised measurement gains of € 2 m (prior-year period: € –37 m) for assets held for trading and additional unrealised measurement gains of € 29 m (prior-year period: € –93 m) for financial assets in equity.

Reversals of impairments of € 3 m (prior-year period: € 2 m) recognised in relation to the reclassified financial assets were carried out.

#### (41) Disclosures in Relation to Issuing Activities

The following table provides an overview of the development of the Helaba Group's securitised funding during the period under review:

in € m	Issued money market paper for trading	Securitised liabilities	Securitised subordinated capital	Total
As at 1 Jan. 2010	9,938	38,505	3,188	51,631
Changes from currency translation	1,112	765	12	1,889
Additions from issues	21,789	13,612	2	35,403
Disposals from repayment	-20,716	-12,095	-60	-32,871
Disposals from repurchases	-291	-700	-2	-993
Changes in deferred interest	8	-85	11	-66
Changes in value recognised in the income statement	-2	66	75	139
As at 30 June 2010	11,838	40,068	3,226	55,132

The Helaba Group places short-term money market papers as well as long-term bonds and subordinated funds on the money and capital market as part of its issuing activities.

Additions from issues and disposals from repayment also comprise the placement volume of short-term money market papers that could be repaid as early as by the end of the financial year. The changes in value recognised in the income statement result from measurement effects from financial liabilities held as at the balance sheet date which were subjected to hedge accounting as hedged underlyings or allocated to fair value option.

## Off-Balance-Sheet Business

### (42) Off-Balance-Sheet Obligations

in € m	30.6.2010	31.12.2009
<b>Contingent liabilities</b>	<b>5,752</b>	<b>5,755</b>
Liabilities arising from guarantees and warranty obligations	5,738	5,741
Margin call obligations	14	14
<b>Other obligations</b>	<b>22,638</b>	<b>22,173</b>
Placing and acceptance obligations	3,173	3,023
Irrevocable commitments	19,455	19,141
Guarantees, risk acceptance obligations and other risks	10	9
<b>Total</b>	<b>28,390</b>	<b>27,928</b>

### (43) Trust Business

in € m	30.6.2010	31.12.2009
<b>Trust assets</b>	<b>3,157</b>	<b>3,249</b>
Loans and advances to banks	345	429
Loans and advances to customers	664	696
Equity interests	1,933	2,114
Other assets	215	10
<b>Trust liabilities</b>	<b>3,157</b>	<b>3,249</b>
Liabilities due to banks	10	11
Liabilities due to customers	2,894	3,192
Other liabilities	253	46

## Other Disclosures

### (44) Information Concerning Equity Management and Regulatory Ratios

Equity management at the Helaba Group comprises the planning of regulatory own funds as part of the planning process, the allocation of own funds, monitoring of the development of risk positions and compliance with capital limits, monitoring and determining the plausibility of the remaining capital cushion as well as the recognition of a theoretical cost of capital rate as part of the direct costing method. The aim of equity management is to allocate shareholders' equity 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 backing.

The regulatory own funds of the Helaba Group are determined in accordance with sections 10 and 10a KWG. Accordingly, the Helaba Group must maintain adequate own funds in order to comply with its obligations to its creditors.

The German Solvency Regulation requires institutions to quantify their counterparty default risks, their market risks and the operational risk and to back these risks with own funds.

In accordance with the Solvency Regulation, the regulatory own funds of the Helaba Group consist of core capital, supplementary capital and Tier 3 funds, and are broken down as follows as of the reporting deadline 30 June 2010:

in € m	30.6.2010	31.12.2009
Share capital	477	477
Asset contributions of silent shareholders	2,973	2,973
Open reserves and consolidation effects	1,843	1,810
Special item for general banking risks under section 340g HGB	428	427
Deductions in accordance with section 10 (2a) sentence 2 KWG	-55	-57
<b>Core capital</b>	<b>5,666</b>	<b>5,630</b>
Profit-sharing right liabilities	729	749
Longer-term subordinate liabilities	2,323	2,373
Other components and consolidation effects	-39	-55
<b>Supplementary capital</b>	<b>3,013</b>	<b>3,067</b>
Deductions in accordance with section 10 (6 and 6a) KWG	-292	-427
<b>Liable equity capital</b>	<b>8,387</b>	<b>8,270</b>
Utilised, available Tier 3 funds	-	-
<b>Total own funds</b>	<b>8,387</b>	<b>8,270</b>

The following capital requirements and ratios are applicable as of the closing date:

in € m	30.6.2010	31.12.2009
<b>Capital requirements</b>		
Counterparty default risks	4,478	4,196
Market risks	476	506
Operational risks	245	203
<b>Total</b>	<b>5,199</b>	<b>4,905</b>
Core capital ratio	8.5 %	8.8 %
Total ratio	12.9 %	13.5 %

Core and equity ratios meet the target ratios formulated by Helaba as part of equity planning. The regulatory capital backing requirements are met.

#### (45) Transactions with Related Parties

In the course of the ordinary business operations of the Helaba Group, transactions with parties deemed to be related in accordance with IAS 24 have been conducted on an arm's length basis. The following information relates to the transactions with the non-consolidated affiliated companies, with associates and equity participations in joint ventures of the Helaba Group, the Sparkassen- und Giroverband Hessen-Thüringen and the Federal State of Hesse and the Free State of Thuringia as the shareholders as well as the subsidiaries of the Sparkassen- und Giroverband Hessen-Thüringen. The information relating to the persons in key positions of the Helaba Group and the Sparkassen- und Giroverband Hessen-Thüringen defined in accordance with IAS 24, including their close family relations as well as companies controlled by these persons, is also included in the following.

The following receivables and liabilities as well as off-balance-sheet obligations of the Helaba Group existed with regard to related parties as of 30 June 2010:

in € m	30.6.2010	31.12.2009
<b>Loans and advances to banks</b>	<b>289</b>	<b>121</b>
Equity interests in joint ventures and associated companies	5	5
Shareholders of Helaba	284	116
<b>Loans and advances to customers</b>	<b>1,394</b>	<b>1,801</b>
Non-consolidated subsidiaries	127	251
Equity interests in joint ventures and associated companies	364	564
Shareholders of Helaba	823	911
Other related parties	80	75
<b>Assets held for trading</b>	<b>79</b>	<b>278</b>
Non-consolidated subsidiaries	–	12
Equity interests in joint ventures and associated companies	1	3
Shareholders of Helaba	78	263
<b>Other assets</b>	<b>1</b>	<b>5</b>
Non-consolidated subsidiaries	–	1
Equity interests in joint ventures and associated companies	1	2
Shareholders of Helaba	–	2
<b>Liabilities due to banks</b>	<b>41</b>	<b>219</b>
Equity interests in joint ventures and associated companies	6	219
Shareholders of Helaba	35	–
<b>Liabilities due to customers</b>	<b>87</b>	<b>99</b>
Non-consolidated subsidiaries	9	7
Equity interests in joint ventures and associated companies	14	37
Shareholders of Helaba	46	41
Other related parties	18	14
<b>Liabilities held for trading</b>	<b>99</b>	<b>175</b>
Non-consolidated subsidiaries	10	12
Equity interests in joint ventures and associated companies	10	2
Shareholders of Helaba	79	161
<b>Other liabilities</b>	<b>1</b>	<b>10</b>
Equity interests in joint ventures and associated companies	1	1
Shareholders of Helaba	–	9
<b>Contingent liabilities</b>	<b>544</b>	<b>531</b>
Non-consolidated subsidiaries	6	79
Equity interests in joint ventures and associated companies	243	208
Shareholders of Helaba	117	58
Other related parties	178	186

There are no impairments for capitalised receivables due from related parties. As was the case in 2009, no loans were derecognised, nor were there any waivers of loans, in 2010.

The transactions with related parties which are not shown as receivables, deposits or liabilities mainly comprise purchases and sales of securities and investment fund units as well as the business of placing closed-end funds operated by a subsidiary. The resultant income and expenses are only of minor significance (in total: less than € 1 m).

**(46) Members of the Board of Managing Directors**

**Hans-Dieter Brenner**  
Chairman

**Johann Berger**  
Vice-Chairman

**Klaus-Dieter Gröb**

**Dr. Detlef Hosemann**

**Rainer Krick**

**Gerrit Raupach**

**Dr. Norbert Schraad**

## Declaration of the Statutory Representatives

“We declare that, to the best of our knowledge, the consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the applicable accounting principles for interim reporting, and that the Group management report presents the development of business including the business result and the position of the Group in such a way that a picture corresponding to the actual circumstances is provided, and that the major opportunities and risks of the probable development of the Group in the remainder of the financial year are described.”

Frankfurt am Main/Erfurt, 20 August 2010

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

The Board of Managing Directors

Brenner	Berger	Gröb
Dr. Hosemann	Krick	Raupach
Dr. Schraad		

## Copy of the Auditors' Report

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

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and the statement of comprehensive income, the condensed cash flow statement, statement of changes in equity and selected explanatory notes – and the interim Group management report of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main/Erfurt for the period from 1 January to 30 June 2010, which are part of the half-year financial report pursuant to § 37w German Securities Trading Act (Wertpapierhandelsgesetz, “WpHG”). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting, as adopted by the EU, and of the interim Group management report in accordance with the provisions of the WpHG applicable to interim Group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance 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 so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting, as adopted by the EU, and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting, as adopted by the EU, nor that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim Group management reports.

Frankfurt am Main, 20 August 2010

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Markus Burghardt	Wolfgang Weigel
Wirtschaftsprüfer	Wirtschaftsprüfer

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## Principal Group companies

## The Helaba Group

Wholesale Business

Private Customers and  
SME BusinessPublic Development and  
Infrastructure Business













Dublin · Erfurt · Frankfurt · Kassel · London · Madrid



Moscow · New York · Paris · Shanghai · Zurich





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